

CHAPTER 2

REFORM ISSUES

Introduction

2.1 Term of reference (b) required the Committee to inquire into the effects of the Defence Reform Program (DRP). In so doing, the Committee also assessed other reforms which preceded it, as some of the efficiency and rationalisation reforms of the DRP were begun earlier in the decade.¹ The purpose of these initiatives was to improve the operational capability of the ADF by moving military personnel from administrative to operational functions. However, much of the evidence was highly critical of these rationalisation measures, particularly the DRP. In this chapter, the Committee considers the reforms made over the last decade and assesses their effects on Defence, in the light of evidence received during the inquiry.

A history of reform

2.2 In 1991, Defence embarked on a program of force structure adjustments and reform. This was precipitated by a requirement to contain growing cost pressures within a decreasing resource base.² The key reforms are outlined below.

Force Structure Review (FSR)

2.3 This Review restructured the ADF and enhanced its combat capabilities by:

- reducing personnel numbers in headquarters and base support functions;
- extending western basing for Navy;
- extending northern basing for Army; and
- enhancing the forward deployment capacity of the Air Force.

The Commercial Support Program (CSP)

2.4 This program required the transfer of non-core support activities to the civilian sector where operationally feasible, practicable and cost effective.

1 Department of Defence, submission no. 101, p 7

2 Secretariat Papers (1997), Addendum to the Report of the Defence Efficiency Review: Future Directions for the Management of Australia's Defence, p. 18

The Defence Logistics Redevelopment Project

2.5 This initiated a national storage and distribution system.

The Defence Reform Program (DRP)

2.6 Triggered by the Defence Efficiency Review (DER), the DRP dictated:

- establishment of a Defence Headquarters program and further reductions in personnel numbers in operational level headquarters;
- rationalisation of the Defence Acquisition Organisation;
- reduction of military staffing in the Defence Acquisition Organisation;
- establishment of a military Support Command;
- establishment of a single Defence Personnel Executive to achieve greater integration and efficiency of personnel administration and management amongst the three Services;
- merging and contracting out of all basic non-military training across the three Services; and
- rationalisation of medical services.³

2.7 These reforms have increased the proportion of personnel assigned to combat and combat-related duties, but reduced the overall strength of the ADF. The proportion of personnel assigned to combat or combat-related duties increased from 40 per cent in 1990 to 62 per cent in 2001. ADF strength decreased by 29 per cent from about 70,000 personnel in 1989 to approximately 49,500 in May 2001.⁴

Effects of reform on recruitment and retention

2.8 The heart of the recruitment and retention problem lies in the fact that, during the 1990s, Defence initiated a number of efficiency and rationalisation measures in order to enhance the ADF's operational capability. In the process, the ADF's strength was reduced by 27 per cent and a workplace environment was established that undermined the principal reasons for service in the ADF.

2.9 The scope of the recruitment and retention challenges confronting the ADF were encapsulated during the initial public hearing with the Department of Defence on 25 June 2001, which reported:

- Recruiting targets have not been achieved since financial year 1997-98.

3 Report of the Defence Efficiency Review (1997), Annex E, pp. E2–E8

4 Department of Defence, submission no. 101, p. 8

- A net annual loss of 1,500 personnel so that the organisation will not be able to meet a target force of 53,555 personnel by the year 2010.

Recruiting

2.10 Under the DRP, the Defence Force Recruiting Organisation (DFRO) was required to realise savings of \$10 million over financial years 1997-98 to 1999-2000.⁵ Permanent staffing was reduced from 511 to 421 personnel (military and civilian).⁶ The advertising budget was also reduced.

2.11 This observation was confirmed by the Committee's visit to Career Reference Centres (CRCs) in Darwin and Townsville. Staff in each location reported that, due to a shortage of uniformed personnel, they were not able to devote enough time to:

- interviewing and screening potential recruits; and
- visiting community centres and schools.

2.12 Several witnesses in other regions of Australia noted the reduction of uniformed personnel in recruiting centres:

We have reduced numbers here. We have lost a lot of people in recruiting centres... We have civilianised recruiting,... Consequently people walk into the recruiting centres and are lucky to see a uniformed person in that cell. Our uniformed people down here are not out in the streets any more, because three quarters of the jobs are civilianised.⁷

2.13 It was felt that shortages in uniformed personnel in recruiting units created a vicious cycle of recruitment and retention problems. Firstly, some recruits were not correctly screened, resulting in their discharge early in the recruit training process and obvious waste of resources. Secondly, some recruits did not receive comprehensive information on the demands of military service, resulting in their disillusionment with service life and election for discharge at the end of their initial engagement. This cycle was confirmed in some written submissions and hearings:

I am an ex-career adviser for the Defence Force. I believed that Defence personnel are (sic) able to do a better job at recruiting than civilians. My reasons at the time were: how can a civilian tell you what it really is like in the Defence Force?⁸

2.14 During a visit to the Headquarters of the DFRO the Committee was informed that a plan had been implemented to increase permanent staffing levels, particularly in

5 Department of Defence, submission no. 101, p. 13

6 Department of Defence, submission no. 101, p. 14

7 Witness 20, *Committee Hansard*, 27 July 2001, p. 397

8 Witness 13, *Committee Hansard*, 23 July 2001, p. 225

the Headquarters, from January 2002.⁹ The Committee welcomes and supports this initiative.

Reduced respite postings

2.15 In an effort to position a greater proportion of personnel in the combat force, Defence has reduced the availability of respite posts for personnel. Respite posts include shore billets for Navy members after two years at sea, and posts away from operational units in the other two Services. It also means respite from service in tropical or remote areas, such as in the Northern Territory or northern Queensland. As one witness explained:

I am in a writers category. My category was cut back from 510 to 276. It seems the Navy wants to concentrate purely on having a Navy at sea. They took away all our shore billets and they have civilianised a lot of writers duties.¹⁰

2.16 Another closely-linked issue is that commercial contractors have taken over many of the technical functions previously carried out by military personnel to maintain and enhance their trade skills. It appears that some core support activities may have been allocated to commercial contract rather than merely non-core support activities. This was explained by one witness as follows:

In the case of a marine technician who might ordinarily have had to take out a gearbox and replace it, some of these types of tasks are now going to contractors, and the marine technician is left to sit idle. So these kids, despite the fact that they have a will to progress themselves technically, to progress their competencies, just do not have the opportunity to progress because there is a civilian person doing the tasks that they could, and in my view, should be doing.¹¹

2.17 Another sailor said:

The civilians do the contracts. The government sees them doing the contracts cheaper and so they say, 'Okay, we'll hand out more contracts.' consequently they headhunt more navy personnel. Consequently the experience level drops. There are electronics technicians down in the workshops who have never fixed a piece of kit. That is no exaggeration. they have been in the navy four to five years now and they have never fixed a piece of kit.¹²

2.18 This is particularly serious in the Navy. Sailors in technical musters are not allowed to do anything but the most menial of technical tasks ashore. It means that

9 Colonel Mark Bornholt, Director, Defence Force Recruiting, brief to Senate References Committee, p. 2

10 Witness 11, *Committee Hansard*, 19 July 2001, pp. 93–94

11 Witness 18, *Committee Hansard*, 26 July 2001, p. 358

12 Witness 9, *Committee Hansard*, 19 July 2001, p. 90.

they get no opportunity to practise their trade skills ashore. Their work is therefore unsatisfying and frustrating. It becomes questionable whether their skills fall below the required standards for sea postings. With minimum manning, that could also pose a serious problem for a ship in a naval operation.

2.19 The reduction in the number of respite postings available to personnel has been the most detrimental of all effects created by Defence reform. This is due to the fact that it has created a retention problem and experienced personnel are finding it more difficult to continue their service in the ADF. Defence must review the number of uniformed positions in training and base support locations and create worthwhile respite positions to enable the rotation of its combat personnel.

Recommendation 1

The Committee recommends that the Department of Defence review all uniformed personnel listings at training and base support locations to ensure that:

- **Positions are available for uniformed ADF personnel to undertake respite posting.**
- **Positions are available for uniformed ADF personnel to practise their trade skills.**

Manning shortages

2.20 In base after base visited by the Committee, particularly those involved in training or support functions, which provide many of the respite posts, significant manning shortages were identified. These shortages resulted in the remaining staff having to do the work of more than one person. Consequently, they have to work long hours, which not only affects their own well-being but also puts pressure on their families or relationships. In effect, the work tempo in these bases was no better than many of the operational bases, which was defeating the purpose of providing respite for members who had come from operational units or sea postings.

2.21 It also means that they are also unavailable to attend various training and promotion courses, possibly putting them at a disadvantage in their career. This issue was a consistent theme throughout the inquiry. For example, a witness at Norforce in Darwin, albeit not in a respite position, explained her situation:

One thing, on the regular side, is that I am a private soldier and I am posted into a corporal's position – this is within Norforce itself – and I also do the jobs of a regular sergeant and a reserve private. The corporal job that I do is a specialist job: nobody else can do it, because they do not have the training in it. Since being in Norforce I have missed out on two truck driver courses which would have extended my qualifications. I have also missed out so far

on two promotion courses. I am hoping to get on the one at the end of the year.¹³

2.22 The witness told the Committee that she was regarded as being indispensable in her current position and therefore could not be released to attend courses. This was affecting her career:

Without a hook or even two hooks on your arm you are – I am still – the lowest denominator. Even though I am doing that job [that of a corporal], and I am doing the sergeant's job as well, without those there is nothing. I am being posted at the end of the year, and unless I have at least one hook I will go back to the bottom of the barrel again because I am going to a brigade.¹⁴

2.23 Many other members complained about not being released to attend trade, general and promotion courses because of under-manning at their bases. It was regarded as being detrimental to their careers and a source of annoyance and frustration. In the Navy, the Committee was told that the only way to attend courses was to lodge a discharge notice.

2.24 A Chief Petty Officer Writer, a fourth generation member of the Navy, made a submission to the Committee about the effects of the DRP and CSP reforms. The frustration with the implementation of the reforms comes through clearly in this heartfelt submission. This submission is reproduced in Appendix 6 as an example of the way in which the reforms are hurting ADF personnel.

Reduced levels of base support

2.25 The decision to transfer non-core support activities to commercial contract also appears to have had a negative effect on ADF personnel. The Committee received evidence that the standard of base and administrative support provided to the ADF by commercial contractors varied around Australia. This may be due to the fact that many base support contracts were locally arranged at short notice and loosely defined. However, the decline in levels of support to personnel is affecting morale, as related by the following witness:

We would probably argue that we do not get the same service from the areas that have been civilianised, particularly when it comes to computer support and investigative capability.¹⁵

2.26 Several witnesses suggested that the quantity and quality of food provided at base mess facilities had been reduced under commercial contract arrangements.¹⁶

13 Witness 3, *Committee Hansard*, 25 July 2001,, p. 318

14 Witness 3, *Committee Hansard*, 25 July 2001, p. 319.

15 Witness 2, *Committee Hansard*, 18 August 2001, p. 543

16 Witness C, *Committee Hansard*, 18 July 2001, p. 47

Many argued that the standard and frequency of barracks cleaning services had declined.¹⁷ Others explained that commercial contractors did not understand military requirements, were not responsive to customer demands after hours and actually created extra work for military staff:

...either they stuff it up and we have got to do it again anyway or they do what they call a rebuild by respray: they just paint the part and send it back to Army. There is no accountability for that sort of repair. You could hear many horror stories from the guys in the room about the equipment we have got back from civil repair where nothing has been done. All they have done is wire brushed it off, given it a spray paint and sent it back to the Army, and they charge the Army an arm and a leg for the equipment they repaired.¹⁸

2.27 Clearly, the Department of Defence's rush to achieve savings resulted in contracts, which, in many cases, have provided a lower level of service than had previously been provided. It has also inconvenienced and frustrated serving members on various bases, particularly as the looseness of the contracts provide the ADF with no recourse to have services improved. Before service and facility contracts are renewed, the Department of Defence must review the standard of service provided at each base and ensure that future contracts do not expose ADF personnel to sub-standard levels of service and facilities. Although standards should, as far as possible, be uniform throughout Australia, the range of services provided by commercial contractors should be appropriate to each location.

Recommendation 2

The Committee recommends that, as contracts expire, the Department of Defence review all base support commercial contracts to ensure that an ADF-wide standard of base support is provided and that a range of services, such as those included below, be provided as appropriate to each location.

- **catering services that meet the diverse needs of ADF personnel;**
- **secure, safe and hygienic living accommodation;**
- **leisure facilities;**
- **financial services; and**
- **basic retail services.**

17 Witness 1, *Committee Hansard*, 26 July 2001, p. 333

18 Witness 19, *Committee Hansard*, 17 August 2001, p. 369

Management of reform

2.28 The Report of the Defence Efficiency Review recommended the establishment of an Implementation Team to assist line managers to prepare, commit and implement the detailed plans of reform.¹⁹ Further, the Report recommended a special group be created within the Implementation Team to ‘coordinate personnel adjustments and liaise with personnel authorities’.²⁰ The Committee could find no evidence to suggest that these recommendations had been followed through during reform activities. Rather, it appears that commercial contracting has been arranged on a regional basis and personnel reductions have been directed without proper liaison with personnel authorities.

Conclusion

2.29 Undoubtedly, the series of efficiency and rationalisation reforms instigated within the Department of Defence during the 1990s, and particularly the DRP, while possibly achieving their initial short-term aims, have had serious ramifications for retention and recruitment. The frustration, disillusionment and even anger stemming from the negative effects of civilianisation, outsourcing and reduction in manning of support functions in all three Services around Australia was very evident, both in public evidence and in private discussion. The long working hours for some people, the menial and boring tasks for others and the lack of joy and satisfaction in their work and Service life are taking their toll among all levels of ADF personnel. Many are discharging from the Services at the earliest opportunity. As serving members discharge, greater pressure is placed on the remaining members, who will have to work harder and longer, until they decide, too, that it is no longer worthwhile remaining in the Services.

2.30 Alternatively, contractors, which have contracts for work previously done by ADF members, poach qualified and experienced members with offers that many cannot refuse. They can offer lucrative remuneration packages because they do not have to train their staff; they lure trained staff from the Services who, in most cases, were trade trained by the ADF. It is the cost of all the training that members undertake and their experience that are lost when members discharge before Defence is able to recoup its investment in them. The Committee understands that ten years is about the break-even point for members with technical skills. Wherever the break-even point is for individual members, whenever members discharge prior to that time, Defence loses.

2.31 The recent high attrition rate includes many serving members who are discharging after their initial period of service, generally four or six years. There is copious evidence to suggest that many of these short-serving members are discharging mainly because of the effects on them of the efficiency and rationalisation reforms.

19 Report of the Defence Efficiency Review (1997), Annex E, p. E8

20 Report of the Defence Efficiency Review (1997), Annex E, p. E8

2.32 It is not just the serving members themselves who are affected by this problem. Their families or partners also suffer. They have to take the brunt of all the disadvantages of regular moves, sometimes poor housing or housing on the periphery of towns and cities where facilities and amenities are basic or lacking, difficulties in getting spouse employment and educational problems for the children. It is often the families who rebel first, giving ultimatums – leave the Service or we leave you.

2.33 The savings achieved by the efficiency and rationalisation reforms that have been implemented are already or will be false economies. It is almost certain that the detrimental effects of those reforms will cost the ADF a lot more than the ADF saved through the economies introduced by the reforms. The cost of having to recruit and train new serving members to fill the places of people, who discharged as a direct result of the reforms, is a senseless waste of effort and resources. Although the ADF is **change weary**, until something is done to change the worst elements of the efficiency and rationalisation reforms, the Services will continue to haemorrhage in terms of personnel retention, and the cost of replacing those who leave because of the reforms will continue to escalate.

2.34 The Committee believes that there was no strategic planning for the efficiency and rationalisation reforms. It was not so much the concept but the implementation that was at fault. The ramifications of the implementation of the reforms for the ADF and serving personnel, in particular, were not properly assessed.

2.35 It is important that future reform of the ADF be carried out only after a study has been done of the likely effects of the reform on ADF personnel. Such a measure should avoid the mistakes that were made in the implementation of the DRP. Should future reform be substantial and widespread, it should be controlled, supervised and monitored from a central body within Defence. If it were to include contracts with commercial operators in different States and Territories, the contracts should be drawn up or at least closely vetted by a central body within Defence, to ensure that the contracts protect the interests of Defence and its personnel. Evidence given to the Committee indicated that commercial contracts under the CSP were, in many cases, documents which were poorly drafted and did not protect the interests of Defence personnel. It was clear that many ADF personnel were frustrated or irate that the contracts allowed contractors to escape their responsibilities in providing adequate services on some bases.

Recommendation 3

The Committee recommends that future Defence reform should not be undertaken without:

- **an ADF Personnel Environment Impact Study (PEIS); and**
- **an accepted Implementation Plan which incorporates the establishment of an Implementation Team.**

