
The Parliament of the Commonwealth of Australia

Review of the Defence Annual Report 2013-14

Inquiry of the Defence Sub-Committee

Joint Standing Committee on Foreign Affairs, Defence and Trade

November 2015
Canberra

© Commonwealth of Australia 2015

ISBN 978-1-74366-365-3

ISBN 978-1-74366-366-0

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website:
<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.



Contents

Foreword	vii
Membership of the Committee	xi
Membership of the Defence Sub-Committee.....	xiii
Terms of reference	xvii
List of abbreviations	xix
List of recommendations	xxiii
1 Introduction	1
Annual Report Review objectives and scope	1
Focus areas	1
Conduct of the Review	1
ADF operations	2
Operation Okra.....	4
Committee comment.....	5
2 First Principles Review	7
Oversight Board	9
Defence Science and Technology Organisation	9
Reporting and transparency of performance	11
Defence White Paper and Force Structure Review	13
Committee comment.....	13
3 Personnel matters	15
Critical categories of employment.....	15
Project Suakin and Reserve policy.....	17

Recruitment and employment of women	18
Cultural reform and SeMPRO	21
Military justice	22
Committee comment.....	23
Recommendations	25
4 Mental health and wellbeing	27
Other inquiries and reports	27
Recruitment	28
Mental health and the ADF	29
Mental health conditions in the ADF	30
Transitioning out of the Service	31
Department of Veterans' Affairs	32
Committee comment.....	35
Recommendations	36
5 Capability development and major projects.....	37
Reputational risk	37
Outcomes based and performance based contracting.....	38
Pacific Maritime Security Program	39
Future Frigate program – SEA 5000	41
Joint Strike Fighter program.....	42
Other issues	46
Armidale-class Patrol Boats	46
C-RAM contract.....	46
KC-30A hail damage	47
F/A-18F Super Hornet spare parts	47
Committee comment.....	48
Recommendations	50
6 Defence support	51
Unfunded liability	51
Fuel security, capacity and storage	52
Defence housing and accommodation.....	53

Committee comment.....	56
Recommendations	57
Appendix A: List of Submissions	59
Appendix B: Answers to questions on notice.....	61
Appendix C: Witnesses who appeared at public hearings	63

LIST OF TABLES

Table 1	Defence personnel on ADF operations	3
Table 2	Veterans with mental health conditions accepted by DVA	34
Table 3	Accepted service related conditions for veterans	34



Foreword

The *Review of the Defence Annual report 2013-14* is the second undertaken by the Defence Sub-Committee in the 44th Parliament. Reviews of Defence annual reports, which the Committee has undertaken annually in successive Parliaments since 2002, is an oversight activity that the Committee considers to be a key part of its role.

The Committee resolved to focus on five main areas for its *Review of the Defence Annual report 2013-14*:

- First Principles Review;
- Personnel matters;
- Mental Health;
- Capability Development and Major Projects; and
- Defence Support.

During the period of July 2013 – June 2014, the Australian Defence Force (ADF) was involved in three whole-of government operations – Operation Sovereign Borders, Operation Southern Indian Ocean and Operation Bring Them Home. The ADF also completed two operations – Operation NSW Bushfire and Operation Philippines Assist. The Department of Defence has also commenced major organisational change with the release of the First Principles Review, the abolition of the Defence Materiel Organisation and creation of the new Capability Acquisition and Sustainment Group.

The Committee considered the status of First Principles Review and the role of the Oversight Board throughout the implementation process. The Committee looked at reporting and transparency of performance, an issue that was raised in the

Review of the Defence Annual report 2012-13. For example, the Committee was disappointed to note the lack of information publically available on the Joint Strike Fighter program and the lack of transparency in reporting on this program.

Personnel matters were a major element of the Committee's review including Defence's critical categories of employment, Project Suakin and Reserve Policy, recruitment and employment of women, cultural reform, and military justice. Although the Committee was pleased with the reduction of critical categories of employment, it became apparent that more work needs to be done with recruitment programs to attract the necessary talent to the services. Retention in the services is also an area of concern, and measures such as rewarding experience gained outside of Defence need to continue. Tied to this is the implementation of Project Suakin, which the Committee recognises will play a large part in retaining personnel by increasing flexibility to service members.

Mental health issues were examined including identification of mental resilience at the recruitment stage, the culture towards mental health in the ADF, and work being done with personnel transitioning out of the Services. The Committee appreciates the work being done by Defence and the Department of Veterans' Affairs, and acknowledges the importance of collaboration between the two departments in addressing mental health conditions within the ADF. The Committee also notes improvements in the culture around mental health in the ADF, but believes that a positive attitude towards these issues needs to be fostered in middle leadership and passed down the lower ranks.

In examining capability development, the Committee notes the positive developments in the practice of using whole-of-life contracts with a five year review cycle or opt-out point. The Committee also notes the importance of the new Pacific Maritime Security Program for Australian industry and expects Defence to maximise domestic industry involvement, while involving an integrated approach that addresses the shortcomings of the original Pacific Patrol Boat Program. The implementation of First Principles Review is likely to impact on major projects' processes, for example adopting a 'smart buyer' model in the tendering stage.

The Committee is concerned about the amount of unfunded liabilities in Defence estate and infrastructure, and believes Defence should report the amount of the liability, how it has been created and where it exists. Although the Committee acknowledges Defence's efforts on fuel farms, the Committee believes current

reporting to be inadequate and better reporting should be undertaken on the progress of remediation and fuel management.

The Committee is pleased with the improvements to Defence Housing and the quality of housing options available to ADF families.

The Committee acknowledges the dedication and commitment of the men and women of the ADF and commends them on the outstanding service they provide to the nation. The Committee also acknowledges the work of the Australian Public Service in supporting ADF personnel on operations. Finally, the Committee expresses its thanks for the support given by family and friends of those personnel deployed and to those engaged in support of operations.

Senator David Fawcett
Chair
Defence Sub-Committee

Membership of the Committee

Chair The Hon Teresa Gambaro MP

Deputy Chair Mr Nick Champion MP

Members The Hon Bob Baldwin MP
(from 19 October 2015)

The Hon Michael Danby MP

The Hon David Feeney MP

Mr Laurie Ferguson MP

The Hon Alan Griffin MP
(from 4 December 2013 until 5 September 2014)
(from 10 February 2015)

Mr Alex Hawke MP
(until 12 October 2015)

Dr Dennis Jensen MP

Mr Ewen Jones MP (until 11 November 2015)

Mr Craig Kelly MP

The Hon Richard Marles MP

Mr Andrew Nikolic AM, CSC, MP

Senator Mark Bishop
(until 30 June 2014)

Senator Sean Edwards (from 1 July 2014)

Senator Alan Eggleston (until 30 June 2014)

Senator David Fawcett

Senator Mark Furner (until 30 June 2014)

Senator Alex Gallacher (from 1 July 2014)

Senator Helen Kroger (until 30 June 2014)

Senator the Hon Joseph Ludwig
(from 1 July 2014)

Senator the Hon Ian Macdonald

Senator Anne McEwen

Senator Bridget McKenzie
(from 1 July 2014)

Senator Deborah O'Neill
(from 1 July 2014)

The Hon Melissa Parke MP
(from 3 September 2014 to 10 February 2015) (from 24 June 2015)

Mr Keith Pitt MP
(from 19 October 2015)

The Hon Tanya Plibersek MP
(until 24 June 2015)

Mrs Jane Prentice MP
(from 22 September 2014)

Mr Don Randall MP
(until 21 July 2015)

Mr Wyatt Roy MP
(until 12 October 2015)

The Hon Philip Ruddock MP

The Hon Bruce Scott MP

Mr Luke Simpkins MP
(until 22 September 2014)

The Hon Dr Sharman Stone MP

Ms Maria Vamvakinou MP

Mr Nickolas Varvaris MP
(from 9 September 2015)

Senator Stephen Parry
(until 30 June 2014)

Senator Linda Reynolds CSC
(from 1 July 2014)

Senator the Hon Lisa Singh

Senator the Hon Ursula Stephens
(until 30 June 2014)

Senator Peter Whish-Wilson

Senator Nick Xenophon

Membership of the Defence Sub-Committee

Chair	Senator David Fawcett	
Deputy Chair	The Hon Alan Griffin MP (until 5 September 2014) (from 10 February 2015)	
	Senator Deborah O'Neill (from 23 September 2014 until 10 February 2015)	
Members	The Hon Bob Baldwin MP (from 11 November 2015)	Senator Sean Edwards (from 1 July 2014)
	Mr Nick Champion MP (<i>ex officio</i>)	Senator the Hon Joseph Ludwig (from 1 July 2014)
	The Hon Michael Danby MP	Senator the Hon Ian Macdonald
	The Hon David Feeney MP	Senator Bridget McKenzie (from 1 July 2014)
	The Hon Teresa Gambaro MP (<i>ex officio</i>)	Senator Linda Reynolds CSC (from 1 July 2014)
	Mr Alex Hawke MP (until 12 October 2015)	Senator Deborah O'Neill (from 23 September 2014)
	Dr Dennis Jensen MP	Senator Peter Whish-Wilson (from 11 June 2015)
	Mr Ewen Jones MP (until 11 November 2015)	
	Mr Craig Kelly MP	
	The Hon Richard Marles MP	
	Mrs Jane Prentice MP (from 11 August 2015)	


Mr Andrew Nikolic AM, CSC, MP

Mr Nickolas Varvaris MP

(from 14 October 2015)

Committee Secretariat

Secretary	Mr Jerome Brown
Inquiry Secretary	Wing Commander Joanna Elkington
Research Officers	Mr Nathan Fewkes
	Mr Joshua Leslie
	Miss Faith Speck
Administrative Officers	Mrs Dorota Cooley
	Ms Karen Underwood



Terms of reference

Pursuant to paragraph two 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 December 2014, the Joint Standing Committee on Foreign Affairs, Defence and Trade authorised the Defence Sub-Committee to review the Department of Defence Annual Report 2013-14.

1 Joint Standing Committee on Foreign Affairs, Defence and Trade, 'Resolution of Appointment'. House of Representatives Votes and Proceedings No. 7, 21 November 2013, p. 115.

2 Parliament of Australia, *44th Parliament Speaker's Schedule: Allocation to Committees of Annual Reports of Government Departments and Agencies*, p. 21.



List of abbreviations

ADF	Australian Defence Force
AMC	Australian Military Court
APS	Australian Public Service
ASPI	Australian Strategic Policy Institute
ATG	Air Task Group
BPC	Building Partner Capacity
CASG	Capability Acquisition and Sustainment Group (formerly DMO)
CDF	Chief of Defence Force
CDG	Capability Development Group
CO	Chief Officer (United States JSF Roundtable)
C-RAM	Counter Rocket, Artillery, and Mortar
DAPSCO	Defence APS Classification of Occupation
DHA	Defence Housing Australia
DMO	Defence Materiel Organisation
DMS	Defence Maritime [Services] Propriety Limited

DOT&E	Director, Operational Test and Evaluation (United States)
DSTG	Defence Science and Technology Group (formerly DSTO)
DSTO	Defence Science and Technology Organisation
DVA	Department of Veterans' Affairs
FPR	First Principles Review
FSR	Force Structure Review
GAO	Government Accountability Office (United States)
ICT	Information and communications technology
IOC	Initial Operational Capability
ISAF	International Security Assistance Force
ISIL	Islamic State of Iraq and the Levant
IV&V	Independent Verification and Validation
JSF	Lockheed Martin F-35 Joint Strike Fighter
KPI	Key Performance Indicator
LASER	Longitudinal ADF Study Evaluating Resilience
LIA	Live In Accommodation
LNG	Liquid Natural Gas
NATO	North Atlantic Treaty Organization
OBAS	On Base Advisory Service
OEM	Original Equipment Manufacturer
PAO	Polyalphaolefin [JSF coolant and fuelhydraulic systems]
PFI	Private Finance Initiative
PGPA	Public Governance, Performance and Accountability Act
PPP	Private–Public Partnership

PPB	Pacific Patrol Boat
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RFT	Request for Tender
RSL	Returned & Services League of Australia
SASR	Special Air Services Regiment
SeMPRO	Sexual Misconduct Prevention & Response
SES	Senior Executive Service
SOTG	Special Operation Task Group
TG Taji	Task Group Taji
UAV	Unmanned Aerial Vehicle
UN	United Nations
US	United States of America
VCDF	Vice Chief of the Defence Force
VSim	Verification Simulation

List of recommendations

3 Personnel matters

Recommendation 1

The Committee recommends that the Jobs Families Project be further developed to incorporate accurate assessments of both qualifications and experience that are required for a given role. The Committee further recommends that, in its implementation of the First Principles Review, the Department of Defence develop its strategic planning and appointment process to ensure employees have task-specific competence for their role, and that opportunities are actively created for personnel to obtain this relevant experience.

Recommendation 2

The Committee recommends that the Department of Defence collate and periodically publish figures on the effect of Project Suakin, including statistics on:

- The breakdown of personnel in each service category;
- ADF critical categories;
- Re-engagement by service and sector including assessment of industry skills captured; and
- Quantification of the benefits of personnel retention.

Recommendation 3

The Committee recommends that the Department of Defence develop more innovative ways to recruit, especially in the science, technology and engineering fields. The Committee further recommends that the Department, together with the Service Chiefs, utilise the following

initiatives to better attract people with science, engineering and technical skills:

- Engagement with secondary schools at the year 10 level such as visits, placements and work experience;
- The ADF Gap Year; and
- Defence University Sponsorship.

Recommendation 4

The Committee recommends that, whilst maintaining physical standards, the Department of Defence ensure the standards are fit for purpose and exercise flexibility on a case-by-case basis.

4 Mental health and wellbeing

Recommendation 5

The Committee recommends that the Departments of Defence and Veterans' Affairs report the progress and results of their mental health programs, including the LASER-Resilience Study.

Recommendation 6

The Committee recommends that the Department of Defence develop methods to collect and collate data on the On Base Advisory Service to measure its effectiveness.

5 Capability development and major projects

Recommendation 7

The Committee recommends the reporting to Parliament on the Joint Strike Fighter program be more comprehensive and equivalent to that made available to the US Congress.

6 Defence support

Recommendation 8

The Committee recommends that, to aid transparency and accuracy, the Department of Defence record and periodically report the quantum of unfunded liabilities held by Defence, including:

- Where the unfunded liability occurred;
- How the unfunded liabilities were created; and, where relevant
- Factors and decisions that led to funding being reallocated.

The Committee does not expect this reporting to form part of Defence's annual financial statements.

Recommendation 9

The Committee recommends that the Defence Annual Reports include appropriately detailed information on the Fuel Services Branch, in particular the progress of fuel farm remediation and remaining work to be done. The Committee further recommends that the Department of Defence actively explore options to engage and collaborate with industry on fuel management and security.

Recommendation 10

The Committee recommends that the Department of Defence, in partnership with Defence Housing Australia, prepare an effective consultation and communication framework with the community for use in ongoing and future redevelopments.

