

PRESENTATION TO USI OF ACT

BY AIR MARSHAL MARK BINSKIN AM, CHIEF OF AIR FORCE

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OPENING SLIDE 1

On the 4th July, I took over as Chief of Air Force and I was privileged to do so. Why do I feel so privileged? Because I am now the chief of what is easily the best small air force in the world and arguably pound-for-pound the best air force in the world, and I will stand in any forum in the world and I'll argue that. It is a great outfit. Tonight I'll talk about where we're going to go with Air Force over the coming decade, but before doing so I'll set the scene with a video.

SLIDE 2- VIDEO

SLIDE 3 – SCOPE

(There are) just under 14,000 people who are extremely talented, extremely capable and extremely proud of being in the Air Force. Not a bad starting point for a Chief who's taking over and looking to the next decade. Tonight I'll go through some of the risks that I see, some of the priorities that we've got, challenges and then looking towards the future.

I was lucky enough to get three months notification from being told I was going to take over as Chief to actually taking over and it's not a bad place to be in – probably a month too long at the end of it as you want to get into it – but it gave me the chance to sit down with Group Captain Tony Forrestier and his Air Power Development Centre team to look at being able to develop a Commander's Intent on where I thought we needed to go as an organisation over the next three years or the time I am at the helm and set the way ahead for the next decade.

Group Captain Forrestier and his team sat down with me and we did a few sessions and came up with the Commander's Intent and then we put it out to, initially, Air Vice-Marshal Geoff Brown and Mark Skidmore, my Deputy Chief and Air Commander respectively, for them to look at it. Because they are an integral part of this team – and then once we were happy with it, we put it to the Senior Leadership Team – all the 1-stars and above in the Air Force got a chance to comment on it, look at it and to make sure that they understood what we were going to do as an organisation. If they didn't understand or they thought we should put emphasis on various parts of the document then we went back and we reviewed it. As a part of that process, we looked at what the risks were that we saw with Air Force over the future.

Slide 4 – AIR FORCE RISKS

Here you see the top five risks. Everything that I'll talk about tonight will probably keep coming back to these risks and how we are going to address them. The first and

biggest risk we've got – and I'll show you later on 15 good reasons why we need to do better as an organisation in a line-by-line description – but we are changing out pretty much every platform we have in the Air Force over the next 10 years. In fact we've already started at it – we are already an Air Force in transition. The big thing, and it became obvious when we started to put up the Air Combat Capability Review a couple of years ago – one of the many reviews that we've done – leading up to the NACC (New Air Combat Capability) First Pass (procurement milestone) was that Government wasn't willing to accept a lowering of capability during a transition to a newer capability. In fact it expected us to maintain pretty much a constant level of capability and that's what we're trying to do.

There's only one capability that we're introducing where we've had to take a loss and that's with the Tanker project (run by Group Captain Noel Derwort) where physically we had to phase out the Boeing 707 tanker to put those people into the new tanker. We couldn't do it any other way. But, that will be the last of the transitions that you will see like that. The Australian people, the Australian Government, expect us to maintain capability while we transition. So that's a lot of pressure on an Air Force which is just under 14,000.

We've done with resource limitations – that's the next risk and in fact this brief was developed before we went through the current economic crisis that we're going through. There's a dollar issue there: there's 5% savings that we've had to find across the Department, across Air Force. There are other resource limitations on the limited numbers of people that we can work with: we only have a finite budget in the future to work with. That's a risk that we see.

Working with other service groups; I'll put it to you, from a morale point of view, my biggest risk to Air Force personnel actually comes from some of the other Service Groups and in fact Defence Support Group is the biggest one, that directly impacts on what I do and what our organisation does. That's morale and from a capability point of view and I'll talk more about that later.

“Recruitment, retention and reshaping” is a big risk. We are in the market place with everyone else looking for the best people that we can get. We want to be an employer of choice and want to stay an employer of choice. That's a big risk in the future – not being able to recruit and retain the right people. And Air Force's reputation throughout all this is a major risk. We haven't let the Australian people down yet in our history and I don't intend that we do that on my watch. But we need to be very, very careful and focussed on our reputation as we go through all the transition that we're going through.

Slide 5 – AIR FORCE PRIORITIES

So we sat down and went through the priorities and put out the Commander's Intent – and the first priority I had in that was to maintain top quality Air Power for the Australian Government and the Australian people. And that's first rate Air Power and operations: from humanitarian operations right the way through to high end war fighting, because we are a balanced Air Force and a balanced Air Force needs to be able to do that as a part of a balanced Australian Defence Force.

We need to move to wholly capable networked systems. Now I've talked like that's in the future, but we in fact are already there. Right now our Hornets running round with Link 16 (tactical data link – TADIL) in training and on deployments are part of the networked force and we've already introduced it. We have Link 16 as part our networked system in our Air Defence Ground Environment (ADGE) – so we are already starting to work that more modern complex network system. We need to move to a more highly capable network.

The primary driver for Air Force in delivering that Air Power is the Defence of Australia and if you look at the last dot point on the slide that means that we structure for the most dangerous and we adapt to the most likely. Now, there will be people around who will say to you “The Hornets have only been used once in the last 20 years – well, why do you put so much effort into them?” The fact that we did use them and we did plug into a coalition force and we were very, very effective is testament to our structuring for the most dangerous and be able to adapt to the most likely.

You wouldn't want to run back for a couple of years and try and develop your capability back up again. In fact I would say to you that if you ran down your high end war fighting capability – like the Hornets or the F-111 capability, and in future the Super Hornet capability – even for one or two years, the way we train and the way we decide to develop our aircrew would probably mean that we'll have 10 years to take it back and grow that back again, well outside what we would normally consider the warning time.

And Air Force is automatically enabled for expeditionary operations, just by the fact of the size of our country means that we are expeditionary within our own country. You look at the bare bases that we work around the north and even deploy to Tindal and Darwin on exercises, we have to be expeditionary and that's before we can even get out to the region.

And the other thing we need to note, when we are looking for that first rate Air Power for Australia is, regardless of maritime or land environments, you're always going to have air. In fact if you look at the stats, 70% of the world's surface is maritime environment, 30% is the land environment - 100% is the air environment. So, to us it doesn't matter whether it's maritime, littoral, land or whatever, from an air point of view air power is air power.

Slide 6 - AIR FORCE PRIORITIES

So that's the first priority. The second priority is to enhance the Air Force team and our relationships and you will hear me keep harping on that. People are the key to our capability. We have great systems but we have better people and it's those people who make the systems work.

To nurture the image and reputation to remain an employer of choice - it is a highly competitive market out there and we don't just rest on our laurels, and we want to make sure that we do recruit at the right level. You'll see us doing a lot of air shows, you'll see us doing a lot of engagement. In fact, when we are talking about that in our recruiting – not recruiting 18 year olds out there – we are actually trying to recruit 8 to

12 year olds. We're trying to influence them at that level so when they get to be at age 18 or 19, we're a natural employer that they would look for to get a job and we try and influence that environment as much as we can.

Foster quality relations with other Defence Groups - I mentioned before the biggest driver for morale in the Air Force is probably Defence Support Group and the biggest driver of capability isn't just us when we look from an Air Power perspective. We have the DMO (Defence Materiel Organisation) who support us from a sustainment and acquisition point of view. DSG supports us from providing the bases that we operate from. CIOG (Chief Information Officer Group) provides the connectivity for that network of course. So we need to make sure that we develop the relationship with these groups, that they know what we require, what Air Power does, what it needs and what they bring to that fight to let us provide the Air Power that we are looking for as well.

We have developed an Enterprise Development Model that streamlines our processes and it's deliberately not a Business Model. It's an Environment Model because we are not a business, we are a defence organisation and people sometimes forget that around the Canberra environment, as we get more and more into the corporate governance side. At the end of the day though, we're a defence force, we run risks and manage risks that the average company wouldn't even dream of. And we've got to have systems in place that allow us to do that – measure the risks we are running and make sure that we are performing against those risks and those challenges.

As a part of that Environment Model and looking at the business or corporate side we've looked at the governance model that we have and as part of that we've decided to reinstate the Air Force Board. For a number of years we've had CAFAC (Chief of Air Force Advisory Committee), AFCC (Air Force Capability Committee) and underneath that the Air Commander runs his Fleet Commanders' Conferences. That's been a pillar of what we've done.

However, they run the Air Force's day-to-day business but I don't think that that looks at Air Force enough from a strategic point of view. So, we've re-instigated the Air Force Board. The permanent members, or the executive directors, of the Air Force Board are myself, the Air Commander and the Deputy Chief and HASD (Head Aerospace Systems Division) from the DMO. There are invited members who come along and brief the Board but they're the key executive members.

We've also started with an invitation to one non-executive member – one non-executive director - and we've gone outside of Air Force for that. We've stayed with Defence – Mr Neil Orme is the first non-executive Director in that Board and by the end of next year, if I have this running right and we're comfortable with it, we're going to go outside of Defence and look for one more member to come in and provide that expertise looking in at Air Force from outside. I'm cognizant when we're doing this that the Deputy Chief and myself and the Air Commander are all fast jet guys, either fighter or strike background, and we look at life in a similar view. I don't want that to drive Air Force in the wrong direction so we need to have some counter views in there and that's what we're trying to do along the Air Force Board line.

As part of the Air Force Board we also now have a Risk Committee set up and that sits underneath the CAFAC as well. It's run by a 1-star in Air Force Headquarters. So we've tried to reinvigorate the Enterprise Model and the key part of that is the committee structure that we have.

Also a part of this is Project Reshape. It started in mid-2006, conceptually started with John Blackburn before that, back when he was DGPP (Director General Policy and Plans) in Air Force Headquarters as a 1-star. He came back as Deputy Chief and decided it hadn't gone anywhere and pushed and pushed and started to set Air Force down this reshape direction. It's a very, very important direction for Air Force and again I'll harp more on this as we go through.

But we'll not be the Air Force in the current structure in 5 years – we cannot be if we need to survive and bring in the new capabilities and do the best with that. I'll talk more about Reshape as we go through.

SLIDE 7 – AIR FORCE PRIORITIES

“We need to develop the mastery of Air Power” is the 3rd priority. Behind all this is a fundamental reform for Air Force's educational culture, not the training culture, the educational side of it. I'm not looking necessarily at the technical side here - I am looking at the educational side across all Air Power domains.

We're looking to be a strategically focussed Air Force. I spoke right at the beginning about us being the best small air force in the world – I think we are. But we're very tactically focussed and have been for a long time. It's only in the last few years that we're starting to get that strategic focus. But we need to get better and be better at that strategic engagement level and with the strategic ideology.

Air Force has a wide understanding of the broad context of the application of Air Power – now that's Air Force wide. The aim here is that anyone here tonight could go to hangar floor at 38 Squadron at Townsville and ask Corporal Smith what he or she does and he or she should be able to look at you and say “My job is this and that directly impacts the delivery of Air Power or adds to the delivery of Air Power in this particular way. So there's a link right from the hangar floor right up on what they do and what they bring to that overall delivery of Air Power to the Australian people and the Australian Government. That's the end game that we're looking at as we go through this.

As part of this education we have Project AFTER – Air Force Training and Education Review. Lachlan Mitchell (?) is currently heading that up and we are looking at him to report to me by March next year (2009) on where we need go with the professional military education system and make recommendations toward the training system as well. The whole aim of this is to get back to what do we need to do from an educational point of view to deliver the best Air Power we can within the small force that we have.

Slide 8 – AIR FORCE PRIORITIES

The 4th priority is to improve strategy development and implementation within Air Force and we need to here become an Air Force better designed to decide and the key to this decision capability is information superiority. It's something we talk about in operations a lot but we rarely translate it across to the way we do business or the way we run the enterprise.

The whole aim here is to run that information superiority right across the Air Force, from operations to the office, as you see down the bottom of this slide, and the committee room. And its essential then, that leads from information superiority to be able to let us make decision capability. Again whether that's in a committee context, being informed with all the information to make the decisions that we need right there and then – right out to the operational world and down to the tactical side of it. And networking comes into this, whether you are in operations or sitting in a Headquarters environment. The lessons we have from operations do translate right across the way we run our organisation.

We need to be a force designed, educated and trained to make superior decisions and we need to have decision superiority right across the board. Now it sounds Machiavellian talking about this in committee, so I'll talk about where I'm coming from here.

What we're looking at is: I should be able to send a Group Captain along to any of the committee meetings in Russell and he can speak for me and any decision he agrees to or makes in that committee I will back up. Rather than I walk in and say: "No, that's not what we're thinking, that's where we're going" and we go back to square one.

That's the overall goal in this information superiority - decision superiority so that we can get decisions made and we can get on with life and move through without ever going back and revisiting these all the time. And I think is the key right across the board and I note that two other Service chiefs are looking at that ability as well.

Slide 9 - AIR FORCE PRIORITIES

And we need to improve our internal and external communications. That's the 5th priority. Now we would normally – it goes without saying – you've got to say it, you've got to communicate it. And key to this is not leading by e-mail. It's leading in person, its people getting out there and talking to everyone on what the issues are. Now – how do I know what the issues are? We go back to the previous one – information superiority and decision superiority.

It's my job to make sure I get the information down to the next level of commanders so they understand exactly where we are coming from and then they get down to their next level of command and it gets to the hangar floor. Again, so I can get out into the field, Corporal Smith can come up and ask me a question about an issue and I can provide him with an answer because I know what the problem is because it's come up correctly through the chain and I've got an answer for them.

And not only that, the other commanders from other bases know what the answer is because they will have the same issues, I have no doubt. But it's not leading by e-mail, it's leading by example and it's leading by getting out there and doing it. Before

the last Senior Leadership Team meeting at Amberley just before the Air Show, we had most of the Senior Leadership Team engaging with various units and people in the units in their work place around the various bases. I intend to try and do that about once every six months where we get the 1-, 2- and 3-stars out there understanding what the problems are. But unless you know what the problem is out there, you can't understand getting back here (in Canberra) and making a valid decision. And likewise you can't even communicate with the guys out there.

So that's all the internals – there's also the externals as well – in an educated community in what Air Force does. There is an issue, there's a pride issues within Air Force because we don't think that the community understands what we bring, what value we have in the community. And it gets down to a single thing – we all were DPCU cams (camouflage clothing), and the general public look at the cams and think that they are always Army. So its an issue we're working on, we're getting better at it, bur we are going to engage a lot more with what Air force brings to the fight, what the importance of what Air Power is to the nation. And it gets back again to what I mentioned before – everyone in the Air Force should know what they add to capability and what they do and they should be able to communicate that and the wider Air Force story whenever they are out in the community.

So that's the Commander's Intent, that was the five priorities and that's what I'm going to measure myself on over the next 3 years. Do I have hard and fast KPIs (key performance indicators) for that? No – I don't. That's what are looking to try to measure by and you'll see, if you see any “CAF-ograms” or any of our strategies, it will go back to those priorities.

Slide 10 – WHAT ARE THE CHALLENGES NOW?

What are the challenges now? We are an operationally stretched and a deployment weary force. We've been on operations since 1999. Every Force Element Group has been deployed during that period. Some have been continuously deployed since that time. To give you an example, we have P-3 crews that are back in the Middle East for their 5th rotation. We have C-130 crews that have been back three or four times and we're not going to get out of the Middle East in the foreseeable future, so its going to go on. So its something we need to manage as an organisation.

Not everyone is weary out there. There are key elements of us that are stretched. It is the Air Lift Group (ALG) and the Strike Reconnaissance Group (SRG) but there's some key areas in Combat Support Group (CSG) as well – the communicators – are probably the biggest example there. And some of our Air Load teams throughout the Middle East at any time there's an operation, they're off and deployed. We're conscious of this and we're making decisions about deployment rotation lengths – who we send, how we structure, based purely and simply around this factor.

Slide 11 – AIR FORCE SUPPORT MEAO

Let's have a look at the deployments right now. We have a P-3 deployment in the Middle East Area of Operations (MEAO) at the moment in one of the Gulf States – two aircraft and about 180 personnel, who've had a fantastic success rate. 20% of the P-3 assets in the Middle East at the moment and they do a mix of operations between

the overland ISR (Intelligence, Surveillance and Reconnaissance) and maritime patrol, and they do a fantastic job. You can see the number of missions that they've flown there since January 2003.

The C-130s are in another Gulf state. We currently have 3 aircraft deployed over there, about 140 personnel, and carried 47 million pounds of cargo flown since February 2003. Again more than pulling their weight with what they do - an impressive number of passengers as well and AME. They range between Iraq and Afghanistan on a daily basis.

In Afghanistan itself at Kandahar (Camp Palomino), is No 114 Control and Reporting Unit (CRU). They've got one TPS-77 radar, 75 personnel (half the number of personnel that the USAF is using to run a similar operation) over there controlling half the Afghani air space 24/7. If you want to see people working like one-arm paper hangers, you go into a cabin and look at the young guys and girls that are doing the controlling over there. They are doing a fantastic job and you go into the other cabin and the non-commissioned side of it - doing a lot of tracking and keeping the air picture up to date, also doing a fantastic job 24/7 with no break. They are over there for about four months and then they rotate out. But a great, great job.

Other personnel in the MEAO - support Army and support ourselves as well and support Navy - air load teams spread around most of the bases that are over there and one particular unit that is just coming out now that I ran into in the MEAO only a month a bit ago is the surgical team operating in Karin Towt. A 10-person surgical team run by Squadron Leader Sharon Cooper from Townsville - 4 PAF (Permanent Air Force), 6 Reserves - fantastic team - you walk in there, they're operating on an 11 year old Afghani boy who'd unfortunately shot himself in the leg - trying to save him and his leg and they have seen more trauma, as they described to me in their three month tour over there than they do in a life-time back over here. But they handle it very, very well. Quite upbeat about what they were doing: quite happy to talk about what they were doing and still concentrating on what they were doing and quite professional in saving this boy's life. If you look at that 24/7 and I don't know how they do it - but they do it very, very well.

The interesting thing about that was - note, I said 4 PAF, 6 Reserves - we can't do this unless we're relying on our reserve capability as well. In the last two years we've had over 300 people on operations or operational back-fill and of that we've had about 140 who've actually deployed to the MEAO - about 25 at any one time - we couldn't do it without them. Remember that I said that some of the people have been back for the 4th or 5th time, the only way we can get relief for them is to rely more on our capable Reserve Force. It's not just the PAF, it's the Reserve Force part of it as well and obviously what's not there, for that number is only 425, and as that rotation continues, is that all the support that goes into keeping those aircraft over there and those people over there from the units back here in Australia.

SLIDE 12 - MAP

As Air Commander I used to get a daily snapshot of where we had aircraft (around the globe) and this one impressed me so much that I carry it quite a lot around with me now. This was early April 2008 timeframe and I put it up just for the daily brief and

every bolt of lightning is at least an Air Force asset. You can see that we're located anywhere from Afghanistan to Alaska and Hobart up through Hawaii.

Here we had Hornets, and I think F-111s, in Eilson (?), Alaska; we had a C-130 in Canada; we had F-18s and I think an F-111 at China Lake; we had a C-17 coming back across the Pacific; we had Caribous in Noumea and the Solomons, we had a P-3 on Operation Solania in the South-West Pacific; we had all the standard forces around Australia; we had a P-3 on Operation Gateway; possibly had people permanently based in Malaysia; we had the standard deployments to the Middle East and a day or two later we had a C-17 in South Africa picking up a couple of UN helicopters and taking them to Operation Burma Assist.

Now, for a force that's just under 14,000 people that's not bad global reach at all. That's why I say to you, pound for pound, I reckon we're one of the best Air Forces, if not the best Air Force, in the world.

That takes a lot of coordination and a lot of effort and the people who don't get the credit for that are all the people who sit back in the various places and give all the support and training. They're the only ones who make that capable of happening.

SLIDE 13 – WHAT ARE THE CHALLENGES NOW?

Continuing on with a few more challenges, the first one is dealing with ageing aircraft issues. 73% of our aircraft are in the last 10 years of their life. That's a big challenge for our maintainers and the DMO from a sustainment point of view and that's probably one of the biggest challenges that we have. If you look at it, what that means is, if anyone's familiar with the bath tub curve in supportability you come down the (left hand) side of this bath tub curve – a straight drop in the initial couple of years of operations (as experience grows and systems settle in to reduce costs), then costs from a resource point of view become quite steady for the majority of the aircraft's life and then you start heading up the (right hand side or) back end of the curve and what happens is that the slope becomes exponential, i.e. the longer you keep aircraft in service it costs you exponentially, its not linear. Most of our aircraft, 73% of them, are starting to head up that bath tub curve: we have one aeroplane – the Caribou – that's actually out of the bath and that's a major challenge across the board, not just for Air Force but for the units and DMO, who support these aircraft.

While we're dealing with the ageing aircraft, we're growing a new capability. As I said before it's expected now that we maintain a level of capability while bringing in new systems. That is a big challenge and we're competing for a skilled work force and that gets back to the retention and recruiting side of it. From the recruiting and retention side at the moment, we're developing an inclusivity strategy within Air Force. Basically its looking at it from a male/female, indigenous, all age groups (perspective), looking at a strategy and a policy across Air Force where we include all the needs of that group and look at how best to bring them in, keep them within Air Force as long as possible to deliver the capability that we need.

I do have a Chief of Air Force Women's Reference Group that provides me with advice. They have met a couple of times and what has become very obvious from their very first meeting is that things seen as being female friendly are actually family

friendly. So I am looking at some advice that they are providing and their advice will be rolled into this inclusivity policy and strategy to look at better ways of maintaining family friendly policies across the Air Force so we can retain the best people that we have and we can manage the re-mix of the people that need to go to the future force.

SLIDE 14 – WORKFORCE NUMBERS

In regard to the work force, most people have probably heard this before but I'll go through where we've come and what the issues are. Back in 1988 the force was about 23,000 and while I was flying aircraft I didn't actually watch this happen but I started to become aware of the conversations going on at the time, and I know many people here tonight were involved at the time in that dialogue, we're fat, we need to get down. We went through the Force Structure Review (FSR), the Commercial Support Program (CSP), the Defence Efficiency Review (DER) and the Defence Reform Program (DRP). Some people in the DER time wanted the numbers to go well below the norm and thank God for John Baker (General John Baker, Chief of Defence Force) who had the foresight to understand and people - just to digress, if you ever heard him speak you would recall his "infamous" reference to the MCG (Melbourne Cricket Ground) when he asserted that you are going to take us to a level where the force would only fill half the MCG. He was very keen to make sure that Air Force, Navy and Army maintained sufficient numbers, at least when we had to run down, we could still sustain the level of capability.

Why were we so fat at the time? Back then there were a lot of theories and we were probably not all that efficient in our processes and technology did help us, but a very important thing happened around (here ?). It was the last major transition that the Air Force did - of the Hornets. The Blackhawks were just a bit before it I think, but the last major transition of a weapon system happened in the mid-to-late 1980s. After that we bought the C-130Js in around (here?) but it was a one-for-one swap. It was hard on the organisation but they did it, but we've never gone back into transition until we're into it about now. If you look back in history as an Air Force until about (here?) one third to one quarter of the Air Force was always in transition, we were always bringing in that next capability.

After that we didn't have to do it, so actually we probably were a little fat back then. What does that mean now? We have the workforce now near 14,000 but we are about to transition Air Force over the next 10 years. That's where the challenge really sits and that's where my major concern is over the next decade.

SLIDE 15 – PERSONNEL STRENGTH

To give you an idea of what the issue is – it's actually harder than what I just drew. As of 1 September, we've got 13,896 Air Force people. There are 182 classified as non-effective (as an aside, that's a shocking term by the way which we are going to change because I consider those people on leave without pay or on medical reports are not ineffective). 1,500 people are under training at any one time: we have run a 7% wastage which is almost too good because it doesn't help us with the flow through if you try to re-mix the force to get to the future. But I would prefer it to be this number rather than 30% - we can manage that. What really puts the pressure on is Defence Support Group with 789; 445 – VCDF (Vice Chief of the Defence Force) and JOC

(Joint Operations Command); and 856 with DMO; other Groups - 581 and the trainers - 867. Add these up and in reality I've only got 8,600 people to play with to do that transition.

So the problem gets harder and harder as we go down through it. I give this briefing to the Commanders Force so that they understand what the issues are and if we go to the bottom line in all this, the approved average funded strength for Air Force is 14,056. This varies annually but that is what it currently is. Our establishment though – the number of positions that the organisation has – is 14,272, i.e. we have 216 more positions than we have approval AFS. Now how did that happen over the years? It was more that we generated organisations and optimum design without taking into account the resource factors as we went through plus we were constrained over a number of years so I've actually got an organisational structured more than what we're funded to do. That's the challenge – to try and bring that down over the next year.

Current strength though is down here because this approved AFS jumped at the beginning of the FY and generally we grow over the year to get to it so that's the average for the year. So we're actually down about -160 on that – that's good. It helps us remix and from the civilian side that's our authorised numbers - we're currently sitting about 8 over. This actually is one of the harder ones to manage in there because each one of these civilians plays a key part of our organisation and they have since we went back to the MRU (Members Required in Uniform) arguments, CSP and importantly the DRP arguments and we always get hammered for the FTE whereas in fact these people are just as important for us as those in uniform in delivering capability. They should be considered in toto as a force – not a civilian-in-uniform force. That's the bottom line of the problem at the moment. A – I only have 8500 to play with and B – we're an organisation that is bigger than we're actually funded to, so we're trying to manage that in a transition as well.

SLIDE 16 – WHERE ARE WE GOING

So where are we going? As I said, every major platform that we've got is changing in the next ten years. You may remember back in the '90s we were always saying that we were never going to have block obsolescence – well we've got it.

SLIDE 17 – FORCE TRANSITION Bar Chart

If you look across the board we started transitioning back in about 2006. It's not obvious but the F-18 Upgrades were to the HUG (Hornet Upgrade) 2.2 aeroplane which is effectively a new Hornet – systems-wise it was the start of the transition. So we have been in transition for a little while now. If you go through the list, we're bringing Super Hornets in as we take out the F-111s; the F-18s will go right through to at least 2017; you start to introduce JSFs in (2013-4); AEW&C (Airborne Early Warning & Control) (2010-11); Noel's team will bring in the KC-30 Tanker – its not a KC-30B it's a KC-30A – about the end of 2009; (Project) Vigilare, which is the glue that brings the whole network together from a ground environment, is being installed now in Tindal and will start to come into the Williamtown facility in the middle to the end of next year; C-17s are in and - boy let me tell you - the quiet achiever, four aircraft roaming the world and doing a great job. The trouble is we've got to manage

expectations of people wanting them all the time: we only have a small number of crews and we're still building up to full operational capability. C-130Hs will start to blend into C-130Js about 2013 as we get, hopefully, a few more of these.

I talked before about the Caribou – it is an aircraft that's beyond its economic life and we're currently evolving an interim plan to put to Government to withdraw that by the end of next year and go on an interim aircraft that will lead us into this replacement a lot better. The problem with the Caribou is not just its economic life – its capability is based around its STOL (short take off and landing) capability, its being less and less of a player around the Pacific now. It runs on aviation gasoline (AVGAS) which is damn near impossible to get anywhere around the Pacific if we want to operate it and importantly it doesn't have any systems on board that will lead and train our maintainers and our aircrew to jump into that aircraft, which is most likely to be a C-27 or a C-27-like aircraft. So we're going from an aircraft that is a radial-engine, AVGAS, no systems, not highly technical to an aeroplane that is a gas-turbine, full flight management systems - the whole lot – we're not going to be able to jump from the Caribou to that aeroplane and stand up that capability without having a loss in capability. So we're looking at an interim aircraft, probably King Airs, to go through there so we can get the maintainers out to re-skill them and be able to jump back into the bigger and better aeroplane.

AP-3Cs – my grandchildren will be flying them. P-8s will come in and replace them here and sometime here we're looking at uninhabited aerial system. We're working with the US in the space situational awareness side and the training system will migrate and this one I see as one of the major risks; if we don't get that right, this will all fall apart.

SLIDE 18 – WHERE WE ARE GOING

So – 15 lines of changes, upgrades or retirements – that's 15 reasons why we need to do business better. Because, if we don't we will fail.

SLIDE 19 – Photos (KC-30, Wedgetail, Super Hornet)

In the next 2-3 years, that's what we're going to introduce. That triad there will be a quantum leap in capability. Taking just the tanker for example, 5 of these will be far more capable than 2 or 3 Boeing 707s that we used to operate. At some stage I'll get Noel to come and brief you on the Tanker Project because I think you'll all be interested. With this though, it brings challenges. Noel's going grey with it. It's an aircraft far bigger than we've ever operated in the Air Force before and at introduction most of our bases won't be capable of supporting it in its full capability. So we'll be going to a model – the concept of operations of operating them out of civil airfields around the place – they really need to go out fully loaded. It can take 272 people on board and trying to fit 272 people into an Air Movements Section on a base and to even get them airborne has challenges – how do you feed 272 people, how do you put enough fuel in – so there's some big challenges that are coming along with that.

Re (Project) Wedgetail, (Project) Vigilare was the ground glue pulling the whole system together. This is a key part of pulling together the overall network system as well: it's a highly capable system - even now in its current form its highly capable -

but we haven't got the spec quite right yet and we're working with Boeing to do that, and that's why the delays, but even in its current form right now its highly capable.

Super Hornets - if you want to look at the challenges of the future force, this one is good to give you an idea of what we think about from a strategic point of view. How did we end up with Super Hornets? As a part of the briefing to Government leading up to the first pass stage for the JSF (Joint Strike Fighter) the Minister of the day asked for a full briefing on the Air Combat Capability transition, which we gave him. At the end of that he went away and looked at that and over the number of weeks leading up to the NSC (National Security Council) he was asking a lot of questions. But at the end of the day as he went into and briefed NSC on what was going to happen. Without talking about what went on in the NSC meeting, I can say that the basic gist of the thing was "Yes, that Air Combat Capability transition you've got squared away, but its running at a risk level that the Government wasn't willing to accept and we were to go away and look at a de-risking strategy.

Now the de-risking strategy wasn't going down the route of introducing a whole new plane into the Air Force because we had to keep the stress off the system, so the obvious tender was the Block 2 Super Hornet. What was not obvious is why it went to two seats not one. If we're truly transitioning to a force down track, JSF is only single-seat so why not single-seat with this. The first answer is that it's going to be a Generation 4.5 aircraft – its going to be operating in a Generation 5 world – in the next decade and maybe a couple of years beyond that. That's the obvious one.

The less obvious one is the fact that if we'd gone to an all single seat force right when we brought this in, from a strategic point of view we weren't growing enough aircrew with fast jet and kinetic experience to be able to fill all the positions we needed to do structurally to make sure the Air Force could continue to provide that balanced capability. So by going to 2 seats with the Super Hornets we continue to keep that force structure as we need it to. But what we've done is put off the problem until the end of the next decade. It is something that Air Force is going to have to address and we've started to do it by bringing in the new ACO (Air Combat Officer) construct where we have practitioners of Air Power that aren't necessarily fast jet. But we're going to need a decade to grow that properly so this has helped put off what was going to be a major problem for us. They are highly capable aircraft and, don't worry - the media do like hooking onto, it but it's a highly capable aircraft.

SLIDE 20 – WHERE ARE WE GOING

With the introduction of each new platform we change way we fight but what we don't want to do is just change it and go along for the ride. We want to make sure that we set out in the 2020 timeframe how we are going to operate this force and then we continue to work towards that and that we are doing. We need to change the skill sets of people in the Air Force. Right on the far side of that slide I showed the MUAS – now that needs a whole new breed of people to operate that uninhabited aircraft. Question – do you need a pilot to fly it? No – I don't think you do. But if we don't, how do you operate in civil airspace; how do we get the qualifications; how do we get the accreditation? So there are a lot of issues with that, but there's no doubt it will be a different skill set for people compared with today.

Even looking at the transition from the Caribou to the C-27, that's a different skill set that's already facing us today. We need to change the skill sets of those people. Some of those people that we have now won't be suited to that organisation in mid-next decade or the end of the next decade. So that's where we get into this re-mix and trying to re-mix the force as well – there's only so many people you can play with in that re-mix in a year without having the organisation fail.

Importantly we need to keep pace with community expectations during all this. As we remix this force, we don't want to go into redundancies either involuntary or voluntary, because that actually has a bad impact on us being an employer of choice. So we're going to need to manage this through natural attrition and change, and it is difficult to do.

SLIDE 21 – PERSONNEL NUMBERS

Key to all this is our personnel organisation, with AIRCDRE John Hewitson (Director General Personnel – Air Force) in there at the moment. We've made a decision over the last couple of years that in our personnel organisation we are going to put professional HR (human relations) people in there that develop skills to do that. And we do have a team in there at the moment that I call the "Effects-Based Personnel". I learnt very quickly when I was a 1-star in Air Force Headquarters and as Air Commander that you don't tell John Hewitson how to do his job, you tell what you want at the end and let him figure out the best way to go and then report back through that Enterprise Model to the various committees, and get agreement on that and go and implement it and they're doing a great job and they're working some great strategies at the moment. The aim of the game now is to filter those down to the lowest command level so that they understand what the tools are and what they've got to do.

That line is a 45% drop in the numbers of people in the Air Force. We went down to a 13,000 force, actually went under that to 12,500 and started to grow ourselves back up again. But we are looking at the force/capability which is coming down the track, from the way we currently do business that is the perceived short fall in manning. I don't have hard numbers against it but you're talking about a couple of thousand. There's a part of the rebalance of this force - to grow the force back to the force we need. We've got the capability of growing – regenerating about 200 p.a. – we know we can grow 200 p.a. and we can do it quite easily within the current force structure. And that will get us to the proposed approved growth line – 14,200. We might get a few more from the White Paper – but that's about just over 14,000. We've done the re-balance, we're now into the re-shape throughout this period.

But we still have this workforce that goes up and down on what we would be perceiving that we need on the current way of doing business and if I was to line up all those transitions, that's what we've got there and that's in raw numbers what we need. But we're not going to get them. What we've got to do is have a re-engineering goal of looking at better ways of doing business, better not different, to be able to get the shortfall back so we can do all of that with the authorised numbers that we have. Importantly again, this number here is the PAF number, it doesn't include civilians, which it should, and doesn't include the Reserve Force, which is a key to this as well.

SLIDE 22 – AIR FORCE IMPROVEMENT PROGRAM

Late last year-earlier on this year, we introduced the Air Force Improvement Program and Air Force Improvement Team. AIRCDRE Denis Green stood up the team of eight at the moment and their job, if you look at it in one area, is to be a lean management team. They're a lean process team – that's what they're coming in to do. They're looking at better ways of doing business. If you look at all of the pressures we have – we've got the Government Budget cuts, we've got the 5% savings, we've got the economic downturn, DCP (Defence Capability Paper), the White Paper, competitive labour market, high operational tempo – they're the pressures I've spoken about over the last 40 minutes. We've got these risks and challenges that I also spoke about. We have a document out there (from the Air Power Development Centre) called "Future Aerospace Operations Concept" that pulls all this together on how we or what we need to do in the future.

This lot is to figure out how we do it in future so that we don't fail. This is the Air Force Improvement Team and they are looking at change management, strategic alignment direction, financial management, performance measurement, training and education in this area. They're looking at various models – lean, 6 sigma, theory of constraints etc. They are working with all the experts around the place at the moment – they are working with USAF experts who introduced in the C-5 program etc, UK who've saved substantial resources on Tornado and Harrier, we're looking at Qantas who are looking at savings. And we're going to do this virally – we're not going to go out and push as happened with TQM (Total Quality Management).

We want to do it through a number of years and by experienced people who get to know, using these techniques, that this works and give them incentive to improve. We've agreed to fund this team for 5 years and in 2012 we're going to assess where they are going and assess whether or not we're going to continue to fund it or not, so they've got 5 years to do it. In the initial period in all this – what's the incentive for all the Commanders out there? They can reinvest their savings that they find in their own FEGs (Force Element Groups).

Across the Group when we looked at establishment being higher than funding, that affects all groups across the Group. So we're looking at it from an incentive point of view that the savings in the initial few years that they can reinvest to take away any hollowness in the organisation. After those initial few years, we'll try to look to re-invest across the organisation, unless we have some critical priority that pops up.

There is one group that we are looking to cut in numbers at the moment – that's Combat Support Group – as an initial force mix that we need, somewhere we've got to start this and they know they are looking at a re-structure of Combat Support Group and a better way of doing business. So the buy-in is to get the Fleet Commanders to get into this early – because the earlier they can find savings, they can invest. I won't go too much into that – at some stage you may want to get a brief next year and ask how we are going.

I'm keeping a close eye on it as I think a lot of other people around Defence are as well. This group, the Air Force Improvement Team, are closely engaged with McKinsey's who are coming through all of Defence – and looking at deep reform. So

we're actually been on the front foot here and I think that we are leading some of this – so I think that's pretty good.

SLIDE 23 - QUESTIONS?

So in a nutshell that's Air Force, that's where we've been and that's where we are going and that's my view on it. But there are some issues there that we need to work – there's a lot of issues - but do I stay awake at night worrying about it? No I don't - because I do have a good organisation. I do have a good team and we're all capable of going it.

Thank you