

Issues in Defence

Introduction

- 3.1 The Australian Defence Force (ADF) is operating in an increasingly challenging environment. Australian Special Forces, along with Navy, Army and Airforce personnel are operating in the Middle East and Afghanistan as part of the International Coalition Against Terror. Closer to our shores, an Australian peacekeeping force is helping to achieve independence and security for the people of East Timor. ADF personnel continue to be deployed on a diverse range of peacekeeping missions in the region and further a field. A feature of these and other operations is the high level of professionalism demonstrated by ADF personnel.
- 3.2 It is possible that the challenges arising from the war on terrorism will place even greater demands on the ADF. It is in this environment that the role of parliamentary scrutiny and oversight takes on an even higher level of importance. It is essential that the Defence administration is held to account for the quality of leadership and effectiveness of services and equipment provided to Australia's frontline forces.
- 3.3 For example, claims that ADF personnel have not received sufficient ammunition for training or exercises must be examined. Similarly, the adequacy of Defence acquisition, such as the Bushranger Project, must be scrutinised to ensure that these projects deliver equipment that meets the needs of our service personnel.
- 3.4 This chapter examines these and other programs administered by the Department of Defence (Defence). The Defence Annual Report 2000-01 is used as the basis for the examination. While the examination is wide

ranging it serves the purpose of identifying issues that may be the subject of more focused inquiry.

Objectives and scope

- 3.5 The majority of parliamentary committees have the power to scrutinise the annual reports of agencies. This system ensures that parliament, through its committees, can hold executive government to account and scrutinise the administration of government programs and services. The review of the Defence Annual Report 2000-01 fulfils this general objective. Future reviews of the Defence Annual Report will provide an opportunity to determine whether challenges identified in this review have improved.
- 3.6 In addition, the timing of the review is important. The review was conducted at the start of the 40th Parliament. This provides an opportunity to meet with Defence officials early in the parliament and examine and identify issues which may influence our future inquiry program. For example, an immediate result of the review was the need for more scrutiny of Defence management of human resources, particularly in the area of transition management. A subsequent public hearing was conducted on 8 July 2002 and scrutiny focused on how effectively Defence administers transition management. This issue is examined in Chapter 4.
- 3.7 A further objective of this review is to provide parliament with a snapshot of some of the key challenges confronting Defence now and in the short to medium term. The first part of the chapter provides an overview of Defence, focusing on strategic objectives, the 2002-03 Budget allocation, and the size of the Defence force.
- 3.8 The final part of this chapter reviews selected issues which were examined at the public hearing.

Defence objectives, personnel and 2002-03 Budget allocation

- 3.9 The 2002-03 Portfolio Budget Statement provides information on the overall Budget allocation and key initiatives. Defence's strategic objectives are influenced by the strategic principles set out in *Defence 2000 – Our Future Defence Force* (the Defence White Paper). Defence states that the principles in the White Paper 'remain a valid framework for addressing

Australia's defence policy'.¹ As outlined in the White Paper, there are five strategic objectives to which Defence contributes:

- ensuring the defence of Australia and its direct approaches;
- fostering the security of Australia's immediate neighbourhood;
- promoting stability and cooperation in Southeast Asia;
- supporting strategic stability in the wider Asia-Pacific region; and
- supporting global security.

3.10 In relation to force structure, Defence states that it is:

...developing and maintaining levels of capability, in terms of its force structure and preparedness levels, which are consistent with the guidance provided in the Defence White Paper and emerging strategic circumstances. Defence's preparedness levels are maintained at a level sufficient to respond to existing and expected operations in the shorter term.²

3.11 In 2002-03 the ADF force structure will comprise the following combat elements:

- a surface combatant force of six guided missile frigates, four Anzac frigates (rising to eight by 2006), together with onboard helicopters, supported by a replenishment ship and an oiler supply ship;
- six Collins-class submarines;
- five high-readiness infantry battalions supported by a range of armour, fire support, aviation, engineer and logistics assets and a number of lower readiness units able to provide personnel for sustainment and rotation;
- a Reserve Force designed to sustain, reinforce and, to a lesser degree, rotate personnel and equipment;
- special forces consisting of the Special Air Services Regiment, a high-readiness commando battalion and a reserve commando battalion;
- an air combat force of three front-line F/A-18 squadrons, an air strike and reconnaissance force of two F-111 squadrons, supported by training squadrons, a wide-area surveillance system (Jindalee Operational Radar Network) monitoring Australia's northern approaches, and a range of ground radars and other support elements.

1 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 3.

2 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 6.

Airborne early warning and control aircraft will be deployed from 2007 and operational air-to-air refuelling aircraft from 2006; and

- a maritime patrol force of two front line P-3C Orion squadrons.³

- 3.12 Defence states that these 'major combat elements will be integrated and informed through a number of well-developed command, communications and intelligence systems'.⁴
- 3.13 In 2002-03 total resourcing to Defence is \$22 518 million. This comprises funding for the price of outputs of \$18 235 million and own source revenue of \$287 million, an equity injection of \$1 090 million, and capital receipts of \$700 million. Funding also includes \$2 206 million to be administered by Defence. The total resourcing for Defence in 2002-03 represents an increase of \$1 123 million compared to the estimated 2001-02 result.⁵
- 3.14 It should be noted that of the overall funding in 2002-03, it is expected \$5 716 million is expected to be returned to the Government as capital use charge (\$5 056 million) and repayment of equity (\$660 million).⁶ It is estimated that Defence spending for 2002-03 will be about \$14 597 million.⁷ Therefore, Defence spending will amount to about 1.9 per cent of GDP or about 8.28 per cent of Commonwealth payments.⁸
- 3.15 The average annual strength of the three services for the five years from 1996-97 through to 2001-02 is shown in Table 2.1 below.

Table 2.1 Average Annual Strength of Services (number of persons) - 1996-97 to 2001-02

	1996-97	1997-97	1998-99	1999-00	2000-01	2001-02 (estimated actual)
Navy	14,419	14,206	13,661	12,887	12,396	12,570
Army	25,796	25,196	24,169	24,089	24,488	25,007
Air Force	16,812	16,172	15,065	14,051	13,471	13,291

Source Department of Defence, Submission, Question W5.

3 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 6.

4 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 6.

5 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 13.

6 Defence Portfolio, *Portfolio Budget Statement 2002-03*, p. 16.

7 Australian Strategic Policy Institute, *The Cost of Defence, ASPI Defence Budget Brief 2002-03*, 2002, p. vi.

8 Australian Strategic Policy Institute, *The Cost of Defence, ASPI Defence Budget Brief 2002-03*, 2002, pp. 23-24.

Issues

3.16 During the review of the Defence Annual Report, a wide range of issues were examined. At the conclusion of the review, Defence was required to provide answers to over 50 questions taken on notice. These answers have been taken as a submission to the review and are available on our internet site at <http://www.apf.gov.au/house/committee/jfadt/index.htm>. The main issues canvassed at the hearing and considered in this report are:

- achievement against key priorities;
- organisational renewal;
- recruitment and retention;
- conditions of employment relating to operational deployment;
- women in the ADF;
- unacceptable behaviour;
- ammunition shortfalls;
- Bushranger Project;
- F-111s;
- replacement patrol boats;
- readiness of reserves;
- acquisition and major projects;
 - ⇒ C130J;
 - ⇒ MILSATCOM
 - ⇒ Hawk lead in fighter;
 - ⇒ JORN;
 - ⇒ F/A-18 Hornet Upgrade Program
 - ⇒ AWE&C Aircraft;
 - ⇒ HMAS Collins
- unauthorised boat arrivals and Middle East operations - costs;
- ANZUS Treaty; and
- government responses to reports.

Achievement against key priorities

- 3.17 The Defence Annual Report 2000-01 contains a section on the 'year in review' and a 'report against key priorities'. The 'report against key priorities' includes a list of priorities and the standard to which the priorities have been delivered. Some of the priorities listed and the status attained include:
- prepare the Defence White Paper – achieved;
 - support the Government's consideration of future Defence funding in the context of the White Paper – achieved;
 - preparing for decisions on major capital equipment platforms, including combat aircraft and the surface combatant force – achieved;
 - adopting best practice in asset management – partially achieved;
 - developing a more streamlined acquisition decision-making process – partially achieved.⁹
- 3.18 During the examination of the key priorities it was noted that a number of targets had been only 'partially achieved'. Defence, in response to this lack of achievement against certain targets suggested that its 'balanced scorecard' approach was helping to improve performance. As part of the balanced scorecard approach Defence examines the top 20 projects and 'others of significant concern' and, where necessary, corrective strategies which might be employed against them. The reports arising from these examinations are provided to relevant Ministers. Defence commented that 'there is a level of exposure to these issues that government has not had in the past'.¹⁰
- 3.19 The balanced scorecard is an accepted management tool for monitoring organisational performance. Defence is confident that its use will help to manage performance particularly of its larger projects. It is critical that Defence enhance its project management particularly of large acquisitions. In the past, the Auditor-General has brought attention to significant deficits in this area. In 2002-2003 the Auditor-General's potential audits include Defence Project Management and Status of Defence equipment acquisition projects.¹¹ In addition, a further potential audit relates to Defence's Company Scorecards on major contractors. The Defence Material Organisations is introducing Company Scorecards as a

9 Department of Defence, *Defence Annual Report, 2000-01*, pp. 11-32.

10 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 21.

11 Australian National Audit Office, *Audit Work Program 2002-2003*, July 2002, pp. 33-34.

performance improvement measure to be used for source selection and to facilitate dialogue with the contractor on major projects.

Organisational renewal

- 3.20 Defence has embarked upon a process of organisational renewal.¹² Guided by the White Paper, Defence has readdressed its purpose and developed a new outcome statement to encompass possible activities which may be undertaken by the ADF in the 21st Century.
- 3.21 A Defence Committee monitors Defence's performance through its sub-committees and makes any changes considered necessary. For example, the top structure arrangements are considered to be appropriate but there have been and will continue to be some minor rearrangements below the top structure level to reflect changing needs.¹³
- 3.22 Defence has sought to develop a set of values and unbreakable rules which are applicable to all arms of Defence - Navy, Army, Air Force and the Australian Public Service. There is a focus on senior leadership and while there have been some very good results in staff attitude survey material, there are indications that there are still some concerns about senior leadership within the organisation. Defence continues to address this problem.¹⁴
- 3.23 The Secretary of Defence commented on the concept *Government as Customer / Government as Owner* and Defence becoming a *People First* organisation, recognising that the Australian way of war fighting depends on how people operate more than on capability.

Recruitment and retention

- 3.24 The management of ADF personnel, particularly in the area of recruitment and retention is a major challenge. ADF personnel perform critical jobs, are highly trained and it is difficult to replace this skill base if people leave the ADF prematurely.
- 3.25 The Annual Report 2000-01 indicates that Defence is conducting research to identify the key elements that contribute to an organisation being seen as an employer of choice. In addition, Defence is introducing strategies to

12 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 2.

13 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 16.

14 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 19.

address recruitment and retention difficulties. However, Defence reports that it has only 'partially achieved' this objective.¹⁵ Between June 2000 and June 2001 ADF permanent personnel and ADF reserves both declined by about 1000 people.¹⁶

- 3.26 Defence acknowledged the decline in staffing during the period June 2000 to June 2001 but indicated that net recruitment in each of the services has improved.¹⁷ Recruitment and retainment is a critical part of Defence management and it should continue to be a high priority. This issue will be further scrutinised in future reviews.

Conditions of service relating to operational deployment

- 3.27 Operation Tanager, the Australian contribution to the United Nations Transitional Authority in East Timor (UNTAET), concluded with East Timorese Independence on 20 May 2002. The Australian contribution continues through Operation CITADEL, the ADF commitment to the United Nations Mission In Support of East Timor (UNMISSET). A concern was raised during the hearing that ADF personnel in East Timor are on different conditions and entitlements.
- 3.28 Defence advised that the determination of conditions of service relating to operational deployment depends on the employment of the individual, or mission, rather than a geographic location. For example, personnel employed on Operation Tanager were employed as part of the United Nations and they operate under the United Nations Chapter 7 resolution. The training team, on the other hand, is employed completely separately from the United Nations: they are unarmed and employed in training tasks. Defence commented that the 'description of their employment separates them quite distinctly from those on Operation Tanager and therefore quite distinct conditions of service have been established'.¹⁸ The key policy driver in this model appears to be 'mission' rather than threat to the individual. It is not accepted that this distinction is the most appropriate basis for constructing conditions of service. For example, an enemy force or threat would not distinguish between different ADF personnel employed on different missions or tasks.
- 3.29 Defence's argument is not persuasive in fully explaining why certain ADF personnel deployed in East Timor did not receive a deployment allowance

15 Department of Defence, *Annual Report, 2000-01*, p. 29.

16 Department of Defence, *Annual Report, 2000-01*, p. 314.

17 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 17.

18 Air Commodore Roxley McLennan, Department of Defence, *Transcript*, p. 30.

or have taxation benefits like other troops. Again, Defence argued that the geographic location was not the driver of the conditions and pay but the actual task and risk associated with the task.

- 3.30 The issue of conditions received by personnel serving in the Australian border protection area was also examined. These personnel are part of Operation Relex which aims to detect, intercept and warn vessels carrying Suspected Unlawful Non Citizens for the purpose of deterring them from entering Australia. The ADF personnel performing this task are entitled to a standard package of conditions in recognition of their peacetime service. Defence advised that the standard package includes 'seagoing allowance for personnel posted to the ships and hard lying allowance for other personnel required to perform duty onboard ship in excess of seventy two hours'.¹⁹ In addition, additional recreation leave credits for sea service is also provided.
- 3.31 In conclusion, there still remain some concerns about the inequity in conditions provided to ADF personnel in East Timor. A simpler model which determines conditions of service based on geographic location and threat to the individual rather than the current 'mission' or employment model is worthy of consideration. At the same time, the personal costs in terms of disruption to family life of sending ADF personnel to overseas operations should be considered. This type of arrangement may, for example, be a contributor to poor retention rates in the ADF.

Women in the ADF

- 3.32 Defence indicated that about 87 per cent of all ADF employment categories are open to women. Within Army, women are not employed in the combat arms categories which include infantry, armour, artillery, and combat engineers. Within Navy, women are precluded from employment as clearance divers, and within Air Force from employment as airfield defence guards.
- 3.33 Defence advised that a project commenced approximately two years ago aimed at opening up employment of women in the other areas of the Defence Force. A report was presented to the Chiefs of Staff Committee (COSC). COSC commissioned a further study - the ADF Physical Competencies Project. Defence stated

Currently it is being put out to tender for experts in the field to examine each of the employment categories in terms of the

19 Department of Defence, *Submission*, Question 4.

physical competencies required to achieve the tasks. Out of that study will come a scientific basis on which to decide the shape of the individual who may be employed on a particular task ... at the moment that study is at the stage where a request for tender document has been completed and approved.²⁰

- 3.34 It is projected that the process of examining the detail and providing solutions will take between 12 and 18 months. The first area to be examined will be infantry. In view of the lead times with this work, it may be the subject of consideration in future annual report reviews.

Unacceptable Behaviour

- 3.35 The Committee of the 39th Parliament examined allegations of brutality in the Army's Parachute Battalion.²¹ This report was influential in helping to improve ADF systems dealing with military justice. The Defence Annual Report 2000-01 discussed the issue of 'unacceptable behaviour'. Defence commented that it 'maintained its strong stance on all personnel having a basic right to work in an environment free from harassment and discrimination and, at the same time, having an individual responsibility to treat others fairly'.²²
- 3.36 The Defence Equity Organisation maintains a database that records incidents of unacceptable behaviour. During 2001 there were 274 reports of unacceptable behaviour for all services up from 239 in 1999-2000.²³
- 3.37 The term *unacceptable behaviour* applies to a wide spectrum of misdemeanours, from a more to less serious nature. Statistics are kept on inappropriate behaviour and reported monthly to the service chiefs. During the hearing, the possibility was raised that the current broad reporting of 'unacceptable behaviour' may be misleading because it could merge serious with less serious offences.
- 3.38 Therefore, we suggest that reports of unacceptable behaviour be separated into incidents of a more serious nature and incidents of a less serious nature to provide a realistic understanding of the nature and extent of unacceptable behaviour.

20 Air Commodore Roxley McLennan, Department of Defence, *Transcript*, p. 28.

21 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Rough Justice? An Investigation into Allegations of Brutality in the Army's Parachute Regiment*, April 2001.

22 Department of Defence, *Defence Annual Report, 2000-01*, p. 321.

23 Department of Defence, *Defence Annual Report, 2000-01*, p. 322.

- 3.39 In addition, we will seek updates on developments occurring in the military justice framework focusing on the Director of Military Prosecutions and the Inspector General – Australian Defence Force.

Recommendation 1

- 3.40 **The Department of Defence should, in preparing reports of unacceptable behaviour, separate incidents into 'serious' and 'less serious'. The types of behaviour that fall into these categories should be defined in the report.**

Ammunition shortfalls

- 3.41 The possibility that ADF personnel have not been provided with sufficient ammunition for training or operations is extremely serious and requires scrutiny. At the same time that there were concerns about insufficient ammunition, it was acknowledged that Defence had about \$310 million in cash reserves.
- 3.42 Defence advised that it has 'not and will not commit sailors, soldiers or airmen to operations if their training in any way has been diminished due to a lack of ammunition'.²⁴ However, Defence stated:
- In recent times there have been some ammunition types for which the operating stock levels were not what was desired. In some cases that was due to technical problems and in others it was due to the need to wait for Army to complete their ammunition study, which they are in the process of working on now.²⁵
- 3.43 Associated with this issue are reports of a large number of unauthorised discharges of weapons by Defence personnel in East Timor. Defence argued that this matter was not as a result of a lack of live ammunition training but was due to 'negligent weapon-handling on the part of individuals'.²⁶ However, it is possible that 'negligent weapon handling' is due to poor levels of training. Defence responded that reductions to training have been at the collective level for such things as joint exercises.

24 Lt General Desmond Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 4.

25 Lt General Desmond Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 4.

26 Lt General Desmond Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 4.

Therefore, Defence argued that this 'should in no way be to the detriment of weapon handling skills'.²⁷ This assurance does not totally remove the possibility that negligent weapon handling is due to poor levels of training. Therefore, this issue will be raised at future hearings to ensure that Defence is scrutinised on the issue of weapon handling training.

- 3.44 Any allegations that ADF personnel are not receiving adequate ammunition for training or operations must be addressed. Defence provided assurances that it has not and will not commit sailors, soldiers or airmen to operations if their training in any way has been diminished due to a lack of training. We note this assurance but reserve the right to raise this matter at future hearings to ensure that Defence is adequately addressing this issue.

Bushranger Project

- 3.45 The 'Bushranger' is a wheeled troop transporter vehicle designed to move troops at speed over distance to a battlefield. The specification requires a mix of country and highway operation with some armoured protection.
- 3.46 The Bushranger Project arose out of the Force Structure Review 1991. The then current strategic guidance suggested that the ADF should be structured to respond to how current and prospective regional capabilities could be applied realistically against Australia in both political and military terms. This encompassed vital asset protection in Northern Australia and the ability of the land force to detect and defeat incursions.²⁸
- 3.47 To the extent practicable, the project was to draw on commercially available components modified to provide the vehicle with armoured protection and other capabilities.
- 3.48 The Commonwealth signed a \$200 million contract with ADI Ltd in 1999 for the supply of over 370 Bushmaster vehicles. Production was expected to commence in mid 2000 but there have been significant delays concerning reliability. The Minister indicated that the 'contract stalled when ADI advised it could not deliver the expected quantity and quality of vehicles within the agreed timeframe and budget'.²⁹ Therefore, the contract was revised and under the new terms, 'Defence will pay

27 Lt General Desmond Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 26.

28 Lt General Desmond Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 11.

29 Senator the Hon Robert Hill, Minister for Defence, *Media Release*, 26 June 2002.

significantly more for each vehicle – receiving 299 vehicles within the existing project budget'.

- 3.49 Under questioning, Defence acknowledged that 'Bushranger is a troubled project'.³⁰ In particular, the vehicles have fallen well short of their operational requirements and the reliability is questionable. Defence argues, however, that there is 'nothing else that meets the requirements that is within our budget'.³¹
- 3.50 Defence proposes that a series of definitive tests using the three pre-production vehicles take place before the end of 2002 to determine the future of the project. Defence stated:
- ...if ADI are able to get those three vehicles to a state where they can pass that test then the prospects for overall success of the project being able to deliver the capability—albeit considerably late and over budget—will be significantly improved. If it fails that test then we will have no option but to take a different route.³²
- 3.51 In view of the troubled nature of the project, Defence was asked if it had considered seeking damages or losses from ADI over its performance. While Defence had explored this option it considered that this may not be the best approach to take.
- 3.52 In conclusion, the Bushranger project appears to be another example of less than satisfactory project management. Unfortunately, the cost will be met by the Australian community who will pay more and receive less. It is another project for which the Auditor-General should give close attention.

F-111C aircraft

- 3.53 The F-111 fleet has faced recent problems with wing cracks and the fuel tank deseal reseal program. In relation to the latter point, the RAAF, in 2001, established a Board of Inquiry into the desealing and resealing of F-111 fuel tanks at Amberley, in particular focusing on health issues.³³ These problems have resulted in low availability of the aircraft. In the

30 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 8.

31 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 8.

32 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 9.

33 Department of Defence, *Annual Report, 2000-01*, p. 156.

2001-02 period, the F-111C fleet has flown 2 320 hours to 22 May 2002.³⁴ The target for the F-111C for 2000-01 was 3600 hours.³⁵

- 3.54 Defence advised that a solution to the deseal-reseal issue is being put in place. In relation to wing cracks, this is associated with the 'long wing' used by RAAF versions of the jet. The US use a 'short wing' which has less problems with cracks. Therefore, the 'solution to the cracking in the long wing has been to purchase some short wings from the US'.³⁶
- 3.55 Defence advised that the life of the airframe could be managed through to the period 2015-2020.

Replacement patrol boats

- 3.56 The Royal Australian Navy patrol boat fleet plays a significant role in border protection and in ongoing surveillance requirements along the northern coastal regions of Australia. However, the current patrol boat fleet is ageing and, therefore, there is a program to replace the Fremantle class patrol boat.
- 3.57 Defence indicated that the tender process for the replacement patrol boat is proceeding. It is expected that a contract will be finalised at the end of 2002 or early 2003, and 18 months after it is expected that the first boat will be 'in the water, and the remainder of the boats will be provided between 2004 and 2007'.³⁷
- 3.58 In view of the operational requirements for patrol boat capability, it is essential that the replacement patrol boats meet operational requirements, are delivered on time and on Budget.

Readiness of Reserves

- 3.59 Changes in legislation have significantly broadened the circumstances in which Government can call out and deploy the Reserves. Army is carrying out work on gradations of readiness for reservists. The Reserve is viewed as an integral part of the total force, in contrast to an earlier view that the Reserve was the basis for expansion of a much larger force.

34 Department of Defence, *Submission*, Question 6.

35 Department of Defence, *Annual Report, 2000-01*, p. 118.

36 Lt General Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p. 24.

37 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 29 and p. 41.

- 3.60 A significant number of reservists have been deployed in East Timor. Defence advises that deploying reservists to East Timor has had significant effects. First, there has been an attitudinal change towards viewing reservists as an integral part of the force. Second, there has developed a significant degree of mutual respect between the permanent force and reservists.³⁸
- 3.61 In view of the importance of the Reserves, we will seek updates on their force structure, training and readiness, and the implications for resource allocation.

Acquisition and major projects

- 3.62 Defence manages a range of acquisition and enhancement projects which are costly and extremely complex in relation to project management and contract management. There have, in the past, been significant failures. Many of these have been identified by the Auditor-General. Some of the more prominent cases relate to the Jindalee Operational Radar Network and the New Submarine Project. Some of the major failures relate to Budget overruns, products not achieving stated performance requirements and slippage in delivery which can place existing and outdated platforms under pressure.
- 3.63 It is essential, therefore, to closely scrutinise Defence's management of acquisition and project management of major projects. It is reassuring that the Australian National Audit Office (ANAO) has listed a series of potential audits for 2002-03 which focus on these aspects. For example, the ANAO has listed the following audits for 2002-03:
- Airborne Early Warning and Control Project;
 - Defence Company Scorecards on major contractors;
 - Defence project management – follow up; and
 - Status of Defence equipment acquisition projects.
- 3.64 The work of the ANAO is extremely beneficial through informing the parliament and helping Defence to improve its management performance.
- 3.65 The following discussion of some of the major projects provides an overview and status of each project. The information provides a baseline which may be revisited in future reviews of Defence Annual Reports.

38 Lt General Mueller, Vice Chief of the Defence Force, Department of Defence, *Transcript*, p.34.

C-130J

- 3.66 The C-130 or Hercules aircraft provides heavy lift capability. There are currently 24 C-130 aircraft following the C-130E to C-130J replacement. For 2000-2001 the performance target for these aircraft was 14 000 flying hours. However, only 10 054 hours was achieved. This deficit was 'due to delays with the introduction into service of the C-130J, which was exacerbated by both aircrew and technical personnel shortages'.³⁹
- 3.67 Defence reported that the C-130J project 'has reached full contractual capability and the Air Force is working it up in terms of operational capability' which is due at the end of 2002. Defence suggested that there was no reason why that operational capability will not be achieved.⁴⁰ The full contractual capability was finalised in December 2001.
- 3.68 The 2000-01 Defence Annual Report indicated that several studies were undertaken to examine the ADF's capacity to meet the current and future demands of strategic guidance. In particular, a study was undertaken into capability enhancement options in support of airlift capabilities.⁴¹ We will seek information on the results of this study.

MILSATCOM

- 3.69 MILSATCOM is the name for a satellite which will provide Defence with communication services. The launch of MILSATCOM is currently scheduled for December 2002 and the satellite is planned to enter into service in March 2003. The schedule for the satellite slipped about seven months due to the late delivery of the UHF payload system.⁴²

Hawk lead-in fighter

- 3.70 The Hawk lead-in fighter is a training aircraft for fast jet pilots. It replaces the ageing Macchi lead-in fighter. The Defence Annual Report states that 30 of the 33 Hawks have been delivered but 'full functionality is 18 months behind schedule although all aircraft are operational in at least one of their roles'.⁴³ At the time of the hearing, all 33 aircraft had been delivered. The aircraft 'are subject to a series of ongoing upgrades to provide full contractual functionality'.⁴⁴

39 Department of Defence, *Annual Report, 2000-01*, p. 121.

40 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 39.

41 Department of Defence, *Annual Report, 2000-01*, p. 289.

42 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 39.

43 Department of Defence, *Annual Report, 2000-01*, p. 119.

44 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 40.

- 3.71 The impact of the 18 month delay in schedule was examined. Defence reported that the 'delayed introduction of the Hawk has had no effect on the Air Force's ability to train sufficient pilots and navigators to undertake Hornet and F-111 conversion courses, and no long-term impact on capability is expected'.⁴⁵ Defence commented that the 'delayed in-service date for the Hawk has reduced the Air Force's ability to provide operational support to the Army and the Navy, but duration of this reduction will be limited'.⁴⁶
- 3.72 BAE Systems is the contractor for the Hawk aircraft. Defence seemed confident that the contractor 'is actively working to increase the number of aircraft available for operational training'.⁴⁷ There are two elements to the current support contract with BAE Systems. The first element is for original equipment manufacture support for the life of the aircraft which is 25 years. The second element is for in-service logistics support which expires in June 2006.⁴⁸

JORN

- 3.73 The Jindalee Operational Radar Network (JORN) is an over-the-horizon radar which will provide radar coverage across the northern approaches to Australia. The project has suffered significant development problems and massive slippage in its expected delivery date. JORN has been the subject of reviews by the Auditor-General and the Joint Committee of Public Accounts and Audit.
- 3.74 The examination of JORN focused on progress with connecting the radar to the Queensland power grid and whether this would have an impact on the systems delivery date. Defence advised that an evaluation to connect the Longreach JORN elements to the Queensland power grid have 'been constrained'. A contract change is projected to be in place by July 2002 which will provide for the JORN contractor 'to carry out the necessary in-depth study on grid power connection'.⁴⁹ This study is expected to be completed within 12 months.
- 3.75 Defence states that if 'both the business and technical cases for connection of the Queensland sites to the grid power withstand detailed review, and are approved by the Government, approximately another 12 to 18 months of work will be required to implement the grid extension(s)'.⁵⁰

45 Department of Defence, *Submission*, Question 16.

46 Department of Defence, *Submission*, Question 16.

47 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 40.

48 Department of Defence, *Submission*, Question 12.

49 Department of Defence, *Submission*, Question 13.

50 Department of Defence, *Submission*, Question 13.

F/A-18A Hornet Upgrade Program

- 3.76 The F/A-18A is Australia's tactical fighter. There are 71 aircraft in operation. The life of type for the F/A-18A is about 2012 when new fighter aircraft are expected. In the meantime, Defence has in place a Hornet Upgrade Program (HUG) to ensure that Australia's fleet of F/A-18As can fulfil their life of type and can achieve sufficient air superiority.
- 3.77 During the review, scrutiny focused on the status of the HUG. The first phase modifications deal with the inclusion of a new mission computer and software. Defence acknowledged that the first phase did suffer delays but it is now progressing. At April 2002, 62 aircraft under HUG phase 1 were modified against an original schedule of 71 aircraft.⁵¹
- 3.78 Phase 2.2 of the HUG relates to enhanced avionics and is expected to be completed in December 2006. Phase 3.2 relating to airframe structural refurbishment is expected to commence in 2007.⁵²

AEW&C Aircraft

- 3.79 Airborne early warning and control aircraft (AEW&C) are an essential element in attaining air-superiority. They are a vital component in tactical air operations. The Government through the Defence White Paper has committed to purchasing four AEW&C aircraft with the possibility of acquiring a further three aircraft later in the decade.⁵³
- 3.80 Defence indicated that no decision had been made on whether to purchase additional AEW&C aircraft.⁵⁴ More importantly, the option date to purchase additional aircraft at the previously agreed contract price is June 2003. Defence stated that after this date, 'aircraft may still be purchased, but it will be at the commercial rate at the time'.⁵⁵
- 3.81 The possibility of purchasing more AEW&C aircraft at the previously agreed contract price is attractive. Defence should come to a firm decision on whether or not to purchase additional aircraft before June 2003. If four AEW&C aircraft are considered sufficient then Defence should be able to justify that this number could provide sufficient coverage for extended combat air patrols, for example, in the Pilbara, Timor Sea and Darwin regions.

51 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 46.

52 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 47.

53 Department of Defence, *Defence 2000, Our Future Defence Force*, 2000, p. 86.

54 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 52.

55 Department of Defence, *Submission*, Question 18.

HMAS Collins

- 3.82 The Collins Class submarines have been beset by a range of problems. This includes delays in delivery, concerns with the reliability of the diesel engines, and problems with the combat systems and propellers. The New Submarine Project has been subject to a number of audits by the Auditor-General and the Joint Committee of Public Accounts and Audit.
- 3.83 The review focused on whether hull and propeller modifications that were expected to be tested on HMAS Collins were undertaken. At May 2002, HMAS Collins was undergoing full-cycle docking. The hull modifications are expected to be completed at the conclusion of the docking process. This is expected to be completed 'late in 2003'.⁵⁶

Costs of unauthorised boat arrivals and Middle East operations

- 3.84 ADF personnel and assets are engaged in managing unauthorised boat arrivals and are also involved in military operations in the Middle East. These operations are expensive and place pressure on general Defence operations. The key issues raised at the hearing focus on the cost of these operations and to what extent other Defence programs have been curtailed to offset costs.
- 3.85 Defence indicated that the cost of operations associated with unauthorised boat arrivals (Operation Relex) in 2001-02 and 2002-03 was \$320 million and \$199 million respectively. Similarly, the cost associated with waging the war on terrorism (Operation Slipper) in 2001-02 and 2001-03 amounts to \$19 million and \$22 million respectively.⁵⁷
- 3.86 In 2001-02 the funding strategy included deferral of spending relating to a number of new asset acquisition projects scheduled for 2001-02. The funding allocated to Defence as part of the 2002-03 Budget is partially offset by administrative savings of \$97 million. Defence indicated that these savings are available for re-direction toward capability priorities within Defence and are not scheduled for return to the whole of government Budget. In addition, 'capital expenditure has been reduced by \$150 million in 2001-02 but this amount is a 're-phasing' and is available to Defence in the 2002-03 financial year'.⁵⁸

56 Michael Roche, Under Secretary, Defence Materiel Organisation, *Transcript*, p. 53.

57 Department of Defence, *Submission*, Question 4.

58 Department of Defence, *Submission*, Question 4.

ANZUS Treaty

3.87 Clarification was sought on the basis of Australia's participation in the war on terrorism. In particular, information was sought on when the ANZUS Treaty was invoked.

3.88 Defence reported that the terrorist attacks of 11 September were discussed at a special Cabinet meeting on 14 September 2001. The Government decided, in consultation with the United States, that Article IV of the ANZUS Treaty applies to the terrorist attacks on the United States. Article IV of the ANZUS Treaty states:

Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

3.89 In addition, Article V of the ANZUS treaty states:

For the purpose of Article IV, an armed attack on any of the Parties is deemed to include an armed attack on the metropolitan territory of any of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific.

3.90 Defence commented that 'war has not been invoked as a result' of the operation of part IV of the ANZUS Treaty.⁵⁹ The point of this observation is that 'war' is a legal definition with a variety of implications. It has a different meaning to popular reporting of the 'war on terror'. Australia is not operating under a declaration of war but the ADF is participating in armed conflict.

Government responses to reports

3.91 One of the objectives of parliamentary committee inquiries is to hold executive government to account and make effective recommendations which influence policy or administration. There is a convention that

59 Dr Alan Hawke, Secretary, Department of Defence, *Transcript*, p. 23.

executive government will respond to committee reports within three months. The decisions in a government response are significant because they indicate whether a committee's recommendations have been accepted and may provide information about implementation. Alternatively, if the Government rejects a recommendation, it normally provides reasons for doing so. A government response, ultimately completes a committee inquiry, and provides a committee and individuals and organisations with feedback on whether matters raised in a report will be acted upon.

- 3.92 The review of the Defence Annual Report provides an opportunity to determine the status of government responses which are long overdue. The Government has not provided responses to:
- *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000;
 - *A model for a new Army: community comments on the From Phantom to force parliamentary report into the Army?*, September 2001.
- 3.93 Defence indicated that the Government will table responses to these reports in the 2002 Spring session of parliament.⁶⁰
- 3.94 In addition, Defence indicated that the Government would also provide its response in the Spring session to the Senate Foreign Affairs, Defence and Trade Committee report on *Recruitment and Retention of ADF Personnel*?⁶¹

60 Department of Defence, *Submission*, Question 8.

61 Department of Defence, *Submission*, Question 20.

