
The Parliament of the Commonwealth of Australia

Review of the Defence Annual Report 2009-2010

Joint Standing Committee on Foreign Affairs, Defence and Trade

February 2012
Canberra

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Super Hornet A44-204 performs a work up flight over Sierra Nevada Mountain Range in California, USA.

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Soldiers and armoured vehicles assault an enemy position during Exercise Chong Ju at Puckapunyal, Victoria.

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HMAS Ballarat sails towards the training area for Exercise Talisman Sabre 2011.

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Australian engineer Corporal Martyn Ansell leads a search for improvised explosive devices (IEDs) during a patrol in the Tangi Valley, southern Afghanistan.

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Terms of reference

Pursuant to paragraph 1 (b) of its resolution of appointment, the Joint Standing Committee on Foreign Affairs, Defence and Trade is empowered to consider and report on the annual reports of government agencies, in accordance with a schedule presented by the Speaker of the House of Representatives.¹

The Speaker's schedule lists annual reports from agencies within the Defence and Foreign Affairs portfolios as being available for review by the Committee.²

On 3 February 2011 the Joint Standing Committee on Foreign Affairs, Defence and Trade authorised the Defence Sub-Committee to review the Department of Defence Annual Report 2009-2010.

1 See *Resolution of Appointment* <<http://www.aph.gov.au/house/committee/jfadt/resoltn.htm>> viewed on 25 October 2011.

2 Speaker's Schedule: Allocation to Committees of Annual Reports of Departments, Agencies, Authorities and Companies.



List of abbreviations

AEW&C	Airborne Early Warning and Control
ADF	Australian Defence Force
ANAO	Australian National Audit Office
ANEF	Australian Noise Exposure Forecast
ARH	Armed Reconnaissance Helicopter
AWD	Air Warfare Destroyers
CDF	Chief of the Defence Force
CDG	Capability Development Group
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CT	Counterterrorism
CTOL	Conventional take-off and landing
DDG 51	US Arleigh Burke class guided missile destroyers
DCP	Defence Capability Plan
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation

EADS	European Aeronautic Defence and Space
EMD	Engineering, manufacturing and development
FCA	Federal Court of Australia
FFG	Guided Missile Frigates
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOC	Final Operational Capability
GAO	US Government Accounting Office
HF	High Frequency
HMAS	Her Majesty's Australian Ships
IED	Improvised explosive devices
IOC	Initial Operational Capability
ISAF	International Security Assistance Force
ISF	International Stabilisation Force
JLTV	Joint Light Tactical Vehicle
JSF	Joint Strike Fighter
L-3	L-3 Communications MAS Inc
LARS	Launch and Recovery System
LHD	Landing helicopter deck
MOT	Military-Off-The-Shelf
MRH	Multi Role Helicopter
MSA	Manufactured and supported in Australia
NACC	New Air Combat Capability
NATO	North Atlantic Treaty Organization
NFH	Nato Frigate Helicopter

NZDF	New Zealand Defence Force
PBS	Portfolio Budget Statement
PER	Public Environment Report
PMV-L	Protected Mobility Vehicles - light
PS Act	<i>Public Service Act 1999</i>
RAAF	Royal Australian Air Force
SAS	Special Air Service
SES	Senior Executive Service
SETF	Submarine Escape Training Facility
TUCF	The Underwater Centre Fremantle
UN	United Nations
UNSCR	United Nations Security Council resolution
US	United States
USAF	United States Air Force
USN	United States Navy



List of recommendations

1 Introduction

Recommendation 1

The Department of Defence review its practices and procedures to ensure that answers to the Committee's questions on notice are provided in a more timely manner.

Introduction

- 1.1 During the period July 2009 to June 2010, Defence continued its engagement in military operations around the world.
- 1.2 The Australian Defence Force (ADF) was involved in 15 operations both nationally and internationally in areas such as East Timor, Solomon Islands, Papua New Guinea, the Middle East, Iraq and Afghanistan.¹
- 1.3 ADF also assisted with a number of natural disasters in Tonga, Papua New Guinea, Fiji, Indonesia, Samoa, Pakistan and Haiti.²
- 1.4 In 2010 Operation CATALYST, the ADF's contribution to the United States-led multinational effort to develop a secure and stable environment in Iraq, concluded.³

Annual Report review objectives and scope

- 1.5 The review of the Defence Annual Report is an important task and an opportunity for the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to inquire into a broad range of Defence issues as part of the process of accountability of Government agencies to Parliament. The Sub-Committee takes this responsibility very seriously.

1 Department of Defence, *Defence Annual Report 2009-10 Volume 1*. p. 3

2 Department of Defence, *Defence Annual Report 2009-10 Volume 1*. p. 3

3 Department of Defence, *Defence Annual Report 2009-10 Volume 1*. p. 3

- 1.6 The Sub-Committee took evidence from senior Department of Defence officials at a public hearing held in Canberra on 25 March 2011. The transcript of the hearing is available on the Committee's website.⁴
- 1.7 The proceedings of the hearing were webcast over the internet through the Parliament's website, allowing interested parties to watch the proceedings as they occurred.
- 1.8 The Committee advertised the inquiry and received one submission. The Sub-Committee thanks that organisation for their contribution.
- 1.9 The Sub-Committee would also like to note that the Defence environment is a dynamic one. This report covers the financial year 2009-2010 and, unless absolutely necessary, does not refer to information after this period.

Focus areas

- 1.10 The sub-committee selected a broad range of issues for examination at the public hearing. In broad terms, the focus areas were:
- Strategic Reform Program
 - Personnel
 - ⇒ People in Defence Strategy
 - ⇒ ADF Pay Remediation
 - ⇒ ADF Mental Health Reforms
 - Justice and Security
 - ⇒ Military Justice
 - ⇒ Security of Vital National Assets in the North West of Australia
 - ⇒ Border Protection Command
 - ⇒ ADF Base Security
 - Defence Materiel Organisation
 - ⇒ Reform and Procurement
 - ⇒ Projects of Concern
 - ⇒ Specific Projects.

4 See:
http://www.aph.gov.au/house/committee/jfadt/defenceannualreport_2009_2010/hearings/Official%20Hansard%20-%2025%20March%202011.pdf

The public hearing

- 1.11 Due to the size and complexity of the Defence Department, the Committee Secretariat offered to assist Defence in its preparation for the public hearing on 25 March 2011. Unfortunately, other than the Secretary, the Chief of the Defence Force (CDF) and those officers representing DMO, Defence officials seemed poorly briefed and ill prepared for the hearing.
- 1.12 This lack of preparedness was compounded by the delay in the provision of answers to questions taken on notice.
- 1.13 The Committee contends that proper planning would have ensured that Defence had an appropriate senior officer available at the hearing to answer questions put to it.

Answers to question on notice

- 1.14 The Sub-Committee held its public hearing into the Defence Annual Report 2009-10 on 25 March 2011. Twenty seven questions on notice with an additional three written questions were confirmed with Defence on 18 April 2011. Defence were asked to provide responses as one submission by 7 June 2011 and, after being unable to provide responses by that date, were asked to provide responses by 1 July 2011. This timeframe was also not met.
- 1.15 Responses were received as follows:
- Answers to questions 1, 2, 5, 6, 11, 16 and 17 on 11 August 2011;
 - Answers to questions: 3, 4, 7, 8, 9, 10, 12, 13, 14, 15, 18, 19, 20, 21, 22, 24, 25, 26, 27 and written questions 1 and 2 on 15 August 2011;
 - Answer to question 23 on 23 August; and,
 - Answer to written question 3 on 20 September.
- 1.16 Answers to questions on notice were provided some five months after the hearing. The Committee acknowledges there are many pressing matters for the Department but believes this delay is unacceptable. The Committee cannot be sure if the hold-up was in the Minister's office, was due to Defence Ministerial and Executive Support or from the line areas responsible for drafting answers to the questions on notice.

- 1.17 The Committee recommends that the Department of Defence review its practices and procedures to ensure that answers to the Committee's questions on notice are provided in a more timely manner.

Recommendation 1

The Department of Defence review its practices and procedures to ensure that answers to the Committee's questions on notice are provided in a more timely manner.

Strategic Reform Program

Background

- 2.1 The Strategic Reform Program (SRP) was initiated in the 2009 Defence White Paper '*Defending Australia in the Asia Pacific Century: Force 2030*'. The SRP comprises a "comprehensive set of reforms that will fundamentally overhaul the entire Defence enterprise, producing efficiencies and creating savings of about \$20 billion" over the next 10 years.¹
- 2.2 As outlined in Defence's '*The Strategic Defence Program – Delivering Force 2030*' document the reform program has three key elements:
- *Improved Accountability in Defence.* Providing much greater transparency – that is, visibility of how Defence manages the close to \$26 billion annual budget – will strengthen the accountability of Defence, and individuals within Defence, to the Government, to Parliament and the Australian taxpayer.
 - *Improved Defence Planning.* Improving our strategic and corporate level planning will strengthen the link between strategic planning and the definition and development of military capabilities; better control the cost of military preparedness; and tighten governance and systems to ensure that Defence accurately forecasts and manages major acquisitions.
 - *Enhance Productivity in Defence.* Implementing smarter, tighter and more cost effective business processes and practices will make sustainment and support management more efficient and

1 Department of Defence '*Defending Australia in the Asia Pacific Century: Force 2030*', p. 107

effective; improve cost effectiveness for military capability and procurement processes; and create the basis for a more efficient Defence Estate footprint.²

2.3 Defence anticipated cost reductions of \$797 million in 2009-10; and intends that the SRP will deliver more than \$1 billion in cost reductions in 2010-11 as part of the \$6.4 billion in planned cost reductions across the forward estimates.³

2.4 The Committee asked about the impact of the SRP savings for the last two financial years if the Australian dollar was 75c, not parity. Defence replied:

Exposure to foreign exchange movements is managed in accordance with the Australian Government Foreign Exchange Risk Management Guidelines.

Under this arrangement Defence is protected from the risk of foreign exchange movements on a no-win/no-loss basis.

Defence is required to return to the Government any surplus foreign exchange supplementation for an appreciation of the Australian dollar relative to other currencies.

Defence is supplemented by Government for foreign exchange losses incurred due to depreciation of the Australian dollar relative to other currencies.

Under this arrangement Defence's purchasing power is not impacted by fluctuations in foreign exchange rates and therefore there is no impact on SRP savings resulting from fluctuations in the value of the Australian dollar.

In addition, the SRP savings are mainly derived from Australian based activities and are therefore not impacted by foreign exchange movements.⁴

2 Department of Defence *'The Strategic Defence Program – Delivering Force 2030'* p. 5

3 Parliamentary Library, *Budget Review 2010-2011*, Parliamentary Library Research Paper 26 May 2010 No. 17, p. 58.

4 Department of Defence, *Submission 3*, p. 2.

Current Status

2.5 Documentation and hard evidence of the outcomes of the SRP were hard for the Committee to find. The Committee notes comments by the Australian Strategic Policy Institute (ASPI) as follows:

... the scarcity of information about the SRP makes it difficult to be precise about what is going to happen.⁵

... the level of disclosure surrounding the SRP is surprisingly slight.⁶

In most areas we will probably never know whether the planned savings are delivered or not.⁷

2.6 The Committee also notes that:

Defence ceased disclosing actual expenses by item in the 2006-07 Annual Report. It is impossible to check for reduced spending in an area in the absence of a baseline figure.⁸

2.7 What these statements point to is the difficulty, in an organisation as big as Defence of tracking savings. The Committee, therefore, spent much of its questioning of Defence on the idea of a 'cost conscious culture.'

A cost conscious culture

2.8 Regardless of savings expected or imposed by government in any given budget year or funding cycle, Defence will be well served with having a 'cost conscious culture.'

2.9 The Committee asked how Defence was progressing on achieving a 'cost conscious culture'. Defence stated that the SRP would require Defence to:

... produce cost reductions in Defence expenditure by \$20 billion over 10 years. That is a fairly substantial amount, even with a budget of our size. It is a very substantial amount, when you realise that a large number of areas are off limits for cost reductions. For example, military manpower and costs of that

5 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2009-10*, May 2009, p. 117.

6 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2009-10*, May 2009, p. 117.

7 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2009-10*, May 2009, p. 122.

8 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2009-10*, May 2009, p. 116.

manpower are set and we cannot reduce those in order to meet our savings targets or our cost reduction targets, so it is requiring us to operate very differently.⁹

2.10 Defence then went on to explain that:

We have a number of specific cost reduction targets and specific cost reduction means which we are using, but the reality is that we will only achieve and sustain the cost reductions we are being asked to make if we change to an organisation which is much more cost conscious in what we do.¹⁰

2.11 Defence further responded that in order to change to a more cost conscious culture there needs to be a change in people's behaviour.¹¹ Defence gave the example of a specific cost reduction measure they have implemented in relation to reducing the Defence travel budget

We are trying to reduce it both by travelling less and by being more cost conscious on air fares. Can we video con; can we not make the trip; can we send fewer people?¹²

2.12 In addition to this, cost reduction measures have been taken in the ICT area where there has been:

... a lot of work to create a system where our technologies are more integrated. We have different sorts of contracts with industry and we get more capability out of the ICT systems, so what that leads to is more value, in the form of more capability, and more functionality, but it also means that we get more value in terms of greater efficiency and less cost.¹³

2.13 Defence went on to add that they have regular reporting responsibilities to government and the Defence Strategic Reform Advisory Board which is a group of "public and private sector people experienced in change management, including the secretaries of Finance, Treasury and PM&C."¹⁴

2.14 Defence explained that in terms of achieving those cost reductions they are:

... one and two-third years into it. We achieved our cost reduction targets last year. Looking on the basis of everything so far, we are

9 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 2

10 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 2

11 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 2

12 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 2

13 Mr Brendan Sargeant, Department of Defence, *Transcript* 25 March 2011, p. 3

14 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 3

certainly well on the way to achieving them this year and we expect to do that. The targets get harder to achieve. We are looking to make cost reductions of about \$1 billion next year. I think in two years time it rises to nearly \$2 billion.¹⁵

2.15 The Committee expressed the concern that Defence overachievement on some savings is related to one-off costs with a consequent negative impact on capability.

2.16 Defence responded that:

There has been no effect on capability as a consequence of the strategic reform program, and that is our intent as we go forward. It is a fundamental principle that underpins everything that we do.¹⁶

2.17 The Committee expressed concern that in order to meet the increased cost reductions associated with the SRP efficiencies in personnel costs would have to be considered.

2.18 Defence explained that "In terms of retention, we are seeing historically probably the best retention we have ever experienced in the last 20 years."¹⁷ However:

In terms of reducing personnel costs, one of the things that we are looking at, as part of the strategic reform program, is the support areas which are currently done by military people and contractors and basically creating those positions within the Australian Public Service. The reason we do that is, if you have a look at a military person and an APS person doing the same job, it is much more expensive to use a military person to do that job.¹⁸

Part of our reform program is civilianising some of those support areas where the people are not required to deploy and where the changeover to a civilian position will not affect things like the Navy's ship-to-shore ratio.¹⁹

2.19 The Committee asked the Department to look at the cost of civilianisation of every position in 2005. That is, for example, for every military role turned into a civilianised role, how many people at what cost have now filled those roles.

15 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 3

16 Air Chief Marshal Angus Houston, Department of Defence, *Transcript* 25 March 2011, p. 5

17 Air Chief Marshal Angus Houston, Department of Defence, *Transcript* 25 March 2011, p. 11

18 Air Chief Marshal Angus Houston, Department of Defence, *Transcript* 25 March 2011, p. 11

19 Dr Ian Watt, Department of Defence, *Transcript* 25 March 2011, p. 11

2.20 Defence replied:

Over the period FY 2005-06 to FY 2009-10 there were a total of 153 enduring civilianisations excluding Navy military positions that were temporarily civilianised during this period. This resulted in an approximate saving of approximately \$18m . . .

Based on actual expenditure in FY2009-10, including remuneration and on-costs, the average total cost of a military member (excluding Star ranked officers) was \$150,375 which is higher than the average total cost of \$119,077 for a civilian employee.

The higher cost for military members arises from remuneration including allowances and additional on-costs for health, housing, removals and other costs that are not typically incurred with civilian employees.

The 2008 Audit of the Defence Budget also acknowledged that the full costs of civilian employees are significantly lower than their military equivalents.²⁰

2.21 The Committee also notes the following assessment by the Parliamentary Library:

. . . the success of the SRP could be difficult to gauge, especially for those outside Defence. Over half of the initiatives are not targeting direct cost reductions, but aim to promote a cost-conscious and business-like cultural change across the Defence organisation. There is also little indication on the public record of how any actual cost reductions will be measured or reported over the next decade, and no guarantee that the method used will remain consistent and thus allow valid comparison.²¹

2.22 The Committee is also concerned to note the following statement from the Australian National Audit Office's Audit Report No. 57 2010-2011 *Acceptance into Service of Navy Capability*:

. . .the overall picture is of a capability development system that has not consistently identified and responded, in a timely and comprehensive way, to conditions that adversely affected Navy capability acquisition and support. Opportunities to identify and mitigate cost, schedule and technical risks have been missed,

20 Department of Defence, *Submission 3*, p. 4.

21 Parliamentary Library Briefing Book, *The Defence Strategic Reform Program (SRP)* <<http://www.aph.gov.au/library/pubs/BriefingBook43p/defence-srp.htm>> viewed 4 August 2011.

resulting in chronic delays in Navy Mission Systems achieving Final Operational Capability.²²

- 2.23 As one example of a practice that is not indicative of a 'cost conscious' culture the Committee notes the levels of fraud within Defence and the way in which Defence chooses to report this with the focus on activity rather than results.
- 2.24 The Fraud and Ethics Section of the Annual Report states that:
- 216 fraud and ethics awareness presentations were delivered to over 12,000 Defence and DMO personnel across Australia. In addition over 16,000 personnel completed fraud and ethics awareness training through the Defence e-learning platform, CAMPUS.²³
- 2.25 These figures on training levels seem impressive but the figures show that fraud recovery fell from approximately 43.56% or \$300,796 recovered from a loss of \$690,452 in 2008-09 to 34.56% or \$359,393 recovered from a loss of \$1,039,721 in 2009-2010.
- 2.26 Losses due to fraud also increased by 50.58% in 2009-2010. An increase of \$349,269 from \$690,452 in 2008-2009 to \$1,039,721 in 2009-2010.
- 2.27 Defence explain these figures with detailed footnotes pointing to recovery times and difficulty in recovery from an offender but the true picture remains that, for 2009-2010, regardless of the impressive levels of "awareness presentations" Defence have lost over \$1 million to fraud which has been an increase over 2008-2009 of 50.58%.

Committee conclusions

- 2.28 The Committee acknowledge the difficulty in any organisation creating 'cultural change'. However, the Committee is concerned that:
- Defence will not be able to institute the cost conscious culture necessary, not only for the SRP, but for the Defence organisation long past 2030.

²² The Australian National Audit Office's Audit Report No. 57 2010-2011 *Acceptance into Service of Navy Capability*, p. 20.

²³ Department of Defence, *Defence Annual Report 2009-2010 Volume One*, p. 158.

- The SRP relies more on cultural change than rigorously costed savings plans.
- Creativity and innovation should be the norm in any Department. Labelling this as some kind of “new” and special program (ie. the SRP) is illusory.

2.29 However, the Committee is supportive of the SRP and endorse the following observation by the Australian Strategic Policy Institute (ASPI):

. . . the Strategic Reform Program deserves to be supported. The best advice from the private sector has been melded with the ideas and experience from across Defence to create a comprehensive program of reform. And all signs are that the senior leadership of the organisation is committed to making the reforms work. This is as good as it gets.²⁴

24 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2009-10*, May 2009, p. 122.

Personnel

- 3.1 The *Defence Annual Report 2009-10* shows that during 2009-2010:
- Defence had 77,755 permanent employees comprised of 57,697 permanent ADF members and 20,058 APS staff;¹
 - the number of Reservists who rendered paid service during 2009-10 increased by 971 to 21,248²; and
 - the total Australian Defence Force (ADF) workforce was 78,945 which comprised 15,970 Navy members³, 45,566 Army members and 17,409 Air Force members.⁴

Women and Indigenous people in the ADF

- 3.2 There continues to be considerable disparities between the proportion of men and women in the ADF. As at 30 June 2009, 86.5 per cent were men and 13.5 per cent were women.⁵ However Defence commented:

... there are 399 more women serving now than at the same time last year. It is now 7,873 – 13.6 per cent of the workforce. Broken down: in Navy, it is 18.5 per cent; Army, 9.7 per cent; Air Force,

1 Department of Defence, *Defence Annual Report 2009-2010 Volume One*, p. 34.

2 Department of Defence, *Defence Annual Report 2009-2010 Volume One*, p. 32.

3 Members are comprised of permanent, gap year and reserve members.

4 Department of Defence, *Defence Annual Report 2009-2010 Volume One*, p. 34.

5 Department of Defence, *Defence Annual Report 2009-2010 Volume One*, p. 344.

16.9 per cent. To clarify why the Army number is lower than the other two, it is the effect of the restrictions on serving in occupations, which in Army's case are infantry and armoured corps and some artillery roles within the combat engineer squadron.⁶

- 3.3 One of the issues affecting the retention of women was "the attitude of the local commander to being open to having flexible working arrangements, shared working arrangements or part-time arrangements"⁷ but Defence stated that they were:

... seeking to make it an issue in the way that the services evaluate the performance of their emerging leadership. Are you actually supporting a flexible workplace which is leading to increased retention of women?⁸

- 3.4 The Committee asked about the numbers of women in senior ranks. Defence replied that:

As at 1 April 2011, the percentage of women in senior positions are:

- ADF senior ranks (Colonel or higher) 6.7 per cent; and
- Defence APS women in senior positions (EL2 or higher) 20 per cent.

Since 30 June 2005, the participation of women in senior ADF ranks is as follows:

	2005	2011 (1 March 2011)
Two star	1	1
One star	0	7
Colonel (E)	12	31 ⁹

- 3.5 The Defence Annual Report does not give information as to the ethnicity of members of the ADF. Defence provided the following information:

The diversity statistics are:

- Indigenous: ADF 0.8 per cent and APS 0.5 per cent; and
- Non English Speaking Background: ADF 5.2 per cent and APS 13.3 per cent.¹⁰

6 Mr Phil Minns, Department of Defence, *Transcript*, 25 March 2011, p. 33.

7 Mr Phil Minns, Department of Defence, *Transcript*, 25 March 2011, p. 34.

8 Mr Phil Minns, Department of Defence, *Transcript*, 25 March 2011, p. 34.

9 Department of Defence, *Submission 4*, p. 6.

10 Department of Defence, *Submission 4*, p. 6.

- 3.6 The Committee was particularly interested in seeking out information about Indigenous recruitment within the ADF. In relation to Indigenous participation the Chief of the Defence Force told the Committee:

NORFORCE is a very successful demonstration of what we can do where you have a large Indigenous population around you. We are very proud of that, but unfortunately, when you look in the wider ADF we are not getting the sorts of levels of participation that I would really like to see. But again we are deeply committed to increasing the level of Indigenous participation in the Defence Force.¹¹

- 3.7 The CDF went on to explain that Defence do have strategies in place for increasing Indigenous participation and raised the question as to whether he might need a reference group as he has with women:

We have a strategy. The secretary and I have a strategy to increase not just Indigenous participation in the ADF but also in the defence organisation, and we are very supportive of that. We go along every Indigenous People's Day and throw our very strong support behind the strategy we have in place at the moment. It is a good question. Should we have a reference group? That is something we will have a look at. The question was whether the ADF represents the community from whence it came. I think you are right; we are probably far too more towards the Anglo-Saxon side of the ledger. But again there are no barriers to anybody coming into the ADF. You will see, if you visit our people, that we are well represented by all of the ethnic communities in Australia. It is just that the levels of participation probably do not reflect the number of those people in our population.¹²

- 3.8 The Committee was interested to hear about recruitment of people from Indigenous and ethnic backgrounds. Defence told the Committee that they are:

... implementing a range of initiatives designed to attract and retain employees from diverse backgrounds through the Multicultural Recruitment and Retention Strategy:

(a) Defence Force Recruiting (DFR) is conducting extensive research into Culturally and Linguistically Diverse (CALD) communities with a view to better understanding the factors that

11 Air Chief Marshal Angus Houston, Department of Defence, *Transcript*, 25 March 2011, p. 33.

12 Air Chief Marshal Angus Houston, Department of Defence, *Transcript*, 25 March 2011, p. 33.

influence people from CALD backgrounds when making employment decisions. Recruiting activities include:

- Use of the 'Proud to Belong in the Australian Defence Force' banner to promote career opportunities in the ADF to CALD communities.
- Reviewing existing national research on recruitment and retention of CALD employees.
- All generic DFR advertising (Television, Print, Online and Radio) must consider ADF workforce diversity and aims to portray diversity including women, Indigenous and CALD serving members.
- Developing, producing and distributing an ADF Guide for Parents/Guardians through DFR Centres nationally.
- Continued participation in community engagement programs that target employee prospects from CALD backgrounds and also targets their influencers; parents and community leaders.

(b) Fairness and Resolution Branch is developing a range of products and services to aid increased cultural awareness across Defence and to facilitate retention of people from CALD backgrounds. These initiatives include:

- The distribution of an 'ADF Guide to Religion and Belief' that aims to inform employees and members of the religious needs of different cultural groups.
- The release of the 'Diversity in Defence' guidance document that draws together many elements of diversity across Defence.
- Conducting further research into the current level of diversity in the ADF and attitudes towards greater diversity.¹³

ADF Pay Remediation

Background

3.9 Media and community scrutiny in recent times have highlighted a range of issues relating to the delivery of payroll services to members of the ADF. Defence has acknowledged this, and put in place remediation action

13 Department of Defence, *Submission 4*, p. 7.

to address process problems and areas of concern in the medium to long term.

- 3.10 On 2 February 2010, Minister for Defence Personnel, Materiel and Science, the Hon Greg Combet AM MP, announced the “immediate establishment of a high powered ADF Payroll Remediation Task Force”.

...the function of the Task Force will be to rectify current deficiencies in the ADF payroll system and to accelerate the introduction of an improved pay system... The initial steps of the Task Force will include remediating pay issues that arise for individual ADF members, including the recent overpayments of the International Campaign Allowance.¹⁴

- 3.11 The Task Force is co-chaired by the Vice Chief of the Defence Force and the Deputy Secretary Defence Support. To support the Task Force, a Payroll Remediation Team (PRT) has been established.¹⁵

- 3.12 The Committee were eager to find out about the PMKeyS (Defence’s HR data software) refresh including the CENRESPAY (Defence’s Payroll system) integration and Defence planning with respect to moving allowances from approximately \$1,000 to a different amount. In relation to the PMKeyS refresh Defence stated that:

The Technical Refresh project is currently running under budget and is due for completion in April 2012 as originally proposed. There has been minimal change to the originally planned scope of work. The only key milestone change has been the implementation of Reserve payroll (replacing CENRESPAYII), originally planned for July 2011, which is now planned for implementation in October 2011.¹⁶

- 3.13 In relation to allowances Defence stated that:

The strategic review of allowances is the next tranche of reform of remuneration for members of the ADF. It follows on from the officer and other ranks pay structure reforms in 2007-08. The review deals with the seventeen categories of pay-related allowances that currently fall under the jurisdiction of the Defence Force Remuneration Tribunal (DFRT). The aim of the review is to

14 Hon Greg Combet AM MP, Minister for Defence Personnel, Materiel and Science, ‘ADF Payroll And Pay System Reform’, Media Release, 2 February 2010.

15 Department of Defence, Defence Payroll Remediation Task Force viewed on 6 April 2011, <<http://www.defence.gov.au/payrollremediation/index.htm>>.

16 Department of Defence, *Submission 4*, p. 8.

consolidate and simplify the structure and administration of these allowances and ensure they continue to support the people capability requirements of the ADF, and enable more cost effective administration of allowances.

The review is presently in the analytical phase where various options for the reform of the allowance structures are being evaluated. It is anticipated that Defence will make submissions on proposed reforms of the allowances to the DFRT in late 2011 and in 2012.

The strategic review of ADF pay-related allowances does not deal with the large range of domestic allowances that underpin the conditions of service that are provided to members of the ADF, such as leave, travel, housing, removal and location.¹⁷

ADF Mental Health Reforms

Background

3.14 The *Review of Mental Health Care in the ADF and Transition through Discharge* was initiated by the Minister for Defence Science and Personnel, the Hon Warren Snowdon MP, and the Minister for Veterans' Affairs, the Hon Alan Griffin MP on 26 May 2008.¹⁸ Professor David Dunt the author of the report published his findings in January 2009.

3.15 Key points from the Dunt Review were:

- There are lots of good Defence mental health initiatives, but they need to be coordinated better within a wider strategy.
- Re-organisation of mental health agencies is required, to remove duplication and gain better efficiency from available resources.
- In line with wider society, mental health issues are increasingly prevalent and recognised. Awareness and acceptance are improving, but there is room for improvement.

17 Department of Defence, *Submission 4*, p. 8.

18 The Hon Warren Snowdon MP, Minister for Defence Science and Personnel and the Hon Alan Griffin MP, Minister for Veterans' Affairs, 'Review of Mental Health Care in the ADF and Beyond', Media release, 060/2008, 26 May 2008.

- There is a capacity issue for Defence mental health personnel, with causes including: difficulty of attracting suitable experts, manning caps, remuneration, and competition with civilian agencies.
- Better mental health training is required for chaplains and unit leaders.
- Defence has world-leading systems for post-operational psychological support (Return to Australia Pysch Screen “RtAPS” and Post Operational Psych Screen “POPS”) but improvements are required.
- Resilience training for ADF personnel is world class during initial training, but should be a career-long activity.
- Improvements are required to the ADF’s Medical Employment Classification (MEC) system.
- Rehabilitation systems need to be enhanced.
- Transition management needs to be improved, especially for personnel discharging due to mental health issues¹⁹.

3.16 In the Government response to the Dunt Review:

Defence has agreed to 49 of the 52 recommendations and partially agreed to three recommendations. Funding of \$83m has been allocated over the period 2009 – 2013 for major program of reform that will address the gaps identified, including providing improved mental health governance and policy, an enhanced mental health workforce, improved mental health training for ADF personnel and providers, enhanced prevention strategies including better research and surveillance, enhanced mental health rehabilitation and transition services, greater involvement of families in the mental health of ADF members, and better facilities from which mental health services will be delivered.²⁰

¹⁹ Dunt, D Prof, *Review of Mental Health Care in the ADF and Transition through Discharge*, January 2009
<<http://www.defence.gov.au/health/DMH/docs/Review%20of%20Mental%20Health%201%20May%2009.pdf>> viewed 12 October 2011.

²⁰ Government Response to the Mental Health Care Crisis in the ADF and transition to discharge, p. 1
<<http://www.defence.gov.au/health/DMH/docs/Government%20Response%20to%20Revie%20w%201%20May%2009.pdf>> viewed on 8 August 2011.

Current Status

- 3.17 At the public hearing on 25 March, Defence Personnel were asked about the implementation of the Dunt Review recommendations thus far:

We have come a long way since Dr Dunt's review, with an implementation program under the mental health strategy. It is a four-year program and has 10 major goals. Many of those subjects that you have just identified are part and parcel of those goals . . . An enhancement of the workforce that deals with mental health issues within Defence, improvement in the governance—²¹

- 3.18 The Committee asked for further clarification regarding the 'enhancement of the workforce' and did this mean 'additional staff'.

- 3.19 Defence responded that:

An additional 82 positions were identified to go into the health workforce. At the moment we have filled 45 of those and 37 are still to be achieved.²²

- 3.20 The Committee enquired as to what initiatives, beyond new staff were being put in place. Defence responded:

The remaining initiatives would be new policy directives . . . an improvement into mental health training; strategic alliance with the Australian and General Practice network; looking at a number of prevention policies as some tools that start from the recruitment level all the way through to using those tools to help build up a level of resistance in our workforce, and particularly those who are deploying into operational theatres; improvement in collaboration with our Department of Veterans' Affairs in research; addressing mental health rehabilitation . . .

Further initiatives would be improvement in transitioning, perhaps if that is the path that we need to take, and helping someone move more smoothly to a civilian workforce or employment after their time in the Defence Force. That would include helping families cope with perhaps the disability in their family or mental health issues. And looking at improving the facilities, many of which are based around our facilities within Australia.²³

21 Air Vice Marshal Kevin Paule AM, Department of Defence, *Transcript*, 25 March 2011, p. 36.

22 Air Vice Marshal Kevin Paule AM, Department of Defence, *Transcript*, 25 March 2011, p. 36.

23 Air Vice Marshal Kevin Paule AM, Department of Defence, *Transcript*, 25 March 2011, p. 36.

3.21 The Committee was concerned that it could be perceived as career limiting and stigmatising to identify as a person having mental health issues.

3.22 The Committee asked how the Army is working to overcome that stigma while:

- keeping the privacy of the individual paramount;
- acknowledging the need to have a CO informed; and
- reassuring the ADF Personnel that identifying mental health related concerns will not in fact be a career limiting move for them.

3.23 Defence replied that:

What we are trying to do is break down the stigma, to have people talk and reassure our members that if mental health issues surfaced we will do our best to rehabilitate them and that discharge would be the last option. A recent initiative has been the development of a DVD on post traumatic stress, and to have soldiers talking about their experiences.²⁴

3.24 Defence stated that they aimed to:

...as best we can, rehabilitate people back into our workforce if not to the area that they have directly been employed previously to perhaps other areas. Our last line of resort we would be looking to go down the discharge path.²⁵

3.25 The Committee were interested in the policy concerning rehabilitation and deployment. Defence replied:

Military personnel who are wounded, injured or ill have access to high quality medical and specialist treatment and rehabilitation services. These are provided by Joint Health Command through garrison health services and programs such as the Australian Defence Force Rehabilitation Program (ADFRP).

The ADFRP aims to support their return to work in current or different duties or trade or, if this is not possible, they will be rehabilitated, medically discharged and supported to transition to the civilian environment. Medical discharge is the last option and, wherever possible, ADF members who no longer meet health

24 Air Vice Marshal Kevin Paule AM, Department of Defence, *Transcript*, 25 March 2011, p. 37.

25 Air Vice Marshal Kevin Paule AM, Department of Defence, *Transcript*, 25 March 2011, p. 36.

standards for their trade or profession are offered the option of retraining for another employment category.

The program has contributed to the increase in Defence's capability by reducing the number of days lost through injury, as well as supporting the retention of experience through a reduction in medical separations.

The response provided by the CDF on 25 March 2011 confirms that Defence is in practice, returning people to deployable status as best as we can. The policy related to medical employment classification has been reviewed and was re-released 1 July 2011. The revision has expanded employment and deployment options as a consequence of the inclusion of additional sub-classifications. In particular, the introduction of an extended (two year) rehabilitation classification provides ADF members with a longer period of recovery and potential for continued service.

To ensure that the support provided to wounded, injured or ill members continues to meet the needs of the individual, and their families, and to ensure ease of access, Defence and Veterans' Affairs has jointly initiated the Support for Wounded, Injured or Ill Program (SWIIP) that will develop a whole-of-life framework for the care of injured or ill ADF members during their service and after transition from the ADF.²⁶

- 3.26 The Committee asked whether or not a person diagnosed as having depression or anxiety who were given medication to help them could be deployed back into active service. Defence replied that:

It is an area that has been looked at in terms of policy right at the moment. Essentially the requirement is to make sure that we have a level of stability for the person in terms of the deployment. We have best practice guidelines for both the clinicians and also the advice for commanders to be able to recognise that a person who has been placed on such medications would have a period that would be acceptable in terms of looking at their stability, in terms of their condition, and if there is going to be a deployment we would also be looking at the potential to make sure that commanders are informed about the needs that might occur on deployment so that, should further treatment be required, if that was necessary, there would be a more immediate, appropriate and relevant response. At the moment that policy is in fact under

26 Department of Defence, *Submission 4*, pp. 3-4.

review. Our intent is to progress along the basis that, where evidence shows that medication can have a stabilising effect, we would want to have that demonstrated before commanders are able to make a decision about deployment opportunities.²⁷

3.27 The Committee also took an interest in 'decompression' issues. Defence gave the following information:

In relation to decompression, Defence has had quite a robust program of predeployment and post-deployment debriefings and screenings that form part of the overall approach to handling the question of decompression. However, prior to people returning to Australia, there is a program of decompression that occurs at the moment where they will be screened through a process that is called the Return to Australia Psychological Screen. That occurs prior to their returning to Australia. There is also then three to six months after the return a further post-operational screen. Defence is about to trial an enhancement of the existing decompression which in fact will include both some psycho-educational material during that decompression period before they return to Australia as well as an enhancement around the screening processes and the reintegration information that is provided. In addition, the trial we are about to run and evaluate will also be delivered at the same time that in Australia the families of those people who are returning will be offered the opportunity to participate in a program that we call Family Smart. That will be an opportunity for them to receive information about the adjustments that might occur for them and for the person coming back. That trial will be taking place in the coming months.²⁸

3.28 The Committee enquired as to the nature of the immediate debrief following deployment and then the post-operative analysis, or debriefing which takes place three to six months later. The Dunt Review suggested that Defence simply have a group debrief when people first come out and then the second to involve families. Professor Dunt proposed this approach because there were not enough trained personnel or resources to do the job properly with the one-on-one. The Committee was concerned to see if Defence had taken on Professor Dunt's recommendations and really looked at the best deployment of resources, and the best timing, and long-term evaluation of pre and post deployment briefings in terms what the impacts might be. Defence gave the following reply:

27 Mr David Morton, Department of Defence, *Transcript*, 25 March 2011, p. 37.

28 Mr David Morton, Department of Defence, *Transcript*, 25 March 2011, p. 37.

We have taken on the recommendations of Professor Dunt. In the course of doing the work on the development of the trial on decompression, we are at the same time reviewing the RTAPS and POPS processes. We are undertaking a fairly significant study at the moment – one of four studies in MilHOP, the Military Health Outcomes Program, and in the health and wellbeing study of that the results of the mental health questionnaires or surveys we are using will allow us to establish whether we have set the right thresholds in our screens that we used in the RTAPS²⁹ and the POPS³⁰ process. We will be strengthening the robustness of those screens.

In terms of the capacity to conduct those screens and the workforce required, part of our review of that is to recognise that, in terms of the RTAPS process, there is good reason why we continue to have that done at the moment by the people who are doing it, and that is the psychologists who are in the theatre of operations. In terms of when it is done in Australia, we are looking at how that can be done by the new and enhanced workforce that we have brought on. We have brought on more mental health nurses. We have brought on more social workers. Our approach will be to have a look at how those POPS screenings can be conducted by our enhanced workforce rather than just the psychologists who were doing it before. As a result of reviewing that process, we are also looking at including some programs that are more structured programs between that return to Australia and the three and six months mark – so a coming home readjustment program and the family debriefings that are occurring – and we will be presenting that as essentially a comprehensive program of reintegration. We are evaluating those steps as we are progressing with them.³¹

Committee conclusions

- 3.29 The Committee acknowledges that the Defence Department and the ADF in particular, continue to work proactively and sensitively in the area of mental health reform.

29 Return to Australia Psychological Screening.

30 Post Operation Psychological Screening.

31 Mr David Morton, Department of Defence, *Transcript*, 25 March 2011, p. 38.

Justice and Security

Military Justice System Reforms

Background

- 4.1 In January 2009, the Hon Laurence Street, AC, KCMG, QC and Air Marshal Les Fisher, AO (Retd) published the *Report of the Independent Review on the Health of the Reformed Military Justice System*.
- 4.2 The Australian Military Court (AMC) was established on 1 October 2007 to try serious service offences involving ADF personnel. On 26 August 2009 the High Court of Australia declared the provisions of the *Defence Force Discipline Act 1982* (DFDA) establishing the AMC were constitutionally invalid.
- 4.3 The High Court's decision (*Lane vs Morrison* [2009] HCA 29) removed the AMC from the military discipline structure. As an interim arrangement the previous MJS has been re-established.
- 4.4 The Military Court of Australia Bill 2010 is intended to implement an equivalent to the AMC and was introduced into Parliament in June 2010, then referred to the Senate Legal and Constitutional Legislation Committee. This process lapsed when the 42nd Parliament was prorogued, but the Bill is intended for reintroduction in the 2011 Spring sittings.
- 4.5 Public and Parliamentary scrutiny of the quality of some administrative inquiries conducted by the ADF has identified a need for improvement. This has been acknowledged by Defence and the CDF has issued a

Directive mandating interim measures and has commissioned a review by the Inspector General of the ADF into the administrative inquiry system.

Current Status

4.6 The Committee was interested to hear if the lack of establishment of the Australian Military Court had caused any detriment to military justice.

4.7 Defence informed the Committee that:

The current interim system is operating and functioning as it was expected that it would, because in large measure it is returning to a system that had worked in the past. The other side of that is that the initiative that had been announced and adopted over time of moving to a chapter 3 court has not occurred, but there is a functioning military justice system, which is a fully functioning system¹.

4.8 The Committee enquired as to whether there was any indication that people are not receiving fair justice under the current system of court martial:

I would not certainly suggest that for one moment. Indeed, notwithstanding the High Court in the *Lane v. Morrison* decision found the military court system to be constitutionally invalid, there was no criticism either of the quality of justice under that system. I suppose I could say whichever system we have had the indications are that the matters have been dealt with. However, I should comment that the joint standing committee did consider that it was not an ideal system, and that was why they recommended to government a chapter 3 outcome. My recollection is that was a unanimous view of that committee.²

Committee conclusions

4.9 The Committee is satisfied that, despite the issues surrounding the introduction of the Australian Military Court and its subsequent rejection by the High Court, the Military Justice System is functioning.

1 Mr Mark Cuncliffe, Department of Defence, *Transcript*, 25 March 2011, p. 41.

2 Mr Mark Cuncliffe, Department of Defence, *Transcript*, 25 March 2011, p. 41.

Security of Vital National Assets in the North West of Australia

- 4.10 The North West of Australia contains substantial natural resources and facilities to exploit them, including several ports servicing the export market.
- 4.11 Products include LNG, LPG, condensate, gold, iron ore, diamonds, alumina, mineral sands, nickel, tantalum, and salt. These assets provide a substantial portion of Australia's domestic requirements, export balance of trade and GDP.
- 4.12 The Committee noted that the 2009 Defence White Paper makes the judgment that the Indian Ocean region will become of increasing strategic importance to Australia over the next 20 years or so. Defence commented:
- To go to the issue of the assets that we have in terms of the north-west part of the country, we have the Pilbara regiment which is based at Karratha. That is a force engaged in the business of patrolling and undertaking remote surveillance activities. There is also the so-called bare bases of RAAF, Learmonth and Curtin, and in terms of operational activities the most regular presence that Defence manifests is through the support that we provide to Border Protection Command.³
- 4.13 The Committee asked how long it would take for the bare bases of Learmonth and Curtin to become operational in the event of an emergency situation.
- 4.14 Defence staff explained that "... [t]hey can be brought up to operational capability at relatively short notice, depending on the rate of effort that the Defence Force wants to put into that."⁴

Current Status

- 4.15 On 22 June 2011 the Minister for Defence Stephen Smith announced that the Government would undertake a Force Posture Review to assess whether the Australian Defence Force (ADF) is correctly geographically positioned to meet Australia's modern and future strategic and security challenges.

3 Mr Peter Jennings Department of Defence, *Transcript*, 25 March 2011, p. 42.

4 Mr Peter Jennings Department of Defence, *Transcript*, 25 March 2011, p. 43.

- The Force Posture Review will be undertaken by the Department of Defence and overseen by an expert panel made up of two Australian national security specialists: Dr Allan Hawke and Mr Ric Smith.
- The results of the Review and the views of the Expert Panel will help provide a strategic context for the next scheduled Defence White Paper in the first quarter of 2014.
- The Review will address the range of present and emerging global, regional and national strategic and security factors which require careful consideration for the future, including:
 - ⇒ the rise of the Asia-Pacific as a region of global strategic significance;
 - ⇒ the rise of the Indian Ocean rim as a region of global strategic significance;
 - ⇒ the growth of military power projection capabilities of countries in the Asia Pacific;
 - ⇒ the growing need for the provision of humanitarian assistance and disaster relief following extreme events in the Asia Pacific region; and
 - ⇒ energy security and security issues associated with expanding offshore resource exploitation in our North West and Northern approaches.
- The expert panel will provide a progress report to the Minister before the end of 2011, with its Report provided to Government during the first quarter of 2012.⁵

Committee conclusion

- 4.16 The Committee is pleased to see that its concerns in relation to the Security of Vital Assets in the North-West of Australia will be addressed by the Government's Force Posture Review.

5 The Hon Stephen Smith MP, Minister for Defence, Australian Defence Force Posture Review', Media release, 177/11, 22 June 2011.
<<http://www.defence.gov.au/minister/Smithtpl.cfm?CurrentId=12013>> viewed 8 August 2011.

Border Protection Command

- 4.17 Border Protection Command provides security for Australia's offshore maritime areas.
- 4.18 Combining the resources and expertise of the Australian Customs and Border Protection Service and the Department of Defence, and working with officers from the Australian Fisheries Management Authority, the Australian Quarantine and Inspection Service, and other Commonwealth, State and Territory agencies, Border Protection Command delivers a coordinated national approach to Australia's offshore maritime security.
- 4.19 The Command is responsible for coordinating and controlling operations to protect Australia's national interests against the following maritime security threats:
- Illegal exploitation of natural resources;
 - Illegal activity in protected areas;
 - Irregular maritime arrivals;
 - Prohibited imports/exports;
 - Maritime Terrorism;
 - Piracy;
 - Compromise to Bio-security; and
 - Marine Pollution.⁶
- 4.20 Headquarters Northern Command (HQNORCOM) is the Australian Defence Force operational headquarters in Darwin that coordinates and controls military operations in Australia's north.
- 4.21 Its major operational responsibility is Operation Resolute, the Australian Defence Force's contribution to the Australian Government's efforts to deal with the maritime security threats.
- 4.22 Operation Resolute is commanded by Commander Border Protection Command; however day-to-day operations have been delegated to Commander Northern Command with further assistance provided by a number of Commonwealth, State and Territory agencies.
- 4.23 The Committee asked Defence to detail what the 'real cost' of Operation Resolute was. Defence replied:
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6 See <<http://www.bpc.gov.au/>> viewed 12 October 2011.

It is Government policy to supplement Defence for the net additional costs of major operations it is involved in.

Defence does not estimate the full cost of operations as this would not enhance budget processes as Government seeks only to supplement Defence funding for the net additional costs of conducting operations.

The net additional cost of an operation includes such things as any movement costs, additional personnel costs such as rations and allowances, extra fuel used by assets deployed, and remediation costs on completion of the operation, including repair and overhaul of equipment and replacement of consumables.

The full cost associated with Operation Resolute is not specifically captured within Defence's financial systems.⁷

4.24 The Committee asked Defence to provide a list of the assets in terms of equipment and manpower that have been force assigned from various agencies to Commander, Protection Command. The Committee asked:

(a) Commander NORCOM is the Deputy Commander of JTF 639. Is he Deputy Commander of Border Protection Command as well, or is that a Customs officer?

(b) How much of Headquarters NORCOM's current tasking comes through JTF 639, and how much is through the normal tasking that comes down to them? In other words, how much of their time is taken up by Operation Resolute? If you could come back with the detail for the last five years with the percentage of his time that has been taken up with Operation Resolute.

(c) What is the Commander NORCOM, and Headquarters NORCOM as an entity, now not doing because of the substantial requirement for Operation Resolute?

4.25 Defence responded:

(a) Commander Border Protection Command (BPC), also Commander Joint Task Force 639 (CJTF 639), has two deputies: one ADF officer and one Customs officer. Commander Northern Command (COMNORCOM) is Deputy Commander JTF 639 (DCJTF 639). A Customs Officer in BPC is Deputy Commander BPC.

(b) (Commander NORCOM duties include DCJTF 639 (OPERATION RESOLUTE); Senior ADF Officer Northern

7 Department of Defence, *Submission 4*, p. 13.

Territory; Senior ADF Officer Larrakeyah Barracks and Defence Establishment Berrimah; and ADF Principle contact for Defence Aid to the Civil Community in the Northern Command Area of Operations. COMNORCOM is also prepared to command ADF and Whole of Government operations in the northern approaches as directed by Chief of Joint Operations.

Approximately 65 per cent of NORCOM workload is dedicated to OPERATION RESOLUTE. A breakdown of the commitment between the two roles is detailed below including significant events/ activities for the year:

NORCOM			OP RESOLUTE	
2006	TC Monica / Mounting HQ OP ASTUTE	35 %	FFV surge activity	65 %
2007	TC George	35 %	FFV surge activity	65 %
2008	TC Helen	40 %	Low FFV/SIEV activity	60 %
2009		35 %	SIEV surge activity	65 %
2010		25 %	SIEV surge activity	75 %
2011 ¹	TC Carlos	25 %	SIEV surge activity	75 %
			Five year average	67.5%

¹ Figures for 2011 are estimates only.

(c) Commander NORCOM manages his resources to meet his organisational priorities. The organisation has had an operational role in the border protection domain (through Operations RESOLUTE, RELEX and CRANBERRY) since the inception of the Headquarters in 1988. Throughout this period successive incumbents of the Commander NORCOM position have balanced the roles abbreviated in the answer to part (b).⁸

ADF Base Security

- 4.26 In August 2009 five men were arrested after a joint operation between Australian Federal Police, Victoria Police, NSW Police, the NSW Crime Commission and Australian Security Intelligence Organisation (ASIO).
- 4.27 These men (allegedly connected with the Somali-based terrorist group al-Shabaab) intended to gain access to Holsworthy Army Base, then use semi-automatic weapons to kill as many Army personnel as possible, probably as a suicide Mission. Their motivations are understood to be anger at the presence of ADF troops in Iraq and Afghanistan, and a desire to further the cause of Islam.

⁸ Department of Defence, *Submission 4*, pp. 14-15.

- 4.28 Three were found guilty by the Victorian Supreme Court in December 2010 of conspiring to do acts in preparation for or planning a terrorist act, and the other two were acquitted.
- 4.29 The Base had limited physical protection with security provided only by lightly-armed civilian security guards. The large number of Army personnel on the Base had no ready access to weapons or legal grounds to fire in self-defence.
- 4.30 This incident had potential for grave embarrassment and risk to ADF personnel. Of note is that very soon after the arrests were made, and despite heightened concerns over security, Daily Telegraph journalists gained access to Holsworthy Army base and were only arrested after a period of wandering freely around the base.
- 4.31 ADF base security has been under review for an extended period, particularly since 9/11 and the Bali Bombings. Defence is currently implementing its Base Security Improvement Program. Some heightened measures have been put in place, but some bases are still only lightly protected. For example, Lavarack Barracks in Townsville is only partly fenced, and RMC Duntroon is an open base where numerous ADF senior leaders reside in unsecured premises.
- 4.32 In August 2009 the Government asked Defence to conduct a comprehensive review of base security. The Review of Defence Protective Security Arrangements subsequently recommended a number of policy and physical security initiatives to complement and strengthen existing security at Defence bases.
- 4.33 One of the recommendations of the Review was to bring forward a number of legislative amendments. The resulting Bill was introduced into Parliament just prior to the last election, then re-introduced in September 2010.
- 4.34 It was the subject of an inquiry by the Senate Foreign Affairs, Defence and Trade Legislation Committee which proposed certain amendments, but recommended passing the Bill. This Bill provides enhanced powers for ADF employment of force (including lethal force), search and seizure and surveillance to secure Defence bases.
- 4.35 A total of \$339 million was allocated for base security enhancements, starting with \$10 million in 2009-10, and then the further \$329 million to financial year 2013-14. The Committee sought information on how much has been spent so far and what has it been spent on?

We have committed approximately \$24 million to date to implement a series of security enhancements at a number of bases, most notably Holsworthy, Russell, Duntroon and also the Garden Island complex. The types of improvements implemented include some improvements to fencing, also increased security patrols, installation of closed circuit TV systems, intruder alert devices, security lighting upgrades, and also upgrade of emergency operations centres.⁹

- 4.36 The Committee were interested in Defence's policy relating to on/off base location for Defence support activities. To relieve accommodation on base and strengthen security several state and local governments invested in industrial subdivisions adjacent to Defence infrastructure. The Committee asked whether the Department of Defence will continue to support this regional investment by encouraging Defence contractors to establish off base, and to assure these investors that there is no policy by the Department of Defence to concentrate Defence support activities back on base in certain locations:

The 2009 Defence White Paper – Defending Australia in the Asia-Pacific Century: Force 2030 outlined the Government's strategic basing principles to meet the future needs of Defence. One of these principles is that Defence should aim to group bases near strategic infrastructure and industry to promote knowledge sharing, innovation, and to maximise the effectiveness of industry support to the Australian Defence Force (ADF).

The Government recognises the important role that Defence industry plays in support of ADF capability. The provision of on-base facilities for Defence contractors will only be approved where there is strong operational justification for contractors to be on base. A reduction in direct project costs is not seen to be a sufficient justification for contractors to be provided with facilities. Defence contractors who are permitted to use on-base facilities will be expected, at minimum, to pay costs associated with the occupancy of those facilities.¹⁰

- 4.37 The Committee asked Defence if they would prefer contractors to be back on base:

Allowing use of the estate by non-Defence entities requires a careful balance to ensure Defence is able to continue to deliver

⁹ Mr Stephen Merchant, Department of Defence, *Transcript*, 25 March 2011, pp. 54-55.

¹⁰ Department of Defence, *Submission 3*, p. 7.

capability and support ADF personnel. Defence generally prefer contractors located off-base.¹¹

- 4.38 The Committee was interested in how the dog breeding program at RAAF Base Amberley is going, and whether it will be rolled out to other bases. Defence informed the Committee that:

The Military Working Dog Breeding Program is meeting its requirement to breed sufficient numbers of military working dogs for the RAAF schedule of training. Sufficient military working dogs are available and assessed at 'course ready status' to team with individual handlers to conduct training, which in turn meets the requirements for dogs across all RAAF Bases.

There is no plan to expand the breeding program or 'roll out' to other bases. Such a plan would not be cost effective as it would require considerable funding to support dedicated breeding facilities and personnel at each location. The centralisation of the breeding program at RAAF Base Amberley is essential to ensure best practice is maintained through one centre or location of military working dog training and subject matter expertise.¹²

- 4.39 The Committee also wanted to clarify if dog patrols used on Australian bases and, if so, which bases. Defence told the Committee that:

Military working dog teams are employed on most RAAF Bases where aircraft exist to support the overall security posture of the Base. Security duties are varied but include mobile and foot patrols. Military working dog teams are permanently stationed at RAAF Bases Amberley and Townsville in Queensland, Darwin and Tindal in the Northern Territory, Richmond and Williamstown in New South Wales, Pearce in Western Australia and Edinburgh in South Australia.¹³

- 4.40 The Committee asked if there would be any requirement for any physical building that goes to the Public Works Committee post financial year 2013-14 as a result of the Threat and Risk Assessment process. Defence responded:

Subject to Parliamentary approval, significant planned works identified during the threat and risk assessment process that was completed as part of the Base Security Improvement Program, will

11 Department of Defence, *Submission 3*, p. 7.

12 Department of Defence, *Submission 3*, p. 8.

13 Department of Defence, *Submission 3*, p. 8.

start in mid-2012 and finish in 2013. At this stage, no public works will be needed after financial year 2013-14. Some infrastructure improvements, such as upgraded vehicle and personnel entry and exit points and the construction of vehicle inspection bays, are scheduled for consideration at the Public Works Committee in early 2012.

Nevertheless, base security threat and risk assessments will be conducted periodically (beyond the Base Security Improvement Program) and new security requirements may be identified. These assessments may generate the need for public works additional to those scheduled for Public Works Committee consideration in 2012.

Also, the Base Security Improvement Program consists of more than infrastructure improvements. Other program elements include incorporating a number of mandatory security measures into base security policy and plans, establishing an enhanced self-defence capability at some larger Defence bases, increasing the police presence at Defence bases, introducing a non-consensual inspection and search regime, and improving lighting and closed circuit television. These changes are not required to go through the Public Works Committee. Some of these enhancements (such as improved lighting and boundary security) involve one-off expenditures and are on schedule to be completed within the next two years. Other improvements, such as the enhanced self-defence capability and increased police presence, will have ongoing operating costs beyond 2013-14.¹⁴

- 4.41 The Committee were curious as to who is providing security at the Scherger bare base and, particularly, who is looking after Defence assets there. The Department replied that:

RAAF Base Scherger has four permanent Air Force personnel on base who are responsible for a range of tasks, including security of all Defence assets when the airbase is not activated for Defence purposes. The Department of Immigration and Citizenship provides security at the detention compound and access control to the base at the main gate, but does not provide security for Defence assets.¹⁵

14 Department of Defence, *Submission 4*, p. 16.

15 Department of Defence, *Submission 4*, p. 17.

Committee conclusion

4.42 The Committee is concerned that, at the time of its public hearing, some 20 months after the threats to Holsworthy Barracks, the Defence Department is only very slowly moving towards decreasing the threat level of its bases.

Defence Materiel Organisation

- 5.1 This chapter of the report focuses on reform and procurement, projects of concerns and selected major projects. In addition to this, the Committee notes the large contribution that the Defence Materiel Organisation (DMO) makes to force protection measures for ADF members on active service. Given current pressures due to ADF operations in the Middle East DMO's force protection role is perhaps higher now than at any other point in its history and the Committee commends DMO for this work.
- 5.2 The Committee also notes the following statement from the ANAO's 2009 - 2010 Major Projects Report:
- The large portfolio of projects that the DMO manages is also one of the most complex and technically difficult in the country. Benchmarking undertaken by the Helmsman Institute in 2009, comparing DMO and industry project levels of complexity, indicates that the DMO projects are more complex than the average of other industries such as IT, construction, telecommunications, engineering and finance sector projects.¹
- 5.3 The Committee also notes the resignation on 7 July 2011 of Dr Stephen Gumley the Chief Executive Officer of the DMO.

¹ Australian National Audit Office, *2009-2010 Major Projects Report Defence Materiel Organisation*, November 2010, pp. 71-72.

Reform and Procurement

Background

- 5.4 Defence procurement has been the topic of much discussion, with performance of the DMO being an issue of particular interest. This discussion generally arises from failure to achieve Government expectations for timely and cost-effective delivery of the capabilities needed to equip the Australian Defence Force (ADF).
- 5.5 The responsibility for delivering this capability extends further than DMO, with Government providing strategic and resource guidance, Capability Development Group (within Defence, separate to DMO) guiding the future acquisition process, the Services themselves as Capability Managers, and Defence industry providing materiel and services.

The Kinnaird Review

- 5.6 The Kinnaird Review in 2003 commenced a process of cultural change and organisational renewal, based on the following assessment:

As the body responsible for the management of major projects, the Defence Materiel Organisation (DMO) needs to become more business-like and outcome driven. But reform must extend beyond the DMO. It is clear that change is needed at each stage of the cycle of acquisition and whole-of-life management of the equipment that comprises the core of defence capability.²

- 5.7 The Kinnaird Review's recommendations were largely accepted by Government, and a significant change process implemented. The key objectives were as follows:
- A more systematic approach to Government guidance and better clarity in advice to Government, including enhancements to the Two Pass approval process.
 - Early investment to ensure quality advice to Government and better set the conditions for ultimate project success (including: needs definition, enhanced cost estimation, identification of whole-of-life costs, and project delivery considerations for industry).

2 Defence Procurement Review 2003, August 2003., p. iii
<<http://www.defence.gov.au/publications/dpr180903.pdf>> accessed on 8 August 2011.

- Better oversight and coordination within Defence of all capability and procurement activities (which resulted in appointment of a three star officer as Chief of Capability Development Group).
- Establishment of DMO as “an executive agency within the Defence portfolio.”
- Greater control by CEO DMO over military staff appointments, to ensure appropriate skill sets and tenure in key project management roles.
- Measures by DMO to enhance project management as a profession and invaluable skill set for Defence procurement.³

The Mortimer Review

5.8 The Mortimer Review in 2008 assessed progress to date and made further recommendations. These continued in the same direction as the Kinnaird Review, and were aimed at addressing the five principal areas of concern identified by the Review:

- Inadequate project management resources in the Capability Development Group
- The inefficiency of the process leading to Government approvals for new projects
- Shortages in DMO personnel
- Delays due to inadequate industry capacity and
- Difficulties in the introduction of equipment into full service.

5.9 The Review also noted that “greater business acumen and commercial discipline” are required by the DMO.⁴ The Mortimer Review’s 46 recommendations were largely accepted by Government (42 agreed, three agreed in part and one not agreed (DMO to become an “executive agency”), and implementation is underway.

3 Kinnaird, Malcolm, *Defence Procurement Review*, Commonwealth of Australia, August 2003., p. iii <<http://www.defence.gov.au/publications/dpr180903.pdf>> viewed 8 August 2011.

4 Mortimer, David, *Going to the Next Level: the report of the Defence Procurement and Sustainment Review*, Commonwealth of Australia 2008, p. ix. <<http://www.defence.gov.au/publications/mortimerReview.pdf>> viewed 12 October 2011.

Current Status

- 5.10 On 6 May 2011, the Hon Stephen Smith MP, Minister for Defence and the Hon Jason Clare MP, Minister for Defence Materiel announced the “implementation of all outstanding agreed recommendations made by Mortimer as a matter of priority.”⁵ These include:
- Project directives issued by the Secretary of the Department of Defence and the Chief of the Defence Force to ensure Defence acquisitions progress according to Government direction; and
 - Benchmarking all acquisition proposals against off-the-shelf options where available.⁶
- 5.11 Further to this, the Government also announced “a small number of reforms that build on the recommendations of Kinnaird and Mortimer” to improve project management and identifying problems early. They include:
- The introduction of a two-pass approval system for minor capital projects valued between \$8 million and \$20 million;
 - Implementation of an Early Indicators and Warning system;
 - The expansion of the Gate Review system; and
 - The introduction of Quarterly Accountability Reports.⁷

Establishment of Independent Project Performance Office to oversee major Defence projects

- 5.12 The Mortimer Review into Defence Procurement and Sustainment recommended the establishment of an Independent Project Performance
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5 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, ‘Strategic Reform Program’, Media Release, 6 May 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=11769>> viewed 12 October 2011.

6 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, ‘Strategic Reform Program’, Media Release, 6 May 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=11769>> viewed 12 October 2011.

7 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, ‘Strategic Reform Program’, Media Release, 6 May 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=11769>> viewed 12 October 2011.

Office (IPPO). On 29 June 2011 the Minister for Defence and the Minister for Defence Materiel announced the Independent Project Performance Office would begin operating from 1 July.⁸

- 5.13 The IPPO will be established within the Defence Materiel Organisation and will:
- Conduct annual full diagnostic reviews (Gate Reviews) of all major Defence capital acquisition projects;
 - Implement the new Early Indicator and Warning system announced by Mr Smith and Mr Clare on 6 May;
 - Implement the reforms announced today to the Project of Concern process and oversee the remediation of all Projects of Concern;
 - Implement a 'lessons learned' process as recommended by the Mortimer Review to improve the way projects are delivered by learning from past mistakes and successes; and
 - Assist project teams to develop more robust cost and schedule information to improve the accuracy of this information when it is provided to the Government.⁹
- 5.14 To ensure there are at least two external members on every significant Gate Review board an additional 14 independent experts with significant project management and commercial experience will be contracted by Defence to act as board members on Gate Reviews.¹⁰

8 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, 'Independent Project Performance Office to oversee major Defence projects established', Media Release, 29 June 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=12044>> viewed 12 October 2011

9 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, 'Independent Project Performance Office to oversee major Defence projects established', Media Release, 29 June 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=12044>> viewed 12 October 2011

10 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, 'Independent Project Performance Office to oversee major Defence projects established', Media Release, 29 June 2011
<<http://www.defence.gov.au/minister/Claretpl.cfm?CurrentId=12044>> viewed 12 October 2011

Committee conclusions

- 5.15 The Committee notes that, according to the ANAO's 2009 – 2010 Major Projects Report:
- . . .while projects have been managed within approved budgets, schedule performance remains the key issue for delivery of projects.¹¹
- 5.16 The Committee is heartened by the establishment of the Independent Project Performance office, however, it is concerned with how programs are monitored and reported.

Projects of Concern

Background

- 5.17 The Projects of Concern list was established in 2008 to focus the attention of Defence and industry senior management on solving the issues required to remediate listed projects. Projects are put on the list when there are significant challenges with scheduling, cost, capability delivery or project management.¹²
- 5.18 The total number of projects placed on the list since 2008 is 18, with seven removed. Six due to remediation and two due to cancellation.¹³
- 5.19 From 2011, the DMO Annual Report will also provide an update on the Projects of Concern list, including work being undertaken to remediate these projects.¹⁴
- 5.20 The current list as released by the Hon Stephen Smith MP, Minister for Defence and the Hon Jason Clare MP, Minister for Defence Materiel on 1 February 2011 is as follows:
- CN10: Collins Class Submarine Sustainment and Projects;

11 Australian National Audit Office, *2009-2010 Major Projects Report Defence Materiel Organisation*, November 2010, p. 105.

12 Department of Defence – *Defence Annual Report Volume 2*, p. 126

13 Department of Defence – *Defence Annual Report Volume 2*, p. 126

14 Hon Stephen Smith MP, Minister for Defence, 'Projects of Concern – Update', Media Release, 15 October 2010 <<http://www.defence.gov.au/minister/105tpl.cfm?CurrentId=10942>> viewed 12 October 2011.

- AIR 5077: Phase 3 'Wedgetail' Airborne Early Warning and Control aircraft;
- SEA 1448: Phase 2B Anti-Ship Missile Defence radar upgrades for ANZAC Class;
- JOINT 2043: Phase 3A High Frequency Modernisation (HFMOD) – communications and data exchange capability for sea, air and land forces;
- AIR 5333: 'Vigilare' – Aerospace surveillance and command and control system;
- JOINT 129: Phase 2 Tactical Unmanned Aerial Vehicles – airborne surveillance for land forces;
- LAND 121: Phase 3 'Overlander' replacement field vehicles, trailers and modules for land forces ('Medium Heavy' class of vehicles only);
- JOINT 2070: Lightweight torpedo replacement for ANZAC and ADELAIDE Class Frigates;
- AIR 5402: Multi-Role Tanker Transport aircraft – Air to Air Refuelling Capability;
- JOINT 2048: Phase 1A LCM2000 Watercraft for Landing Platform Amphibious ships;
- AIR 5276: Phase 8B Electronic Support Measures upgrade for AP-3C Orion aircraft; and
- AIR 5418 Phase 1: Joint Air to Surface Standoff Missiles¹⁵

5.21 The Hon Jason Clare, Minister for Defence Materiel also indicated that meetings between Government, Defence and Industry would be held twice a year in an effort to address remediation of these projects with the ultimate goal of taking them off the list¹⁶.

15 Hon Stephen Smith MP, Minister for Defence, 'Projects of Concern – Update', Media Release, 15 October 2010 <<http://www.defence.gov.au/minister/105tpl.cfm?CurrentId=10942>> viewed 12 October 2011.

16 Hon Stephen Smith MP, Minister for Defence, 'Projects of Concern – Update', Media Release, 15 October 2010 <<http://www.defence.gov.au/minister/105tpl.cfm?CurrentId=10942>> viewed 12 October 2011.

Reforms to Projects of Concern

5.22 On 29 June 2011 the Minister for Defence and the Minister for Defence Materiel announced reforms to the Project of Concern process:

- The reforms include incentives for companies to fix projects that are on the list.
- The performance of companies in addressing Projects of Concern will be considered when evaluating their tenders for other projects.
- If companies are not satisfactorily remediating the project this will result in a negative weighting against them and in extreme circumstances could result in exclusion from further tenders until the project is fixed.¹⁷

5.23 Other reforms to the Projects of Concern process include:

- The establishment of a more formal process for adding projects to the list;
- The establishment of a formal process for removing projects from the list;
- The development of agreed remediation plans, including formal milestones for the removal of a project from the list; and
- Increased Ministerial involvement and oversight of the process.¹⁸

17 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, 'Reform to Projects of Concern', Media Release MIN187/11, 29 June 2011 <<http://www.minister.defence.gov.au/2011/06/29/reforms-to-projects-of-concern/>> viewed 12 October 2011.

18 Hon Stephen Smith MP, Minister for Defence and Hon Jason Clare MP, Minister for Defence Materiel, 'Reform to Projects of Concern', Media Release MIN187/11, 29 June 2011 <<http://www.minister.defence.gov.au/2011/06/29/reforms-to-projects-of-concern/>> viewed 12 October 2011.

Specific Projects

Joint Strike Fighter

Background

- 5.24 AIR 6000 will deliver a new air combat capability comprising around 100 Conventional Take Off & Landing (CTOL) F-35 Joint Strike Fighters (JSF) and all necessary support, infrastructure and integration to form four operational squadrons and a training squadron.¹⁹
- 5.25 Australia joined the System Development and Demonstration phase of the JSF Program in October 2002 and, through project AIR 6000 Phase 1B (approved), undertook a program of detailed definition and analysis activities leading up to Government second pass (Acquisition) approval for Phase 2A/2B Stage 1 in November 2009.
- 5.26 Phase 2A/B will acquire no fewer than 72 CTOL JSF to form three operational squadrons and a training squadron, with first deliveries in 2014 to achieve Initial Operational Capability (IOC) in 2018 and Final Operational Capability (FOC) in 2021.
- 5.27 Phase 2C (unapproved) is the acquisition of a fourth operational JSF squadron to bring the total number of aircraft to around 100. The decision to acquire the fourth operational JSF squadron will be considered in conjunction with a decision on the withdrawal of the Super Hornet. A decision on this final batch of JSF is not expected before 2015.

Current Status

- 5.28 The first 14 Joint Strike Fighters, with infrastructure and support required for initial training and testing, will be acquired at an estimated cost of \$3.2 billion. However, it should be noted that this figure is in 'Then Year' dollars, i.e. it takes inflation into account, is based on a Australia/United States exchange rate of US\$0.84, includes a considerable amount of contingency, and the proportion of the funds for aircraft is considerably less for this phase than for the overall project because of the higher proportion of broader project support elements for this first stage of the project.

19 Department of Defence, 'Defence Capability Plan', p. 57

5.29 On current plans:

- Australia's first two aircraft will be delivered in 2014 in the United States. Australia's first 10 aircraft will be based in the United States for a number of years for pilot and maintainer training and operational testing. The next four aircraft will be delivered in Australia in 2017.
- The first aircraft to arrive in Australia in 2017 will have completed Block 3 developmental and operational test and evaluation activities and will, therefore, be fully capable of meeting endorsed Australian New Air Combat Capability requirements.
- Australian-specific operational testing - primarily to ensure effective integration with other Australian Defence Force air and ground systems - will take place during 2017 and 2018, leading to Initial Operational Capability in 2018.
- Subsequent aircraft deliveries (leading to a total of no fewer than 72 aircraft) will lead to Full Operational Capability of the first three operational squadrons being achieved by 2021.
- In broad terms, the operational cost of each aircraft as a component of a mature fleet of three squadrons would be in the order of \$200-250 million (using a reasonably conservative exchange rate) over a 30 year life at the currently expected rate of effort, or about \$2.8-3.5 billion for the 14 aircraft currently approved.²⁰

5.30 The Committee enquired as to the provision for the New Air Combat Capability - AIR 6000:

As advised to the Committee by Dr Gumley in July 2008, the Defence Capability Plan (DCP) provision for our procurement of around 100 Joint Strike Fighters was approximately \$12-14 billion. The provision has not needed to have been changed other than for adjustments for exchange rate and inflation.²¹

5.31 Following the period of this review there have been many announcements and issues relating to the JSF.

5.32 In an April 2011 report the United States Government Accountability Office was critical of the JSF. It made statements as follows:

20 *Senate Hansard*, No 4, 2010 22 November 2010, p. 1856.

21 Department of Defence, *submission 5*, p. 25.

- Affordability Expectations Are Challenged as JSF Acquisition Costs Rise and Schedules Slip²²
- Program Has Still Not Fully Demonstrated a Stable Design and Mature Manufacturing Processes as It Enters Its Fifth Year of Production.²³
- Manufacturing Processes are Not Yet Mature Enough for Efficient Production at Increased Rates²⁴
- Aircraft Are Not Meeting Early Reliability Growth Plans²⁵
- Testing Has Been Slow and Has Not Demonstrated That the Aircraft Will Work in Its Intended Environment²⁶

5.33 In his May 2011 paper for the Australian Strategic Policy Institute (ASPI) entitled *What's Plan B? – Australia's air combat capability in the balance* Andrew Davies outlined some of the issues of concern and indicators of future cost effectiveness as follows:

The result is a schedule and cost estimate that is probably still workable for Australia – but with margins for error that are much reduced. The biggest risks are:

- The approved funding for the initial buy of fourteen F-35s for the RAAF beginning in 2014 is becoming very marginal. Additional cost increases could see those aircraft become more expensive than budgeted. Planned later buys probably remain affordable within the existing budget.
- On current plans the full warfighting capability of the F-35 won't be delivered until 2016 and the US Air Force have moved their in-service date to some time after that – perhaps 2017. Australia may find itself moving to initial operating capability only slightly later than the USAF. Additional slippages could further compress the timeframe.

22 United States Government Accountability Office, *Joint Strike Fighter: Restructuring Places Program on Firmer Footing, but Progress Still Lags*, April 2011, p. 6.
<<http://www.gao.gov/new.items/d11325.pdf>> viewed 20 September 2011.

23 United States Government Accountability Office, *Joint Strike Fighter: Restructuring Places Program on Firmer Footing, but Progress Still Lags*, April 2011, p. 15.
<<http://www.gao.gov/new.items/d11325.pdf>> viewed 20 September 2011.

24 United States Government Accountability Office, *Joint Strike Fighter: Restructuring Places Program on Firmer Footing, but Progress Still Lags*, April 2011, p. 18.
<<http://www.gao.gov/new.items/d11325.pdf>> viewed 20 September 2011.

25 United States Government Accountability Office, *Joint Strike Fighter: Restructuring Places Program on Firmer Footing, but Progress Still Lags*, April 2011, p. 22.
<<http://www.gao.gov/new.items/d11325.pdf>> viewed 20 September 2011.

26 United States Government Accountability Office, *Joint Strike Fighter: Restructuring Places Program on Firmer Footing, but Progress Still Lags*, April 2011, p. 24.
<<http://www.gao.gov/new.items/d11325.pdf>> viewed 20 September 2011.

The fall-back options for the RAAF to manage these contingencies are:

- Costs: slip at least some of the fourteen initial aircraft to later years – with the downside risk of slowing the working up of capability.
- Schedule: for modest further schedule slippage, keep the Hornet in service a year or two longer than is currently planned – albeit at a higher cost and reduced comparative capability. ('Plan B'). For slippages of more than two years the most credible option is a purchase of more Super Hornets. ('Plan C').

Neither of those options needs to be implemented now. But a close eye has to be kept on the F-35 program over the next two years.

The two most important indicators are:

- the price of the fourth and fifth production batches of F-35 compared to respective contracted and estimated prices; and,
- the delivery of software increments according to schedule and with the planned functionality.²⁷

5.34 RAAF officials told the Committee that:

- The JSF is strategically the right aircraft for Australia; and,
- Despite cost and time slippages the 2017 delivery date has been confirmed.

Air Warfare Destroyer

5.35 SEA 4000 is a multi-phased project to acquire a multi-role surface combatant with a strong emphasis on above water warfare. The Air Warfare Destroyer (AWD) will incorporate an integrated Australianised Combat System, which uses the USN Aegis Combat System, and a platform system based upon the design of the Spanish Armada's F-104 warship with specified changes from the F-105 baseline.

5.36 Previous phases were:

- Phase 0: Capability studies undertaken between 2001 and 2002 (Complete)
- Phase 1: Project definition between 2002 and 2005 (Complete)
- Phase 2: Project design phase from 2005 to 2007 (Complete)

27 Davies, A, *What's Plan B? – Australia's air combat capability in the balance* by Australian Strategic Policy Institute, 12 May 2011, pp. 1-2.

- Phase 3: Acquisition and build of three HOBART Class AWDs and logistic support.²⁸
- 5.37 Construction of the lead ship commenced in March 2010 and the forecast IOC is 2014.
- 5.38 Phase 4 provides for the acquisition of a maritime-based land-attack cruise missile capability for the AWD that will provide the Government with additional options to conduct long-range precision strike operations against hardened, defended and difficult access targets, while minimising the exposure of ADF platforms and personnel to attack by enemy forces.

Amphibious Deployment and Sustainment Program

- 5.39 JP 2048 is a multi-phase project to introduce an Amphibious Deployment and Sustainment (ADAS) capability to replace and enhance the current amphibious capability provided by two KANIMBLA Class Amphibious Transport Ships (LPA), the Heavy Landing Ship HMAS Tobruk, the six BALIKPAPAN Class Heavy Landing Craft, and associated Army landing craft.
- 5.40 The phases of this project are:
- Phase 1A – LPA Watercraft (now cancelled);
 - Phase 2 – Project definition study (Completed);
 - Phase 3 – LHD Watercraft (not yet approved);
 - Phase 4 A/B – Amphibious Assault Ships - LHD (Approved);
 - Phase 4C – Strategic Sealift Ship (not yet approved); and,
 - Phase 5 – Replacement Heavy Landing Craft (not yet approved).²⁹

Bushmaster Protected Mobility Vehicle

- 5.41 A total of 737 Bushmaster Protected Mobility Vehicles are being acquired in seven different variants (troop, command, mortar, assault pioneer, direct fire weapon, ambulance and air defence).
- 5.42 All 300 Bushmaster Protected Mobility Vehicles included in the original acquisition contract and all 144 Enhanced Land Force vehicles have been delivered.

28 See <<http://www.defence.gov.au/dmo/awd/sea4000/sea4000.cfm>> viewed 12 October 2011.

29 See <<http://www.defence.gov.au/dmo/adas/jp2048ph4/>> viewed 12 October 2011.

- 5.43 Delivery of the 293 vehicles being acquired under LAND 121 Overlander Phase 3 (Overlander) is on schedule, with 136 vehicles delivered as at 30 July 2010.
- 5.44 The development of the seventh and final variant of the Bushmaster Protected Mobility Vehicle, the Air Defence variant, is progressing on schedule. The prototype of this variant is due to be delivered to Defence in late 2010.
- 5.45 The project has also delivered enhanced capability in support of Operations in the Middle East Area of Operations, approved by the Government in 2007 as rapid acquisitions.
- 5.46 These initiatives have delivered 72 protected weapon stations, 116 automatic fire suppression systems and 116 purpose designed spall curtains.
- 5.47 Additional acquisitions in support of operations are being managed through the Bushmaster sustainment area.
- 5.48 The project is currently working with the original equipment manufacturer, Thales Australia, to certify the Bushmaster Protected Mobility Vehicle for sustained towing.
- 5.49 Bushmaster Protected Mobility Vehicle sustained towing certification is planned for completion in 2011.³⁰

Current status

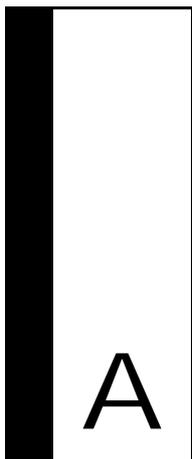
- 5.50 Defence gave evidence to the Committee that the Bushmaster project was currently on schedule and on budget.³¹

Committee conclusions

- 5.51 The Committee has three main concerns regarding the JSF:
- cost;
 - schedule; and
 - capability.

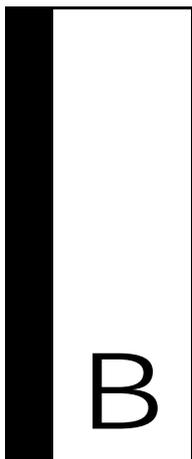
30 See <<http://www.defence.gov.au/dmo/lsd/land116/>> viewed 12 October 2011.

31 Major General Grant Cavenagh, Department of Defence, *Transcript*, 25 March 2011, p. 98.



Appendix A – List of Submissions

1. Air Power Australia
2. Department of Defence - Corrections to Hansard
3. Department of Defence - Answers to Questions on Notice
4. Department of Defence - Answers to Questions on Notice
5. Department of Defence - Answers to Questions on Notice
6. Department of Defence - Answers to Questions on Notice



Appendix B – Witnesses appearing at public hearing

Friday 25 March 2011

CAMPBELL, Rear Admiral Mark Gerard, Head Helicopter Systems Division, Defence Materiel Organisation

CAVENAGH, Major General Grant, Head Land Systems Division, Defence Materiel Organisation

CRANE, Vice Admiral Russell, AO CSM, Chief of Navy, Department of Defence

CRONAN, Air Commodore Paul Arthur, Director-General, Australian Defence Force Legal Service, Department of Defence

CUNLIFFE, Mr Mark, PSM, Head Defence Legal, Defence Support Group, Department of Defence

DEEBLE, Air Vice Marshal Christopher Lawrence, Program Manager Collins and Wedgetail, Defence Materiel Organisation

DUNSTALL, Mr Harry, General Manager Commercial, Defence Materiel Organisation

GUMLEY, Dr Stephen, Chief Executive Officer, Defence Materiel Organisation

HARVEY, Air Marshal John, AM, Chief of Capability Development Group, Department of Defence

HOUSTON, Air Chief Marshal Angus AC AFC, Chief of Defence Force, Department of Defence

JENNINGS, Mr Peter, Deputy Secretary Strategy, Department of Defence

KING, Mr Warren, Deputy Chief Executive Officer, Defence Materiel Organisation

LEWIS, Mr Simon, Deputy Secretary, Defence Support, Department of Defence

MARSHALL, Rear Admiral Peter, Head Maritime Systems Division, Defence Materiel Organisation

McKINNIE, Ms Shireane, General Manager Systems, Defence Materiel Organisation

MERCHANT, Mr Stephen, Deputy Secretary Intelligence and Security, Department of Defence

MINNS, Mr Phil, Deputy Secretary, People Strategies and Policy Group, Department of Defence

MORTON, Mr David, Director-General, Mental Health, Psychology and Rehabilitation, Joint Health Command, Department of Defence

OSLEY, Air Vice Marshal Kym, Program Manager, New Air Combat Capability, Department of Defence

PAULE, Air Vice Marshal Kevin, AM, Acting Vice Chief of Defence Force, Department of Defence

SARGEANT, Mr Brendan, Deputy Secretary, Strategic Reform and Governance, Department of Defence

SYMON, Major General Paul, AO, Deputy Chief of Army, Department of Defence

WATT, Dr Ian, AO, Secretary, Department of Defence