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Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the Department of Defence Annual Report 2021-22

Please consider our joint submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into the Department of Defence Annual Report 2021-22. In line with ASPI's Charter, these represent our personal views and not ASPI's institutional position.

Workforce recruiting and retention

2022 proved to be a significant year for workforce decision-making and management within the Department of Defence. In March 2022, the then Government announced that the Defence workforce would grow by around 30 percent by 2040, reported by some news outlets as the largest growth since the Vietnam War.¹ Coupled with this announcement, the Department continued to be drawn into significant community assistance efforts throughout financial year (FY) 21-22. Considering this context, the 2021-22 Defence Annual Report, henceforth referred to as the Annual Report, highlights challenging trends in both recruitment and retention of Defence Australian Public Service (APS) and Australian Defence Force (ADF) personnel. These trends are exacerbated by a high national and international operational tempo for the Department.

Underperformance in **recruitment** has been a consistent problem for the ADF for several years, but the Annual Report indicated (p.112) that 21-22 was a particularly lean year, with the ADF achieving only 75% of its recruitment target. This compares to underperformance in recruitment that has tended to sit in the 10% range over the last five years.

Recruitment in FY 21-22 was likely impacted by the closure of recruitment centres and reduction of face-to-face programs. But the trend over several years shows that Defence is consistently underperforming in recruitment, especially for uniformed personnel in the areas of STEM and specialised professions and trades (Annual Report, p.110). Although future ADF recruiting targets are not outlined in the Report, the announcement that the Department would grow by 30% before 2040 implies rising targets year on year.

The Annual Report (p.112) indicates that **retention** in the permanent ADF has also declined with an increase in the separation rate from 9.5% to 11.2% across the ADF permanent force, and a separation rate of 14.4% across the ongoing APS. Of note, the Victorian Public sector Commission states that a preferable separation rate for most organisations is 5-10%.²

¹ ABC News, 10 March 2022: <https://www.abc.net.au/news/2022-03-10/defence-workforce-growing-2040-national-security/100896902>

² Victoria Public Sector Commission website (accessed 4 May 2023): <https://vpssc.vic.gov.au/workforce-capability-leadership-and-management/workforce-capability/people-metrics-dictionary/14-separation-rate/#:~:text=Most%20organisations%20target%20moving%20their,5%20and%2010%20per%20cent>

The Annual Report (p.112) outlines that the combination of the underperformance in recruiting targets coupled with an increased separation rate has resulted in a reduction in the ADF permanent headcount of 1,422, or approximately 2.4%.

The Annual Report acknowledges several initiatives that Defence has put in place to attempt to address both the recruiting and retention challenges. The budget delivered in May 2023 also included some details on retention initiatives. Despite the contribution of these schemes, it is likely Defence will continue to underperform against its recruiting targets, especially as these targets will need to rise to meet agreed workforce growth of 30% by 2040.

The Annual Report details Defence's current plans to address challenges in training pipelines and infrastructure associated with the **defence workforce growth** announced in March 2022. However, it is not clear from the Annual Report or the Force Structure Plan (FSP) 2020 whether the Department has undertaken an internal review of its structure alongside its growth requirement assessment. Such a review could identify opportunities to reduce or redeploy workforce by leveraging improvements in technology, capability or process. Defence should consider undertaking such a structural review if it has not already done so.

Defence must consider other avenues to deliver personnel capability beyond greater efforts at recruitment and retention. In this regard, we welcome the Government accepting the DSR's recommendation for a comprehensive strategic review of the **ADF Reserves**, including consideration of previous programs such as the Ready Reserve Scheme. As the strategic situation outlined in the DSR makes clear, this review must be concluded and implemented in a timely fashion. We anticipate further detail in next year's inaugural National Defence Strategy.

The reserve structure varies significantly between the three uniform services. For example, members of the active reserve list of the Royal Australian Navy's (RAN) service category (SERCAT) 3 have almost no requirement to maintain specific skills, thereby restricting their employment if called upon. This stands in contrast to the Australian Army reserves, which require a minimum service of 'one night a week, one weekend a month or a few weeks a year'.³ Whilst the Army offers approximately 75 different roles for reservist officers moving directly from civilian life, the Navy in contrast only offers twelve and the Royal Australian Air Force (RAAF) offers thirteen. The Air Force and Navy rely on the bulk of their reservists being people who have already served in the RAAF or RAN.

The review should consider how to effectively employ reservists and the types of roles open across the three services. The review could suggest ways to offer additional reservist roles to civilians, notably in the Navy and Air Force. Increasing the number of civilian reservists would not only bolster overall workforce strength, but also support mobilisation requirements for conflict or national crises (see section below).

The Annual Report articulates several initiatives to improve **diversity and inclusion** within the ADF. The section entitled 'Women in Defence' outlines increased participation of women across the ADF and Defence APS. However, men remain disproportionately represented in the senior ranks of the ADF, as shown in Table 6.15. For example, the Annual Report indicates in that less than 10% of the one-star officers across the RAN are women.

There is also an important story to uncover behind the top-level figures in the Annual Report. For instance, whilst 25% of two-star officers are women, we need more detail to gauge whether these women hold what are generally considered to be key positions at this rank. Viewed in this way, there may be differences in performance on diversity and inclusion across the services. For instance, while the Army has recently appointed women as Deputy Chief of Army and Commander Forces Command, and the Air Force has appointed women as Commander Space Command and Head of Air Force Capability, the Navy has to date never had a woman appointed to most of its key 2-star roles including Deputy Chief of Navy, Fleet Commander or Head of Navy Capability.

³ Army Defence Jobs Website (accessed 4 May 2023): <https://army.defencejobs.gov.au/army-reserve>

Notably, these roles are generally only appointed from the Navy's warfare officer specialisation which makes up the majority of star-level appointments. To date, the RAN has never appointed a female warfare officer to 2 Star-level, and in its history has only appointed two female warfare officers to the rank of one-star level. These examples highlight that gender diversity in the upper echelons of the ADF remain an area that requires further attention, particularly in the Navy.

We make the following **recommendations relating to workforce**:

- 1) *Review whether the present structure and personnel policies of the Department are appropriate given the historical underperformance in ADF recruiting and retention.*
- 2) *Expand the number of civilian roles and improve training as part of the comprehensive strategic review of the ADF Reserves that the Government agreed to in the DSR.*
- 3) *Publish more data in future annual reports on the career pathways taken by those appointed to key senior positions across the services.*

Space Command and capability

The 2021-22 Defence Annual Report considers space alongside cyber as 'new frontiers'. However, the Annual Report does not provide much detail on space beyond a brief assessment of the role of Space Command to assure access to space and examples of international cooperation.

The establishment of Space Command in January 2022, following the 2020 Defence Strategic Update and FSP, was a significant step. It was an overdue recognition that space is a separate operational domain, in addition to being a critical enabling domain for modern warfare in the traditional and cyber domains, which paved the way for a more integrated approach to space capabilities. The subsequent Defence Space Strategy and Space 'e-Manual' put further flesh on the bones, highlighting the need for resilient capabilities as space becomes more congested and contested.⁴

The release of the 2023 Defence Strategic Review (DSR) reinforces the importance of space within an integrated and focused force conducting multi-domain operations. Space Command will be transferred from Air Force Headquarters to Joint Capabilities Group to support this. The DSR (p.62) rightly states that:

'Space command needs to be re-postured inside Defence to maximise its effectiveness. It requires a centralised space domain capability development and management function, and a method for building and sustaining a trained Defence Space workforce, including a defined career path for space professionals. ...[I]t is essential that Space Command becomes a command within the Joint Capabilities Group and the Chief of Joint Capabilities be given a dedicated funding line, with appropriate authorities to manage it.'

Despite this progress, bolder action is required if Australia is to develop and field the space capabilities that we and our allies and partners need, and in the timeframe we need them.

Firstly, Defence needs to do more to support Australia's nascent but world-class commercial space sector. This includes combining commercial and Defence acumen into capability development, moving beyond the provider-consumer relationship that has dominated in the past. To achieve this, Space Command should deepen its engagement with Australia's commercial space sector, directly and in conjunction with the Australian Space Agency.

⁴ Department of Defence, *Defence Space Strategy*, <https://www.airforce.gov.au/our-work/strategy/defence-space-strategy> ; see also *Space Power e-Manual – Light-Speed Edition*, at https://www.airforce.gov.au/sites/default/files/2022-09/213304_space_power_emanual_v1.0a%5B1%5D.pdf

Furthermore, Space Command needs to play a leading role in strengthening international engagement with key allies and partners within the Five Eyes community and beyond. Of particular importance is closer coordination with the US Space Force and US Space Command. This should extend beyond traditional areas of cooperation (policy, operations and architecture) and consider the role of defence and commercial space capabilities located in Australia for regional contingencies and engagement. As noted in the Annual Report (p.32, 160), there are examples where this is already happening, such as under Operation Dyurra – an initiative to promote space domain awareness through the hosting of a US surveillance telescope and ‘C-Band’ radar at Northwest Cape near Exmouth, Western Australia, as part of the US-led Operation Olympic Defender. There is potential to expand that activity through projects such as JP-9360 for space situational awareness and also DEF-9358 space electronic warfare.

The focus on space domain awareness in the Annual Report reflects the 2014 Combined Space Operations (CSpO) Initiative, which supports sharing of intelligence related to space activities within Five Eyes, as well as with France and Germany.⁵ But there are opportunities for a more ambitious approach to international engagement beyond what is already in train.

The Annual Report understandably cannot cover the full gamut of challenges we face in space. Foremost amongst these is the importance of space to deterrence, long-range and precision strike, and resilience, all of which are central to the National Defence concept detailed in the DSR. This means recognising the vulnerabilities of Australian and partners’ space assets, including before outright conflict, because of the deniability of some counter-space capabilities (such as cyber attacks on ground and in-space assets, and laser and microwave weapons targeting satellites; the effects of which may be reversible or irreversible). Counter-space capabilities also include ‘hard-kill’ attacks, which could be kinetic (debris-forming) or non-kinetic. This range of capabilities is being pursued by China, Russia and others, so we must invest in countermeasures and replenishment options.

By strengthening our domestic capacity to manufacture and launch satellites and other payloads (for in-space logistics, supply and maintenance, for example), we could maintain the capability to access and use space in a conflict. This would strengthen deterrence by mitigating any first mover advantage that our adversaries may perceive they have. A focused sovereign capability also supports burden sharing with partners, notably our US ally, and hedges against us being deprioritised for access to space in a conflict where the US is also engaged. As an example, the US itself relies on exactly those space facilities and capabilities we assume will support Australian access to space requirements (i.e., US commercial launch services and space ports). This would constitute a more substantial contribution to regional stability and deterrence than we have traditionally made as a ‘suitable piece of real estate’ for space-facing ground facilities.

We make the following **recommendations relating to space command and capability**:

- 4) *Space Command and the Australian Space Agency need to work together with our commercial space industry to develop a focused and highly capable sovereign space capability, suited to our strategic defence requirements. Space is highly valued as critical to integrated US warfighting capability. Australia could dramatically enhance its material contribution to its most important security alliance and Indo-Pacific stability by developing key capabilities for effective joint and combined operations.*
- 5) *Building on the international cooperation outlined in the Annual Report, Space Command needs to further strengthen ties to allies and partners, particularly with the US Space Force and US Space Command, as well as established and emerging space powers like India and Japan.*

⁵ Department of Defence, ‘Release of the Combined Space Operations Vision 2031 statement’, 23rd February 2022, at <https://www.defence.gov.au/news-events/releases/2022-02-23/release-combined-space-operations-vision-2031-statement>

- 6) *The contribution of space to deterrence and long-range precision strike should be recognised and developed in the first National Defence Strategy next year.*

Support to national crisis

We welcome the Committee's decision to explore the preparedness, training, capability and resourcing dimensions of Defence's role in national crises, beyond the narrow focus of the Annual Report (pp.97-98).

Substantial and valuable work has already been done on Defence's role in **responding to natural disasters**. The 2020 report of the Royal Commission into National Natural Disaster Arrangements (sometimes referred to as the 'Bushfires Royal Commission') provides an invaluable resource upon which to base further work. We draw attention to and agree with many of the Commission's core findings, including:

- Circumscribing government and public expectations to reflect the finite capacity and competing priorities of the ADF;
- Improving coordination between Defence and state and territory governments, including by leveraging Emergency Management Australia (EMA) in the Department of Home Affairs;
- Expanding education across all levels of government and emergency responders about the capabilities and processes of the ADF, including updating relevant manuals, plans and legal protections.

As the Royal Commission points out, the frequency of natural disasters affecting Australia and our region will inevitably increase and become less predictable as the effects of climate change worsen. Research by ASPI's Climate Change and Security Program shows that our immediate region is particularly vulnerable to climate hazards, and there are growing interconnections with established and emerging security threats. In this context, we must anticipate responding to **concurrent crises**, which will frequently stretch beyond our borders to include regional and geostrategic dimensions. These combined challenges raise serious questions about national preparedness and capabilities, including but not limited to the role of the ADF. These points are well made in the DSR (p.41):

5.1. Climate change is now a national security issue. Climate change will increase the challenges for Australia and Defence, including increased humanitarian assistance and disaster relief tasks at home and abroad. If climate change accelerates over the coming decades it has the potential to significantly increase risk in our region. It could lead to mass migration, increased demands for peacekeeping and peace enforcement, and intrastate and interstate conflict.

5.2. Climate change holds a number of significant implications for Defence. The acceleration of major climate events risks overwhelming the Government's capacity to respond effectively and detracting from Defence's primary objective of defending Australia. Climate events already place concurrency pressures on the ADF and this has negatively affected force preparedness, readiness and combat effectiveness.

Although many types of natural disaster are linked to human activity through anthropogenic climate change, we **recommend retaining a distinction between disaster relief and national crises involving malign actors and states**. We agree with the authors of the DSR (p.41) that the ADF must focus on deterring or defeating those who seek to harm Australia: 'Defence must be the force of last resort for domestic aid to the civil community', which would free the ADF to focus on urgent geostrategic threats and regional response. However, we must also prepare for our adversaries to

exploit natural disasters for opportunistic and malign activities, including widespread interruptions to essential services, supplies and sources of reliable information. To illustrate this point, consider the prevalence and disruptive effects of disinformation during the Covid-19 pandemic. In such hybrid situations, it is important that Defence is free to focus on deterring or interrupting malign actors, while civilian agencies lead on domestic disaster relief.

We also **recommend distinguishing between national and international crisis response**. By freeing Defence of most of its domestic responsibilities, it provides greater capacity for the ADF to support our region, especially in the Pacific island countries, including the training of local agencies through the Defence Cooperation Program. These activities support the ADF's regional access, influence, and ability to operate alongside defence, security and disaster management agencies in partner countries. The Annual Report provides several recent examples of the ADF fulfilling this role, both in traditional disaster relief and humanitarian assistance contexts, like Tonga, as well as security assistance, like the Solomon Islands. The line between security and humanitarian responses will often be blurred, which means the ADF will retain an essential role alongside DFAT and other agencies. As the impacts of climate change and geostrategic competition are felt in the Pacific, the overseas assistance burden on the ADF will increase. Any failure to meet the crisis response demands of our regional partners could be exploited by our strategic competitors, who might over time convert humanitarian access into influence and military bases.

To ensure that Defence remains a force of last resort for domestic aid to the civil community, we **recommend immediate planning and resources for alternative civilian crisis response capabilities**. The DSR recommends that the Commonwealth, working with states and territories, should develop national resilience and response measures that can deal with the local effects of climate change without the need for ADF support, except in the most extreme emergencies. The Government has agreed to this in-principle, committing to develop this recommendation as part of the National Defence Strategy in 2024.

We **do not support reshaping the ADF to have part of the force devoted to crisis response**, leaving the remainder of the force focused on warfighting. In theory, there are several advantages to this approach. It might leverage the experience, command structure and logistical strengths of the ADF to deliver capability more rapidly and effectively than expanding existing or setting up new structures outside Defence. People who would not normally consider a military career may be attracted to work in humanitarian roles, and recruitment requirements could be adjusted for the skills required. Non-combat roles may also be more attractive and suited to non-nationals, were the ADF to expand recruitment to some Pacific island countries for instance. Equipment could also be tailored to humanitarian purposes, reducing the high operating costs associated with using military-grade technology for disaster relief. However, there are also some stark risks and disadvantages. This would be a radical departure from the ADF's unified identity and purpose, posing risks to morale and effectiveness that are difficult to gauge. Any economies from the tailoring of equipment may be offset by the added complexity of managing parallel acquisition and sustainment platforms. There would also be resistance to such radical change from within Defence. Given these barriers and risks, this does not appear to be a feasible option.

A better option would be **strengthening the Commonwealth's role in crisis response beyond the ADF and its reserves**, potentially rebalancing some of the responsibilities presently resting with states and territories. This seems to be what the authors of the DSR had in mind when they advocated 'national resilience and response measures'. As the Bushfire Commission made clear, constitutional questions may need to be addressed before shifting state and territory responsibilities to the Commonwealth. At a practical level, establishing and staffing national crisis response mechanisms outside the ADF would be a challenge, although the National Emergency Management Agency provides a basis from which to work. Any institutions that appear to be left fallow outside of crises could become political targets. Volunteers will be invaluable, but probably not sufficient. As ASPI's Dr Robert Glasser has argued, options for stepping up our national response include:

‘establishment of a national civilian service or staffing stand-by arrangements, enabling existing government employees and other Australians to be released from their jobs during crises to scale up the Commonwealth’s response capacity. The stand-by arrangements would include emergency response training between disasters, in much the same way as Defence reservists are training during peacetime.’⁶

As a first step, we need better data on the size and skills of the workforce we already have, noting the likelihood of double-counting across ADF reserves, rural fire services, state emergency services, etc. The Government’s planned review of the ADF reserves could provide an opportunity to improve the data on the overall national crisis response workforce.

We welcome the Government accepting the DSR’s recommendation for a **whole-of-nation** approach to our strategic environment. The 2024 National Defence Strategy is an opportunity to explain to the public in plain terms that this involves adjustments to everyday life to prepare for more frequent and destructive natural disasters as well as the rising risk of large-scale coercive activities and conflict directly affecting our homeland. This means using terms like mobilisation and civil defence and acknowledging their peace and wartime applications. Honesty is not scaremongering.

We make the following **recommendations relating to support to national crisis**:

- 7) *Prioritise building civilian capabilities for national resilience and response in the National Defence Strategy, freeing the ADF to focus on geostrategic threats and regional response.*
- 8) *Distinguish which facets of national crises involve malign actors and states and allow Defence to focus on those, while civilian agencies handle disaster relief.*
- 9) *Use plain language in the 2024 National Defence Strategy to communicate honestly with the Australian public about their role in whole-of-nation crisis response, which will include preparations for peace and wartime situations.*

We would be happy to discuss our submission with the Committee, including at any forthcoming hearing.

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⁶ Robert Glasser, ASPI’s *The Strategist*, 28 April 2023