



Submission to the New Zealand Defence Force –
Logistics Command (Maritime)

Dockyard Management Contract Renewal:
Organisation Design



For a better working life

New Zealand Public Service Association
Te Pūkenga Here Tikanga Mahi

Logistics Command (Maritime) Dockyard Management Contract (DMC) Renewal: Organisation Design

Submission to the New Zealand Defence Force (NZDF) by the Public Service Association: Te Pūkenga Here Tikanga Mahi

28 October 2014

Introduction

The New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand with over 59,000 members. We are a democratic organisation representing members in the public service, the wider state sector (the district health boards, crown research institutes and other crown entities, state owned enterprises, local government, tertiary education institutions and non-governmental organisations working in the health, social services and community sectors.

The PSA has approximately 900 members in the New Zealand Defence Force (NZDF). The views of potentially affected members and PSA delegates were sought at a members meeting on 21st October 2014. Post that meeting members have also been emailing their views and concerns which are included in this submission. We are aware that a number of PSA members have also presented their own individual and team submissions directly to NZDF.

PSA Approach to Restructurings and Reviews

The PSA recognises that change is a feature of modern organisations and that the NZDF needs to be responsive to government direction, service demands and other environmental factors.

As a union, the PSA is not resistant to change. In fact, our strategic agenda promotes changes that we think need to be made to management styles, the quality of jobs, how work is done and how services are delivered.

When an organisation is considering the need for change, we want to examine the catalysts for that change and the rationale for the proposals being promoted by the employer. Our focus is on:

- *Employment and job security:*
Minimizing job losses and maximizing opportunities for redeployment, development and training.
- *Worker Voice:*
Ensuring PSA members can have a say in the decisions about whether and what change is needed.
Ensuring PSA members can have a say in determining any formal process for implementing any change.
- *Fairness and transparency:*
Ensuring change processes are procedurally fair and transparent.
Ensuring decision making processes are transparent.

- *Ensuring any change promotes sustainable services, high performing productive workplaces and decent jobs:*

Mobilizing members' knowledge to improve the efficiency and quality of services and jobs.
Once the change has been implemented, monitoring the impact on workloads and services.
Maintaining public ownership, control and accountability of State Services.

We are deeply concerned that the proposal seeks to remove a large number of positions employed within NZDF, making those roles redundant and transferring some of these roles to a private company (Babcock) – forcing staff to either compete in the open employment market for what were their jobs, or facing the very real prospect of redundancy.

Historical background

In 1994 Babcock Skellerup won the contract to manage the facility at Devonport. In the succeeding years there was little innovation and up skilling of an aging work force, there was very little productivity increase and no large increase of commercial work to offset the overheads of the Dockyard in general

When the contract renewal came up in 2004 there ended up two bidders, Babcock & a consortium of VTF. NZDF chose to go with the VTF bid, which was assessed as being superior to the Babcock bid in what it was offering.

Babcock International took over VT and therefore by default Babcock was again in the ascendancy at Devonport. Over the ensuing few years again there seem to be no improvement in productivity, very little innovation and indeed NZDF seemed to be treated as a cash cow.

The last two major projects TE KAHA PSU & CANTERBURY upgrade highlighted Babcock's lack of expertise in managing the projects or their part of it, it was highlighted by poor estimating, schedule production and indeed working to a schedule.

The TE KAHA experience indeed was a project in strife from day one. Whilst there was agreement to start early indeed very little happened, it was late in the piece before Babcock recognised the project was in strife and hastily put more management in place to identify the areas of issue and also try to bring the project back on track. Unfortunately there was no track and it took a huge amount of effort by both Babcock and NZDF to baseline where the project currently stood to try and recover.

Both of the above projects led to substantial cost over runs and also time lags with extended completion dates and this affected not only these projects but other ones as well.

The ENDEAVOUR Project again highlighted Babcock's lack of innovation. When there was a requirement to take active control of the ship access and safety the innovation was all supplied by MML in their bid, the use of swipe cards, electronic monitoring of access and indeed safety control of the ship was all provided by MML. This was an ideal time for Babcock to show initiative and innovation but unfortunately very little of either was in evidence.

Issues around warranty items have also been prevalent in the not too distant past. Babcock was contracted to re-engine the Commodore Barge, this was a \$45k project. On completion the barge was put back in to service only to suffer a failure of both new engines. This was caused by Babcock connecting the salt water

cooling system to the engine freshwater system, effectively writing off both new engines. One of their Defense statements was that the RNZN should have noticed this incorrect piping system. This warranty is still in dispute.

Babcock has never formed good relationships with sub-contractors. This continues to a major concern with the proposed contract renewal given Babcock's inability to form a working relationship with MTUDDA. This is also a carryover from Babcock Australia. The RNZN currently depends on MTUDDA to provide support to the ANZAC Frigates, if the current climate persists it would indicate that the RNZN will require to manage MTUDDA separately, this is a duplication and duplication is one of the areas that Babcock has highlighted as a reason for their increased management bid for the Devonport facility.

We note that it is proposed to operate the Defence/Babcock relationship as a type of 'partnership', and that NZDF is proposing to place a number of military positions directly into the Babcock structure, with a type of mixed team system. The culture within both organisations are significantly different, and the engagement of 'change professionals' (recently described to the PSA by Babcock as a "major culture programme") to work on culture change/transformation appears a highly dubious approach. We note that none of the documentation provided to the PSA (either by NZDF or Babcock) discusses or considers this, and how the union and staff in general will be engaged in order to make this successful.

At the first consultation staff were issued a paper that basically were just blocks of what Babcock might do or provide. There was no indication of how this might be achieved or who would be affected. It very quickly became apparent, that Uniform Staff would be accommodated by the Babcock model, but that Civilian Staff would not. There was to be an Intelligent Customer but that would apparently be made up of Uniform Personnel.

At the meeting we were also asked to provide feedback, this proves difficult when confronted with block diagrams and no information as to how these services were going to be delivered. It would appear that the risk is mostly in NZDF's court and the way forward will be negotiated as these risks are defined or discovered. This does not seem to be in the best interests of NZDF and indeed could somewhat be pointed out that this is the way Babcock have proceeded over the past twenty years.

It is hard to see why anyone would look at Babcock's track record and promises and believe that the new promises made to provide upgraded service plus man up and provide a whole range of extra services should be treated as anything but another grab at the cash cow whilst providing "more of the same".

We fail to understand how Babcock is going to be able to resolve the current issues Defence have with them by giving them total control of the only Defence Force Dockyard in New Zealand. We still have to ask the question as to whether the New Zealand government is comfortable with the concept of passing control of the Dockyard to a commercial organisation whose bottom line is shareholder profit?

The question of what is the risk with contracting to an already under performing company does not appear to have been addressed in any of the information provided to date to the PSA.

Have you considered the risk to the Defence Force in the loss of highly skilled and knowledgeable staff who have no desire to work for Babcock? It must be remembered that Civilians currently provide a significant level on continuity and professional experience in their roles, this is all at risk if NZDF proceed with a decision on the basis outlined.

What is Defence's back-up plan if this doesn't work out – once the experienced Defence civilian staff are gone, it will be extremely difficult to re-build an in-house capability as currently exists.

Some current observations from members:

There currently seems to be a total lack of enthusiasm in Babcock for all things Defence. Members who regularly attend meetings with Babcock have to listen to Production complain about too many projects running. Defence bends over backwards to assist by extending maintenance dates to assist but are still let down with things not being completed.

Over a number of years the hours required to complete tasks has slowly gone up. There is no drive for efficiency and the work force over books the hours on the job, therefore the next time the job is estimated they go back and look at the last overbooked job and increase the required hours accordingly, there appears to be no effort to understand why the overbooking has occurred.

Of the 3 cranes currently on base there are none that are working properly. One is owned by Babcock and 2 by Defence, it is Babcocks job to complete the maintenance on the cranes and to repair them when required. There is no enthusiasm from Babcock to ensure the required repairs are carried out quickly. They are however happy to hire cranes and invoice Defence for the cost.

Members are really concerned about Babcock running the store system. Most of the items they use are provided ex Europe or USA. Defence are a small player and therefore not on top of the suppliers list, therefore a lot of items are carried on the shelf in NSD to circumvent the issue of supply. How will this be protected if Babcock take over?

When members request a part it is requested against a Naval Store Number (NSN), associated with each of these NSN's there is an associated standard. A small item like a "O" ring may be a common size but whilst it may be procured locally by size that does not ensure it is against a standard or the required standard for example in a High Pressure Air system and therefore there is a risk. Will there be adequate protection?

Some years ago there was a serious fire on an Australian ship costing lives, the enquiry found that the above 2 paragraphs were the major contributing factor to the failure leading to the catastrophic fire.

There are a number of financial risks associated with this proposal, one being that all costs/quotes are going up and this will leave less funding for maintenance of Defence assets. It is also of concern that a civilian (private company) which is also competing for other work on the open market, is controlling the Defence maintenance programme.

Supply Chain Group

Earlier this year staff were informed that the NSD Warehouse was not to be part of the DMC and that their jobs were safe from it, as Babcock had no interest of our Warehouse operations.

A few weeks ago the NZDF manager gave a full staff presentation of an **idea** he had for the future of the NSD Warehouse which he stated at that time was only an idea and subject to change and adjustment, and that's as far as it went.

On Monday the 13th of October 2014 all staff members were called to a meeting in the base seminar centre for the Dockyard Management Contract presentation and to be told that DMC is going ahead but since we were told previously that the NSD Warehouse was not involved it was just a formality. During this presentation given by Brigadier Lock he said that this was **not about money but supplying a better service to the fleet.**

On the way out from the meeting staff were given a printed hand out to read, and it was only then it became apparent that Cmdr Randell's plan was not just an idea, but had been made official and that several civilian job positions are being made in to military ones which will lead to civilian redundancies. Staff had no idea this was happening until it was made public on the 13th of October.

In this restructure it is proposed to replace the current Warehouse Manager with a Petty Officer Store Accountant and the Receipts Supervisor with Leading Stores Accountant. The other Supervisor positions stay as they are and a reduction in the number of civilian store man.

The Warehouse as a whole will then be controlled by a civilian distribution centre manager. The idea being the other warehouse roles to be taken up by junior military Store Accountants, in order for them to learn and gain experience in all aspects of warehouse operations. To achieve this sailors would be posted to NSD for a year where the junior SAs will be rotated around the departments to gain experience, where the LSA will stay in receipts (to be renamed inwards goods). This will take effect as of the 1st of March 2015.

At present our members report that the warehouse is short staffed and constantly under pressure to fulfil its role. On paper this restructure will put more people in the warehouse, but in reality this will not solve the problem. The sailors may well be posted in for a year but they will still be taking leave, being taken away for various guard duties. Then they are either practicing or doing ceremonial parades, or on courses or even sick, and then they are all away for one hour every Tuesday and Thursday morning for PT.

With the planned civilian staff reductions is NSD to come to grinding halt at these times? A recent example was where an incumbent was given an SA to assist for two days (16 hours) last week as there was a short staffing situation. In reality the SA was only able to assist for 11.5 hours for one reason or another.

The core of knowledge is held by the supervisors, who can provide training and are a constant presence to continuity which is crucial for the smooth running of NSD. We feel that this is at significant risk with the proposal as it stands.

PSA members also discussed concerns about the potential for dilution of the Quality Management system down to POSA level (this level being seen as too low). It was noted that NZDF was supposed to be a champion of ISO, however there is significant concern that this change will see the framework fail over time.

Attached as appendices are specific submissions that PSA members have (or are) put forward, which the PSA supports in concept.

Positions available at Babcock

We understand that the proposal provides for a number of positions at Babcock, with their overall staffing numbers to increase by approximately 100. Approximately 50 Navy military personnel will be posted into the PSI organization (it is not clear whether this 50 forms part of the 100 or is additional, however we assume it is the former).

Babcock has a current Multi-Union Collective Agreement, which the PSA is a party to. Some of the new positions are covered by that Collective Agreement (and the terms and conditions therein), and some positions are not. We are concerned that many of our members/your staff who are directly affected by this proposal are confused about what options are on the table in regard to any positions that might be available under this proposal. We have sought clarification, on behalf of PSA members, from Babcock as to which positions are covered and which aren't, and for those that aren't what the terms and conditions of employment will be. The response from Babcock HR on this was less than encouraging, they simply state that these would be Individual Employment Agreements (IEA's) and would be negotiated at the point of offering the job.

While this may be the way that a private company may operate its employment arrangements, we are concerned that NZDF is not requiring its subcontractor – through the contract arrangements – to have a robust and transparent process, so that staff (and PSA members) can make informed decisions early and to encourage the maximum numbers of your staff to be employed in Babcock. The approach taken to date by Babcock on this is unhelpful in the extreme for staff who are having to make some very serious decisions.

We also note that the new draft job descriptions provided by Babcock appear to be inflating the level of qualifications and experience required, at the expense of 'on the job' expertise and experience. It is noted for example, that Engineering Degrees or equivalent are now expected, or a minimum of 4 years sea going engineering experience – which potentially rules out a number of existing NZDF staff.

In summation:

The PSA has a firm position **opposing** the use of private companies in the delivery of Public/State Services in New Zealand. It is our view that companies driven by profit motive are not the best providers of services that should be delivered by the state.



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Appendix 1

NSD WAREHOUSE RESTRUCTURE SUBMISSION

Part A. How We Were Informed

Earlier this year we were informed that the NSD Warehouse was not to be part of the DMC Babcock's take over and that our jobs were safe from it, as Babcock's had no interest of our warehouse operations.

A few weeks ago our boss at NSD Cmdr Quinetn Randel gave a full staff presentation of an **idea** he had for the future of the NSD ware house which he stated at that time was only an idea and subject to change and adjustment, and that's as far as it went.

On Monday the 13th of October 2014 all our staff members were called to a meeting in the base seminar centre for the Dockyard Management Contract presentation and to be told that DMC is going a head but since we were told previously that the NSD Warehouse was not involved it was just a formality. During this presentation given by Brigadier Lock he said that this was **not about money but supplying a better service to the fleet.**

On the way out from the meeting we were a printed hand out to read, and it was only when we read this we found out that Cmdr Randels plan was not just an idea but had been made official and that several civilian job positions are being made in to military ones which will lead to civilian redundancies, my job being one of them. I had no idea this was happening until it was made public on the 13th of October.

It has always been my understanding that news like this was to be given in a private one to one meeting prior to it being made public, instead of being hidden by the smoke screen of the DMC on that front I feel that procedure has not been followed.

On Tuesday 14th of October 2014 there were a number of meetings involving small groups of the NSD Warehouse Staff to discuss the NSD Warehouse restructure. In this meeting we were told that the restructure was in **no way to do with saving money but about providing training and gainful employment for Sailors in the Store Accountant Branch.**

In this restructure it is proposed to replace the current Warehouse Manager with a Petty Officer SA and the Receipts Supervisor with Leading Stores Accountant. The other Supervisor positions stay as they are and a reduction in the number of civilian store man.

The Warehouse as a whole will then be controlled by a civilian distribution centre manager. The idea being the other warehouse roles to be taken up by junior military Store Accountants, in order for them to learn and gain experience in all aspects of warehouse operations. To achieve this sailors would be posted to NSD for a year where the junior SAs will be rotated around the departments to gain experience, where the LSA will stay in receipts (To be renamed inwards goods). This will take effect as of the 1st of March 2015

At present the warehouse is short staffed and constantly under pressure to for fill its role, on paper this restructure will put more people in the ware house, but in reality this will not solve the problem. The sailors may well be posted in for a year but they will still be taking leave, being taken away for

various guard duties. Then they are either practicing or doing ceremonial parades, or on courses or even sick, and then they are all away for one hour every Tuesday and Thursday morning for PT.

With the planned civilian staff reductions is NSD to come to grinding halt at these times? For example I was given an SA to assist me for two days (16 hours) last week as I was short staffed, of which she was only there 11.5 hours for one reason or another.

Also at this meeting we were told that the NSD Warehouse jobs have been ring fenced so only staff in the NSD Warehouse could apply, but in this ring fence there is another where Supervisors can only apply for Supervisor roles, these being PIP and Despatch I feel I am being personally victimised as my role in Receipts is the only supervisor role to be chopped.

The Despatch Supervisor role requires a HT licence and the other 2 Supervisors already have HT licences and I do not as it was not a requirement for my role. The current PIP Supervisor has been in this role since NSD opened, and there are no plans to put any SAs in to this department. When I mentioned this I was told the Navy would send me on a HT course, but how am I to get on a course and complete it before the 14th of November which is the date we find out who stays and who goes. It just seems convenient that it is only my role as a Supervisor that's being cut in the warehouse.

On Monday I attended a PSA union meeting which was all about the Babcock take over of the Dockyard. When I questioned about what the union were doing about the NSD restructure, we were told that then PSA knew nothing about it. This restructure has been done in a such an deliberate under handed way and smoked screened by DMC, in order for us in the union not to be able to have enough time to fight this proposal. On Tuesday 14th of Oct we were told we had until the 28th of October to put in submissions, not long to arrange a union meeting and put something into action, And also the day after a long weekend even giving us less time.

The Warehouse staff that are left are expected to cross train and learn all the role within the warehouse. We have 4 gents approaching retirement within the next couple of years who would probably take redundancy or early retirement if offered as they do not have much interest in retraining, and we have younger guys who want to stay and retrain. So why not let those who want to leave go and keep on the others, or let the more senior team member see out their time and not replace them.

I have been told this is not the first time they militarised the warehouse and it was a disaster as the military personnel were hardly ever there. But I do believe there should be Navy staff in the warehouse, but not at the expense of experienced civilian staff. The core of knowledge is held by the supervisors, can provide training and will be a constant presence to continuity which is crucial for the smooth running of NSD.

Part B Counter Proposal

At the meeting on 14TH October about the NSD Warehouse restructure Cmdr Randell told us that this is not about cost saving but about giving opportunities for the Navy's Store Accountants to gain experience and training in Warehouse procedures. He also told us of what happened to the Air Force when they got over stretched by a big exercise and their on base Supply Sqn come to standstill due to lack of trained warehouse personnel.

If we are going to restructure why not do it to create an opportunity to create a NZDF centre of excellence for logistics personnel. So next time one of the other 2 services have an acute manning problem we would have a trained core of personnel who step in and fill the gap.

If we could rotate all the Navy's SA's through NSD with a training task programme for each department they could be given on the job training by the civilian staff who work their all the time with years of knowledge and experience. And when they have achieved a level of competency at the tasks in their programme for a certain department they then move on to the next one. This would also put more staff in the Warehouse which has been running under staffed for some time.

To achieve this I suggest that the new role of Distribution Centre Manager is militarised and the Warehouse floor manager stays civilian. The Distribution Centre manager can then manage the training programme for the Naval warehouse staff and the day to day running of the NSD warehouse as whole.

The Warehouse Floor manager will run the hands on running of the shop floor and the on floor departments, and will have a Leading SA as his deputy. The LSA will also have a training task criteria to complete and will learn the various Warehouse functions in every department from a Supervisors point of view.

All the current warehouse supervisors will stay in their current roles as they hold the core of knowledge and experience in their departments and are also by their position of Supervisors able to provide training for the SAs that come through.

Inwards Goods would retain a civilian supervisor taking a grade cut to E10 as this role would no longer be the deputy Warehouse manager. Will be staffed by 2 SAs.
This department would come under the Warehouse Floor Manager

Despatch will retain a civilian supervisor and manned by 2 SA's and one civilian.
. This department would come under the Warehouse Floor Manager

PIP will retain its civilian Supervisor and qualified workshop operator, and a civilian store man.
This department would come under the Warehouse Floor Manager

Warehouse Stock Holding Group.

This will come under the Warehouse floor manager but will mainly run by the LSA Deputy Warehouse floor manager to give him hands on experience in stock holding operations. Staffed by 3 civilian store man and 3 SA's. This role will also cover the
The Haz store in which the SA's will have to trained in as part of their training programme.

Survey Store (Internal Returns Store) run by a civilian Supervisor and 1 civilian storeman and 2 SA's.

Freight Management / NSD Customer Service Reception to be manned by 1 x SA and 1x civilian

Note

All the civilian store man are to be cross trained in order to fill any staff short fall or increase in work loads.

How this will work

For example 1X LSA and 2 x SAs come of ship posted to NSD.

While on ship they have run ships stores and place stock orders with the Ship Support Team. The SST pass stock orders on to the warehouse or items are purchased and come in through inwards goods.

After a period of time in SST where they have completed their training criteria they go down to the warehouse. The LSA takes up the role of deputy warehouse manager.

The 2 x SAs will go into Inwards Goods, and then the next 2 arrive.

When trained and competent and signed off in Inwards Goods procedures they then go into the Stock Holding Group. Then from there to Despatch and finishing off in Survey Store , and then Freight Management / Customer Services.

By this method they can follow the processes that the equipment that come through Navy follows and will give a much better oversight into all our warehousing procedures.

Appendix 2

PROPOSED LOGISTICS COMMAND MARITIME ORGANISATION.

The current positions at Kauri Point are Armament Supply Supervisor(ASS) and Armament Supply Co-ordinator(ASC), and in the new proposal there is room for only one person(Armament Supplier). I believe the proposal to reduce our man power to one person is wrong, for the following reasons:

1. The transporting of weapons between Kauri Point and **ALL** naval ships/establishments, requires 2 x persons in the vehicle. This is I.A.W. DFO 36 section 5. In our current state of 2 x persons in the stores, there is no problem, and if either of us is away sick/A/L, we have cover in the form of the persons in the Ordnance department, which is part of our team, at the moment. The Ordnance section, is being taken over by Babcocks, in the new structure, so these persons, will no longer be available, for this task, or any other tasks.
2. The Physical Inventory(P.I.) of our weapons and associated weapon spares, is best where 1 x person raises the SAP documents, and the other person does the physical count of the items, and then the raiser of the SAP documents, inputs the results into SAP. This is required to happen, because of the nature of the items.(weapons, weapon spares etc)
3. The taking of sick/A/L. If there is only one person in the store, what would happen in the event of the 1 x person requires to take sick/A/L at short notice? The store would shut, leaving a break down in the supply activities.
4. Part of our job, that is both of us at the moment, requires us to do Explosive Accounting for **ALL** Plant 1A30 (ALL RNZN ships/establishments) transactions (receipts, issues, transfers) within SAP. This includes transfers between some army and RNZAF units. There is no way that 1 x person could do it all.
5. Delivering/uplifting of associated stores (weapon spares etc) to/from RNZN ships/establishments, will take the 1 x person from the store, which would mean another break down with the store shut. The store, along with the weapons spares etc, also has all the domestic materials (toilet paper cleaning products etc) for Kauri Point as a depot. There would be no access to the store, whilst a delivery/uplift was happening.
6. The ASC, does **ALL** the SAP purchasing, SRM requirements. The ASS, does **ALL** the receipting/transfers for **ALL** SAP/SRM. 2 persons. This is a SAP requirement. This is for Kauri Point domestics (toilet paper etc), DMMG staff

clothing, Ordnance staff clothing and Supply staff clothing. (safety(PPE) and uniform)

7. The above, is not all the jobs that the 2 x of us do. We also do transport coordination, assist in ammunition transfers, liaising with customers both military and civilian contractors, along with other activities.
8. As we are a "satellite location", the requirement for 2 x persons is justified.
9. I have just received a Job Description, for the ONE position at Kauri Point, so I am assuming, that it is already done and dusted, that there will only be ONE person, in the store, at Kauri Point.