

***SUBMISSION TO THE***

***JOINT STANDING COMMITTEE ON***

***FOREIGN AFFAIRS, DEFENCE AND TRADE***

***REVIEW OF***

***THE DEFENCE ANNUAL REPORT 2015-16***

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# JSCFADT REVIEW OF THE DEFENCE ANNUAL REPORT (DAR) 2015-16

## INTRODUCTION

DAR 2015-16 includes a large number of Annual Performance Statements which may give Parliament the impression that all is under control and that the changes recommended by the First Principles Review (FPR) are being implemented quickly and successfully. However, for those who have followed the rolling Defence reorganisations that have taken place over the past 44 or so years, it is difficult to accept Defence's assurances, as they may only be assessed after their adoption – when they will be shown to be successful or unsuccessful, providing they are analysed competently and transparently. From history, the risk of being unsuccessful is more likely to be **1 – inevitable**. Since the early 1980s, Defence has aimed to create an unbroken chain of processes for the integrated administration of all its activities from top to bottom, and the FPR is simply another step along that path. However, a glance at the Annual Performance Statements in the DAR identifies a new web of processes that will have to be integrated throughout an already widely dispersed and process – ridden and driven bureaucracy.

The problem with process was identified clearly by the Final Report of the FADT References Committee into procurement Procedures for Defence Capital Projects (Aug 2012). The Report's Executive Summary also identified clearly nine major areas requiring urgent reform, which should have provided sound input to the FPR, but that was not to be. Indeed, since that 2012 Report, criticism of Defence by Parliament appears to have been muted, with the result that the Department appears to have become a growth industry for its Bureaucracy – making self-generated problems, controlling the reviews into them, determining the outcomes, and then requesting ever-more resources to 'rectify' the problems perceived. As Defence's problems stem primarily from an inappropriate organisation, failure to adopt appropriate and proven management systems and procedures, and a lack of required skills and competencies at all levels, this submission will focus upon the inappropriateness of the First Principles Review and its Recommendations.

The FADT Review also lists Capability Development and Major Projects for attention. The problems faced by Defence with capability acquisition and sustainment go back to 1999/2000 when the Defence Acquisition Organisation (DAO) was formed, and the Defence Organisation was purged of its capabilities acquisition and sustainment skills and competencies base. The same problems simply flowed into the Defence Materiel Organisation (DMO) that followed. DAO started with the Sea Sprite Project which cost Australia \$1.4Bn for no return, and DMO (now defunct) ended with the Air Warfare Destroyer Project losing \$1.2Bn in a single year. Over this period, Australian National Audit

Office (ANAO) Reports and Audits (and private submissions) have highlighted constant problems with the management of major projects causing delays in schedule and capability, and high cost overruns. However, at no time has Defence been able to show any marked improvement in performance, nor has any of our governance systems demanded improvement. Now, DAR 2015-16 (Purpose 3) reveals *'Defence's new end-to-end capability life cycle process, with strengthened contestability, based upon a new risk based framework and a smart buyer approach, and monitored by an Investment Committee that will maintain the integrity of the Integrated Investment Program.'* This alone should keep the wolves away for a good five to ten years.

The Defence organisation that has been allowed to develop is now characterised by an ingrained defensiveness, rather than any defence management competencies. It also demonstrates an abhorrence of open contestability, no matter how well based. As a result, Australia's traditional governance systems have become ineffective, with those at the Executive (Secretary) and the Directing (Ministerial) Levels being switched OFF and those at the Oversight Level (Government/Parliament) turned down - muted at best, and too frequently ineffective. Defence has been allowed to ignore, punish, and mislead those perceived as criticising it, often stating that the information sought was classified, when too often it is on the public record or simply given a security classification because it is considered to be sensitive or critical of the Organisation.

The recent Parliamentary Inquiry into the planned acquisition of the F-35A JSF provides a good case study of Parliament accepting unsupported statements by Defence rather than the substantiated, official records produced by the Project's Director Operational Test and Evaluation, or any consideration of the many robust submissions made to it. The consequences of the Inquiry's findings and recommendations only reinforce the critically high risks that the F-35A will present to Australia's required airpower capabilities over the next several decades, and the impact that this will have on the National security.

This submission will thus comprise:

- Attachment A: A Brief History of 44 years of Defence reform, covering:
  - Analysis of the First Principles Report
- Attachment B: Comments on the FADT References Committee Report into the Planned Acquisition of the F-35 Lightning 11 Joint Strike Fighter.

*ATTACHMENT A*

*A BRIEF HISTORY OF 44 YEARS OF DEFENCE 'REFORM'*

*COVERING: ANALYSIS OF THE FIRST PRINCIPLES REVIEW*

During the years preceding WWII, it was clear that Australia had allowed its defence capabilities to decay to the point where national security was at risk. During those years, all defence capabilities were centralised under the Minister and his Department of Defence, where political and bureaucratic attention had long focused on the false economy of saving money rather than defending the Nation. Government then recognised that the existing organisation was unfit to meet the challenges that lay ahead and decided to form separate departments of Defence, Navy, Army, Air Force, and Supply, mainly on the ground that the span of control was far too great for one Minister/department to handle. It was a wise move, as we needed prompt, disciplined, skilled, focussed, and well-planned action rather than simple bureaucratic administration. The early failure of the Aircraft Production Commission was a salutary lesson as to how unsuited bureaucracies were to working in defence environments.

This successful wartime organisation continued after WWII, in both war and peace, despite persistent bureaucratic pressure to return to the pre-war centralised organisation. In 1957, under the guise of a perceived need for better coordination, Lt Gen Sir Leslie Morshead conducted a review that recommended amalgamation of the four defence departments into one single department reporting to one Minister for Defence. This was rejected by the government of the day, but a Chiefs of Staff Committee was introduced to provide coordinated, high-level advice.

Following further changes during the 1960s, including a reduction in the power of the Service Chiefs and the formation of a Policy Planning Branch, both supposedly aimed at ensuring a more coordinated approach to strategic assessments, the Secretary of Defence, Sir Arthur Tange, with the approval of the Whitlam Government, undertook a major reorganisation during the period 1973-76. Those 'two-star' appointments in the Services with responsibilities to the Secretary of Defence in areas such as material acquisition and logistics were made 'two-hatted' – a concept that conflicted directly with the principle of unity of direction so central to military efficiency and effectiveness. The concept, which soon proved to be wasteful of resources, encouraged internal conflict and entrenched authority without accountability. The changes were ineffectual and only led to public servants 'double-guessing' those having direct functional military accountability.

The Defence Reform and Commercial Support Programs that followed mandated structural changes that downsized, de-skilled and disempowered the Services. Our once highly respected and professional Services thus became a thin line of service providers, with the hard won operational, engineering and management expertise in capability acquisition, operation and sustainment stripped out of Defence over the period of the 1999-2002 'Purge of Critical Thinking from Defence', to be replaced by inappropriate, APS "business" orientated, administrative processes.

The seriously but predictably flawed DMO experiment then came and went, almost certainly Australia's most costly and damaging failed Defence enterprise, without any lessons having been learned.

The adverse affects of these changes (like DMO) have been on display in continuing reviews into Defence problems, ANAO Audit Reports, and submissions to Parliamentary Inquiries, but all to no material effect. Probably the most searching and important inquiry was the Senate FADT References Committee Inquiry into Procurement Procedures for Defence Capital Projects. The Final Report (Aug 2012) identified an organisation:

- *Having a flawed management structure.*
- *Facing problems largely of its own making.*
- *Unable to manage risk, and incapable of learning from its past mistakes.*
- *Presiding over a disconnect between strategic guidance and capability development.*
- *Having deeply embedded, confused and overlapping lines of responsibility and accountability.*
- *Lacking the required management, operational, and technical skills and competencies base.*
- *Relying upon inappropriate administrative process and commercial, 'business model' approaches that have led to an ever-expanding web of complexity and confusion.*

Defence, the Government and the Parliament, however, simply 'turned a blind eye' to these findings, accepting that Defence was incapable of reforming itself, but also showing that our governance systems at the Executive (Secretarial), Directing (Ministerial) and Oversight (Parliamentary) Levels of Governance were no longer functioning. The Department of Defence, clearly unable to reform itself, was left again to do just that.

October 2013 then saw a critical, seminal ANAO audit of the Defence Capability Development Group that identified a recurring lack of appropriate skills, transparency and accountability, leading to poor strategic guidance going to government. However, these observations were only symptoms; the underlying causes and root cause identified by independent experts had not been acknowledged let alone accepted and so were not rectified. Independent analyses show these causes to be common throughout the Canberra-based Defence agencies, and central to the widespread functional management, governance and competency deficiencies.

Against this background, the "First Principles Review" endeavoured to reform Defence but, again, has just been turned into another marketing exercise selling the notion that all will be well and Defence has all the solutions. It has been used to throw a defensive screen around a further groupthink reinforcing elitist centralisation of the Defence Bureaucracy, and has not led to the "*total systems approach, based on evidence, analysis, and sound principles and root causes rather than symptoms*", that was promised. Defence has, in effect, again been left to reform itself, with the protection of bureaucratic reputations and vested self-interests shining through rather than the requisite ethos of "Service before Self". This review has failed to redress the management fault lines that had been embedded across Defence, or resolve the widespread disconnects between responsibility, accountability and competencies across the organisation. The critical deficiencies now embedded within the Canberra based agencies of Defence, and summarised below, simply remain:

- *Poor force structure and capability analysis leads to the selection of wrong or inadequate capabilities, which results in:*
- *The inadequate or simply incorrect specification of project operational and engineering requirements which results in:*

- *Poorly defined and premature contracting, which results in:*
- *The need for subsequent variations to the operational and engineering scope of the Contract, which results in:*
- *Changes in contracted capability, cost and schedule, revealing an:*
- *Entrenched inability within Acquisition and Sustainment to understand and manage the operational and engineering challenges of the project, especially risks (and opportunities) that arise, which results in:*
- *An extreme aversion to risk in all its forms, particularly where any perceived operational or engineering complexity, hardware or software integration, or test and acceptance activities are involved, resulting in:*
- *Compromising the required capability outcomes by mandating MOTS/COTS capabilities quite unnecessarily, and by introducing multiple Operational and Materiel Capability Milestones and adopting 'supply and support' contracts, which have resulted in:*
- *Further de-skilling of the Services and erosion of Australia's Defence Industry base, while embedding a wide range of potential risks to capability throughout the life of such contracts, risks over which Australia will have little, if any, control.*

Today, Australia faces much the same question it faced pre-WWII, but without being able to rely upon the span and depth of operational, engineering and management expertise that existed within the Services at that time. Can we depend upon Australia's 'reformed' Canberra-based Defence agencies to secure Australia's defence and national security in the face of current and evolving challenges? After 44 years of Defence 'reform', the evidence shows almost certainly not. While the world may well be on a trajectory to war, Australia's defence capabilities are held hostage to a widespread lack of expertise and integrity that has been allowed to develop throughout the Canberra based Defence organization, resistant to our traditional governance mechanisms.

## ***ANALYSIS OF -THE FIRST PRINCIPLES REPORT-***

### **EXECUTIVE SUMMARY**

In simple terms, the First Principles Report (FPR) follows the path of almost all previous Defence reports and audits:

- It underlines the dichotomy entrenched by the Tange reorganisation, and reinforced by subsequent 'reforms', between the vested interest agenda of the Defence Bureaucracy, and the national interest agenda central to Military professionalism. The former is overly sensitive to public opinion and wholly determined to 'keep the Services in their place' through rigid, central control of policy, administration and resources, while the Military strives to keep its traditional integrity and 'Service before Self' ethos, both critical to maintaining an effective defence capability.
- Like most Defence reviews, the FPR is principally a marketing publication, selling the notion that all is under control and Defence has all the solutions, given time, whereas the evidence has long pointed to the contrary. The FPR is thus another exercise in misdirection of the Parliament, and a more appropriate package of corrective reforms should be applied, based upon actual rather than claimed root causes. The Report's recommendations should thus not be implemented.

This submission should thus be read with these primary observations in mind.

Discontent with the performance of Australia's Defence Organisation and the Defence Materiel Organisation continued throughout 2014, culminating in a First Principles Review of both organisations, the Report of which was released on 01 April 2015. However, a reading of the Terms of Reference and the Findings and Recommendations of the Report indicates that their objectives are neither achievable nor appropriate, and the Report will only shield Defence from any calls for real reform for another five years or more.

The continued mantra of "*One Defence*" may be read as 'code' for maintaining and expanding the centralised control of all military matters by the higher Defence Bureaucracy. While the Review promised "*...a total systems approach, based on evidence, analysis, sound principles and root causes rather than symptoms.*" there is little evidence that this approach was either understood, or applied. Putting people in charge of projects who will have to live with any discrepancies is the surest way to get outcomes-focussed capabilities, not adding power to the higher bureaucracy.

The Report identifies seven disparate "*First Principles*" in support of a vaguely-stated "*Outcome*", which in turn leads it to claim three "*Root Causes*" for what ails Defence: *High operational tempo, Budget uncertainties, and Leadership churn from 1998.* Proper analysis would have revealed that the root cause was an entrenched focus on bureaucratic self-interest over the National interest, and the protection of bureaucratic reputations. These imperatives continue to provide Defence with an agenda, or motive, to maintain its highly centralised, top heavy control, its unwieldy span of control,

and its other identified dysfunctions that facilitate the avoidance of accountability and the hiding of problems.

In fact, the root causes claimed are merely a defensive screen thrown up around Defence to protect it, not the results of any *“total systems approach, based on evidence, analysis, sound principles and root causes rather than symptoms.”* All three claimed ‘root causes’ present Defence as a victim of circumstances beyond its ability to control, and so is fault free, but this ignores the volumes of evidence that has accumulated showing Defence’s problems to be largely of its own making, and that it has long demonstrated that it is incapable of learning from its mistakes and correcting itself.

Likewise, the plea that the claimed ‘root causes’ resulted in a *Complacency and Inertia that prevented Defence from reforming itself* is false reasoning, as these problems are also ones that Defence either caused directly, or was incapable of managing due to its dysfunctional organisation, over-centralised and excessive span of control, and lack of required skills and competencies.

Of major concern is that the Report seeks to reinforce the Diarchy, which, in effect, means the Defence Bureaucracy, at further cost to the Capability Managers (the Service Chiefs) who carry primary responsibility for raising, training and sustaining their force capabilities, a move that will only deepen Defence’s dysfunctions. If Parliament is to regain Oversight Governance control of Defence, and restore Australia’s reputation as a *‘Smart Buyer’*, the First Principles Report should not be allowed to proceed. The eagerness with which Defence has accepted the Report and its Recommendations is telling.

Finally, the Report calls upon Defence to undertake a wide range of major tasks in some 30 areas that the Department has already proven repeatedly to be incapable of doing, and which was the core reason for having the Review in the first place. In effect, Defence, which has long proven to be unable to reform itself, is now required by this Report to reform itself. This is simply magical thinking.

**Recommendations:**

- Conduct a proper Root Cause Analysis of Defence’s problems.
- Replace the FPR’s proposals and recommendations with a package of reforms designed to rectify the actual root causes.
- Choose carefully selected and qualified managers to establish the most effective organisational structure, and to implement the reforms.
- Design and embed management systems incorporating strong ethical standards and effective governance oversight.
- Reskill the Department and the Services in line with their unique professional requirements and accountabilities.



## BACKGROUND

Discontent with the performance of Australia's Department of Defence and the Defence Materiel Organisation continued throughout 2014, resulting in several calls for reform, including:

- ⤴ A First Principles Review of the Department and the Defence Materiel Organisation.
- ⤴ Implementation of the recommendations stemming from the Commission of Audit Report.
- ⤴ An Auditor-General's audit of Major Defence Acquisition, Test and Evaluation.

The First Principles Review is the most important of the reviews, as such a review would be expected to identify the root cause, and the underlying proximate causes behind the problems perceived, would develop the functional management structure best suited to resolve them, as well as determine the appropriate authority, accountability and resources for each function. This work should, of course, be traceable directly to clearly defined, long-term, defence and national strategic objectives.

However, a brief reading of the Terms of Reference (TOR) indicate that this has not been the case, and hence the Review will not achieve the changes needed, but merely reshuffle Defence's existing dysfunctional structures, and in doing so will perpetuate the problems identified:

- Firstly, instead of guiding the Review along clearly - identified first principle lines, the TOR limit the scope of the review to Defence's current "One Defence Model", and DMO's current, failed, 'business model' for materiel acquisition and sustainment. Both organisations have been shown over time to be non-functional and so not outcomes-focused, incapable of learning from their mistakes, and are unable to qualify and quantify risks and manage them before they cause major damage. Both organisations also act only after the event, a deadly practice where defence and national security are concerned. Whether Defence's higher organisation and DMO's 'business' orientation are functionally sound are questions that were clearly "*out of scope*".
- Secondly, the Commission of Audit Report (Recommendations 24: Defence, 32: Industry Assistance, and 34: Research and Development) understandably stem from budgetary objectives, and thus list many proposals that are resource sensitive, but show little, if any, understanding of their functional implications or how they might fit into a coherent Defence functional management structure. Thus "*establishing a more professional Capability Development Group*", "*reducing the staffing size...*" or "*improving the effectiveness and transparency of expenditure*" do nothing to identify the root cause or proximate causes behind the problems perceived, or support the recommendations made.

While the First Principles Report represents a fair listing of Defence/DMO problems, its perceptions of HOW these problems should be redressed and its recommendations are not persuasive. There is thus a risk, currently seen as CATASTROPHIC, that real reform of Defence/DMO will not result if the review's recommendations are implemented as proposed, but will be delayed for another five years

or longer. The Defence Bureaucracy seems to have been at great pains to keep this review well away from the real causes and thus the real solutions.

## DEFENCE POLICY AND FUNCTIONS

Defence policy has long been based upon the need to maintain self-reliant military capabilities that will ensure the Nation's defence and national security, the deterrent effect of which should never be underestimated. In addition, recent years have seen a greater emphasis being placed on our long - standing ANZUS Treaty as a means of bolstering our national security in the face of emerging shifts in world power dynamics in our region. However, that treaty also carries the responsibility that ***"The Parties separately and jointly by means of continuous and effective self-help and mutual aid will maintain and develop their individual and collective capability to resist armed attack."*** (Treaty Article II).

It is not good policy to be over-reliant upon friends for our defence and national security, and it is far better and cheaper to have capabilities to hand rather than think about them after threats have arisen.

The capabilities needed to meet both Australian and ANZUS requirements were maintained until 1972, when the Tange - initiated reorganisation of the defence group of departments took effect, so as to *"move toward integrated defence management....and to more direct lines of control over the activities of the Services."* From that time, the resources allocated to defence capabilities have been subject to unpredictable changes in bureaucratic/political will and priorities to the point where spending has fallen to a level last seen during the years immediately preceding WWII.

The 18 years or so that followed this reorganisation also saw a gross inflation in APS numbers, especially in the SES and in Department of Defence functions, the downsizing and de-skilling and restructuring of the Services, and the outsourcing of Service functions. This was followed around 1999 by the capability acquisition and sustainment of military capabilities being shifted from the Services to a centralised organisation (eventually the DMO), which adopted a 'business model' (outsource- centric) approach that replaced the Services' traditional operational/technical requirements analyses, with its model of capability decisions being implemented under rigorous Project Management disciplines. The problems seen in Defence over the past 43 years and in the DMO over the past 16 years have arisen directly from these changes, and will persist until their real causes have been accepted and rectified.

Since 1972, there has been a continuous series of reports and reviews into the effectiveness of Defence administration and the DMO's 'business' model. All such reviews and reports, however, have not led to any significant improvements in the performance of either organisation, as none has proceeded from identification and analysis of the underlying causes or the root cause behind any of the problems perceived. However, one report, that of the FADT References Committee Inquiry into Procurement Procedures for Defence Capital Projects (1), came closest to success in its Final Report, which included the need to move the capability acquisition and sustainment functions to come under the Service Chiefs, together with the required resources (especially financial). In effect, responsibility was being aligned with authority and accountability, a simple but key objective in any

functional organisation. It should be noted that in making such a recommendation, the FADT ignored the *“One Defence Business Model”* (centralised control) mantra so treasured by Defence.

## REVIEW OF THE FIRST PRINCIPLES REPORT

### GENERAL

The *Title* and *Forward* of the Report both highlight the term *“One Defence”*, which it sees as *‘a more unified and integrated organisation that is more consistently linked to its strategy and clearly led by its centre’*. In effect, the Review has been constrained to accept the current, fully centralised control of all defence matters, so that any recommendations made must align with the current, centralised Defence organisation. In short, the review must be limited to a re-shuffling of the bureaucratic deck chairs so as to further reinforce centralised authority at the top. In addition, the terms used throughout the report are those generated within Defence over the years, and so lack the incisive analysis expected of a true First Principles Review. These observations are reinforced by the six *‘key’ Recommendations* made, and the repeated references to *“One Defence”*, which appears as *‘code’* for maintaining and expanding the centralised control of all military matters by the Defence Bureaucracy.

The First Principles Report (Page 12) states *“We have taken a total systems approach, based on evidence, analysis, sound principles and root causes rather than symptoms.”* The Defence Outcome used in the Report is then stated as being to: *“Protect and advance Australia’s strategic interests through the provision of appropriately prepared armed forces”,* which will be achieved through *“Defence prepares for and conducts military operations and other tasks as directed by Government.”* The intended nexus between these two statements is difficult to grasp. However, the Report then goes on to list seven *“First Principles”* in support of its stated Outcome:

- Clear authorities and accountabilities that align with resources.
- Outcome orientation.
- Simplicity.
- Focus on core business.
- Professionalism.
- Timely, contestable advice.
- Transparency.

How these factors comprise *“a total systems approach, etc”*, is also difficult to grasp. The Report then goes on to identify three claimed *“Root Causes”* that it believes have led to Defence’s problems.

### THE THREE CLAIMED ROOT CAUSES

The Report states: *“We were puzzled as to why Defence has been unable to reform itself.”*

The Report then concludes that “*Substantive change appears to have been too difficult for Defence leaders because of the root causes listed.*” and “*In seeking to determine what has prevented Defence from changing we noted three root causes which over the past decade have created complexity and inertia:*”

- *The high operational tempo and increasing national security demands over the past decade have demanded high levels of the senior leadership’s time and attention.*
- *Budget uncertainty.*
- *Leadership churn from 1998.”*

Firstly, none of the factors identified is a root cause; each is a symptom having underlying proximity causes which have not been identified and analysed in the Report. In fact, the *root causes* present as being no more than a defensive screen thrown up by the Defence Bureaucracy, not the results of “*a total systems approach based on evidence, analysis, sound principles and root causes rather than symptoms*”, as stated. They present Defence as a hapless victim of circumstances beyond its control, and so fault-free, whereas most of the problems seen in Defence today have been shown to be self-inflicted. (1)

The Report failed to identify the long-entrenched culture of self-interest over the National interest, the avoidance of accountability, and the hiding of problems that have been allowed to develop over the decades in the absence of any effective civil control by the Executive (the Secretary), the Directing (the Minister) and the Oversight (Government and Parliament) levels of governance.

Brief analysis of these three ‘root causes’ reveals:

**Operational Tempo.** While the operational tempo (which includes peace keeping) may have been high at times, the forces involved have been relatively small, often more token than substantial, and have not required our Services to demonstrate their core land/sea/air control capabilities either singly or jointly. That is, being able to operate remotely and autonomously. The plea that the leadership has been overtasked appears to conflict directly with the Report’s concern that the Defence leadership has increased over 86% between 1998 and 2014 to administer the 200 active committees and the twelve layers of its organisation. In comparison, the far smaller pre-Tange organisation was able to fight major conflicts, while maintaining the Services’ skills bases critical to effective strategic planning and analysis, as well as the acquisition and sustainment of their capabilities and supporting systems. A comparative analysis of the pre and post Tange organisations would have been revealing, but seemingly was not considered. This review should have analysed the extent to which this perceived factor may have been caused by over-ambitious or poorly-informed bureaucratic/political decisions, especially those arising from weaknesses in Defence/ADF competencies and their skills base. Operational stress would also be overly difficult to manage as Defence and the ADF long ago ceased to be learning organisations, so that each operational challenge that has arisen is treated as something entirely new (2). Operational tempo problems are thus considered to be an effect of inadequate management which needs proper analysis; it is not and cannot be a root cause.

**Budget Difficulties.** Similarly, budget difficulties have been a constant factor over time, and again the pre-Tange organisation was far better at arguing for more stable defence budgeting, and was able to survive low points while maintaining the core skills and competencies critical to restoring capabilities rapidly as funds became available. In comparison, the current organisation, since 1973, has been unable to argue the case for stable and realistic funding, and seems more focussed upon growing itself and ‘saving’ money than providing required capabilities. Identifying the underlying proximate causes behind budget difficulties would have led to questions such as the political will to allocate resources in line with Government’s/Parliament’s own stated policies, the poor comprehension of military matters within the polity and the Defence Bureaucracy, the ability of the Defence organisation to meet current and future defence and national security needs, and the impacts of failure at all three levels of governance. This factor is thus an effect begging competent analysis rather than being a root cause.

**Leadership Churn since 1998.** This is a self-inflicted injury built in by the Tange reorganisation, embedded by the Defence Reform Program, and aggravated by the formation of the Defence Materiel Organisation. Hence, this ‘*root cause*’ is an effect stemming from decisions taken by Defence, and accepted by Government and Parliament. Analysis of the underlying proximate causes would include the false assumption that the Services’ skills and competencies bases, especially in strategic and operational analysis, and in engineering and project management could be recreated within the Defence/DMO bureaucracies, that APS administrative processes with a ‘One Defence’ focus were appropriate to the acquisition and sustainment of high technology military capabilities, and that common-user policies and outsourcing would lead to economies in efficiency, effectiveness and economy. There are other proximate causes, especially the excessively large span of control, and the overwhelming weight and complexity of Defence’s administrative processes that have evolved to meet the demands of a centralised control policy. Again, leadership churn is an effect, not a root cause. A well-designed functional organisation would also be designed to control churn, as without this ability the whole Defence structure would be at risk of collapsing under the weight of any significant threat with its associated operational and management pressures.

## THE QUESTION OF COMPLACENCY AND INERTIA

***“We noted three root causes which over the past decade have created complacency and inertia.”***

It is difficult to accept that the three ‘*root causes*’ identified would have caused ‘*Complacency and Inertia*’ within Defence; the very opposite would be expected.

Nevertheless, complacency and inertia have long been characteristics of the Defence Bureaucracy, but their underlying causes are far different from those identified in this report. A few of the more important include:

**Complacency.** This is a result of feeling free from being able to be held accountable, through:

- A Defence organisation with a stated self-interest driven imperative, as detailed in the Orme Report that of protecting its reputation at any cost. (3)
- A Defence organisation that diffuses accountability, and ensures that authority is held centrally at the top, while accountability is passed down.

- All governance mechanisms within the organisation have been made ineffective so as to protect offenders within the Organisation rather than those subject to abuses. Vested interest thus goes unchecked, and ethics is compromised. (4)
- The use of legal resources, and more recently legislation to stifle critics and protect offenders. (4)
- Manipulation of the Media to further protect the Department from criticism, and the stifling of strategic debate both within and outside the Defence Organisation. (2), (3)
- Hiding behind the protection afforded Secretaries and the Senior Executive Service by the progressive erosion of governance at all levels – Executive (The Department Head), Directing (Ministerial) and Oversight (Government/Parliament). (4)

**Inertia.** This problem is also an effect of many underlying causes, including:

- Reliance upon Australian Public Service (APS) administrative process, which has proven to be wholly inappropriate for the management of military functions and activities. Administrative Process seeks to establish a stable environment within which low-skilled people following simple instructions may take satisfactory decisions. This approach has not worked in government departments that have been faced with implementing policies having even low levels of technology (pink batts and school shelter sheds for example). Defence/DMO are both mired in process and have consistently fallen short in capability analysis, capability selection, acquisition and sustainment, and in the common-user support of the Services.
- Reliance upon a “Business Model” for the acquisition and sustainment of military capabilities, which has also proven consistently to be inappropriate. Both the APS Administrative and DMO’s Business Model dictate against their being able to identify risk, or to take timely and informed action.
- Reluctance of the Defence bureaucracy to admit mistakes due to unacceptable risk to reputation.
- Lack of confidence throughout many in Defence in their competency to do the task they are allocated. This continues despite heavy investment in training and outsourcing core functions.

Both Complacency and Inertia have built up steadily over time and may be traced to the inevitable effects of the Tange reorganisation and the subsequent growth of APS SES control over all military matters following the Defence Reform Program.

## THE KEY RECOMMENDATIONS

The six key recommendations made are:

No	Recommendation
1.	<i>Establish a Strong Strategic Centre to Strengthen Accountability and Top Level Decision Making</i>
2.	<i>Establish a Single End-to End Capability Development Function Within the Department to Maximise the Efficient, Effective and Professional Delivery of Military Capability.</i>

<b>3.</b>	<i>Fully Implement an Enterprise Approach to the Delivery of Corporate and Military Enabling Services to Maximise their Effectiveness and Efficiency.</i>
<b>4.</b>	<i>Ensure Committed people with the Right Skills are in appropriate jobs to create the</i>  <b>ONE DEFENCE Workforce.</b>
<b>5.</b>	<i>Manage Staff Resources to Deliver Optimal Use of Funds and Maximise Efficiencies.</i>
<b>6.</b>	<i>Commence Implementation Immediately with the Changes Required to deliver</i>  <b>ONE DEFENCE in Place Within Two Years.</b>

The core problems with these recommendations are that:

- Firstly, the Recommendations embed divided responsibility, authority without accountability, and positions that will not have the required skills and competencies.
- Secondly, the Administrative processes used by Defence and the “business’ models used by the DMO, are completely inappropriate for the management of complex, technology-dependent Military capabilities.
- Thirdly, the “One Defence Model” will be found to be unworkable, because the solution to Australia’s Defence problems lies in a de-centralised organisation that aligns responsibility with accountability, is given the necessary resources, and has an effective civil governance system.

## **OTHER FACTORS**

Under “*Direction*” (Page 16), the Report concludes that “*it is imperative that Defence evolves into a single, integrated system*”, and “*Defence must become one end-to-end organisation.*” These objectives are clearly not based upon any acceptable analysis, and have been unachievable to date because of a defective organisational structure having an unmanageable proliferation of confused processes, and is lacking in required skills. The proposed changes will not help, as the remedies lie in decentralisation and skilling rather than increased centralisation.

The leading recommendation (page 17) is that the Report’s recommendations “*be implemented in their entirety*”, and “*adopted as the road map for Defence reform for the next five years.*” with no other reviews to take place in the meantime. This merely leaves the Defence Bureaucracy free to reinforce its centralised control of all military matters, but avoid facing the need for fundamental structural change and greater delegation of resources. There is an unjustified haste here that must be resisted.

Of major concern is that the Report reinforces the Diarchy, which in effect means the Bureaucracy, at the further expense of the Capability Managers (the Service Chiefs), who will become even less able to discharge their critical responsibilities for raising, training and sustaining their force capabilities. This is in stark contrast with the conclusions of the FADT Inquiry (1), which at Recommendation 3 proposed that the Capability Managers be given “*sole responsibility for acquisition projects, supported by staff seconded through the DMO, as well as maintaining*

*relationships with contractors and sub-contractors*", that is, to decentralise the current organisation to where the real accountability and skills base reside.

The lack of any considered response from Defence to the FADT Inquiry (1) compared with the eagerness of Defence to embrace the First Principles Report is telling. This should be noted by the Oversight Level of Governance (Parliament), as the FADT Inquiry was vastly better informed and considered in its recommendations than the First Principles Report, and should thus become the baseline for any changes to Defence. Certainly, no action should be taken on the First Principles Report until this has been done.

Finally, the Report calls upon Defence to undertake a wide range of remedial tasks, in some 30 areas, that the Department has already proven to be incapable of doing, and which was in fact the core reason for having the Review done in the first place. In effect, Defence, which has proven to be unable to reform itself, is now required by this Report to reform itself. This is simply magical thinking.

While a complete analysis of the Report is beyond the scope of this submission, several critical, proximate causes behind Defence's problems have been identified. These are included as ANNEX A – First Principles Review Critical Factors.

## **RECOMMENDATIONS**

If Defence is to be reformed meaningfully, the following recommendations are made:

- Conduct a proper Root Cause Analysis of Defence's problems.
- Replace the FPR's proposals and recommendations with a package of reforms designed to rectify the actual root causes identified.
- Choose carefully selected and qualified managers to establish the most effective organisational structure, and to implement the reforms.
- Design and embed management systems incorporating strong ethical standards and effective governance oversight.
- Reskill the Department and the Services in line with their unique professional requirements and accountabilities.

(E.J.BUSHELL)

Air Commodore RAAF Ret'd

28<sup>TH</sup> January 2017



## FIRST PRINCIPLES REVIEW - CRITICAL FACTORS

What is wrong with Defence/DMO has been largely identified in the many ANAO audits, reports and external submissions made, and which have generally been ignored. This submission aims to highlight, in simple terms, some key factors in the failure of the “Tange Experiment” as well as the changes introduced by the Defence Reform and Commercial Support Programs, factors that should have driven the First Principles Review.

### 1. THE ORGANISATIONAL FACTOR

Australia’s Services, following the long-recognised needs of Military organisations, developed along tightly-knit, vertically-integrated, functional lines, differing only to meet the unique and critical demands of their different operating elements (sea, land and air). The end objective was to maximise capability readiness, responsiveness, sustainability, effectiveness and flexibility, with regard to capability efficiency, effectiveness and economy. This approach served Australia well, as all in the functional chain knew their roles and their accountabilities, and were experienced and competent to discharge them. Unity of direction was assured.

Pre-1972, the Chiefs of the three Services were First Members of their Service Board, reporting directly to their Minister. The duties of each Board Member were delegated by the Minister. Those of the Chief of Air Staff, for example, ran to five lines, and those for the other board members ran from three to six lines, providing simple, but complete, descriptions of each member’s responsibilities. The line of civil governance was direct and unambiguous: Service Chief to Minister to Government to Parliament to the People of Australia, based upon (5):

- A direct command and control relationship between the Minister and his Service Chief,
- A direct Minister to Service Chief (and vice-versa) strategic, financial and moral accountability,
- A trust borne of mutual knowledge and responsibility, and especially
- An effective span of control.

In Air Force, for example, a simple management team of six, having the resources needed to discharge their responsibilities, specified, selected, acquired, operated and supported (through service and industry facilities) all air power capabilities and their supporting systems to a high degree of efficiency, effectiveness and economy.

In contrast, the current Defence organisation is not a functional one, is not outcomes focussed, and so has failed repeatedly to achieve critical functional objectives in both military and government

policy areas. As a result, Defence has evolved over the past four decades to become an organisation that (1):

- Has a flawed management structure (one not functionally integrated, or focused upon achieving functional outcomes).
- Faces problems largely of its own making.
- Is unable to manage risk, and is incapable of learning from its past mistakes.
- Presides over a disconnect between strategic guidance and capability development.
- Has deeply-embedded, confused and overlapping lines of responsibility and accountability.
- Lacks the required management, operational and technical skills and competencies base.
- Relies upon inappropriate administrative process, and has adopted an inappropriate procurement “business model”, leading to poor performance, an ever-expanding web of complexity and confusion, and a gross waste of money.

The Defence Organisation that has evolved since 1972 is a non-functional, public service construct that employs administrative process rather than functional management in an attempt to achieve its objectives. Defence’s intention, since the early 1980s has been to construct a set of administrative processes that would provide for the “seamless integration” of all Defence activities from the top to the bottom. That this objective has failed is evidenced by the long list of very expensive reviews and audits that have taken place over the past 40 or so years, to no significant effect. Each report identified clearly Defence’s inability to detect and correct problems before they caused unacceptable effects. The FADT References Committee Final Report (1) also emphasised the proliferation of process that had taken place over time, with its attendant complexity and confusion. This was an inevitable result of Parasitism (6), a condition common to large bureaucracies.

To date, Defence has ignored all significant criticisms, and our traditional Oversight Governance of Defence has been largely mute at both Government and Parliamentary levels.

**Any “First Principles” Review of Defence must start with a rigorous Functional Organisation Review that must also ensure that the Services return to come under Civil control, as:**

***“Civil control of the Military is a constitutional function limited to Ministers (representing Parliament) alone, not one that can or should somehow be shared with public servants or civilians generally. Our tried and tested Westminster constitutional model deliberately separates control and command. This has long removed the gun from politics and the party politics from the institutional culture and operations of our military.” (5)***

## **2. THE SPAN OF CONTROL AND GOVERNANCE FACTORS**

Successive Ministers have encountered an excessive span of control, effectively making them unable to exercise their responsibility for proper governance and a captive to the Bureaucracy, which has become the sole source of information or advice, too often containing inadequate/incorrect information, to the Minister, the Press, Government and Parliament. In effect, the Minister now works to protect the Bureaucracy rather than exercising his civil control over his Department on behalf of the Government, Parliament, and the Australian people. This is a problem that requires a joint Government/Parliamentary response.

### 3. THE CAPABILITY DEVELOPMENT FACTOR

ANAO Audit Reports, DMO Major Projects Reports, and independent Submissions made over the past eight or so years have identified why Defence/DMO have failed in their strategic and capability analysis, as well as their capability acquisition and sustainment functions, but to no meaningful effect. However, analysis of these reports and submissions (7) indicates that Australia now has a Defence organisation that:

- Proceeds to contract with inadequate statements of operational and engineering concepts and requirements, leading to the procurement of a wrong, inadequate or overpriced capability.
- Proceeds when the design is immature or not understood.
- Is unable to manage system or software development or integration, or test and acceptance.
- Is unable to identify and manage project risk (essentially operational and engineering factors) and has to resort to buying its way out of the resulting problems.
- Does not have the operational, engineering or Project Management skills and competencies essential to the projects being undertaken.
- Focuses upon buying materiel rather than managing projects.

Has now had to outsource its contract management and contract negotiation functions.

In fact, all the evidence points to Defence/DMO Major Projects suffering persistently self-induced injury through:

- Adopting public sector commodity product and service principles that have proven to be wholly inappropriate for the acquisition and sustainment of highly technology-dependent military capabilities.
- Failing to adopt the required long-proven and successful, conventional Project and Engineering Management methodologies.
- Replacing skilled and competent project and engineering managers with people lacking those skills and competencies, but well-equipped for public relations.

The result has been (broadly):

- Projects have been put forward for approval and acquisition that have not been fully and accurately scoped and specified in project, operational or engineering terms.
- Source selection has been poorly managed, resulting in incorrect or poor acquisition decisions having inherent risks.
- Contract negotiation is now beyond DMO's capabilities as (lacking even basic project, operational and engineering competencies) the Department of Defence is no longer seen as an informed and smart customer.
- Project capability, schedule and cost risks inevitably arise that are beyond the DMO's competencies to manage. The problems arising from undetected risk are thus 'managed' through the Contingency Budget.

- Capability schedule delays and sustainment difficulties have left protracted and gaping holes in Australia's military defences.

Both Defence and the DMO have studiously avoided identifying these factors for what they are, preferring to interpret them as problems to be redressed through administrative process or contract changes. The First Principles Report identifies 14 current shortcomings, but also fails to recognise any of these factors and their remedies, preferring to expand the role and authority of the Senior Executive and stick with administrative process and contract administration rather than more appropriate and proven management systems.

The First Principles Report sees the need for Australia to become a *"Smart Buyer"* through *"implementation of a smart buyer approach (that) will involve tailoring procurement strategies appropriately..."*. The solution to becoming smart is then given as *"The Capability Acquisition and Sustainment Group would comprise a smaller core group of skilled public servants managing a 'smart buyer' function"*. (Page 36). The Report and its solution fail completely to say how the very long list of current deficiencies listed above will be resolved before any requirement is ready to go to contract. The DMO has already abandoned its primary responsibility for smart contract management by its adoption of a *"Managing Contractor Model"* and a *"Contract Negotiating Cell"*, both of which are characteristic of a *"Dumb Buyer"* organisation that is incapable of managing its own interests.

The First Principles Report does not give any confidence that the reality of this situation is understood, or that it will be rectified by any of the recommendations made. If Australia is to become, once again, a respected *"Smart Buyer"*, implementation of the First Principles Report Recommendations will be found to be a blind alley.

#### **4. THE SKILLS AND COMPETENCIES FACTOR**

At all levels throughout the Defence Organisation, there has been a continuing paucity (often an absence) of the skills and competencies needed for critical defence capability planning and implementation. Despite considerable investment in training, especially within Defence, the DMO and Industry, few, if any, lasting improvements can be demonstrated. This situation has been aggravated by the widespread deterioration in critical thinking and written communication, a factor that has impacted especially upon the quality of Australia's strategic and capability analysis, upon which the effectiveness of our whole defence effort depends. (2) (8)

Pre-DRP, these skills and competencies all resided within the Services, particularly within their Engineer Branches, and were applied across all Service capabilities through their Support Commands. New projects were planned, organised, directed and controlled by drawing upon organic expertise that kept abreast of technology and operational changes. This expertise was excised by the DRP on the assumption that it could be replaced by industry, which worked to a degree until the pool of redundant Service expertise dried up and could not be recreated elsewhere. Industry has no mechanisms for replenishing these skills sets, other than to recruit from overseas.

The First Principles Report does not reflect any recognition of, or solution to, this deficiency, other than saying Defence will undertake this or that miracle process; for example, the “*Strategic Workforce Plan*” proposed by the First Principles Report has no chance of success under the current Defence Organisation, as has been demonstrated by the lack of success of DMO’s extensive training programs over the years.

The time has now been reached when Parliament must take some tough decisions: recognise that the ‘Tange Experiment’ has failed, and take steps to recapitalise the Services, to re-establish those tightly-knit operational and engineering skills and competencies needed to establish and support Service capabilities, but may also be fed into higher-level planning and analysis, as and when required.

If Defence is allowed to adopt the recommendations of the First Principles Report, real capability outcomes will be made far more difficult to achieve. Without a realistic solution to the skills and competencies problem, Defence, in its continuing attempt to outsource risk in its many guises, will simply follow the UK Ministry of Defence path to ‘total outsourcing’, which is a level of risk that goes straight to the heart of Australia’s military capabilities, and national security.

If Parliament wants Australia to become, once again, a “*smart buyer*”, able to conduct sound strategic and capability analyses in an ever-changing, technology-dependent world, and one able to select, specify, acquire capabilities, and maintain a highly responsive and flexible sustainment base, then major structural and management changes must be made now. That is, Government and Parliament must exercise their responsibilities for Oversight Level of Governance, and act.

Putting people in charge of projects who will have to live with any deficiencies is the surest way to get outcomes-focussed capabilities.

## **5. THE CULTURAL FACTOR**

While Defence’s reform programs concentrated upon downsizing and de-skilling the Services and abrogating and outsourcing their long-standing capability acquisition and sustainment functions, a cultural change program was also launched with the aim of replacing the Services’ military standards with Australian Public Service (APS) populist, ideologically-driven philosophies. Defence’s focus upon Service abuses and its demands for cultural change ignores the fact that the ‘poor culture’ perceived was in fact a direct result of poor management - that is, higher management, both Service and Civilian, has committed, permitted or ignored abuses - an inevitable result of Defence’s own Cultural Change Program, which puts the needs and ‘rights’ of the individual before those of their Service, changing ‘Service before Self’ to become ‘Self before Service’.

Core differences between military and civilian organisations have also been consistently ignored.

To be effective, military organisations depend upon a set of characteristics that are unique to them. Firstly, a military ethos, grounded in ethics and integrity that emphasises the trust and loyalty that must exist between peers and their subordinates, and the mutual respect that must exist between peers. Discipline and tradition then provide the environment within which newcomers can not only

develop their trust, but also gain the respect of their Service. Role models have a critical role to play within this arrangement. Secondly, military organisations depend upon short and direct lines of command and control (in effect, communications and management), sharply-defined functions with clear accountabilities, real measures of performance, and sound management of the resources need to discharge their functions. Management feed-back loops must also be in place to monitor, support and correct functional areas, and to ensure standards are maintained as well as unity of direction. In such organisations, ethical behaviour is mandatory at every level.

In describing what skills civilians will bring to his department, one Secretary of Defence explained:

*“Civilians are generally more readily able to tolerate, and even be comfortable with, unclear lines of command, divided authority, and open ended guidance or ambiguous instructions.”* (9)

During war or peace, governments and parliaments should have little trouble deciding which approach has the better chance of guaranteeing Australia’s defence and security, but both now appear reluctant to establish and maintain a Defence organisation that ensures that the national defence and security come before APS populist, ideological philosophies.

Defence’s Cultural Change Program has been embedded through:

- The Charters of the Service Chiefs.
- The document *“Beyond Compliance – Professionalism, Trust, and Capability in the Australian Profession of Arms – Report of the ADF Personal Conduct Review.”* 2011. Auth: Defence Committee, Sponsors: CDF and Sec Defence.
- The document *“Pathway to Change – Evolving Defence Culture – A Strategy for Cultural Change and Reinforcement.”* 2012. Author: Maj Gen C.W. Orme.

The latest statements on Defence’s Cultural Change Program policy are contained in Defence Annual Report 2013-14, Vol1 (Performance, Governance and Accountability), Pt 3, Chap 7 – (Reform and Cultural Change). These include:

- *“In September 2013, the Minister for Defence agreed to a new Strategic Reform Program....Oversight of strategic reform in Defence rests with the Chief Operating Officer on behalf of the Secretary and the CDF.”* Page 112)
- *“Continuing (cultural) reform remains a strategic imperative for Defence”* (Page 112)
- *“In order to embed and further develop cultural reform, Defence has begun a four year collaboration with the Australian Human Rights Commission (AHRC)...The collaboration will see joint ADF/AHRC teams visiting 10 establishments annually...to deal with particular issues and advising Defence”...* (Page 113)
- *“Defence’s capability is maximised by drawing on the diversity of its people, which reflects the variety of personal experience that arises from differences in culture and circumstance.”* (Page 115) Nowhere is this proven to be the case.
- *“To support the work of the AHRC, Defence has implemented a research program to provide an annual ‘health check’ of the perceptions of cultural reform and the organisation climate across Defence”.* (Page 113)
- *Defence has continued its strong commitment to improving the diversity of its workforce through its Centre of Diversity Expertise and the development of the Defence Diversity and Inclusion Strategy, which is endorsed by the Defence Equity and Diversity Council.’ and ‘Defence seeks to give priority attention to attracting, recruiting, retaining and transitioning*

*those groups in Defence requiring priority attention – women, indigenous Australians, people with disability and lesbian, gay, bisexual, transgender and intersex (LGBTI) people.’ (Page 115)*

- *“Reporting on sexual misconduct in Defence (especially the ADF) is seen by Defence as ‘providing a baseline for future reporting...to inform the understanding of trends....’*

In effect, we now have the ‘culture’ of Australia’s military forces being determined by the Australian Human Rights Commission (AHRC), which lacks any accountability for its actions, and is forced upon the Services by the Defence Bureaucracy through its Defence People Group (DPG), which was established in May 2012 under the Chief Operating Officer Organisation which *‘administers ongoing Defence reform such as Shared Services and the Defence Cultural Reviews’*. The Group comprises four divisions, including:

- A People Capability Division.
- A People Policy and Culture Division, which drives Defence’s cultural change program.
- A People Solutions Division.

The Group, however, appears to lack any balance by failing to recognise the need to maintain and enhance core, critical military values, especially morale, discipline and ethics; its focus is wholly *‘human rights’*. It is well worthy of audit, as it has failed to realise that the *‘unacceptable behaviours’* that it wants reported were a direct result of its own Cultural Change Program (ref), that destroyed the traditional military culture with its imperatives of integrity, ethics and honesty. The Group also seems blind to the fact that that AHRC and People Group policies will encourage and protect the formation of cliques that will further degrade critical military values. The Group has also been *‘missing in action’* where such problems as submarine crewing, the needs of traumatised service people, the health records problems, and the ad-hoc changes to pay and conditions of military service, are concerned, yet it consumed \$59, 606,036 (representing 96.8%) of Defence’s Consultancies and Contracts (Advertising and Market Research) 2013-14 Budget.(DAR 2013-14, Page 175).

If the Report’s Recommendations are adopted, this Group may well become part of the new Associate Secretary Organisation to be established within the Strategic Centre, where it will have even greater power to intrude unnecessarily and unproductively into Military personnel management.

The real cultural decline that has been allowed to evolve in both the Bureaucracy and the Military since the DRP was identified fully during the DLA-Piper Review, and documented in its Vol 1 and Vol 2 Reports. That these abuses, especially following the abortive and ineffective Defence Abuse Response Taskforce exercise, remain unresolved to this day should be totally unacceptable to both Government and Parliament, but the abuses have been allowed to sink without trace. Real cultural change, not that so occupying the DPG, *“which is caught up in the prissy, moral crusades of our time and driven by obsessions that bear little relation to the strategic purpose of Defence”* (10) should be a high priority.

Other Reading:

These critical factors, and those perceived by the First Principles Report, all stem from policy and cultural changes that have occurred since the Tange Reorganisation of the Defence Departments in 1972. An analysis of these changes and their affects over time was provided to the Joint Committee of Public Accounts and Audit in 2014, indicating that the 'Tange Experiment' has failed and will continue to fail until defence functions and accountabilities are severely restructured.

Annex B to this analysis reviews the underlying causal chain behind the dysfunctions and deficiencies that have persisted within the Defence Organisation since the 'Tange Experiment' was imposed upon the Services.



## References:

1. Foreign Affairs, Defence and Trade References Committee, Procurement procedures for Defence Capital Projects, Final Report August 2012:

Recommendation 2: Service Chiefs authority and resources align with their responsibility for procurement and sustainment of the capabilities for which they are responsible to operate and maintain.

Recommendation 3: Capability Managers have expanded responsibility and importantly financial responsibility after Second Pass.

See also Submissions to the References Committee.

2. Brown, James, *"ANZAC's Long Shadow"*, Redback 2014. This book, especially Chapter 5, includes important feed-back from the operational 9interface, in particular:

"There is no tolerance of even the slightest difference in view over future defence policy between the government and the military – in itself the sign of a brittle and immature relationship."

"Increasingly, senior officers censor their comments because they are worried about creating even the tiniest ripple on Lake Burley Griffin.....senior officers pre-emptively censor the comments of their subordinates because they are overly sensitive to...causing domestic political friction."

"Very few officers or soldiers are permitted to write professionally; even fewer choose to do so."

"Rules on public discussion are draconian."

"He also observes: "a lack of professionalism in defence forces to the point that having a professional opinion in Australia can be career suicide, with a bureaucracy that serves to stifle discussion."

On learning, he notes (Pages 100/101) "The ANAO concluded ...2011 Report...that Defence's learning from its operations was 'patchy and fragmented'... and "As yet there has been no commissioned history of the conflicts in East Timor, The Solomons Islands, Iraq or Afghanistan", which 9indicates no learning from experience.

3. Maj Gen C.W. Orme, "Beyond Compliance: Professionalism, Trust and Capability in the Australian Profession of Arms-Report of the ADF Personal Conduct Review", 2011. Page 4, Para 7 states:

*"Media relations are also important in the development and maintenance of a good reputation. Unfavourable media reporting adversely affects both morale and public perception, while favourable reporting can be beneficial in terms of internal morale and reinforcement of desirable behaviour. The key is to have a relationship with the media that is characterised by integrity, trust, transparency and respect for the demands of each party."* This statement hardly reflects the role of the media in a democracy, or the public good.

4. Jones, Brendan, *"Royal Petition concerning Crime and Corruption within the Australian Public Service"*, <http://victimsofdsto.byethost31.com/royal/>. Much other evidence is contained at the victimsofdsto website.
5. James, Neil, Executive Director, Australian Defence Association. *"Arthur Tange: Last of the Mandarins"* reviewed in ADA Journal *"Defence"*, Autumn 2006.
6. Kopp.C. *"Parasitism as an Abstraction for Organisational Dysfunction."* 04 Sep 2013
7. See author's Submissions to the JCPAA on all DMO Major Projects Reports and ANAO Reports issued over the period 2007-08 to 2012-13 (six years), in addition to Submissions on a number of JCPAA review reports issued over that period.
8. Air Power Australia Analysis 2009-03, 08 May 2009, *"The Decay of Critical Military Thinking and Writing."*
9. Airpower Australia Analysis 2011-04, *"Australia' Failing Defence Structure and Management Methodology"*, 28 Dec 2011, and Analysis 2008-10, *Rebuilding the Warrior Ethos"*.
10. Carter, Nick, Executive Director, Menzies Research Centre, Oped *"Shiny Pants Don't Need a Pay Rise"*, the Australian, 04 Sep 2013.

This Oped notes DPG's target as being *"To deliver sustainable people capability and high quality human resource outcomes across the Defence employment cycle."* with its benchmarks being *"Integrated people systems, strategic reform outcomes, and a fair and respectful workforce."* He finishes by observing: *"The fashionable argument for cultural change ignores the evidence that there are two ADF cultures. The first, a spirit of excellence, determination, ingenuity and achievement (that) continues to honour the Nation in the dangerous theatres in which our troops serve. The second, a culture of unbridled bureaucracy bent on building an empire of process, platitudes and pretence, is the one that must be reformed."*

**ANNEX B TO**  
**DEPARTMENT OF DEFENCE REFORM INITIATIVES**  
**-THE FIRST PRINCIPLES REPORT-**

**AN ANALYSIS OF CAUSES UNDERLYING DEFENCE DYSFUNCTION**

**BACKGROUND**

Since the Tange reorganisation of the Defence group of departments in 1972, there has been an increasing number of reviews and reports into recurring difficulties in the management of Australia's defence capabilities. The latest, the First Principles Report, claims to have identified three 'root causes' for Defence's perceived problems and proposes a number of systemic changes to redress them. However, as with most, if not all, previous reviews and reports, the First Principles Report has failed to identify the actual causal chain underlying the problems perceived, and thus the systemic changes proposed in the Report will be ineffective and will only aggravate the current deficiencies.

Annex B brings together and traces the causal chain underlying the widespread problems that have been allowed to accumulate within Defence and the Defence Materiel Organisation over the past 42 years or so. In doggedly persisting with its "*One Defence Business Model*", which means the rigid and complete, centralised control of all Service matters, the Department has resisted any suggestion that this model is inappropriate, and has become a major factor in the Department's recurring inability to reform itself. Focussing upon this model has also blinded the Department, Government and Parliament to the causal chain that has led to the widespread dysfunction seen repeatedly to this day.

This annex explores that causal chain.

**1. SUMMARY OF ANALYSIS**

Since Sir Arthur Tange's reorganisation of the Defence Group of Departments in December 1972, the centralised structure that evolved has undergone some 42 years of constant change, but no review has been conducted to determine whether the benefits sought have been achieved or not. However, continual inquiries into a wide range of functional areas have indicated that serious problems exist that require fundamental change, but these inquiries have resulted only in more administrative process, increased complexity and confusion, and ever higher levels of oversight. A major focus for Defence has been its Cultural Change Program, aimed at embedding conformance and

compliance throughout the Organisation, while replacing Australia's highly professional military values with the populist ideological philosophies that have been allowed to become the primary focus of the Australian Public Service.

Furthermore, a number of the organisational diseases that were inherent in the Australian Public Service (APS) administrative and procurement processes were then applied throughout the Defence Organisation, diseases that were reinforced by the gross de-skilling that took place throughout the entire Defence Organisation over the period 1999-2002. Together, these formed the major causal chain behind almost all of the failures seen in Defence, especially in its capability development, acquisition and sustainment activities, and the diversity of abuses that have surfaced throughout the Defence Organisation. While the ADF has been made the focus of blame for “unacceptable behaviours”, this has been only a smokescreen behind which those at the highest level of the Defence Executive, both civilian and Service, have escaped their accountability for these and many of the ‘other abuses’ reported. Defence has, in response, only been able to propose yet another round of cultural changes as the solution. The fact that the perceived ‘unacceptable behaviours’ were the result of poor management, not culture, was not identified.

Moreover, analysis of Defence’s APS-driven, Cultural Change Program has revealed a far deeper and more important problem. When traced over time, this Program has shifted the loyalty of Australia's Military from Parliament and the People of Australia, firstly to the Diarchy (the Secretary and Chief of Defence Force), later broadened to include “Whole of Government initiatives, including ‘Jointery’ and integration”, and finally, under the Orme Review, to the Military becoming “Servants of the State”. These changes to Australia's constitutional Military loyalty have seemingly been waved through, without review by the Secretary, the CDF, the Minister, or successive Parliaments and Governments.

That Service loyalties should now rest outside the control of Parliament and the People of Australia, and reside with unelected civilians, presumably seeing themselves as acting as the ‘Sole Agent of the State’ is constitutionally alarming, and reminiscent of how military and other security organisations have become tools of “The State” in many nations, rather than protectors of their Peoples.

*“Civil control of the Military is a constitutional function limited to ministers alone (representing Parliament) and not one to be shared with, or abrogated by, public servants or civilians generally. Australia's tried and tested Westminster constitutional model has long removed the gun from politics and the party politics from the institutional culture and operations of Australia's Military”.* (Australian Defence Association).

Defence's Cultural Change Program has now reversed this arrangement.

The time is now well overdue for a serious review of where our Defence organisation and military capabilities have been driven over the past 42 years, and how to bring them back on course under proper constitutional control and managed by those having the required skills and competencies.

However, while the Canberra-based Defence Executive must be held directly accountable for the widespread functional problems and abuses that have been identified throughout the Defence Organisation, the institutional breakdown of the governance organisations at the Parliamentary and Government levels created the environment within which Defence's breaches of good governance were allowed to establish and grow.

## **2. DISEASES IN THE DEFENCE ORGANISATION**

### **2.1 INTRODUCTION**

Over the past two decades or more, those monitoring the performance of Australia's Department of Defence have identified several characteristics that explain why it has been unable to provide the required level of efficient, effective, timely and economic management of Australia's military capabilities. While the characteristics identified are common to most organisations, in Defence they have been allowed, through a lack of sound governance and management, to go unchecked to the extent that the Defence Organisation at all levels has become dysfunctional and unable to regulate itself. Not being organised functionally, and not having the skills and competencies needed to manage military operational and technical matters effectively, Defence has adopted the standard Australian Public Service culture, and associated administrative and procurement processes.

The key elements of organisational behaviour discussed below, and identified in Australia's Defence Organisation, are mostly based upon research and case studies by Heffernan (Heffernan, 2012) (Subjects are keyed to the relevant chapter of this text)

### **2.2 GROUPTHINK**

Much of our ideology is defined by what we believe, and we actively seek confirmation of those beliefs. Actually, it goes even further: our brain treats differently any information that might challenge our closely held beliefs. Freud identified this '*motivated reasoning*' as a defensive mechanism: the process by which people adjust what they know so as to avoid bad feelings like anxiety and guilt, leading to a '*wilful blindness*' to anything that conflicts with their beliefs, especially facts that could tell them that they were wrong.

People faced with conflicting, i.e. entirely incompatible, beliefs suffer cognitive

dissonance which is eliminated when they blind themselves to contradicting propositions, and are prepared to pay a very high price to preserve their beliefs. Again, the brain handles information that we like differently from the way it handles information that distresses us.

Within groupthink-ridden organisations, many people may know that serious problems exist, but do not speak up; they either realise that they would make no difference, or worse, be seen as a trouble maker and be moved on or out of the group (Janis, 1982).

In specialist - dependent organisations, it is often the case that speaking out will be thought useless "*because management is clueless*". To many, just following orders and ignoring the consequences is the best course if you want to stay and seek promotion. Such people then lose their moral sense as their primary focus shifts to how well they are living up to the expectations that the organisation has of them. In many cases, a '*moral disengagement*' may also take place, explaining why good people may do bad things, as noted by Bandura (Bandura, 1999).

Groupthink is common in most groups and organisations, both public and private, but it is more of a problem in public organisations which are not subject to the constraints imposed on private organisations that have to report to a board, be able to compete and turn a profit, and comply with governance requirements imposed by regulatory authorities. Nevertheless, private organisations do run into major problems, especially when they are constrained to cut costs in enterprises that are dependent upon specialist knowledge. In such cases, management will too frequently focus upon cost cutting, and may often possess few if any relevant specialist skills and competencies at the decision level, so will cut personnel below a safe working level and lose core competencies in the process. In those areas that manage technology, this usually leads to an excessive span of control and a need to work excessive hours. The inevitable result is that they may be able to keep costs down and do the form-filling, but not the required engineering monitoring or maintenance tasks, as and when they need to be done.

At the extreme, the results may be seen in the Texas Oil Refinery disaster, and the oil platform explosion and subsequent environmental disaster in the US Gulf. In both cases, company management failed to respond to the clear warnings being given by their engineers and maintenance people. Top management repeatedly *turned a blind eye* - refusing to accept facts that conflicted with their comfortable (but false) view of the Company that was being reported up the chain by resource, workplace safety, and other non-technical managers. This luxury of blindness was, of course, not available to those engineers who faced the realities of technology every minute of every day, and who knew too well what must eventually happen, but were unable to get anyone to listen. Such disasters identify enterprises that are both dysfunctional in organisation and lacking in necessary expertise, and are blinded by groupthink. Case studies are common (Heffernan, 2012).

Within Government Departments, groupthink may often be far more widespread, pernicious and parasitic (Kopp, 2013). With those heading and staffing departments almost invariably not having an adequate professional understanding of the enterprise they administer, such organisations have resorted to establishing at the top of the enterprise being administered a mirror image of itself; an administrative structure that forms part of, and drives, the functional enterprise, not to meet the needs of the enterprise, but to meet the objectives of the Departmental bureaucracy. This layer speaks the same language as the Department, speaks with the authority of the Department, but accepts no accountability for any of the problems and costs it creates. The administrative overheads, both in staff and the increasingly onerous reporting processes involved, fall to the enterprise. This arrangement may be seen in practically all Government Departments, both Federal and State, but is most evident in the Health, Education and Defence Departments.

Groupthink is identified readily by certain organisational characteristics, mainly (Janis, 1982): The Group typically imagines itself invulnerable, and develops individual and group narcissism:

- It rationalises warnings out of existence.
- It believes passionately in its moral superiority.
- Enemies and outsiders tend to be demonised, and dissenters are subject to immense pressure to conform and comply, or depart.

Despite the potential for the Group to cause a horrible deterioration in the moral fabric of people, the group is structured such that no one feels personal responsibility.

### **2.3 THE CULT OF CULTURES**

The problems associated with groupthink have become even more complex in organisations where people are constrained to identify primarily with a common, 'higher' organisational good. However, "*When we agree to submit to authority in order to pursue a larger good, we exchange an individual self (with responsibility for our own conscience) for a social self that is responsible to the whole*" (Heffernan, 2012).

The difficulty here is that it is not possible to have both aspects of a person functioning in harmony to achieve this; the cognitive dissonance cannot be resolved, and so the person must act either as a responsible individual, or as a good, conforming, complying and unquestioning member of the higher organisation, supposedly working in support of some "*higher good*". However, as Nietzsche reminds us, "*Madness is the exception in individuals, but the rule in groups*" (Nietzsche, 1966).

Furthermore, at the 'State' level, the '*Higher Good*' is more likely to be captured to the detriment of both the State and its people, and where Military Services are called to identify with such a '*higher good*', the potential for disaster is even greater.

In this regard, it should be noted that "*Military training is about a coded, ethical way of behaving*". In the Military, obedience to a '*higher good*' simply involves

complying with the orders of a formal authority. For example, when a commission was conferred upon a member of the RAAF (Royal Australian Air Force), the Governor-General did “*Charge and command you to discharge your duty faithfully and to observe and execute all such orders and instructions as you may receive from your superior officers*”.

Milgram distinguished between obedience and conformity, stating: “*whereas obedience involves complying with the orders of a formal authority, conformity is the action of someone who adopts the habits, routines and language of his peers who have no special right to direct his behaviours*” (Milgram, 1970). The conflicts between these demands upon military personnel working in a complying and conforming Defence Organisation, or civilians working in an obedient military organisation, are clear.

Milgram then goes on to look at the “*Team Concept*”, to which Defence, together with its call for increased diversity, is so culturally wedded (Orme, 2011):

Milgram notes that modern management philosophy emphasises competitiveness “*because they think that, somehow, it will bring about the best in people. And they put employees into teams because a diverse group of individuals is thought to be more likely to make a better decision than one person alone.*” However, much of this promise disappears when individuals influence each other adversely, which invariably they do. As a result, some individuals report a loss of all morals and ethics, in the interest of remaining a part of the group. Conformity had cost them everything. “*The carrot of belonging and the stick of exclusion are powerful enough to blind us to the consequences of our actions. Instead of the group benefiting from the collective wisdom of many, in fact what it got was reduced thoughtfulness from each one*” (Heffernan, 2012).

## **2.4 THE DUNNING KRUGER EFFECT**

While groupthink is the most common of management illness, this condition is complicated and made more serious with the spread of the Dunning-Kruger Effect (DKE), which is particularly damaging in enterprises that are highly technology – dependent (Kruger and Dunning, 1999), (Ehrlinger et al., 2008). DKE has been defined as follows (Wikipedia, 2013):

*“The Dunning-Kruger Effect is a cognitive bias in which unskilled individuals suffer from illusory superiority, mistakenly rating their ability much higher than average. The bias is attributed to a metacognitive inability of the unskilled to recognise their mistakes. Conversely, actual competence may weaken self-confidence, as competent individuals may falsely assume that others have an equivalent understanding”.*



### 3. THE DEVELOPMENT OF DISEASES IN DEFENCE

While Groupthink has been entrenched in Defence from around 1995, the DKE was entrenched firstly throughout Australia's three Services, when they were downsized and de-skilled following the loss of their functional organisations and their professional branches, especially their Engineering organisation, with its organic engineering and maintenance facilities, and their Support Commands following the Defence Reform and Commercial Support Programs. DKE then spread quickly and was formalised from 1992 to about 2002 as the *de facto modus operandi* throughout the Defence Organisation that is, the Defence Executive, the Defence Materiel Organisation (DMO), and the Defence Scientific and Technology Organisation (DSTO).

Neither Groupthink nor The Dunning-Kruger Effect happened by accident or neglect; both resulted from two conscious and deliberate policy decisions taken by the Defence executive:

Firstly, an APS culture was reinforced as the predominant culture in Defence in 1995, when Mr R.C. Smith, Deputy Secretary, Strategy and Intelligence (later Secretary for Defence) stated (Smith, 1995):

*“It is self evident that the very different natures of military and civilian service produce different cultures, and it is important that those differences be recognised and understood if the two groups are to work together effectively. To mention just a few of these differences, civilians are, for instance, generally more readily able to tolerate, and even be comfortable with, unclear lines of command, divided authority, and open-ended guidance or ambiguous instructions. They also tend to be willing to offer judgements and opinions on the basis of less hard data than their uniformed colleagues, and to accept that outcomes can't always be readily predicted or easily influenced. Again, the question of 'ownership', so important to military commanders who very understandably want to 'own' or have command of the assets needed to do the tasks for which they are responsible, is much less important to civilians, who are generally more comfortable about being dependent on others to deliver results. Approaches to careers and service and expectations are also, inevitably, different and so of course are conditions of service and expectations from the service of which they are members,”*

Just how the Services were expected to perform professionally in an organisation that accepts vague, tolerant, unclear lines of command and divided authority, as well as open-ended guidance and ambiguous instructions was not explained. The imposition of an APS culture upon the Military continued throughout the 1990s, becoming more intrusive over time.

Secondly, the policy that led to the embedding of DKE throughout the Defence Organisation may be traced to a statement made by Dr Allan Hawke, Secretary for Defence, 1999-2002:

*“In order to meet the wishes of the Minister for a conforming and compliant Defence organisation, some 40 percent, if not more, of the Senior leadership group, mostly on the Military side, will have to be changed out or shed.” (Unpublished discussion between Peter Goon and Allen Hawke, circa 2002).*

It seems that neither the Minister nor Secretary Hawke understood, or they chose to ignore, the fact that blind compliance and conformity do not equal competency.

1999-2002 also happened to be the period over which competent civilians and Service officers were purged and replaced by mostly incompetent, but conforming and complying civilian and military people. Many abuses of trust and justice have been reported over this period, and feature in the DLA Piper Report under “*other abuses*”, but these are now in danger of being swept aside – cases that Defence is trying to ensure do not see the light of day (Rumble et al, 2011).

The scene was thus set for the already well-established, adverse effects of groupthink to be reinforced dangerously by the DKE; dangerously so because Defence now carries responsibility for all aspects of Australia's strategic military thinking and planning, its force structure, capability acquisition and sustainment, as well as Defence Industry support. In fact, Australia's national security is wholly in the hands of the Department of Defence bureaucracy, but its groupthink condemns it to wilful blindness, while the DKE condemns it to not understanding what it is doing, yet being confident in its ability to make no mistakes.

Danger also arises from Defence not understanding that the technology that has consistently baffled it can never be made subservient to its ill-informed, public sector perceptions of ‘*management*’ through its Administrative/Defence Business Model. Technology will always be driven by and respond only to the laws of physics and the rules of mathematics, so must be managed by people having proven and professional operational and engineering competencies in the technology being managed, and employ only proven project and engineering management systems.

#### **4. SYMPTOMS OF DEFENCE’S DISEASES**

The continued failure of Defence’s flawed organisational structure, its lack of critical functional management, operational and engineering skills and competencies, its over-reliance upon administrative process with its complexity and confusion and its lack of accountability, and its failure to learn from its mistakes, have been laid bare in:

- Continuing Reports that have been raised into Defence problems over the past two decades or longer, such as the recent Rizzo and Coles Reports into major Naval capability management failures.
- The evidence put before, and the Final Report of, the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into Procurement Procedures for Defence Capital Projects (Aug 2012).
- Continuing, critical Australian National Audit Office Reports into Defence/DMO activities.
- The author's submissions put before the Joint Committee, Public Accounts and Audit (JCPAA) in regard to the Defence Materiel Organisation Major Projects Reports over the past six years.

The response to all these by Defence has, not surprisingly, been driven by groupthink and DKE; essentially silence (*turning a blind eye*), obfuscation, “shooting the messenger”, blaming someone else, more process and ever higher review bodies, but above all, a persistent avoidance of real accountability. The Department has also studiously avoided speaking about management, and persists in seeing the solution to all its problems as being enforced cultural change, particularly in the Services.

Examples of wilful blindness within the Defence Organisation may be identified in the misleading and often deceptive representations made by senior Defence executives in submissions and evidence put before the Parliamentary Oversight Committees over the past decade or more (Criss, 2007), (Bushell et al., 2009), (Bushell, 2013).

However, wilful blindness was nowhere more public than in Defence's pronouncements in regard to the widely publicised RAN's Supply Ship debacle, followed by the final phase of the Collins Submarine Fleet trashing that followed (Bushell, 2011).

When Navy was unable to provide a supply ship to support of Cyclone Yasi relief in February 2011, the media reported “*Smith slams Navy over seaworthiness issues*”, while some newspapers joined in, calling for the head of the Chief of Navy. The Minister's broadside, which was based upon a “*frank appraisal*” of the matter by the Secretary and CDF (the Diarchy), was blatantly misleading and aimed at anchoring blame, quite incorrectly, on Navy. The “*frank appraisal*”, which turned a blind eye to the root cause for the situation, however, shielded carefully the Government, the Minister, the Diarchy, the Defence Executive and the DMO from any blame (Staff, 2011).

The supply ship problems that were exposed had all been embedded when the vessels were acquired by the DMO. Since then, a “*blind eye*” was turned throughout the whole Defence organisation. Navy failed to see them, as did the DMO, the CDF, the Secretary and the Minister, which amounted to a systemic management failure throughout the entire Defence Organisation.

Precisely the same pattern of “*wilful blindness*” preceded the long, drawn out

deterioration of the Collins Submarine Fleet. The same appointments all turned a blind eye until it was too late and the condition of the Fleet was beyond hiding.

However, these case studies pale before the “*wilful blindness*” that has been demonstrated over the past decade or so with the Joint Strike Fighter Project. Here, misleading and incorrect statements and evidence have been put before Parliamentary Oversight Committees repeatedly, despite being clearly in conflict with the published facts and unwelcome independent analysis. The JSF project was included in the Air Combat Capability Review conducted by Minister Fitzgibbon in 2008, but that review has been revealed subsequently to have been a sham, deliberately misleading Parliament and the people of Australia (Darling, 2011).

A primary cause for this blindness may be traced firstly to the reorganisation and technological de-skilling that followed the Sanderson Report of 1989, leading to the disbandment of the Services' Technical Services Branches, and secondly to the de-skilling of the higher Defence/DMO/DSTO organisations during the purge of experience that took place over the 1999 to 2002 period, leaving only institutionalised Groupthink and DKE in their wake.

A measure of the lack of effective management within the Defence Organisation was also identified in the Final Report of the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into Procurement Procedures for Defence Capital Projects, which saw Defence as (Senate Standing Committee on Foreign Affairs, 2012):

Having a flawed organisation.

- Facing problems largely of its own making.
- Unable to manage risk, and incapable of learning from its past mistakes.
- Presiding over a disconnect between strategic guidance and capability development.
- Having deeply embedded, confused and overlapping lines of responsibility and accountability.
- Lacking the required management, operational and technical skills and competencies base.
- Relying upon inappropriate administrative process and commercial, “business model”, approaches that have led to an ever-expanding web of complexity and confusion.

The Department's response to this report from Australia's Parliamentary Oversight Level of Governance has been, in effect, to *turn a blind eye* to its management problems, and unleash a new wave of cultural changes, in the form of its “*Pathway to Change: Evolving Defence Culture - A Strategy for Cultural Change and Reinforcement*”. The causal chain that led to the Committee's findings was simply ignored (Defence, 2012).

A further measure of Defence's lack of effective management structure and skills has been evidenced by the way in which it faces problems that can no longer go ignored. Effective management structures embody a performance review function that checks continually that all elements of the organisation are functioning and performing as planned in support of the functional objectives of the organisation. In this way, the organisation can identify departures in time for them to be analysed and rectified before the organisation suffers harm. In effect, sound organisational and management structures will be found to be self-regulating and require minimum governance oversight.

Defence, to the contrary, continually encounters major problems that have been neither identified nor rectified from within the organisation before they have caused serious harm, and so have usually impacted Australia's security adversely. As Defence does not have a functional organisation or management systems able to identify and rectify its problems internally, it has to resort to having its problems reviewed by "external experts" (but carefully chosen and controlled) to identify what went wrong, why it went wrong, and how things may be fixed (but always within Defence's flawed organisation and administrative structure). Any changes that result usually lead only to new/amended administrative or commercial processes, or additional or higher, levels of administrative oversight. This situation is complicated by Defence's continued focus upon APS cultural values and administrative processes as the way to correct what are clearly management, structural and staff deskilling problems.

APS process, in particular, has not proven to be an effective means of administering military matters, as the Australian National Audit Office (ANAO) Report No 6, 2013-14, into the Defence Capability Group (DCG) pointed out (Auditor-General, 2013):

*"...the propensity to focus on process rather than substantive results...once a process has been put in place, the issue is considered to have been addressed, with insufficient attention being given to following up whether the desired outcome is actually and satisfactorily being achieved".*

However, while the ANAO Report went a long way to identifying systemic problems in the DCG (and Defence as a whole), it did not conduct the analysis needed to identify the Root Cause and its causal chain, without which, the correct remedies could not be identified, scoped and introduced.

*Neither Defence, nor the ANAO, seem to understand that administrative process does not equate to substantive management.*

Another common symptom of a lack of proper management has been the widespread practice of avoiding problems that should have been managed summarily at the lowest level by those holding accountability, by transferring them to the Legal Departments in Defence and the DMO. Here, those with valid complaints have been "locked up" in legal manoeuvrings, usually until they give up, most being unable to

suffer the legal costs or personal and family stresses involved in progressing their complaint. Very few ever received either a hearing or justice, as the evidence provided the DLA Piper Review attests (Rumble et al., 2011). The Department of Defence now ranks third in the amount expended on legal services amongst all FMA Agencies. How much of this has been spent on protecting the organisation against well grounded complaints is not disclosed, but this should have been monitored closely by the Secretary as part of his financial responsibilities.

## 5. THE EVOLUTION OF CULTURAL CHANGE IN DEFENCE

### 5.1 BACKGROUND

Before the structural changes to the Defence Group of departments proposed by Sir Arthur Tange, and accepted by the Whitlam government in 1972, Australia's three Services were regarded most highly throughout the world for their military values and their operational professionalism, as well as for the highly effective operational and technological competencies which underpinned Australia's ability to keep relatively small capabilities operating at unusually high operational rates of effort and availability for extended periods. With the support of a well-tailored Defence Industry, Australia was also able to maintain a high level of capability and self-sufficiency.

To a large extent, this was achieved through the Services' professional, specialist branches, especially their organic engineering and maintenance skills, competencies and facilities, and their Support Commands, and by working into tight, functionally-focussed, Service organisations. Until the Tange changes, the Services set and maintained, and evolved through experience, military values that did not see the persistent, '*unacceptable behaviours*', identified in the Orme Review as behaviours that "*amount to runaway or uncontrolled group narcissism*" (Fromm, 1992).

While transgressions did occur occasionally, they were normally dealt with promptly and usually at the lowest (summary disposal) level. This judgement is confirmed by the statistics contained in the DLA Piper Report (Page 34), as well as the author's 35 years of personal experience over the period 1948 to 1983. (Rumble et al, 2011):

Period	Percentage	Activity (Not Exhaustive)
<b>Abuses</b>		
Pre-1960s	1%	Period pre-Tange. High Service activity levels.
1960s	8%	Period pre-Tange. High Service activity levels.
1970s	13%	Post Tange from 1972. High level of Service stress due to organisational changes and financial constraints.
1980-84	8%	Tange changes implemented.
1985-89	15%	Post Defence Force Discipline Act. Transfer of Service administrative functions.

		Loss of Service functional organisations and professional branches. (Sanderson Report)
1990s	18%	Change of Service organisation from functional (Service) to Defence “Business Plan”. (FEG based). Outsourcing of critical Service functions. Service downsizing. Start of purge of expertise throughout the Defence Organisation. Start of compliance and conformance policy.
2000s	26%	Purge continued to 2002. Loss of Service Support Commands. Development of Cultural Change Program.

These statistics will need a root cause analysis to explain why the increases in abuses occurred, roughly in line with the imposition of Defence's Cultural Change Program. Furthermore, the constant ‘civilianisation’ of the Australian Military Justice System, which has seen six inquiries since 1997, needs to be seen as a major factor contributing to the “*unacceptable behaviours*” in the ADF now under investigation.

The behaviours (labelled as ‘culture’) perceived in the Orme Review did not, and would not have been permitted to, arise in any of the Services pre-Tange. This begs the question as to how the widespread and unacceptable behaviours seen by Orme, were allowed to develop, and progress unchecked over more than a decade, until exposed by the mass media and reviewed by the DLA Piper Inquiry.

The answer lies in the cumulative effects of the Defence organisation, policies and programs that accompanied the Defence Reform and Commercial Support Programs, and the numerous reviews and inquiries that have filled the past two decades or so - especially those ‘cultural reforms’ aimed at replacing military values with APS populist, ideological philosophies.

## 5.2 MANAGEMENT VERSUS CULTURE

As discussed above, the “cultural problems” now perceived in the Services are, in fact, manifestations of management deficiencies stemming from Defence's Cultural Change Program. Over time, this program has eroded Australia's traditional military values, especially in the areas of command and control, ethos, ethics, and disciplinary standards, in effect Defence ‘turning a blind eye’ to the “*runaway and uncontrolled individual and group narcissism*” that was allowed to evolve.

As what is seen today was not a common characteristic of the Services pre-Tange, the question that arises is: How did this come about and why was it not identified and corrected at source?

### 5.3 CULTURAL CHANGE IN THE AUSTRALIAN PUBLIC SERVICE

Before tracing the impacts of Defence's cultural change program, it is important to look at the higher picture.

The persistent calls for cultural change within the Defence Organisation parallel the path of 'cultural reform' adopted for the Australian Public Service (APS). This is expressed in "*Ahead of the Game - Blueprint for the reform of Australian Government Administration, March 2010*", authored by the Advisory Group on Reform of Australian Government Administration. The Conclusion of the Blueprint starts with a quote from Submission 177, p.4, from the Community and Public Sector Union:

*"The creation of a new cohesive and collaborative APS will require cultural change: Practical measures to foster a single APS are of course important, but underlying these measures must be a genuine commitment by Government and employees of all levels in the APS to the (cultural) change process".*

The conclusions then go on to highlight:

- The nine reforms proposed that will provide a comprehensive strategy for sustainable change.
- The reforms will embed new forms of behaviour in the APS culture.
- The need for APS leadership practices to change and adopt new behaviours.
- The need for a number of accountability measures.
- The need for a data collection centre, "***given the lack of evidence on the performance of the APS and public services worldwide***" (Author's emphasis).

There is a remarkable similarity between the way 'cultural change' is seen in both the APS and Defence as the panacea for all ills. For example, the important "*practical measures*" referred to above, those functional tasks and competencies upon which getting the job done efficiently, effectively, timely and economically depend entirely, barely rate a mention. It is as if they are of such minor importance, that cultural changes alone will solve all problems; in short, that management principles have no place in either APS or Defence administration.

Furthermore, the APS Blueprint falls short in exactly the same ways as does Defence's Cultural Change Programs:

- It does not understand that poor culture (unacceptable behaviours) is only a



manifestation of the poor attitudes permitted or ignored by poor management. The cure thus depends upon changes in management from the top down, not culture. Importantly, fixing what is wrong at the top reaps rewards in better functional organisational planning, management and performance. In addition, sound management ensures the establishment and maintenance of ethical attitudes at all levels, so developing a healthy and productive ethos ('culture'). In fact, 'culture' fades as a problem as ethos and morale take over.

- The APS, like Defence, also suffers the '*wilful blindness*' discussed above, as evidenced by its perceived "*lack of evidence on the performance of the APS.*" This statement implies that the APS has 'turned a blind eye' to the many Australian National Audit Office reports that have been critical of APS performance. The statement also reinforces the observation of the lack of any effective management system within the APS, as effective management is designed to detect problems and redress them before they do damage.

In short, the 'management' of the Defence Organisation would seem to be based more upon broad APS populist ideological philosophies and culture than military values and military functional management requirements.

## 6. THE DEFENCE CULTURAL CHANGE PROGRAM

Defence's Cultural Change Program may be traced through three phases:

**Phase 1:** Started with the centralisation of the three Services into a single Australian Defence Force and the Charters developed for the three Service Chiefs.

**Phase 2:** Covered a long period of organisational change, which was formalised by the issue of Defence's "*Pathway to Change: Evolving Defence Culture, 2012*".

**Phase 3:** Prompted by the DLA Piper Report and marked by the release of Defence's "*Beyond Compliance*", the Orme Report.

### 6.1 PHASE 1 – CENTRALISATION OF THE THREE SERVICES

Pre-Tange, the Chiefs of the Services were first members of their Service Board, reporting to their individual ministers. The duties of the board members were delegated by the Minister. The duties of the Chief of Air Staff (CAS), for example, ran to five lines, and those of the other Air Board members ran from three to six lines. Those duty statements specified **what** each member had to do, NOT **how** to do it. This was hardly necessary, as only those considered to be professionally competent to carry those duties were selected for those positions. This structure had many advantages that were lost post-Tange (Bushell, 2008b).

Following the Defence reorganisation, the Service Chiefs were required to sign a Charter

which attempted to say **what** they should do, but also tried to detail **how** they should do it.

Consider the position of the Chief of Air Force (CAF, formerly Chief of Air Staff). From being held solely accountable for Australia's air power capabilities, having the resources required to achieve this, and being held accountable directly to his Minister, the CAF and his Service have become a mere link in a complex and confusing web of bureaucratic process and shared responsibility. His constitutional accountability changed overnight from his Minister to the Diarchy (the Secretary and the CDF) within the Defence Executive, as follows:

***Accountability:***

*“Through us (the Diarchy), you are directed to achieve the results outlined in this Charter within the guidance principles set out below. You are accountable to us for your performance and the performance of those you authorise, or to whom you delegate authority, having regard to the statutory responsibilities of all parties. Your priorities will be reviewed, and set annually by us, in the form of an Organisational Performance Agreement (OPA). We will measure your performance and provide feedback against those priorities.”*

***Results:***

*“We expect you to set the standard in everything you do, and to:”*

*“You are to command the Royal Australian Air Force...Deliver force capability for the defence of Australia and its interests, including the delivery of aerospace capability, enhancing the Air Force’s reputation and position the Air Force for the future.”*

The Charter goes on to list a set of confused Results, before giving Guidance, which requires the CAF (amongst other things) to:

- Exercise effective leadership and management.
- Ensure that his actions are prudent, lawful and ethical, and in accordance with a raft of requirements from external organisations and executives, within which his actions must be consistent with Defence values, especially Defence Department frameworks, policies and standards.

In particular, the CAF was made responsible for ***“Developing leadership and behaviours that advance and embed the Results Through People Leadership Philosophy”***. (Author’s emphasis). It is here that a direct conflict was embedded between the ethics, integrity, discipline and other values and accountabilities that were critical to the proper management of military capabilities, and those now required under his Charter.

The Charter, in effect, puts the `rights’ of the individual before the needs of the Service, allowing a culture of *Self Before Service* to develop, which has weakened the historical *Service Before Self* ethos that existed. However, if Service members are required to embrace the empowerment of the individual, the Military's

*Service Before Self* ethos cannot exist beside it. The cognitive dissonance created cannot be resolved, and, as a result, service people must decide whether they will maintain the high standard of individual ethics demanded within a *Service Before Self* organisation, or trade off their personal integrity in the interests of being good, complying and conforming members of a group now seeing its allegiance as being to a “*higher good*” (the ADF) enshrined in the Diarchy.

The choice boiled down to: *Service Before Self*, or *Self Before Service*?

The effects of the ‘cultural’ directive contained in the Charters of the Service Chiefs are exemplified in the message sent by the Deputy Chief of Air Force to all Air Force commanders on 22<sup>nd</sup>

February 2008, titled: “*Values Renewal Story Competition.*”, which referred to an Air Forces Values Statement of 2001, made in response to a feeling that “*Air Force had lost the plot.*”:

**“*Today our Warrant Officers and Senior Officers sign up to their own behavioural 'compacts' that outlines how they will behave in order to lead and command in accordance with our values...The most effective way to understand and live the values is for all of us to talk about them. This means Commanders talking to their unit leaders and airmen about values in the workplace and the values that are important to them, SNCOs talking and mentoring their junior NCOs about how they see values playing a role and all of you talking to each other about why the ways are important to our everyday business.*”**(Author’s emphasis).

The situation described would indicate that the traditional military values that supported the RAAF since its formation have been compromised by those designed for civilian (OH&S-compliant) workplaces. The underlying problem may be summarised more accurately as a complete loss of the moral and ethical compass across the Service.

While a self before service attitude emerged with the imposition of Defence’s “*Results Through People Leadership Philosophy*”, the seeds were sown long ago at the Australian Defence Force Academy (ADFA), leading to the level of unacceptable behaviours that have resided there over time. Lt Col Northwood’s investigation, for example, “*identified around 24 cases of rape at ADFA...in the late 1990s*” – highlighting yet another case of all levels of Service command and Departmental oversight turning a blind eye to what was going on. However, ADFA was a symptom, not a cause. The question that should have been asked was: Why was this allowed to occur, and remain uncorrected for well over a decade?

This presents as a classical case of the Prisoner’s Dilemma game, insofar as personnel either “defect” to the “compliant camp”, or are denied promotions if they remain in the “ethical camp”, refer RAPOPORT, A. 1965. *Prisoner's dilemma: A study in conflict and cooperation*, University of Michigan Press.

As one female graduate noted recently:

*“When I joined up in 1983, every single piece of correspondence I received had on it the logo of Australia and the words “Sailors discovered, founded and protect Australia still!” The hymn of the Navy is Hearts of Oak. In the first verse it says “We call you to honour as free men not slaves”. She then referred to the right hand side of the home page for ADFA: “It lists the 10 top reasons to go to*

*ADFA. When you look at it you will see that in all the reasons there is no mention of Honour, Serving your country, (or) Protecting Australia. It's all about selfishness, not about service. I think that's the problem”.*

There is also a disciplinary element that enters the equation. The ethos and ethics that once existed in the Services were based upon discipline. However, to many non-service people, discipline may be perceived as meaning ‘a rigid obedience to orders’, a characteristic seen more in countries under totalitarian authority where the rule of law has broken down completely, and “The State” rules supreme. Such States are fated to fail, but not before inflicting untold misery and destruction. Discipline, pre-Tange, referred to ‘self – discipline’ - which led to the development and maintenance of a strong sense of individual and group cohesion and ethics. Indeed, self - discipline was the keystone in developing integrity and maintaining strong ethical values, which in turn produced high ethos and moral. It was a strong, unifying force from the top to the bottom of Service management, ensuring unity of direction, and a strong backbone of integrity (Krulak, 2000).

The Charter, in effect, shifted the Services' historical allegiance from Queen/King and Country, embedded in the Governor General and Parliament and having a strong, apolitical focus, to the Diarchy, which, being part of the Defence Executive, put the Services under complete bureaucratic control, and so “in their place”, as long sought by the APS Bureaucracy. The Services thus came effectively under *civilian* control rather than *civil*, completely overturning Australia's traditional management of the Military:

*“Civil control of the Military is a constitutional function limited to Ministers (representing parliament) alone, not one that can be or should somehow be shared with public servants or civilians generally. Our tried and tested Westminster constitutional model deliberately separates control and command. This has long removed the gun from politics and the party politics from the institutional culture and operations of our military”* (James, 2011).

The Charter also makes the Service Chiefs accountable for such functions as capability development, acquisition and sustainment, whereas Defence's matrix management and shared service provider, 'business' models make the Chiefs unable to discharge such responsibilities.

The main impacts of Phase 1 may be summarised as follows:

- The dis-empowering of the Service Chiefs, and the centralisation of resources in a centralbureaucracy.
- Shifting accountability of the Service Chiefs from civil (governance) control through their ministers, to complete civilian (administrative) control under the Defence (APS) Executive.
- The imposition, through ‘cultural change’, of an APS, populist, ideological philosophy, without regard for the impact upon critical military values and capabilities.
- Sowing the seeds of cognitive dissonance between *Self Before Service* (individual rights) and *Service Before Self* (unifying ethics).

## 6.2 PHASE 2 - THE LONG PERIOD OF CULTURAL CHANGE

Phase 2 covered the implementation of the Defence Reform and Commercial Support Programs, together with the build up of a highly centralised Defence Executive, assuming control of critical functions previously managed well by the Services, including the required resources.

This phase saw the following major changes and effects:

<i>Change</i>	<i>Major Effects</i>
<i>In the Services:</i>	
Downsizing and de-skilling, and the widespread outsourcing of Service functions.	Loss of critical operational and engineering skills and competencies. Effects especially adverse in capability development, analysis and planning, and all DMO activities.
Disbandment of the Services' professional branches and corps.	Loss of functional focus and professionalism, impacting Service identification, ethos, morale and especially discipline.
Establishment of 'generalist' senior officers.	Embedded operational and technical military DKE throughout the Defence Organisation.
Reorganisation of Service Units into small Force Element Groups, with an emphasis on 'Jointery' over Service.	Increased overheads to no purpose. Destroyed the traditional concept of air/sea/land power, resulting in an over-narrowing of military vision and planning.
Shift of focus from Service before self to vested interest.	Unacceptable behaviours.
Disbandment of Service deeper-level maintenance units and facilities.	Reduced span and depth of service expertise. Reduced ability of Services to operate at higher rate of effort for longer periods.
Absorption of Service Support Commands into the Defence Materiel Organisation(DMO).	Loss of critical management systems and competencies, especially in new projects and the integration of capability acquisition and sustainment functions.
	Loss of critical military thinking and writing skills sets.

<p><b><i>In the Department:</i></b></p> <p>Development of a large, centralised, bureaucratic structure with the intention of constructing a set of processes that would provide for the 'seamless' integration and administration of all Defence activities from the top to the bottom.</p>	<p>The development of an administrative structure, divorced from military needs due to Groupthink and a lack of professional competencies (DKE). Focussed upon process and a service provider/shared responsibility model that have led to increasing complexity and confusion, and a systemic lack of accountability.</p>
<p>Purge of professional Service skills and competencies in Defence and the DMO.</p>	<p>Poor strategic analysis, poor strategic planning, poor capability analysis, poor capability acquisition and sustainment.</p>
<p>The evolution of a single procurement organisation (DMO) for all defence capability acquisition and sustainment programs.</p>	<p>An organisation that cannot manage military technology using public sector principles as first principles, and a 'business' methodology wholly inappropriate for technology-dependent capabilities.</p>
<p>Formation of a centralised Media/ Information control organisation.</p>	<p>Control and manipulation of information has now reached the level of a Propaganda Ministry.</p>
<p>Continuation of Defence Cultural Change Programs.</p>	<p>Detailed effects are analysed below.</p>
<p>Defence Industry:  Promise of work that would flow from the reorganisation of 'reformed' Service capabilities and facilities.</p>	<p>Marked reduction in self sufficiency and major cost increases. Promises have not been fulfilled as DMO's 'system plus support' contracts see major overseas primes take on ever-increasing engineering, maintenance and supply support tasks.</p>

Over the period covered above, a number of cultural reviews were conducted, many directed towards unacceptable 'cultural' behaviours in the Services and 'failures' in the Military Justice System. None of these, however, looked for the causal chain behind the problems perceived. In the main, the problems were classified simply as 'cultural', and thus the solutions were seen as 'cultural'. In reality, as discussed previously, all stemmed from faulty management or more likely a lack of proper management practice that allowed unacceptable attitudes to develop and persist.

There has been only one Defence Management Review - that conducted by Elizabeth Proust in 2007. Although greatly restricted by its Terms of Reference, that Review did find that (Proust, 2007):

- "...Defence has become unwieldy to manage...as the number of groups has grown - each with its own leadership, reporting and administrative overheads.
- The current structure is confusing, and
- While it might be disruptive in the short term to attempt another reorganisation of Defence, it is necessary to get the structure right, by which we

*mean that the structure should be aligned with accountabilities and responsibilities.”*

However, after some six years, none of these problems has been faced.

Phase 2 ended with the release of Defence's "*Pathway to Change - Evolving Defence Culture*", which goes well beyond mere 'culture' to include structural changes, operational changes, and administrative changes.

The development is described as a "*Statement of Cultural Intent*" with its primary intent being to build upon the "*Results Through People*" leadership philosophy embedded in the Charters of the Service Chiefs. The document lists six classifications of recommendations – none of which relates to management. The real thrust of "*Pathways*" is revealed at Section 3, which describes how leadership and accountability are perceived to be enhanced by 'cultural' change, for example:

- *“The introduction of mechanisms that promote partnership and shared responsibility for delivery of outcomes”*. That is, the retention and extension of divided responsibility and hence continued diffused accountability.
- *“...the successful implementation of an expanded Shared Services Model in Defence.”* That is, extension of Defence's “one size fits all” APS philosophy, which fails to recognise the different operational and technology management needs of the three Services.

However, the key items in tracing Defence's Cultural Change Program and its effects were:

- *“We will reaffirm and make more transparent the current integrated approach to considering star and Senior Executive Service (SES) level promotions. In doing so, we will address the current misconception that these are managed through separate Service star plot and APS career management processes ...We will reaffirm to our Captain/Colonel/Group Captain Executive Level 2 levels and above that they must identify with Whole-of Defence objectives in addition representing their Service, Group or APS perspective.”* and
- *“All senior Service officers must align their leadership behaviour with the 'Pathway to Change'...and must work with jointery and integration as their prime decision-making focus.”*

Furthermore, "*Pathways*" has added a new allegiance - to "*whole-of-Defence initiatives, including jointery and integration*". The focus and allegiance of the Service Chiefs, and all senior officers, thus became broadened, more dispersed and more nebulous. Service people are increasingly employed across organisational boundaries over which the Service Chiefs have no effective visibility, command, control, or disciplinary authority. Their traditional ability to manage their Services to develop and maintain the Sea/Land/Air Power needs of Australia was thus destroyed.

The path being taken by Defence has been travelled before, especially by Canada where the amalgamation of the Services ('extreme jointery') was undertaken. Experience there, however, shows (Bushell, 2000a):

*“The military structures that foster and sustain the complex attitudes and behaviours amongst military members, which evolved over centuries and were certainly present in Canada, but have for some time been impacted by organisations that reward conformity over capability, allowing the slow rise of petty authoritarians into positions of control.*

*“The Military should be turning out men accustomed to hardihood, ready to inflict and receive harm, accustomed to rewarding trust and respect while being trusted and respected in turn. This is not happening now.”*

*“If officers shun personal responsibility for the actions of those under their command, is this not seen also in so many other Canadian institutions?”*

*“More than ever, Canadian soldiers are expected to be in conformity with Canada's increasingly twisted values.”*

There are many lessons to be learned from Canada. The experience with similar cultural change programs in the UK is even more sobering.

In 'cultural' terms, Phase 2 saw:

- A continued imposition of an APS populist, ideological philosophy throughout the rapidly expanding Defence Bureaucracy and the downsizing and deskilling of the Services. Within the Services, this eroded traditional military values, especially ethos, ethics and discipline, as people felt themselves to be more important than their Service. Unacceptable behaviours became more common at both the Executive and Service levels, but offences were hidden and not redressed.
- The accountability of the Service Chiefs drifted further from being under direct civil governance, to requiring them to focus primarily upon “*whole-of-Government initiatives, including 'Jointery' and integration*”, as seen by the Defence Executive.
- Throughout Phase 2, the pressure of unacceptable behaviours arising from the poor attitudes that thrived as a result of poor management built up to a point where they could no longer be ignored or suppressed, leading to Phase 3.

### **6.3 PHASE 3 – RELEASE OF DEFENCE’S “BEYOND COMPLIANCE”**

Phase 3 comprised that period when unacceptable behaviours, particularly those of a sexual nature were being reported at the Australian Defence Force Academy (ADFA), and in Navy and Army, which prompted the Minister to undertake an inquiry. The DLA Piper Inquiry that followed, while initially focussing upon abuses in the Services, netted a large number of “*other abuses*” throughout the Defence



Organisation; serious abuses of power, authority and trust, and the improper handling of complaints, extending over decades. As self interest before service interest became more common in the Services, individual and group vested self interest became a common characteristic within the Defence Executive.

Analysis of these two milestones follows.

### 6.3.1 The DLA Piper Review

DLA Piper was tasked “*to review the allegations of sexual and other forms of abuse that have been drawn to the attention of the Minister's Office, as well as to the Department of Defence and the Media.*” As the review progressed, the reported abuses fell into two main categories:

- Sexual and physical abuse, which generally took place in the ADF and ADFA.
- “Other abuses”, generally being the misuse and abuse of power, authority and trust, predominantly within the Canberra-based elements of the Defence Organisation.

The latter forms of abuse represented a very significant number of those reported, but many of these fell afoul of “*out of scope*” decisions, or “*lost in the system*” responses, giving a strong impression that they were unwelcome.

Although many victims of abuse found the DLA Piper review process difficult, especially those finding themselves “*in scope*” one minute and “*out of scope*” the next, or their submissions “*lost*”, the review proved to be a very thorough and well documented investigation.

The main problem with the review was that it did not identify the causal chain that led to the abuses. As a result, the appropriate corrective actions were not able to be identified within the report. Nevertheless, DLA Piper were able to assemble an impressive body of evidence that identified the wide range of abuses that had occurred over time, both sexual and “*other abuses*”, how they happened, and those involved.

This body of evidence was passed to Defence in two volumes:

- Vol 1: Contained 23 issues, 29 findings and 10 recommendations. A Supplementary Report to Vol 1 was added which covered 190 people who raised matters that were determined to be entirely “*out of scope*”. These were passed to Defence Legal to determine if any further action should be taken. However, as Defence Legal figured prominently in many of the accusations lodged under “*other abuses*”, this appears to have been a blatant conflict of interest.
- Vol 2: Contained the individual allegations received by the Review, including recommendations for dealing with each allegation. It consisted of 23 parts covering 1100 specific allegations from 775 sources, as well as three other parts.

The Report was delivered to the Minister on 17<sup>th</sup> May 2012, but not received by the DART until 27<sup>th</sup> February 2013. Dr Rumble, who headed the Review, indicated that he had several concerns regarding how Vol 2 had been distributed and Defence's responses to the Review's initial assessments and recommendations regarding individual allegations. In particular, he noted that arrangements had been made to provide a working version of Vol 2 – with appropriate redactions, but he was not given clearance to do so.

### 6.3.1.1 The “What” and the “Who” of Abuses

The body of evidence produced by the DLA Piper Review in Vol 2 required action at two levels in order to separate the “What” from the “Who”, as corrective action resided in two very different areas. Producing a redacted version of Vol2 would have:

- Firstly, by concentrating on **What** happened, and conducting a robust Root Cause Analysis, the causal chain would be identified, and appropriate management solutions developed so as to prevent future occurrences. If done properly, it would not be over- optimistic to suggest that the monetary savings across the Defence Organisation would soon be in the order of billions of dollars.
- Secondly, this would allow the **Who** problem to be handled through the appropriate and established administrative, disciplinary and criminal authorities.

In summary, the DLA Piper Review was a highly professional and competent inquiry, which provided a sound basis for further action, but the Defence Organisation's response to date has been slow, secretive and defensive.

### 6.3.2 The Defence Abuse Response Taskforce (DART)

When the DLA Piper Review was passed to the Defence Abuse Response Taskforce (DART), the process immediately ran into severe difficulties. While DLA Piper reported thoroughly on “allegations of sexual **and other forms of abuse**”, Defence closed the door on the “**other forms of abuse**”, limiting severely the DART's scope of activity:

- *“DART is not looking at all forms of Defence abuses. DART is constrained in what abuses and circumstances of abuse it is allowed to look at. Such constraints have been determined and directed by the Government”* (identified previously as being the Defence Minister, the Attorney-General and the Prime Minister).
- *“DART is looking at 'Blue on Blue' only and then only relative to the OH&S responsibilities of Defence.”*
- *“DART has been directed to focus on sexual, physical and workplace related abuses as covered under OH&S requirements.”*

While accountability for the decision to exclude all abuses other than those workplace abuses that contravene Defence's OH&S responsibilities, has been sheeted home to “*the Government*”, it remains questionable whether the decision was actually one taken by

government, or was merely proposed by Defence, the Attorney-General and the PM's Department as being the best way to avoid embarrassing exposures. In effect, the critically important allegations of systemic "other abuses" identified in Vol 2, those that netted many in the Canberra-based Defence Organisation, where poor management and poor attitudes have led to the institutionalised, unacceptable behaviours identified, have all been excluded from the DART's scope. This decision certainly neutered the governance mechanism at all levels.

The DART has also made (or was required to make) life very difficult for those who pursued their allegations, treating them as being the guilty, rather than the aggrieved. In effect, in blocking any further investigation into the "Other Abuses", the DART appears to be being used as Defence's tool to 'get the Genie back into the bottle'. However, until these 'Other Abuses' are faced transparently and fully, nothing of substance will come from either the DLA Piper or the DART. Defence still has not learned that:

*Cover-ups are the antithesis of good management.*

This perception has been reinforced by the lethargic pace of DART progress in all aspects, the show casing of ADF cases, with hollow apologies, and difficulty in getting the belittling compensation on offer, the false insistence that the most senior rank involved has been Major, and the dogged refusal to look at the "Other Abuses" that involve very senior Defence Executive and Service staffs. The DART can only be assessed as an expensive and misleading travesty of justice.

Having failed to obtain recognition or support from Defence or the DART, and coupled with the failure of every internal and external governance organisation to take action, many of those who suffered from those "other abuses" resolved to continue the fight for elementary justice through an alliance known as *The Victims of Abuse in the ADF Association Inc.* However, the attitude of the DART to those who had suffered extreme abuse, and had their cases declared "out of scope", is exemplified in the brutal response by the Chair of the DART to Ms Jennifer Jacomb, the Secretary and Public Officer of the organisation.

Two fundamental questions arise here:

- Is this what government intended when it approved (assuming it did) the approach proposed by Defence, the Attorney-General, and the Department of the PM & Cabinet?
- Is Parliament, which is responsible for exercising Oversight Governance of the Government and the Executive, on behalf of the people of Australia, content to have the blatant abuses identified in the DLA Piper Review Vol. 2 Report swept under the carpet with Defence and its broken internal and external governance mechanisms left free to perpetuate such abuses without restraint into the future?

(Unpublished transcript, Teleconference between DART and a victim, 14<sup>th</sup> June 2013.)

After a long period of silence, Dr Rumble, who led the DLA-Piper Inquiry, warned (Apr 2014) that *the DART won't uncover all abuse in Defence, and called for a Royal Commission which he felt would send a strong signal that abuses were being taken seriously* .

On 17<sup>th</sup> July 2014, 33 folders from Vol2 of the DLA-Piper Report detailing more than 900 Top Secret complaints contained in thousands of pages would be referred to a Senate Committee as a means of ensuring transparency, and remove any 'mystery'. However, the controlled viewing was available for one day only, in a secure room in Parliament House, with photographs and notes not allowed. The Prime Minister wished to wait until all outstanding inquiries were completed before considering what, if any, further action is appropriate in late August 2014.

Following a further long wait, in June 2015 the PM announced that the Government has rejected the (JSCFADT) Committee calls for victims of sexual abuse in the ADF be given more time to make complaints to the DART. His key reasons were:

- *"It is not the Government's intention to open the task force up to new complaints."*
- It remains the Government's view that allegations of abuse after 11 April 2011 can be adequately dealt with through existing mechanisms, identifying several Defence processes and *"independent avenues"*.

Government's response is of concern on several grounds:

- Firstly, it fails to say how the Inquiry will proceed from here in order to resolve the abuses contained in Vol 2.
- Secondly, this lengthy and expensive inquiry into abuses in Defence is no closer to identifying the underlying causal chain that gave rise to them, and the remedial actions required.
- Thirdly, post-April 2011 victims of abuse are simply being herded through the failed Defence redress mechanisms that gave rise to the DLA Piper Inquiry in the first place.

To date, the handling of the DLA Piper Report has been characterised by:

- Inordinate delays.
- An over-narrowing of scope to emphasise sexual abuses within the Services, while ignoring completely the 'other abuses' that occurred within the Defence Organisation.
- Failure of the chain of governance at the Executive Level (The Secretary), the Directing Level (The Minister), and the Oversight Level (Government and Parliament).

This is a good case study of the way that all levels of Governance have failed to protect the interests of those who serve our country.

### **6.3.3 The End of Phase 3**

Phase 3 of Defence's Cultural Change Program ended with the Department's reaction to the abuses identified by the DLA Piper Review, and took the form defined in the report authored by Maj Gen C.W. Orme AM, CSC, entitled *"Beyond Compliance: Professionalism, Trust and Capability in the Australian Profession of Arms-Report of the Australian Defence Force Personal Conduct Review"*, 2011.

## **7. ANALYSIS OF “BEYOND COMPLIANCE”**

### **7.1 INTRODUCTION**

The Orme “*Review into aspects of Defence and Australian Defence Force Culture*” proceeds from certain assumptions made in regard to unacceptable behaviours within the Services that were identified by the Media and which became the subject of many of the complaints identified by the DLA Piper inquiry, now under review by the Defence Abuse Response Taskforce (DART). The Review then goes on to make a number of recommendations stemming from those assumptions.

Unfortunately, many of the Review's underlying assumptions are false. The Military values attributed to the Services are identified inadequately and not given their proper weight or priority, leading to recommendations that are inappropriate, harmful and bordering on becoming dangerous. In summary, the Review is yet another phase in Defence's long-running campaign of imposing cultural change across the Services aimed at replacing long-standing and well-proven Military values with the populist, ideological philosophies that have been adopted by the Australian Public Service. The Department of Defence is thus simply trying to force the Military into becoming conforming and complying ‘service providers’. No thought has been given to the effects upon Australia's Military capabilities or the National security.

As a full analysis of the Review would require a document as lengthy as the Review itself, this analysis will be limited to selected major considerations.

### **7.2 OVERVIEW OF ANALYSIS**

The Review's perception that the (sole) cause of the perceived unacceptable behaviours in the ADF is due to cultural problems, and that these may be redressed through the imposition of widespread cultural change, is false. The culture that evolves in an organisation is a reflection of its management - poor management allows poor attitudes to develop and persist, enabling a poor ‘culture’ to take root and flourish, while good management ensures that its attitudes and hence its culture are healthy and remain so; any unacceptable behaviours being identified and rectified promptly by management action, not cultural change. This was the norm within the Services pre-Tange, but standards have deteriorated unacceptably since Defence changed to a centralised, APS-administered ADF. That is, when effective Service functional organisational and management structures which were under direct civil governance were replaced by public service administration by the Defence Bureaucracy.

The basic premise of the Review is thus in error. The immediate proximate cause was not an ADF cultural problem, but a management problem, more exactly the lack of any effective

functional organisation and management structure and the absence of even basic skills competencies throughout the whole Defence Organisation.

### 7.2.2 The Scope of the Problem

The Review states that “*On the face of it these unacceptable events appear to suggest that the ADF has a major problem with its culture and its behaviour at the individual and small group level*”. (Author's emphasis). The Review seems to be far less definite here that a problem actually exists). However, based upon the known facts, none of which has surfaced in the Review, this statement is also demonstrably false. The cultural problems perceived are not limited to ADF individuals and small groups, but are systematic throughout the whole Defence organisation, and are particularly pernicious and damaging within the Canberra-based elements of the Defence Executive.

The Review fails to ask, or answer, the key question: “*Why those in the chain of ‘accountability’, from the bottom to the top of the Service and the Defence Executive, especially at the Secretary and the CDF level, turned a blind eye to these unacceptable behaviours for well over a decade?*”

It would have required only elementary research and analysis by the Review to realise that the behavioural problems it has identified pale into relative insignificance when compared with those problems that have been identified throughout the highest levels of Defence administration; failures that have led to the entrenchment of a culture of unacceptable behaviours that has been imposed downwards throughout the ADF, the DMO and the DSTO to cause the problems perceived by the Review. The key causal element in this process has been Defence's persistent APS - developed Cultural Change Program.

Gen Sir John Hackett in a BBC Interview reminded us that:

*“A superb physicist, musician or scientist could still be a horrible person, but a good soldier had to be a good man – one that other people had to trust under enormous pressure in horrible circumstances.”* This is the difference between military and non-military people; one that Defence, and this Review choose to ignore.

### 7.2.3 Perception of the Problem and its Solution

The Review (Page 3) concludes that the cultural problems perceived are limited to the ADF, and thus the changes proposed have been directed against what the Department sees as the ADF having a “*major problem with its culture and its behaviour at the individual and small group level*”, resulting in a need for the ADF to undergo cultural

change so as to “*restore the trust and confidence of the Government and the Australian Community*”. Furthermore, the unacceptable behaviours demand “*strategic and systematic cultural change*”, while “*reflecting the unique nature of military service and the requirements of a professional and operations- focussed culture*”.

The Review then emphasises the concept of “*Service to the Nation*”, requiring formal and explicit “*codes of conduct that govern a professional military force*”. The recent incidents of unacceptable behaviours are also perceived to have challenged the respect in which the Services have long been held, and hence the ADF must respond.

Media relations were then perceived as a key element in developing and maintaining a good (ADF) reputation, hence the need for “*a relationship with the media that is characterised by integrity, trust, transparency and respect*”.

The Review then focuses upon a number of perceived ADF cultural characteristics that have led to unacceptable behaviour:

- A male-dominated cultural model.
- Social stratification.
- A division between “*insiders*” and “*outsiders*”, the latter being “*cultural minorities, such as women, ethnic members and those with non-mainstream sexual persuasion*”.

The Review then makes its case for widespread cultural changes needed to redress Defence's perceived unacceptable ADF behaviours at the individual and small group level. Finally, it proposes a framework for its proposed cultural changes which will provide an “*operations- focussed culture, ... a just culture, an inclusive culture, a reporting culture and a learning culture*”, together with its reasons why all this should work.

The problem with this review is that its perceptions and assumptions are false, as are its conclusions and recommendations. The review is based wholly upon APS – driven populist, ideological philosophies, not military values.

## 7.3 FURTHER OBSERVATIONS

### 7.3.1 Scope of Abuses

Despite the Orme Review's attempt to downplay the scope of its perceived abuses, unacceptable behaviours have been identified throughout the whole Defence organisation and those involved identified and named, mainly in:

- The many submissions made to the Minister, the Defence Executive, the DMO, the Defence Ombudsman, the Defence Inspector-General, and the Service Chiefs over the past decade or more, all to very little, if any, effect.
- The submissions put before the DLA Piper Inquiry, which are now being handled by the Defence Abuse Response Taskforce (DART), now striving to focus upon ADF abuses, and bury the 'other abuses' in Vol 2 of the DLA Piper Inquiry that involve those in the higher Defence Organisation.

The scope and nature of the abuses that have occurred increasingly since the Tange/Defence organisational changes have thus been ignored by both the DART and the Orme Review, probably for the same reasons.

### 7.3.2 Confronting the Issues

The Review's reliance upon US studies into conduct during operations completely ignores Australia's Military History and those Military Values that have dictated the outcomes of combat over the centuries (Page 16, Para 27). The Review fails to recognise the notions of ethics, integrity and honesty, and the importance of having role models in the Military. In all organisations, culture is grounded in professional values, not populist, ideological philosophies, and those values are absorbed by emulating others in the group rather than memorising a complex system of rules governing how to behave. The importance of the "archetypal" warrior role models was understood millennia ago in professional military cultures, and is expressed in the works of Homer, Virgil's Aeneid, the Chivalric genre, right through to all of the modern equivalents. Decorating warriors for acts of valour was not an arbitrary practice; it was always about making them role models for the group.

### 7.3.3 Diversity and Capability

Page 21, Para 43 gives a nodding acknowledgement to some military values, ignoring the key roles of morality, ethics, integrity and discipline in any successful military, and goes no further. Para 48 then goes on to lament a "*paucity of empirical research....on diversity...and operational success*", and calls upon "*compelling evidence from studies in business organisations..*", carrying the assumption that business and military organisations have the same values and considerations. The



Review simply turns a blind eye to the body of research that exists. Any scholar of military history knows that monocultures are more susceptible in combat. The history of the Red Army during WWII has some well-documented case studies covering mixed gender units. Multi-ethnic forces with well-documented records of high combat effectiveness include the French Foreign Legion and, sadly, the German Waffen-SS, which by 1944 was dominated numerically by non-German troops (Bishop, 2005). The claim of paucity of research material reflects very poorly upon both the author(s) and reviewers. Perhaps this claim was made because the material available was written from a military values point of view, and not the APS populist, ideological philosophies that formed the focus of the Review.

The proposal that business organisations may be used as a benchmark for military functions is also seen in recent Defence Materiel Organisation Major Project Reports (DMO MPRs). Early DMO reports used the UK and USA Departments of Defence as benchmarks, but those organisations have so publicly failed that the latest MPR is benchmarked against the private sector, which has little of consequence in common with military organisations or capability management.

Moreover, the appeal to the Nimrod Model is highly selective and misleading. The airworthiness problems that surfaced in all three Services in the UK were highlighted by the RAF Nimrod disaster, but they had absolutely nothing to do with culture. It was all to do with the completely incompetent management of those operational and engineering factors that make up airworthiness.

Furthermore, the ‘cultural solution’ that Haddon-Cave proposed was driven by the need to provide the UK MoD with a regulatory ‘solution’, but this will ultimately prove to be ineffective. Haddon-Cave did, however, identify some of the causal chain for the accident, as follows (Bushell, 2007):

- A shift from organisation along functional to project oriented lines.
- The loss of the RAF's Chief Engineer post with its airworthiness focus.
- The 'rolling up' of organisations to create larger and larger ‘purple’ (ie, joint) and ‘through-life’ management structures.
- Outsourcing to industry.

He summed it all up as “*A failure of leadership, culture and priorities*”, but failed to note that poor culture is a direct by-product of poor management and a lack of required skills, not some independent, philosophical measure.

Nothing was done to rectify any of the underlying causes for the accident, so the UK's airworthiness risks remain, and it should be noted that all the factors involved apply also to Australia's Defence reorganisation, standing witness to Defence's failure to look at the causal chain that led to its failures.

Finally, the proposals contained at Paras 48 and 49 are so hedged and unsupported that both author and reviewers have made no supportable or convincing case.

#### **7.3.4 Getting the Balance Right**

While the Review focuses upon shortcomings in the ADF's military culture (Page 20), it fails to recognise that the problems it perceives are aligned with an unacceptable civilian culture that Defence has embedded in the Services through its APS-driven, cultural change program, which is now surfacing as "*uncontrolled individual and group narcissism*". The Military traditionally controlled such unacceptable, civilian behaviours through their strict code of conduct and close supervision, but that capability has been eroded by the Defence-imposed shift in focus from *Service before Self* to *Self before Service*.

#### **7.3.5 Improving Public Awareness**

There is more to this than meets the eye (Page 29, especially Para 81). When seen in the light of Defence's Cultural Change program, the proposal becomes a grand opportunity for Defence to reconstruct military history to conform with its APS cultural objectives, and to prepare the ground for its remoulding of the ADF into an 'Instrument of the State'. The review goes on (Page 15, Para 20) to suggest that this will be done through a "*sophisticated public affairs campaign*", stating "*It is imperative that the ADF and the Media establish a strong relationship that is characterised by integrity, trust, transparency and respect for the demands of each profession...*".

This model bears great similarity to the Bernays philosophy of propaganda as a tool of policy and management, later embraced by the NSDAP in Germany, with catastrophic consequences.

In reality, Defence's attitude to the Media has been consistently secretive and manipulative. Directives to all parts of the Organisation require centralised control of all announcements through Defence's large Media Unit. Throughout the Media, articles on Defence matters have been heavily dependent upon the "information drip" from Defence, and the advertising revenue from major suppliers, leading to informed, independent analyses on Defence matters becoming almost non-existent. The Orme Review's proposal really advocates the manipulative use of propaganda rather than a transparent public affairs campaign.

#### **7.3.6 Roles of the Profession of Arms**

These references require yet another demand on Service loyalty, now requiring Service people to be "*Servants of the State*", because they must "*be prepared to risk injury or death in pursuit of State – directed missions.*" (Pages 27 Para 72 (d), 63).

The word "*State*" and the Military's subjection to "*State – directed missions*" is reminiscent of many totalitarian (usually failed) States in which the military (and other security organisations) become a tool of the State, not under the control of the people and their parliament, but usually under some powerful political clique. This paragraph, like

much else in this Review, could well have been taken from a doctrinal manual disseminated by the former Soviet Propaganda Ministry.

Furthermore, the *Key Roles in the Profession of Arms* (Page 63) are simply a few relatively minor aspects of those necessary in any credible military organisation. In general, the 'higher' roles identified cannot be reconciled with those needed to establish and strengthen a credible military capability. In fact, critical military values have been totally ignored. A military organisation that relied upon these Key Roles to sustain it would be totally ineffective.

Most importantly, under this proposal, the Department of Defence will, in effect, reverse the Westminster principal which, pre-Tange:

***“Removed the gun from politics, and the party politics from the institutional culture and operations of our military”***

This proposed '*cultural change*' should be viewed with great concern by Australia's Oversight Level of Governance, the Australian Parliament, as it places control of Military matters directly in the hands of Defence Executive civilians, matters that have always resided, and should continue to reside, within Parliament alone. A similar change has taken place in the US, where a tug-of-war has developed between the Congress and the Defense Executive, expressed as follows (Bushell et al., 2009):

*“The dogged and unsubstantiated stand taken by Secretary Gates and his departmental advisors has ignited a bitter division between Congress and the Defense Department Executive, and has now drawn the President into the mess”*. One Senior House representative put it as follows:

*“It is not a Democrat or Republican thing at all, but a Congress versus the Executive in terms of who is in charge. The Defense Department is there to execute. We cannot allow the Executive to run roughshod over Congressional responsibility. They need to learn who is in charge. The Congress is.”*

This situation has developed despite the US having declared in 1984 that its Defense Department and its acquisition organisation were broken and had to be fixed urgently. Unfortunately, the reforming Nunn-McCurdy Act of 1986 that followed has failed consistently to bring about the required changes (Bushell et al., 2009).

As identified, a key objective of the three phases of Defence's Cultural Change Program has been to shift from civil control of military matters by Parliament to civilian control by the Defence Department Executive.

Similarly, “*The Four Pillars of Operationally – Focussed Culture*” are entirely meaningless in the absence of an overarching and dominant set of military values – those values that alone will determine the outcome of any military conflict. These Pillars will never help to win wars, but they may well lose them. Muth has studied this type of dysfunction carefully, in his work “*Command Culture: Officer Education in the U.S. Army and the German Armed Forces, 1901-1940*, and the “*Consequences for World War II*”, summarised in his recent essay MUTH, J. 2014. *A Crisis in Command and the Roots of the Problem* [Online]. San Francisco, USA: The Obvious Corporation DBA Medium. Available <https://medium.com/the-bridge/80fcfd7fd49> [Accessed 20/02/2014].

In short, the Orme Review is a self-serving Defence bureaucracy document, further ingraining APS-driven populist, ideological philosophies into the Department and the Services, without the slightest regard for those military values and organisational and functional management structures that have proven to be successful over centuries in all effective military organisations.

#### **7.4 PHASE 3 IN SUMMARY**

In summary, Phase 3 saw:

- The continued imposition of an APS - driven, administrative and cultural philosophy throughout the Defence Organisation, with particular attention being given to replacing Military values with APS – defined, populist, ideological philosophies, under Defence's Cultural Change Program.
- Defence's focus upon the ADF as being responsible for the abuses detailed in the DLA Piper Reports is aimed at drawing attention away from those more serious “*other abuses*” committed by senior civilians and service personnel within the Defence Executive, the DMO and DSTO.
- The abrogation of Parliamentary (civil) control of Australia's Military by the Defence Executive by reversing Australia's Westminster constitutional model, which had long removed the gun from politics, and the party politics from the institutional culture and operations of Australia's Military.

### **8. TRACING THE CAUSAL CHAIN**

While this paper has concentrated upon causal factors that have led to a significant shift and marked decline in the military ethics and culture that have served Australia so well before the Tange structural changes were implemented by the Defence Bureaucracy, it is important that the conditions that permitted those causes to become entrenched throughout Defence also be identified if effective and lasting remedies are to be applied. These will now be identified in broad terms only.

## **8.1 WITHIN THE DEFENCE BUREAUCRACY**

The Prisoner's Dilemma, and its role in Service members having to choose between *service before self* or *self before service*, and the widespread and unacceptable behaviours that have resulted, have been identified, but the Defence Organisation as a whole has also been faced with a Prisoner's Dilemma, but one having an added dimension. With the Bureaucracy demanding conformance and compliance before competency, and then demanding that the Department have "One Defence View" (ie, complete central control), the individual moral and ethical standards central to sound management and good governance were swept aside, leaving the way open for individual and group vested self interest to take root and flourish. The choices available were limited: either accept the moral and ethical price and become complying and conforming members speaking only with the 'one Defence voice', but able to look forward to acceptance and promotion, or, for those who were not prepared to pay the price, either leave the organisation, or be "out-placed", or purged.

However, amongst the Defence organisations impacted directly by these bureaucratic decisions were those critical to the proper governance of the Department, for example, the Offices of the Defence Inspector-General and the Ombudsman, as well as many other interfacing governance organisations. Many of the failures in governance that followed resulted from those organisations having to be responsive primarily to the 'one Defence view', not for good governance. The way was also opened for the Defence and DMO Legal Offices to be used improperly to protect the bureaucracy against its poor administrative decisions. The resulting abuses of power, authority and trust that followed have been recorded in detail in Vol 2 of the DLA Piper Review.

With the Executive Level of governance turned off, the Bureaucracy has been free to mould Australia's military capabilities to satisfy its own objectives rather than those of Parliament, the Australian people and the national interest. In short, the Defence Bureaucracy has embedded a culture that is the very antithesis of that proven necessary over the centuries in any effective military organisation, a culture lacking in critical moral and ethical standards and ethos. The danger is that the Defence Bureaucracy will drive Australia down the path of appeasement as the only way of surviving in a world where the increasing level of help required from our allies to protect our interests may not be forthcoming when needed. That is, we will have lost all self-reliance.

## **8.2 WITHIN THE POLITICAL ARENA**

While the Defence Executive must be held directly accountable for the widespread functional problems and abuses that have been identified throughout the Defence Organisation, the institutional breakdown of the higher governance mechanisms at the Parliamentary and Government levels created an environment within which Defence's breaches of governance were allowed to develop and grow unchecked.

The causal chain at the political level reveals two points of weakness:

- Firstly, there was the ‘reform’ of the Australian Public Service (APS), which moved it from an organisation having tenure in return for being non-political and neutral, giving “frank and fearless” advice, and acting in the best interests of the Public, to become contracted providers of services to government. This was followed by placing it under the Department of the Prime Minister and Cabinet, thereby politicising the function, and allowing it to neglect its responsibility to ensure good governance throughout the APS, and to control the parasitism that had already infested the organisation. Today, it is difficult to find anyone effectively in charge of the APS.
- Secondly, there has been reluctance within the Parliamentary Committee System to enforce good governance through disciplining errant politicians and bureaucrats, the Committees not seeing their role as jailing people who mislead parliament on the ground that it was not politically acceptable (Waring, 2010). As a result, the Defence Bureaucracy feels safe in providing evidence that varied from obfuscation to downright falsehoods, and politicians became far too willing to forgive the Departments their transgressions. Whether this was a result of the Dunning-Kruger Effect, plain naivety or ‘learned helplessness’, remains to be determined. The traps in giving too much forgiveness, which have been analysed in the scientific research on the Prisoner's Dilemma, indicates that beyond a certain threshold there will be an abrupt collapse in the system (Brumley, 2013).

The cardinal point made by Brumley, building on the works of Axelrod, in Chapter 8 “*Misperception and the Iterated Prisoner's Dilemma*”, is that where bad behaviour is forgiven too frequently, the community will adapt and evolve to the extent that the majority of members will become bad, since there are perceived short-term selfish advantages in being bad versus being good, even if the overall survival and fitness of the community suffers.

There is thus a need to keep the APS at arm's length from political pressure and restore its focus upon the public good and its governance responsibilities, while ensuring that the Parliamentary Committee System has the teeth and the will to demand the moral and ethical standards upon which good governance depends.

### **8.3 CONCLUSION ON THE CAUSAL CHAIN**

At this point in determining the causal chain behind Defence's ills, there is sufficient evidence to suggest that the problems that have evolved and become entrenched, within the Defence Organisation have arisen primarily because the Defence Bureaucracy, which had a clear choice between moral and ethical behaviour, or immoral and unethical behaviour, chose to exploit the weaknesses in parliamentary governance to

gain individual and group personal advantage – a textbook case of parasitism (Kopp, 2013). In the medical corollary, the remedy to such an infestation is either to use medication to kill the parasites or boost the immune response, the latter providing the most effective long-term response.

So, the problem boils down to a lack of ethical standards in those holding senior appointments throughout the Defence Organisation, and the ineffectiveness of its internal governance mechanisms. At present, both have been hopelessly compromised because bad behaviour is rewarded while good behaviour is punished – the very antithesis of what one should find in any competent military organisation.

However, effective and permanent action will also require the institutional breakdown in Parliamentary and Government oversight organisations to be repaired to create a general environment where bad governance will be identified promptly and corrected promptly.

## 9 SUMMARY AND CONCLUSIONS

Since the reorganisation of the Defence Group of Departments in 1972, followed by the Defence Reform and Commercial Support Programs over the 1980s and 1990s, there has been a continual stream of reviews aimed at improving Defence management and performance, but to little real effect. This trend accelerated from the 1999-2002 period when the DMO took up responsibility for capability planning, acquisition and sustainment, within an almost completely de-skilled Defence Executive, ADF, DMO and DSTO.

A primary cause for the continued decline in the management of Defence functions may be traced to the organisational diseases inherited by Defence from the Australian Public Service, principally Groupthink, Organisational Parasitism, and the “Cult of Cultures”. The impact of these diseases were then amplified by replacing competent people throughout the Defence Organisation (the Defence Executive, the DMO and DSTO) with incompetent people whose main attributes were a required conformity and compliance with the Department's position on all matters, thus embedding the Dunning Kruger Effect. The problem was further reinforced by Defence's Cultural Change Program, which, in particular, required the replacement of traditional Military values with APS-driven, politically correct and populist liberal philosophies.

These initiatives, in the absence of a sound, functional organisation and management structure throughout Defence, led directly to the abuses that have affected the entire Defence Organisation over the past two decades or more. While these widespread abuses were well identified in the DLA Piper Reports, the DART and Defence have focussed only upon very carefully selected “*unacceptable behaviours*” that have been reported within the Services, shielding those within the Defence Executive, the DMO and DSTO named in regard to far more serious “*other abuses*” from scrutiny and accountability. The DART, which was to ensure that all of the DLA Piper abuses were dealt with fully and justly, has itself become compliant and

conforming in ensuring that the perpetrators of those other abuses are not pursued. Throughout the DLA Piper / DART deliberations, Defence has persisted with its Cultural Change Program as a primary focus for achieving its objectives through the Orme Review, not recognising that its perceived problems have nothing to do with culture, but are mainly the result of poor management.

More importantly, Defence's Cultural Change Program has seen Parliamentary (civil) control of Australia's Military a b r o g a t e d by the civilian Defence Executive, thus reversing Australia's Westminster constitutional model, which has long removed the gun from politics and the party politics from the institutional culture and operations of Australia's Military.

The problems that have evolved and become entrenched within the Defence Organisation have arisen primarily because the Defence Bureaucracy chose to exploit the weakness that now exists in the Oversight Level of governance and within the Parliamentary Committee System to gain individual and group personal advantage. This opened the door to the individual and group vested self interest that now characterises Defence administration, and represents the cause of a large number of the complaints contained in Vol 2 of the DLA Piper Review.

The time is now well overdue for a serious review of where our Defence organisation and capabilities have been driven over the past 42 years, and how to bring them back on course under proper constitutional control, and managed by those having the required skills and competencies.

The First Principles Report recently delivered, while providing some further insight into Defence's problems, did not follow its promised "*total systems approach, based on evidence, analysis, sound principles and root causes rather than symptoms*". As a result, its reasoning and conclusions are baseless and misleading, simply leaving Defence to heal itself, undisturbed, over the next five (and probably more) years. The need for a fundamental and informed review of the Defence Organisation still remains.



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**ATTACHMENT B**

***COMMENTS ON  
THE FOREIGN AFFAIRS, DEFENCE AND TRADE  
REFERENCES COMMITTEE REPORT INTO  
The Planned Acquisition of the F-35 Lightning II  
Joint Strike Fighter***

**EXECUTIVE SUMMARY**

The Committee's Report and conclusions rest upon a number of critical observations that are not supported by any validated analysis or facts. The Report also concludes with three recommendations that should be approached with caution, as they may well have very long-term and high risk impacts upon Australia's air power capabilities, and the National security. Over-all, the Report merely follows the 'party line' long maintained by Defence, which in turn follows religiously the Manufacturer's/Project Office's changing marketing mantras. The reports issued by the Director of Operational Test and Evaluation (DOT&E), and recorded past history, the only source of validated Project status data, have simply been ignored.

It is clear that the Committee has not approached this inquiry with the same focus and soundly-based observations that characterised the References Committee's Report into Procurement Procedures for Defence Capital Projects of August 2012. Since the hasty implementation of Defence's First Principles Review, Defence now '*speaks with one voice*', by taking advantage of poorly advised governance oversight bodies in its efforts to maintain support for its position.

The JSF Project has now reached a 'tipping point' in the US, with its detailed status being provided in the DTO&E 2016 Report. The F-35A continues to strike long-term problems that may be 'resolved' only by accepting further reductions in capabilities and safety, combined with continued, increasing costs and schedule delays. The aircraft, in whatever configuration it may end up with will not meet Australia's current or future strategic capability requirements, or be competitive against emerging threats.

The committee should thus withdraw or qualify its report, or conduct a further, more rigorous, inquiry based on valid data.

Finally, the subject of the Committee's Report needs to be seen in the context of the changes in the management and accountabilities for Australia's Military Services and the Defence Bureaucracy, which will call for some effort and thought. The attached Annex A is thus forwarded to provide such context.

## COMMENTS ON REPORT

The comments that follow focus upon Chap 6 of the Report – Committee View and Recommendations:

1. **Choice of F-35A (Para 6.2):**

The Committee stated the following definitive conclusions:

*“The Committee is satisfied that the F-35A is the only aircraft able to meet Australia’s Strategic needs for the foreseeable future, and that sufficient progress is being made in the test and evaluation program to address performance issues of concern”*

*“The Committee is not convinced that any of the available alternative aircraft (suggested) are capable of meeting Australia’s air defence needs.”*

*“The Committee accepts that the F-35A will provide the air combat capability outlined by the Defence White Paper, and will be able to defeat airborne threats, prosecute attacks against both land and sea surface targets and support Australia’s land and maritime forces.”*

However, the Committee Report also states in Chap 3 that: *“It is difficult to understand and critique the capabilities of the F-35A without access to detailed classified performance data. Hence the Committee cannot draw definitive conclusions regarding the details of the F-35A’s performance in testing.”*

If this qualification is accepted, then none of the Committee’s ‘definitive conclusions’ quoted above has any validity, and must therefore be classified as being baseless. The F-35 Project has from birth been driven by ‘Marketeters’, not by competent project managers supported by capable operations and technical analysts. Australia, being virtually de-skilled in project management and operations and technical analysis, has just ‘gone along with the show’, incapable of identifying and defending Australia’s national interests.

On the other hand, the Committee also noted in passing the considerable evidence received criticising the F-35A, with some calling for the aircraft’s procurement to be cancelled, but notwithstanding these submissions the Committee *“is satisfied the F-35A is the only aircraft able to meet Australia’s strategic needs”*. As these independent submissions appear not to have influenced the Committee’s Report, the qualification at Chap 3 seems to have been applied rigorously to external submissions, but waived for those coming from Defence, the Project Office and the Manufacturer. It is thus difficult to accept the Committee’s Report as being adequately informed or balanced.

Input from ‘independent think tanks’ should also have been regarded with suspicion where such bodies rely wholly or substantially upon financial support from Defence. Such bodies can hardly be accepted as independent experts.

The following should also be noted:

- Australia's JSF Project went ahead without any traditional Capability Analysis and Selection being conducted then or since.
- Despite statements to the contrary, the US did offer Australia the F-22 (in the same configuration as the USAF, with no development costs), but the offer was rejected rudely in favour of the JSF. (The Committee has the background to this).
- The JSF was designed from the start as a cheap bomb truck for operation after the F-22 had cleared any air defence systems and made the air space safe for JSF operations. Nothing has changed here, except that the JSF is now touted to cover both air superiority and ground attack roles, although the USAF now admits that the F-35 cannot operate without F-22 cover.
- The F-35 (all versions) have failed to meet even their original, 1990s design capabilities and continue to fall behind aircraft currently entering service in our region.
- Furthermore, after several decades, we do not have a Functional or Physical Configuration Baseline that defines any of the versions of the F-35 – we have only some 200 aircraft of various configurations still under Development and Test. As a result, customers still have no idea as to what capabilities their aircraft will eventually have, their schedule of delivery, or their cost.
- Finally, while primary attention is being paid to cost and schedule, the critical determinant for acceptance is its Capability. Despite the F-35 being marketed as a 'do all' aircraft, it is becoming clear that this is not so, and that the aircraft is well behind the capabilities of those now being marketed into our region.

When judged against this single measure of **Choice of the F-35A**, the Project must be judged a failure.

## **2. Performance of Aircraft in Testing (Paras 6.4 -6.6):**

These Paras largely reflect the Committee's acceptance of Defence and the Project Office's assurances, such as:

- The Committee "*has confidence in the assessments made by Defence regarding both the air combat capabilities required by Australia and the F-35A's ability to meet those requirements.*"
- The Committee "*is satisfied that the F-35 offers better stealth and electronic warfare capabilities than any other available aircraft.*"
- Software development is "*effectively complete.*"

As these definitive conclusions are subject to the same qualifications contained at Chap 3, they must also be classified as baseless.

However, the statement at Chap 3 that "*It is difficult to understand and critique the capabilities of the F-35A without access to detailed classified performance data.*" is not wholly acceptable. Certainly, there are often some capabilities that need to be classified, but

the Reports issued by the DTO&E recognise this so are designed to provide the range and depth of information, able to be understood by Congress (as well as the Project Office and the Manufacturer, and customers), to determine the Project's Independent Operational Test and Evaluation status, the problems being encountered and the corrective action being taken, the risks involved, and the impacts upon capability, cost and schedule.

While the Committee refers to the DOT&E 2015 Report, it doesn't draw any project status or risk conclusions from it, merely voicing some vague concerns, while accepting Project Office assurances that "*all issues are being identified and resolved.*"

However, the DTO&E Report for 2016 runs to 62 closely-typed pages, whereas the 2015 Report ran to 48 pages. At this point in any successful Project, especially with some 200 test aircraft produced, it would be expected that the number of items and their impact on capability, schedule and cost would have declined to a handful, but as time has passed, the F-35's deficiencies, including capability, have simply snowballed, with an ever-increasing number left unresolved – not symptomatic of a project under control.

The only current, official and verifiable source of information on F-35 Performance in Aircraft Testing is contained in DTO&E's Reports, the Executive Summary of the Report for 2016 giving its JSF Test, Strategy, Planning Activity and Assessment, as follows:

*"The Joint Strike Fighter (JSF) Program Office (JPO) acknowledged in 2016 that schedule pressure exists for completing System Development and Demonstration (SDD) and starting Initial Operational Test and Evaluation (IOT&E) by August 2017, the planned date in JPO's Integrated Master Schedule. In an effort to stay on schedule, JPO plans to reduce or truncate planned development testing (DT) in an effort to minimize delays and close out SDD as soon as possible. However, even with this risky, schedule-driven approach, multiple problems and delays make it clear that the program will not be able to start IOT&E with full combat capability until late CY 18 or early CY 19, at the soonest."*

However, past history suggests that these dates carry a high risk that they will not be met.

The Report then summarises 14 major problem areas which are analysed in detail in the 61 pages that follow, which include continual comments, such as:

- *Continued Schedule delays*
- *Continued delays in completing flight sciences test points.*
- *Significant, well-documented deficiencies; for hundred of these, the program has no plan to adequately fix or verify within SDD.*
- *Over-all ineffective operational performance with multiple Block 3F capabilities delivered to date.*
- *Continued low aircraft availability.*

Achieving the JPO's new plan will simply involve reducing capabilities further and cutting out more development testing, so the risk factors to the customer will only increase. The Committee should recognise that this project has been run under high risk and optimistic, schedule/cost driven, commercial approaches which have resulted in the increasing number of capability deficiencies being detected during the transparent DTO&E audits.

The Committee is urged to read this Report fully and carefully and then decide whether the unsubstantiated and bland assurances that it has accepted as definitive conclusions are a sufficient assurance that the F-35A will provide the capabilities needed to guarantee Australia's future airpower needs. The risks associated with being wrong are far too great to accept.

Importantly, the capability gap of concern to the Committee is no longer a risk – this risk had matured, and the gap has existed since around the early 'retirement' of the F-111, when the F/RF-111C/G fleet had only just passed half of its original design life. In fact, ANAO reports and DSTO draft reports at the time showed that the F-111 fleet could be operated safely through to 2020 and beyond. The F-35A will never be able to plug that gap.

Finally, the Committee may recall the gap created by the late delivery of the F-111 and the lease of the F-4 Phantoms to cover it. The solution to the F-111's problems and the successful lease of the F-4s was a tribute to the RAAF's competencies and expertise. Unfortunately, these no longer exist, so plugging the F-35A gap will prove to be much more of a problem, but leasing remains one solution.

### **3. Benefits to Australian Industry (Paras 6.15-6.18):**

As the JSF Project is now seen to be running out of time, being enmeshed in its failed acquisition and project management structures, and under the increasing weight of the self-serving US Military/Industrial/Congress (Political) Complex that has been allowed to build up unchecked since the Goldwater-Nicholls Act of 1986, no version of the aircraft will be capable of achieving their original let alone the additional roles that have been added over the years. The aircraft produced will be poor performing, overly costly and far too late to be of any real use.

The project therefore needs to be put to rest as quickly as possible and the resources remaining used to provide real capabilities across the airpower spectrum. All participants in the Project now need to make plans to salvage as much as possible in intellectual investment and sunk costs in materiel and infrastructure. The new systems evolved for the F-35 will find better homes in other platforms, especially the F-22. The F-35 was just the wrong platform to choose for the capabilities required, and little may be expected to be salvageable from either the airframe or the engine.

Australian Industry should thus be alert to expect a major change in Project direction and plan so take advantage of the rapidly approaching post-F-35 era.

Finally, when determining and announcing how much Australian Industry may gain from a project, it should be mandatory that Defence speak in net gain, that is, the perceived gains

less the costs associated with obtaining and supporting the required industrial capabilities. As the latter are frequently considerable, any perceived gains may be illusory.

#### **4. The Three Recommendations:**

**Recommendation 1:** The Committee recommends that the Department of Defence develop a hedging strategy to address the risk of a capability gap resulting from further delays to the acquisition of the F-35A. The strategy should be completed by 2018 and capable of implementation by 2019 at the latest.

As shown by ANAO Audit No 6 2013-14 into Capability Development Reform, Defence is incapable of discharging this task, and may be expected to be even less capable following the implementation of the First Principles Recommendations, which did not deal with the core deficiencies in Defence organisation with its lack of accountability, or the lack of appropriate management systems and required operational and technical skills and competencies throughout the Organisation. Defence may thus be expected to continue to adopt whatever 'party line' is set by the US Project Office and the Manufacturer.

**Recommendation 2:** The Committee recommends that the Department of Defence develop a sovereign industrial capability strategy for the F-35A to ensure that Australian aircraft can be maintained and supported without undue reliance on other nations.

The Committee does not seem to appreciate that the F-35 Project requires that logistics support be governed by the ALIS and be supported by the international supply chain. There is no known provision for participating nations to modify this arrangement in response to national objectives. The implications, especially in the configuration and software development fields, would raise extremely complex and risky engineering problems.

**Recommendation 3:** The Committee recommends that the government endeavour to establish Australia as the Asia-Pacific maintenance and sustainment hub for the F-35.

With the JSF Project poised for major review, and in the face of the risks identified in the 2016 DTO&E Report, this recommendation carries far too high a sovereign risk. A decision on the future of the Project, together with far more valid information on what would be involved with such a task, are needed before this subject is even raised.

#### **Conclusion:**

The Committee's Report and Recommendations rest upon a number of critical observations and conclusions that are not supported by any validated analysis or facts. The Report also concludes with three recommendations that should be approached with caution as they may well have very long-term and high risk impacts upon Australia's air power capabilities, and the National security. Over-all, the Report merely follows the 'party line' established by Defence, which in turn follows religiously the Manufacturer's/Project Office marketing



mantras. The reports issued by the Director of Operational Test and Evaluation (DOT&E), and past history, the only source of validated Project status data, have simply been ignored.

It is clear that the Committee has not approached this inquiry with the same focus and soundly-based observations that characterised the References Committee's Report into Procurement Procedures for Defence Capital Projects of August 2012. Since the hasty implementation of Defence's First Principles Review, Defence certainly now appears to '*speak with one voice*', even to appearing to take advantage of poorly advised oversight bodies in seeking support for its position. The Senate's Defence Sub-Committee Review of the Defence Annual Report 2013-14, which included the First Principles Review (FPR), was provided with the author's analysis and warnings of this review, but these do not appear to have made any impression.

The JSF Project has now reached a 'tipping point' in the US, with the detailed status being provided in the DTO&E 2016 Report. The F-35A continues to strike long-term problems that may be 'resolved' only by accepting further reductions in capabilities and safety, combined with greater costs and schedule delays. The aircraft, in whatever configuration it may end up with will not meet Australia's strategic capability requirements, or be competitive against emerging threats.

The committee should thus qualify its report, or conduct a further, more rigorous inquiry.

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