

Chief of Navy Address to the Chiefs of Navy Roundtable Talk at the Langkawi International Maritime and Aerospace Exhibition 2017

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NAVAL CAPABILITY BASED ACQUISITION REFORM

I have been asked to give an Australian perspective on naval capability based acquisition reform. Now for someone who is neither a project manager, an engineer, nor an accountant, this could be a daunting task.

But given the Australian Government's commitment to what is the largest recapitalisation of the Royal Australian Navy since second World War, I feel quite at ease in explaining a little of the process we are embarking on in Australia.

So if I stray from what most of you might expect to hear from a Service Chief – that is, the list of our latest platform procurements – forgive me, because in the business of today's capability manager it is essential to understand the industry field as well as the battlefield. We must be able to exploit the rate of technical refresh as much as we might exploit an adversary's weakness.

And we must have the agility to be the first to market with our product, even if it's a warship or new Intelligence, Surveillance and Reconnaissance (ISR) system.

In essence, our knowledge of the acquisition process, and our ability to exploit it, are as important as our knowledge of war fighting itself.

But this is not always the case. Most nations defence acquisition processes are a function of historical experience, laced with caution and bound in financial regulation. They can be quite ponderous.

Not such a bad thing if you are a large Navy in a benign environment with certainty in your strategic outlook.

But difficult if you are a medium sized Navy amid an increasingly contested environment with some uncertainty in your strategic future.

This is where Australia finds itself at the moment – and one of the consequences is an absolute effort to reform the defence acquisition process to enhance, not inhibit, future requirements.

In the next few minutes I want to explain three courses of action that I see Australia embarking on to resolve this – that is, strategic reform of the Defence organisation, reform within Navy itself and then, industry reform.

So let me start with the strategic reform of the Defence organisation – remember, this is not just Navy, but all of Defence.

Defence of the nation is a Federal Government responsibility and its execution is a national endeavour.

So I'll briefly set the context for Australia. We are an island continent dependant of overseas trade – we are similar to most maritime nations – maritime trade accounts for about 90% by volume 60% by value of all goods coming or going to Australia. About 95% of our digital communication transfer is by undersea cable.

We face three oceans but it is appropriate to say that the population does not necessarily see itself as a maritime nation – or more concerning it doesn't necessarily understand what it means to be a maritime nation in the way that Mahan might espouse. It's not in our national psyche – this is one of the first challenges of any reform – getting our own audience to understand the need.

The Australian Government recently published a Defence White Paper. It sets out its commitment to defence of our nation, our adherence to the principles of the international rule of law and our contributions to those institutions that promote the peaceful resolution of dispute both regionally and globally. Standard stuff you might say.

But this White Paper is different – it has a distinct focus on maritime strategy and it has a cost assured Integrated Investment Program that has largely bipartisan support. It also commits to Government spending of 2% of GDP within the decade.

The second part of the strategic reform equation has been a major review of the Defence Department, completed last year, called the First Principles Review. It was conducted by a small but eminent group of former politicians, defence chiefs and business who, as the name implies, delved into all parts of the organisation.

Their report has had some profound impact on how the Defence Department conducts its business - everything from changes to the position and authorities held by the acquisition organisation; the statutory authorities held by the individual service chiefs which have changed my relationship with Defence Ministers to the processes by which future capability requirements are set.

These two activities; the White Paper and the First Principles Review have been the basis for reform in acquisition in Defence. It promotes a greater transparency in the strategic basis for force design and it allows a far more flexible approach to individual procurements. And we are already seeing this play out in the plans for our Navy's future Submarines, Frigates and Offshore Patrol Vessels (OPVs).

But let me briefly go into some more detail.

The structure of the Defence Department has been changed to emphasise a strong strategic centre. It allows both greater analysis of the Government's strategic settings, but also directly relates them to a joint force design process.

We have been a joint organisation for decades – everything from joint doctrine development, officer training and education, to a strong standing joint operational headquarters. We have had common processes for force development but we have not necessarily driven a joint analysis of force design as rigidly as we could.

Under this new construct we do just that.

The benefits are better 'effects planning' across the Services rather than parochial platform replacement strategies within the individual Services.

It is also built around a more robust capability life cycle model to measure performance through life against changing operational needs. This is expected to deliver savings in acquisition, sustainment and workforce costs, because affordability is essential.

So the White Paper and the Integrated Investment Program is written around thematic outcomes. These are programmatic

solutions which aim to remove the 'project by project' mentality of the past.

As an example, in the maritime space this new thinking will allow us to coordinate the future design aspects of a maritime ISR system involving the Navy's new Air Warfare Destroyers and Future Frigates with the Air Force's E-7 Airborne Early Warning and Control (AEW&C) Aircraft as well as the new P-8 Maritime Patrol Aircraft and Joint Strike Fighter.

Common doctrinal practice aligned with a common operating picture using common protocols and equipment types regardless of service. We don't just seek interoperability but interdependency.

Indeed it's already happening at some levels – Navy fighter controllers operate in the Air Force's E-7 AEW&C Aircraft and Air Force Controllers operate on the Landing Helicopter Dock (LHD).

And to take it even further, when the LHD is in mission ready configuration there are more Army onboard than Navy.

At the same time this strategic reform has overhauled the acquisition process itself. Organisationally, the acquisition branch, which has had relative independence over the last decade, has now been brought back into the One Defence model.

The individual Service Chiefs now have closer alignment and influence in the acquisition process and are accountable for the results. Personally, I think this is a very good thing.

For the Chiefs of Navy in the audience, I imagine that like me, one of your major concerns is in the sustainment of your fleet throughout its life. Without significant influence during the acquisition phase, to determine ongoing sustainment regimes,

you are condemned to manage someone else's business model whilst trying to deliver enduring operational outcomes.

But as importantly, the acquisition process itself has been altered to become more agile with tailored approaches to acquisition rather than adherence to a single cumbersome model. This is evident in how Defence has approached the acquisition of our new Submarines, Frigates and OPVs using different competitive evaluation processes for each which has been dependent on need rather than the process itself. This is breeding some innovating thinking.

This leads nicely into my second course of action – reform within Navy. It's relevant because innovation in thinking is actually the biggest reform outcome I seek in Navy at the moment – and it's about behaviour as much as anything else.

I said earlier that strategic reform in Defence had put greater emphasis on proving the link between strategic need and the acquisition of the product itself, even if this is a warship or an ISR system.

And equally as important – is getting that product to market as soon as possible.

In the past we, Navy, have not helped ourselves in the acquisition process: by not understanding the strategic need well enough; not understanding the inter-relationships with other parts of Defence or simply just practising parochial behaviours at the expense of joint capability needs. And we have had a structure that supports such behaviour.

We have also at times not taken a strategic view in 'getting the product to market' as soon as possible by setting unrealistic requirements in isolation of any sort of contestability or changing requirements during design due to mission creep.

This has led to a pattern of capability being delivered over budget and over schedule with consequential diminishing trust by government and the people in our ability to run an enterprise.

So acquisition reform in Navy has been centred around changing behaviours, rather than by writing new rules or significantly modifying the old ones.

Importantly, this new behaviour is needed beyond those in uniform in Navy.

I said earlier that getting the audience to understand the strategic basis for what Navy does is critical.

So I have spent a great deal of time educating the strategic policy organisation, the acquisition branch and industry itself on the relationship between the Navy and the nation and where these individual elements contribute.

In essence, each has a place on a continuum that covers:

Deterrence – Lethality – Availability – Sustainability –
Affordability

Let me explain.

Deterrence is the fundamental policy setting that underpins the white paper, but it needs to be credible and capable – it is essential in joint force design.

But, if deterrence fails you must be willing to use this force and it must be lethal. In the past Australia has considered fitting warships 'for but not with' particular weapons systems. As an acquisition strategy this is completely out of synch in contemporary policy.

Now, to maintain deterrence, and to perform with lethality when needed, you must maximise availability (for training in peacetime and operations in conflict). The most capable submarine fleet sitting alongside unavailable is not a deterrence.

Availability is driven by sustainability. This is usually the point of intersection with industry and it reveals the true significance of their role in the continuum and this recognition is what is needed in influencing the acquisition process.

Lastly, attention to sustainability and in particular true asset management practice is what provides affordability. This drives behaviours in the whole process – for example, in the acquisition phase by designing sustainment into the build of a new platform and in operations by maintaining and operating to the original specification.

Let's face it if you cannot demonstrate affordability you are unlikely to convince Government or the strategic policy folk that a particular platform or system has a place in the investment program when competing for funds that can be spent on other priorities.

As I said at the start, I'm not an accountant, but I'm sure any accountant in the audience will agree with me.

So the continuum – deterrence, lethality, availability, sustainability and affordability form a relationship. It shows all those involved in the acquisition process the relevance, the purpose and the significance of their part.

It represents an enterprise approach; it drives a level of discipline because variation or failure in one area can be shown to affect all others. It explains to individuals in Navy and indeed beyond Navy why they must behave in certain ways within the acquisition and the sustainment process.

But an understanding of this relationship also allows flexibility and agility in process which I have explained in the key component of reform in acquisition at the strategic level. Innovation in thinking is critical – in all parts of the enterprise.

Which brings me to my last course of action – reform in industry.

The Royal Australian Navy is on the cusp of a regeneration of the fleet not seen in decades. 12 new Submarines, 9 new Frigates, 12 new OPVs, 2 new tankers.

Most of this new fleet will be built in Australia, largely concurrently and starting within 18 months. It is the Australian Government's intent to establish a continuous shipbuilding industry for major and minor warships in two major yards in Osborne in South Australia and Henderson in Western Australia.

The Government's commitment through the White Paper (with evident bipartisan support) has provided not just Defence and Navy, but also industry with a level of certainty that has not existed for decades. And importantly, with a continuous build philosophy this requires a future visionary focus on how industry will need to support this outcome - the horizon is at least 50 years in my view.

But we need to understand that continuous shipbuilding is a national endeavour. It requires Federal Government departments dealing with industry, education, finance, employment, immigration and science to work in unison. It requires support from State Governments where the yards and national defence industry is situated.

It requires collaboration not conflict to work – because collaboration is essential in the continuum I just spoke about is to work.

But it also requires reform in industry and by industry for this to work - new, clever, agile and innovative thinking in industry.

Continuous build is a programmatic outcome – it is not simply a project by project view of the past with vertically integrated systems delivering set products. Industry must also have a 50 year view.

Now the Federal Government provides funding for Defence and industry development centres and innovation projects and in the development of maritime training colleges.

But industry, on the strength of the certainty of these programs, must invest in itself.

In new ways of production, in workforce skilling and management, in asset management techniques and in assisting Defence to bring the product to market sooner.

Only with this reform will the reforms within Navy and the broader Defence Department have true meaning.

To conclude let me say that as Australia embarks on this great national endeavour, I recall one of my predecessors, Admiral Sir Louis Hamilton, Chief of the Naval Staff in 1948 who hit the nail on the head when he said:

A Navy does not drop from the clouds. It is a miraculous and delicate instrument, a creation of nerves as well as steel, united with blood as well as rivets, it is in many ways the greatest expression of a nation's genius.

Thank you.

