

The Auditor-General
Audit Report No.39 2002-03
Performance Audit

Navy Operational Readiness

Department of Defence

© Commonwealth
of Australia 2003

ISSN 1036-7632

ISBN 0 642 80699 3

COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth, available from AusInfo. Requests and inquiries concerning reproduction and rights should be addressed to:

The Manager,
Legislative Services,
AusInfo
GPO Box 1920
Canberra ACT 2601

or by email:
Cwealthcopyright@finance.gov.au

Photographs supplied by courtesy of
Department of Defence.



Canberra ACT
17 April 2003

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Defence in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Navy Operational Readiness*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

Auditor-General reports are available from Government Info Shops. Recent titles are shown at the back of this report.

For further information contact:
The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

Audit Team
Peter Robinson
Greg Adnams

Contents

Abbreviations	7
Summary and Recommendations	9
Summary	11
Background	11
Overall conclusion	12
Key Findings	15
Navy Readiness Management Framework (Chapter 2)	15
Major Components of Navy Operational Readiness (Chapter 3)	16
Readiness Support from Defence Enabling Organisations and Systems (Chapter 4)	16
Readiness Performance Information and Management (Chapter 5)	17
Recommendations	19
Audit Findings and Conclusions	21
1. Introduction	23
Australian Defence Force preparedness methodology	23
Managing Australian Defence Force preparedness	26
Navy in the Defence readiness management framework	31
The audit	33
2. Navy Readiness Management Framework	37
Readiness management organisational arrangements	37
Operations management: generating and delivering readiness	44
Navy internal coordination and governance systems	52
3. Major Components of Navy Operational Readiness	61
Introduction	61
Operational workup of Navy platforms	62
Australian Fleet Sea Training Group	74
4. Readiness Support from Defence Enabling Organisations and Systems	87
Introduction	87
Defence enabling organisations	88
Customer supplier agreements and service level agreements	91
Dependence of Navy readiness management on full control of enabler inputs	95
5. Readiness Performance Information and Management	99
Introduction	99
Readiness information collection in the Navy	100
Directed Level of Capability information and assessment	105
Navy reporting within the ADF system	115
Coordination of Navy readiness management and reporting	117
The public reporting of Navy readiness	122

Appendices	125
Appendix 1: Managing Defence preparedness	127
Appendix 2: Previous performance audits in Defence	134
Index	136
Series Titles	139
Better Practice Guides	142

Abbreviations

ADF	Australian Defence Force
AFTP	Australian Fleet Training Publication
AMS	Australian Military Strategy
ANAO	Australian National Audit Office
ASTOPR	Australian Theatre Operational Preparedness Requirement
AUSFLTSTG	Australian Fleet Sea Training Group
BPR	Billet Pre-Requisite
CDF	Chief of the Defence Force
CN	Chief of Navy
CNCD	Chief of Navy Capability Directive
CNSAC	Chief of Navy Senior Advisory Committee
COMAST	Commander Australian Theatre
COMFLOT	Commodore Flotillas
CPD	Chief of the Defence Force Preparedness Directive
DCN	Deputy Chief of Navy
DLOC	Directed Level of Capability
DMO	Defence Materiel Organisation
FAS	Fleet Activity Schedule
FE	Force Element
FEG	Force Element Group
MC	Maritime Commander
MHQ	Maritime Headquarters
MLOC	Minimum Level of Capability
MONICAR	Management of Naval Integrated Capability Assessment Reports
MRO	Military Response Option
NCMC	Navy Capability Management Committee
NHQ	Navy Headquarters
OLOC	Operational Level of Capability

OOPR	On-Occurrence Preparedness Reports
OPA	Organisational Performance Agreement
OPO	Operational Preparedness Objective
ORE	Operational Readiness Evaluation
PLOC	Present Level of Capability
PRSA	Post Refit Safety Assessment
PWT	Pre Workup Training
SPO	Systems Program Office
STU	Sea Training Unit
SYSCOM	Systems Command

Summary and Recommendations

Summary

Background

1. The Chief of Navy (CN), among other duties, is responsible for delivering naval capability. The Navy's organisation structure is designed to support CN in this task. A directive process operating within that structure executes the responsibility. Navy's military capability is grouped into seven Force Element Groups (FEG): Major Surface Combatants; Submarines; Naval Aviation; Patrol Boats; Mine Warfare and Clearance Diving; Amphibious and Afloat Support; and Hydrographic. The CN negotiates Directed Level of Capability (DLOC) agreements with the FEG commanders to deliver that capability.
2. The objective of the audit was to provide assurance to Parliament concerning the progress that Navy has made in the development of operational readiness management and evaluation systems and to identify areas for improvement in these systems.
3. In the Defence context, readiness denotes that part of military capability which, when considered with sustainability of the force in question, creates the preparedness of the force. Readiness is the ability to prepare a capability for operations within a designated time. Readiness is accordingly a key determinant of the military capability that can be delivered by the Australian Defence Force (ADF). How effectively it is achieved, significantly affects the ADF's ability to undertake the defence of Australia and other government directions.
4. The audit examined the systems that Navy uses to manage readiness and included coverage of Navy: readiness organisation and management structures (as well as the interface between these systems and Defence enabling organisations); management and maintenance of operational readiness (covering personnel, collective training and other components of operational readiness); and readiness performance information processes. The audit focused on the specific and detailed components of the Navy's approach to managing readiness, that is, those aspects relating to operational, short time-frame issues of management rather than the longer time-frame aspects inherent in the capability acquisition program or in issues such as sustaining operations over long periods of force deployment. In examining the relevant systems, it did not purport to identify readiness problems in specific Navy human and materiel resources.
5. Because of the highly capital-intensive nature and complex character of the Navy's operations, Navy employs long-range planning methodologies for delivering the readiness of its assets, including the operation of the Fleet Activity Schedule. It has traditionally oriented its preparedness planning around the

concepts of 'task' and 'contingency' readiness. Task readiness is the readiness of the fleet to fulfil routine planned operations, exercises, deployments and activities whereas contingency readiness, by contrast, is readiness for unpredictable missions. Contingency readiness is the entry point for the development of preparedness innovations that have been introduced by Defence over the last few years. Defence has invested considerable effort to develop its doctrine and methodologies to better manage ADF preparedness.

6. A readiness management framework which meets contemporary needs will address the three dimensions of 'readiness for what', 'readiness for when' and 'readiness of what'. It will thus encompass both task and contingency elements. In turn, these influence major areas of Navy preparedness management. Structural changes following the Defence Reform Program, implemented from 1997, have underlined the importance of ensuring that preparedness approaches employed in Navy are aligned with the requirements imposed by the roles and responsibilities of the different Defence organisational elements that, together, deliver military capability.

Overall conclusion

7. The Navy's management of its operational readiness seeks to integrate long-established mechanisms and processes for the commissioning, crew training and maintenance of its ships, submarines and aircraft with wider Defence systems to plan, administer, cost and report the ADF's preparedness for military operations.

8. Although the systems which Navy is using to achieve operational readiness of its assets are generally sound, and effective reforms and technology have been introduced in some areas to control sea training and equipment condition, their impact is uneven. As well, movement towards a whole-of-Navy approach to sea training has been delayed by the heightened operational tempo in which Navy assets have been engaged in recent years. Navy has not fully introduced readiness proficiency measures arising from ADF-wide preparedness reforms.

9. The FEGs and Maritime Headquarters (MHQ) are the two major organisational elements that have responsibility for generating and delivering Navy operational readiness. Their roles and activities need to be more fully clarified and delineated as each have parallel and, to some extent, overlapping responsibilities in the Navy's 'dual directive' readiness tasking system by Deputy Chief of Navy and Maritime Commander (MC). Inputs from MHQ into the Defence-wide readiness monitoring system could be enhanced. The FEGs carry significant responsibilities in balancing current and future capability and

maintaining core war-fighting skills. Their limited authority and low level of resourcing as managers of Navy's sub-outputs are disproportionate to their levels of responsibility.

10. Significant differences are built into the current Defence organisation between the responsibilities of CN (as Navy capability manager) and those of the MC (as part of the integrated operational command of the ADF under the Commander Australian Theatre). The potential divergence between the CN's role in managing Navy readiness and MC's role in using Navy assets in operations needs to be subject to finely tuned and closely coordinated directive, command and reporting arrangements. Although the basic structure is sound, improvements could be made in the way the Navy shapes its efforts to maximise task readiness of assets (predominantly the role of MC) and its requirements to be responsive to contingency readiness management across the ADF.

11. The Navy Capability Management Committee (NCCMC), located in Navy Headquarters, is the principal coordinating mechanism employed in Navy to bring together the various groups in Defence that assist in the delivery of Navy capability. Navy could increase the contribution that the NCCMC makes to the monitoring of readiness management activities, and the rationalisation and control of inputs to readiness from outside Navy. A reinvigorated NCCMC forum would position itself to address priority preparedness management issues for the Navy already identified by the FEG commanders and by other Navy forums, for which there is no alternative governance mechanism at this level.

12. Defence utilises a customer/supplier construct to assist in the generation and maintenance of capability. In Navy, the FEGs function as the customers in this relationship. Enabling organisations, such as the Defence Materiel Organisation (DMO), play the role of suppliers. The Defence-wide system envisages the establishment of high-level customer/supplier agreements (CSAs) as well as service level agreements (SLAs) to ensure that strategic and operational issues are defined and to establish an adequate performance management framework. The higher-level agreements relevant to the Navy have not been negotiated, with the result that the full system is not in place and these arrangements do not adequately address the complex demands of the supply system. Numerous cross-FEG issues also need to be addressed if the formal customer/supplier agreements are to work properly. Moreover, the effectiveness of the customer/supplier system depends on transparency with regard to resource costs. As costing tools have not yet been developed, FEGs and other decision-making bodies in the Navy do not have full visibility of input costs from across the Defence organisation. Development of costing tools is an ongoing whole-of-Defence project.

13. Performance management reporting for Navy operational readiness is well developed. However, links to the wider Defence reporting framework require improvement. The full potential of the information available, including that for public reporting, has not yet been fully exploited. A major task, still to be addressed adequately by Navy, is the finalisation of targeted and detailed preparedness costing tools.

14. The management of Navy operational readiness takes place within a broader preparedness management construct. The audit found that Navy has undertaken a range of steps to improve its readiness management framework. Nevertheless there is scope to refine the arrangements employed in readiness management so as to optimise their effectiveness in relation to Navy specific purposes as well as for ADF-wide preparedness management.

15. Defence acknowledged that the report identifies a number of areas where improvements may be made and agreed to all six recommendations.

Key Findings

Navy Readiness Management Framework (Chapter 2)

16. The Navy utilises a dual chain of command from the Deputy Chief of Navy (DCN) and the MC to delineate responsibilities for the delivery of capability by the FEG commanders. The two chains of command are both formal and substantive. In formal terms, they are expressed in two separate directives issued by both DCN and MC to each FEG commander, each imposing formal monitoring and reporting requirements on the FEG commanders.

17. The Navy FEGs are, in principle, highly flexible and worthwhile mechanisms for coordination of capability and readiness. However, they have insufficiently clear accountability and insufficient seniority in the Navy command system to perform their role effectively. The present tasking arrangements suggest an accountability for the FEGs which does not correspond to their actual level of authority. Their responsibility levels for achieving Navy operational readiness are not aligned with the allocation of financial controls in the Navy organisation. The ANAO considers that the FEG construct should be revisited and was advised by Navy that this is being done.

18. The respective roles of Maritime Command and the FEGs in the delivery of Navy operational readiness are also unclear and require more precise definition. These roles could be clarified by specifying the detail of the business processes that they each respectively contribute to Navy operational readiness, including how they interact.

19. Operating principles in the NCMC's charter suggest that the Committee is intended to function as a driving force in the governance of capability and preparedness issues. NCMC's foundation purposes have not been achieved, however, largely because of the modus operandi adopted by the Committee. The NCMC has operated more as a transaction facilitator or information-brokering forum. It appears to have had difficulty in developing its strategic function in integrating the various capability and preparedness management challenges that have faced the Navy over the two years of operation of the FEG construct. The ANAO considers that the NCMC business processes should be further developed and that the committee should play a more active role in the strategic and operational dimensions of the management of Navy operational readiness.

Major Components of Navy Operational Readiness (Chapter 3)

20. The Navy's sea training and evaluation processes are effective in incrementally building on the skills developed from the basic, through to the more complex, collective training activities. The ANAO considers that the framework in place to manage the Navy's operational 'workup' of platforms is fundamentally sound.

21. In 2001, Navy initiated the development of its nationwide integrated sea training group to address a range of identified issues. The direction being taken by Navy aligns with the underlying reform and development programs for sea training that are being implemented in both the United States Navy and the British Royal Navy.

22. The ANAO notes that the integration of the sea training units is a sound direction for Navy to take. The integration project could be further refined and its principles used as the basis for future planning and development initiatives. Different sea training units are developing a range of better practice initiatives. As part of the continued implementation of an integrated sea training group, the ANAO considers that Australian Fleet Sea Training Group (AUSFLTSTG) should encourage improved communication and promulgation of better practice and processes between the units. This could be enhanced by a more precise definition of functional relationships in AUSFLTSTG and would provide the MC with a more efficient and effective AUSFLTSTG.

23. Navy should review the standards set for collective training so that they are aligned with strategic guidance. The ANAO noted that the Fleet Training Liaison Agency has made useful contributions to the evaluation of AUSFLTSTG's performance and considers that this role could be developed for application across all sea training units and utilised more systematically for greater effectiveness.

Readiness Support from Defence Enabling Organisations and Systems (Chapter 4)

24. The formal means chosen to implement the customer/supplier relationship between Navy and Defence enabling organisations in the FEG-based preparedness paradigm is the establishment of high-level customer/supplier agreements (CSAs) between capability managers and the senior executives in the enabling organisations. The CSAs are to be underpinned at lower levels by Service Level Agreements (SLAs) between Navy user groups and specialist areas of DMO.

25. CSAs and SLAs are a crucial management tool. In the customer/supplier model adopted in Defence, they should include significant financial management and control functions. If well-designed, they will permit the relevant output executive to make decisions among competing priorities on the basis of relevant and accurate costing data.

26. The current system of SLAs has a number of apparent weaknesses. These include the lack of any financial resources provisions in the agreements; the absence of financial transparency to the managers of capability for the services they acquire under them; the inability of DMO's System Program Offices (SPO) fully to reflect and respond to all FEG and Force Element needs of service delivery; and insufficient recognition in the FEG/DMO SLA of the complexity of lines of service and logistic supply arrangements. In the absence of clear financial provisions in the agreements, output executives have no choice but to accept attributed and imprecise costing for the inputs they require. The financial dimensions of CSAs and SLAs comprise a major prospective business re-engineering task for the Defence organisation.

27. Outcomes for Navy operational readiness resulting particularly from financial information deficiencies in the SLAs include:

- the need for FEGs to make arbitrary resourcing decisions on the trade-off between operational deployment of platforms and ongoing proficiency maintenance in core warfighting skills;
- difficulties in fine tuning the balance between meeting the upkeep/maintenance cycle and the additional costs associated with equipment degradation due to operational deployment; and
- the need to make formula based decisions on the application of budgeted resource cuts.

28. The ANAO considers that, with the level of central tasking predicated in the FEG directives, more coordinated attention should be given to developing the SLA framework so that central Navy monitoring and control over all relevant processes is heightened and that reporting to CN on achievements and problems is holistic.

Readiness Performance Information and Management (Chapter 5)

29. Navy-specific preparedness management arrangements operate in conjunction with ADF-wide arrangements. The effectiveness of Navy-specific arrangements depends to some extent on the way Navy coordinates these different preparedness management responsibilities. Without such alignment,

the operation of two separate (if overlapping) systems raises questions of efficiency and consistency in planning and management of readiness matters. At a minimum it would appear that such an operation risks unclear signals being transmitted to organisations and personnel involved in readiness management in Navy. But it also raises the possibility that actual issues in the management of capability and Navy readiness in the context of the current higher operational tempo are not being brought into higher level decision-making in the Navy, or in the ADF, as effectively as they could be.

30. Navy's readiness management arrangements require it to respond to Defence-wide enhancements being implemented in preparedness methodologies and management, as well as to deal with the practical problems facing fleet operations. Within these readiness management systems, the ANAO identified scope for the Navy to:

- communicate more clearly the purposes of readiness reporting in the Navy framework;
- specify better the readiness control and monitoring functions of the subordinate Navy organisations as between Maritime Command, the FEGs and Navy Headquarters (NHQ); and
- extend the use of readiness information in Navy's own corporate decision-making processes, including Navy readiness performance management, by building on the broad congruence of readiness information reporting and management between Navy and Defence-wide arrangements.

31. The ANAO notes that Defence has made significant progress in settling a public reporting format for preparedness and readiness. The material presented on the Navy output in the most recent Defence annual report appears to provide soundly-based, if limited, information on Navy overall readiness. After considerable investment in data collection and assessment systems, Navy now possesses a considerable quantity of readiness performance information. It would enhance Navy's accountability arrangements if as much of this data, as is consistent with national security requirements, is made available to the Parliament and the public. As readiness management in the Navy is concerned with both short and medium term time horizons, and is the subject of a close and considered improvement focus in Navy, the quality of Navy's performance in this field could be improved if Navy provided information on readiness status achieved over several years.

Recommendations

Set out below are the ANAO's recommendations, with report paragraph references and an indication of the Defence response. The ANAO considers that priority should be given to Recommendation nos. 1, 2, and 3.

Recommendation No.1
Para. 2.33

The ANAO recommends that Navy clarify the roles and responsibilities of the Force Element Groups in its readiness construct by:

- a) precisely defining their responsibilities and lines of accountability in Force Element Group directives and other documentation, such as the Chief of Navy Capability Directive and Directed Level of Capability agreements; and
- b) ensuring their roles are consistent with their level of financial authority.

Defence response: This recommendation is agreed.

Recommendation No.2
Para. 2.44

The ANAO recommends that Navy clarify the roles of Maritime Command and each of the Force Element Groups by specifying the detail of the business processes that they each respectively contribute to Navy operational readiness, including how they interact with each other.

Defence response: This recommendation is agreed.

Recommendation No.3
Para. 2.70

The ANAO recommends that Navy enhance its governance of operational readiness by having the Navy Capability Management Committee play a more active strategic role, particularly by:

- a) overseeing the roles and relationships of Maritime Command and the Force Element Groups in delivering operational readiness and developing business processes (as proposed in Recommendation No.2);
- b) facilitating and verifying the integration of mechanisms for delivery of support services to the Force Element Groups and Maritime Command, from Navy Systems Command and the Defence Materiel Organisation; and
- c) facilitating and verifying the alignment of planning and resourcing of Navy operational readiness between the

requirements of the Directed Level Of Capability process and the task readiness directed by Maritime Command.

Defence response: This recommendation is agreed.

**Recommendation
No.4
Para. 3.88**

The ANAO recommends that, in order to achieve a more coordinated and aligned training and evaluation program for the workup of Navy platforms, Maritime Command:

- a) continue to refine and develop the sea training group integration process, including defining more precisely AUSFLTSTG units' functional relationships and lines of communication, so as to pursue improvement initiatives on a national basis, and identify and implement areas of better practice;
- b) ensure that documentation and standards utilised by AUSFLTSTG are reviewed and updated to ensure appropriate links to strategic-level guidance; and
- c) enhance evaluation of AUSFLTSTG training programs by utilising the Fleet Training Liaison Agency's review role more systematically.

Defence response: This recommendation is agreed.

**Recommendation
No.5
Para. 4.42**

The ANAO recommends that Navy, in implementing Defence's customer/supplier model linking its output with the activities of the enabling executives, establish suitable customer/supplier agreements at appropriate levels, while ensuring that all areas of the Defence Materiel Organisation's support role for Navy operational readiness are included in suitable form.

Defence response: This recommendation is agreed.

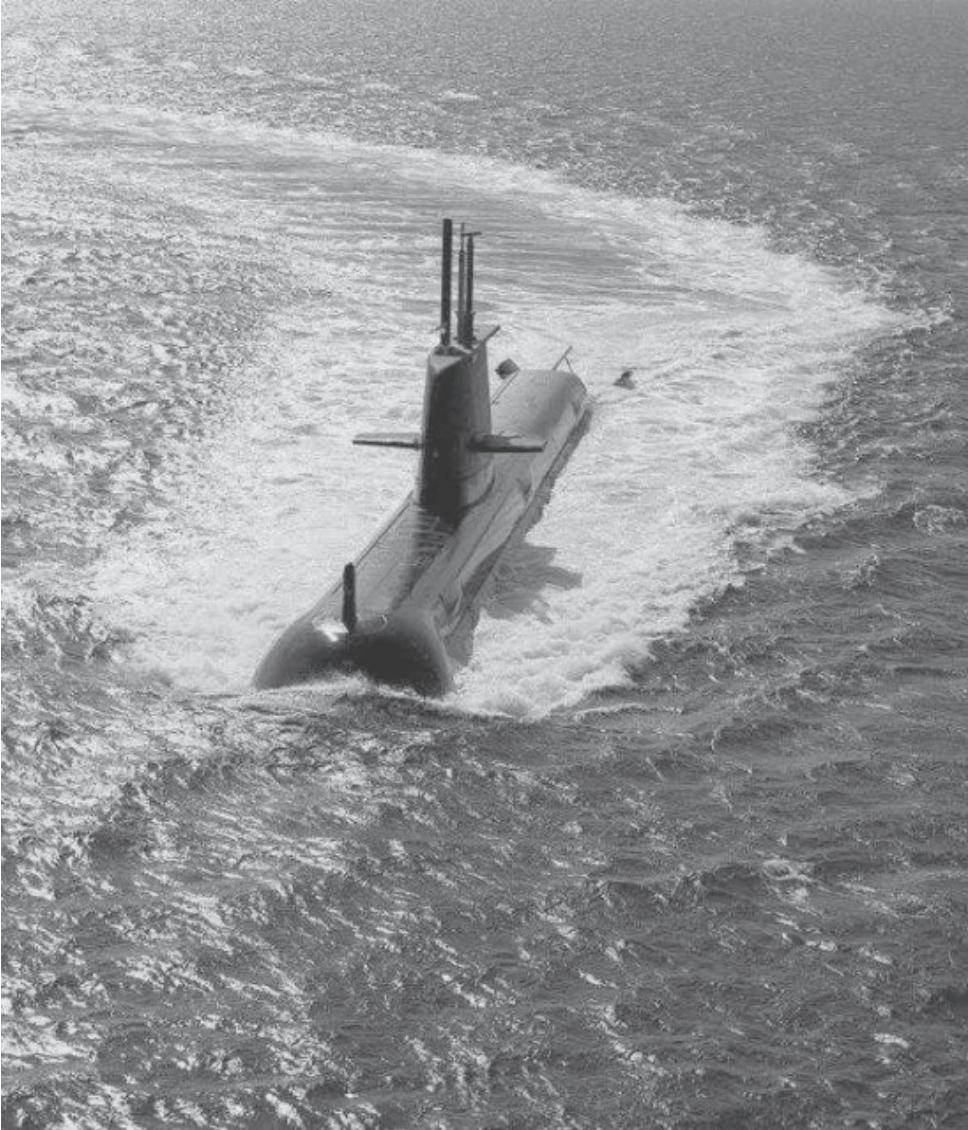
**Recommendation
No.6
Para. 5.85**

The ANAO recommends that, to clarify the purposes of its readiness reporting methodologies and framework, and facilitate their use in Navy corporate decision-making, Navy:

- a) clearly specify the readiness control and monitoring functions of the subordinate Navy organisations; and
- b) develop procedures systematically to utilise all readiness performance information available.

Defence response: This recommendation is agreed.

Audit Findings and Conclusions



HMAS Collins

1. Introduction

This chapter provides a background to Navy operational readiness management practices and examines the place of Navy readiness management within the broader Defence framework. The chapter also sets out the audit objective, criteria and scope, as well as the report structure.

Australian Defence Force preparedness methodology

1.1 Defence¹ has invested considerable effort in recent years to develop its doctrine² and methodologies to better manage Australian Defence Force (ADF) preparedness. The terms 'readiness', 'preparedness' and 'capability' in Defence planning and operational doctrine have come to acquire technical meanings and clearly enunciated relationships with each other. This methodology is continuing to be developed, with the possibility that arrangements, including terminology, could change.

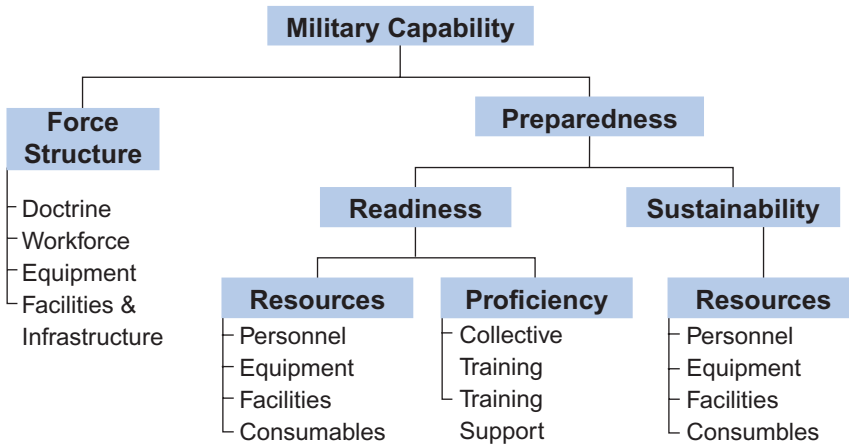
1.2 Under the present construct, readiness denotes that part of military capability which, when considered with sustainability of the force in question, creates the preparedness of the force. Readiness is the ability to prepare a capability for operations within a designated time. Sustainability is the ability to maintain a capability on operations for a specified period. In turn, preparedness, when linked with substantive attributes of the force such as its people, organisation, materiel and facilities, creates capability.³ Figure 1 outlines the relationship of readiness to other components of military capability in a 'capability tree'.

¹ 'Defence' comprises the Department of Defence and the Australian Defence Force (Navy, Army, and Air Force).

² Doctrine is the body of established fundamental principles by which military forces guide their actions in support of national objectives. It is authoritative but requires judgement in application.

³ *Capability Systems Life Cycle Management Guide 2002*, Vice Chief of the Defence Force, Department of Defence, May 2002, pp. 1–2.

Figure 1
Components of military capability



Source: Defence documentation.

1.3 Readiness is accordingly a key determinant of the military capability that can be delivered by the ADF. How effectively it is achieved, significantly affects the ADF’s ability to undertake the defence of Australia and other government directions.

1.4 The technical terminology used in this methodology is common across the ADF, although the different environmental commands apply it in varying ways. The central relationship is between states of preparedness of a military Force Element (FE)⁴ plotted against elapsed time. The outcome of this interaction between states of preparedness and elapsed time is expressed in terms of the following two key levels of ‘capability’ standard:

- **Minimum Level of Capability (MLOC):** The lowest level of capability (task specific) from which a FE can transition to an operational level of capability within a Readiness Notice. Readiness Notice is the specified amount of time in which a force is to raise its level of capability from MLOC to an operational level of capability.
- **Operational Level of Capability (OLOC):** The task-specific level of capability required by a FE to execute its role in an operation at an acceptable level of risk.⁵

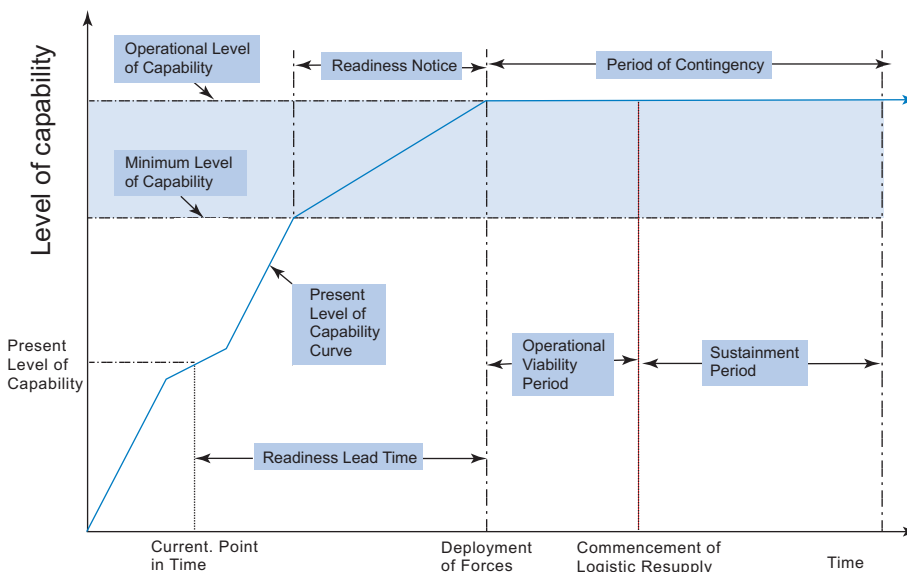
⁴ Navy ‘Force Elements’ include maritime assets such as ships, submarines, helicopters and clearance diving teams.

⁵ *Australian Defence Force Publication No.4, (ADFP4), Preparedness and Mobilisation, Chapter 1, para. 1.6.*

1.5 The actual level of capability of a FE at any given time is the Present Level of Capability (PLOC). Unlike the other terms, it is not a normative concept but a description of the factual state of affairs. The PLOC of a platform⁶ in deep maintenance is zero. Readiness Lead Time is the actual time a force requires to complete its workup from PLOC to OLOC.⁷ Figure 2 presents the interaction of these concepts in diagrammatic form.

Figure 2

Movement in military capability between various readiness states



Source: ANAO analysis, drawing on documentation and other data provided by Defence.

Note: An additional time parameter for calibrating preparedness is the Operational Viability Period. This is an element of sustainability and is defined as the period immediately following deployment on operations during which deployed forces must be self-sufficient until the logistic re-supply system is in place. The Sustainment Period is the time during which the logistic re-supply system is required to support FEs during a contingency.

1.6 These concepts allow the level of readiness of a FE to be measured by the ability of that FE to reach OLOC from PLOC within the required period of Readiness Notice. For this to be achieved, the planned Readiness Lead Time of a FE must not exceed the Readiness Notice. FE are expected to keep their level of capability at or above a MLOC level which would permit them to reach OLOC in the prescribed Readiness Notice period. They are also expected to maintain a state of readiness consistent with their position in the usage/upkeep cycle.⁸

⁶ 'Platform' is used in this report as a generic term for a range of major Navy assets, in particular major fleet units, submarines and minor war vessels.

⁷ 'Workup' is the collective training and evaluation undertaken to assist a Navy platform to achieve the required minimum level of operational capability.

⁸ For major platforms, the usage/upkeep cycle describes the periods of maintenance of the platform relative to the periods of its availability for operational missions.

Capacity to reach OLOC within the period of Readiness Notice is thus a key driver of the operational readiness concept.

Managing Australian Defence Force preparedness

1.7 The preparedness management framework adopted (and under further development) by Defence, establishes a system of graduated levels of capability around the MLOC and OLOC concepts. This creates the basis for the Navy (as with the other Services) to plan its personnel, training, equipment, equipment maintenance, consumables requirements and other elements of preparedness around base levels that can respond with surge capacity in a highly targeted, FE-specific manner. Attaining OLOC for a particular military task entails high costs and high proficiency decay rates so OLOCs will only be ordered for specific assets for specific missions. In this framework, the optimal preparedness standard is not the highest levels of capability that might be achievable but a balance between minimum ongoing levels, and increments of proficiency that can be built within predetermined time periods related to warning times. Benefits flowing from such a system lie not only in lower levels of outlays of expenditure but also in heightened military proficiency.

1.8 Navy has established formal processes for taking a FE through the respective capability states and levels to achieve OLOC. The processes relate to all elements of readiness: to personnel and training, and to equipment and consumables. These processes are examined in further detail in Chapter 3.

1.9 In Defence's output structure the Navy delivers one of the six Defence outputs. Another output is Defence Operations, delivered by Commander Australian Theatre (COMAST). Navy generates the maritime military capability led by this Command in operations, and like the other two Services (Air Force and Army) has to work closely with it. The Defence organisation also includes 'enabling' executives and 'owner support' executives, all of which contribute in different ways to generating and maintaining operational readiness of the Navy.⁹ One, the Defence Materiel Organisation (DMO),¹⁰ is of particular importance and, because of this, Navy's arrangements for including DMO in its readiness management system are examined later in this report. Defence is establishing a system of customer-supplier agreements to underpin the necessary relationships between the enabling organisations and the output managers.

⁹ The enabling executives are the Under Secretary Defence Materiel and the Deputy Secretary Corporate Services. Owner support executives, which include the Chief Finance Officer and Head Defence Personnel Executive, and those Defence elements which directly serve government as 'owner', other formal accountability requirements and other activities which do not directly contribute to military capability.

¹⁰ The Defence Materiel Organisation provides all services associated with materiel, through-life support for platforms and systems and logistic supplies needed by the capability output executives.

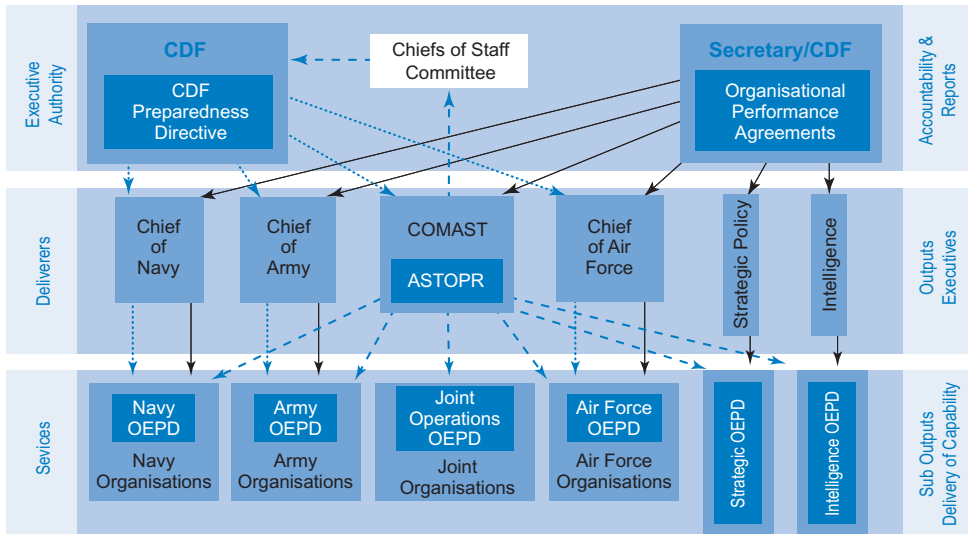
1.10 The Navy's management of operational readiness also takes place in a Defence-wide strategic planning context where it forms part of ADF military and resource allocation planning more generally. At the core of this system is the concept of Military Response Options (MRO) which flow from the Australian Military Strategy (AMS) that, in turn, derives from government-endorsed policy guidance. The Chief of the Defence Force Preparedness Directive (CPD) codifies the requirements of this guidance. The Defence-wide environment in which the Navy manages operational readiness is detailed in Appendix 1.

1.11 The Navy's readiness planning and management activities must take place within this Defence-wide framework. Though Navy has its own Service-specific requirements and approaches that derive from the particular characteristics of its assets and operations, Navy's planning processes are required to respond to three discrete but closely linked planning pathways which apply to the ADF generally. These are:

- the CPD (the major initial military planning step in the preparedness management framework), which is issued to COMAST and the three single Service Chiefs;
- the Australian Theatre Operational Preparedness Requirement (ASTOPR), issued by COMAST to the three single Service Chiefs; and
- Organisational Performance Agreements (OPA) between the Secretary/CDF and each of the output executives (i.e. including the single Service Chiefs and COMAST).

1.12 Within each of the Defence capability outputs, this planning is extended to the next tier of command by the issue of output-specific preparedness directives from the capability managers to subordinate commanders and staff. Thus, for the Navy, CN issued a Chief of Navy Capability Directive (CNCD) in 2003 that implements this process. These annual Output Executive Preparedness Directives (OEPD) are relevant to each respective Defence output, and include those to be issued by the Strategic Policy Capability Output Manager and the Intelligence Capability Output Manager. Figure 3 depicts the three planning pathways (broken lines indicate directives) showing their inter-relationships and apparent lines of accountability.

Figure 3
The preparedness planning pathways



Source: ANAO analysis, drawing on documentation and data provided by Defence.

1.13 With new arrangements introduced in 2002, these subordinate preparedness directives have been integrated more closely into the joint service planning arrangements undertaken by COMAST and built around the ASTOPR. However, their promulgation across the planning spectrum and the three main preparedness pathways is still in progress. Details of these pathways are set out below.

The CDF Preparedness Directive

1.14 The CDF Preparedness Directive is produced annually or as frequently as necessary. It stands at the apex of the ADF preparedness planning ‘cascade’.

1.15 The present CPD (CPD 02) was issued 28 December 2001 and incorporates the AMS’s 103 MRO as the baseline military tasking requirement for developing and calibrating ADF preparedness (the ‘preparedness for what’ aspect). It bands them into four warning time brackets or ‘bands’ ranging from very short (0 to 28 days) to long (over 365 days) (the ‘preparedness for when’ aspect). Through the CPD, the CDF tasks the individual commands to identify and deliver the specific capability and preparedness requirements for particular FEs (the ‘preparedness of what’ aspect).

1.16 The 2002 CPD was the first CPD to mandate the single Services to conform with over-riding requirements determined by COMAST and thus introduce the basis for a more centralised or joint-Service preparedness planning system. This is achieved by building the ASTOPR into the CPD as the centrepiece of military

level planning. In the ASTOPR, COMAST promulgates the ADF Readiness Tables that, in turn, are intended to determine much of the content of the future preparedness planning of the single Services. The 2002 CPD also introduced an articulation of planned ADF 'key activities': priorities set out in the Program of Major Service Activities under the control of COMAST. This also involves promulgation of optimum war/contingency stockholdings. The CPD now incorporates the Defence International Engagement Strategic Plan (DIESP). This is a Chiefs of Staff Committee owned plan and is managed by COMAST.

The Australian Theatre Operational Preparedness Requirement

1.17 The Australian Theatre Operational Preparedness Requirement has undergone considerable development and change since its introduction in 2000. The new ASTOPR, introduced on 1 July 2002, carried significant changes of content and approach, including the introduction of the Operational Outcomes concept and procedures. Operational Outcomes are intended to drive the content of training programs across all three Services.

1.18 The ASTOPR details the required preparedness levels and capabilities of ADF combat and support forces to meet the MROs as promulgated in the AMS 01 document and the CPD 02 document. It has the authority of the Chiefs of Staff Committee (which 'owns' the document). ASTOPR is managed by COMAST on behalf of the Chiefs of Staff Committee.

1.19 The ASTOPR transfers the 24 Aggregated Military Response Options into 24 Operational Preparedness Objectives (OPO). It details the combat and support FEs required to meet each of the OPOs. It specifies the roles of the FEs, the Operational Outcomes required of them, Readiness Notice, Notice to Move, Operational Viability Period and Sustainment Period. A risk assessment based on known FE deficiencies is attached to each OPO, to assist in monitoring capability improvement requirements that need to be considered by the Defence Capability Investment Committee. Defence stated that, because the Operational Outcomes specified in the latest ASTOPR determine a large part of the training required of each FE, the Operational Outcomes concept is a powerful planning tool that is designed to drive training activities, resource allocation and thus the capability of each FE.

1.20 Included in the ASTOPR are ADF Readiness Tables. They provide for concurrency of use of FE. They specify FE that are available to meet short notice contingencies. They also indicate the capability that is available at current levels of Defence funding allocations (the 'constrained' force in being). The ASTOPR's OPOs and Operational Outcomes are intended, in turn, to be incorporated into the Output Executive Preparedness Directives for the respective FEs in each output.

Organisational Performance Agreements

1.21 The Organisational Performance Agreements (OPA) specify, by output, the details of delivery of required outputs against funding levels allocated to the particular output under the Defence Management and Finance Plan. A major stakeholder in the OPA is Defence's Chief Finance Officer (CFO).

1.22 The OPAs are in the form of an agreement between Secretary/CDF and the output capability manager (i.e. output executive—CN among others). They define the outputs each capability manager will provide in the coming financial year.¹¹ With the OPA, the capability manager provides the level of capability needed by Secretary/CDF to support government requirements.

1.23 Determination of the capability specifications derives from the planning pathways associated with the capability directives. The participants in each pathway have different lines of accountability. Therefore, they have to engage in a close interaction with each other to deliver coordinated results.

1.24 The OPAs direct the strategies and performance targets in an integrated 'Performance Scorecard' of four related types of organisational performance for each output: Customer Services, Ownership Results, Business Systems and Processes and People. Each output executive reports performance against the OPAs monthly to the Defence Committee.

1.25 The OPAs provide output and sub-output level financial resource allocations, linked with the desired preparedness specifications. The linkage is achieved in agreements made annually on Directed Level of Capability (DLOC). DLOC agreements indicate funds allocated to achieve sub-output capability levels within the FEGs.

1.26 The DLOC agreements define the required level of preparedness by specifying the number of FEs that are to be maintained at various Readiness Notices, and they allocate resources to the sub-output level against these requirements. The agreement element in the sub-output DLOCs arises from the role they play in specifying the level of capability that is agreed to be maintained within the respective group of FEs, for a given level of resources. The DLOC arrangements are discussed in more detail in Chapter 5. They were one of the main innovations in preparedness methodology introduced following the work of Defence's Preparedness Task Force in 2000. Preparedness planning in Defence is undergoing continuous development of planning methodologies, including the development of costing tools.

¹¹ The OPA may, however, extend beyond the coming financial year as it contains a provision continuing its authority until superseded by a fresh OPA.

Navy in the Defence readiness management framework

1.27 CN is the capability manager for Defence Capability Output 2 (Navy Capabilities). The 2002–03 Budget allocated some \$5795.4 million to this output (price to government).¹² CN has major responsibilities for delivering maximum capability within the resources allocated and within Defence’s corporate governance framework.

1.28 The development of the ADF-wide arrangements for managing force readiness has taken place alongside operational readiness management reforms in the Navy. The post Defence Reform Program organisational model, whereby the single Service Chiefs are the capability managers for the respective land, maritime and air outputs, maintains a long established core function of the Service Chiefs’ responsibilities. Under statutory requirements and government policy, the Navy, like the other Services, has the primary responsibility to deliver the operational readiness of its military assets. Joint commanders (e.g. CDF and COMAST) do not have responsibility for developing the capability of the individual single Service components of the ADF.

1.29 Accordingly, the Navy’s own initiatives and changes mix with those being implemented in the Defence-wide context. Navy-driven reforms following the Tomorrow’s Navy Today project in 1999 have been aimed at improving efficiency and effectiveness of its own maritime force command and control, systems and logistics management, and resourcing arrangements. The implementation within Navy of the seven FEGs¹³ and the creation of Systems Command (SYSCOM) were an important outcome of the Navy’s own project.

1.30 In the Navy’s preparedness construct, the FEGs have key roles in delivery of capability and readiness. Their role in this regard has carried forward into the ADF-wide reforms being implemented by Navy. This role is examined in more detail in Chapter 2.

1.31 Because of the highly capital-intensive nature and complex character of the Navy’s operations, the Navy employs long-range planning methodologies for delivering the readiness of its assets, including the operation of the Fleet Activity Schedule. It has traditionally oriented its preparedness planning around the concepts of ‘task’ and ‘contingency’ readiness,¹⁴ with the contingency readiness side being the entry point for the Defence-wide preparedness innovations of the last few years.

¹² *Portfolio Budget Statements 2002–03, Defence Portfolio*, p. 17.

¹³ The Navy’s seven Force Element Groups are: Major Surface Combatants; Submarines; Naval Aviation; Patrol Boats; Mine Warfare and Clearance Diving; Amphibious and Afloat Support; and Hydrographic.

¹⁴ Defence advised that task and contingency readiness are not recognised as official terms in Defence preparedness doctrine.

Navy task readiness

1.32 Task readiness is the readiness of the fleet to fulfil routine planned operations, exercises, deployments and activities. Activities include broader Defence requirements, port visits required for foreign affairs reasons, operational deployments, major and minor exercises. The Navy uses the Fleet Activity Schedule (FAS) as the main instrument for managing its task readiness. The FAS, now maintained in electronic spreadsheet form, is the result of the planning and execution of all activities for which FEs are committed. It is a continuous rolling two-year listing of all FE activities: planned operations, exercises, deployments and such routine activities as maintenance availabilities and workup. Task readiness, including resources and proficiency, is tailored for the specific mission (operation, exercise or deployment). The specific capability requirements for the safe and successful execution of these missions can be determined in advance. These are the task readiness requirements. The FAS is designed to be 'always a true reflection of the current and intended employment of fleet units' and is amended to accommodate changes in the fleet program from time to time.¹⁵

Contingency readiness

1.33 As the term implies, contingency readiness, by contrast, is readiness for unpredictable missions. The Navy maintains readiness at various notices, for a range of contingencies now set out in the OPOs of the ASTOPR and stipulated in the DLOC agreements. The readiness requirements arising out of contingency readiness cannot be incorporated in the FAS because of the unknown nature of the mission.

1.34 However, the activities contained in the FAS should constitute one of the means of maintaining contingency readiness for the particular set of DLOC requirements on FEGs valid at any one point in time. Accordingly, the FAS can be used to support the maintenance of contingency readiness by identifying FE that are to participate in specific exercises where team and collective training opportunities are focused on gaining and maintaining FE proficiency in warfare and mariner skills that relate to the OPOs. Managing the FAS involves aligning, as far as possible, platform operational schedules including their maintenance cycles that support the materiel readiness requirements of the OPO-driven DLOC agreements. This management is undertaken in MHQ under the Maritime Commander (MC) and is a core Navy readiness management function. FEGs are required to submit an On Occurrence Preparedness Report (OOPR)¹⁶ to the

¹⁵ *Major Surface Combatants Force Element Group Master Plan Version 2*, 1 July 2001, p. 6.

¹⁶ An On Occurrence Preparedness Report is generated when a FE (or FEG) cannot achieve a capability or preparedness standard that it is required to meet.

MC against the contingency readiness requirements in the ASTOPR. The FAS comprises a key link with ADF-wide joint planning documents, especially ADF's Program of Major Service Activities maintained by COMAST. Maintaining the integrity of the FAS against DLOC would appear to be a key component of the duties of CN under the CPD 02, where each Service's contributions to ADF key activities are given significant emphasis in the CDF's setting of priorities.

The audit

1.35 The objective of the audit was to provide assurance to Parliament concerning the progress that Navy has made in the development of operational readiness management and evaluation systems and to identify areas for improvement in these systems. The audit examined the systems that Navy uses to manage readiness and included coverage of Navy:

- readiness organisation and management structures, as well as the interface between these systems and Defence enabling organisations;
- management and maintenance of operational readiness (covering personnel, collective training and other components of operational readiness); and
- readiness performance information and management processes.

1.36 The audit was conducted within the framework of the ADF's preparedness construct and doctrine, and considered Navy readiness in accordance with the technical meaning of the term as used by Defence. However, because sustainability has close linkages with readiness, and elements of both are frequently managed together, the audit also covered some sustainability issues. The audit focused, however, on the specific and detailed components of the Navy's approach to managing readiness, that is, those aspects relating to operational, short time-frame issues of management rather than the longer time-frame aspects inherent in the capability acquisition program or in issues such as sustaining operations over long periods of force deployment.

1.37 The audit also gathered information on the operational readiness arrangements in place in the United States Navy and the British Royal Navy. This information was used to provide a context for the Royal Australian Navy's readiness management practices.

1.38 The audit was conducted using the following primary criteria:

- Navy operational readiness outputs should be consistent with Defence preparedness requirements.
- To effectively manage operational readiness the Navy organisation should be well structured and roles, responsibilities and lines of accountability should be clearly defined.

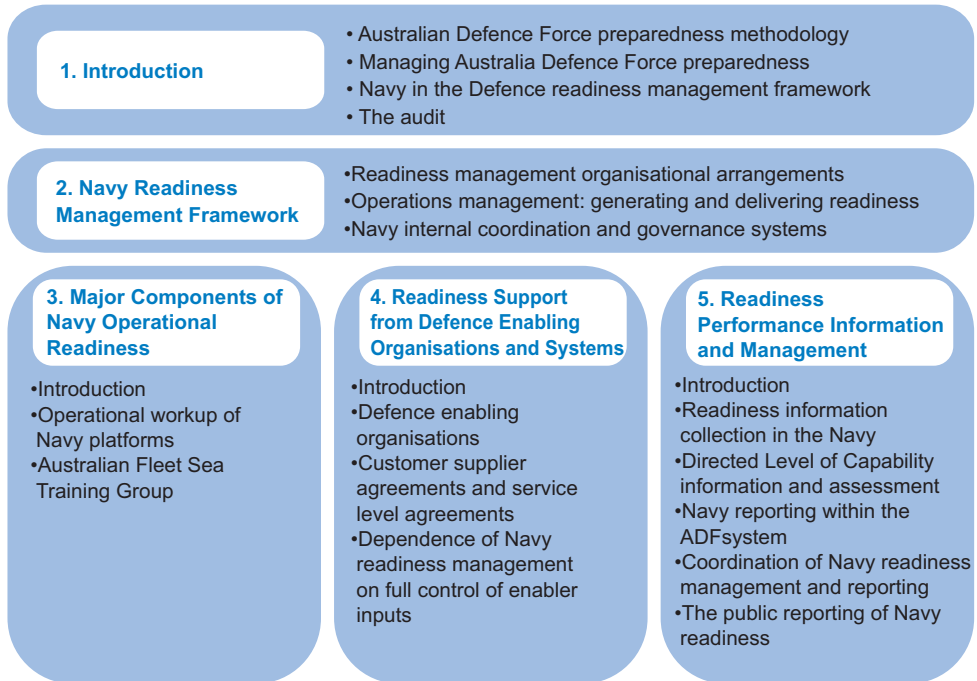
- Appropriate and endorsed policies, guidelines, directives and/or service level agreements should be in place to satisfy Navy's operational readiness requirements.
- Navy should operate systems to ensure that the essential inputs to readiness (e.g. trained personnel, equipment, consumables) are maintained to achieve operational readiness requirements.
- Collective training should be linked to readiness requirements, and strategies should be employed that maximise the effectiveness of collective training for minimum cost.
- Appropriate evaluation processes and performance measures should exist within Navy's collective training programs.
- Adequate systems and procedures should be maintained to accurately record details of Navy operational readiness and to provide required reports to senior management.
- Appropriate processes should be in place to ensure timely corrective action is undertaken to remedy any identified training and readiness shortfalls.

1.39 Audit fieldwork was conducted substantively in the period from July to October 2002. The audit covered a wide range of activities within Defence and involved extensive discussions and review of documents. Matters were discussed with relevant areas of Defence throughout the audit and the audit findings were responded to in a positive manner.

1.40 A discussion paper consolidating the findings from the audit was provided to Defence in November 2002. An exit interview was held the following month. The proposed report of the audit was put to Defence in February 2003 for comment. A consultant, Mr Christopher Conybeare AO, was engaged to provide expert advice to the audit team on Defence organisational constructs, corporate governance arrangements and performance information systems. The ANAO appreciates the substantial contribution he made to the audit. The audit was conducted in conformance with ANAO auditing standards and cost \$415 000.

1.41 The report is organised into four further chapters, as outlined in Figure 4. Chapter 2 outlines the organisational responsibilities for Navy operational readiness. Under this framework, Chapter 3 discusses the major components of Navy operational readiness; Chapter 4 examines the support for Navy readiness from Defence enabling organisations and systems; and Chapter 5 considers Navy readiness performance information and management processes.

Figure 4
Navy operational readiness—audit framework



2. Navy Readiness Management Framework

This chapter considers the functional roles of the various elements of the Navy involved in generating and delivering operational readiness. It examines organisational arrangements, the directive process, operations management, internal coordination and governance systems.

Readiness management organisational arrangements

2.1 The Chief of Navy, among other duties, is responsible for delivering naval capability. The Navy's organisation structure is designed to support CN in this task. A directive process operating within that structure executes the responsibility.

Navy's organisation structure

2.2 Under CN, Navy has three sub-groups: Navy Headquarters (NHQ—located in Canberra), Maritime Command (located in Sydney) and Navy Systems Command (SYSCOM¹⁷—principal offices located in Canberra). CN has delegated day-to-day management of capability to the Deputy Chief of Navy (DCN) but each of the commands has specific management contributions to delivering Navy readiness.

2.3 Unique in this structure is the Maritime Commander (MC), who has two responsibilities: one as commander of Maritime Command (wholly a Navy structure) and the other as the head of the maritime component of the Headquarters Australian Theatre in the capacity of Maritime Component Commander reporting to COMAST. The CDF directs CN to assign naval forces to COMAST, for COMAST to use in operational missions. In these circumstances, the Maritime Component Commander advises COMAST on their use. Though reporting to COMAST, as well as to CN, the MC has the same military rank as COMAST.

2.4 Navy's military capability is grouped into seven Force Element Groups: Major Surface Combatants; Submarines; Naval Aviation; Patrol Boats; Mine Warfare and Clearance Diving; Amphibious and Afloat Support; and Hydrographic. The CN negotiates eight sub-output Directed Level of Capability agreements¹⁸ with the FEG commanders to deliver that capability. Navy Force

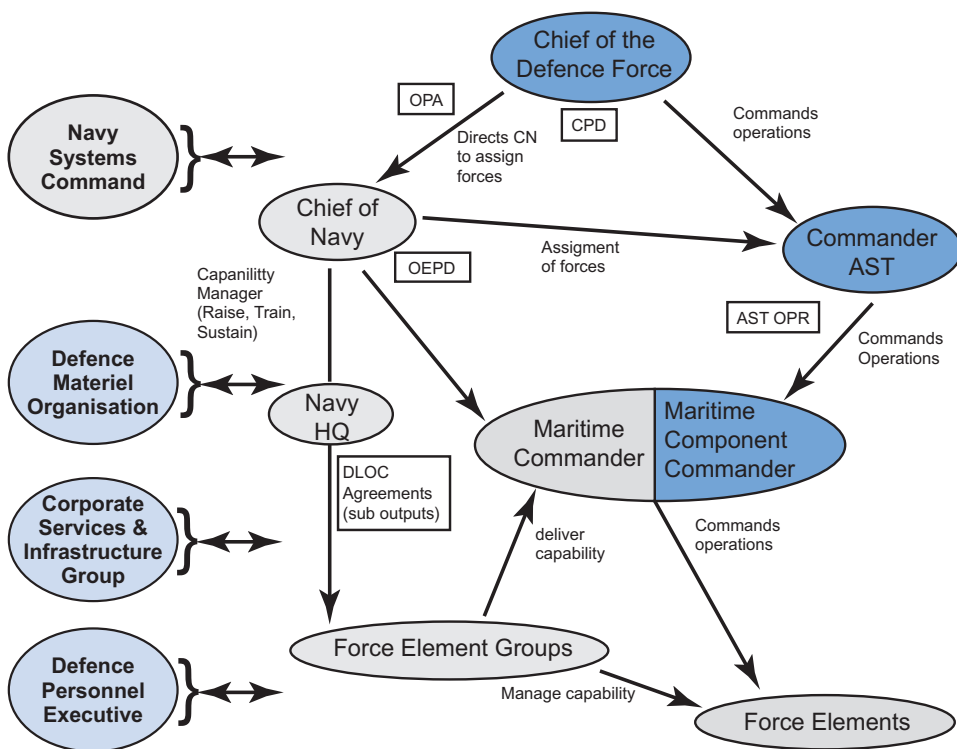
¹⁷ Systems Command supports the delivery of naval capability by FEGs, operational outputs by Maritime Command and manages output delivery of cross-FEG capability including naval personnel capability, through provision of preparedness and operational support services and standards.

¹⁸ There are separate DLOCs for each of Amphibious capability and Afloat Support capability.

Elements include maritime assets such as ships, submarines, helicopters and clearance diving teams and are grouped together in these FEGs. They are operationally under the command of the MC. The FEG commanders have no command role in regard to the FE in their FEGs.

2.5 Responsibility for delivering the preparedness of the FEs—for which ultimately the CN is accountable—is shared in different ways between the Commanding Officer of the FE, the commander of the relevant FEG, and the MC. SYSCOM provides a wide range of services to assist them to deliver preparedness. Outside Navy, the enabling executives (the Defence Materiel Organisation and the Corporate Services and Infrastructure Group) and one element of the owner support executive group, the Defence Personnel Executive, also provide crucial services to enable them to fulfil these responsibilities. Chapter 4 looks at these relationships outside Navy. Figure 5 indicates the main features of Navy’s organisation structure relevant to the delivery of preparedness, and its relationship with the ADF framework.

Figure 5
Navy in the Defence organisation structure



Source: ANAO analysis, drawing on documentation and data provided by Defence.
 Note: This diagram represents only the primary organisational relationships and does not attempt to map the numerous accountability, reporting and delivery processes between these organisations.

Inputs to readiness from Navy organisational units

Navy Headquarters

2.6 NHQ is structured as a component of Australian Defence Headquarters. It is headed by DCN and is intended to provide Navy with a focal point where the day-to-day capability of the Navy is managed and where the future Navy can be planned. In providing support and advice to Navy's senior leadership, NHQ has the responsibility for assisting CN to manage the wider strategic dimensions of Navy readiness.

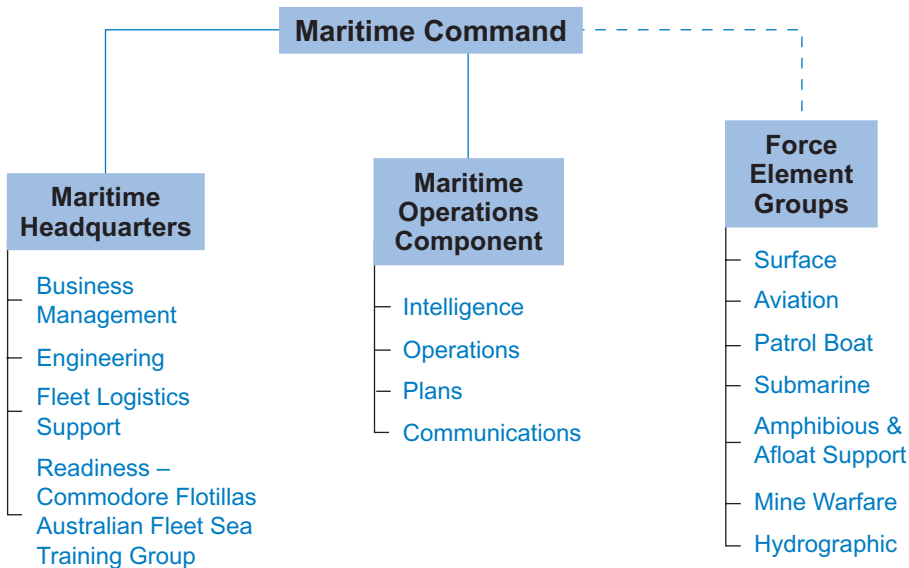
2.7 Navy Capability, Performance and Plans Branch in NHQ, is the centre of this responsibility. This branch has the task of developing Navy capability management policy. It has the role of coordinating Navy performance reporting to the Chief of Navy Senior Advisory Committee (CNSAC) and is the main NHQ contact for logistics policy. Because preparedness has many inter-linkages with other aspects of Navy capability, several areas in NHQ, such as the Business Management Branch, contribute significantly to CN's task of strategic preparedness management. The Business Management Branch integrates resources and financial management considerations with CN's requirement to meet endorsed capability output objectives.

Maritime Command

2.8 The MC (and the headquarters element in Maritime Command) delivers a large measure of the Navy's preparedness. MC is responsible for maintaining the fleet at a level of readiness to enable completion of the Navy's peacetime roles and functions, and from which Navy FE may achieve OLOC for specific operational missions within the Readiness Notice specified by the ASTOPR. Maritime Command is responsible for the Fleet Activity Schedule.

2.9 Maritime Command comprises MHQ and Maritime Component Command (of Headquarters Australian Theatre). The FEGs have separate lines of accountability to MC as well as to DCN. Figure 6 indicates the main elements of Maritime Command's organisation structure.

Figure 6
Maritime Command organisation structure



Source: Defence documentation.

2.10 Within Maritime Command, elements of preparedness are delegated to various subordinate groups as well as the FEGs. Assessment of operational readiness of platforms (after they have been provided by FEGs and undertaken the requisite collective training from Commander Sea Training) is the responsibility of Commodore Flotillas (COMFLOT) in MHQ. COMFLOT is the principal adviser to the MC on operational readiness of all FEs and on coordination of all operational training. COMFLOT is responsible for readiness assessments and training conducted by the different authorities across all the specialist type platforms, including Navy helicopters when they are embarked on RAN ships (the Australian Fleet Sea Training Group functions are analysed more closely in Chapter 3).

Navy Systems Command

2.11 Navy SYSCOM, established 13 March 2000 in the same reorganisation which created the FEGs, groups together a wide range of common services needed for the Navy’s operations. According to its Corporate Governance Charter, it was created ‘to exploit the synergy of its components and introduce a systems approach to managing the common, whole of Navy elements of our Force Element Groups, Navy Commands and supporting groups’.¹⁹

¹⁹ NAVSYSCOM Corporate Governance Charter, 31 October 2001.

2.12 SYSCOM contains the Navy's personnel and training branch; it provides the technical services needs common to all Navy FEs such as communications and information technology; and it houses the Navy's business management systems. SYSCOM operates most of the Navy's shore-based establishments including fleet bases.

2.13 SYSCOM also performs certification and standards-setting tasks. Its Navy Certification Safety and Acceptance Agency is the custodian of technical safety and performance standards in the platforms and systems used by the Navy. It operates the processes for the formal 'acceptance into naval service' of newly commissioned Navy platforms.²⁰

2.14 Importantly, one of SYSCOM's objectives is to provide 'cross-FEG' services (that is, standardised assistance and support to meet common FEG requirements) and services to the FEGs to facilitate their relationships with the entities in the Defence organisation outside the Navy. This applies especially to DMO and the Corporate Services and Infrastructure Group, which directly affect their readiness (see Chapter 4). SYSCOM's role in this area has been largely confined to:

- development of capability costing tools and capability measurement;
- design of the FEG master plans;
- implementation of Service Level Agreements; and
- development of FEG performance management, finance and cost visibility systems.

2.15 FEG commanders pointed out to the ANAO that SYSCOM has been able to assist FEGs in the foregoing areas only because the issues are common to the FEGs. As most FEGs are diverse, the opportunities for SYSCOM support have been limited.

2.16 The Naval Personnel and Training area of SYSCOM has negotiated service level agreements with the FEGs and Maritime Command. SYSCOM's role as provider (in a customer/supplier sense) to the fleet management process is still being developed.²¹ SYSCOM's corporate documents refer to a 'customer-facing' role.²² In *Navy Plan Green 2002-12*, however, the service delivery role of SYSCOM

²⁰ Refer also to ANAO Audit Report No. 30 2001–02, *Test and Evaluation of Major Defence Equipment Acquisitions*, Chapter 4.

²¹ A Defence wide initiative, implementation of the Integrated Defence Business Model is conducted under the auspices of the Chief Finance Officer. These initiatives are not Navy unique.

²² The current SYSCOM Corporate Governance Charter states that 'the secondary focus of the [SYSCOM] Executive is to ensure, and by extension be assured, of the integrity of the Command's policies, processes and controls—the management environment: that they are customer-facing; that they meet accountability requirements; and that they contribute to the effective and efficient outcomes and to a sustainable organisation'.

to customers, especially the FEGs, received emphasis. It foreshadowed that formalising relationships with its customers and stakeholders in a management framework based on service level agreements, memoranda of understandings and 'customer engagement in the development of our strategic objectives' were to be priorities²³ in the planning period over 2003.

2.17 The unevenness of arrangements for formal understanding between SYSCOM and the other Navy command groups, especially the FEGs and Maritime Command generally, is discussed in more detail later in this chapter.

The dual directive system

2.18 Within this organisation structure, the Navy utilises the following dual chain of command to delineate responsibilities for the delivery of capability:

- A chain of command between the DCN (acting on CN's behalf) and the commanders of the seven FEGs across which all the Navy's effective capability in eight sub-outputs is distributed; this line of command mandates the capability management and capability development roles of the seven FEGs.
- A chain of command originating with the CN but between the MC and the commanders of the FEGs which mandates the materiel and personnel preparedness that must be delivered by each FEG to the MC (for the MC's operational requirements in the command of the FEs in those FEGs). These operational requirements do not distinguish between the requirements MC may have (i.e. reporting to CN) as distinct from the requirements the Maritime Component Commander has under COMAST.

2.19 The two chains of command are both formal and substantive. In formal terms, they are expressed in two separate directives issued by both DCN and MC to each FEG commander, each imposing formal monitoring and reporting requirements on the FEG commanders.

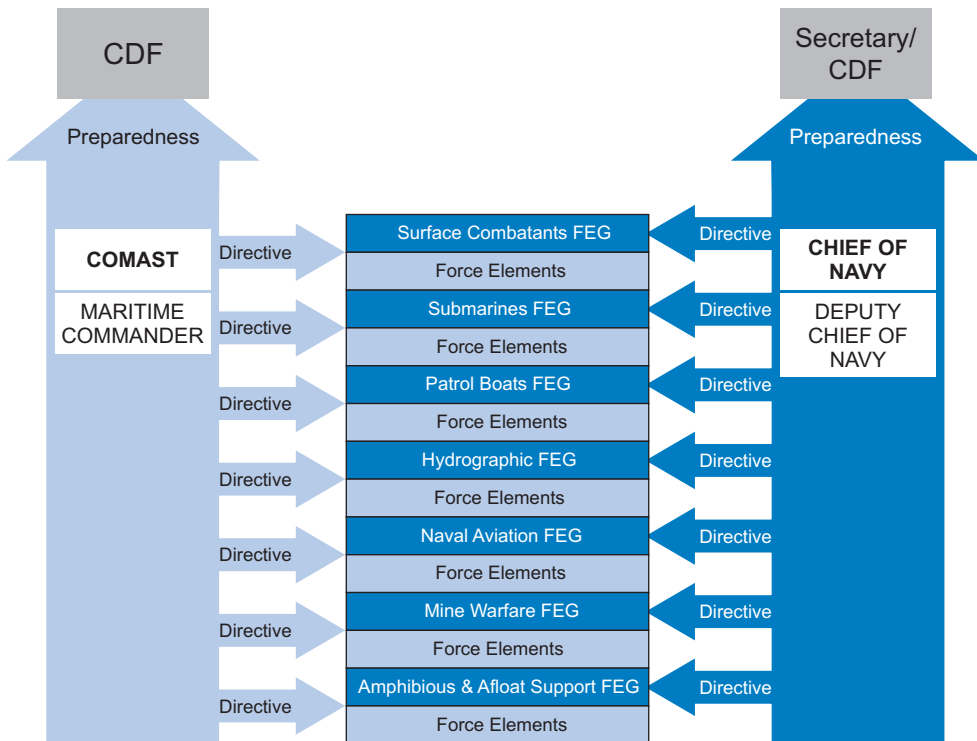
2.20 The provisions of the two directives do not substantially differ across the FEGs except to a minor degree for those FEGs such as the Hydrographic FEG and the Amphibious and Afloat Support FEG, which have special tasking flowing from their responsibilities in other than weapons system tasks. Each directive, in a 'coordination' section, refers to the other directive and possibilities of 'conflict' in tasking or priorities between them, and specifies a requirement for FEG commanders to bring any conflict to the immediate attention of DCN or MC (as the case may be). However, in the DCN directive, the FEG commanders are required to give priority to supporting the operational priorities of the MC when any such conflict occurs.

²³ *Navy Plan Green 2002-12*, 9 July 2002, p. 5-2.

2.21 In substantive terms, the two chains of command impose a very wide range of duties and responsibilities on the FEGs. These responsibilities have a common core: development of current and future capabilities of the respective weapons systems and facilities (represented by the FEGs to meet force structure requirements and emerging and future threats); delivery of materiel maintenance and repair support; the delivery of personnel individually trained, skilled and otherwise fit for service in the respective FE; and sustainability for the FE in the respective FEG.

2.22 Outside these core areas, the responsibilities of the FEGs may also include: custodianship of specialist skill standards extending to category sponsorship of skills in the complex Defence personnel classification system; sponsorship of special pay and allowance systems applicable to particular types of service; performance of special safety functions or representation of functional skill specialties on central ADF standards boards of control;²⁴ and performing functions of ‘centres of professional excellence’ in specific disciplines such as clearance diving. Figure 7 illustrates the operation of the dual directive system.

Figure 7
Preparedness in the Navy’s Dual Directive on Capability



Source: ANAO analysis, drawing on documentation and data provided by Defence.

²⁴ For example the SUBSAFE and SHIPSAFE Board; the Airworthiness Board.

Operations management: generating and delivering readiness

2.23 Through the combined operation of the dual directive system and the DLOC process, the FEGs and the MHQ organisation in Maritime Command are the two main Navy agencies for generating and delivering operational readiness.²⁵ Accordingly the audit examined the work of these two groups in some detail.

Force Element Groups

2.24 In contrast to MHQ and COMFLOT, the FEGs are relatively new structural groupings in Navy. They were established only in March 2000. As discussed above, they perform a pivotal position in delivering operational readiness through being:

- the carriers of the Navy's sub-output DLOC agreements;²⁶ and
- the deliverers of capability (including readiness) under the dual directives from DCN and MC. FEGs provide platforms that can be made 'ready' by the training of AUSFLTSTG and evaluation by COMFLOT, and retained at the relevant level by the applicable exercise program. The DLOC agreements for each sub-output are negotiated between CN and the FEGs and form annexes to the Organisational Performance Agreement (OPA) between CN and Secretary/CDF. The DLOC agreements define the FEGs' deliverables in terms of preparedness to support the ASTOPR. The DLOC agreements also make sub-outputs responsible for balancing current and future capability and maintaining core warfighting skills.

2.25 Table 1 outlines Navy capability sub-output funding for 2001–02 and highlights the variation between funds controlled by the FEGs against those attributed to the FEGs.

²⁵ Navy reference documents indicate that, in a formal sense, Commanding Officers of the individual FEs remain ultimately responsible for the condition and state of preparedness of units under their command. They are, however, located at the base of a large delivery structure and are always junior in military rank to the other elements in that structure. Navy's individual FEs are, necessarily, the vehicles through which all of Navy's preparedness is generated and delivered. However, the current Navy construct for readiness operations management, as set out in both the DCN and MC directives and other planning and functional tasking documents, allocates much more of the managerial responsibility for generating and delivering readiness to the commanders of the FEGs than to the commanders of the vessels.

²⁶ In the case of the Amphibious and Afloat Support FEG, this FEG undertakes two of the sub-outputs (Nos. 2.7 and 2.5 respectively) and the corresponding DLOCs. The DLOC process is a 'work in progress' mechanism. The Navy Capability Management Committee noted, in May 2001, that the 2001–02 DLOC Agreements were 'immature', providing a basis to trial and develop the process.

Table 1
Navy capability sub-output funding for 2001–02

OUTPUT 2–NAVY CAPABILITIES	Attributed Costs (\$m)	Controlled Funds (\$m)	Percentage ²⁷
2.1 Major Surface Combatants	2470.5	6.7	0.3
2.2 Naval Aviation Operations	673.2	3.0	0.4
2.3 Patrol Boat Operations	284.5	0.5	0.2
2.4 Submarine Operations	881.5	2.7	0.3
2.5 Afloat Support	261.3	0.8	0.3
2.6 Mine Warfare	584.5	2.1	0.4
2.7 Amphibious Lift	451.7	1.5	0.3
2.8 Hydrographic & Oceanographic	188.2	11.1	5.9
Total for Output 2	5795.4	28.4	0.5

Source: Data provided by Navy Business Management, Navy Headquarters.

2.26 All FEGS share a number of common characteristics (many of which stem from the identical tasking language of their dual directives). Chief among them are:

- all the FEGs have the role of planners of capability for the different Navy weapons systems;²⁸
- in performing against their directives they have largely coordinating roles, that is, they have very narrow financial delegations and small administrative budgets—in all cases a small fraction of the financial resources allocated to the respective sub-output (refer Table 1);²⁹
- they have a correspondingly narrow range of matters over which they can exercise discretionary spending leverage: the direction of spending of much of their program funding is determined by mandatory requirements such as Navy’s contribution to the DIESP including the FAS (which drives task readiness; sustains contingency readiness; and is one of the performance drivers of the FEGs);
- they are lightly staffed: numbers range from around 18 to 35, with most FEGs needing to use part time reservists to fill some specialist positions;
- they have been given management responsibility for whole-of-capability and whole-of-life management of the assets, so operational readiness is but a part of their area of concern;

²⁷ This figure is the percentage of FEG controlled funds against total attributed costs, for each sub-output.

²⁸ In the case of the Hydrographic FEG, the ‘weapons system’ is more of a technological capability; most recently, however, because of the Navy’s heightened operational tempo, and the requirement for extended surveillance and boarding capability, some Hydrographic FEG platforms have been used for these purposes.

²⁹ Defence advised that the proportion of sub-output funds controlled by FEGs is expected to increase with Enabler product costing and the introduction of Navy control of Enabler budgets in 2004–05.

- their responsibilities revolve around developing and maintaining capability of FE up to and at MLOC, that is, materiel readiness of platforms and crew proficiency and individual skill levels, but not the collective training phase of workup required for a FE to reach OLOC (this responsibility attaches to the Commanding Officer of the FE and COMFLOT).³⁰ However, the FEGs still have particular roles even for the OLOC state of preparedness. If MC stipulates a higher level of readiness for a FE, the FEG ensures that the material requirements are met in accordance with the task readiness (whilst DMO will resupply the FE in accordance with standardised procedures);
- all the FEGs have business management units to assist commanders to give focus to the business dimensions of management of ongoing capability as well as to FEG governance matters; they all have capability development units to examine present and longer term capability development, as specified in the DCN directive to them;
- the FEGs are responsible for personnel individual readiness, but do not control Billet Pre-Requisite (BPR) implementation. However, FEGs are expected to monitor BPR problems reported in MONICAR³¹ and to pursue their resolution with SYSCOM,³²
- in developing and maintaining capability and proficiency levels, the FEGs respond to standards and specifications laid down in centrally-issued manuals for different capability areas (e.g. AFTP4(F) for fleet training, AFTP12 for amphibious capability and ABR 5150 - Naval Aviation Instructions);³³ and
- they have responsibility for monitoring the situation and condition of each FE at all times and reporting the preparedness of FE at all their levels in the monthly reports against the DLOC that are submitted to DCN under the sub-output DLOC agreements.

2.27 Against these common attributes, the seven FEGs represent a wide spectrum of the Navy's core activities and are quite diverse in their character and operations. The ANAO observed that this reflects the following factors:

³⁰ The FEGs are required, however, to attend to management aspects of 'collective training equipment' and facilities, and ensuring that regular project deliverables meet these requirements. Source: SURFGRP Master Plan1 July 2000, p. 20.

³¹ The Management of Naval Integrated Capability Assessment Reports (MONICAR) system gathers information on the level of readiness currently achieved by platforms.

³² Each billet (crew position on a platform) has a number of training requirements that must be completed and these are known as Billet Pre-Requisites. Completion of BPR is the responsibility of the FE Commander but no sanctions apply if this is not achieved and in practice, the standards are often not implemented.

³³ Navy's major training document is *Australian Fleet Training Publication 4*, Version F, AFTP4(F). ABR stands for 'Australian Books of Reference', a Navy technical publication series.

- *their different histories of shared service as capability groups*—Several, such as the Submarine FEG, Hydrographic FEG and the Aviation FEG, because of their specialised character in the old Navy organisation, already existed in a form resembling their present structure and responsibilities.³⁴ These groupings have had a ‘head start’ in developing their sense of direction and purpose in the new structure. Others, such as the Patrol Boats FEG and the Amphibious and Afloat Support FEG, are more recent in form and have not fully established themselves as a separate capability group in the Navy culture.
- *their different capability time horizon focus*—Some FEGs are required to address a high volume of their resources on the transition to new/replacement capability as against upkeep/maintenance of more recently acquired platforms. The Patrol Boats FEG, for example is in this category, as is the Amphibious and Afloat Support FEG. The Submarine FEG, on the other hand, has its focus very much on the operational and development needs of the relatively recently-acquired Collins Class submarines.
- *some deliver specialist high profile or cross-ADF services*—The Hydrographic and the Amphibious and Afloat Support FEGs perform specialised tasks given to them because of their capabilities outside strict Navy capability outputs. The Hydrographic FEG provides significant hydrographic and oceanographic services for the nation and a wide range of civilian purposes.³⁵ CN has been tasked by CDF to be the lead manager for the ADF’s amphibious capability. The position of Commander Amphibious Task Group has been created in MHQ.
- *their wide geographical distribution along the Australian littoral*—Three of the seven FEGs are located in Sydney; as well as one in each of Perth, Darwin, Wollongong and Nowra.
- *the administratively convenient nature of several of the FEG groupings*—There is, for example, no necessary logic in grouping together the amphibious lift capability and the capability involved in providing fleet replenishment and fuelling; nor in patrol boats having a FEG separate from major surface combatants; nor in the number of FEGs being seven (rather than eight or four etc).

³⁴ The key difference for these older-established groupings in the new organisation is that, as FEG commanders, the heads of the groups have no operational command roles whereas under the previous Navy system the commanders had a position in the line of operational command from the Maritime Commander.

³⁵ Some of the Hydrographic FEG’s outputs are provided to commercial operators on a fee-for-service basis.

- *the different platform sizes and complexity of FE relative to the FEG*—In the case of the Major Surface Combatants FEG, for example, the ANZAC and FFG frigates have complex weapons systems and form a large component of the Navy’s capability across various functions. They are sufficiently large that their Commanding Officers, operations staff and engineers have significant areas of direct contact with elements of MHQ, whereas FEs of other FEGs would not normally have such direct contact and would have to work through their FEG command structure.
- *different approaches to responsibility and accountability for the passage of FE through the workup process*—Some FEGs accept that they have responsibilities for their FE as it proceeds through the various stages of the workup process (e.g. Submarines and Patrol Boats) whereas others do not view themselves as having any responsibilities (the Major Surface Combatants FEG considers the FE Commanding Officer to be accountable for workup, with training input from COMFLOT’s Australian Fleet Sea Training Group).
- *different degrees of integration of the service elements of SYSCOM and support elements of DMO in the FEGs’ operations*—Several FEGs define their structure and conduct their operations quite separately from the roles of SYSCOM and DMO System Program Offices (SPO) which provide the greater part of the in-service maintenance and support services to the FEs. Other FEGs integrate these support and enabling entities more closely into their own operations. The submarine FEG, for example, includes the Commanding Officer of the Submarine School (part of Navy Personnel and Training Branch) and the head of the Submarine Sustainment Office (part of the DMO SPO) in the Submarine FEG organisation and its management mechanism, Team Submarines.
- *widely differing levels of input to the design of standards documents*—Some FEGs (e.g. Submarines and Naval Aviation) are closely involved in the drafting and revision process for relevant sections of standards documentation, e.g. AFTP4(F). Others have no involvement at all and see such documents as operational readiness in orientation, being the responsibility of Maritime Command, and not a personnel or materiel readiness matter.

The FEGs in the Navy’s readiness management framework

2.28 The FEGs are diverse in operational culture, widely geographically distributed, and have mainly a managerial role in coordinating requirements for the capability and readiness of the different ‘envelopes’ of weapons systems

and technologies. They have very restricted decision-making powers in regard to resource allocation and very narrow financial delegations.

2.29 The responsibilities that the dual directives give the FEGs, however, are very large. The effect of the present tasking arrangements makes them responsible for the two major readiness functions of:

- placing at the disposal of the MC platforms that are crewed with individually competent mariners and which are materially ready for service;³⁶ and
- ensuring that DLOC requirements for designated numbers of platforms at particular levels of readiness are satisfied and reporting performance upward to senior Defence management.

2.30 The capacity of the FEGs to perform this responsibility is, however, sharply limited. As established, FEG commanders do not control more than a small fraction of resources directed to support the operational readiness of individual Navy FEs; key aspects of personnel training, supply and consumables, and maintenance and repair are determined by authorities outside the FEG system. The core function of the FEG is to coordinate, monitor, advocate, and report on the operations and conditions of the FEs allocated to them. The two major readiness functions for which the FEGs have formal responsibility are discharged by the decisions and actions of Defence entities other than the FEGs, such as DMO and SYSCOM.

2.31 The Navy has anticipated such limitations and has taken steps to offset them, for example by the establishment of a capability in SYSCOM to provide cross-FEG support and to assist them in systemic ways to deal effectively with their requirements, especially in the development of appropriate service arrangements with DMO and other non-Navy Defence organisational elements. The Navy commissioned a joint Study of FEG Management Models by PricewaterhouseCoopers and DSTO early in 2001 to examine such issues.³⁷

2.32 The ANAO found that, in the construct developed by Navy to date, the FEGs are in principle highly flexible and worthwhile mechanisms for coordination of capability and readiness. However, they have insufficiently clear accountability and insufficient seniority in the Navy command system to perform their role effectively. The present tasking arrangements suggest an accountability

³⁶ FEGs define and promulgate the requirement for personnel in terms of structure, number and skills. The Navy Personnel and Training Branch is responsible for ensuring that sufficient of the 'right sort' of people are in place at the required time in accordance with CNSAC agreed manning priorities.

³⁷ Issues arising from *PwC/DSTO Study of FEG Management Models*, March 2001. This review identified a number of issues in the FEG model. In April 2001, FEG Commanders and other senior Navy managers considered the PwC-DSTO recommendations. They decided to take 19 actions to implement key elements of the report.

for the FEGs which does not correspond to their actual level of authority. Their responsibility levels for achieving Navy operational readiness are not aligned with the allocation of financial controls in the Navy organisation. The ANAO considers that the FEG construct should be revisited.³⁸ In this respect, Navy advise that the FEG construct is presently under review in order to improve the effectiveness of the arrangements.

Recommendation No.1

2.33 The ANAO recommends that Navy clarify the roles and responsibilities of the Force Element Groups in its readiness construct by:

- a) precisely defining their responsibilities and lines of accountability in Force Element Group directives and other documentation, such as the Chief of Navy Capability Directive and Directed Level of Capability agreements; and
- b) ensuring their roles are consistent with their level of financial authority.

Defence response

2.34 This recommendation is agreed. Navy's Force Element Group (FEG) construct was introduced in 1999 as noted at paragraph 1.29 of the report. Navy has already determined that it is timely to revisit the implementation and effectiveness of the FEG management construct and is currently conducting a FEG Examination which is due to complete in April 2003. The ANAO report will provide some additional focus and guidance for this activity.

Maritime Headquarters

2.35 Maritime Headquarters is located in Maritime Command. Maritime Command organisation charts show MHQ, the FEGs and the Maritime Component as the three organisational groups in the Command (see Figure 6). In *Navy Plan Green 2002-12*, 'operational level planning', 'mission capable forces' and '[operational] policy and advice' are listed as three of Maritime Command's five major outputs.³⁹ These three outputs specifically relate to operational readiness and for all three, CN is the relevant superior manager.

³⁸ Senior Navy officers acknowledged to the ANAO that the FEGs' design is still immature and that they have some way to go to in developing them to the point where they can effectively carry the responsibilities that they formally have been given in the readiness framework. Towards the end of audit fieldwork the CN commissioned a review of the FEG structure that is intended to examine such issues. This review follows an earlier study initiated by the previous CN that examined a range of similar issues.

³⁹ The other two outputs are 'Command of forces at the Operational and Tactical levels', outputs in which CN or COMAST is the commander of those operations.

2.36 The MC has extensive responsibilities for fleet readiness, of which many are implemented through the MC directive (that is, one of the ‘dual directives’) to the FEG commanders. A number of them are discharged directly by various parts of MHQ, especially COMFLOT, and also by the engineering and support elements of MHQ.

2.37 To a significant extent, the MHQ role of Maritime Command and its command and control operations are interrelated. Under ADF relocation plans the operations functions of Maritime Command are to be collocated with the other elements of Headquarters Australian Theatre later in the decade. This will require de-coupling of some of these interrelated functions and a clearer delineation of roles and responsibilities of the different groups within Maritime Command. The Navy’s medium-range planning document *Navy Plan Green 2002–12* states that the structuring of MHQ to achieve collocation with COMAST is a priority.

2.38 Although the situation differs markedly from FEG to FEG, MHQ possesses, in effect, significant ongoing operational roles in regard to numerous preparedness elements that are also, to a large extent, the responsibility of the FEGs. Some senior Navy personnel characterise the FEG/MHQ division of responsibilities as that between ‘underlying’ capability of the FEs—the FEG commanders’ role—and the ‘operational’ capability of FEs—the MHQ role. But others see the division in terms of the FEGs being involved with ‘personnel and material readiness’ and MHQ being responsible for ‘operational readiness’. These descriptors do not impart much accuracy or detail.

2.39 The ANAO considers that MHQ and the FEGs are actually engaged in the provision of services to CN that work in parallel and in some areas overlap. In the cyclical processes of readiness preparation from commissioning a new platform or deep maintenance (full cycle docking) through operational workup, operations, intermediate docking periods and back to deep maintenance, the FEGs and MHQ are engaged in a constant process in which responsibility for execution of tasks passes from one to the other. The points in time when this is done are obscure and not, in all cases, clearly documented.

2.40 These combined or parallel roles of the FEGs and MHQ appear to be a mix of both deliberate design and unintended consequence of other planning arrangements. Deliberate parallelism might reflect historical patterns of organisational work and specialisation, e.g. the Submarine FEG adopts the category sponsorship role for submariner specialist skills while the general seaman sailor categories are sponsored by MHQ. Another example is the COMFLOT role in respect of sea checks of the training and materiel readiness of individual FE. Here the individual FE, which has already developed its personnel preparedness proficiency under other Navy organisations’ programs, is required to undergo the COMFLOT Sea Training Group process because the MHQ role is

to provide a final, conclusive quality check on the individual and collective training outcomes achieved by these other programs (see Chapter 3).

2.41 There are, however, a number of areas where MHQ and the FEGs engage in similar work where no discernible design reasons are evident. An example is the responsibility for action on 'urgent defects' (URDEF) that are notified in signals sent by FEs in the Major Surface Combatants FEG. The URDEF is generated based on the impact of the defect on the operational capability of the FE. MHQ, not the FEG, decides whether to approve the defect for rectification, in which case it liaises with the supply authority (usually in DMO).⁴⁰ It is understood that little consultation takes place with the FEG on such matters.

2.42 Because of their parallel activities, MHQ and the FEGs are required to operate in a very close relationship with each other on a day-by-day basis. Across all FEGs, extensive working level linkages were observed to be in place although their nature and depth varied widely from FEG to FEG. However, the distinction between the roles/responsibilities of the FEGs and of MHQ in delivering operational preparedness is not sufficiently clear, even to a number of the participants in the process. This impedes the effectiveness of both organisational groups.

2.43 The ANAO considers that the respective roles of Maritime Command and the FEGs in the delivery of Navy operational readiness are unclear and require more precise definition. These roles could be clarified by specifying the detail of the business processes that they each respectively contribute to Navy operational readiness, including how they interact with each other.

Recommendation No.2

2.44 The ANAO recommends that Navy clarify the roles of Maritime Command and each of the Force Element Groups by specifying the detail of the business processes that they each respectively contribute to Navy operational readiness, including how they interact with each other.

Defence response

2.45 This recommendation is agreed.

Navy internal coordination and governance systems

Planning and coordination role of Navy Headquarters

2.46 NHQ supports CN in the task of internal coordination of the Navy's capability elements. NHQ has a key role in the development of Navy policy

⁴⁰ Aviation URDEFS are handled under a separate process.

and planning, and is a separate 'Command' within the Navy, presided over by DCN. NHQ performs its functions on behalf of CN, and derives its authority from CN as the Defence Output 2 Navy capability manager.

2.47 Navy's overall strategic and financial planning and performance management reporting is undertaken in NHQ. NHQ is responsible for the negotiation of Navy's component of the Defence Management and Finance Plan, and for key relationships with the financial coordinating organisation under the Department of Defence's Chief Finance Officer (CFO). NHQ operates the main interfaces, at the policy level, with other Defence Headquarters and Defence organisation activities. The CN's responsibilities within the Navy's OPA with Secretary/CDF, and its incorporated DLOC reporting processes in Navy, are controlled by and channelled through NHQ.

2.48 NHQ accordingly has a major contribution to make to the planning, management and reporting of Navy readiness internally as well as in the context of joint operations with other single Services and through COMAST. The Navy Capability, Performance & Plans Branch coordinates much of this work.

2.49 These functions position NHQ across both lines of the dual directive system. In its coordination support role, NHQ is also positioned to assist the effective integration of the work of SYSCOM with that of Maritime Command. It provides the business management functions for the Navy's senior corporate governance bodies.

2.50 DCN as head of NHQ is also the Naval Capability Manager delegated in this role by CN. It is in this role that DCN executes the CN's directives to the seven FEG commanders which mandate the capability management and capability development tasks of each of the FEGs. Although DCN performs the duties of CN during absences of CN, the responsibilities of the position focus less on capability management than on strategic planning and corporate issues, such as legal, industrial relations and safety.

Corporate governance of Navy readiness

2.51 CN employs two corporate advisory bodies, CNSAC and the Navy Capability Management Committee (NCCMC), to bring together the various inputs to Navy management and production of the Navy output. Effort has been made in the last 18 months to giving the more senior of the two, CNSAC, a greater focus on strategic issues and priorities, with the NCCMC's decisions feeding directly into CNSAC's higher level decisions to fit with budgetary cycles.

Chief of Navy Senior Advisory Committee

2.52 CNSAC is the most senior decision-making body in the Navy under CN. CN is its chair. Its membership comprises the heads of the three Navy Commands (DCN, MC and COMAUSNAVSYSKOM⁴¹), the Head of Maritime Systems in DMO—the most senior Navy-specific position in DMO, Chief Navy Engineer and the Warrant Officer of the Navy. CNSAC considers broad strategic directions in Navy and ensures that appropriate strategies and plans are developed to meet its mission, but it also maintains oversight of the work of the NCMC.

Navy Capability Management Committee

2.53 The Navy Capability Management Committee (NCMC), located in Navy Headquarters, is the Navy governance mechanism that is focused on capability and preparedness issues.⁴² Chaired by DCN, the committee meets monthly and groups together, as its 'permanent' members, senior representatives of the Navy's sub-output chiefs including the Maritime Command Chief of Staff, the SYSCOM Chief of Staff and the FEG commanders. Also included is the Director General Navy Capability, Performance and Plans in NHQ, who is its Deputy Chair and Business Manager. It has a small roster of 'invited' members who include the senior executives of SYSCOM responsible for personnel and training, and naval systems. Also invited, on an as-required basis, are the heads of relevant DMO branches as well as DSTO project managers dealing with issues of relevance to Navy or projects commissioned by Navy (e.g. a Navy Fuel Study).

2.54 The NCMC is the principal coordinating mechanism employed in Navy to bring together the various groups in Defence that assist in the delivery of Navy capability. The NCMC is the only senior body in which the FEGs have ongoing systematic liaison with wider Navy command and with DMO elements directly contributing to capability. The NCMC has a critical function in ensuring that the Defence 'enabling' groups, especially DMO, maintain smoothly functioning business processes in the support they provide to Navy's FEGs.

2.55 DCN is ultimately responsible for all decisions taken by the NCMC and NCMC members are accountable to DCN for their respective contributions to the decision-making processes of the committee. All committee members may propose items for consideration. The Director General Navy Capability, Performance and Plans is responsible to DCN for approving items for committee consideration.

⁴¹ Commander of SYSCOM.

⁴² NCMC was formed in March 2000 as a single Navy capability committee by the joining of the Naval Business Forum, the Naval Capability Management Board (NCMB) and the Research and Development Requirements Committee. A single capability committee was seen as important in the expectation that 'implementation of the FEG model' would be the Navy's primary capability challenge for the next year. NCMB Minutes 3 February 2000 'NCMB Role'.

2.56 The NCMC is the forum in which the FEG commanders meet with each other, the DCN and Maritime Command Chief of Staff, and work towards shared goals. It is the forum that enables DCN to brief FEGs and the MC on development in CNSAC and other senior Defence committees. A significant part of its business is to examine capability development investment proposals to be put forward by CN to the Defence Capability Investment Committee. The NCMC considers issues in Navy capability priorities. It is the forum in which discussion takes place on the impact of any funding cuts in the Defence portfolio, or other shortfalls, on FEGs and among the capability elements or expenditures at the discretion of the FEGs.⁴³ The NCMC considers 'whole of Navy' perspectives in the input from the Navy, through the CNSAC, to the Defence Management and Finance Plan.

2.57 The NCMC initially had the role of endorsing the FEGs' master plans. Under recently promulgated arrangements the master plans are submitted directly to DCN and MC for approval. The NCMC has no role in the approval process. Presentations on master plans have in the past offered FEG commanders regular opportunities to address NCMC on their concerns. Generally, FEGs have come to give lower priority to preparation of annual master plans than to other business planning mechanisms. The first versions of the master plans under the new arrangements are to be produced by mid 2003.

2.58 Presentations by each FEG of half yearly reports to the NCMC on their operations also started to provide an opportunity for peer review of the performance of FEG commanders. However, in so far as the minutes of meetings record, discussion of the reports does not appear to articulate any specific points on FEG performance.⁴⁴

2.59 More generally, the NCMC is described as overseeing the production of draft strategic planning documents such as Plan Green,⁴⁵ Navy's capability development plans, the financial bids and performance of the Navy organisation, and Navy's science and technology requirements (facilitated by the participation, by invitation, of the DSTO representatives at relevant meetings).

2.60 Operating principles in the NCMC's charter suggest that the committee is intended to function as a driving force in the governance of capability and preparedness issues. It has, for example, an 'action matrix' and its minutes are to be 'promulgated' expeditiously to CNSAC. At its April 2002 meeting the NCMC conducted a 'strategic discussion' led by DCN that addressed relationships between DLOC, Balanced Scorecard Reports, relationships between

⁴³ Decisions on the actual nature of proposed cuts in allocations and outlays (that are carried forward as recommendations by CN to the Defence Committee) are not made in the NCMC.

⁴⁴ Minutes of meetings indicate that they are generally 'noted'.

⁴⁵ Examination of the NCMC minutes suggests that the NCMC has input into the production of Plan Green, rather than overseeing it. NCMC Minutes, 22 May 2001.

the directives to FEGS from DCN and MC, and involvement of MC and DCN in the evaluation of Navy's capability (via the OPA monthly report and other reporting mechanisms). These are issues of considerable significance to the Navy's capability and preparedness management system, dealt with at length in this audit. No outcome or decisions of the NCMC were recorded against this discussion.⁴⁶

2.61 The ANAO considers that the NCMC could potentially occupy a pivotal position in the management of Navy preparedness. This appears to have been the intention at the time of its formation. At the time of its start-up early in 2000 the committee was intended to facilitate the transition of the Navy's capability management processes to the (then) new system of capability sub-outputs coordinated by the FEGs. It was intended to help the FEGs produce output based resource plans and to be the instrument for the development of methodologies for evaluating preparedness, useable across all FEGs.⁴⁷ Some limited cross-FEG assistance projects have been initiated and carried forward by the NCMC, for example, studies into the loss of core skills among specialised FEs. The NCMC functions as an important coordinating interface with DSTO, carrying forward the role of the former Research and Development Requirements Committee, which was discontinued at the time the NCMC was formed.

2.62 NCMC's foundation purposes have not been achieved, however, largely because of the modus operandi adopted by the Committee. The NCMC has operated more as a transaction facilitator or information-brokering forum—useful functions, but ones falling short of its promise. It appears to have had difficulty in developing its strategic function in integrating the various capability and preparedness management challenges that have faced the Navy over the two years of operation of the FEG construct. Because of this it could only have been of limited value to both DCN and CN. Several FEG commanders expressed the view that the NCMC had only been of limited value as a governance forum.

2.63 Navy could increase the contribution that the NCMC makes to the monitoring of readiness management activities, and the rationalisation and control of inputs to readiness from outside Navy. A reinvigorated NCMC forum would position itself to address priority preparedness management issues for the Navy already identified by the FEG commanders and by other Navy forums, for which there is no alternative governance mechanism at this level. These matters would include:

⁴⁶ NCMC Minutes, 10 April 2002.

⁴⁷ *ibid.*, 3 February 2000, Item 3.

- strategic issues in the relationship between the FEGs and other Navy Command elements, particularly MHQ and SYSCOM;
- integration of Navy policy and standards for service level agreements with support elements including DMO SPOs (this is discussed further in Chapter 4);
- determination of appropriate shared service points for FEGs;
- identification of best practice business management arrangements for the FEGs, where the NCMC would receive reports (in the form of recommendations) from the Business Systems Working Group (BSWG) in SYSCOM;
- development of capability costing tools;
- reform and development of DLOC agreements; and
- consideration of reports and recommendations from other capability forums e.g. the BSWG in SYSCOM.

2.64 A further critical function for a body with NCMC's seniority and composition would be to operate as a Navy clearing house and point of review of the monthly DLOC reports of the FEGs. This would place the Navy in a stronger position to monitor its readiness management (this matter is discussed in Chapter 5).

Maritime Command Preparedness Management Group

2.65 Initiatives have recently been taken by subordinate commands in the Navy further to refine methodologies for deciding priorities in the allocation of resources, especially for maintenance and repair support and personnel manning levels among the various FE. This has been necessary because of the continuing high operational tempo levels and the impact of these on priority-setting by the individual capability sub-output managers. Although much of this is in the nature of work in progress, the initiatives revolve around the preparation of a 'Capability Bill', or a document that would be a statement of the capabilities that are required in a FEG to enable it to meet both task and contingency readiness requirements.

2.66 The Capability Bill is a proposed methodology for further identifying the detail of capability requirements. The context of the Capability Bill is the 'constrained' resources environment in which Navy currently operates. The Capability Bill concept is a systematic regime for managing maintenance and repair support and personnel manning levels to meet MC's Preparedness Priorities. It provides a basis for allocating resources to specific FE in accordance with enunciated principles. The Capability Bill would seek to ensure that both

task and contingency readiness requirements may be met while also ensuring that FEs can safely and successfully meet their FAS commitments.⁴⁸

2.67 The Navy's most recent version of its medium term plan, *Navy Plan Green 2002-12*, indicates that a formal program has been developed to provide key stakeholders with greater visibility of known Navy operational obligations over an extended period of time: the Deployments, Exercise and Engagement Plan—Naval Component. This program is to 'enhance the Chief of Navy's ability to monitor linkages between operational activities and Navy's Performance Management Framework, Goals, Key Result Areas and Performance Indicators'.⁴⁹ It is designed to be 'the cornerstone of operational planning for periods of up to four years ahead and form the basis for the development of the Fleet Activity Schedule across all FEGS'.⁵⁰

2.68 The ANAO understands that the principles and methodology for developing the Deployments, Exercise and Engagement Plan—Naval Component include those involved in the Capability Bill. The Capability Bill is at an advanced stage of consideration in Maritime Command. A Maritime Command Management Group has been created and tasked since mid 2002 to oversee its development and implementation. Implementation among the FEGs is at a very early stage and is certainly proceeding unevenly among them.⁵¹

Conclusion

2.69 The ANAO considers that the business processes handled by the different governance groups dealing with operational readiness should be refined and further developed. The NCMC should be positioned to clarify effectively how all aspects of Navy readiness planning and monitoring are implemented, including readiness decision-making of an operational nature. The NCMC would accordingly be able to play a more active role in the strategic and operational dimensions of the management of Navy operational readiness.

⁴⁸ See Chapter 1 for definitions of 'task' and 'contingency' readiness.

⁴⁹ *Navy Plan Green 2002-12*, 9 July 2002, p. 4-5.

⁵⁰ *ibid.*

⁵¹ A classified Capability Bill was developed by the Major Surface Combatants Group in 2000-01 and approved by the Maritime Commander. The COMAUSNAVSURFGRP Master Plan for that year stated that the Capability Bill was in operation in its management of preparedness requirements (p. 8). *Navy Plan Green 2002-12* also refers to development of a Capability Bill as being the means by which one of the other Force Element Groups, the Mine Warfare and Clearance Diving FEG, plans to 'optimise the ability to achieve agreed readiness levels' (Strategic Objective B1, p. 9-2). There do not appear to be any other references to capability bills in this latest issue of Plan Green—a key Navy planning document. Defence advise that the Capability Bill is an informal construct that is not yet endorsed by Navy Headquarters.

Recommendation No.3

2.70 The ANAO recommends that Navy enhance its governance of operational readiness by having the Navy Capability Management Committee play a more active strategic role, particularly by:

- a) overseeing the roles and relationships of Maritime Command and the Force Element Groups in delivering operational readiness and developing business processes (as proposed in Recommendation No.2);
- b) facilitating and verifying the integration of mechanisms for delivery of support services to the Force Element Groups and Maritime Command, from Navy Systems Command and the Defence Materiel Organisation; and
- c) facilitating and verifying the alignment of planning and resourcing of Navy operational readiness between the requirements of the Directed Level Of Capability process and the task readiness directed by Maritime Command.

Defence response

2.71 This recommendation is agreed. The Navy Capability and Management Committee (NCCMC) was established in 2000 to facilitate Navy's governance of capability management within the new FEG construct that was being introduced under the 'Tomorrow's Navy' reforms. It was formed by combining three committees: the Naval Business Forum, the Naval Capability Management Board, and the Research and Development Requirements Committee. Whilst it has been a useful forum to support the establishment of the FEG organisation, the need to restructure and refocus the NCCMC to give it a stronger role in capability management decision making has already become apparent. This restructure has commenced.



HMAS Sydney from HMAS Warramunga during a workup evaluation

3. Major Components of Navy Operational Readiness

This chapter outlines the operational workup processes for Navy platforms, including the sea training program, engineering and logistics support aspects. It then provides details of the development of a national fleet sea training group and its associated training and evaluation processes.

Introduction

3.1 The primary inputs to Navy readiness are trained personnel, equipment and consumables along with the organisation and command structures using these inputs.⁵² Chapter 2 reviews the organisation and command structures. This chapter deals with the personnel, equipment and consumables components of Navy operational readiness.

3.2 The Chief of Navy Capability Directive requires the MC to ensure that warfighting skills and professional competencies are exercised and tested, and measurement indicators are established to assess proficiency against targets, thus ensuring that individual and collective proficiencies are met in the achievement of OLOC. Maritime Command, therefore, has a core set of responsibilities that are central to Navy operational readiness. These responsibilities include the development of the team or 'collective skills' of FEs and the ongoing engineering and logistics support requirements of the fleet, in order to maintain required levels of operational readiness for FEs. As such, the audit has a strong focus on the management of fleet readiness by Maritime Command and on the collective training of Navy personnel.⁵³

3.3 Human resources and the training of manpower are at the heart of the operational readiness processes over which Navy has control. Training cannot, however, be separated from the platforms, equipment and materiel in use, as there is a detailed interaction between skill requirements and specific equipment. Training is also complex because of the wide range of technical skills and specialisations involved in delivering naval capability. Two broad streams of training deliver Navy manpower: the Training Authorities located within SYSCOM and the Australian Fleet Sea Training Group (AUSFLTSTG) under Commander Flotillas (COMFLOT) in Maritime Command.

⁵² Current ADF preparedness doctrine identifies the 'Fundamental Inputs to Capability' as organisation, supplies, personnel, facilities, collective training, support, major systems, command & management.

⁵³ Other aspects of support, facilities, supplies and consumables were examined as part of discussions with Navy SYSCOM, the FEGs, DMO and NHQ.

3.4 SYSCOM is responsible for assisting Navy personnel develop their individual skills that are subsequently shaped into collective skills. The Navy Personnel and Training Branch pursue this task via the relevant training authorities. There are five training authorities: Maritime Warfare; Aviation; Logistics; Initial Training, Leadership and Management; and Submarines. The training authorities are the senior qualified subject matter experts that directly manage the development and delivery of training in their specialist fields. Once Navy personnel have completed their relevant individual training, they are posted to a platform and then undergo additional ongoing training as part of the crew.

3.5 AUSFLTSTG is the training and evaluation body that plans, coordinates and conducts the training or ‘workup’ of naval forces to required levels of operational capability. This process involves training to build up and maintain the collective crew skills, as well as undertaking a number of different evaluation steps to confirm that required minimum levels of competence have been achieved.

Operational workup of Navy platforms

3.6 Once a platform is delivered from the construction yard or completes a maintenance refit⁵⁴ it commences the workup stage of its operational cycle. This consists of a series of equipment checks, collective training activities and systems evaluations, to increase its level of operational capability through a MLOC stage, and up to OLOC if required.⁵⁵

Planning for the workup process

3.7 The workup of platforms is largely achieved through the Fleet Activity Schedule as determined by FEG management of platform availability to meet obligations for maintenance and enhancement when required. The FAS is a strategic MHQ planning document that details the employment of fleet assets over an 18 month forecast period and outlines known major activities out to five years. AUSFLTSTG, as a stakeholder, has an input into the creation of the

⁵⁴ Navy platforms undergo regular refits or maintenance periods, during which systems and equipment are serviced or upgraded, to ensure that suitable levels of material readiness are maintained for operational duties.

⁵⁵ As noted in Chapter 1, military capability may be defined as an appropriately prepared force structure to complete specific tasks. MLOC is the capability (proficiency and resources) that a FE must maintain to support the transition to an operational level of capability within a Readiness Notice. At MLOC a FE is expected to be able to participate in exercises, progress annual continuation training, and conduct peacetime patrol, surveillance, search and rescue and aid to the civil community tasks. OLOC is set for each FE in relation to the planned performance of certain operational roles, and the form and characteristics of operations that the ADF is likely to face.

FAS. COMFLOT is involved in the endorsement of the plan. This document provides the basis for the operational and exercise deployment of platforms, as well as the planning of 'sea riding'⁵⁶ training and assessment activities.

3.8 Navy's major training document, *Australian Fleet Training Publication 4, Version F (AFTP4(F))*, provides the details of the workup process and underlying support for planning by providing specific, minimum exercise requirements that must be achieved during workup, annual continuation training, and for an OLOC Operational Readiness Evaluation (ORE). The minimum exercise requirements do not outline the quality standards that must be achieved during these exercises or any easily identifiable reference to support documentation that may contain the appropriate standards. Maritime Command informed the ANAO that the minimum standards underpinning exercises are set out in specific documentation for each specialist area. For example, ABR 1043 is the relevant document for gunnery and reference to fleet standards for gunnery are contained within it. The ANAO considers that AFTP4(F) should be amended to make reference to all relevant performance standards documentation, for required training and exercise programs.

3.9 The relevant areas within AUSFLTSTG (such as the mechanical engineering team) then undertake lower level planning and documentation, and this is discussed in greater detail in the methodology section below. This planning is essential to deliver a well-organised program and to generate the necessary level of readiness expected from a given platform.

Pre-workup processes

3.10 Before a platform can commence the workup process it must be assessed to ensure that it is materially ready for operations. The Fleet In Service Trials (FIST) organisation is responsible to the MC (through the Major Surface Combatants FEG) for the conduct of impartial and accurate auditing of the equipment and material condition of Navy surface platforms (including major fleet units, amphibious and afloat support vessels, mine warfare vessels and minor war vessels such as patrol boats).⁵⁷ FIST has 11 personnel and is structured in three sections specialising in platform types, as well as a specialist communications section.

3.11 FIST responsibilities include a Pre Condition Assessment of the platform prior to the commencement of a refit. This provides data on the condition of platform systems to facilitate the development of the maintenance work list

⁵⁶ 'Sea riding' entails trainers spending periods of time on Navy platforms providing training and evaluation services.

⁵⁷ FIST operations are carried out under Navy guidance contained in ABR 5230 and ABR 2924.

and the prioritisation of refit activities. On completion of the maintenance period, FIST undertakes platform system trials in order to determine the platform's post refit material condition. FIST also undertakes radiation hazard surveys to ensure that ADF personnel are provided with a working environment safe from electromagnetic radiation.

3.12 FIST is responsible for the production and implementation of a Post Refit Trials Management Plan in conjunction with the platform's crew. The management plan details the trials program and activity schedules required to assess the material condition of the platform. The post refit trials program is finalised at a planning meeting between FIST and platform personnel, six weeks prior to Contractor Sea Trials.⁵⁸ The trials program is conducted both in harbour and at sea, and consists of a Material Readiness Assessment (MRA) and Combat Ship System Qualification Trials (CSSQT).

3.13 The MRA is conducted by FIST after the maintenance work has been undertaken, and is designed to test the functionality of the combat system. The MRA involves equipment testing, an assessment of the crew's ability to maintain and operate the systems and the conduct of a logistic support assessment in the areas of supply support, test equipment, manpower, training and technical documentation. The MRA is initially undertaken in-harbour, then at-sea. The at-sea component of the MRA is undertaken during the Contractor Sea Trials.

3.14 On conclusion of a satisfactory MRA, and after the rectification of any identified defects, the platform then undergoes CSSQT. The CSSQT aims to demonstrate that equipment operates satisfactorily, to a predetermined baseline, under seagoing and operational conditions. The CSSQT is designed to demonstrate satisfactory combat system performance while being operated and maintained by the crew and covers communications, gunnery, underwater weapons and air combat systems. Successful completion of the CSSQT is a mandatory prerequisite for continuing on to the workup stage.

3.15 At the same time that FIST is conducting its post refit trials on platform systems and equipment, the ship initiates Pre Workup Training (PWT) for the crew. PWT is focused on developing the collective skills of the crew and aims to refresh individual skills, practise crew drills, and consolidate these into a team-oriented approach in preparation for the CSSQT and workup stage. The first stage in preparing a PWT program is to compare the BPR for the platform's scheme of complement⁵⁹ against the skills of the billeted personnel.⁶⁰ AUSFLTSTG

⁵⁸ Contractor Sea Trials are undertaken as part of the quality assurance process for maintenance and upgrade work carried out during a refit, and determine whether the work has been satisfactory.

⁵⁹ 'Scheme of Complement' refers to Navy billets (positions) at each rank and category that have been formally approved for staffing Navy shore establishments and platforms.

⁶⁰ Submariners conduct a Submarine Crew Audit which fulfils the same purpose.

review platform BPRs to verify that Navy personnel have received appropriate individual training before commencing the workup. This information is provided by the platform's Commanding Officer in the form of a PWT completion report in accordance with the format set out in AFTP4(F).

3.16 Courses to satisfy the PWT requirements of the crew are arranged with the relevant training authorities. PWT courses cover subjects such as Command Team Training, Combat Systems, Communications, Gunnery, Aviation, Damage Control, Medical, Engineering, Diving and Demolitions. The training authorities report back to Commander Sea Training on the outcome of each of the courses. As well, each platform conducts a performance review process for the Pre Workup Training, as outlined in AFTP4(F):

On completion of all PWT the ship is to submit to Maritime Headquarters for CST a report on the entire PWT process. Comment is to be made on conduct of the PWT and any perceived deficiencies with course content and suggested improvements.⁶¹

3.17 The PWT represents an important review point in the pre-workup processes. It confirms individual skill levels prior to the commencement of collective training and assists in identifying better practices to prepare crews for the workup. The ANAO considers this performance review process to be important in achieving the most beneficial training outcomes.

3.18 AUSFLTSTG then undertakes a Post Refit Safety Assessment (PRSA) to review the platform's preparedness to proceed to sea. The PRSA examines the state of personnel training and equipment (with an emphasis on safety aspects), organisation of platform departments⁶², damage control and documentation. As part of the PRSA, the overall propulsion, electrical plant and auxiliary machinery readiness is examined. Known as the Light Off Examination, it examines the material state of the equipment, the plant operating proficiency of the engineering personnel and the capability of the platform's fire fighting organisation. The PRSA also includes a 'PRSA audit'⁶³, which is then undertaken of specific departments, followed by an overall assessment of the platform (undertaken by AUSFLTSTG), during the 'Fast Cruise'. The Fast Cruise program is undertaken prior to sailing and is used to evaluate the 'watch and station bill'.⁶⁴ It ensures that the crew is familiar with its duties and is competent to deal with basic emergencies.

⁶¹ AFTP4(F), 607.

⁶² Platform departments are functional groups such as navigation and engineering.

⁶³ The Light Off Examination is conducted in accordance with Fleet Engineering Instruction 42 (FEI 42) Article 1111, which details the preparations necessary and the standards expected. The PRSA audit is undertaken in accordance with AFTP1, Chapter 1. See Figure 8.

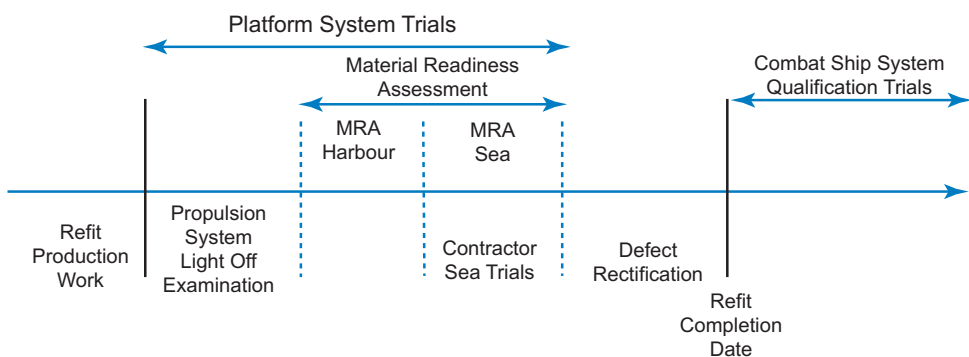
⁶⁴ The 'watch and station bill' refers to the employment and positioning of personnel around the platform for all contingencies.

3.19 When a platform first proceeds to sea for CSSQT following refit, elements of AUSFLTSTG will embark for the Sea Safety Training Period (SSTP). The SSTP allows key AUSFLTSTG members to provide early guidance in the core mariner skills, to ensure that the platform is safe to proceed to sea. Upon successful completion of the SSTP, Commander Sea Training (CST) will signal that the platform is cleared to proceed for sea trials and CSSQT. Figure 8 outlines the stages in the post refit operational training and evaluation cycle.

Figure 8

Stages in the post refit operational training and evaluation cycle

FIST Post Refit System Trials Activity



Refit Testing Activity

Source: ANAO analysis, drawing on documentation and data provided by Defence.

3.20 For the submarine fleet, this post refit or ‘post docking’ stage is known as pre-workup and licensing training. It involves preparing platform departments for sea and aims to build individual members of the platform’s company into a functioning team through the use of presentations, lectures and squadron audits as well as team training. The licensing process involves in-harbour and at-sea training to ensure safe conduct of trials in a graduated manner. The aim of the licensing training is to deliver a submarine able to freely operate within its entire manoeuvring envelope and a submarine crew that has successfully achieved the Mariner Skills Evaluation⁶⁵ level. This also involves a Pre Workup Safety Assessment that covers similar activities to the surface fleet’s PRSA.

⁶⁵ This evaluation aims to ensure that a submarine’s crew is capable of operating the submarine safely in normal watch keeping functions and taking correct initial actions and subsequent damage control measures for any likely and credible emergency situation that may arise at sea.

3.21 With naval aviation, the airworthiness concept⁶⁶ drives the maintenance and training specifications for helicopters and is administered by the Chief of Air Force. This detailed process is specified in Defence Instruction (General) OPS 02-2 ADF airworthiness management. The Airworthiness Board annually provides an independent assessment of process compliance and system integrity.

3.22 The currency requirements of aviation BPR skill sets are laid out in Naval Aviation Instructions ABR 5150. Emphasis is placed on maintaining a solid audit trail of BPR delivery, in order to ensure the integrity of certification of aviation personnel in airworthiness terms. The Training Authority—Aviation oversees delivery of the learning modules to the individual. The Aviation Squadron is responsible for any on-job-training and currency monitoring. Compliance is monitored by Maritime Command, either by Commander Australian Navy Aviation Group (COMAUSNAVAIRGRP) ashore or the Fleet Aviation Officer team during the Pre-Embarkation Inspection. In relation to PWT, there is no formal aviation course as this training is already completed with the assistance of the Training Authority and the Squadron. As a result, COMAUSNAVAIRGRP is responsible for delivering to the MC a ship's flight at MLOC. The aviation sea trainers are then responsible for integrating the flight into the ship's operations.

Workup processes

3.23 The second stage of bringing platforms up to MLOC is the workup process (see Figure 9). This stage takes two to five weeks depending on the platform class. The Commanding Officer of a platform is responsible for the planning and conduct of a workup and AUSFLTSTG facilitate this by sea riding the platform, during which time it evaluates and helps to train the crew. This requires close liaison to ensure that an appropriate training focus is achieved, that necessary supporting assets (i.e. other platforms) are available and that a gradual increase in exercise complexity is achieved. The Training Coordinator in Maritime Command consults with the Ship's Operations Officer to develop a plan that provides sea trainer coverage across all departments, as well as a focus on any areas of identified weakness.⁶⁷ The plan specifies the details of the program such as scheduling of events, required workup assets (in particular aviation and submarine as 'opposing forces') and general remarks on required areas of training.

⁶⁶ According to Defence Instruction (General) OPS 02-2, airworthiness is a concept, the application of which defines the condition of an aircraft and supplies the basis for judgement of the sustainability for flight of that aircraft, in that it has been designed, constructed, maintained and is expected to be operated to approved standards and limitations, by competent and approved individuals, who are acting as members of an approved organisation and whose work is both certified as correct and accepted on behalf of the ADF.

⁶⁷ This is the arrangement for major fleet units such as frigates, whereas the relevant STU undertakes this role throughout other parts of the AUSFLTSTG.

3.24 AUSFLTSTG personnel adopt a teaching mode during the early stages of a workup process.⁶⁸ Approximately ten days into the workup, a WorkUp Evaluation (WUPE) is conducted in the form of unannounced exercises in a multi threat environment, in order to observe and evaluate all departments and identify material, procedural, or organisational weaknesses to be corrected. On completion of the WUPE, COMFLOT and AUSFLTSTG, in discussion with the Commanding Officer and the FE's Heads of Department, determine the level of AUSFLTSTG assistance required (during the next two weeks of the workup) to overcome areas of weakness and to enable the appropriate standard to be achieved in preparation for the MLOC ORE.

3.25 The next stage involves the MLOC ORE and is the final part of the workup period.⁶⁹ It involves a simulated operational patrol in a period of heightened tension/open hostilities during which every aspect of the platform's operations is evaluated by the AUSFLTSTG. A detailed written report is provided to the head of each department and an assessment made as well as a debrief to the Commanding Officer and the crew. On successful completion, the platform is classified as being at MLOC, which completes the formal workup process facilitated by AUSFLTSTG. The workup process described above is fundamentally similar to that used by both the United States Navy and the British Royal Navy.

3.26 The aviation workup process is essentially the same as for surface platforms. However, as the flight is delivered to the ship at MLOC it is actually worked-up to an OLOC state of readiness. This is achieved by integrating the flight's operations with the ship's command team, with the assistance of the fleet aviation officers based in the AUSFLTSTG. The workup process incrementally progresses the flight through the required activities and then conducts the final evaluation through an operational exercise guided by AFTP4(F).

Annual continuation training

3.27 The maintenance of the platform's readiness level at MLOC is the responsibility of the Commanding Officer. This is achieved by completing annual exercise continuation targets, by conducting training at sea and participating in exercises.⁷⁰ The annual exercise continuation requirements are listed in an appendix to AFTP4(F). For major fleet units, progress against training targets is

⁶⁸ The equivalent stage for submarines is called operational training. This involves undertaking operational style exercises and training, and the technical departments will be trained and assessed in defects management and operational procedures.

⁶⁹ This stage is called a Minimum Readiness Evaluation for submarines.

⁷⁰ This process is known as annual continuation training.

noted in the platform's weekly training report to MHQ. Minor war vessel activity is monitored by the submission of a monthly exercises completed report. Where a platform falls behind in meeting annual continuation training requirements AUSFLTSTG may liaise with the FE's Commanding Officer to schedule additional activities for it in the Fleet Exercise Program.

3.28 For submarines the annual continuation training targets consist of whole-platform and departmental exercises at sea, as well as team training in harbour. A Harbour Training Week will be programmed when submarines have been alongside for four weeks or more. This comprises onboard and shore training and usually includes a 'fast cruise' supported by AUSFLTSTG. To assist submarines in regaining and maintaining MLOC after prolonged periods alongside, shakedown will be programmed. The shakedown is a self-training period during which annual continuation training targets will be progressed over a period of five to ten days. AUSFLTSTG assistance is provided for the longer shakedowns.

3.29 The Management of Naval Integrated Capability Assessment Reports (MONICAR) system gathers information on the level of readiness currently achieved by platforms. MONICAR stores data on four readiness indicators: equipment; equipment condition; personnel; and collective training. Individual platforms transmit a signal containing MONICAR data through the DBSIGS system and it is then stored in the MONICAR 'shore' database.⁷¹

3.30 The MONICAR collective training enabler for platforms is measured through the completion rate of continuation training exercises in accordance with the specifications in AFTP4(F) (i.e. it only records the results of successfully completed exercises). The *Report of the MONICAR Review Project* noted problems with these exercise reporting requirements:

The practice of reporting only successfully completed exercises in MONICAR appears specious and provides no indication of the rates of effort required across the fleet to achieve prescribed standards. Reporting all exercises conducted can assist in provision of feedback to training centres ashore on the effectiveness of Pre-Joining Training (PJT) and basic training packages and provide an early indication to STG of where sea riding assistance may be required.⁷²

3.31 This review recommended that 'all collective training exercises undertaken onboard be reported whether successful or not'.⁷³ The non-reporting of unsuccessful exercises results in the account of training conducted being

⁷¹ DBSIGS database stores signals transmitted between FEs and Maritime Command. MONICAR Shore is a land-based database that compiles readiness data from FEs.

⁷² *Report of the MONICAR Review Project*, 4 August 2000, para. 3.22.

⁷³ *ibid.*, para. 3.23(i).

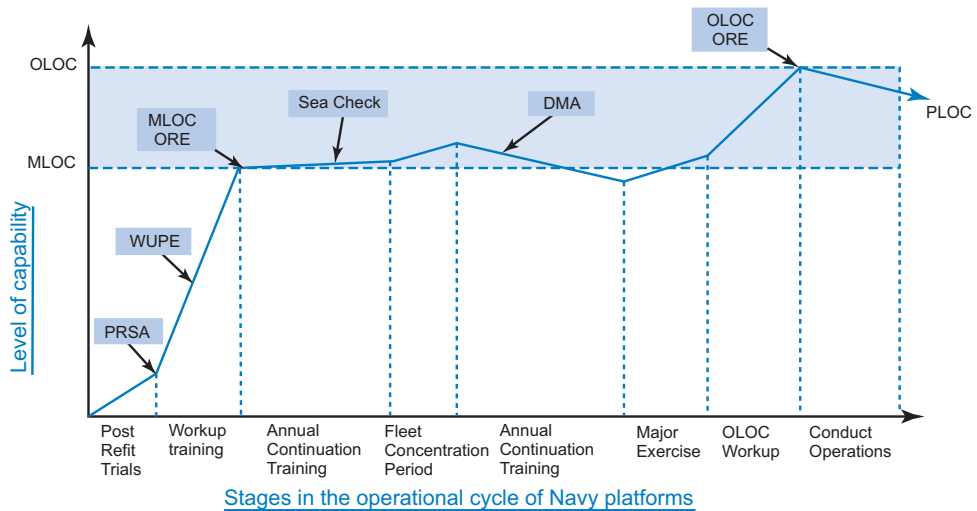
incomplete and allows an unnecessary level of subjectivity of judgements regarding these exercises. *The ANAO suggests* that this recommendation be implemented and that the results of all training exercises, including workup and annual continuation training be recorded.

3.32 ‘Sea checks’ are an assessment tool designed to evaluate and confirm a platform’s performance and capabilities during the operational period after a workup. AUSFLTSTG are responsible for sea checks, which normally occur at least once during the platform’s operational cycle. Departmental management audits (DMA) can also be conducted during the cycle. These are managed by the Maritime Command Chief of Staff, have a strong safety and administrative focus, cover particular aspects of a platform, and are conducted by the AUSFLTSTG on behalf of the Chief of Staff.

3.33 An OLOC workup commences when a platform is ordered to prepare for operations in accordance with a particular role or expected functions.⁷⁴ OLOC is threat and theatre dependent and typically involves a mix of levels of capabilities across the warfare disciplines. An OLOC workup would involve AUSFLTSTG conducting training focused on these specific areas and an OLOC ORE is used to assess these aspects of capability. Figure 9 outlines the stages in the development of a platform’s Present Level of Capability (PLOC) as it proceeds through training and evaluation processes.

3.34 The Commanding Officers of FEs are responsible for generating information on their material and training proficiency levels and for making this available to Maritime Command (transmitted via signal) and through the weekly MONICAR reporting. Shortfalls and deficiencies can be reported by the FEGs through the OOPR process (see Chapter 5). The FEGs provide integrated reporting across each group, principally against their ASTOPR/DLOC reporting requirements and the monthly balanced scorecard reports.

⁷⁴ This involves an FE preparing for a specific task such as anti-aircraft warfare or conducting boarding operations.

Figure 9**Navy platform's operational training and evaluation cycle**

Source: ANAO analysis, drawing on documentation and data provided by Defence.

Fleet engineering and logistics support

3.35 The engineering capability bearing on Navy's operational readiness is distributed across a number of areas of the Navy and in the wider Defence organisation. Engineering personnel are embedded in the FEGs where there is a requirement to manage FE engineering operations and MHQ maintains mechanical and electrical engineering expertise. DMO provides technical advice and engineering services, including specialty areas such as systems engineering, configuration, risk and quality management.

3.36 Maintaining operational readiness entails a complex series of interactions between all of these groups. Issues in the roles and responsibilities of these different groups are examined in Chapter 2 and 4. The MHQ positions of Fleet Mechanical Engineer Officer (FMEO) and Fleet Weapons and Electrical Engineer Officer (FWEEO) provide a central point of engineering excellence and support to the fleet and provision of expert technical advice to FEGs when requested. Their roles include the provision of advice to platforms in relation to specific mechanical and electrical engineering difficulties and also involve seariding platforms, as part of the AUSFLTSTG training and evaluation program. Their duties also involve the conduct of engineering audits on behalf of COMFLOT, providing assistance to the Chief of Staff during Departmental Management Audits and OH&S reports on specific incidents.

3.37 The FMEO and FWEEO have an oversight role in the management of urgent defects on platforms. They achieve this by monitoring the signals database, as this indicates what actions are being pursued in relation to the defect, the estimated time to rectification and the priority assigned to the defect. This is an important function in maintaining required levels of readiness of the fleet. The utilisation of these experienced officers in a role such as this is useful in ensuring that crucial aspects of major platform systems are appropriately managed.

3.38 These officers also provide assistance to less senior Navy personnel to further develop their skills and are involved in the oversight of the Technical Charge Program, which involves written and board testing of officers and sailors. The aim of this program is to ensure that officers and sailors in charge of the relevant departments are competent and can run their respective departments safely.

Logistics support to operational readiness

3.39 Operational readiness in Navy is supported by three primary areas of central logistics support. These are Fleet Logistics Support within MHQ, Maritime Support Branch within DMO, and logistics support cells in the individual FEGs.

3.40 The Fleet Logistics Support area is responsible to the MC for the day-to-day management of logistics supply issues for platforms undertaking training and current maritime operations. This involves the management of URDEFS⁷⁵ and liaising with the appropriate organisations to obtain required spare parts. The Fleet Logistics Support organisation has a strong operational focus with a significant oversight function, as it is responsible for providing the MC with information on current logistics readiness issues for the fleet. Fleet Logistics Support also provides professional advice to supply departments on platforms.

3.41 FEG logistics organisations have responsibilities that include the management of logistic support for current operations as well as the management of longer-term capability issues. The FEG's role involves coordinating logistics preparedness and training for logistics to ensure the delivery of capability. This role entails the monitoring, negotiating and liaising with the Systems Program Office (SPO) in DMO, in relation to contractor support and maintenance issues as well as some inventory aspects.⁷⁶

⁷⁵ URDEFs are notified in signals sent by platforms to Maritime Command.

⁷⁶ The FEG role in relation to the DMO's Systems Program Office is examined more fully in Chapter 4.

3.42 The FEGs are reliant on the timely provision of logistics information from Commanding Officers and Fleet Logistics Support to ensure appropriate contractor support can be provided.

3.43 The Maritime Support Branch in DMO provides integrated materiel support of systems that are common to different platform classes, as well as procurement and repair of equipment and components for specific platform classes. The role also involves monitoring signals (such as URDEFS), assisting Fleet Logistics Support with URDEFS when required, liaising on procedural issues, and acting as an interface between Fleet Logistics Support, SPOs and other areas within DMO. The SPO undertakes the day-to-day management of contractors and spares support to ensure adequate logistics and materiel support is provided to platforms. SPOs also examine logistics data to identify any pattern of logistics problems and to ensure that spares stockholding levels are suitable and that any maintenance issues are pursued.

3.44 A number of observations made by MHQ and FEG personnel indicate that there are areas within the logistics chain that could be improved.⁷⁷ One of the FEGs noted that 'there are currently only very immature processes to understand logistic shortfalls that affect readiness'. Service level agreements are in place between the FEGs and SPOs to guide the relationship between the two groups and to outline the key deliverables.⁷⁸ A monthly review meeting is held to review performance and to identify improvements to be made. However, the ANAO noted variations between the FEGs as to their satisfaction with these arrangements. FEG commanders have also expressed the view that this arrangement is not useful for identifying key performance indicators and impacts adversely on their ability to assess performance.

Operational workup conclusions

3.45 The Navy's operational workup of platforms, which is historically based on British Royal Navy practice, retains strong similarities with the current practice in both the British Royal Navy and the United States Navy. The workup follows a logical process from the confirmation of equipment condition and individual skills through to the combination of the various components to reach the required level of collective readiness. The Royal Australian Navy's sea training and evaluation processes are effective in incrementally building on the skills developed from the basic, through to the more complex, collective training activities. The ANAO considers that the framework in place to manage the Navy's operational workup of platforms is fundamentally sound.

⁷⁷ Refer also to ANAO Audit Report No.38 2001-02, *Management of Australian Defence Force Deployments to East Timor*, Chapter 4.

⁷⁸ Service level agreements are discussed in more detail in Chapter 4.

3.46 The annual continuation training targets provide the Commanding Officer with a clear objective as to the training requirements that must be achieved. *The Report of the MONICAR Review Project* recommended that all training activities should be reported, and not just those successfully completed, in order to provide an accurate picture of the training activity. *The ANAO suggests* that there would be advantage in having this recommendation implemented. Engineering support to platforms is appropriate and the monitoring of urgent defects and engineering audits facilitates the management of readiness from an equipment perspective. Logistics arrangements have been subject to recent organisational change and require examination to address some areas that require improvement. The Defence-wide organisational changes referred to in Chapters 1 and 2 have had a significant impact on Navy logistics arrangements. These should be examined by Navy to address the areas identified in this report as requiring improvement, including the need for more effective service level agreements (this is discussed in more detail in Chapter 4).

Australian Fleet Sea Training Group

Integration of AUSFLTSTG

3.47 In August 2001, the various Sea Training Units (STU) for different platform types were aligned to create the Australian Fleet Sea Training Group (AUSFLTSTG). The AUSFLTSTG consists of three Sea Training Units: Submarines (SM STU); Major Fleet Units (MFU STU); and Minor War Vessels (MWV STU). Reporting to these units are three elements. The first element, Mine Warfare and Clearance Diving, is aligned with the MWV STU. The second element, Amphibious, is aligned with MFU STU and MWV STU, depending on the particular platform being assessed. The third element, Aviation, is aligned with MFU STU.

3.48 The aim of this restructuring was to 'develop a mature AUSFLTSTG that utilises current resources to create a truly national organisation that can effectively and efficiently provide maritime element/unit/force training to achieve the necessary fleet standards'.⁷⁹ The process of creating a coordinated and integrated organisation was to be achieved by pursuing three particular tasks. The first involved defining AUSFLTSTG roles, activities, and responsibilities particularly with regard to interaction between AUSFLTSTG, FEGs, and Commanding Officers. The second task was to conduct an audit of AUSFLTSTG doctrine and documentation to better align training objectives, workup schedules, and standards/targets set out in AFTP4(F) with higher-level requirements such as the CNCD and ASTOPR. The third task was to reinvigorate and formalise

⁷⁹ Correspondence from COMFLOT to Sea Training Commanders and relevant parties, dated 19 February 2002.

AUSFLTSTG command and control to facilitate better coordination of sea training activities and to achieve a higher level of training tempo across Navy platforms and with other ADF assets in the maritime environment.

3.49 In early 2001 these tasks were identified as high priority by the then COMFLOT. However, due to the increased operational tempo experienced within Navy, these tasks have not been completed. The ANAO notes that, although there is some sharing of resources and limited exchange of ideas between STUs, the AUSFLTSTG organisation has not yet evolved into a mature national structure.

3.50 The development of Navy's nationwide integrated sea training group aligns with the underlying reform and development programs for sea training that are being implemented in both the United States Navy and the British Royal Navy. The ANAO considers that the integrated sea training group project is a positive development but could also be further refined and its principles used as the basis for future planning and development initiatives.

3.51 The ANAO noted a range of better practice activities in different sea training units that should be considered for dissemination across the national sea training group. One important area where integrated planning on a national basis could achieve this would be in the area of training management documentation. The documentation that the different STUs currently use to record data on training and evaluation activities varies considerably in the format and amount of detail. For example, some training checklists contain only the stage of evaluation (e.g. ORE), the department's rating, and general comments about their performance, with no specific indicators shown to underpin the ratings that are given. Other training documentation is more detailed, containing reference to the underlying publications that support the particular activities and the performance standards required for the training serials.

3.52 Undertaking evaluation judgements in relation to fleet training standards requires adequate and comprehensive documentation. The documentation should reflect sufficient detail to support the evaluation judgements. It should contain comments that identify aspects that could be improved and constructive feedback on how these improvements could be made, as well as underlying documentation that sets out the standards and training requirements for these specific activities. It would be useful for AUSFLTSTG to instigate a program of systematic review of training practices and documentation used by different STUs, in order to identify areas of better practice.⁸⁰

⁸⁰ Some areas in AUSFLTSTG have commenced using hand held computers at sea to plan assessment serials and record workup evaluation results. This technology allows the standard evaluation forms to be stored on the system, as well as information on the particular training serial. It also enables the speedy and effective download of data to the central management system. Defence advised that the acquisition of hand held computers is included in the AUSFLTSTG financial year 2003–04 budget bids.

3.53 The ANAO considers that, as part of the continued implementation of an integrated sea training group, AUSFLTSTG should encourage improved communication and promulgation of the better practices and processes being developed in separate STUs. This could be enhanced by a more precise definition of functional relationships in AUSFLTSTG and would provide the MC with a more efficient and effective AUSFLTSTG, as was intended in the Maritime Command restructuring task.

Alignment of training outcomes with strategic guidance

3.54 AFTP4(F) contains guidance and instruction on Navy exercises and practices, together with information on exercise facilities and procedures for arranging exercises in Australian waters. It is a document that has evolved over time; is subject to ongoing review (with several chapters of AFTP4(F) having been recently updated to Version G); and it is capable of immediate amendment by signal or Minute. However, the development of principles and standards to better align training objectives with changes in strategic Defence requirements is still ongoing. There is a significant body of documentation requiring updating in order to reflect the new preparedness methodology. The document does not make reference to the need for Navy training to be driven by the Operational Outcomes from ASTOPR.

3.55 The CNCD requires that the roles and Operational Outcomes contained in the ASTOPR are to be used to develop AFTP4(F) and to establish proficiency targets to be achieved for the assessment of the readiness component of OLOC. This further reinforces the need to focus training activities and documentation on the Operational Outcomes required under the ASTOPR.

3.56 Navy's strategic planning needs to be underpinned by appropriate strategies at the FE level to ensure that these plans can be successfully completed. The link between the Operational Outcomes and the training conducted by Navy FEs is crucial to achieving this outcome. The relationship is implicitly acknowledged by Navy but needs to be explicit in the Navy's major training guidance and instruction, AFTP4(F). This step is essential to confirm the importance of the link between Operational Outcomes and training, and in recognising that the Operational Outcomes are the performance standards against which Navy training should be measured and assessed, in order to confirm readiness levels. The ANAO considers that Navy should address this by modifying its training documentation to reflect the new preparedness methodology and to ensure that training reflects the required Operational Outcomes.

AUSFLTSTG training processes

3.57 Planning for the different components of a workup clarifies the training outcomes that need to be achieved and the best way to manage each serial.⁸¹ For example, in a damage control exercise a number of action plans are generated for the various departments of a large platform such as Weapons Electrical Engineering and Mechanical Engineering. These action plans describe the serial that will occur, the sea trainers involved in the serial, the actions that AUSFLTSTG expect a crew to take to effectively overcome the problem, and what the sea trainers need to do to realistically simulate the serial. These documents provide varying levels of detail for sea trainers to inform the crew of problems they are facing and enable action to be taken to address the issue.

3.58 Once the AUSFLTSTG organisational construct evolves, it would be a beneficial exercise to undertake a detailed comparison of the various action planning documentation used by the STUs to identify areas where improvements could be made and documentation standardised. For example, some planning checklists refer to underlying documentation that set out the standards for activities whereas other checklists do not.

3.59 Given the Navy's current high operational tempo, the effective management of resources available to AUSFLTSTG is crucial. As discussed in Chapter 1, effective operational readiness management requires that resource allocation be optimised and based on operational requirements. Several aspects of AUSFLTSTG activity have been identified where further examination may result in strategies to improve resource management. The number of sea trainers utilised for specific stages of a workup could be reviewed to validate the utility of the current coverage. Discussions with sea trainers suggested, for example, that more personnel than necessary may be involved during some aspects of the WUPE of surface vessels. Scope may also exist for increased rotation of personnel between STUs to make more efficient use of available staff. Increased rotation would also facilitate the cross fertilisation of skills and knowledge between STUs and may improve the quality and independence of assessments. A more rigorous allocation of sea trainers across the workup spectrum for different platforms would thus result in the better management of sea trainer resources. The development of continuity briefs⁸² between workup weeks and enhanced communication between area specialists, should also improve the effectiveness of the process. The type and extent of training

⁸¹ A 'serial' is a reference to a numbered list of activities instigated by sea trainers to train a crew and evaluate its collective skills.

⁸² Sea trainers for Minor War Vessels often evaluate different parts of a workup. To ensure there is consistency across the workup process and knowledge of what has already occurred, a sea trainer will be designated as the continuity officer. This person will be involved for the duration of the platform's workup and will brief other sea trainers, who join the workup after it has commenced, as to the vessel's progress, as well as other relevant issues.

for specific platforms may need to be more tightly focused on the activities it is to undertake in the FAS.

3.60 Platforms working up require supporting assets, such as fighter planes or submarines. The availability of supporting workup assets can significantly impact on the level of readiness achieved. Currently, the availability of these assets is restricted due to the ADF's high operational tempo. The ANAO noted instances where the absence of supporting assets has impacted adversely on the ability of platforms to train the affected departments to required levels of capability. The ANAO was unable to establish the overall impact of this resource shortage on the workup process. However, AUSFLTSTG needs to be able to establish the impact of these resource constraints on required readiness levels and must endeavour to coordinate planning with other naval platforms and the Air Force to minimise the impact of this issue.

3.61 Currently, there are a number of major evaluations undertaken during a platform's operational cycle including a WUPE, ORE (at MLOC and OLOC), sea checks, and departmental management audits. The number and content of evaluations conducted by the AUSFLTSTG should be assessed to confirm their necessity. If there is appropriate monitoring and reporting of annual continuation training via on-going readiness evaluation systems (such as MONICAR), the level of post-workup coverage required from AUSFLTSTG could possibly be reduced.

3.62 The British Royal Navy operational cycle places emphasis on structured training programs to augment proficiency levels of deployed units, in areas noted to require training.⁸³ AUSFLTSTG monitors the progress of annual continuation training to identify FEs that need further sea trainer assistance. It would be advantageous for AUSFLTSTG to continue these arrangements and develop them so as to use limited resources more effectively. The ANAO also notes that platform crews generally appreciate the assistance provided by AUSFLTSTG and that it is a highly sought-after resource. Information obtained through evaluations could also be more effectively employed to address weaknesses that require attention by sea trainers and, if platforms are deemed sufficiently proficient in certain aspects, they could be left to continue their own training without sea trainer assistance.

3.63 The separation of workup activities into strictly training and evaluation functions is difficult, as sea trainers move between the teaching and evaluating roles as required, and these aspects appear intertwined. It is important, however, that the evaluation activity is separated from the sea training role, so as to ensure the independence of the readiness evaluation process. AUSFLTSTG emphasises

⁸³ The British Royal Navy utilises mobile sea training teams to conduct additional continuation training and provide assistance to deployed units.

this separation in the major evaluation stages such as the ORE.⁸⁴ AFTP4(F) notes that most of the PRSA stage is also evaluation oriented. For example, the Light Off Examination, PRSA Audit and Fast Cruise are all explained with terminology like ‘evaluate’, ‘assess’, and ‘observe’. The only part of the PRSA that is particularly training focused is the Sea Safety Training Period (SSTP), which is discussed in AFTP4(F) as follows:

The purpose of the SSTP is to allow key members of the core STG to provide early and sometimes crucial guidance in the core mariner skills and ensure that the ship is safe to proceed to sea.⁸⁵

3.64 However, for submarines, the equivalent stages of sea trainer involvement appear to have a greater training orientation. Pre Workup Training (PWT) involves presentations, lectures, and audits as well as team training. Licensing Training⁸⁶ also involves lectures and initial dive (the first time a submarine submerges) and dived training (operations conducted underwater). As a result, submarines have a stronger training element that is more discernible in these early stages.

3.65 For air capable platforms, flight personnel are involved in the PRSA and participate in the Fast Cruise. The Deputy Fleet Aviation Officer completes a Pre-embarkation Inspection consisting of an aircraft quality control inspection and a procedural assessment of the flight crew. The PRSA stage for flights is more assurance than training oriented and is aimed at rectifying any detected deficiencies.

3.66 Chapter 8 of AFTP4(F) states that ‘sea riders will adopt a teaching mode during routine sea riding’. As individual sailors have already received their particular skills training through the training authorities, the focus of the AUSFLTSTG is to conduct collective skills training. During workup, the processes are conducted in the following manner: a serial is run; immediate feedback on the serial is given by individual sea trainers to platform personnel; and comments are provided from the senior sea rider for the department to the department head. As the workup progresses, the serials become more complex and numerous as the crew collectively becomes more proficient. The immediacy of the feedback from sea trainers to personnel is a positive aspect, particularly as the feedback provided is not only identifying what an individual has done incorrectly but also how these weaknesses can be overcome. This constructive, timely feedback

⁸⁴ This involves a simulated operational patrol in a period of heightened tension/open hostilities during which every aspect of the platform’s operations is evaluated by the AUSFLTSTG.

⁸⁵ AFTP4(F), para. 719.

⁸⁶ The aim of the licensing training is to deliver a submarine able to freely operate within its entire manoeuvring envelope and a submarine crew that has successfully achieved the Mariner Skills Evaluation level.

also allows personnel to gain clarification on issues and to put this feedback into immediate practice during their watches. The feedback provided by sea trainers also highlights and praises personnel for parts of their performance that are successful.

3.67 Documentation that supports the achievement of successful training outcomes includes a list of ‘handy hints’ provided by AUSFLTSTG to the crew to provide them with a reminder of issues to consider. Further to this, a feedback report on general observations on performance made by SM STU is provided to all submarines. Task specific chapters of AFTP4(F) identify common mistakes to avoid. This document also sets out relevant standards for tasks and is further underpinned by other, more detailed, documentation.

3.68 The ANAO observed situations where AUSFLTSTG decided to increase the difficulty of a serial for particular departments due to the exceptional performance of personnel in earlier serials. This provides more of a challenge and greater learning opportunities for the higher performing personnel. Revision of serials to cater for departments’ level of skill is a useful training strategy and is an example of how AUSFLTSTG can revise planned processes to achieve an efficient use of resources and a more effective training outcome. An issue raised by SM STU during revision of a submarine workup was that the different watches may not be receiving equitable exposure to serials and therefore may not be receiving as much training and feedback. All STUs are expected to take this into account and, where this occurs, raise these instances with the Commanding Officer, in order to arrange for specific individuals to be on watch at certain stages and thus improve training coverage.

3.69 The documentation reviewed, along with observations of AUSFLTSTG activities, indicate that the workup training is serial based and that it builds up along a spectrum of increasing complexity. The type of training provided is limited to the feedback provided to the crew on the completion of specific serials. The general process used by AUSFLTSTG appears to be suitable, given that the serials resemble realistic situations that the platform may face during operations and the trainers are able to observe and provide timely feedback on specific areas for improvement.

AUSFLTSTG evaluation processes

3.70 Throughout the workup process AUSFLTSTG personnel are involved in a systematic and cumulative evaluation of platform collective skills. During the PRSA stage, equipment status and personnel training are evaluated to confirm that a platform is able to commence its workup. The first stage of the PRSA, the Light Off Examination, is conducted in accordance with Fleet Engineering Instruction 42 Article 1111, which outlines the relevant preparations and

performance standards to be achieved. The Damage Control aspects of the Light Off Examination are assessed by having all personnel sit a theoretical exam where a pass mark is 80 per cent and, additionally, 80 per cent of the personnel must pass the exam. A practical Damage Control exercise is then organised by AUSFLTSTG to evaluate the personnel.

3.71 The next stage of the PRSA is a management audit involving departmental inspections of all departments, except Marine Engineering, and is completed by the individual departments using PRSA proformas provided by the Maritime Command Training Coordinator. These departmental audits review the personnel and BPRs held, PWT completed, equipment condition and maintenance issues, and confirm that documentation and publications held are current. The completed reviews are then assessed by AUSFLTSTG, which will evaluate any deficiencies with respective heads of department during the inspections. The head sea trainer for each department produces a report and, if satisfactory, the PRSA proceeds on to the next stage—a 'fast cruise'. The fast cruise assessment aims to ensure that the crew is familiar with its platform, duties and able to deal competently with basic emergencies. AUSFLTSTG evaluates the watch and station bill and whether the platform is adequately secured for sea and able to conduct basic exercises such as 'man overboard'. Once the fast cruise is completed, AUSFLTSTG provides a debrief to the Commanding Officer and heads of department.

3.72 The processes undertaken are outlined in AFTP4(F) and are supported by performance measures set out in AFTP4(F), PRSA audit proforma and Fleet Engineering Instruction 42. Relevant performance information regarding PWT is fed through to AUSFLTSTG before the PRSA begins and the PRSA audit requires that any billet shortfalls be identified and strategies identified as to how these shortfalls will be overcome. The evaluation procedures utilised by AUSFLTSTG and endorsed by policies and documentation enable an accurate assessment of a platform's readiness to commence workup. The PRSA performance indicators are designed to meet its aims of reviewing the platform's preparedness to proceed to sea.

3.73 The evaluation processes and procedures that AUSFLTSTG utilises during a workup are crucial to gaining an accurate indication of a platform's level of operational readiness. To achieve this, objective performance indicators are essential (where possible) and independent assessment and appropriate documentation is desirable. The major evaluation stages during a workup are the WUPE and the ORE. As already noted, AUSFLTSTG undertakes evaluation throughout a workup to obtain an ongoing and overall picture of a platform's readiness. Although this evaluation is not formally structured, it provides the benefit of adding further balance to what may occur within the formal evaluation

stages. For example, sometimes a crew's performance can be lower than normal during a formal evaluation due to nervousness or the presence of numerous sea trainers having an impeding effect. In this review, the formal evaluation stages of the workup will be a primary focus.

3.74 AUSFLTSTG's evaluations are essentially conducted by observing crews complete unalerted serials to assess their proficiency. Sea trainers are organised into different departments or functions, such as navigation and damage control, based on their knowledge and areas of expertise and assess the crew's performance. This involves noting what actions are taken by crews to respond to particular problems and how quickly specific actions are completed. These actions are then compared with the relevant fleet standards, where they exist. Sea trainers then consult with other sea trainers in their department and the individual assessments are all brought together to develop a departmental rating. This process occurs for the numerous serials that occur during a WUPE and ORE, with a final rating being given to each department.

3.75 Embarked aviation flights are evaluated in much the same way as any other department on board a major fleet unit. The detailed exercises to be conducted and evaluated are set out in AFTP4(F) and underpinned by ABR 5419 Ship Helicopter Operations Manual. The evaluation of flights is made against a combination of objective and subjective performance indicators. For example, fleet standard times for weapon loading and aircraft configuration changes allow objective measurement, whereas judgements about communication tasks may require more subjective assessments.

3.76 AUSFLTSTG's central role is to provide an assessment of the collective readiness of a given platform. Objective performance indicators facilitate the accurate measurement of a crew's level of readiness. However, objective indicators are not always readily available and this needs to be balanced with the reality of the operational environment and objectives of the evaluation process. Specific performance indicators at the more technical or detailed levels of this process can underpin the evaluation, but as it changes focus to higher levels, such as the command and control between departments, the evaluation judgements become, of necessity, more subjective. For example, there are fleet standard times for particular serials such as man overboard exercises and replenishments at sea. However, AUSFLTSTG also needs to evaluate more complex issues, like the effectiveness of command and control between the bridge and operations room. These issues do not lend themselves to objective performance measures and require a combination of experienced judgement with lower level, objectively measured performance information. This results in a degree of subjectivity in the evaluation process, which is especially present in the translation of sea trainer observations into ratings for a department during individual serials, as well as in the overall evaluation for the entire platform.

3.77 The level of subjectivity in AUSFLTSTG evaluations can be minimised by strategies adopted in some STUs. Firstly, a number of sea trainers are generally involved in the evaluation of specific departments (such as in Damage Control) on major fleet units, where up to 14 people may be involved in evaluating different aspects of a serial. Another strategy, used by the SM STU, is multi-skilling. This results in a number of sea trainers with expertise in a particular area (e.g. the diving control console) being rotated through the area in order to make evaluation judgements. These two strategies involving different personnel in the evaluation process assist in reducing the level of subjectivity and help achieve a more accurate assessment of performance. A third strategy used to overcome subjectivity is the introduction of expertise that is independent and external to AUSFLTSTG. Examples include the use of a commander with extensive submarine experience during a submarine workup, using different personnel during the evaluation stages from those used in the early stages in the workup (as used by the MWV STU), and the presence of COMFLOT during the WUPE/ORE on major fleet units.

3.78 An approach that AUSFLTSTG should more actively pursue, once the concepts regarding the AUSFLTSTG are further developed, is the cross-platform utilisation of sea trainers. The use of sea trainers across the different workup stages of a number of platforms would increase the level of independence of the process.

3.79 Readiness information gathered by Maritime Command in the workup process is used to assure the MC that platforms have achieved an appropriate level of readiness to undertake the range of required tasks contained within the FAS. This information is not put to direct use in the Navy's component of the ASTOPR/DLOC preparedness management arrangements. The issues related to this are dealt with in more detail in Chapter 5.

AUSFLTSTG process improvement

3.80 The ANAO noted two process improvement strategies that AUSFLTSTG has successfully utilised. They should be continued and given wider application across the various STUs. The first was the conduct of specific reviews of MFU and MWV STU's processes by the Fleet Training Liaison Agency (FTLA). The second strategy focused on a self-assessment and lessons learned approach.

3.81 FTLA, based in Maritime Command, was tasked with evaluating the methods and performance of AUSFLTSTG during the workup and ORE of an ANZAC frigate and a Fremantle-class patrol boat. The review made a number of recommendations concerning areas where AUSFLTSTG could improve its performance. AUSFLTSTG has addressed some of the weaknesses that were identified in these reviews, such as the inconsistency of information given to

crews and continuity issues when AUSFLTSTG personnel were changed during a workup. However, there are several recommendations that could be implemented to further improve AUSFLTSTG's performance. FTLA recommended that AUSFLTSTG staff be encouraged to undertake the Instructional Technique course. *The ANAO suggests* that sea trainers should complete it or an equivalent course. This would help to provide further training skills to sea riders and to set a professional standard for AUSFLTSTG, and would contain additional benefits for AUSFLTSTG personnel were these skills recognised in the civilian workforce. This issue is discussed in more detail in the following section.

3.82 FTLA also recommended that it continue to evaluate AUSFLTSTG on an annual basis. Such an arrangement could provide an external, independent review of AUSFLTSTG's performance and assist in identifying areas for improvements. This would provide assurance that AUSFLTSTG is providing the MC with an effective and objective evaluation of the fleet's current level of readiness. The ANAO considers that the function performed by FTLA to objectively evaluate fleet training processes is important. FTLA's evaluation functions should be established with a systematic program that would, over time, embrace all STUs. Such ongoing evaluation work would provide assistance to AUSFLTSTG in refining and developing its training activities.

3.83 Some STUs have processes in place designed to monitor and improve their performance. The SM STU conducts a post training/assessment debrief after every activity. Observations relevant to the conduct of the training are raised and all SM STU personnel are included, regardless of whether they were involved in the training serials. This type of self-monitoring is a useful technique to generate better practice. Further to this, any ideas and problems identified by SM STU in the processes and procedures utilised by submarines are reviewed, and lessons learned are reflected in adjustments to the underlying documentation, such as AFTP4(F). These modifications to documentation are done in accordance with submarine standing orders.⁸⁷ *The ANAO suggests* that all AUSFLTSTG units should have a self-monitoring and reporting process in place, to identify aspects of their processes that may need improving.

Professional development of AUSFLTSTG sea trainers

3.84 The ANAO examined the skills and training required of personnel in the AUSFLTSTG in order to gain an understanding of their professional qualifications and background, and to identify the requisite skills for their training and evaluation roles.

⁸⁷ RANSSOS July 2001 Edition, Ch. 18, Submarine Sea Training Group, 18017.

3.85 The typical AUSFLTSTG trainer has significant experience in the Navy and in a particular area of expertise, as well as previous experience in providing training to others (not necessarily in a formal training environment). Staff in some STUs have formal qualifications or have attended training courses designed for trainers, but this is not consistent across AUSFLTSTG. For example, SM STU personnel are required to complete Levels One and Two of the workplace assessor's course that is utilised for training civilian workplace assessors, while some MWV sea trainers have undertaken an Instructional Technique course that is conducted by Defence. However, training of this nature is not a pre-requisite for MFU STU personnel, including aviation sea trainers.

3.86 Some members of the AUSFLTSTG expressed the view that more formalised training of this nature could be beneficial but, due to the time constraints experienced by sea trainers, it can be difficult to undertake such training. In line with the FTLA recommendation above, it would be advantageous for sea trainers to undertake professional development courses and for Navy to standardise this throughout AUSFLTSTG units by making it a BPR for sea trainers. This could improve the effectiveness of AUSFLTSTG training and further develop AUSFLTSTG's reputation as exponents of training best practice.

AUSFLTSTG conclusion

3.87 The ANAO considers that the integration of the sea training units is a sound direction for Navy to take. The integration project could be further refined and its principles used as the basis for future planning and development initiatives. Different sea training units are developing a range of better practice initiatives. The ANAO also considers that, as part of the continued implementation of an integrated sea training group, AUSFLTSTG should encourage improved communication and promulgation of better practice and processes between the units. This could be enhanced by a more precise definition of functional relationships in AUSFLTSTG and would provide the MC with a more efficient and effective AUSFLTSTG. Navy should review the standards set for collective training so that they are aligned with strategic-level guidance. The ANAO noted that the Fleet Training Liaison Agency has made useful contributions to the evaluation of AUSFLTSTG's performance and considers that this role could be developed for application across all sea training units and utilised more systematically for greater effectiveness.

Recommendation No.4

3.88 The ANAO recommends that, in order to achieve a more coordinated and aligned training and evaluation program for the workup of Navy platforms, Maritime Command:

- a) continue to refine and develop the sea training group integration process, including defining more precisely AUSFLTSTG units' functional relationships and lines of communication, so as to pursue improvement initiatives on a national basis, and identify and implement areas of better practice;
- b) ensure that documentation and standards utilised by AUSFLTSTG are reviewed and updated to ensure appropriate links to strategic-level guidance; and
- c) enhance evaluation of AUSFLTSTG training programs by utilising the Fleet Training Liaison Agency's review role more systematically.

Defence response

3.89 This recommendation is agreed. To better establish a whole of Navy approach to sea training, implementation of the Australian Fleet Sea Training Group (AUSFLTSTG) construct was commenced in mid-2001. It is intended that the AUSFLTSTG will more effectively and efficiently utilise current resources to create a truly national organisation that can provide maritime element/unit/force training to achieve the necessary fleet standards. Implementation of the ANAO recommendation will contribute towards this aim.

4. Readiness Support from Defence Enabling Organisations and Systems

This chapter identifies features of the relationship between Navy readiness management and the wider Defence framework of 'enabling' organisations, especially the role of DMO, which affect Navy operational readiness. It briefly reviews those features relating to technical and logistics support.

Introduction

4.1 The Chief of Navy Capability Directive, carrying forward the requirements of the Secretary/CDF's Organisational Performance Agreement, directs that it is the responsibility of each FEG to deliver capability. The requirements are further specified in the Deputy Chief of Navy's directive to each of the FEG commanders.

4.2 How far the FEG commanders are able to perform their roles effectively depends on the performance of other groups in the Navy and in other Defence areas. The role of MHQ has been discussed in other chapters of this report. Elsewhere in the Navy, SYSCOM provides major support to the processes of capability management. SYSCOM's activities include a managing role in respect of the training authorities and manpower services, control over technical services for safety, certification and acceptance into naval service of platforms, and information technology systems. It also provides specialised services such as gunnery ranges and communications matters, and management of most of the shore establishments which service the Navy's waterfront needs. SYSCOM also seeks to deliver 'cross-FEG' services to help the FEGs in their relationships with other ADF/Defence organisations.

4.3 All these functions come under the control of the Chief of Navy and are coordinated by arrangements that are subject to CN's direction, and oversight by the CN's Senior Advisory Committee (CNSAC) and the Navy Capability Management Committee (NCMC—which reports to CNSAC, in which the FEG commanders participate and in which the needed coordination can be achieved).

4.4 Outside these arrangements, other Defence organisations that do not come under CN's control, have a large role to play in the delivery of Navy's capability, including readiness.⁸⁸ Establishing effectively performing structures with such

⁸⁸ Navy's operations depend heavily on a wide range of support provided by Defence's enabling executives and owner support executives. These arrangements are covered in the introductory chapter of this report.

‘enablers’ to enable CN to deliver capability while not having a command role in relation to them (other than through participation in Defence-wide corporate governance systems), has been seen in Navy to be an important task. This is particularly so given the implementation of the current Navy structure and the new Defence preparedness management framework. Defence, more broadly, has been developing its customer-supplier model as part of its reforms of its integrated performance monitoring arrangements, with a mature model to be implemented in 2003–04.⁸⁹ Navy commissioned reviews of these matters over the period of audit fieldwork.

4.5 In examining overseas practice, the ANAO found that managers of the operational readiness arrangements in both the United States Navy and the British Royal Navy have faced similar problems. The harnessing of logistics and technical services supply lines to Navy preparedness management in ways conducive to sound readiness performance management and Service-wide performance reporting, has likewise been a significant challenge for them.

Defence enabling organisations

4.6 Key Defence organisations directly impacting Navy operational readiness are the Defence Materiel Organisation (DMO), the Corporate Services and Infrastructure Group (CSIG), the Defence Personnel Executive (DPE) and the Chief Finance Officer (CFO) Group. The support that these organisations provide to Navy is significant, especially in the case of DMO. DMO’s services directly determine standards achieved in the FEGs for such measurable elements of readiness as equipment and equipment condition. DMO’s services strongly affect short term sustainability—including the Operational Viability Period—and long term sustainability through DMO’s role in managing the relevant supply chains for fuels, ammunition, consumables, stores and other logistic support.

4.7 CSIG’s services directly relating to Navy readiness are principally the management of facilities and installation assets such as fuel farms. These provide crucial infrastructure for fleet basing, supply and maintenance. DPE is responsible for recruitment across the whole of the Defence organisation. Given the critical role of manpower in Navy readiness, DPE has a major role to play in seeing that the FEGs can access skilled people with appropriate attributes in the outside workforce (although the principal Navy relationship with DPE takes place through the Navy Personnel and Training Branch (NPT) in SYSCOM). Defence’s CFO provides the framework for the Navy’s financial management and the specifications for its resource management-related IT systems and infrastructure.

⁸⁹ *Portfolio Budget Statements 2002–03, Defence Portfolio*, p. 97.

4.8 All these services provide extensive corporate and infrastructure support for the overall management of the Navy. FEG commanders indicated to the ANAO that, for the FEGs, CSIG–and DMO–sourced resources provided the greater proportion of total funds flowing into the upkeep and maintenance activities required by the FE.

The SYSCOM role

4.9 As indicated above, the Navy has provided that SYSCOM will have a cross-FEG support role in facilitating the establishment and development of these arrangements. A Business Systems Working Group (BSWG) within SYSCOM provides a point of coordination for this work and a forum for discussion on FEG management issues. With a secretariat provided by SYSCOM and chaired by it, the BSWG meets monthly, attended by FEG business managers. SYSCOM's activity includes examination of performance management systems for use across all FEGs with a view to developing best practice models and identifying cross-FEG projects for development and funding.

4.10 FEG managers emphasised to the ANAO the importance to them of cross-FEG issues and most indicated their dependence on SYSCOM and, even more importantly, the information sharing, brokering and networking opportunities that its BSWG presents. FEG commanders kept themselves in close contact with the work of their managers in the BSWG and indicated to the ANAO that they saw benefit in the BSWG addressing a wider range of issues.

4.11 FEG managers indicated that, with the only standing forum for consultation (other than the NCMC chaired by DCN and attended at FEG commander level) being the BSWG, opportunities for cross-fertilisation of ideas between FEGs are very limited and that very informal ways have been used to tap into FEG 'best practice' or experience gained in some areas of FEG management, e.g. DLOC reporting. SYSCOM could consider possible means of coordinating these unmet needs, most of which appear to rotate around relationships with enabling organisations in Defence. *The ANAO suggests* that SYSCOM should examine ways in which the BSWG model could be used for a wider range of cross-FEG purposes. The work SYSCOM would perform would be assisted by NCMC involvement in more integrated mechanisms for the delivery of support services to FEGs and Maritime Command, as recommended in Chapter 2.

The Defence Materiel Organisation arrangements for supporting Navy readiness

4.12 Among the Defence enablers, DMO has the broadest-based direct impact on Navy operational readiness. The high profile of the DMO contribution is clearly recognised in Defence, which has set up specific arrangements to facilitate

the support that DMO provides for Navy operational readiness. The extant DCN directives to each of the FEG commanders requires them to 'set priorities and expectations for the delivery of engineering, logistic and other support services' (provided by DMO).⁹⁰

4.13 The directives provide no similarly termed provision in regard to support from other enablers such as CSIG. Some FEGs have negotiated service level agreements (SLAs) arrangements with CSIG at a group level but it is understood that Navy has not established formal arrangements with other enabling organisations.

4.14 In DMO, the Maritime Systems Division contains most of the Navy capability support functions. Aerospace Systems Division contains the Naval Aviation support function. Within these Divisions, Systems Program Offices (SPO) have been established to coordinate DMO dealings on particular classes of Naval FEs. They are the principal points of contact for the FEG staff and are intended to streamline the relationship between managers in the user organisation and DMO for the whole-of-life duration of the platform type. Within the Maritime Systems Division, a Maritime Support Branch and a Logistics Management Group attend to cross-cutting functional areas such as logistics supplies, platform repair and business management improvement.⁹¹

4.15 All FEGs indicated to the ANAO that they found the SPOs very useful for providing data on performance measures, on sustainment planning matters, on providing planned maintenance information and other technical support areas where complex data systems and expertise are required for management of the usage/upkeep cycle and for the relevant reporting requirements under the dual directives. As indicated in Chapter 2, FEGs frequently have extremely close relations with relevant SPOs, to the extent that the latter may form part of the FEG management team.

4.16 The DMO role in regard to Navy readiness includes the provision of consumables under the centralised logistic functions provided by the Commander Joint Logistics Organisation. FEG structures include officers with specialist logistics liaison roles, and Maritime Command maintains its own logistics coordinator.

⁹⁰ Navy Directive No.5/2000, p. 3.

⁹¹ The Logistics Management Group (LMG) is described in DMO corporate documents as 'a centre of expertise in the Maritime related logistics business processes and support tools used by the Systems Program Offices for acquisition and in-service support activities'. It also provides general support to the Maritime Systems Division covering quality management and assurance systems, the Balanced Scorecard and performance management, evaluations, audits and organisational issues relating to 'the SPO business model'. The LMG establishes common processes and systems and identifies and promulgates best practice within the Division as a whole, and with the Ship Repair Contracting Offices. Among its planned tasks, LMG includes projects to develop and improve sustainability, support of current operations and DLOC reporting models and methods, and Consumption Management.

Customer supplier agreements and service level agreements

4.17 The formal means chosen to implement the customer/supplier relationship between Navy and DMO (as with the other Defence organisation ‘enablers’) in the FEG-based preparedness paradigm is the establishment of high-level customer/supplier agreements (CSAs) between capability managers and the senior executives in the enabling organisations including Under Secretary Defence Materiel. The OPA for 2002 between the Secretary/CDF and CN requires that CN progress ‘OPA achievement—actual expenses against phasing’ under the Defence Matters Scorecard with the initiative (among others) of ‘progressing the introduction of the OPA/CSA framework as it is implemented across the [Defence] portfolio’.⁹²

4.18 The CSAs are to be underpinned at lower levels by Service Level Agreements between Navy user groups and specialist areas of DMO.⁹³ At present, the ANAO understands that all the Navy SLAs that have been negotiated with DMO are between the FEGs and the SPOs. They are FEG-specific or, as with the two groups of frigates in Major Surface Combatants FEG, ship-type specific, negotiated by the FEGs.

4.19 In the customer/supplier model adopted in Defence, CSAs and SLAs should include significant financial management and control functions. With funds appropriated to each of the capability outputs, cost of services needed by output executives will be brought to account by each output executive under the terms of costed supplier agreements. The financial dimensions of CSAs and SLAs comprise a major prospective business re-engineering task for the Defence organisation.

4.20 CSAs and SLAs are a crucial management tool. If well-designed, they will permit the relevant output executive to make decisions among competing priorities on the basis of relevant and accurate costing data. In the absence of clear financial provisions in the agreements, output executives have no choice but to accept attributed and imprecise costing for the inputs they require.

Deficiencies in the SLA system

4.21 The FEGs’ relationships with DMO, structured around the SLAs, carry a significant burden in regulating the quality of support received by the Navy

⁹² *Organisational Performance Agreement 2002*, Schedule 1, p. 3.

⁹³ At the time of audit fieldwork, the high-level CSAs had not been finalised. NAVSYSCOM has sought to coordinate, on behalf of the FEGs, the SLA negotiation process. The SLAs presently in place are acknowledged to be initial steps towards effective customer/supplier arrangements, with significant further development work required.

from DMO. In reviewing a cross-section of these FEG SLAs with DMO, the ANAO noted that they contain varied strategic objectives and measurements, corresponding to the differences in service provision relevant to the various weapons systems. Although they all comprise mainly statements of agreed principles and agreed procedures and protocols for mutual dealings, the principal quantitative provisions are in annexed key performance indicators for targeted service levels.⁹⁴ Targets specified are linked where possible to planned performance levels set out in FEG master plans and/or other FEG business planning documentation.

4.22 The current system of service level agreements has a number of apparent weaknesses. These include the lack of any financial resources provisions in the agreements; the absence of financial transparency to the managers of capability for the services they acquire under them; the inability of SPOs fully to reflect and respond to all FEG and FE needs of service delivery; and insufficient recognition in the FEG/DMO SLAs of the complexity of lines of service and logistic supply arrangements, in particular the operations of other organisations in DMO.

4.23 Outcomes for Navy operational readiness resulting particularly from financial information deficiencies in the SLAs include:

- the need for FEGs to make arbitrary resourcing decisions on the trade-off between operational deployment of platforms and ongoing proficiency maintenance in core warfighting skills;
- difficulties in fine tuning the balance between meeting the upkeep/maintenance cycle and the additional costs associated with equipment degradation due to operational deployment; and
- the need to make formula based decisions on the application of budgeted resource cuts.

Absence of financial information in service level agreements

4.24 The SLAs contain no financial parameters such as indicative or budgeted pricing information on the services at service levels 'agreed' (under the SLAs) to be provided to the FEGs. This situation reflects the Defence-wide absence of financial management information on the costs of services provided through the SPOs. DMO cannot at present disaggregate the resources provided through DMO programs to outputs at sub-output level without major structural development in Defence's accounting systems. The directions set out in the 2000 Defence reorganisation, whereby services are to be provided to the output

⁹⁴ The targets specified take varied forms, for example 'Percentage of demands for consumable items satisfied in full, on time and in the right place; Target 95%; Report frequency: Monthly'.

executives (i.e. CN) at an 'agreed price', cannot therefore, at the present time, be fulfilled on the basis of firm cost data.

4.25 In addition, agreed 'capability costing' methodologies have not been introduced within Navy and between the Navy and the enabling executives. Such methodologies would permit apportionment of overhead costs within outputs, as well as costs of enabling services to outputs, on a real basis to various capability inputs, rather than attributed by hypothecation. DMO (Maritime Support Branch for Navy) and DSTO have under development a capability costing tools project but the work has not been completed and no timelines appear to have been set for it. In the Navy a separate SYSCOM-based project⁹⁵ to develop costing tools is under way.

4.26 Until these developments can be implemented, the SLAs are imperfect instruments in articulating the relationship of the enabler organisations to Navy readiness.

SLAs do not address financial dimensions of FEG operations or reflect financial drivers of sub-output costs

4.27 FEG commanders do not have access to financial data about enabler inputs to their operations. FEG staff consistently reported frustration at the lack of financial transparency in regard to the costs of services provided by DMO, CSIG, DPE etc. They reported that, as a result, they have only a minor appreciation of underlying cost drivers for the capability sub-output. In regard to DMO support costs the SPOs were in no better position to provide information on these costs inside or outside the SLA monitoring and review process (usually in the form of monthly meetings between FEG and SPO).

4.28 The problem in this area appears to lie outside the SLA system itself. In DMO, where SLAs have been established, the SLAs between FEGs and DMO are set up with SPOs but SPOs are located at levels below critical decision-making groups in DMO. In the absence of a comprehensive activity-based costing system, DMO attributes the costs of services to customers from aggregated financial information.

4.29 The ANAO considers that, to give FEGs better access to information available in DMO, it would be appropriate to revise the current design of the SLAs and the most appropriate level at which they should be established. An alternative might be for SLAs to be required, by agreement of the CN and the

⁹⁵ The OPA for 2002 between Secretary/CDF and CN states that an initiative to enhance achievement of OPA Objectives is the acquisition of 'proven capability costing tools... NAVSYSCOM will take the lead on the acquisition of such tools drawing guidance from policy developed by DGN CPP through DGPREP'. *Organisational Performance Agreement 2002*, Schedule 1, p. 3.

Under Secretary Defence Materiel, to include protocols for financial reporting information within DMO to be transferred periodically to the FEG commanders.⁹⁶

4.30 The foregoing proposal is germane to the Navy's relationship with DMO in regard to operational readiness, because of the advanced stage of implementation of the SLA construct in regard to that enabler organisation. However, the principle underlying it is relevant as well to all the enabling organisations, whatever the stage of implementation of SLAs with them.

SPOs are unable to represent the full range of DMO roles in relation to operational readiness

4.31 Some FEGs indicated to the ANAO that, although their relationships with the relevant SPO were sound and productive for the majority of routine in-service and repair/upkeep cycle services, the SPOs were not consistently able to provide FEGs with access to other DMO expertise. The ANAO considers that the SPO concept needs to be developed to enable it fully to reflect DMO roles in regard to the sub-outputs' needs of DMO services.

Complexity of supply arrangements not captured

4.32 Although the major service delivery relationship is designed to be between the FEGs and DMO, the day-to-day realities for the Navy of operating complex platforms and weapons systems throw up a range of different patterns of supply and delivery of materiel-related services that lie outside the narrower FEG/DMO relationship. There are a number of organisational units which are not subject to the FEG/DMO SLA but which play a critical role in operational readiness. These include SYSCOM itself, the Fleet Logistics Support area within MHQ in Maritime Command and the individual platforms' Commanding Officers.

4.33 An example of this complexity of actual process is the relationship of Fleet Logistics Support in Maritime Command with the materiel supply task. If there are logistics problems, FE's inform Fleet Logistics Support who then liaise with either the logistics cell in Maritime Support Branch in DMO, the relevant FEG, Joint Logistics Command in DMO, or the ADF's National Defence Storage and Distribution Centre, depending on the nature of the problem. Signals might be simultaneously sent to the National Defence Storage and Distribution Centre, Maritime Support Branch and Joint Logistics Command to enable any required action to be taken. Fleet Logistics Support would involve the FEGs when any recurring logistics problems need to be addressed but, in the absence of

⁹⁶ If this information does not have sufficient detail to be particularised to the Navy sub-outputs, the reporting could be made available to Navy Headquarters for it to distribute to the FEGs as it determined.

overarching SLAs between Maritime Command and DMO, it is not clear how these activities are brought to account at the level of relationship management.⁹⁷

4.34 A further example is the role of the FEs themselves as recipients of supplies of goods and services. In formal terms, DMO deliveries may be made to the FEG, to SYSCOM or to the Fleet Logistics Support area of Maritime Command, but in practice the in-service support is provided to the FE. This raises the need for clarity in the delineation of the respective roles of the FE commanders relative to the FEG commanders, the FEG commanders relative to MC, FEG and Maritime Command relative to SYSCOM, and SYSCOM and Maritime Command relative to DMO, in ensuring delivery of service. There is also the need to have appropriate review arrangements in place to ensure smooth and effective service delivery. It is understood that separate SLAs are envisaged between DMO elements and both Maritime Command and SYSCOM to address aspects of these issues.

4.35 The FEG/DMO relationship is complex and currently carries most of the burden of ensuring smooth service delivery to the Navy from DMO. The ANAO considers that this approach should be examined to ensure that it effectively captures the full complexity in the customer/supplier relationship between Navy sub-outputs and enabling organisations.

Dependence of Navy readiness management on full control of enabler inputs

4.36 The Navy's readiness management framework clearly recognises the importance of the Navy's capability output managers having full understanding and control of all the drivers of readiness, including those emanating from the 'enabling' group in Defence.

4.37 The latest version of the CNCD, for example, in its discussion of fundamental tasks in managing readiness, identifies the components of readiness as 'resources' and 'proficiency'. It states, in regard to resources, that FEG commanders are responsible for 'defining resource requirements and tasking, directing or coordinating inputs from enabling organisations and other service providers which support the FEG to meet readiness requirements'.⁹⁸

4.38 It is unclear whether the pathway chosen for the negotiation of SLAs between FEGs and (principally) the SPOs is adequate, on its own, to resolve the complex coordination issues involved in the enabling organisations' support

⁹⁷ Defence advised that SYSCOM is facilitating the development of SLAs for specific areas between Maritime Command and DMO.

⁹⁸ *Chief of Navy Capability Directive*, January 2003, p. 8.

roles. The ANAO considers that, with the level of central tasking predicated in the FEG directives, more coordinated attention should be given to developing the SLA framework so that central Navy monitoring over all relevant processes is improved and that reporting to CN on achievements and problems is holistic.

4.39 At present, such monitoring occurs at a relatively low level and responsibilities for coordinated monitoring of processes are distributed among a number of different Navy groups. The ANAO notes, for example, that no fewer than three of the Navy Strategy Map's six themes (Operations and Preparedness, Best Business Practices and Capability Management) are involved, in one way or another, with the operational inputs of the enabling organisations outside Navy. Each of the themes has separate rapporteurs in the CNSAC performance management process, so there is no single point of coordination for SLA policy and development. In any re-examination of the policy, as indicated above, it may emerge that the FEGs are not in the optimal position in Navy to carry the degree of burden in the SLA system that they have at present.

4.40 The absence of an overarching customer-supplier agreement framework at senior level in the Defence organisation appears to have hampered the development of a fully effective SLA system. Defence advised that the SLAs are an important management tool for FEGs in their working arrangements with their partners—the SPOs. It further advised that the SLAs need to be developed within a customer/supplier framework to be effective. The ANAO considers that Navy should pursue more vigorously the finalisation of effective customer/supplier arrangements between enabler groups and Navy that bear on operational readiness.

4.41 In the meantime, the ANAO considers that Navy, assisted by the NCMC, should examine the effectiveness of present SLA policy and procedure in meeting the Navy's objective of achieving sustainable control and direction over enabler inputs to Navy readiness.

Recommendation No.5

4.42 The ANAO recommends that Navy, in implementing Defence's customer/supplier model linking its output with the activities of the enabling executives, establish suitable customer/supplier agreements at appropriate levels, while ensuring that all areas of the Defence Materiel Organisation's support role for Navy operational readiness are included in suitable form.

Defence response

4.43 This recommendation is agreed. The establishment of Customer Supplier Agreements (CSAs) is a necessary component of the new Integrated Defence Business Model. Successful establishment of CSAs and their underpinning Service Level Agreements (SLAs) requires agreement of processes and accountability levels with other areas of Defence, and is also dependent upon gaining greater transparency of resource costs across Defence. Both Navy and Defence are developing tools to provide this transparency.



Royal Australian Navy Seahawk helicopter

5. Readiness Performance Information and Management

This chapter discusses the systems in place in the Navy to collect and coordinate readiness information. It examines how readiness is calibrated, measured and put to use at command levels, and how it is used for public accountability purposes.

Introduction

5.1 As discussed in earlier chapters, the Navy's preparedness management arrangements, no less than the Defence preparedness management framework as a whole, is a complex of interlocking plans and intra-Defence agreements designed to ensure that individual FEs and their combined capability are brought to, and then held at, optimum states of readiness consistent with government-endorsed strategic objectives and within the available resources. It seeks to achieve these results through a planning system, identifying and tasking Navy organisations to deliver relevant services, setting standards and/or targets, and reporting against these standards. A mix of top-down policy approaches and operational-level expertise determines the standards (especially, but by no means confined to, systems safety and occupational health-related areas). Information on these matters is necessary to measure achievement of standards and assist effective management of readiness.⁹⁹

5.2 Under the CN, Maritime Command (in particular MHQ),¹⁰⁰ and the FEGs are the main Navy agencies for generating and delivering operational readiness.

⁹⁹ The focus of the chapter is on information relating to the readiness component of preparedness. However, readiness is not always managed separately from preparedness nor is information necessarily collected on readiness independently of preparedness.

¹⁰⁰ Under the *Chief of Navy Capability Directive*, January 2003, the MC is required to ensure that warfighting skills and professional competencies are exercised and tested, during fleet training exercises, and measurement indicators are established, to assess proficiency against targets. This ensures that individual and collective proficiencies are met in the achievement of OLOC of individual FEs. The responsibility for these matters by MC is reflected in Navy's arrangements for performance monitoring and review. Under the formal processes by which performance under the Navy's Balanced Scorecard is kept under review, through the Defence Capability Management Committee and its support role to the Chief of Navy Senior Advisory Committee, it is the MC's Chief of Staff who is the officer designated to present, each six months, a report on the Navy's Strategy Map theme of 'Operations and Preparedness'.

This is a result of the operation of the dual directive system.¹⁰¹ It is underpinned by the formal allocation of responsibilities under the Navy Strategy Map.¹⁰²

5.3 For CN to ensure that the naval capability delivered accords with government-endorsed requirements, Navy needs to maintain adequate systems and procedures accurately to capture details of Navy operational readiness and to provide required reports to senior management.

5.4 Consistent with the conceptual construct of readiness used in Defence information on Navy, readiness will optimally be in three dimensions: readiness for what, readiness for when and readiness of what. It will thus have task and contingency-describing elements, a temporal dimension, that can be related to particular specified FEs.¹⁰³

Readiness information collection in the Navy

5.5 Maritime Command and the FEGs are the points of collection and coordination of the Navy's primary readiness information. The centre of effort in Maritime Command's readiness information collection and coordination activities is the MHQ staff, using various new and long-established information sources. The FEGs acquire and collate readiness information in a wide variety of ways, reflecting different choices in business systems and the different circumstances of their weapons systems.

Maritime Command information

5.6 The principal source of readiness data for Maritime Command is through an automated system called MONICAR. This system is described in the 2002 OPA between Secretary/CDF and CN, in its Performance Scorecard Schedule, as a 'software tool used by Maritime Command to aid in the assessment of Fleet Readiness'.¹⁰⁴ In *Defence Annual Report 2001–02*, MONICAR data is used as the basis for quantitative performance reporting on sub-outputs in the Navy.¹⁰⁵

¹⁰¹ Chapter 2 outlined the dual chain of command used to delineate responsibilities for capability delivery.

¹⁰² These organisation structure arrangements were examined in Chapter 2. The Navy Strategy Map (NSM—formatted along similar lines to the Defence Strategy Map) specifies six strategic themes to achieve its output obligations. Directly relevant to preparedness management is the theme 'Operations and Preparedness', where the Secretary/CDF is the customer. Another relevant theme is 'Capability Management' where Secretary/CDF is served as owner. A cascade of strategic objectives and initiatives flows down from the six themes, with each objective being allocated a manager. A number of the strategic objectives across the six themes have a bearing on readiness, or on how readiness is achieved. Preparedness matters are accordingly distributed across this reporting framework. The NSM does not provide a point at which they are brought together.

¹⁰³ Audit fieldwork showed that these three dimensions of data on readiness correspond with the attributes of reporting systems being developed in the United States Navy and in the British Royal Navy.

¹⁰⁴ *Organisational Performance Agreement*, 3 September 2002 Version 12, Schedule 1 p. 3.

¹⁰⁵ *Defence Annual Report 2001–02*, pp. 89–94.

5.7 The various sections of MHQ (COMFLOT, Engineering, Support, Business Management) have constant information exchange with FEs. In particular, Maritime Command utilises the long-established database system that captures and stores communications traffic with the Navy's platforms (DBSIGS) and through which specific equipment urgent defects (URDEF) are reported. Maritime Command is also provided with readiness information through its role in receiving and considering preparedness deficiency reports, known as On Occurrence Preparedness Reports (OOPR) (discussed in detail below) prepared by FEGs, with a view to determining whether they should proceed into the COMAST OOPR database. MC is independently able to raise an OOPR.

Management of Naval Integrated Capability Assessment Reports system

5.8 MONICAR, in its latest version (V4.0), is a suite of applications for FE-based readiness reporting. The system was designed to measure 'those factors that contribute directly to the capability' of the FE. It is based on an 'exception reporting paradigm': that is, an FE is considered to be Fully Mission Capable (FMC) unless a capability-critical exception is raised. The information stream under MONICAR originates in individual FEs, not the FEGs.

5.9 Although it is based on an exception-reporting paradigm, MONICAR operates quite separately from the OOPR deficiency reporting system. 'Readiness' status of an FE is reported against a 'three tier mission capability' grading construct and four 'enablers'. The three capability tiers are: green (Fully Mission Capable—FMC); amber (Partially Mission Capable—PMC); and red (Not Mission Capable—NMC). The four 'enablers' that are measured are equipment, equipment condition, personnel and collective training. The equipment condition enabler has provision for specific deficiencies in equipment to be recorded, along with 'expected time of repair' data.

5.10 Once the exceptions data is fed in by FE officers, the program produces a capability assessment by 'output'. This is achieved by a series of matrices mapping the enabler status to maritime outputs: four Defence of Australia (DOA) outputs and non-DOA outputs. The DOA outputs are Surface Warfare, Sub-Surface Warfare, Air Warfare and Maritime Support (which is reported and aggregated separately). The non-DOA outputs are Community Assistance, International Relations, Government Assistance and ADF Program Assistance.

5.11 In this assessment, different output-specific weightings are applied by the computer system to different enablers. Thus, for example, billets are mapped directly to outputs that are affected by vacancies or Billet Pre-Requisite deficiencies. Evaluations (e.g. noise signature ranging) are mapped to relevant outputs. Within the equipment enabler, different pieces of critical equipment

are mapped to the output(s) that will be affected if equipment is degraded or not serviceable. For collective training, a percentage of 'exercise completed' against critical targets is assessed as contributing towards the capability rating according to the rule that 'less than 80 per cent' = Partially Mission Capable; 'less than 50 per cent' = Not Mission Capable.¹⁰⁶ More than 80 per cent capable would mean that this would not comprise an 'exception' and was therefore Fully Mission Capable.

5.12 Enabler rules have been developed to improve objectivity of reporting of output measurement, that is, the categorisation of FMC, PMC or NMC, and underlying enabler criteria. The rule-based capability assessment is applied by the system itself for the major 'mapping' functions and data aggregation.¹⁰⁷ As it includes rules to be used by those who input data, some scope for operation of subjective factors remains.¹⁰⁸

5.13 FEs compile their MONICAR capability reports weekly.¹⁰⁹ This offshore MONICAR data is sent to MHQ, which houses the MONICAR server. There all FE data is integrated in the MONICAR 'shore' database, along with extracted data from the DBSIGS database on URDEFs. The aggregated data is available through a series of reports on the MONICAR intranet website. Reports include screens based on FEG groupings. Although the aim is to have the system networked so that all offshore data is transmitted to the onshore database electronically (by secure link), this is not the case at present. Some FE that are not on LAN-based computer systems (e.g. submarines) use a mix of electronic and manual systems to relay the data to shore.

5.14 The MONICAR system is administered by MHQ. Its principal use is in operational management of FEs by MHQ and the maintenance of the FAS where MONICAR's picture of FEs' FMC or PMC status is critical information.¹¹⁰ MC receives a weekly briefing on the condition of the fleet from headquarters staff, based largely on assessments using the MONICAR output.

¹⁰⁶ Billet changeover is incorporated by the rule that if there is greater than 35% changeover per platform department in three months, this will result in a 'Partially Mission Capable' rating for all outputs.

¹⁰⁷ In accordance with these rules, FMC means that the indicated FE can meet its designated operational roles (>=75%); Partially Mission Capable means that it can be achieved 'within a set of known and acceptable limitations' (50–75%); and Not Mission Capable means that it cannot meet its designed operational roles at this time.

¹⁰⁸ For example, judgement continues to be required in assigning unserviceable or degraded codes to faulty equipment; and in assigning high, medium or low impact ratings to the effects on each output of vacant billets.

¹⁰⁹ The weekly capability report is the principal reporting format for MONICAR and it is generated in automatic message format by the MONICAR system itself. Platforms are also required to produce a monthly activity report and a monthly aviation report. In addition, platforms have to provide an email 'dump' of the database at regular intervals, to update the Maritime Headquarters master database.

¹¹⁰ It is also used extensively in the DMO's Maritime Support Division as a means of accessing critical shipboard equipment support needs data.

5.15 The combined MONICAR ‘shore’ database is accessible to the FEGs and to NHQ (as well as other Defence ‘enabler’ groups such as DMO). FE commanders do not have access to the combined reports, but only to their own time series reporting. Navy documentation notes that MONICAR is to provide information on:¹¹¹

- a weekly capability assessment for Defence of Australia outputs and a monthly report on non-DOA outputs;
- the underlying impact of systems and personnel enablers on capability;
- collective training progress and its impact on capability;
- prognoses of future capability from Expected Time of Repair data; and
- DLOC assessments for all FEGs.

5.16 The OPA between the Secretary/CDF and CN for 2002 specifically refers to MONICAR as providing information to the Navy for its use in serving the Defence Strategy Map’s Objective of providing ‘efficient and effective resource use’. CN is mandated to enhance MONICAR to ‘assist in the understanding of resource consumption and performance at unit level’. The latest version of MONICAR, rolled out in July 2002, was developed over the two-year period that the FEGs were being established in the Navy. An important design function of the system was to support the FEGs in their reporting requirements (including, as indicated above, for their DLOC reporting).¹¹²

5.17 MONICAR, which was introduced into the Navy prior to the initiation of the current overhaul in the ADF’s preparedness management framework, was regarded as a major landmark in the development of ADF preparedness methodology. The Preston Report¹¹³ referred to MONICAR as offering the basis for a model that could be developed across the whole of Defence.

5.18 The ANAO notes that MONICAR does not provide significant or comprehensive information on the dimensions of readiness relating to temporal or contingency aspects (e.g. Readiness Notice and military task). Neither past nor current versions of MONICAR appear to have been designed for the Navy’s use in either managing or reporting readiness in the sense in which it is now defined in the capability tree (see Chapter 1). Its principal function is a weekly report on mission capability, provided as a snapshot in time. It has a seven-day forward time projection ability with limited use, i.e. in regard to Estimated Time of Repair of critical deficiencies, and it contains narrative fields in relation to other time line matters. Although much of this information is useful and is

¹¹¹ *MONICAR User Guide*, Reporting System Overview 1.1.

¹¹² MONICAR data was intended to be an adjunct to DLOC information.

¹¹³ *Report of the Study of Support to Decision Making for Preparedness*, Preston Wood Cox, October 2002, p. 50.

utilised for various Navy operational management purposes, it does not provide the kind of data required under the ASTOPR/DLOC readiness information management process.¹¹⁴

5.19 In its capability reporting of whether an FE is fully, partially or not mission capable, MONICAR data would appear to be of principal use to the MC in meeting MC's operational responsibilities, especially those that relate to the running of the FAS. It is also of operating use to SYSCOM and the Maritime Support Division of DMO. It does not appear to be used for reporting beyond management levels in Maritime Command. Its data categories and reporting output formats make it of limited use in the development of the COMAST-centred readiness management processes based on the OPOs, which use entirely different definitions of mission roles.

Force Element Group information

5.20 Sources of readiness information for the FEGs are the FE themselves (using systems that are both formal: e.g. DBSIGs; and informal: e.g. their own day-by-day contacts with FE commanders in their group). They are also able to access data from the SPOs in DMO on materiel, maintenance and logistics issues affecting their FE. In financial monitoring, they are heavily dependent on the financial data provided by DMO.

5.21 In regard to MONICAR data, the ANAO noted that the use to which MONICAR is actually put at FEG level varies widely. In some it is at best only partially used to help in developing DLOC reports. In some FEGs it is not used at all. Several FEGs indicated that they obtained information related to the MONICAR data collection from Maritime Command. One FEG stated that MONICAR would be of much more value to them if it encapsulated data provided on the Maritime Command database of signals, DBSIGs. The Aviation FEG advised that the newest version of MONICAR, unlike the initial version, will report all Naval Aviation assets, and will be used to satisfy input to SLAs (service level agreements), the Balanced Scorecard and DLOC. The Aviation FEG noted that the new version of MONICAR had been designed around previous Aviation FEG reporting systems and considered that this will enable consistency of data through the years while simplifying and enhancing the process for 'flights' and 'squadrons'. Other FEG managers, however, indicated that MONICAR data is not considered sufficiently accessible or transparent for their purposes, and that there are doubts about the reliability of elements of its content, which depend on subjective assessments made by FE officers prior to their inputting of the primary data.

¹¹⁴ Defence advised that MONICAR data can be an input into the Fundamental Inputs to Capability upon which DLOC reporting is based.

Directed Level of Capability information and assessment

Directed Level of Capability reporting framework

5.22 FEG reporting against the DLOC sub-output agreements provides an information collection stream on Navy preparedness/capability which proceeds to CN, and through CN to the ADF's higher decision-making bodies (the Defence Committee and CDF) as part of the Monthly Performance Report. The DLOC process was one of the main concepts introduced into the ADF in the wake of implementation of the recommendations of the Defence Preparedness Task Force. *Defence Annual Report 2000–01* describes the DLOCs as a 'key plank' in the Defence output budgetary framework.¹¹⁵

5.23 As discussed in Chapter 1, the DLOCs are an integral part of the Organisational Performance Agreement (OPA) between the CN and the Secretary/CDF. Under the OPA, CN is responsible for providing to the Secretary/CDF the level of capability that is directed in the OPA, and this level of capability, including quite precise readiness specifications, is at the heart of the DLOC system. The DLOC 'cascades' down to the sub-output managers who are the FEG commanders. This is achieved by separate sub-output DLOCs, which are included as a schedule (Schedule 2) to the main OPA. In the same way that the OPA is a service provision 'agreement' between the CN (capability manager) and the Secretary/CDF as 'customer', the DLOC agreements (despite the mandatory connotation inherent in the term 'directed') also take the form of 'agreements' between the seven respective sub-output managers (for the eight Navy sub-outputs) and the CN as output manager.

5.24 The DLOCs allocate resources to sub-output level against the 'directed' level of capability. The 'agreement' element in the sub-output DLOCs arises from the role they play in specifying the level of capability that is 'agreed' to be maintained within the respective group of FEs for a given level of resources.¹¹⁶

5.25 The sub-output level DLOC agreements are the building blocks for the DLOC system. They are negotiated annually¹¹⁷ in a bottom-up process in which the FEG commanders produce the drafts of the respective agreements in

¹¹⁵ *Defence Annual Report, 2000–01*, p. 14.

¹¹⁶ The DLOCs for 2001–02 made a distinction between 'constrained' and 'unconstrained' resources applied to particular readiness levels, with the constrained resources (i.e. that level actually available as against the level considered necessary to achieve designated readiness levels) driving the final allocation. The 2002–03 DLOCs specify 'constrained' resource levels, with the 'unconstrained' allocations listed elsewhere in the 'OPR Minimum Requirement' tables.

¹¹⁷ The 2002–03 financial year was the second year that annual DLOCs were produced. The 2002–03 DLOCs vary in content and format significantly from those negotiated for 2001–02, reflecting the 'work in progress' nature of the preparedness methodology in Defence.

accordance with guidance prepared in NHQ. Draft agreements go through an iterative development process. The Navy Capability Management Committee has the opportunity to review them before they are signed by the CN, for incorporation in the OPA with Secretary/CDF for the coming year. The FEG managers assemble the data for their drafts from their own FE sources and from the various service level agreements with 'providers' of services that they have negotiated.

DLOC structure

5.26 The DLOC summaries for financial year 2002–03 included at Schedule 2 of the OPA for each FEG reflect some FEG-specific detail such as that arising from the nature of their different weapons systems. They all comprise six main components, with two key readiness matrices: a sub-output readiness table and an OPR Minimum Requirement table. Other sections of the summary are a schedule of Force Structure/Projects and Depot Level Maintenance; Defence International Engagement Strategic Plan (DIESP) commitments by country and activity; Program of Major Service Activities commitments and support to other agencies; and a statement of total funds allocated to the sub-output.

Sub-output readiness table

5.27 This table provides a series of vertical columns divided broadly into MRO bands 1, 2 and 3 applicable to the Navy Ready Deployment Force¹¹⁸ (i.e. assessed warning times of up to 365 days) and a Raise Train and Sustain column. These columns are in turn broken down into seven Readiness Levels (RL), with R1 being available within 48 hours and R7 available within 365 days. In the horizontal row, under the relevant Readiness Level column, is the number of FE for each Readiness Level that could be potentially called upon to meet any one of the specific OPOs set out in the ASTOPR that are relevant to the particular FEG. Table 2 provides illustrative examples of the format (numbers of FE presented are imaginary and for purposes of illustration only).

OPR Minimum Requirement

5.28 OPR minimum requirement data is presented in a table in which the vertical axis is the OPO (from 1 to 24). The horizontal axis shows: 'QTY' (quantity of FE); 'FE'; 'RN' (Readiness Notice)¹¹⁹; 'NTM' (Notice to Move); 'OVP' (Operational Viability Period); 'SP' (Sustainment Period); and OPO Band (may be multiple or single). Table 2 presents this information in the current DLOC agreement format (numbers/types of FE presented are imaginary and for purposes of illustration only).

¹¹⁸ The Navy Ready Deployment Force is formed to meet short notice contingencies (MRO bands 1-3).

¹¹⁹ Readiness Notice is the time required to raise the level of capability from MLOC to OLOC.

Table 2**Illustrative examples of sub-output readiness and OPR minimum requirement**

Sub-Output Readiness							
Band 1					Band 2	Band 3	Raise, train & sustain
R1 (within 48 hrs)	R2 (within 72 hrs)	R3 (within 7 days)	R4 (within 14 days)	R5 (within 28 days)	R6 (within 90 days)	R7 (within 365 days)	
'5 FF'	'2 FFG'			'6 FF'		'4 FFG'	

OPR Minimum Requirement							
OPO	QTY	FE	RN	NTM	OVP	SP	Band
1	'2'	FFG	7d	7d	15-20d	6mths	2,3
2	'8'	FF	72hrs	48hrs	20-25d	90d	3
3	'1'	FFG					4
4	'1'	FF					4
5	'3'	FFG	90d				2
6	'4'	FF	48hrs	7d	15-20d		3

Source: ANAO analysis, drawing on documentation provided by Defence.

5.29 The table, which is central to the DLOC agreements, defines the level of preparedness that is required of sub-outputs by specifying the numbers of FEs that are to be maintained at various Readiness Notices and other preparedness parameters. In addition, the separate schedule on Performance Projections for 2003–13 which follows Schedule 2 shows:

- planned force structure for the 10 year period;
- services to be provided to other groups; and
- planned Readiness Targets (figures are based on the ASTOPR preparedness requirements for 2002–03) for R1–3, R4, R5, R6, R7. The figures in these columns are to be adjusted as the ASTOPR is changed to accommodate changes in strategic guidance, changes in force structure, and changes in resource levels (in particular finances and manpower).

Required commitment to operational tasks

5.30 Outside the OPR minimum requirements, other sections of the DLOC summary deal with operational or cyclical events or tasks against which the sub-outputs need to deliver (Projects and Depot Level Maintenance, Defence International Engagement Strategic Plan, commitments by country and activity, the Program of Major Service Activities commitments and support to other agencies). Reasons for the specification of these tasks can be traced to the terms of the CPD, which places considerable emphasis on the need for Navy's (and

other outputs’) capability to be able to perform to the priority requirements specified in an attachment listing ‘ADF Key Priorities’ for the forward period.¹²⁰ The CPD requires the Defence International Engagement Strategic Plan (DIESP) activities—that is, diplomatic and international obligations perspectives—and the Program of Major Service Activities to be fed into the OPO-based process. This is because, in the language of the CPD, the overseas commitments ‘greatly influence FE programs and account for a significant proportion of the Defence budget’.¹²¹

5.31 Navy tasks drawn from the DIESP are included in Navy’s FAS and Deployment, Exercises and Engagement Plan—Navy (DEEP-N). The FAS and DEEP-N are key determinants of largely separate preparedness management arrangements revolving around task readiness being operated in the Navy, which is Maritime Command’s responsibility. The implications of this separation of DLOC-based and task readiness preparedness constructs are examined below.

5.32 The DLOC summaries deal with these operationally-based task commitments by narrative text, with no express integration of them into the OPO-based readiness constructs. However, other areas of the OPA dealing with ‘limitations and planned remediation’ and ‘funding shortfalls’ appear to address the consequences of the OPO-based readiness system conflicting with operationally-based constraints. Limitations on preparedness are cited as emanating from such matters as personnel shortfalls, maintenance costs,¹²² air warfare capability, weapon stocks, submarine capability shortfall and shore-based training equipment. They may also originate in the continued or accumulated effects of funding shortfalls that may lead to reduction in capability and unacceptable risks to personnel. The OPA foreshadows that one effect of limitations and shortfalls may be to restrict the ability of specific FEGs to meet ‘preparedness guidance contained in the OPR schedule’. This may happen, the OPA suggests, even after the FEGs have utilised their ability to ‘internally redirect funds’.

Chief of Navy Capability Directive requirements for Navy DLOC

5.33 The CNCD seeks to provide articulation of the combined impact of the above arrangements in Navy. It notes that in regard to readiness level, the ASTOPR contains the ADF Rapid Deployment Force (RDF) Readiness Tables comprising seven readiness levels, with associated RN/NTM to meet bands

¹²⁰ ADF Key Priorities provides guidance on ADF capability, concurrency and ADF priorities for each financial year in the forward plan. It is intended to be an annual rolling program, with the next version to be issued in December 2002.

¹²¹ *Chief of the Defence Force Preparedness Directive—2002*, p. 2.

¹²² For example, increasing maintenance costs for ageing platforms.

1–3 Aggregated Military Response Options/OPO. It notes further that the Navy RDF component represents ‘the minimum FE that Navy should provide within the specified timings to meet tasks, noting that some concurrent taskings may be met within those limitations’.¹²³ The Sub-Output DLOC Agreements are to specify the average availability of FEs to meet the short warning requirements using the ASTOPR Table as the baseline. FEs so assigned must be capable of performing the specific roles and meeting the Operational Outcomes required of those Aggregated Military Response Options/OPO. They must be appropriately equipped, manned and sustainable until relieved and/or the contingency to which they were committed has been concluded. The Navy readiness table in the ASTOPR is reproduced as an annex to CNCD.

5.34 The CNCD does not expressly refer to the Capability Bill concept being developed in Maritime Command. This is a process seemingly designed, inter alia, to address the preparedness impact of ‘constrained’ financial resources and to allocate resources systematically to capability priorities, including both ‘contingency readiness’ and ‘task readiness’ requirements on the Navy (see Chapter 1). *The ANAO suggests* that there would be advantage in future versions of the CNCD incorporating this Maritime Command initiative, if this should be endorsed, to avoid confusion arising from the apparent lack of alignment between the two readiness information coordination processes.

DLOC potential unfulfilled without adequate costing tools

5.35 In the design of the preparedness construct, the intention is that the costings reflected in the resources sum allocated in each DLOC to the sub-output will derive mainly if not fully from financial data on full costs of the capability, i.e. including the costs of services provided by support and ‘enabling’ groups, and Defence-wide overheads.

5.36 Such real costing is prevented by the absence of a consistent activity-based costing system across all FEGs and Navy, and the need to develop targeted and detailed preparedness costing tools, cross-Defence methodologies and financial management information systems. Instead, such costs (which comprise the major component of capability costs ‘managed’ by the FEGs) are attributed to the FEGs by Defence portfolio corporate financial processes and set out in the Defence Management and Finance Plan. The ANAO notes that issues of this kind are also presenting major challenges in the United States and British Navies. Chapter 4 examines specific aspects of these deficiencies in the mechanisms that have been chosen across Defence to link DMO and other ‘enabling’ groups to Navy preparedness management.

¹²³ *Chief of Navy Capability Directive*, January 2003, p. 9.

5.37 Problems with DLOC data and metrics also exist with regard to Operational Analysis in respect of sensor and weapons systems. The issues have been raised in DLOC agreement negotiation and within NHQ. The implementation of effective Operational Analysis is regarded as vital if an accurate picture of readiness is to be available for reporting and management purposes.

5.38 As a result of the information deficiencies in the financial management systems in Defence, a substantial measure of financial data within the DLOC system is not transparent to the sub-output managers. In consequence, the ability to cost various readiness options and determine the most effective readiness levels (based on system-provided information), cannot be realised until these costing improvements are put in place. This is an important aspect of readiness management improvement intended to be achieved in the implementation of the current reforms. Development of the relevant tools is a high priority task in Defence at present but no timeframe details for its completion are available. Until DLOCs can be prepared with full direct costings of the major elements of readiness, the use of the DLOC system in the financial management of readiness will be strictly limited. Full direct costing of major elements of readiness is dependent on Defence concluding the implementation of the relevant financial systems across the Defence organisation. *The ANAO suggests* that Navy should pursue with relevant Defence agencies the necessary system redesign work. Clear and realisable target dates for finalisation of this work should be set.

5.39 Beyond its costing limitations, the DLOC system is well regarded in the FEGs, in contrast to the data provided by MONICAR. As indicated above, the DLOC plans and calibrates readiness status using Readiness Notice parameters and OPO. This structure means that reporting against DLOCs by FEGs is designed to capture the actual readiness status achieved (that is, it addresses the question whether a FEG or an FE is ready now, or with what readiness notice, to perform a particular role). Although there are important deficiencies in the capacity of this system to capture the consequences of Navy task readiness (examined further below) the ASTOPR/DLOC process is a paradigm different to, and wider than, that served by MONICAR, which is in the nature of a combined proficiency and equipment/materiel health check. DLOC data parameters appear to meet a number of the FEG business management responsibilities more satisfactorily under their dual directives and in the context of the realities of their day-to-day operations.

On-Occurrence preparedness reports

5.40 The Navy is operating systems to enable corrective action to be undertaken to remedy identified readiness shortfalls in the areas of personnel, equipment and equipment condition, and training. The new preparedness reporting

construct mandated in CPD 02 places strong emphasis on deficiency reporting at all levels. Navy's own preparedness management framework had provided a strong role for deficiency reporting over many years. Navy systems include URDEFs, MONICAR and on-occurrence preparedness reports.

5.41 An 'On-Occurrence Preparedness Report' (OOPR) system exists alongside the DLOC system as a key element in readiness information collection and management. The COMAST-owned OOPR database operates on a joint Service basis. An older Navy-specific OOPR system was suspended with the introduction of DLOC reporting.¹²⁴

5.42 When a FEG commander believes that an FE cannot achieve a capability or preparedness standard which is required to be met in one or more of the OPOs (i.e. a deficiency that cannot be rectified within a FEG's span of direct control), the FEG commander raises a draft OOPR to the MC for consideration of its inclusion in the OOPR database. CN is informed of the deficiency for consideration of possible remediation or resolution of the matter. Once lodged with Headquarters Australian Theatre, the decision on whether to include the OOPR in the database is, however, one for COMAST to make, not CN. Possible OOPR deficiencies cover issues such as facilities, information services, personnel, sea and /or shore training deficiencies, in addition to operational and logistic support problems.

5.43 COMAST documents state that the OOPR arrangement provides Maritime Component Commander, COMAST, and Defence Headquarters with the ability to access and assess the holistic impact of OOPRs on respective OPOs and allows COMAST and the CDF an 'almost daily' visibility of theatre readiness to meet the MROs. The OOPR system can tell COMAST how far the ADF will not be able to respond if the contingency specified in an OPO arises. COMAST, as the assessment authority for OOPR information, decides whether that information will proceed to higher levels of command on the basis that the capability deficiency cannot be made up by other force configurations.

5.44 The OOPR system, as it has now been developed, is a COMAST-owned one. In the processes for channelling and reporting OOPRs, Navy command levels have close involvement in decision-making on OOPRs, as the information provided in the proposed OOPRs contains important data on deficiencies. Maritime Component Commander has a key role in deciding whether OOPRs will go forward to COMAST. In the case of OOPRs identifying resourcing deficiencies, MC is required by CN to register these OOPRs in the HCAST OOPR database (see under 'OOPR reporting' below). As indicated above, CN now requires a close involvement in consideration of OOPRs.

¹²⁴ Under the Navy OOPR system (NOOPR), which was included in the older CN preparedness directives, sub-group managers and FEG Commanders raised a NOOPR to advise CN of any significant inability or developing trend which may impact on future ability to meet the readiness or sustainability requirements of the CNPD. Enclosure 3 to NCMB Minute 2/00, 3 April 2000.

5.45 Theoretically, the simultaneous operation of both systems should provide a failsafe readiness monitoring system and each would complement the other. The system under development in the United States Department of Defense provides a similar combination of 'positive' and 'deficiency' reporting. The DLOC reports are produced monthly, whereas OOPRs, as exceptions-based reports, can be lodged at any time. The OOPRs allow immediate identification of deficiencies and referral to higher Defence command for urgent attention, as circumstances may require. Both COMAST and CN are closely associated with the referral processes. In terms of functional complementarity, OOPRs allow a causal appreciation at higher command levels of the relative significance of 'red' DLOC reports on OPOs, as capability areas vary in the degree to which they affect multiple OPOs.¹²⁵

5.46 The latest versions of the CPD, together with the new OPA agreements and the CNCD, and monthly reporting against them to the Defence Committee, show that the OOPRs are closely integrated into higher-level preparedness monitoring. Within the Navy itself, the manner in which the OOPRs and the DLOC reporting process are used interactively appears to be for CN personally to decide.¹²⁶

5.47 Comments by a number of FEG officers indicated a lack of common understanding as to how it is integrated with other preparedness-related reporting. Clearer OOPR business rules, indicating inter alia how the OOPR system is integrated into Navy readiness management processes, may improve its effectiveness.

Reporting against DLOC

5.48 The preparedness performance management system in the ADF and the dual directive system in the Navy depend heavily on reporting against the DLOCs. The CPD, the OPA agreement between the Secretary/CDF and CN, and the CNCD collectively set out extensive and interlocking reporting requirements. Indeed, the CNCD states an aim to 'specify the level of preparedness that Navy Force Element Groups will maintain to meet the requirements of CDF and COMAST and the preparedness reporting requirements'.¹²⁷

¹²⁵ For example, amphibious capabilities affect most of the 24 OPOs.

¹²⁶ A further factor may be that the operation of the performance deficiency system inherent in the OOPR process significantly pre-dated the initiation of DLOCs. It should be noted that the relationship of DLOC and OOPR reporting has been clarified at the Defence Headquarters level, where the combined reporting streams of the Services against the ASTOPR are brought together.

¹²⁷ *Chief of Navy Capability Directive*, January 2003, p. 2. A second aim of the CNCD is to communicate CN specific directions, initiatives and actions to be undertaken to ensure that CN responsibilities in the management of Navy capability are able to be met.

5.49 The CNCD specifies two preparedness reporting systems for the sub-outputs.¹²⁸ CN's monthly Defence Performance Summary to the Defence Committee (Defence Matters Scorecard–OPA/DLOC reporting) and OOPR (guidance on OOPR reporting is contained in Annex H of ASTOPR).

Defence Matters Scorecard/OPA/DLOC reporting

5.50 The DLOC benchmarks are at the centre of the Navy preparedness reporting mandated by CN. The CNCD notes that the CDF requires CN to incorporate preparedness reporting in the monthly Defence Matters Scorecard (DMS) reports. This reporting is to include an assessment of the preparedness of Navy forces to meet the ADF Readiness Table requirements and undertake the roles and Operational Outcomes as detailed in the ASTOPR. The report is required to be made against the respective OPA and DLOC agreements at Schedule 2 of the OPA. The FEGs are specifically responsible for preparing the sub-output DLOC reports.

OOPR reporting

5.51 Reporting of OOPRs is integrated into the DMS reporting loop. As indicated above, OOPRs are raised by a sub-output if they are unable to meet their capability or preparedness requirements detailed in the ASTOPR OPO tables and the ADF Readiness Table (the minimum FEs the Navy can provide within the specified timings to meet taskings). They are forwarded through the Australian Theatre Component Commanders to COMAST using the OOPR Database. The ASTOPR requires that all OOPRs be considered at a monthly Theatre Commanders Meeting and that a report of that meeting be forwarded to CN for incorporation in the Navy's DMS report. NHQ has visibility of the OOPR Database and also receives copies of the monthly ADF Preparedness Report based upon the outstanding OOPR.

5.52 In the most recent CNCD, the role of the OOPR has been further strengthened so as to permit it to clarify where there may be gaps between COMAST's requirement (stated in the ASTOPR) and the funded level of FE resources in the DLOC agreement (as established at the commencement of each financial year). In this role, the OOPR would inform COMAST and the CDF about the risks flowing from any shortfalls in DLOC resourcing. The intention is that any OOPR arising out of such resourcing deficiencies will remain outstanding until the DLOC agreement is renegotiated or the resource deficiencies are rectified by some other means.¹²⁹ The ANAO notes that this new OOPR role has the potential to provide greater transparency in the preparedness management system as enjoined in CPD 02 which states:

¹²⁸ *Chief of Navy Capability Directive*, January 2003, p. 11.

¹²⁹ *ibid*, pp. 11–12.

It is essential that there be visibility of resource costs and deficiencies against capability by Groups, particularly those with outputs, so that remediation or risk management strategies can be identified and implemented.¹³⁰

Reporting role of the FEGs

5.53 The responsibilities that the FEGs carry in reporting against these reporting systems are critical. The CNCD's approach is to allocate responsibilities to sub-outputs. The FEGs are the sub-output managers. They are mandated to be the entities that report against the DLOC (monthly)¹³¹ and Navy Balanced Scorecard formats, as well as the origination point for the OOPR process. The FEGs may be the origination point for the second of the two reporting systems. They will always need to be involved in channelling them to higher authority.

5.54 The FEGs have to rely on a range of sources of information to fulfil their reporting responsibilities under DLOCs and Navy Balanced Scorecard. These sources are diverse: they will range from the FEs themselves to the SPOs in DMO, DMO sustainment offices and other 'enabling' organisations, SYSCOM units, and contractors, among others. Because the DLOCs and scorecard reports entail reporting on collective training, the FEGs need to obtain information on collective training from Maritime Command, or rely on what Maritime Command supplies to them.

5.55 The ANAO notes that these reporting responsibilities do not consistently align with the tasks of the FEGs as enumerated in the two directives issued to them (the dual directives). The reporting requirements are necessarily very broad and comprehensive, but the range of direct responsibilities of the FEGs is comparatively narrow. The FEGs, for example, are not responsible for collective training. However, COMFLOT is responsible for collective training and is positioned in a higher level of the Navy command structure. This raises the question of whether the FEGs are the appropriate source of DLOC reporting. It apparently results in reporting arrangements more cumbersome and circuitous than they need to be. It also appears to make Maritime Command's reporting of the vital collective training and proficiency outcomes in Navy unnecessarily indirect. This reduces Maritime Command's responsibilities for reporting performance in relation to preparedness in the Navy under the ASTOPR/DLOC system, and beyond the Navy to the ADF and Defence as a whole.¹³²

¹³⁰ *Chief of the Defence Force Preparedness Directive—2002*, p. 6.

¹³¹ *Chief of Navy Capability Directive*, January 2003, p. 11.

¹³² Defence notes that FEG Commanders have access to MONICAR reports on collective training without having to go to Maritime Headquarters.

Navy reporting within the ADF system

5.56 Single Service reporting arrangements, within the ADF as a whole, were modified and extended by decisions of the Defence Committee in September 2002. The OPAs relevant to each output group for 2002–03, as finalised at that time, established the benchmarks and baselines against which the groups were required to report.

5.57 The reporting arrangements set up and in effect for 2002–03 specified how the OOPR process should combine with DLOC reporting. The decision made clear that any deficiencies against the ASTOPR, agreed to in the OPA, should henceforth appear as OOPRs, to ensure that these deficiencies receive attention in the DLOC monthly reporting cycle.

5.58 The OPA for 2002 specifies that CN should provide: annual reports of services delivered to Secretary/CDF as customer; annual financial reports to Secretary/CDF as owner covering the group financial performance and position for 2002–03; and an annual risk and limitations management report.

Monthly reporting on Navy within Defence preparedness performance

5.59 The Defence monitoring arrangements provide for the Preparedness Branch (Policy, Guidance and Analysis Division) to prepare a monthly report on 'Defence preparedness' across all capability outputs. The primary audience for this report is the Defence Committee. The monthly report so produced is the strategic level confluence point for preparedness information and for performance by output across the Defence organisation. It enables key decisions on preparedness and related resourcing issues to be made. It would be the final coordination point in Defence for relevant recommendations to be made to the Minister and, through him, to the government.

5.60 The report that goes to the Defence Committee is based on analysis of the output groups' monthly reports covering the same period and includes individual reports from each capability output. For the Navy capability, as for the other capabilities, the reports include a performance summary for each output and a Defence Matters Scorecard 'traffic light' assessment. The report output summaries aim to highlight those preparedness issues, by exception to baseline standards, warranting the committee's attention or consideration. To help highlight these matters the report is covered by an overview section identifying the issues that require attention (generally indicated as red and amber 'traffic light' assessments in the individual output reports) because of their overall effect on preparedness and the ability of the ADF to provide options for government.

5.61 Navy provides a report under its Balanced Scorecard to inform this process. This is presented as a separate annex to the main Defence-wide report. A one-page overview of highlights also explains selected matters including colour gradings (in the accompanying matrix) for specific MRO bands for specific FEs. The overview text also identifies matters that are not explicit in the matrices or where the matrix design does not possess enough precision of detail (e.g. it does not contain material on Fundamental Inputs to Capability). FEG-specific material is presented in matrix form, accompanied by anchored narrative annotations providing specific detail. The Operations Group and the non-combat related outputs¹³³ material is presented with some differences to the single Services material.

5.62 In the matrix material, for the Navy, Readiness gradings (red-amber-green) under 'DLOC Performance' are listed for the previous month, the current month and the projected grading for the following quarter, for each of the four MRO bands and for each FEG. Deficiencies under 'DLOC Performance' are noted in textual annotations which refer, where relevant, to numbered OOPRs. The monthly reports focus on preparedness but also include extensive material on capability, with forward projections into the three- to five-year timeframes and risk identification of issues in capability development.

5.63 The ANAO notes that the format of the monthly reports reflects how far the preparedness element of Defence capability is analysed as an element in a capability continuum, often inter-related to capability investment decisions and, as is appropriate for reporting at this strategic level, with a sound medium-term time horizon.

5.64 The ANAO also notes that NHQ reports back to the FEGs on the content of these monthly Defence Committee reports, a feedback process that is strongly appreciated by the FEG managers. NHQ have engaged in active consultation with relevant FEG managers to improve and develop the DLOC and reporting system. FEG managers are keenly aware of the inputs they have made and the reasons for current arrangements.

5.65 The report format for 2002 achieves significant precision and conciseness with regard to FEG performance on all three dimensions of readiness (preparedness for what, for when and of what). The Navy Preparedness Performance Reports submitted through this Defence-wide monitoring do not, however, address the tensions evident in the ASTOPR/DLOC reporting process and the task readiness (as distinct from contingency readiness) processes in which Navy is operationally engaged. The next section examines this issue in detail.

¹³³ The non-combat Output Groups include Strategic Policy and Intelligence.

Coordination of Navy readiness management and reporting

5.66 Navy's arrangements for collecting and coordinating readiness information need to meet circumstances that are specific to Navy's readiness management needs, as well as conform to ADF-wide requirements imposed by Defence governance arrangements. This may be difficult as there are elements of natural tension between the roles of the single Services and their needs and objectives, on the one hand, and the needs and objectives of the ADF as a whole, especially in the context of joint- or theatre-related defence operations.

Navy readiness management: meeting two purposes

5.67 Because of this tension it seems inevitable that there will be Navy-specific preparedness management arrangements operating in conjunction with joint Service or ADF-wide arrangements, as they have to meet these two somewhat separate purposes. In such circumstances, the effectiveness of the Navy-specific arrangements depends to some extent on the way Navy coordinates its two different preparedness management responsibilities and makes use of the data flows relevant to each to inform structured and coherent decision-making, particularly in respect of funding allocations to various FEs, capabilities and proficiency investments. The present approach being pursued in the Navy, however, is to resolve the tension by operating what are in effect separate but complementary readiness management and reporting systems.

Meeting 'task readiness' needs

5.68 As indicated in the section above, the Navy's force structure and activity patterns mean that it has to focus its operational preparedness methodologies on 'task readiness' as well as 'contingency readiness'. Task readiness is driven by the requirements of the FAS and, more broadly, the Navy's DEEP-N Plan. It is sanctioned directly by the CPD's emphasis on the fulfilment of the ADF's international obligations.

5.69 Task readiness at the operational level is pursued by the MC issuing specific guidance on the principles to be followed in the planning and execution of specific tasks. This takes the form of a Task Readiness Capability Requirements document, issued to FEs under MC's command in respect of particular named operations, or in respect of a specific phase of an operation such as a rotation of assets where a deployment needs to be sustained for a lengthy period.

5.70 The guidance may address what material preparations and postings are required by FEs to have been completed, and in what timeframe, e.g. prior to commencement of the OLOC workup; what circumstances should dictate FE

Commanding Officers' decisions on crew postings and over what period; and the role FEGs should play in obtaining delivery of facilities and services from supporting organisations and service providers to enable implementation of the specified capability requirements.¹³⁴

5.71 In a situation characterised by high operational tempo, with high (and maybe unplanned) resource needs, the setting of priorities among preparedness options becomes critical in resources management. This prioritisation clearly must be undertaken by the chain of command that has responsibility for the operational use of Navy capability—the MC in the first instance. As discussed in Chapter 1, MC has promulgated a classification system around four priorities and has activated a Maritime Command Preparedness Management Group to oversee the relevant decision-making process in MHQ.

5.72 Task readiness, as driven by the constantly changing requirements of the FAS (and the DEEP-N plan), and not the ASTOPR/DLOC-set standards, determines actual readiness and readiness performance by Navy FE and FEGs.

5.73 If, as is likely when operational tempo is heightened, fleet readiness as predicated by the FAS requires higher readiness levels, these come at a cost. The cost has to be met either by fresh funds or by a reduction in activities in other areas of the FEG's work, e.g. new capability, or in core skills development in the primary specialised proficiency requirements of the weapons systems in the group. The ANAO understands that part of the background for the MC's development of a Capability Bill is the need to possess a methodology for decision-making on such matters. Defence advised that the Capability Bill (see Chapter 2 for further discussion of Capability Bill) is not fully developed and not yet endorsed.¹³⁵

5.74 The ASTOPR/DLOC standards process, and the data reporting flow against it, are related to MHQ readiness management decision-making but do not have effective and consistent interfaces with each other. Key ADF and NHQ preparedness decision-making, including with regard to resourcing levels for the sub-outputs, is largely dependent on information generated by the

¹³⁴ The guidance would typically specify these matters in considerable detail along a timeline. For example, for the particular readiness requirements of FE identified for the operation, FEs may be required to sustain OLOC after ORE at OLOC Readiness Notice until departure from the area of operations; then revert to MLOC at 28 days' Readiness Notice; and subsequently revert to MLOC at other Readiness Notice periods depending on tasking.

¹³⁵ The insight generated by the task readiness construct in this context is that, pending fresh funding actually becoming available, the Navy would be effectively running down core capabilities affecting medium- to longer-term preparedness of the Service as a whole to achieve this higher readiness level. By the same token, prudent financial management would suggest ensuring that funds are not disbursed on 'priorities' that turn out to be lesser priorities in the future. The attrition to proficiency and the inattention to skills 'fade' in important core skills are of concern to a number of FEG managers interviewed by the ANAO.

DLOC/ASTOPR. Accordingly, it would seem to be of high priority for the processes of readiness management presided over by the Maritime Command Preparedness Management Group and the NCMC to be brought into effective alignment to allow the respective data flows to be better coordinated.

5.75 Without such alignment the operation of two separate (if overlapping) systems raises questions of efficiency and consistency in planning and management of readiness matters. At a minimum, it would appear that such an operation risks unclear signals being transmitted to organisations and personnel involved in readiness management in the Navy. But it also raises the possibility that actual issues in the management of capability and Navy readiness in the context of the current higher operational tempo are not being brought into higher level decision-making in the Navy or in the ADF, as effectively as they could be.

Other Navy coordination needs

5.76 As discussed in Chapter 2, there are issues in increasing the effectiveness of readiness management that require attention in the tasking and the clarity with which roles/responsibilities among the Navy's operational elements on the delivery of readiness is expressed, e.g. between the FEGs and MHQ.

5.77 At present, the Navy does not possess a data-based, systematic process for measuring the respective performance of each of the stages in the readiness investment cycle. Navy's fleet managers should have access to data that enables them to disaggregate the separate contributions to (and accountabilities for) readiness that are made by FE Commanding Officers, FEG commanders, and AUSFLTSTG. This would enable some evaluation of the readiness contributions of each of these components. Such data would seem to be progressively available to the Navy through the reporting processes now being developed and implemented in the DLOC/OOPR reporting process.

5.78 MHQ should be able to put this data to use. Doing so would enable Navy to improve its use of readiness data for the purposes it should be capable of supporting, including to enable selection (and then management) of the appropriate readiness levels of Navy FEs that relate best to readiness lead times (no higher and no lower).¹³⁶ This reporting process, while needing to be fully developed and extended into a comprehensive electronic form, would seem to provide a useful basis for this kind of work.

¹³⁶ In a section in Plan Green's chapter on Maritime Command dealing with MC's readiness role, it is stated that, the FEGs and the force preparation and readiness staff [in Maritime Command] work together to achieve 'required readiness levels'. It states that the CPD/CNCD provide the basis for RAN fleet readiness requirements and that in general the fleet 'overachieves' against some of these requirements (p. 4-40).

5.79 The ANAO notes that similar readiness information reporting systems are being developed in the navies of the United States and Britain. Although they are different in format between themselves (and from the ADF system), the systems will assemble and maintain up-to-date readiness information built on advanced readiness concepts and metrics. The systems are designed to be used for readiness management by the navies as well as for joint and Defence-wide purposes.

5.80 Accordingly, there would seem to be scope for the readiness management responsibilities of Maritime Command to be clarified so as to reflect the very large readiness information transfer that is now taking place between the FEGs (which are, in present arrangements, administratively a part of Maritime Command) to NHQ and thence to Defence Headquarters. Specifically, there would seem to be considerable scope for Maritime Command to expand the coordinating role of the MHQ function in preparedness information collection, consistent with the language used in the Navy Strategy Map and the Maritime Command Strategy Map in regard to this aspect of naval capability. In what is a FEG-based sub-output system, Maritime Command could in this way play a larger role in the DLOC-based readiness management system.

5.81 An alternative approach would be for the Navy to modify the responsibilities allocated to Maritime Command in its Strategy Map and Balanced Scorecard reporting process so as to focus the Maritime Command role on the preparedness management responsibilities involved in task readiness. As indicated in Chapter 2, Maritime Command is developing and implementing capability management and reporting plans around a Capability Bill system. The Capability Bill has quite different parameters to the DLOC system but, similarly to the DLOC system, it is intended to allow considered resource allocation decisions to be made for Navy FE readiness which correspond with the Navy's fleet management responsibilities, especially the management of the DEEP-N project and ongoing management of the FAS.

5.82 Under this alternative approach, Maritime Command would have responsibility for 'task readiness' and one of the other Navy Commands—NHQ or SYSCOM—could be given primary responsibility for the management of the DLOC or 'contingency readiness' based reporting process.

5.83 In any case, better use could be made of the NCMC in the readiness reporting processes that are undertaken by Navy within the ADF framework.¹³⁷ Specifically, the NCMC could be given explicit responsibility to oversee the DLOC analysis and the consequential reporting process, including its linkages with other Navy reporting processes such as those that may relate more closely

¹³⁷ Refer to Chapter 2 for discussion of the role of the NCMC in Navy corporate governance processes.

to activity management in Maritime Command. In this regard, the NCMC would have the task of assisting CN to bridge the apparent disconnect that exists between the CN's role under the OPA of reporting capability against the ASTOPR/DLOC, and the responsibilities carried by the MC. Recommendation 3, in Chapter 2, addressed this issue.

5.84 The Navy's readiness management arrangements require it to respond to Defence-wide enhancements being implemented in preparedness methodologies and management, as well as to deal with the practical problems facing fleet operations. Within these readiness management systems, the ANAO identified scope for the Navy to:

- communicate more clearly the purposes of readiness reporting in the Navy framework;
- specify better the readiness control and monitoring functions of the subordinate Navy organisations as between Maritime Command, the FEGs and NHQ; and
- extend the use of readiness information in Navy's own corporate decision-making processes, including Navy readiness performance management, by building on the broad congruence of readiness information reporting and management between Navy and Defence-wide arrangements.

Recommendation No.6

5.85 The ANAO recommends that, to clarify the purposes of its readiness reporting methodologies and framework, and facilitate their use in Navy corporate decision-making, Navy:

- a) clearly specify the readiness control and monitoring functions of the subordinate Navy organisations; and
- b) develop procedures systematically to utilise all readiness performance information available.

Defence response

5.86 This recommendation is agreed. There are a number of existing initiatives that will contribute towards achievement of this recommendation. These include: provision of a Maritime Headquarters' capability viability overlay on FEG contingency reporting; and development of a measure to enable better linking of activities and resources associated with readiness. The new measure will also enable better targeting and reporting of performance within the public domain and will enable monitoring of performance trends.

The public reporting of Navy readiness

5.87 Public reporting of Navy readiness planning and achievements occurs in the Defence-wide framework. These processes include the Portfolio Budget Statements at the start of the financial year, which are revised in the Portfolio Additional Estimates Statements in mid-year. Achievements being reported in the Defence Annual Report. Information is presented in the latter documentation in the outcomes/outputs format, so that material relevant to the Navy is provided under Defence Output 2, with proposed performance outcomes disaggregated to the sub-output level.

5.88 Following the Defence Reform Program, Defence sought to refine and develop its output definitions and to map all resource use to these outputs, including from the enabling and support programs in the portfolio. Budgeted and actual resource allocation to the sub-output level has not, however, been undertaken to date.

5.89 Since 2000, during the period that Defence has been developing its overall preparedness management methodologies, reporting in these documents on Navy preparedness performance has been evolving.¹³⁸ The most recent Portfolio Budget Statements (for 2002–03, tabled in May 2002) reflected a significant shift of view within the portfolio on what information should be contained in public reporting: it varied previous practice by providing no information of a quantitative nature on performance targets for the Navy.¹³⁹

5.90 A more advanced stage of development of Defence's approach to public reporting is reflected in *Defence Annual Report 2001–02*. The information presented, bearing on Navy readiness, draws from a wide range of information sources available in the Navy, including aggregated material flowing through the information systems used by Maritime Command, in particular MONICAR, the exceptions reporting produced through the ASTOPR/DLOC reporting process, and Navy Balanced Scorecard data. Reporting on performance, divided into qualitative and quantitative targets in accordance with Commonwealth central agency guidelines, is presented as in previous Defence annual reports, by sub-outputs. In the case of the quantitative information, the calibration has been changed from FEs at MLOC¹⁴⁰ (as presented in *Defence Annual Report 2000–01*) to Full Mission Capability (FMC), which follows the lines of the tiered capability system used in MONICAR.

¹³⁸ Reporting on the Navy was following the portfolio approach.

¹³⁹ Decisions on the Annual Report/Portfolio Budget Statements (PBS) reporting were taken in the Defence wide context. It is understood that Navy had prepared for the normal inclusions of performance targets in the 2001–02 and 2002–03 PBS. However, these performance targets were not included in appropriate Parliamentary reporting processes. The department has now included the performance targets into *Defence Annual Report 2001–02* and *Portfolio Additional Estimates Statements 2002–03, Defence Portfolio*.

¹⁴⁰ The measure used is platform specific.

5.91 In Britain, the most recent Ministry of Defence Performance Reports¹⁴¹ to Parliament contain significant readiness information on the British Royal Navy, now based on the MOD's Balanced Scorecard concept and on other information. This information includes Public Service Agreement targets, performance indicators and a summary assessment of end-of-year performance. The report also includes narrative material on readiness, including where difficulties are being experienced. In the Royal Australian Navy's material in the most recent Defence annual report, a similar approach to identifying deficiencies and difficulties, as well as reporting on mitigation strategies in narrative material, has been employed.

5.92 The ANAO notes that Defence has made significant progress in settling a reporting format for preparedness and readiness reporting. The material presented on the Navy output in the most recent Defence annual report appears to provide soundly-based, if limited, information on Navy overall readiness. As previous chapters in this audit report have shown, after considerable investment in data collection and assessment systems, Navy now possesses a considerable quantity of readiness performance information. It would enhance Navy's accountability arrangements if as much of this data, as is consistent with national security requirements, is made available to the Parliament and the public.

5.93 Of concern, however, is that Navy has, over recent years, varied the basis for quantitative performance measurement and targets from MLOC to FMC (for most sub-outputs). The differences between the two states are not without significance, reflecting quite different readiness assessment methodologies. The FMC concept does not capture the important resource management imperative in effective readiness management that optimum states of readiness are not the theoretical maximum in capability. Rather, an optimum level would be the level of readiness that enables achievement of OLOC within a Readiness Notice period—implying a reduced level of expenditure on maintaining readiness, freeing resources, say, for sustainability.

5.94 Although the variation in usage of the MLOC/FMC concepts (as between annual reports) is not noted or explained in the latest Defence annual report, it means in any case that it will not be possible to develop an understanding—from the successive annual reports in recent years—of Navy performance over multiple years until well into the future. It also means that it will not be possible, for some time to come, to appreciate how far any milestones are being achieved in the longer term.¹⁴²

¹⁴¹ *Ministry of Defence Performance Report 2000-2001*.

¹⁴² ANAO *Better Practice Guide on Performance Information in Portfolio Budget Statements*, May 2002, p. 35. This guide cites the trend in reporting endorsed by the Joint Committee of Public Accounts and Audit as one of moving away from the reporting of administrative detail to the provision of more information about program performance.

5.95 Also of concern is that Defence reporting processes have not provided quantitative performance targets in *Portfolio Budget Statements 2002–03, Defence Portfolio*. This has meant that the targets, which Navy has committed resources to achieve over the reporting period, have not been provided. The ANAO notes that this outcome is, for the time being, inconsistent with Commonwealth best practice standards required by the Parliament which is assisted by guidance from central agencies, as well as being endorsed by the Parliamentary Joint Committee of Public Accounts and Audit, as set out in the ANAO's *Better Practice Guide for Performance Information in Portfolio Budget Statements* (May 2002).¹⁴³

Multi-year reporting and comparisons

5.96 As readiness management in the Navy is concerned with both short and medium term time horizons, and is the subject of a close and considered improvement focus in Navy, the quality of Navy's performance in this field could be improved if Navy provided information¹⁴⁴ on readiness status achieved over several years. The information would allow comparisons from year to year.¹⁴⁵ It would impart more value (as indicators of real performance) to the 'achieved FMC' information, and also provide a meaningful performance improvement discipline that should assist in meeting the enhanced readiness management arrangements being pursued in the Navy and across Defence. Reporting of multi-year information within single annual reports would also enhance parliamentary accountability.



P. J. Barrett
Auditor-General

Canberra ACT
17 April 2003

¹⁴³ ANAO *Better Practice Guide on Performance Information in Portfolio Budget Statements*, May 2002, pp. 33, 35. This guide notes that, with publication of performance indicators and targets in the Portfolio Budget Statements, '...it is important that monitoring is undertaken throughout the year by agencies so that performance against indicators and related targets in the Portfolio Budget Statement (PBS) can be assessed. Without such monitoring, including assessment against performance information in PBS, it may be difficult to provide appropriate performance information for inclusion in an annual report'. Elsewhere the BPG notes that Department of the Prime Minister and Cabinet requirements for annual reports of agencies provide inter alia that agencies '...reconcile performance information in the annual reports with that in the PBS. Information on these indicators should also be presented in a form that enables an assessment of performance against targets detailed in the relevant PBS'.

¹⁴⁴ To be most meaningful such information might best be provided in graphic form, for example, as bar charts.

¹⁴⁵ In the design of performance measures, Navy, working within the Defence portfolio, should seek to resolve uncertainties and inconclusiveness in the design of procedures to enable it to report adequately in the public arena on its readiness management performance. The ANAO was advised that this action is currently being undertaken by NHQ and Maritime Headquarters with the intention of identifying a best measure before the start of the 2003-04 PBS process in March 2003.

Appendices

Appendix 1

Managing Defence preparedness

1. The operational management required in regard to Defence preparedness—and to readiness within that attribute—revolves around three broad issues: preparedness for what; preparedness for when; and preparedness of what. Thus readiness is always linked with the nature of the intended mission, the notice period involved (in advance of the commencement of the mission) for the force to be readied, and the constituent elements or composition of the force that may be needed. Force Elements (FE) are only useable for their purpose (Defence uses terms such as ‘mission ready’, ‘fully mission capable—FMC’ or ‘fit for purpose’), whether in peacetime operations or in war, if they are specifically ready for the assigned mission.
2. Tasks involved in the various missions that governments may require the military force to undertake—even quite simple ones—are many and varied. In a technologically advanced military service a large number of organisational elements are typically involved in any one mission, from readiness of equipment through availability of consumables to manning requirements. Behind these more visible aspects are strategic planning, policy and command.
3. In the case of the critical human skills that need to be deployed, task-specific training and capability minima are applicable to all missions. The contributions of each organisational element differ, depending on the specific task assigned. The management of such issues is necessarily complex.
4. Readiness planning periods are associated with every aspect of military strategy. Principal of these is the period for a theatre contingency to develop that may require a Defence response and the period required for a FE to develop its full capability in various disciplines from the base level at which it might be held (Readiness Notice). The optimum base level of capability (MLOC)¹⁴⁶ across all disciplines that should be sustained in an ideal scenario should be determined, with the resource cost of doing so balanced against alternative base levels that might be selected on a risk management basis.
5. ‘Readiness Notice’ in particular is a crucial variable in readiness, with major implications for resource consumption and budget allocations. Military forces cannot be kept at the highest state of readiness all the time. The time available for an FE to be prepared for a mission is a major ingredient of readiness planning. The military ‘force-in-being’ is only a potential force: its actual deployability depends on the amount of notice required for it to achieve specified states of readiness.

¹⁴⁶ MLOC is explained at para. 1.4.

6. 'Sustainability' is a variable that must be included in all these calculations. How long a force may need to be engaged; how far it will be operating from its resupply points; what the logistic supply chains should be and how they may change over time; and how the equipment's usage/upkeep cycle relates to the period of the deployment, are a few of the many factors that need to be considered in assessing sustainability of the force. According to the technical meaning of the term as used by Defence and set out in Figure 1, sustainability is a separate concept to readiness.

7. Developing a single construct of preparedness that will apply across the Australian Defence Force (ADF) has been a priority of the Chief of the Defence Force (CDF) and the Chiefs of Staff Committee since the implementation of the Defence Reform Program in 1997. A Preparedness Task Force, established in 1999, made recommendations that resulted in the implementation of much of the current framework.¹⁴⁷

8. Defence has undertaken detailed work on the preparedness management framework in the context of outcome/output budget planning across the ADF, over the 2001–02 period. It has not yet been completed. These initiatives are aimed at ensuring that Defence can monitor and exercise coordinated control over the states of preparedness of all the ADF's operating FEs, readied against government-endorsed Defence policy and guidance and within available budget resources. Each of the individual Services, including Navy, needs to create a practical framework for day-to-day management of human, materiel and financial resources, capable of taking all these parameters into account.

Preparedness management in the Defence system of outputs

9. The Defence planning matrix for military capability, referred to above, bears no relationship with the Defence output structure. The output structure is based on the delivery of capability divided between the three Services; an operations capability based on joint operational use of Service assets by Headquarters Australian Theatre; and two further outputs of capability in the strategic policy and intelligence functions, outputs managed by both uniformed and civilian Defence personnel.

10. With such separation of preparedness from Defence's system of defining outputs, integrating preparedness planning with the output-based budget process in Defence has been a major task for the Defence organisation since the late 1990s. *Defence Annual Report 2000–01* stated that the task was only 'partially achieved'. Senior Defence officials stressed to the ANAO that implementation continues to be a 'work in progress'.

¹⁴⁷ *A Review of ADF Preparedness Management*, Preparedness Task Force Final Report, 22 Dec 2000.

11. Application of the distinction between capability and operations in the tasking of organisational units in the ADF means that the roles of the three single Service Chiefs are exclusively concerned with 'raise-train-sustain' issues in their respective Services; they have no responsibilities for the operational command of those Services in any theatre environment. The single Service Chiefs assign forces to COMAST when the forces are needed for operational purposes.

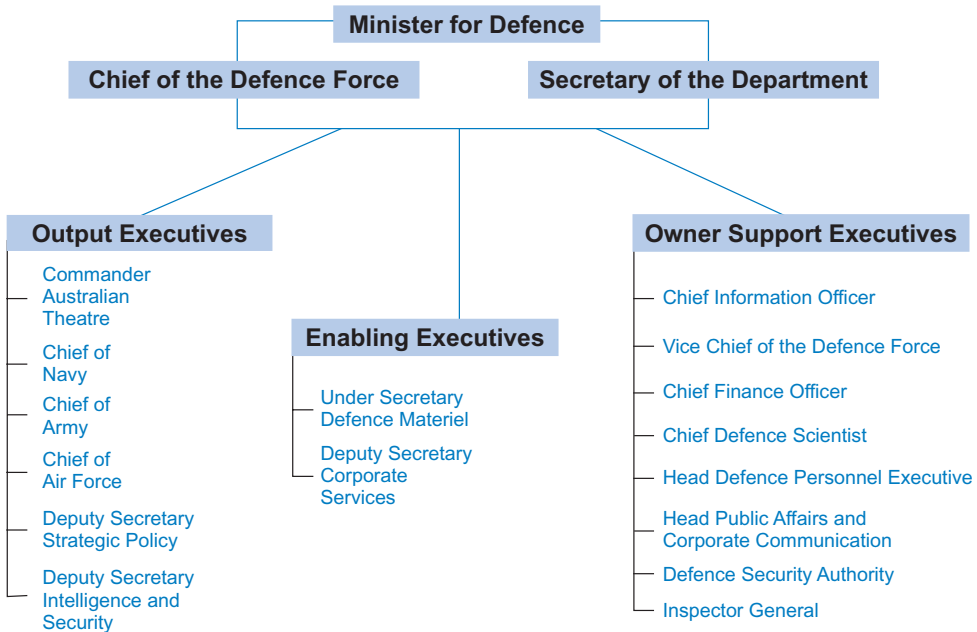
12. Each of the Defence capability outputs has an output executive responsible for delivering the respective capability.¹⁴⁸ Consistent with Commonwealth practice in the outcome/output based budgeting system, the allocation of funds in the portfolio follows the output structure, so that each output executive has responsibility for the appropriate distribution of the funds budgeted in each capability. But in important respects this responsibility is nominal, as extensive funding attributed to the capabilities is in fact under the control of other elements of the Defence organisation.

13. Accordingly the task of achieving Australian military readiness is distributed across these six capability outputs but it is by no means confined to them. Defence's enabling executives and owner support executives have large contributions to make, especially the Defence Materiel Organisation (DMO) under the Under Secretary Defence Materiel. The enabling executives are bound into the Defence output framework in a customer/supplier relationship in which the customers are the output executives and the providers the enabling executives. Figure 10 sets out in graphic form this aspect of functional structures in the Defence organisation. The enabling functions are intended to be performed under customer/supplier agreements (CSA) between the enabling executives and each of the Defence output executives, with transfer payments made at agreed prices to reflect the value of the services provided. To date, neither the customer/supplier relationship, nor the CSA system that would underpin it, has been fully articulated or promulgated.

¹⁴⁸ The six Defence capability outputs and their respective Executives are: Defence Operations—COMAST; Navy Capabilities—CN; Army Capabilities—CA; Air Force Capabilities—CAF; Strategic Policy—DEPSEC SP; and Intelligence—DEPSEC I&S.

Figure 10

The Australian Defence Organisation Executives



Source: Defence documentation.

14. Implementation of the Defence Reform Program into the Defence structure after 1997 built a strong distinction between the responsibility for producing capability and the responsibility for operational utilisation of this capability. The CDF’s Preparedness Directive (CPD 02) introduced a preparedness methodology that gives much more emphasis to the role of COMAST in directing and monitoring preparedness levels and deepening the processes of COMAST engagement with single Service proficiency training. This reflects contemporary concern in Defence to adopt a more holistic view of Defence planning, seeking to ensure that military capability development at the operating level fully integrates the roles of the FEs belonging to the three environmental Commands (Land, Maritime, and Air).

The Defence preparedness management framework

15. The Defence preparedness management framework is a complex of interlocking plans and intra-Defence agreements designed to ensure that individual FEs and the combined capability of the ADF are prepared for likely military contingencies. The framework is intended to enable resource allocation to FEs against defined preparedness requirements and the assessment and monitoring of the actual preparedness of the force-in-being. It is designed to achieve these results through a planning system, the setting of standards and

targets, and reporting against these targets. The framework is designed to integrate the achievement and reporting of FE preparedness levels against a set of standards. These standards are determined by a top-down approach across all capabilities in the Defence organisation.

16. The preparedness management framework functions in the short term, operational dimension: it is not directed at Defence longer term planning involving, for example, the acquisition of major new equipment. Accordingly the framework is part of wider Defence planning activities. It is positioned under the overarching framework of the Defence Capability Planning Guidance and alongside other planning frameworks such as the Defence Plan, the Defence Capability Plan 2001–2010¹⁴⁹ and the Defence Capability Systems Life Cycle Management processes.¹⁵⁰

17. Major components of the preparedness management framework include: high level government and Defence guidance; ADF military planning for preparedness; and development of planning methodologies.

18. Government Defence policy and government-endorsed strategic guidance stand at the head of the preparedness management framework. Government-level decisions create the policy framework for military-level strategic and operational planning. In its public and unclassified form, government-level guidance has, since the 1980's, been developed in the form of Defence White Papers tabled in the Parliament roughly every seven years.¹⁵¹ The most recent Defence White Paper has a ten-year outlook and was tabled late in 2000.¹⁵²

19. The White Paper's strategic guidance at the government level is carried forward into military-level planning for readiness and sustainability within the Defence organisation in classified form. This overarching stage of military planning involves the preparation of the Australian Military Strategy (AMS) document. The AMS amplifies strategic guidance and translates that guidance into specific military operational and capability requirements. The latest AMS (issued in 2001) promulgates the four Defence tasks as: Defending Australia, Contribution to the Security of the Immediate Neighbourhood, Supporting Wider

¹⁴⁹ This document provides a detailed costed plan for the government's forward Defence acquisition program.

¹⁵⁰ These processes plan, monitor performance and report overall ADF military capability against the government's ten year program for investments in major capital equipment.

¹⁵¹ The ANAO understands that the government has decided to move away from definition of Defence policy in White Paper form and introduce more frequent strategic reviews. Annual Strategic Reviews (ASR) are intended to enable the government to give more timely policy guidance to Defence so that it can be more responsive to rapid changes in the strategic and operational environment. ASRs are to be supported by an internal Defence Quarterly Strategic Review process. *DEFGRAM*, No.197/2002, 8 May 2002.

¹⁵² *Defence 2000: Our Future Defence Force*, tabled 6 December 2000 by the Prime Minister The Hon John Howard, MP.

Interest and Peacetime National Tasks. AMS 01 identified the objectives of the ADF as being to:

- shape the strategic environment through international engagement activities;
- conduct operations to meet enduring peacetime commitments or specific non-warfighting events; and
- provide combat ready and sustainable forces for either unilateral operations or as part of a coalition force, depending on the circumstances.

20. Within each of the Defence tasks, AMS 01 identified Military Strategic Objectives, which define the outcomes necessary to achieve each strategic task; and Military Strategic Effects, which identify the strategic effects needed to realise those outcomes.¹⁵³ Out of these it promulgates 103 Military Response Options (MRO) for achieving the required strategic effects.

21. MROs are a key planning concept for preparedness in Defence. MROs are defined as ‘generic joint tasks that may be performed by the ADF in various circumstances to achieve associated Military Strategic Objectives, the desired outcomes of which provide the basis for operational planning’.¹⁵⁴ They are used for planning at the strategic as well as operational levels. They also provide the basis for determining the preparedness and capability development requirements of the ADF. In the interests of simplicity, in AMS 01 the MROs were aggregated into 24 groups of ‘Aggregated Military Response Options’.¹⁵⁵

22. Within Defence, a series of more detailed planning processes are built on the platform of the strategic guidance set out in the AMS. The MROs identified in the AMS, with the assumptions implicit in them, form the basis for the military dimensions of this planning. Financial and resource management dimensions of planning are introduced by separate processes. These financial parameters derive from the Defence Management and Finance Plan.¹⁵⁶

23. The cross-Defence military planning processes involve three discrete but closely interlinked planning pathways:

- the CDF’s Preparedness Directive (the major initial military planning step in the preparedness management framework) which is issued to COMAST and the three single Service Chiefs;

¹⁵³ *Chief of the Defence Force Preparedness Directive*, para. 1.

¹⁵⁴ *Australian Theatre Operational Preparedness Requirement 02*, Introduction.

¹⁵⁵ The full suite of 103 MROs were considered to be too difficult to translate to practical application of preparedness at the lower ranks level. They needed to be understandable across the ADF’s subordinate command levels and to be auditable.

¹⁵⁶ The Defence Management and Finance Plan is a rolling financial plan revised annually. It is agreed between Defence and the Department of Finance and Administration and approved by the government as part of the annual budget process. It is derived from DEFPLAN and has a ten-year outlook.

- the Australian Theatre Operational Preparedness Requirement (ASTOPR), issued by COMAST to the three single Service Chiefs; and
- Organisational Performance Agreements (OPA) between the Secretary/CDF and each of the output executives (i.e. including the single Service Chiefs and COMAST).

These planning pathways are discussed in more detail in Chapter 1 of this report.

Appendix 2

Previous performance audits in Defence

Set out below are the titles of the ANAO's previous performance audit reports on the Department of Defence and the ADF tabled in the Parliament in the last five financial years.

Audit Report No.5 1997–98 Performance Management of Defence inventory

Audit Report No.34 1997–98 New Submarine Project

Audit Report No.43 1997–98 Life-cycle costing in Defence

Audit Report No.2 1998–99 Commercial Support Program

Audit Report No.17 1998–99 Acquisition of Aerospace Simulators

Audit Report No.41 1998–99 General Service Vehicle Fleet

Audit Report No.44 1998–99 Naval Aviation Force

Audit Report No.46 1998–99 Redress of Grievances in the Australian Defence Force

Audit Report No.13 1999–2000 Management of Major Equipment Acquisition Projects

Audit Report No.26 1999–2000 Army Individual Readiness Notice

Audit Report No.35 1999–2000 Retention of Military Personnel

Audit Report No.37 1999–2000 Defence Estate Project Delivery

Audit Report No.40 1999–2000 Tactical Fighter Operations

Audit Report No.41 1999–2000 Commonwealth Emergency Management Arrangements

Audit Report No.45 1999–2000 Commonwealth Foreign Exchange Risk Management Practices

Audit Report No.50 1999–2000 Management Audit Branch—follow-up

Audit Report No.3 2000–2001 Environmental Management of Commonwealth Land—follow-up

Audit Report No.8 2000–2001 Amphibious Transport Ship Project

Audit Report No.11 2000–2001 Knowledge System Equipment Acquisition Projects in Defence

Audit Report No.22 2000–2001 Fraud Control in Defence

Audit Report No.26 2000–2001 Defence Estate Facilities Operations

Audit Report No.32 2000–2001 Defence Cooperation Program

Audit Report No.33 2000–2001 Australian Defence Force Reserves

Audit Report No.41 2000–2001 Causes and Consequences of Personnel Postings in the ADF

Audit Report No.51 2000–2001 Australian Defence Force Health Services Follow-up Audit

Audit Report No.16 2001–2002 Defence Reform Program—Management and Outcomes

Audit Report No.24 2001–2002 Status Reporting of Major Defence Equipment Projects

Audit Report No.30 2001–2002 Test and Evaluation of Major Defence Equipment Acquisitions

Audit Report No.38 2001–2002 Management of ADF Deployments to East Timor

Audit Report No.44 2001–2002 Australian Defence Force Fuel Management

Audit Report No.58 2001–2002 Defence Property Management

Audit Report No.3 2002–2003 Facilities Management at HMAS Cerberus

Audit Report No.30 2002–2003 Defence Ordnance Safety and Suitability for Service

Audit Report No.31 2002–2003 Retention of Military Personnel Follow-up Audit

Index

A

Australian Fleet Sea Training Group (AUSFLTSTG) 16, 20, 40, 44, 48, 61-71, 74-86, 119

Australian Fleet Training Publication (AFTP) 46, 48, 63, 65, 68, 69, 74, 76, 79-84

Australian Military Strategy (AMS) 16, 27-29, 131, 132

Australian Theatre Operational Preparedness Requirement (ASTOPR) 27-29, 32, 33, 39, 44, 58, 70, 74, 76, 83, 104, 106-110, 112-116, 118, 119, 121, 122, 130, 132, 133

B

Billet Pre-Requisite (BPR) 46, 64, 65, 67, 81, 85, 101

British Royal Navy 16, 33, 68, 73, 75, 78, 88, 100, 123

C

Capability Bill 57, 58, 109, 118, 120

Chief of Navy Capability Directive (CNCD) 19, 27, 50, 61, 74, 76, 87, 95, 99, 108, 109, 112-114, 119

Chief of Navy Senior Advisory Committee (CNSAC) 39, 49, 53, 54, 55, 87, 96, 99

Chief of the Defence Force Preparedness Directive (CPD) 27-29, 33, 38, 107, 108, 111-114, 117, 119, 130, 132

collective training 11, 16, 25, 32-34, 40, 46, 52, 61, 62, 65, 69, 73, 85, 101-103, 114

Commander Australian Theatre (COMAST) 13, 26-29, 31, 33, 37, 43, 50, 51, 53, 101, 104, 111-113, 129, 130, 132, 133

Commodore Flotillas (COMFLOT) 40, 44, 46, 48, 51, 61, 63, 68, 71, 74, 75, 83, 101, 114

contingency readiness 12, 13, 31-33, 45, 57, 58, 109, 116, 117, 120

Corporate Services and Infrastructure Group (CSIG) 38, 41, 88-90, 93

costing tools 13, 14, 30, 41, 57, 93, 109

customer/supplier agreement (CSA) 13, 16, 17, 20, 91, 96, 97, 129

D

Defence Materiel Organisation (DMO) 13, 16, 17, 19, 20, 26, 38, 41, 46, 48, 49, 52, 54, 57, 59, 61, 71-73, 87-96, 102-104, 109, 114, 129

Directed Level of Capability (DLOC) 11, 19, 20, 30, 32, 33, 35, 37, 38, 44, 46, 49, 50, 53, 55, 57, 59, 70, 83, 89, 90, 103-116, 118-122

dual directive 12, 42, 43, 44, 45, 49, 51, 53, 90, 100, 110, 112, 114

E

enabling organisation 11, 13, 16, 26, 33, 34, 87-91, 93-97, 114

evaluation 11, 16, 20, 25, 33, 41, 44, 56, 60-63, 66, 68, 70, 71, 73, 75, 78-86, 90, 101, 119, 135

F

financial management 17, 39, 88, 91, 92, 109, 110, 118

Fleet Activity Schedule (FAS) 11, 31-33, 39, 45, 58, 62, 63, 65, 69, 78, 79, 81, 83, 102, 104, 108, 117, 118, 120

Fleet Training Liaison Agency (FTLA) 16, 20, 83-86

Force Element Group (FEG) 11-13, 15-19, 30-32, 37-59, 61-63, 70-74, 87-96, 99-106, 108-114, 116, 118-121

M

Management of Naval Integrated Capability Assessment Reports (MONICAR) 46, 69, 70, 74, 78, 100-104, 110, 111, 114, 122

Maritime Commander (MC) 12, 13, 15, 16, 32, 33, 37-40, 42, 44, 46-47, 49, 51, 54-58, 61, 63, 67, 72, 76, 83-85, 95, 99, 101, 102, 104, 111, 117-119, 121

Maritime Headquarters (MHQ) 12, 32, 39, 40, 44, 47, 48, 50-52, 57, 62, 65, 69, 71-73, 87, 94, 99-102, 114, 118-121, 124

Military Response Option (MRO) 27-29, 106, 109, 116, 132

Minimum Level of Capability (MLOC) 24-26, 46, 62, 67-69, 71, 78, 106, 118, 123, 127

N

Navy Capability Management Committee (NCMC) 13, 15, 39, 44, 53-59, 87, 89, 96, 106, 119-121

Navy Headquarters (NHQ) 13, 18, 37, 39, 45, 52-54, 58, 61, 94, 103, 106, 110, 113, 116, 118, 120-121, 124

O

On-Occurrence Preparedness Reports (OOPR) 32, 70, 101, 110-115, 119

Operational Level of Capability (OLOC) 24-26, 39, 46, 61-63, 68, 70, 71, 76, 78, 99, 106, 117, 118, 123

Operational Preparedness Objective (OPO) 29, 32, 106, 108-111, 113

operational readiness 1, 3, 5, 8, 11, 12, 14-17, 19, 21, 23, 26, 27, 31, 33-35, 37, 40, 44, 45, 48-52, 58, 59, 61, 63, 71, 72, 77, 81, 87-90, 92, 94, 96, 99, 100

Operational Readiness Evaluation (ORE) 63, 68, 70, 71, 75, 78, 79, 81-83, 118

Organisational Performance Agreement (OPA) 27, 30, 38, 44, 53, 56, 87, 91, 93, 100, 103, 105, 106, 108, 112, 113, 115, 121, 133

P

Post Refit Safety Assessment (PRSA) 65, 66, 71, 79-81

preparedness management framework 26, 27, 88, 99, 103, 111, 128, 130, 131, 132

preparedness reform 12

Present Level of Capability (PLOC) 25, 70, 71

Pre Workup Training (PWT) 64, 65, 67, 79, 81

public reporting 14, 18, 35, 122

R

readiness notice 24-26, 29, 30, 39, 62, 103, 106, 107, 110, 118, 123, 127, 134

readiness reporting 18, 20, 101, 120, 121, 123

S

Sea Training Unit (STU) 16, 67, 74, 75, 80, 83-85

service level agreement (SLA) 13, 16, 17, 34, 41, 42, 57, 73, 74, 90-94, 96, 97, 104, 106

Systems Command (SYSCOM) 19, 31, 37, 38, 41, 40, 46, 48, 49, 53, 54, 57, 59, 61, 62, 87-89, 93-95, 104, 114, 120

Systems Program Office (SPO) 17, 48, 72, 73, 90, 93, 94

U

United States Navy (US Navy) 16, 33, 68, 73, 75, 88, 100

W

workup 16, 20, 25, 32, 35, 46, 48, 51, 60-68, 70, 71, 73-75, 77-84, 86, 117

Series Titles

Audit Report No.1 Performance Audit
Information Technology at the Department of Health and Ageing
Department of Health and Ageing

Audit Report No.2 Performance Audit
Grants Management
Aboriginal and Torres Strait Islander Commission

Audit Report No.3 Performance Audit
Facilities Management at HMAS Cerberus
Department of Defence

Audit Report No.4 Audit Activity Report
Audit Activity Report: January to June 2002
Summary of Outcomes

Audit Report No.5 Performance Audit
The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission
Department of Health and Ageing and the Health Insurance Commission

Audit Report No.6 Performance Audit
Fraud Control Arrangements in the Department of Veterans' Affairs

Audit Report No.7 Performance Audit
Client Service in the Child Support Agency Follow-up Audit
Department of Family and Community Services

Audit Report No.8 Business Support Process Audit
The Senate Order for Department and Agency Contracts (September 2002)

Audit Report No.9 Performance Audit
Centrelink's Balanced Scorecard

Audit Report No.10 Performance Audit
Management of International Financial Commitments
Department of the Treasury

Audit Report No.11 Performance Audit
Medicare Customer Service Delivery
Health Insurance Commission

Audit Report No.12 Performance Audit
Management of the Innovation Investment Fund Program
Department of Industry, Tourism and Resources
Industry Research and Development Board

Audit Report No.13 Information Support Services
Benchmarking the Internal Audit Function Follow-on Report

Audit Report No.14 Performance Audit
Health Group IT Outsourcing Tender Process
Department of Finance and Administration

Audit Report No.15 Performance Audit
The Aboriginal and Torres Strait Islander Health Program Follow-up Audit
Department of Health and Ageing

Audit Report No.16 Business Support Process Audit
The Administration of Grants (Post-Approval) in Small to Medium Organisations

Audit Report No.17 Performance Audit
Age Pension Entitlements
Department of Family and Community Services
Centrelink

Audit Report No.18 Business Support Process Audit
Management of Trust Monies

Audit Report No.19 Performance Audit
The Australian Taxation Office's Management of its Relationship with Tax Practitioners
Australian Taxation Office

Audit Report No.20 Performance Audit
Employee Entitlements Support Schemes
Department of Employment and Workplace Relations

Audit Report No.21 Performance Audit
Performance Information in the Australian Health Care Agreements
Department of Health and Ageing

Audit Report No.22 Business Support Process Audit
*Payment of Accounts and Goods and Services Tax Administration
in Small Commonwealth Agencies*

Audit Report No.23 Protective Security Audit
Physical Security Arrangements in Commonwealth Agencies

Audit Report No.24 Performance Audit
Energy Efficiency in Commonwealth Operations—Follow-up Audit

Audit Report No.25 Financial Statement Audit
*Audits of the Financial Statements of Commonwealth Entities
for the Period Ended 30 June 2002*
Summary of Results

Audit Report No.26 Performance Audit
Aviation Security in Australia
Department of Transport and Regional Services

Audit Report No.27 Performance Audit
Management of Commonwealth Guarantees, Warranties, Indemnities and Letters of Comfort

Audit Report No.28 Performance Audit
Northern Territory Land Councils and the Aboriginals Benefit Account

Audit Report No.29 Audit Activity Report
Audit Activity Report: July to December 2002
Summary of Outcomes

Audit Report No.30 Performance Audit
Defence Ordnance Safety and Suitability for Service
Department of Defence

Audit Report No.31 Performance Audit
Retention of Military Personnel Follow-up Audit
Department of Defence

Audit Report No.32 Business Support Process Audit
The Senate Order for Departmental and Agency Contracts (Spring 2002 Compliance)

Audit Report No.33 Performance Audit
Management of e-Business in the Department of Education, Science and Training

Audit Report No.34 Performance Audit
Pest and Disease Emergency Management Follow-up Audit
Department of Agriculture, Fisheries and Forestry—Australia

Audit Report No.35 Performance Audit
Fraud Control Arrangements in the Australian Customs Service

Audit Report No.36 Performance Audit
Monitoring of Industry Development Commitments under the IT Outsourcing Initiative
Department of Communications, Information Technology and the Arts

Audit Report No.37 Performance Audit
Passport Services
Department of Foreign Affairs and Trade

Audit Report No.38 Performance Audit
Referrals, Assessments and Approvals under the Environment Protection and Biodiversity Conservation Act 1999

Better Practice Guides

Building Capability (A framework for managing learning and development in the APS)	Apr 2003
Internal Budgeting	Feb 2003
Administration of Grants	May 2002
Performance Information in Portfolio Budget Statements	May 2002
AMODEL Illustrative Financial Statements 2002	May 2002
Life-Cycle Costing	Dec 2001
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	Jun 2001
Internet Delivery Decisions	Apr 2001
Planning for the Workforce of the Future	Mar 2001
Contract Management	Feb 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Managing APS Staff Reductions (in Audit Report No.49 1998–99)	Jun 1999
Commonwealth Agency Energy Management	Jun 1999
Corporate Governance in Commonwealth Authorities and Companies—Principles and Better Practices	Jun 1999
Managing Parliamentary Workflow	Jun 1999
Cash Management	Mar 1999
Management of Occupational Stress in Commonwealth Agencies	Dec 1998
Security and Control for SAP R/3	Oct 1998
Selecting Suppliers: Managing the Risk	Oct 1998
New Directions in Internal Audit	Jul 1998
Controlling Performance and Outcomes	Dec 1997
Management of Accounts Receivable	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997

Public Sector Travel	Dec 1997
Audit Committees	Jul 1997
Core Public Sector Corporate Governance (includes Applying Principles and Practice of Corporate Governance in Budget Funded Agencies)	Jun 1997
Management of Corporate Sponsorship	Apr 1997
Telephone Call Centres	Dec 1996
Telephone Call Centres Handbook	Dec 1996
Paying Accounts	Nov 1996
Asset Management	Jun 1996
Asset Management Handbook	Jun 1996
Managing APS Staff Reductions	Jun 1996