

DEFENCE FORCE REMUNERATION TRIBUNAL

MATTER NO 3 OF 2007

GRADED OFFICER PAY STRUCTURE

ADF OFFICER PLACEMENT

REASONS FOR DECISION

On 6 August 2007 the DFRT approved the placements of Australian Defence Force (ADF) officers, other than specialists, within the Graded Officer Pay Structure (GOPS).

Final placement of Reserve Officers will require further material to be presented to the Tribunal. A date for this hearing has been programmed for 4 December 2007.

We now publish our Reasons for Decision.

Background

In February 2006 the Tribunal approved a new pay structure for officers (Matter No 2 of 2003 - Remuneration Reform Project). As a result, recipients of Submarine Service, Special Action Forces, Specialist Operations and Flying Allowances were placed in the 10 banded structure at substantive or transitional pay points, depending on their circumstance. At that stage other officers continued at Pay Grade 2, which equated to the former Officers' Common Scale. The particular officer placements were:

- the Officer Common Scale in pay grade 2;
- Incident Response Regiment (IRR) in pay grade 2A (being a temporary pay grade);
- Commando, Aircrew with 0-2 years experience and Incident Response Regiment Additional Specialisation in pay grade 3;
- Aircrew with 2-4 years experience in pay grade 3A (being a temporary pay grade);
- Clearance Diver Advanced in pay grade 4;
- Training TAG East and Aircrew with 4-6 years experience in pay grade 5;
- Special Action Forces and Aircrew with 6-8 years experience in pay grade 5;
- Aircrew with 8-10 years experience at pay grade 9; and
- Aircrew with 10+ years experience at pay grade 10.

In those proceedings, the ADF foreshadowed preliminary officer placement proposals. In its reasons for decision the Tribunal stated:

“We note that employment group taxonomies and proposed placements within the structure are in the early stages of development. Each Service currently envisages a different approach, though Navy proposes elements of each of the other Service’s approach.

The Tribunal is not, at this stage, being asked to endorse the proposed taxonomies and we do not do so. Employment groupings will be tested as they are brought to the Tribunal for placement. We should indicate, however, that the practical effect of the Army taxonomy may be to reward rank progression twice for a large number of officers, as Army submitted that completion of staff college is a discriminator for future rank progression. The same rationale could be applied in the other Services, in addition to other criteria. Were we asked at this stage to endorse the Army taxonomy as proposed, we would have trouble doing so.”

In regard to the placement processes we stated:

“A necessary condition for the graded pay scales to operate effectively is that the ADF support the structure with rigorous management processes, applied with integrity. The Other Ranks placement system has been operating since 1995 with a definitional framework and benchmark categories that have established a stable matrix. The rigour of internal review through the Employment Category Review Committee has ensured appropriate placement of categories within the Other Ranks (OR) structure. In approving the new structure for officers, the Tribunal has placed considerable weight on the ADF’s commitment that the same internal management systems are to be applied in the placement of officer categories, with equal rigour.”

The Current Case

The ADF’s original intent was to populate the structure with officer employment groups on a case by case basis. This process began with DFRT hearings on Air Traffic Controllers and ADF Engineering officers in September and November 2006 respectively. Both submissions resulted in interim placements by the Tribunal, with final placements being reconsidered as part of a wider GOPS placement case.

The Tribunal noted that there were difficulties in considering the groups in isolation and that populating the structure through a series of individual cases would be slow. Therefore, the Tribunal proposed that the ADF submit a plan for the simultaneous placement of all officer categories, taking account of relativities between officer groups.

Submission and Evidence

The ADF

The ADF submitted, inter alia, that

“The GOPS and the proposed placement of officers within it, had the following characteristics: ...

- *it responds to the unique features of the ADF as a workforce by:*
 - *acknowledging the need for the ADF to manage the differences associated with each Service where they occur;*
 - *accommodating the need to reward the military rank construct as well as differential value by different means;*
 - *comprehending the ADF concept of ‘capability’ and the nexus between capability and human capital by acknowledging the hierarchy created by the contribution of each employment group and military career milestone to capability;*
 - *acknowledging the ADF need for human capital with flexibility;*
 - *providing the means to recognise unique expertise in warfighting skills; and*
 - *providing the means to address the significant sustainability issues which arise in a closed workforce (noting in particular the unique and comprehensive training pipelines and emphasis on military experience).*
- *it is based on a new, common and informed understanding of the relationship between Rank and Differential value;*
- *it overcomes shortcomings identified in earlier remuneration reviews most significantly by the actual provision of differential pay placement (the RRP structure provided for most of the ADF population only the potential for differential placement);*
- *it is underpinned by a common set of robust Enterprise-level factors which inform ADF pay structure placement:*
 1. *Professional skills/competency: this includes expertise, problem solving and accountability;*
 2. *Additional value derived from the need to respond to capability demands which encompasses the importance of the work conducted by the employment group to the achievement and sustainability of ADF capability, and;*
 3. *External market forces which informs on relevant rates payable in the broader labour market, as a snapshot from time to time.*

- *it is underpinned by a common set of principles in respect of the permanence of pay placement and the capacity to perform a range of work - and the need to look beyond a particular job at any particular time in favour of regarding classes of people in classes of jobs;*
- *it is a transparent arrangement, which in a practical and inaugural way provides incentive for the achievement of individual milestones that support the provision of ADF capability;*
- *it represents a collegiate approach to present internal relativities agreed at the very highest levels of the ADF (i.e. it has COSC endorsement);*
- *it represents an approach that enjoys a significant level of support from ADF members, and*
- *it is subject to the development of proper management principles.”*

It was proposed that the structure be populated in relative order by:

“Pay Grade 10:

- *The only employment group that populates Pay Grade 10 is ADF Aircrew with 10 years plus experience post wings. The group includes Air Force, Army and Navy pilots, Air Combat Officers (previously Air Force Navigators, Airborne Electronics officers and Fighter Controllers); and Navy Observers. Members of this employment group will generally be of the O4 – O6 ranks. This placement reflects the rate determined by the DFRT in relation to Flying Allowance (Qualification and Skill) in the 2005 review of Flying Allowance.*

Pay Grade 9:

- *ADF Aircrew with 8-10 years experience post wings. The group includes Air Force, Army and Navy pilots; Air Combat Officers and Navy Observers. Members of this employment group will generally be of the O3 – O4 ranks and reflects Qualification and Skill values determined by the DFRT in relation to the 2005 review of Flying Allowance.*
- *Navy members in a Command Appointment of a Major Fleet Unit (MFU) or Submarine Command. Members in these appointments will be at the rank of O5 or O6 in the case of a Major Fleet Unit, and O5 in the case of submarines. This placement reflects the significant and direct contribution to capability provided via the capacity to manage and fight these platforms. It recognises Command of seagoing platforms as the pinnacle of Navy employment and the significant levels of responsibility and accountability placed on members in these appointments. It is distinguished from the placement of comparable Command employments in Pay Grade 8 by sustainability issues impacting Navy and in particular Navy seaman officers.*

Pay Grade 8:

- *Army Unit Command appointments and other qualified SASR non-command placements; Navy shore Command appointments, Submariner Engineer Head of Department and Level 2 Engineers, and Air Force Air Traffic Control Command, and Engineer Command appointments. This placement is reflective of the significant contribution to capability provided by these employment groups. These are highly trained and experienced personnel with direct nexus to important capability outcomes. Information in relation to the specific basis for placement of engineering and Air Traffic Control categories was provided in hearing late 2006.*
- *Qualified (non-command) SASR placement reflects the attainment of what is assessed in Army to be the highest level of individual military qualifications and skills and capacity to operate in a complex, demanding and isolated environment. SASR officers placed at this pay grade will come from the ranks of O3 and above.*
- *In the case of members employed in Army unit command appointments and Navy shore command appointments, the placement reflects the unique capability contribution provided by members charged with responsibility of managing significant human and capital resources. An Army unit will generally comprise 400 – 800 personnel, require the management and maintenance of capital equipment valuing up to \$1B, and be able to deploy independently or with augmentation by additional Army or ADF assets. A unit is also capable of deployment of its sub parts, in which case its Commanding Officer (generally of O5 rank) could be responsible for the management assets geographically dispersed in complex environments. Navy Shore Command would normally comprise command of a non-seagoing unit typically responsible for training or base support functions to deployed assets. These appointments involve the management of complex relationships with multiple defence and contractor agencies. They involve management of comparable numbers of personnel and/or equipment. The Navy shore Commander will generally be of the O5 or O6 rank.*

Pay Grade 7:

- *Navy Minor War Vessel command, Executive Officer Major Fleet Unit, Submariner Executive Officer or Watch Leader, Commanding Officer Clearance Diving Team, Director of Meteorology, Supply Officer of a Major Fleet Unit, Engineer Head of Department or Engineer Submarine Charge Qualification, Army GSOs with sub unit command experience and graduation from Staff College, Army Engineers with specialist technical qualifications, Air Force engineers at the rank of Wing Commander and Group Captain, Air Traffic Controllers with Dual Rating, Logistics Officers in Command Appointments, ADF Aircrew with 6-8 years experience.*
- *Placement reflects a combination of qualification, skill, experience and capability/sustainability factors at generally comparable levels. These are niche*

ADF skill sets with direct nexus to the achievement of ADF military response options. Members placed in Pay Grade 7 will generally be at the senior O4 through O5 ranks. Placement in PG7 in some instances reflects the impact of sustainability issues – these are in the Air Traffic Control, Engineers, Logistics and Seaman Officers' streams.

- *Some Command appointments have been identified for placement at this point. These are Command of a Minor War Vessel (with specialisation), or equivalent; CO of a Clearance Diving Team; CO of an Army sub-Unit Command (by a graduate of the Grade 1 Staff Course); and CO of a RAAF Unit by a Senior LOG officer. These reflect an assessment indicating a lower level of complexity than those identified for placement at PG8 and PG9 (as well as the absence of any overriding sustainability issues.)*

Pay Grade 6:

- *Navy Engineers with Charge Qualification, Submarine Qualified Engineers, Seaman Officer with Advanced Qualification, Force Warfare Officers, Submariner Seaman Officers, Advanced Meteorologists, H1 Hydrographers and non-warfare officers in OIC type positions, Army GSOs with sub unit Command or graduated from Staff College, SASR trainees and qualified Commandos, Air Force Senior Logistics Officers, Engineers at the rank of Squadron Leader and Nursing Officer (Practitioner) Command.*
- *Placement of Seaman Officers at Pay grade 6 reflects the culmination of deep specialist qualification, skill, experience and contribution to capability factors. It also reflects the impact of sustainability issues and the requirement for Navy to pull its workforce through specific warfighting courses. Pay Grade 6 also reflects the top end of placement for non-warfare officers in Navy (unless they are later selected for Shore Command positions.) In the case of Army, sub unit commands are acknowledged as providing significant differential value which arises from the management of a deployable warfighting asset at a level lower than the unit level. It will necessarily involve less personnel and generally involve management of capital equipment of a lesser value than those at the unit level. Pay Grade 6 will generally be occupied by members at the senior O4 or junior O5 ranks.*

Pay Grade 5:

- *ADF Aircrew 4-6 years post wings employment, Navy engineering Primary Qualification, Seaman Officer Principal Warfare Officer, Commanding Officers of Minor Warfare Vessels (non specialised), Mine-warfare Clearance Diving Officers, Maritime Geospatial Officer – Meteorology, Maritime Geospatial Officer – Hydrographer, Supply Officer with Charge Qualification, Specialised Nursing and Psychology Officers, Air Force Air Combat Officer in Command, Air Traffic Controller with dual rating, Command in Combat System Enabler Categories, Nurses at practitioner level, Army GSO on completion of Grade 2 Staff course, Army Engineers completed intermediate course. In the case of Air Force and Navy, placement at Pay Grade 5 reflects a significant level of experience and expertise within a specialisation or the first step of a secondary*

specialisation. In the case of the Army GSO it reflects an ability to apply warfighting skills in non specialised staff positions at a Brigade, Divisional or Land Command headquarters. These groups are generally populated by members at the senior 03 through 04 ranks.

Pay Grade 4:

- *Attainment of the SMN [Seaman] officer Primary Qualification, intermediate qualifications and appointments in Navy non warfare categories; Air Force Air Combat Officer, Operations Officer and Air Battle Director; Senior Analyst Intelligence Officer, Dual Qualification or senior appointments within the Combat System Enabler specialisations; Army GSOs on completion of the advanced or intermediate course within the GSO progression, Army Commando trainees and Army professional streams on acquisition of a professional development qualification. ADF Aircrew 2-4 years post wings.*
- *The Navy placement reflects the acquisition of a skill set required to operate in the maritime environment, and significantly the acquisition of the warfighting skill set for seaman officers (important because the skill set can only be attained within the ADF). In the case of Air Force the group is characterised by the acquisition of senior specialist skills in support and battle space management functions. Placement of Army members reflects the acquisition of senior specialisation skills and the capacity to be employed as a specialist 2IC, operations officer or instructor at a specialisation school. Members of these groups will range from senior 02 through to 04 ranks.*

Pay Grade 3:

- *ADF Aircrew 0-2 years post wings, entry level engineers, Navy Primary Qualification in Supply and other non warfare specialisations, Air Force Air Combat Officer – Weapons Director or regional Surveillance Director, Air Traffic Controller Single level rating, Dual Qualification Intelligence Officers, and intermediate levels of qualification for Combat System Enabler specialisations, Army GSO on completion of Basic Course and Grade 3 Staff Course. This group is characterised by initial qualification and specialisations skills. Members in these groups will generally be in the 02 – 03 ranks. ADF Engineers enter at Pay Grade 3 on the basis of the level of qualification held on entry and sustainability issues.*

Pay Grade 2:

- *In recognition of the historical background of the GOPS structure Pay Grade 2 reflects the old Officers' Common Scale, and is generally the entry point to which all officers are commissioned.*
- *It will generally be populated by all officers on graduation from RMC, ADFA OTS, or commissioning through other schemes. Members in Pay Grade 2 in this capacity will generally be at the 01 – 02 ranks. PG2 will also accommodate employment groups in Navy where no additional differential value has presently been identified. These specialisations are Warrant Officer Entry (WO(E)) on*

prescribed duties; Instructor Training (IT), Public Relations (PRL) and Administration (ADMIN) groups.

Pay Grade 1:

- *In the event that the GOPS placement exercise is approved in its present form, PGI will be utilised. For example, for officers of the Reserve who have yet to achieve full training competency. It also provides potential options in future considerations (such as a review of the Training rates, for example)."*

Service Placement Proposals

In regard to service placement proposals, referred to by the ADF as the "Service Taxonomies", it was submitted that the underpinning philosophies adopted by each service are as follows:

"Navy

- *Adopts a specialisation-focused approach.*
- *Uses points of demonstrable work value in each specialisation to increase pay points in accordance with the agreed placement factors.*
- *Inherent in the placement proposal is the impact of sustainability which, in many Navy specialisations, and in particular the 'warfare' specialisations, is threatened or critical.*
- *The placement patterns place particular emphasis on employment groups with specific contribution to the seagoing platform.*

Army

- *Rejects a specialisation based taxonomy on the basis that its deployment model and supporting training and management systems require a more generalist approach to taxonomy.*
- *Adopts a placement model based on the General Service Officer with exceptions for Engineers and Special Forces personnel.*
- *Utilises a combination of specialist and general training and command to differentiate work value attributable to employment in accordance with the agreed placement principles.*

Air Force

- *Adopts a primarily specialisation based approach to the Taxonomy largely informed by a grouping of specialisations into hierarchical bands consistent with capability contribution (Battlespace Command and Control, Battlespace Operations and Combat Support).*

- *Placement beyond Pay Grade 2 coincides with the completion of specialisation based training and periods of specialisation specific employment in accordance with the agreed placement principles.*
- *Relative to Navy and Army, the Air Force Taxonomy features lower placement overall for the Combat System Enabling specialisation. Whilst Air Force considers these specialisations to provide similar capability outputs as their Navy and Army counterparts, their placement is informed by work value and contribution to capability and does not include any component for sustainability, with the exception of some niche capabilities (eg Air Traffic Control, Logistics and Engineers).*
- *Is generally more cautious as Air Force is in a state of rapid and profound change.”*

Common Features of the Service Models

The ADF submitted that the common features of the three models are:

***“Entry Point.** Entry for all officers except Engineers presently occurs at Pay Grade 2. An assessment of value and subsequent placement is informed by traditional Principle 6 type work value considerations with a new emphasis on relative value attributable to contribution to maritime capability, land capability and air capability. By way of illustration, those groups within the Air Force proposal which feature on the right hand side of the placement proposal have the most direct nexus with the means of projecting air power – Aircrew. In Navy the groups that enjoy far right hand placement also contribute in significant ways to fighting or sustaining a sea going platform (eg personnel with Seaman specialisation, Charge Qualification, experience as HOD, Shore Command or XO). In Army, as the deployment model is the Battle Group, emphasis is placed on Warfighting Skills and contribution within the Battle Group; with particular emphasis on sub-unit and unit command as well as contributions at the strategic level.*

Movement to the right generally coincides with movement through employment that contributes at the tactical, operational and finally strategic levels.

***Command.** All Services regard command as an appointment with significant additional work value and as constituting a proper basis for increased pay placement.*

- *Command (at the unit level) features at the far right hand side of the Service taxonomies for Army and Navy. Unit level command in Army sits at Pay Grade 8. Navy Major Fleet Unit Command sits at Pay Grade 9. This is highest pay grade placement of ADF employment groups with the exception of Aircrew.*
- *The position for Air Force is slightly different. Up to (and including) PG7, Air Force command appointments are acknowledged by one relative pay grade placement to the right, which differs from the absolute pay grade placement for Command inherent in Navy and Army taxonomies. The end result is not dissimilar*

for many employment groups, as illustrated in Figure 5.5 (page 69) of Volume 1. The treatment of Air Force command is different for the following reasons:

- A significant number of Air Force Commands are held by officers who are in the Aircrew employment group, who are already placed at the highest levels in the structure.*
- There is no sustainability factor inherent in Air Force Command placement, as the dynamics of the workforce do not currently need it. This situation can be reviewed if workforce dynamics change.*
- The workforce is presently in transition.*
- Command (at the sub unit level) features at pay grades 5 through 7 for Navy and Army.”*

Areas of Divergence

The areas of divergence identified by the ADF are:

- *“differences in the assessment of contribution to capability;*
- *differences in the method of training, employment and management;*
- *differences in the impact of sustainability issues;*
- *the varying timeframe to reach a particular level.*

Command. While acknowledged by all Services as providing a basis for increased remuneration, Command is addressed by absolute placement in the case of Navy and Army and increased relative placement in the case of the Air Force.”

Treatment of Transitional Grades

The parties submitted that they used the gross placement exercise as an opportunity to rationalise and remove transitional pay grades as follows:

- PG2A was previously populated by IRR officers, 126 and 152 Signal Squadrons. These officers are all engineers who progress to PG3 on the basis of the Tribunal’s interim decision re ADF Engineers. Commando Trainees were also accommodated in 2A, but the Special Operations proposal would put them in PG4.
- PG3A is populated by Aircrew officers on the previous 2-4 year Q&S rate of Flying Allowance. It is proposed that these officers be accommodated in PG4.
- PG4A is populated by TAG(E) trainees, to be moved to a substantive pay grade in the Special Operations proposal.
- PG4C is populated by qualified submariners. Under the present proposal submariners would receive differential treatment dependant on specialisation,

sub-specialisation and Command status, which would result in Pay Grade placement ranging from PG6 through PG9.

Air Combat Officers

Air Force has introduced a new employment group, Air Combat Officers (ACO), comprising ACT (Navigation), ACO (Air Electronics) and ACO (Aerospace Battle Management). Officers newly recruited to this employment group are currently progressing through the Defence Force Academy and new ACO specialisation courses are being developed for them.

It was submitted that once these courses are complete the ADF will return to the Tribunal and seek a substantive placement framework for the ACO employment category. It was also said that the development of the ACO construct would raise the need to consider the role of pilots in the overall officer workforce.

Management of Pay Grade Placement

The ADF proposed the institution of “overarching principles for GOPS Management” which would detail guidelines on such matters as: future placement of officers; delegates; reversion in salary; qualifying conditions for placement; higher duties placement and transitional arrangements. The ADF intends that such guidelines will be included in a Defence Instruction (General) or a similar document.

The Relationship Between 06 and 07 Salary

In material presented to the Tribunal in Matter No 3 of 2007, the ADF acknowledged that the population of the GOPS would, if implemented as proposed, result in the salaries of a significant number of 06 officers exceeding those of some 07 officers.

It was submitted that, pre-GOPS, the salary of about 35% of 06 officers penetrated the 07 salary band, the overwhelming majority of these being officers in Pay Grade 9 and 10 as a result of the roll-in of the Qualification on Skill elements of Flying Allowance. The Tribunal’s approval of the GOPS placement would result in 93.5% of 06 officers being paid more than the base rate for 07 officers.

The ADF advised that the Chiefs of Service Committee (COSC) considered a number of options to address this. The option chosen for the short term proposed moving the base rate for 07 officers from \$127,882 to \$138,113, which would effectively remove the lower 40% of the existing 07 salary band. It was said that this would reduce 06 overlap to only those officers on Pay Grades 9 and 10. The existing 08 band would remain unchanged.

It was also submitted that a review of the Star Ranks Remuneration Arrangement in May 2008 would provide an opportunity to further consider 07 and 08 officer salaries.

Those Consulted

The Tribunal met with a wide range of senior ADF officers to discuss details of the proposed placements and their rationale, and to explore any cross service issues. Officers consulted were: the Chief of the Defence Force; Vice Chief of Defence Force; Chiefs of Navy, Army and Air Force; Chief of Capability Development

Executive; the Fleet Commander, the Land Commander, the Air Commander and the Special Operations Commander.

We also met with groups of officers to hear their views on the placements proposed. The discussions were held on 28 May 2007 with Navy Officers at HMAS WATSON, on 31 May 2007 at RAAF Williamtown with Air Force Officers and 7 June 2007 at Robertson Barracks with Army Officers.

On 15 May 2007 the Tribunal visited the Australian Defence College at Weston Creek for presentations on such matters as officer career management and development and on training.

Reserve Officer Placement

It was proposed that Reserve Officers on discounted daily rates would be subject to a placement hearing on 4-5 December 2007.

Witness Evidence

The ADF called the following witnesses:

Commander G Blackburn, Director Navy Warfare Professional Requirements; Rear Admiral N.S. Coates, Fleet Commander Australia; Colonel A.F. McLachlan, Commander Career Management Agency Army; Brigadier P.B. Symons, Director General Personnel Army; Air Commodore J.S. Hewitson, Director General Personnel Air Force; Major General M.S.J. Hindmarsh, Special Operation Commander Australia and Lieutenant Colonel M.A. Smethurst, Commanding Officer 4th Battalion Royal Australian Regiment (Commando).

Commonwealth Submissions

The Commonwealth submitted that it had been involved with the ADF from an early stage in the development of the material presented to the Tribunal. It was said that this was an agreed case, subject to the points of departure identified in opening submissions.

Those points of departure were:

- the nature of Pay Grades 9 and 10 and the placement of aircrew in those grades; and
- placement of Commanding Officers of Major Fleet Units in Pay Grade 9.

In final submissions the Commonwealth said that the concerns expressed had been addressed in the course of proceedings. On the aircrew issue, the Commonwealth submitted that, in view of assurances by Air Force that a review of these categories would be conducted by the end of 2008, placement at Pay Grades 9 and 10 was appropriate, subject to that review.

On the issue of Pay Grade 9 for Commanding Officers of Major Fleet Units, the Commonwealth was satisfied that the evidence of Rear Admiral Coates provided justification for placement at that pay grade.

The Returned and Service League of Australia and the Regular Defence Force Welfare Association (RSL and RDFWA)

The RSL and RDFWA supported the placements proposed by the ADF as supported by the Commonwealth.

CONSIDERATION

Design of the salary structure for officers, approved by the Tribunal in February 2006, was at least a four year project. The ADF initially proposed that the structure be populated in a series of separate cases for officer categories or groups. The difficulties in doing so quickly became apparent – considering groups in isolation was sub-optimal and the process would stretch over several years. Instead, the Tribunal sought from the ADF a plan to place all officer categories simultaneously in the new structure, taking account of relativities in work done and any other relevant factors. To speed up the process the Tribunal adapted its procedures to engage directly with the ADF leadership and sample groups of officers affected by the proposed placements. Consequently, the Tribunal has been exposed at several stages to the developing proposals.

A key issue for the Tribunal in the consultation was whether the outcome of the placement exercise is manageable and sustainable. We were particularly concerned with cross Service differences and any impact on joint operations – for example, differences in how command was to be recognized. Having pressed this question, we accept the Chief of the Defence Force's and Service Chiefs' assurances that the different approaches of the Services, being appropriate to their cultures, are manageable across the ADF without weakening its joint nature.

The ADF's placement principles and Service proposals have evolved over the life of the Remuneration Reform Project. While the structure allows for flexibility and differentiation across the officer population, the placement proposals involve only limited differentiation within rank, at least up to 04 level. Vertical progression with seniority in the Officers' Common Scale is largely replaced by diagonal progression up and across the pay grade matrix. So, for example, all Army general service officers (not including engineers) progress from Pay Grade 2 at 02 rank to Pay Grade 5 at 04 rank; differentiation comes only at that point with various command appointments.

While we were not concerned with the extra recognition and reward for command roles – indeed we see it as warranted and timely – we did press the leadership team on the appropriate level of differentiation within and between categories. We did so because placements now, constrain future options for flexibility. The top end of the structure is limited by intrusion into the star rank scales, so that its practical limit is the available 10 pay grades. Using all the available bandwidth now makes it difficult to introduce greater differentiation as the ADF gains experience with this new structure.

Moreover, the proposals were developed without considering their relationship with the star rank salary structure, with the result that officers promoted from 06 necessarily transition into the top half of the 07 range. The Tribunal raised this at the outset. Consequently, we have not accepted the expedient proposed to simply

truncate the 07 range by cutting off the bottom 40%. We see this as a bandaid which is unacceptable. Rather, the ADF needs to review its approach to remuneration for its most senior ranks, taking the opportunity to look beyond base pay and concentrate on the most effective way to remunerate its leadership.

While these may be seen as arguments for adopting a cautious approach, we were satisfied that the ADF leadership had carefully considered relativities, understanding that pay grade 10 is the foreseeable limit of the 01 to 06 structure. We accept the CDF's view that there is no realistic prospect of the ADF arguing for placement of a category higher than sea command or SAS officers. Consequently, introduction of further differentiation in the future is to be accommodated within those bounds. We have accepted the ADF and Commonwealth proposals on that basis.

Further, we have considered the salary movements for officers resulting from the proposed placements. While the ADF, supported by the Commonwealth, sought to justify the results on the basis of Service sustainability, we are not troubled by the results, conscious of the demands of work in the ADF and taking account of the market for managerial and leadership talent. As a separate comment however, we observe again that the ADF should adopt a more sophisticated approach in helping its officers understand the full value of the ADF remuneration package.

We did, though, have difficulty with Army's proposal that completion of training courses provide the trigger points for advancing in pay grade. Accordingly, we rejected the first proposal to place Army engineers. In our view, sound principle requires that payment be for skills applied, rather than skills acquired. By contrast, the revised Army proposal, submitted on the last day of hearing, relies on sound transition points, supported by Army's existing management systems, such that the Tribunal accepts the proposed placement of general service officers. Similarly, we have placed Army engineers as proposed, accepting with some misgivings that Army does not differentiate in its employment of those without professional qualifications.

Returning to command, there are some differences in the Services' approaches. Air Force has placed less emphasis on this factor in its proposed placements, noting that aircrew are already placed in the higher pay grades and recognised as its primary leadership group. Similarly, the ADF submits that, unlike the rest of Army, the nature of SAS service does not require separate recognition of command. Further, sea command is argued to carry a higher weighting, partly on sustainability grounds. Across the Services, the command roles recognised for pay grade placement are those listed, and to be regularly reviewed, by the Service Chiefs. The different approaches of each Service mean that there may be different outcomes for those in similar roles in joint environments, such as the Australian Defence Force Academy. The leadership team was not concerned by the management challenge this raises. The CDF and Service Chiefs assured us that the difficulty of managing such situations is outweighed by the importance of each Service maintaining the integrity of its particular approach to command structures and systems. Effectively, the ADF argues that effectiveness is not to be subordinated to equity. The ADF approach was endorsed by the Commonwealth. In this case, we have decided to accept the ADF's proposals on recognition of command.

As previously stated, in our reasons for decision on the Remuneration Reform Project, we stressed the need for rigour in managing the structure and placements, to ensure their ongoing integrity. In coming to our decision in this matter we have relied on the ADF's commitment that similar internal management systems are to be applied in the placement of officer categories, with equal rigour.

The Tribunal has now determined revised salary structures for Other Ranks, Warrant Officers and Officers. Although these structures have been determined separately, we regard them as interdependent - part of a continuum.

The next step is to further refine the Other Ranks scales, by rationalising the 16 pay groups, temporarily created, to a lesser number, in a structure with more significant differentials for skill progression. We have scheduled dates for this review in the first half of 2008, but encourage the parties to expedite the matter.

The Tribunal has had cause to comment previously on the Department of Defence's inability to implement remuneration changes in a timely fashion. We again note that it will be several months before officers are paid the salaries resulting from these placements. We do not understand how delays in implementation that would be unacceptable in other organizations are acceptable in the ADF.

DECISION

In summary, the Tribunal has decided:

- to approve the placements of 01-06 officers in the Graded Officer Pay Structure;
- to consider separately placement of Reserve Officers in the GOPS;
- to list for hearing further rationalisation of the Other Ranks Salary Structure; and
- to list for hearing remuneration for 07 and 08 officers.

The Tribunal approved the officer placement determination on 23 August 2007, giving effect to the placements on and from 9 August 2007.

Appearances

R. Kenzie QC, Defence Force Advocate with A. Bradshaw for the Australian Defence Force.

M.O'Neill, Commonwealth Advocate with C Gifford for the Commonwealth.

Dates and Places of Hearings

13 June 2007, Canberra	11 July 2007, Canberra	12 July 2007, Canberra
18 July 2007, Canberra	25 July 2007, Canberra	26 July 2007, Canberra
	1 August 2007, Canberra	