

Introduction

- 1.1 The period between July 2002 and June 2003 covered the tragic Bali Bombings, the release of the Defence Update and the review of the Defence Capability Plan which was made public in November 2003. The terrorist attacks of 9-11 resulted in a range of national security initiatives and commitments to coalition operations in the war against terrorism. The Bali Bombings demonstrated that Australia cannot relent in its fight against terrorism.
- 1.2 The Defence Update sought to raise the prominence of terrorism and the spread of weapons of mass destruction together with the challenges faced by countries in our region. These priorities have signalled changes in Defence's strategic objectives and the capabilities with which they are delivered.
- 1.3 The four topics selected for examination as part of the review of the 2002-2003 Defence Annual Report are linked to some of the new challenges facing the ADF. Topic one focuses on Australia's continuing involvement in the Middle East. The Annual Report stated that 'about 800 Defence personnel remain in the Middle East area of operations under trying and difficult circumstances to contribute to Iraq's stability and reconstruction.'
- 1.4 Under 'National Support Tasks', the ADF performs a range of community support functions. Defence may be called upon to provide emergency and non-emergency assistance to the Government and the Australian community in non-combat related roles. These tasks, for example, include emergency assistance, search and rescue, disaster recovery, surveillance and security or non-emergency law enforcement roles.
- 1.5 Topic three focuses on the Defence *2000 White Paper*, the key issues identified in the Defence Update and the resulting changes to capability announced in the Defence Capability Review (DCR). In particular, the

review provided an opportunity to scrutinise the Government's decision to retire the F-111 early and purchase new main battle tanks for the army.

- 1.6 The final topic examines Defence International Cooperation. Defence has a cooperation program with the countries of PNG, the South Pacific region, South East Asia, other regional countries including India, Pakistan, Bangladesh and multilateral programs such as the Five Power Defence Arrangements. The review provided an opportunity to scrutinise the cost, objectives and performance of the program.
- 1.7 This chapter provides an overview of Defence, focusing on the Budget, capability and personnel. The Annual Report review objectives are set out and the review topics are briefly discussed. The following five chapters each focus on the selected topics.

Defence objectives, personnel and 2004-05 Budget allocation

- 1.8 The 2004-05 Portfolio Budget Statements (PBS) provides information on the overall Budget allocation and key initiatives. Defence's strategic objectives are influenced by the strategic principles set out in *Defence 2000 – Our Future Defence Force (2000 White Paper)*. Defence states that the principles in the *2000 White Paper* 'remain a valid framework for addressing Australia's defence policy'.¹ This point was reiterated in the Defence Update with the comment that 'while the principles set out in the *2000 White Paper* remain sound, some rebalancing of capability and expenditure will be necessary to take account of changes in Australia's strategic environment.'²
- 1.9 As outlined in the *2000 White Paper*, there are five strategic objectives to which Defence contributes:
- ensuring the defence of Australia and its direct approaches;
 - fostering the security of Australia's immediate neighbourhood;
 - promoting stability and cooperation in Southeast Asia;
 - supporting strategic stability in the wider Asia-Pacific region; and
 - supporting global security.
- 1.10 In relation to capability, Defence states:

1 Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 5.

2 Department of Defence, *Australia's National Security, A Defence Update 2003*, February 2003, pp. 5-6.

The training and skill levels of the ADF will be suitable for providing the nucleus for an Australian-led coalition force, or for providing a commitment to coalitions. Consequently, the ADF will be able to operate in the maritime, air and land environments both separately and jointly.³

1.11 In 2004-05 the ADF is maintaining a force structure that comprises the following combat elements:

- a surface combatant force of six guided missile frigates, otherwise called FFGs (to be reduced to four from 2006), and five Anzac-class frigates (rising to eight by 2006), together with onboard helicopters;
- six Collins-class submarines;
- an amphibious lift and sea command force comprising two amphibious landing ships and one heavy landing ship;
- a mine hunter force comprising six coastal mine hunters (two of which are to be placed in extended readiness from 2006) and a hydrographic force comprising two hydrographic ships;
- an afloat support force comprising one oil tanker (to be replaced by 2006 with a more environmentally-friendly double-hulled tanker) and one replenishment ship;
- five Army infantry battalions at 90 days readiness or less, supported by a range of armour, aviation, engineer, artillery, logistics and transport assets, and a number of lower-readiness units able to provide personnel for sustainment and rotation;
- a Reserve Force designed to sustain, reinforce and, to a lesser degree, rotate personnel and equipment;
- three Regional Surveillance Units;
- a special forces group consisting of a Special Air Service regiment, a regular commando regiment, a reserve commando regiment, an Incident Response Regiment and a combat service support company;
- an air combat force of three front-line F/A-18 squadrons and one operational F-111 squadron (to be retired from service by about 2010), supported by training squadrons, a wide-area surveillance system (Jindalee Operational Radar Network) monitoring Australia's northern approaches, and a range of ground radars and other support elements. Airborne early warning and control aircraft will be deployed from 2007 and operational air-to-air refuelling aircraft from late 2006;
- a maritime patrol force of two front-line P-3C Orion squadrons; and

3 Defence Portfolio, *Portfolio Budget Statement 2004-05*, p. 3.

- agencies responsible for intelligence collection and analysis.⁴

1.12 Defence states that these 'major combat elements are being progressively more integrated and informed through a number of well-developed command, communications and intelligence systems'.⁵

1.13 For 2004-05 the most recent Budget estimates for Defence are shown in the PBS. Table 1.1 reproduces the key information.

Table 1.1 Defence Resourcing Summary – 2004-05

	2003-04 Projected Result \$000	2004-05 Budget Estimate \$000
Revenue from Government for outputs	14,569,666	15,625,941
Own source revenue	328,791	330,562
Equity injection from Government	617,634	299,025
Net Capital receipts	106,484	91,980
Administered appropriation	2,016,900	2,336,900
Total Defence resourcing	17,639,475	18,684,408

Notes

1. Own-source revenue excludes 'assets now recognised' revenue and 'net gains from sales of assets' revenue.
2. The administered appropriation of \$2,336.9m covers costs associated with the military superannuation schemes, and also covers the provision of housing subsidies to current and retired Defence personnel. The administered appropriation is managed by the Department of Finance and Administration (Commonwealth Superannuation) and the Defence Housing Authority (housing subsidies) on Defence's behalf.

Source *Defence Portfolio Budget Statement, 2004-05, p. 23.*

1.14 The average annual strength of the three services for the five years from 2000-01 through to 2004-05 is shown in Table 1.2 below.

4 Defence Portfolio, *Portfolio Budget Statement 2004-05*, p.5.

5 Defence Portfolio, *Portfolio Budget Statement 2004-05*, p. 5.

Table 1.2 Average Annual Strength of Services (number of persons) – 2000-01 to 2004-05

	2000-01	2001-02	2002-03	2003-04 Projected result	2004-05 Budget estimate
Navy	12,396	12,598	12,847	13,121	13,167
Army	24,488	25,012	25,587	25,623	26,035
Air Force	13,471	13,322	13,646	13,481	13,670
Total Permanent Force	50,355	50,932	52,080	52,225	52,872

Source Defence Annual Report 2002-03, p. 417 (The figure for 2002-03 is at 30 June 2003); Defence Portfolio Budget Statements, 2004-05, p. 205.

1.15 ADF Reserve and civilian staffing is shown in Table 1.3.

Table 1.3 2004-05 ADF Reserve and civilian Staffing

Reserve Force	2003-04 Projected result	2004-05 Budget Estimate
Navy	1,850	1,850
Army	16,982	16,700
Air Force	2,032	2,160
Total Reserve Force	20,864	20,710
Civilian Staffing	18,356	17,841

Source Defence Portfolio Budget Statements, 2004-05, p. 206.

1.16 Table 1.4 shows the total Defence Workforce comprising the military and civilian components.

Table 1.4 2004-05 Total Defence Workforce

Workforce	2003-04 Projected result	2004-05 Budget Estimate
Military	73,089	73,582
Civilian	18,356	17,841
Total Workforce	91,445	91,423

Source Defence Portfolio Budget Statements, 2004-05, p. 205.

Annual Report review objectives and scope

- 1.17 The review examined a combination of information from the 2004-05 PBS, the 2002-03 Defence Annual Report, and recent announcements made by the Defence Minister.
- 1.18 The review of Defence Annual Reports is a significant part of the committee's work program. The committee's objective is to review Defence Annual Reports in December of the year they are released. The committee will then seek to table its report on the review in March or April of the following year. This cycle will ensure that the committee's examination remains timely. In cases where the committee recommends that additional information be included in Defence annual reports, Defence will have time to consider these recommendations and include changes in the next annual report.

Focus areas

- 1.19 The four focus areas selected for scrutiny at the public hearing provided an opportunity to examine how Defence is addressing the new strategic environment as articulated through the Defence Update and the Defence Capability Review. In addition, the committee had the opportunity to scrutinise the ADF's continuing involvement in the Middle East, Defence international cooperation and community support functions. The four focus areas are:
- Australia's continuing Involvement in the Middle East;
 - Community Support Functions – National Support Tasks;
 - The Defence *2000 White Paper* and Capability Issues; and
 - Defence International Cooperation.
- 1.20 In addition, the first segment of the public hearing, in which the Secretary of Defence and the Chief of the Defence Force appeared, provided an opportunity to scrutinise a range of issues across the entire Defence Annual Report.

Reasons for delay in reporting

- 1.21 The review of the 2002-03 Defence Annual Report was conforming to the cycle described above. However, on 26 January 2004 the committee received a submission from Dr Kopp and Mr Goon which raised their concerns about the early retirement of the F-111, and the accuracy of Defence evidence provided at the public hearing on 15 December 2003. In view of the matters raised, it was resolved that Defence should have an opportunity to respond to the issues. Defence was sent the submission

from Dr Kopp and Mr Goon on 16 February 2004 and was given until 23 March to respond. By this date, Defence had not responded in writing but sought a private briefing with the committee to satisfy the committee's concerns. At the conclusion of this meeting, and still not satisfied, the committee requested and Defence agreed to provide a written submission to the committee focusing on:

- reasons for the early retirement of the F-111;
- justification for the JSF;
- providing assurances that there will not be a capability gap with the phase out of the F-111 and the transition to the JSF; and
- the maintenance of air superiority.

1.22 Defence sought a further two months to respond. On 4 June 2004 the committee received Defence's response. The submission was provided on the day of the public hearing which provided no time for the committee to examine the response. The committee is disappointed with the time taken by Defence to address these matters.

1.23 The committee believes that Defence should easily and quickly have been able to provide answers to the issues addressed in the previous dot points. This is based on the view that on 7 November 2003 Defence announced that the F-111 would be retired by 2010. Similarly, on 27 June 2002 the Government announced that it would participate in the System Design and Development stage of the F-35 with a final decision required on the F-35 by 2006. It is therefore reasonable for the committee to assume that Defence should have had all the answers and rationale for early retirement of the F-111 and justification for the F-35 already developed.

1.24 The time taken by Defence to respond, has delayed the committee's own performance objective of reporting to Parliament in March or April following a review of a Defence Annual Report.

1.25 The committee has proceeded with this report notwithstanding the view that responses from Defence lacked the detail sought by the committee.

Conduct of the review

- 1.26 Public hearings on the review of the 2002-03 Defence Annual Report were held on 15 December 2003, 4 June and 2 August 2004. A list of witnesses appearing at the hearings can be found at Appendix A. A list of submissions can be found at Appendix B.
- 1.27 In addition, the committee received a private briefing from the Department of Defence on 23 March 2004, and visited RAAF Base Amberley on 20 July 2004.
- 1.28 The transcripts of evidence and submissions can be found at the Committee's website at www.aph.gov.au/house/committee/jfadt/index.