

Government Response
To the
Joint Standing Committee on
Foreign Affairs, Defence and Trade Report

*From Phantom to Force: Towards a More Efficient and
Effective Army, and subsequent report,
A Model for a New Army: Community Comments on
'From Phantom to Force' Parliamentary Report into the
Army*

Government Response
to the
Joint Standing Committee on Foreign Affairs, Defence and Trade report
From Phantom to Force: Towards a More Efficient and Effective Army,
and subsequent report, *A Model for a New Army: Community Comments on 'From Phantom to Force' Parliamentary Report into the Army.*

Introduction

The Government welcomes the reports produced by the Joint Standing Committee on Foreign Affairs, Defence and Trade on the suitability of the Army for peace, peacekeeping and war. The primary report, *From Phantom To Force: Towards A More Efficient And Effective Army* was tabled in September 2000, prior to the publication of the Government's Defence White Paper, *Defence 2000: Our Future Defence Force*.

To take account of the White Paper, and the community feedback regarding *From Phantom to Force*, the Committee released the supplementary report, *A Model for a New Army: Community Comments on 'From Phantom to Force' Parliamentary Report into the Army*, (delivered in September 2001).

While the performance of the Australian Army since its birth 101 years ago shows that it is certainly no *phantom*, there is scope for the Army to be more effective than it is today. Both reports comment on Army capability in isolation. However, in developing the White Paper, the Government considered the Australian Defence Force (ADF) as a group of capabilities rather than on a Service-specific basis. This means that guidance for Army capability development is provided under the umbrella of *land force* capability, which also includes elements of the Airforce and Navy whose principle task is to deploy and support the Army. Therefore, the aim of achieving an integrated, balanced joint force is central to the consideration of all Army capability planning.

The following section addresses the specific recommendations contained in both of the Committee's Reports.

Recommendation 1. We recommend that the Government develop and maintain a national security policy. This policy should, amongst other things, guide the Defence Forces on their role in an integrated national concept for promoting and achieving international prosperity, peace and security.

We further recommend that the Government explore the feasibility of creating a National Security Council to oversee the development and maintenance of a national security policy.

Government Response

Agreed, with qualification.

The Government notes the Committee's recommendation that a national security policy and a National Security Council be developed. However, the Government believes that the two elements of its national security framework, comprising formal national security policy statements and a machinery of national security committees, has demonstrated its effectiveness and suits the constitutional system of Australia.

Upon taking office in 1996, the Government established two high-level mechanisms for coordinating national security: the National Security Committee of Cabinet (NSCC) as one of Cabinet's standing committees, and the Secretaries Committee on National Security (SCNS). The NSCC is the Government's highest decision-making body on Australia's national security. It considers strategic developments and issues of long term relevance to Australia's broad national security interests. It also oversees federal intelligence and security agencies. The NSCC is chaired by the Prime Minister, and consists of the Deputy Prime Minister, Foreign Minister, Defence Minister, Treasurer, Minister for Immigration and Multicultural and Indigenous Affairs and the Attorney General. Other Ministers, Departmental and Government Agency heads and the Chief of Defence Force are invited to attend depending on the issues under consideration. This Committee oversees the development of Australia's Foreign and Defence policy, ensuring that Australia maintains a coordinated policy approach on national security issues.

Recommendation 2. We recommend that the Department of Defence:

- **Enhance and maintain a highly effective and regionally focused intelligence and surveillance capability.**
- **Develop and maintain plans, processes and institutions to enable the defence force to expand to meet significant threats to Australian territory within a warning period of no more than two years.**
- **Develop and maintain a well balanced and integrated force-in-being. This force should be capable of the sustained dominance of one major and one minor focal area located anywhere within our region, including Australia. This force-in-being should be deployable within time frames up to, but not exceeding, four months of warning.**

Government Response

Agreed, with qualification.

Enhance and maintain a highly effective and regionally focused intelligence and surveillance capability.

The Government agrees with the need for highly effective regional surveillance. This need was also highlighted in the White Paper as a priority for Australia's defence capability. As such, information capabilities have been addressed as a separate capability grouping in the *Defence Capability Plan*, which details the funding and timing for capability projects originating from the White Paper. Additional funding of \$34 million has been allocated for intelligence enhancements in 2002-03¹. This funding commitment will enhance Defence's regionally focused intelligence and surveillance and maintain this highly effective capability.

Developments in technology are expanding the potential for sustained, 24-hour surveillance of our northern approaches, particularly through the Jindalee Operational Radar Network and other systems. Defence plans to acquire Airborne Early Warning and Control capability and Unmanned Aerial Vehicles, while upgrading the AP-3C Orion aircraft. When combined with the ability to fuse data from JORN and other sensor systems, these capability enhancements will help to provide an integrated national surveillance picture.

¹ Defence Portfolio, *Portfolio Budget Statements 2002-03*, 6 May 2002, pg. 55.

Similarly, the Army has continued to emphasise its regionally focused intelligence and surveillance capability. Its three Regional Surveillance units deployed across northern Australia form an important part of the total surveillance capability. Their local knowledge and continuous presence within many remote communities is invaluable. In addition, Army's intelligence capability in support of operations has been enhanced with the establishment of the 1st Intelligence Battalion in 2000.

Develop and maintain plans, processes and institutions to enable the defence force to expand to meet significant threats to Australian territory within a warning period of no more than two years.

The Government believes that the ADF size and capabilities prescribed in the White Paper provide suitable options for managing credible contingencies. The Government remains confident that the White Paper adequately identifies the range of most likely ADF operations in the near future and provides for capable forces to conduct these operations. The development of any new threats will be taken into account through regular strategic reviews, to ensure that the ADF force structure is appropriate for the current and foreseeable future strategic environment.

White Paper recognises that warning for credible operations may be short. It underlines the need to maintain ADF operational readiness, and also recognises that it is not realistic to assume that there would be sufficient warning time to allow for major new capabilities to be acquired, or for existing ones to be significantly enhanced or expanded.

The White Paper further identifies that:

- it is no longer a priority to provide the basis for the rapid expansion of the Army to a size required for major continental-scale operations; and
- Australia must be realistic about the scope of our power and influence and resource limits.

Given these assessments, the ADF has been directed to place an emphasis on providing a professional, well-equipped, well-trained force that is capable of deploying at short notice and is sustainable over extended periods. Reserve units are a crucial component of the flexibility, professionalism and sustainability of the ADF.

Develop and maintain a well balanced and integrated force-in-being. This force should be capable of the sustained dominance of one major and one minor focal area located anywhere within our region, including Australia. This force-in-being should be deployable within time frames up to, but not exceeding, four months of warning.

The White Paper and the Defence Capability Plan aim to develop and maintain a well balanced and integrated force-in-being. The White Paper acknowledges the need for the ADF to be capable of operating in more than one theatre concurrently and directs that the ADF be capable of sustaining a deployed brigade for an extended period, and at the same time have at least one battalion group available for deployment elsewhere. Army has developed force rotation models to provide for these contingencies and has two brigades and a battalion group capable of deploying on warfighting operations within four months' warning time. This reflects the committee's recommendation that the force-in-being should be capable of the sustained dominance of one major and one minor focal area located anywhere within our region and that this force should be deployable within time frames up to, but not exceeding, four months of warning.

The Government notes the community concern on this point, referred to in the supplementary report², which is similar to that expressed in response to the pre-White Paper public discussion paper *Defence Review 2000*³. In both instances, the community expressed concern that the ADF should have a balanced structure, which is not overly formula-driven and is able to cope with all eventualities, while at the same time maintaining a focus on the defence of Australia. The White Paper approach is designed to allow maximum flexibility to ensure that Defence planning does not leave us with a set of capabilities that is too narrowly focussed on specific scenarios.

Recommendation 3. We recommend that the Army be capable of:

- **Maintaining a force-in-being of four brigades optimised for operations within Australia's ACSI and capable of deploying within no more than four months warning.**
- **Generating an additional eight brigades within two years of warning for operations within Australia's Area of Critical Security Interest (ACSI).**

Government Response

Not Agreed.

Maintaining a force-in-being of four brigades optimised for operations within Australia's ACSI and capable of deploying within no more than four months warning.

Army does not have four brigades optimised for operations and capable of deploying with no more than four months warning. As stated in response to Recommendation 2, the Army has two brigades and a battalion group capable of deploying on warfighting operations within four months' warning time. In addition, elements such as the Special Forces can be available well within four months warning. The Government considers this to be sufficient deployable capability to meet Australia's current strategic objectives.

This deployable capability is drawn from a current land force that is based on two full-time, one integrated⁴ and six part-time⁵ brigades. The Army has an approved funding limit of 25,785 full time Army personnel for the financial year 2002-03. The Army is planned to grow to 26,271 full time personnel by 2010, but current recruiting levels indicate that Army may achieve this before 2010.

For protracted deployments, force rotations are likely to require substantial support from the Reserve component. Therefore the role of the Reserves has changed from providing a partially trained force for mobilisation in the event of a major crisis, to providing fully trained personnel to round out, reinforce and rotate with forces already deployed. To facilitate this, new Reserve legislative provisions (detailed in response to Recommendation 8) have been enacted to enhance the range of options for call-out. Provisions for protection of a Reservist's employment, education and financial situation have also been enacted, in addition to improved recruitment, retention and training provisions.

² Joint Standing Committee on Foreign Affairs, Defence and Trade, *A Model for a New Army: Community Comments on 'From Phantom to Force' Parliamentary Report into the Army*, September 2001, pg 31, para 5.9.

³ *Australian Perspectives on Defence: Report of the Community Consultation Team*, September 2000, pg 16.

⁴ *Integrated* means comprising a substantial element of Reserve personnel as well as full time personnel.

⁵ *Part time* units comprise both Reserve and permanent Army personnel. The permanent personnel make up the training staff in each unit and formation.

Generating an additional eight brigades within two years of warning for operations within Australia's Area of Critical Security Interest (ACSI).

The Government acknowledges the changes made to this recommendation in the committee's supplementary report, in which the recommendation that Army be capable of generating an additional eight brigades within two years notice, is revised down to four brigades.

Notwithstanding the Committee's revised recommendation, the Government has directed in the White Paper that Army expand the number of infantry battalions at high readiness from four to six.

The Government believes that the task of generating an additional eight brigades within two years would place very heavy demands on personnel, equipment and training resources, that would not be justified by our strategic circumstances, and would absorb resources that would detract from our ability to maintain a balanced Defence force.

Recommendation 4. We recommend that:

- **The Army report on the status of each brigade within the Department's Annual Report in terms of operational criteria devised jointly between the Department of Defence and the National Audit Office.**
- **On alternate years, the Inspector General of the Department of Defence and the National Audit Office (ANAO), audit and report on the Army's capability for force expansion.**

Government Response

Disagreed.

The Army report on the status of each brigade within the Department's Annual Report in terms of operational criteria devised jointly between the Department of Defence and the National Audit Office.

The Defence Annual Report covers Army performance, using capability-based performance targets, and provides visibility of the extent to which the Army is meeting the White Paper's capability goals.

It is not practical to report on the status of each brigade in terms of operational criteria in the Annual Report, as recommended by the committee, for a number of reasons. Firstly, operational information of this type is security classified and therefore could not be included in a public report. Secondly, if brigade-level reporting on Army were to be balanced by an equally detailed level of reporting for the other Services, annual reporting would risk becoming excessively lengthy and cumbersome.

On alternate years, the Inspector General of the Department of Defence and the National Audit Office (ANAO), audit and report on the Army's capability for force expansion.

The Government agrees with the ANAO's comment on this recommendation, that Army periodic reporting is essentially a matter for the Army and Defence rather than the ANAO, and notes the committee's acceptance of this in the supplementary report⁶. The Government does not agree, however, that such reporting should necessarily involve the Inspector-General.

⁶ *A Model for a New Army, op cit*, pg 42, para 6.9.

The Government notes the supplementary report's suggestion that the ANAO should report to Parliament in 24 months (from September 2001) on the efficacy of the Army capability audit program. Defence has no opposition to this suggestion, if the ANAO considers such reporting to be of value.

Recommendation 5. We recommend that the Army force structure be reviewed, such that:

- **There should be no single unit or formation present in the force structure unless it is able to detach useful capability in components. These components need to be in multiples of three - a component in commitment; a component returning and a component being prepared for deployment.**
- **Where multiple units or formations exist in the force structure they must exist in multiples of three.**
- **Where neither of these conditions can be satisfied the capability being sought should either:**
 - **Be reduced to a force size that can meet the structuring principle, or**
 - **Be removed from the force structure.**

Government Response

Disagreed.

There should be no single unit or formation present in the force structure unless it is able to detach useful capability in components. These components need to be in multiples of three - a component in commitment; a component returning and a component being prepared for deployment.

Where multiple units or formations exist in the force structure they must exist in multiples of three.

The Government accepts that Army capabilities should be able to be sustained but does not agree with the blanket application of a "multiples of three" principle. Army force rotation models are often structured in multiples of three to reflect a component in commitment, a component returning and a component being prepared for deployment. However, it would not be prudent to apply the trilogy structure rigidly.

Australia's strategic environment requires a flexible force that is capable of conducting varied operations, including the use of specialist forces. Some capabilities may only need to be employed once during an operation (eg. parachute or commando capabilities), and domestic operations will generally require less unit rotations than overseas ones. Such operational variables, combined with funding constraints, dictate that it is not viable or necessary to ensure that all units are structured in triplicate.

The committee's supplementary report asserted that:

...the decision to retain different, unique and individual capabilities at the brigade level and lower is seen ...as more an inability to make a suitable decision on force structure than a desire for flexibility⁷.

⁷*Ibid*, Pg 43, para 6.12.

This assertion is incorrect. The deliberate and informed nature of Army force structure decision-making, has been demonstrated in the development of a combat force sustainment model, which meets the strategic sustainment, and rotation requirements set out in the White Paper. This model informs the Single Entitlement Document (SED) Review process that is being used to implement changes to Army's force structure.

The SED Review is a rolling three-year program, which reviews every personnel position and every equipment line number attributed to each unit. This will achieve the following:

- implementation of force structure changes;
- validation of unit capability and structure for the conduct of assigned roles and tasks;
- standardisation of like Army units;
- elimination of hollowness in unit structures; and
- improvement of visibility of the true cost of a given capability or unit.

Where neither of these conditions can be satisfied the capability being sought should either:

- **Be reduced to a force size that can meet the structuring principle, or**
- **Be removed from the force structure.**

The Committee's suggestion that unit numbers be reduced until multiples of three can be achieved is not viable given the currently high levels of the Army's operational tempo, and the Committee's own recommendation that Force in being be expanded. Further, it is clearly not sensible to remove these vital force support elements from the force structure altogether, simply because they fail to meet rotation model requirements.

Recommendation 6. We recommend that the Army maintain its capability focus on the conduct of warfighting. This focus should be based on meeting or exceeding regional technical performance parameters up to, and including, mid-intensity conflict. We further recommend that the Army enhance or develop capabilities for:

- **Terminal Operations (ie. the equivalent of military stevedoring operations).**
- **Civil Affairs (ie. the capability on deployment to establish and maintain a relationship between the Army and the government, civil population and/or other agencies in order to facilitate the resolution of conflict and the re-establishment of normal civil life).**

Government Response

Agreed with qualification

We recommend that the Army maintain its capability focus on the conduct of warfighting.

The Government agrees that the Army focus be on warfighting. The White Paper clearly stated that the Government requires a capable defence force that is trained and equipped to meet the demands of conventional wars between states. It also stated that, even with the greater prominence of military operations other than conventional war, the military capabilities needed for the latter types of operations will have a lot in common with those we develop for more conventional conflicts. Accordingly, the Government's plan for developing land force capabilities over the next decade includes the most significant enhancements to Army's combat power in many years.

This focus should be based on meeting or exceeding regional technical performance parameters up to, and including, mid-intensity conflict.

The Government agrees that the performance standards of regional military forces should be a factor in setting the standard for our own Defence force. It is important to monitor trends in the development of regional capabilities.

The Government accepts the recommendation that Army develops further specialised capabilities for Terminal Operations and Civil Affairs.

We further recommend that the Army enhance or develop capabilities for:

- **Terminal Operations (ie. the equivalent of military stevedoring operations).**

Army has enhanced its Terminal operations capability. This has been achieved through force structure changes to the Logistic Support Force (LSF), with the provision of an additional 450 personnel to support the deployment to East Timor. These increased personnel levels have been maintained after East Timor, and a further 192 positions have since been provided to the LSF. In turn, the number of LSF Terminal Operations trainees has increased. Accordingly, the Army Logistics Training Centre (Townsville), Maritime Wing has increased its size by 12 personnel which constitutes a 30% increase in Instructor and Instructional Support Staff and equipment.

- **Civil Affairs (ie. the capability on deployment to establish and maintain a relationship between the Army and the government, civil population and/or other agencies in order to facilitate the resolution of conflict and the re-establishment of normal civil life).**

Army has also enhanced its civil affairs capability since the committee's reports were released. ADF experience has confirmed the close connection between successful operations and the restoration and support of civil authority. The Defence Organisation is examining options through *Project Army 2003* for further enhancing this capability at the headquarters staff level throughout all stages of operational deployments. The civil affairs function is currently being performed as required by a combination of Reserve personnel with specific expertise and personnel from other units (when the nature of the contingency allows them to serve in a secondary role). On occasions, medical, engineering and transport units can contribute to civil affairs tasks as required, provided there is no detriment to their core operational tasks.

It is important to note, though, that the Defence contribution to this function is rarely in isolation, with other government agencies, the United Nations and non-government organisations having major roles.

Recommendation 7. We recommend that the Army's funding be increased to:

- **Account for the yearly rise in costs associated with military personnel and equipment. (Based on historical trends this equates to an annual growth rate of four per cent which was also the rate of GDP growth at the time of the inquiry).**
- **Provide a credible force expansion capability.**
- **Provide, in the short term, funds necessary to implement the recommendations within this report.**

Government Response

Agreed, with qualification.

Account for the yearly rise in costs associated with military personnel and equipment. (Based on historical trends this equates to an annual growth rate of four per cent which was also the rate of GDP growth at the time of the inquiry).

The White Paper recognises the need for Defence spending to grow by an average of three per cent per annum in real terms over the next decade. The White Paper also provided an additional \$27.8⁸ billion for capability enhancement over the next 10 years under the Defence Capability Plan (DCP). The additional funds provide for capability enhancements, as well as the yearly rise in personnel and operating costs of maintaining existing capabilities.

Since the White Paper, Defence funding has been further increased with the provision of additional appropriations for specific operations. This has included:

- the Appropriation (East Timor) Bill 1999-2000;
- \$320 million for Defence's contribution to the War Against Terrorism 2001-02⁹; and
- an additional \$199 million for Defence's continued contribution to the War Against Terrorism in 2002-03¹⁰.

The Government continues to monitor the adequacy of Defence funding to ensure the Army remains both effective and efficient in meeting its strategic objectives.

Provide a credible force expansion capability

The Government's Defence Capability Plan contains a clear development path for land force capability over the next decade and beyond, which will meet the committee's recommendation that Army provide a credible force expansion capability. In short, it will improve the ADF war fighting capability; increase the number of ready frontline forces; and alleviate the sustainment and rotation problems that have previously been identified as a significant weakness in Army. Army's combat weight will be enhanced with the provision of:

- two squadrons of armed reconnaissance helicopters;
- an additional squadron of up to 12 troop-lift helicopters;
- an upgrade of 350 of our M113 armoured personnel carriers;
- new shoulder-fired guided weapons;
- improved personal combat systems;
- replacement air defence missile systems;
- mobile mortar systems; and
- tactical uninhabited aerial vehicles.

The Government acknowledges the committee's support, expressed in the supplementary report¹¹, of the funding increases set out by the White Paper. The Defence Capability Plan meets the need, also expressed in that report, for information on *how the funding allocation and management may be achieved over the ten-year period*.

Provide, in the short term, funds necessary to implement the recommendations within this report.

⁸ 2001-02 dollars Australian.

⁹ *Defence Portfolio Additional Estimates Statements 2001-2002*, 13 February 2002, pg. 12.

¹⁰ *Defence Portfolio Budget Statements 2002-03*, 6 May 2002, pg 14.

¹¹ *A model for a new Army, op cit*, pg 44, para 6.15.

Given that the Committee's recommendations with which Defence agrees are already being implemented, or are part of existing funded plans, the provision of additional dedicated funds for recommendation implementation is not considered necessary.

Recommendation 8. We recommend that the Army adopt a unified personnel structure. This structure should consist of five employment categories able to be deployed on service anywhere in the world:

- **Category A - Full-time service for an agreed tenure.**
- **Category B - Initial full-time service followed by an agreed commitment for part-time service for a set tenure. This part-time service would require regular attendance at a local unit.**
- **Category C - Part-time service for an agreed tenure. This part-time service would require regular attendance at a local unit.**
- **Category D - Part-time service for an agreed tenure. This part-time service would be done in a local or remote location at irregular time intervals which best suit the individual.**
- **Category E - Non-active service by fully trained personnel who remain on a recall database to support special projects or force expansion.**

We further recommend that service within these categories be by voluntary enlistment and be covered by common legislation that provides for employment protection and call out.

Government Response

Agreed, with qualification.

All of the forms of service proposed by the committee are currently in place in the Army, apart from Category B. A voluntary Reservist option similar to Category B does exist in which Reservists can choose to complete a full time *Common Induction Training* period for around six months, after which they revert to the normal Reserve part time commitment in a designated unit. This arrangement differs from Category B in that the continuous training period is classed as part of the Army Reserve annual training requirement, rather than full time service. But in essence the outcome is the same.

As the committee's supplementary report acknowledges, a number of initiatives have been put in place since the release of *From Phantom to Force* in 2000, and these were important steps for the ADF's personnel structure. These include amended legislation allowing Reservists to be deployed anywhere in the world, and *The Defence Reserve Service (Protection) Act 2001*, which provides for employment, financial and education protection across the spectrum of Reserve service.

The supplementary report raises concern about the apparent lack of a defined role for the Reserves¹². However, the Government has addressed this issue with a better defined and expanded role for Reserves as part of the ADF deployable force structure. The development Army's Combat Force Sustainment Model will refine the role and tasks to be undertaken by Reserves as specified in *Defence 2000*. It should also be acknowledged that the Reserve is

¹²*Ibid*, pg 44, para 6.18.

making a contribution to Army's current capability by providing reinforcements to units deploying to East Timor and Bougainville, and rifle companies to Butterworth, Malaysia. Since November 2002 two Reserve companies have been deployed concurrently:

- one is in East Timor with the 5th/7th Battalion, The Royal Australian Regiment; and
- the other is undertaking training independently as the Rifle Company Butterworth in Malaysia.

Recommendation 9. We recommend that:

- **All units are to be fully staffed to operational levels. Where a unit consists of predominantly part-time personnel it is to be staffed to 120 per cent of operational requirement.**
- **No unit is to be staffed with less than 20 per cent full-time (Category A) staffing.**
- **Transition of soldiers between Categories is to be administratively simple. This includes:**
 - **a standardised system of performance evaluation based on merit; and**
 - **a graduated system of employment conditions that covers issues such as superannuation, injury compensation and housing assistance.**

Government Response

Agreed, with qualification.

All units are to be fully staffed to operational levels. Where a unit consists of predominantly part-time personnel it is to be staffed to 120 per cent of operational requirement.

No unit is to be staffed with less than 20 per cent full-time (Category A) staffing.

Through the Single Entitlement Document Review (outlined in response to Recommendation 5), the Army is validating that units are staffed in accordance with their prescribed preparedness levels. This ensures that the higher readiness units are given priority for available resources.

Within current resources, 20 percent full time staffing levels in all units could only be achieved by creating hollowness in high readiness full time units to reallocate full time manning to low readiness part time units. This would significantly impact on capability and morale. As a result, the Government does not consider it practicable for no unit to be staffed with less than 20 per cent full-time staffing.

Transition of soldiers between Categories is to be administratively simple. This includes a standardised system of performance evaluation based on merit.

Transfers between the Regular Army and the Reserves happen regularly, to provide specialist augmentation, to better meet the needs of the Army and of Army personnel.

The Government recognises that it is important that this process is administratively simple. Army is currently re-designing its training to accord with the requirements of Competency Based Training and Assessment. This program is the basis of the Army Training System, under which standards are being aligned for both Regular and Reserve training.

At the point of graduation, the standards for both the Regular and the Reservist are the same. Naturally as the Regular is employed full-time and gains experience he/she can be expected to improve those skills. The Reservist on the other hand, who may not be able to utilise all their skills all the time, may lose skills to some degree. However, this is measurable and is taken into account before a Reservist is selected for any form of full-time or operational service. Currently the Army provides a standardised system of assessment, with Reserve officers and senior non-commissioned officers subject to regular performance appraisal, and all soldiers participating in the Army Individual Readiness Notice system.

With regard to attendance at courses, there are occasions where attendance by a Reservist may be a lower priority than that for a Regular. Wherever possible, courses are refined to assist Reservists in making the necessary time commitments to attend continuous service training for significant periods. This refinement of training in no way reduces the quality, the training objectives or standards to be achieved by the Reservist.

A graduated system of employment conditions that covers issues such as superannuation, injury compensation and housing assistance.

The Government notes the committee's recommendation for a graduated system of employment conditions that covers issues such as superannuation, injury compensation and housing assistance. The service conditions of Regular and Reserve personnel differ substantially. For the majority of Reservists, the Army is not their primary source of income. Thus, for the part-time soldier tax-free pay is a more relevant incentive than superannuation. Similarly, Reservists will not be posted outside their own locality; thus most housing allowances are more relevant to their Regular colleagues who have to deal with posting turbulence. The Government has extended eligibility for the Defence Home Owner Scheme to Reservists, and has introduced legislation to protect Reservists' civilian employment, education and financial situation when rendering military service. The Government is also considering the recently completed Nunn Review with a view to optimising the conditions of service for all ADF members.

Reservists on part-time service are covered for workplace injury in the same manner as all other ADF members on peace-time continuous full time service who enlisted on or after 23 May 1986. Reservists on full-time service are covered for workplace injury in the same manner as all other ADF members serving in the same workplace.

Recommendation 10. We recommend that no Army equipment project be approved unless it is acquiring sufficient equipment to meet the full operational equipment liability for the total force.

Government Response

Agreed, with qualification.

The Government's investment in Army, outlined in the White Paper, constitutes the most significant enhancements to its combat power in many years. This involves stocking equipment for current use, as well as holding additional stocks for maintenance and training purposes.

However, equipment levels will always be subject to variations in operational requirements, the availability of equipment maintenance personnel, and funding constraints.

Recommendation 11. We recommend that the Army, in conjunction with the Department of Defence, review its equipment and stock acquisition strategy. We further recommend that this strategy be based on a coherent policy which addresses the need for the Army's equipment and stock to:

- **Be sustainable.**
- **Support plans for force expansion.**
- **Be optimised for operations within Australia's ACSI.**
- **Be based on, in the case of equipment, an appreciation of the whole-of-life costs associated with any particular purchase or replacement program.**

Government Response

Agreed, with qualification

This recommendation focuses on Army equipment and materiel stock acquisition strategy; however, the core issue is sustainability. As the committee recognised, the issue of stockholding policy is an ADF-wide issue and cannot be addressed by Army alone.

Defence is currently undertaking the following steps to address sustainability:

- the development of endorsed sustainability analysis methodologies to enable the Services to determine their stockholding requirements;
- a review of Defence explosive ordnance reserve stock and operating stock requirements;
- the development of sustainability planning guidance; and
- a review of current Defence stockholding policy as a whole.

In particular, the Government has demonstrated its commitment to improving the sustainability of explosive ordnance stockholdings, by providing an additional \$20.9m for increase munitions war-stocks, in the 2002-03 Defence Portfolio Budget Statements.

In terms of agreed activity levels and usage rates, two major projects are under development. The Joint Operational Logistic Tool Suite (JOLTS), sponsored by HQAST, will be a theatre level planning tool which uses agreed activity levels and attributes up to five levels of usage rates. This is expected to be completed by the end of 2002. Secondly, the ADF Preparedness Planning Guide will provide a web-based repository of endorsed planning guidance.

In addition, whole-of-life costs are taken into account when capital acquisition decisions are made.

The committee's supplementary report refers to the role of Australian industry within Defence as needing clarification¹³.

The Government has developed a range of specific industry and procurement policies to help achieve its capability requirements and facilitate collaboration between Defence and defence industry. These policies are detailed in two main documents:

- the 1998 *Defence and Industry Strategic Policy Statement* (DISPS); and
- the *Defence 2000: Our Future Defence Force* White Paper.

¹³ *A Model for a New Army, op cit*, pg 44, para 6.23.

DISPS provides the strategic policy framework for industry's vital role in the development, acquisition and through-life support of Defence capabilities. The Defence White Paper reiterated this role in terms of Defence's long term capability goals, and foreshadowed the release of the *Defence Capability Plan 2001-2010* (DCP). The DCP provides detailed, long-term guidance on Defence's capability goals and the opportunity for industry to take defence capability needs into account as part of their own strategic planning.

Industry Division, within the Defence Materiel Organisation, is responsible for ensuring that Australia's defence industry is developed and sustained to meet the needs of a technologically advanced ADF. This is a move away from a project by project acquisition strategy, to one in which individual capability projects are strategically linked, and offered to key defence suppliers in packages under long-term, multi-project commercial arrangements. This new approach is expected to:

- reduce cost, performance and schedule risks by providing continuity of work and better planning guidance;
- provide opportunities for increased investment in skills generation, training, research and development; and
- allow for greater commonality of technologies, equipment and platforms.

Further, the Strategic Logistics Branch was established within Headquarters Logistics Command, in February 2002, to develop strategic level joint logistics policy and coordinate access to national and international logistics capabilities. One of its primary aims is to foster defence industry relations to support ADF operations, as required. As can be seen, the relationship of Australian industry with Defence has been clarified.

Recommendation 12. We recommend that the Government establish, for a period of three years, an Army Capability Enhancement Project (ACEP). The Project Team would work alongside the Army in effecting the restructuring and enhancements recommended in this report.

We further recommend that this Project provide a report to Parliament twice each year for the period of its operation.

Government Response

Disagreed.

The Government considers that there would be little value in establishing an Army-focussed project team, as enhancements to Army's capability are undertaken in a joint service context, as part of the land force capability group identified in the White Paper.

Defence has implemented, or is in the process of implementing, substantial changes to the ADF as a result of the White Paper. It is not considered necessary to establish a dedicated project team to oversee this. Defence has review and audit processes in place to monitor the progress of projects including those for the implementation of White Paper initiatives. Defence is accountable to the Senate Legislative Committee for its budgets, as well as other parliamentary committees such as the Joint Standing Committee on Foreign Affairs, Defence and Trade.