
The Parliament of the Commonwealth of Australia

Review of the Defence Annual Report 2001-02

Joint Standing Committee on Foreign Affairs, Defence and Trade

September 2003
Canberra



Chairmen's Foreword

The 2001-02 Defence Annual Report covers a period of climactic events affecting Australian and world security. The terrorist attacks of 9-11 and the rise of non-state adversaries are causing nations to evaluate and reconsider their national defence strategies and priorities. Australia is not alone in this challenge.

The review of the Defence Annual Report provides an opportunity to scrutinise the performance of Defence in delivering key services but also in how it is reacting to new security threats. Defence has recently established a Special Operations Command. A key component of this is the new Tactical Assault Group (East) and the Incident Response Regiment. A key challenge faced by Defence in providing these new capabilities is the provision of highly trained personnel.

The Australian Defence Force (ADF), and particularly the Army, is subject to high operational tempo which has implications for personnel, training and equipment. The Committee examined how Defence is managing Army personnel and equipment.

A key Defence procurement program is the replacement of the F/A-18 and F-111 combat and strike aircraft. The Government has committed funding to the Systems Design and Development stage of the Joint Strike Fighter (F-35) program. A decision on whether to purchase the F-35 is not required until 2006. The Committee examined the F-35's capability, the transitional arrangements from the existing aircraft to the F-35, and possible Australian industry involvement opportunities.

Financial management and performance reporting of Defence outcomes and outputs are key requirements which ensure transparency and accountability to the Parliament. The 2003-04 Portfolio Budget Statements (PBS) are an improvement over the previous year. Further improvements, however, are possible.

The final session of the public hearing examined a range of issues which focused on the *Defence Update 2003*, Reserve policy, and military justice.

Through the review of the 2001-02 Defence Annual Report, the Committee recommends that the Department of Defence should:

- include in future Portfolio Budget Statements cost data on the ADF Reserve Forces including total cost data and cost data by Service; and
- respond to the measures proposed by the Australian Strategic Policy Institute to improve Defence budgetary transparency discussed on pages 99 to 105 of the ASPI Defence Budget Brief 2003-04.

In addition, the Department of Defence should provide information in its Annual Report:

- indicating, and giving reasons for, the key changes to Defence capability which are identified in the next Defence Capability Plan;
- detailing the Army's personnel deficiencies and the measures being undertaken to address these problems;
- detailing the work and performance outcomes of the Military Inspector General (Military Justice) of the Australian Defence Force;
- giving a description of the role, structure and function, including transition to new functions, of Reserve forces, and the extent to which Army is blending them with regular units; and
- outlining Australia's role in the Joint Strike Fighter program, the projected cost, transitional arrangements and progress with Australian industry involvement in the program. The Department of Defence should include performance targets and objectives in its report. Subsequent Annual Reports should report outcomes against those targets and objectives.

The Committee concludes that the implementation of these measures will enhance transparency and Parliamentary accountability of Defence operations. In conclusion, and on behalf of the Committee, we would like to thank all those who have contributed to the review of the 2001-02 Defence Annual Report.

Senator Alan Ferguson
Committee Chairman

Hon Bruce Scott, MP
Chairman
Defence Sub-Committee



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Membership of the Committee

Chair Senator A B Ferguson

Deputy Chair Hon L J Brereton, MP

Members

Senator A Bartlett (from 1/7/02)	Hon K C Beazley, MP
Senator M Bishop (from 1/7/02; to 19/8/02)	Hon A R Bevis, MP
Senator the Hon N Bolkus (from 1/7/02)	Hon G J Edwards, MP
Senator V W Bourne (to 30/6/02)	Mr L D T Ferguson, MP
Senator P H Calvert (to 19/8/02)	Mrs J Gash, MP
Senator H G P Chapman (to 30/6/02)	Mr D P M Hawker, MP
Senator the Hon P Cook	Hon D F Jull, MP
Senator A Eggleston (from 1/7/02)	Mr P J Lindsay, MP
Senator C Evans	Hon Dr S P Martin, MP (to 16/8/02)
Senator B Gibbs (to 30/6/02)	Hon J E Moylan, MP
Senator B Harradine	Mr G R Nairn, MP
Senator S Hutchins (to 30/6/02; from 19/8/02)	Hon L R S Price, MP
Senator D Johnston (from 22/8/02)	
Senator J A L Macdonald	Hon G D Prosser, MP
Senator K O'Brien (from 1/7/02)	Hon B C Scott, MP
Senator M A Payne	Hon W E Snowdon, MP
Senator the Hon C Schacht (to 30/6/02)	Hon A M Somlyay, MP
Hon B G Baird, MP	Mr C P Thompson, MP
Mr R C Baldwin, MP	

Secretary Dr Margot Kerley



Membership of the Defence Sub-Committee

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Deputy Chair Hon L R S Price, MP

Members Senator C Evans
Senator A B Ferguson
Senator S Hutchins (to 30/6/02; from 19/8/02)
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Hon A M Somlyay, MP
Mr C P Thompson, MP

Secretary Mr Stephen Boyd

**Defence
Adviser** Wing Commander Rob Scrivener, AM, CSM

**Administrative
Officer** Ms Emma Flynn



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

¹ See *Journals of the Senate*, No. 3, 14 February 2002 and *Votes and Proceedings*, No. 3, 14 February 2002

² See *Votes and Proceedings*, No. 3, 14 February 2002



List of abbreviations

ADF	Australian Defence Force
AIGDC	Australian Industry Group Defence Council
ANAO	Australian National Audit Office
ASPI	Australian Strategic Policy Institute
ASR	Annual Strategic Review
CBR	Chemical, biological and radiological weapons
CBRNE	Chemical, biological, radiological, nuclear and explosives
CDF	Chief of Defence Force
CISA	Centre for International Strategic Analysis
CUC	Capital Use Charge
IRR	Incident Response Regiment
IRS	Parliamentary Library Information Research Service
JSF	Joint Strike Fighter
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
SDD	System Design and Development
TAG	Tactical Assault Group



List of recommendations

Recommendation 1

The Committee recommends that the Government investigate claims of possible duplication between the Tactical Assault Group (TAG) and State Police Forces and clearly set out the long term role of the TAG, its working relationship with State Police Forces and the types of action that the TAG will perform that State Police Forces will not.

Second, the Commonwealth Government should consult with State Governments about their capacity to provide response capabilities to chemical, biological, radiological, nuclear and explosive incidents. Following this consultation, the Commonwealth Government should clearly set out its future role for the Incident Response Regiment (IRR).

Third, the Commonwealth Government should clarify whether it is satisfied that funding for the enhanced TAG capability and the IRR has achieved an adequate balance between the two. [Paragraph 2.39]

Recommendation 2

The Committee recommends that the Department of Defence provide details in its Annual Report of the Army's personnel deficiencies, including the personnel shortage profile, the measures being undertaken to address these problems including policies arising from the *Defence Personnel Environment Scan 2020* and the time required to achieve optimum personnel levels. [Paragraph 3.31]

Recommendation 3

The Committee recommends that when the 2003-2013 Defence Capability Plan is released, the Department of Defence should release a statement indicating, and giving reasons for, the key changes to Defence capability that have been made. [Paragraph 3.41]

Recommendation 4

The Committee recommends that the Department of Defence should respond to the measures proposed by the Australian Strategic Policy Institute (ASPI) to improve Defence budgetary transparency discussed on pages 99 to 105 of the ASPI Defence Budget Brief 2003-04. [Paragraph 4.22]

Recommendation 5

The Committee recommends that the Department of Defence outline in its Annual Report Australia's role in the Joint Strike Fighter program, the projected cost, lifecycle costs, transitional arrangements and progress with Australian industry involvement in the program. The Department of Defence should include performance targets and objectives in its reports. Subsequent Annual Reports should report outcomes against those targets and objectives. [Paragraph 5.44]

Recommendation 6

The Department of Defence should include cost data on the ADF Reserve Forces including total cost data and cost data by Service. The Defence Portfolio Budget Statement should include a new Outcome Statement which includes information on the Reserves and provides information about Reserve capability together with measurable performance indicators down to formation equivalent level. [Paragraph 6.19]

Recommendation 7

The Department of Defence should include detailed information in the Defence Annual Report on the role, structure and function, including transition to new functions, of Reserve forces and the extent to which Army is blending them with regular Army units. This description should provide a diagrammatic representation detailing all Army Reserve units, their size, location and the regular units that they support. [Paragraph 6.20]

Recommendation 8

The Department of Defence should include information in the Defence Annual Report detailing the work and performance outcomes of the Military Inspector General of the Australian Defence Force (Military Justice). [Paragraph 6.34]

Recommendation 9

The Department of Defence should provide the Committee with the final report of a review of the Defence Legal Service which was due for completion by 30 June 2003. This report should be provided to the Committee by 31 October 2003. [Paragraph 6.35]