



Submission No 1

**Review of the Defence Annual Report 2011 - 2012**

**Name:** James Brown

**LOWY INSTITUTE**  
**FOR INTERNATIONAL POLICY**

**Senator Mark Furner**

Chairman, Defence Sub-Committee

Joint Standing Committee on Foreign Affairs, Defence, and Trade

Parliament of Australia

8 February 2013

Dear Sir,

**Review of the Defence Annual Report 2011-12**

Thank you for the opportunity to provide a submission to the Defence Sub-Committee review of the *Defence Annual Report 2011-12*. In addition to the specific issues you have identified, I will examine the broader issue of parliamentary oversight of defence performance.

In this submission I will argue that there is a need for stronger parliamentary oversight of the Australian Defence Organisation (ADO). Currently, the Defence Annual Report does not allow the parliament to adequately gauge defence performance. Given current warning signs regarding the capability and readiness of the Australian Defence Force, there is a need for a more rigorous and transparent process for defence reporting to the parliament. This submission will conclude with recommendations on improving parliamentary oversight of defence issues.

Parliamentary oversight of defence is critically important. In 2011-12 defence accounted for 5.8% of government spending and 3 of the government's 20 most expensive programs. The ADO's 105,000 staff makes up 40% of all government employees, three times more than the next largest department. Vast powers are granted to the Department of Defence and Australian Defence Force, not the least including the power to use lethal force in pursuit of policy objectives. 3300 soldiers and civilians are currently deployed on operations overseas, and in the Afghanistan conflict alone 39 Australians have been killed and 249 seriously wounded.

The Sub-Committee's work is vitally important, and it is critical for Australia's soldiers and officers to know that parliament is actively engaged on defence issues. Please contact me should I be able to assist further.

Yours faithfully,

**James Brown**

**Submission to the Defence Sub-Committee  
Review of the Defence Annual Report 2011-12**

*Summary*

This submission will assess the *Defence Annual Report 2011-12* and argue that:

- The Defence Annual Report does not adequately allow parliamentarians to measure defence performance.
- The Australian Defence Organisation (ADO) should adopt more transparent defence reporting.

This submission recommends that parliamentary oversight of defence performance needs to be strengthened because:

- The current state of the ADO warrants additional, critical attention from parliament.
- The limited average tenure of Defence Ministers and Secretaries, and unique complexity of the portfolio, makes normal ministerial responsibility problematic.
- There is poor scrutiny of the ADO outside of the parliament.

This submission will then examine the challenges for parliament in exercising oversight of defence, specifically:

- The limited numbers of parliamentarians with military experience.
- The difficulty for parliamentarians engaging on strategic defence issues.
- The limited defence research and analysis capability supporting parliamentary oversight.

Finally it will make recommendations as to how the Sub-Committee might strengthen parliamentary oversight of defence performance by:

- Working with the ADO to construct a new method of measuring and reporting defence performance.
- Encouraging the ADO to more routinely publish defence information.
- Encouraging the ADO to guard against overly optimistic reporting.

- Strengthening the defence research capacity in the parliamentary library and defence analytical capacity in the Australian National Audit Office.
- Leading the ADO to review the effectiveness of its operations and strategy in East Timor, the Solomon Islands, Iraq, and Afghanistan.
- Developing a more mature parliamentary defence engagement program.

*Parliamentary oversight of defence performance*

Vast powers are granted to the Department of Defence and Australian Defence Force, not the least including the power to use lethal force in pursuit of policy objectives. Defence policy is extraordinarily complex, vitally important, and mistakes have far-reaching consequences. In 2011-12 defence accounted for 5.8% of government spending and 3 of the government's 20 most expensive programs. The Australian Defence Organisation (ADO) has three times more government employees than the next largest government department and its 105,000 staff constitute 40% of all government employees.

Currently, it is unclear whether parliament is able to effectively measure and judge the performance of the ADO. Or indeed whether the parliament can determine if the Australian Defence Force is improving or declining. Defence transparency is very limited and there are few mechanisms to facilitate parliamentary engagement on defence issues. These issues are compounded by the lack of accountability for outcomes within the ADO – a problem noted in the *Black Review of the Defence Accountability Framework* and well illustrated by the collapse of the ADF's amphibious fleet in 2011.

There is widespread concern at senior levels within the ADO about current and future defence capabilities. There appears to be a widening gap between expectations of defence capability and resources allocated to the ADO yet there have been few substantive parliamentary debates on defence or strategic policy issues. The limited average tenure of Defence Ministers and Secretaries, and unique complexity of the portfolio, also makes normal ministerial responsibility problematic.

Because of this, the major avenues for parliamentary oversight of defence are estimates proceedings and questions on notice. These are ineffective methods for gauging defence performance because issues of the day can often crowd out more important structural matters, and comparison of data presented by defence over time is difficult. A more institutionalised method of gauging defence performance is needed.

Parliamentary oversight of defence performance is also critical because of the low levels of scrutiny of the ADO in the Australian community. There is no natural constituency for national security and defence issues in Australia, and few sources of defence expertise amongst civil society.

The *Defence Annual Report* should allow the parliament to gauge how good the ADO is and how effective defence and strategic policy has been. At least it should provide clear indication of whether the ADO is improving performance or not. But in its current form the *Defence Annual Report* lags behind our allies in its commitment to transparency and detail.

A strengthened parliamentary oversight process and more transparent defence reporting would help to ensure that Australia has the defence capability it expects. More importantly, it would facilitate building the defence capability that Australia needs in the Asian century.

### *The Defence Annual Report 2011-12*

The *Defence Annual Report 2011-12* does not sufficiently allow parliament to assess the performance of the ADO, or the capabilities and readiness of the ADF. It is less transparent and detailed than similar defence reporting in the UK, US, Canada, and New Zealand. Of chief concern is the methodology for reporting departmental performance. The ADO assesses its 20 departmental and administered programs using a system of one, two, and three ticks.

The following Program deliverables and key performance indicators (KPIs) tables are assessed using the below Key system:

Key		
-	Not Achieved	None or minimal progress was made against targets in 2011-12. Explanations are provided in the 'further information' column.
✓	Partially Achieved	Some targets were met, and any issues are being managed.
✓✓	Substantially Achieved	Targets were mostly met and any issues are being managed.
✓✓✓	Achieved	All targets for 2011-12 were met or exceeded.

*Key Performance Indicators used in the Defence Annual Report 2011-12*

The three tick system is an exceptionally crude performance measurement methodology for a government department with 105 000 employees and an annual budget of \$24.2bn. It is not clear what the performance targets are, how they are devised, or how performance is assessed. Where targets are not achieved, it is not possible to discern by how much performance is deficient. Because of these limitations (and other data inconsistencies from year to year) it is very difficult to track defence performance over time in any meaningful way.

Defence performance measurement in the *Defence Annual Report* often seems overly optimistic and does not serve to highlight risks to performance. In 2010 the Royal Australian Navy's amphibious capability catastrophically failed, leaving the

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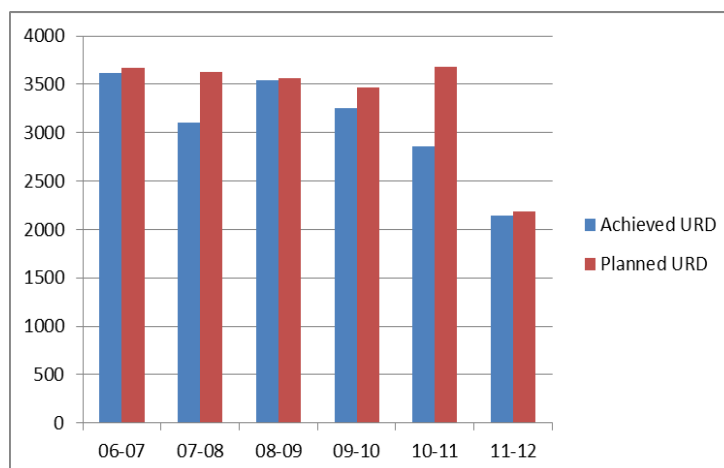
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Australian Defence Force without the capability to conduct operations of the sort carried out in East Timor in 1999 and the Solomon Islands in 2003. The Rizzo review into this failure made the following findings on Navy performance measurement:

- “Reports provided to the monthly Chief of Navy Senior Advisory Committee were optimistic and did not adequately identify the key issues and risks.”
- “reports masked the aggregated risk associated with the condition of the fleet.”
- “There is no regular, formal reporting on capability management.”

*Paul Rizzo, July 2011, Plan to Reform Support Ship Repair and Management Practices, p48*

These problems seem to be a feature of the *Defence Annual Report* too. The below chart shows published performance data on unit ready days for the amphibious and afloat support fleet from the last six *Defence Annual Reports*. Though it is clear that Navy did not meet its own performance targets for the fleet in 2010-2011, the scale of the problems in the fleet cannot be readily determined.



Similarly, in the *Defence Annual Report 2011-12*, Navy’s amphibious fleet received a full three ticks for performance. This rating, however, does not make it clear that amphibious ships HMAS Manoora and Kanimbla had been decommissioned and HMAS Tobruk was being extensively risk-managed to the point where it is doubtful she could sustain an operational deployment of any seriousness.

In the *Defence Annual Report 2010-2011*, the amphibious fleet recorded two ticks for performance – “targets mostly met and any issues are being managed”. Two of the three ships had actually been put on an operational pause for an extensive period after a fire on one ship left it drifting and in peril. During a large part of the 2010-11 reporting period Navy had no amphibious capability at all.

A parliamentarian reading only the Defence Annual Reports for the past two years would be oblivious to the disintegration of one of the ADF's most important capabilities.

However, these problems of defence reporting are not so apparent in the US, NZ, Canada, and the UK where there is a more encouraging commitment to defence transparency. Defence annual reporting in the UK, for example, highlights operational pinch points, critical personal shortages, and shows where force elements are critically weak. In the annual report of the NZ Department of Defence and Defence Force there is a frank assessment of defence capabilities and granular reporting on the availability of major weapons platforms. The NZ Defence Report also uses a performance measurement methodology to report on the relative readiness levels of the NZDF without breaching operational security. Under the New Zealand model, it is very clear whether the NZDF is meeting readiness targets or not.

By comparison, the ADO's *Defence Annual Report 2011-12* appears crudely measured and overly optimistic. The reporting does not adequately identify key risks and issues in defence performance, and its commitment to transparency lags well behind defence reporting by our allies.

#### *Warning signs on defence performance*

The current budgetary woes of the ADO mask deeper warning signs about the performance of the ADO. Defence is having difficulty adjusting its strategy and capabilities to the strategic uncertainty of the Indo-Pacific. Peter Jennings, until a year ago the Deputy Secretary for Strategic Policy in Defence, concludes that "many of the Americans knowledgeable about Australia think that we are 'off the reservation' on strategic policy right now". In August last year the then Secretary of Defence Duncan Lewis concluded "As things stand I don't think we are structured or postured appropriately to meet our likely strategic circumstances in the future". Similar concerns have been expressed about defence operations by senior military officials, one general privately concluding that the ADF places far greater emphasis on bureaucratic process than on war fighting. In the ACT alone, the ADO has half as much office space for headquarters functions as there is in the entire Pentagon building, despite being 30 times smaller than the US military. Is the ADO a lean fighting military, or a bloated bureaucratic behemoth? Is the ADO's military strategy and force structure correctly set? Based on current defence reporting to parliament, it would be difficult to tell.

Current defence reporting would also make it difficult for parliament to gauge the tactical capabilities of the ADF and its soldiers and officers. Here too there are concerning warning signs emerging.

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A recent Commanding Officer of the Mentoring Task Force in Uruzgan concluded in his post operational report that:

*“There are examples throughout Australia’s commitment in Afghanistan of soldiers sunbathing in tactical positions, manning single-man piquets as a matter of routine, sitting in chairs and facing inwards in enemy areas, listening to music in tactical positions, hitting golf balls from overwatch positions into the green zone, kicking footballs in tactical positions, doing physical training in enemy areas, standing around bonfires in proximity to the green zone by night, and greeting helicopters at landing zones in thongs and t-shirts.”*

Such critical observations of the ADF are rare, in some cases because they are deliberately prevented from release by the ADO. In 2012 the Defence Minister chose to stop publically releasing inquiries into combat deaths in Afghanistan as a matter of course. Subsequently it emerged that two soldiers were killed whilst engaging in behaviour of the type described above. The parliament should be able to determine if such observations are isolated occurrences or instead warn of a defence force in poor health.

To be sure, a diminished defence budget has added pressure as well. The Chief of Army has flagged last year that “we are approaching a point where doing more with less risks becoming a cavalier disregard for the ability of forces to survive against credible peer competitors”. Senior military officials are privately voicing concerns about the ability of the ADF to maintain capability and skills with reduced training resources and dwindling spare parts. There is a strong consensus amongst Australia’s defence experts and senior journalists about the dangers of the widening gap between the government’s defence aspirations and funding.

Defence policy has always been challenging for Australia – a small population with a lot of isolated territory to protect. As strategic weight shifts to Asia, Australia’s defence and strategic policy will become more complex and high expectations will need to be balanced with low resources.

Concurrently, the ADO is transitioning from a high tempo decade of operations in Afghanistan, Iraq, East Timor, and the Solomon Islands. These operations need to be reviewed and the ADO does not have a good record in reviewing its own operations. The Australian National Audit Office concluded in 2011 that defence’s ability to learn from operations was “patchy and fragmented”, the ADF had no central repository for operational evaluations, and that until 2009 defence had reviewed only 5 of its 117 operations. The ANAO concluded then that this “limited the ADF’s capacity to assess its performance against the objectives set by the Government when it committed the ADF to action”.

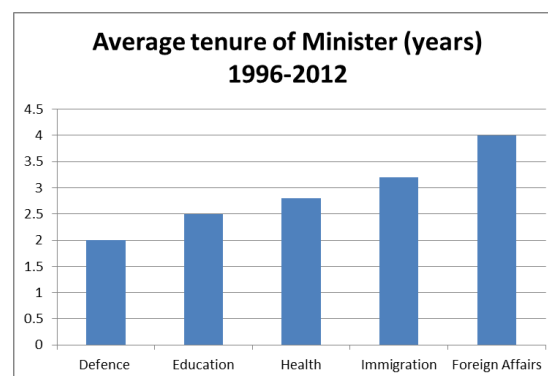
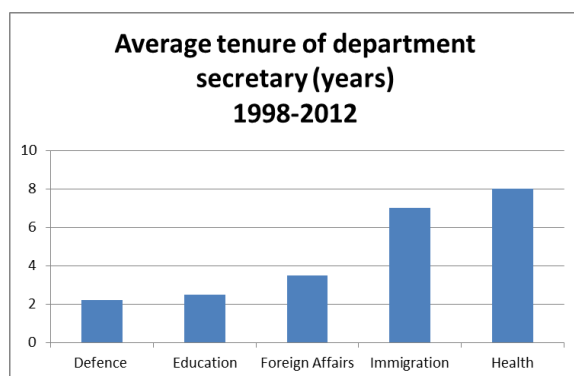


The ADF is still yet to publish any history of its involvement in the Iraq conflict. Parliament will need to have close oversight as the ADF transitions home from operations, and may need to firmly guide the ADO to review its own performance.

*Ministerial accountability in defence is problematic*

Under the normal provisions of the Westminster system, the main mechanism for parliamentary oversight is through the Defence Minister. However the volatility of leadership in the defence portfolio makes ministerial accountability difficult.

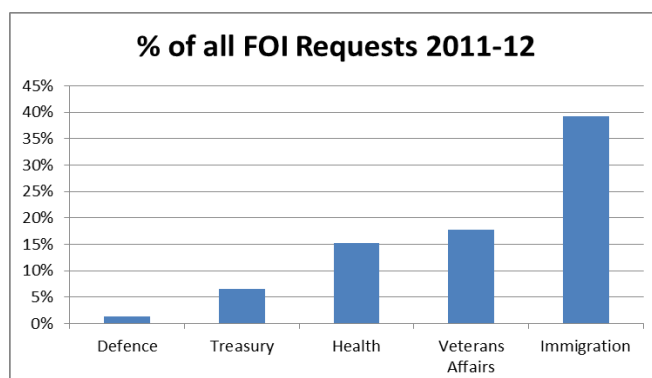
In the past 14 years, the Department of Defence has had seven ministers and six secretaries. The average tenure of a Defence Minister in that period was 2 years, 2.2 years for a Defence Secretary. Both of these figures are significantly lower than for other complex, large government departments.



Defence is a significantly more complex department to run than many, if not all, others in government. It has been at least 30 years since a Defence Minister had military service prior to assuming the role. Unlike other portfolios, it is extremely difficult to gain an understanding of defence before becoming Defence Minister. The scope and complexity of the defence portfolio combined with the short average tenure of Defence Minister combine to undermine the ability of the Defence Minister to be accountable for their portfolio. In early 2011, for example, the Defence Minister incorrectly believed he had an amphibious ship ready to deploy on disaster relief tasking. Short ministerial tenure and the need to digest volumes of unfamiliar organisational complexity combine to make ministerial accountability, and thus parliamentary oversight of defence performance, problematic.

*Limited scrutiny of defence outside of the parliament*

The lack of external scrutiny of the ADO by the public, the media, academics and experts heightens the need for parliamentary vigilance in oversight. Despite the national passion for ANZAC, overall levels of community interest in contemporary military issues are surprisingly low. As an example, Defence accounted for only 1.3% of all commonwealth Freedom of Information requests in 2011-12.



Media scrutiny of defence policy and operations is also limited. There are only five journalists exclusively covering defence issues in the national media, none of whom have prior experience in the Defence Department or Australian Defence Force. There have been few Australia journalists regularly based in Afghanistan covering the conduct of ADF operations, for example.

Defence expertise is also difficult to come by outside of the ADO. There are few think tanks or civil society organisations working on defence and strategic issues compared to the US, UK, and Canada. There are few university courses on defence policy or military operations (outside of ADFA and the Australian Command and Staff College). Simply put, there are few people outside of the ADO with the expertise to evaluate its performance.

Measuring ADO performance from within is also difficult because of a lack of research quality data and professional debate. Military researchers regularly rely on US and UK military studies because Australian defence research data is simply not available. The motivation to reflect is also lacking, Army's Dr Albert Palazzo recently concluding that "the entire Australian Defence organisation suffers from a deep-seated fear of allowing its members to engage in debate on the critical issues that affect the ADF's future, and the nation's security".

Because public debate on defence issues is often lacking, and external scrutiny of defence is problematic, the onus falls in greater measure to the parliament to properly scrutinize defence.

### *Challenges to parliamentary oversight*

There are serious challenges obstructing the ability of parliament to oversee defence performance. For a start, very few parliamentarians have served in the military – an increasingly common phenomenon in democracies. Prior military service is not a precondition for developing a deep understanding of defence, but it is a good start. As warfare becomes more technical and specialised, knowledge of the military becomes harder to access. A parliamentarian may form views on health policy

through personal visits to a hospital, but absent a period of military service, most parliamentarians are unlikely to have encountered the military in anything other than a ceremonial role.

<b>Parliamentarians with prior military service</b>	
US	19%
Australia	7.9%
Canada	5.5%
NZ	2.5%

Whilst it may appear that there is a reasonable degree of prior military experience in the Australian parliament, in 50% of cases military service has been limited to brief stints in reserve training units. Not a single member of the 43<sup>rd</sup> parliament has served in a combat command position, only two have experience in the ADF post 9/11.

Again, military service is not a precondition for exercising effective parliamentary oversight of defence performance. But, given the hallowed position of ANZAC in the Australian national psyche, a politician who has not served may be less likely to rigorously and critically assess the ADO. This might explain why Canada has had a robust parliamentary debate on Afghanistan whereas Australia has not. The lack of military service and experience amongst parliamentarians is an institutional barrier to more effective parliamentary oversight.

Once in the parliament, there are limited opportunities to engage on defence and strategic issues. The ADF Parliamentary Program (started by the ADO in 2001 to address declining military experience amongst parliamentarians) is highly successful (34% of the current parliament has completed at least one rotation). However, the tactical focus of the program makes it more akin to a work experience program for politicians than a mechanism of parliamentary oversight. Parliamentarians wear military uniforms, complete tactical tasks, and are awarded special boomerang insignia when they complete multiple placements. Whilst the program helps make life in ADF units familiar to parliamentarians, a more mature program of defence fact finding and inspection is needed. This program should prioritise visits to consider strategic and operational issues at Headquarters Joint Operations Command, Russell HQ, and the DMO.

There is a paucity of defence research and analytical capability to support the oversight of defence by parliament. In the UK, the Defence Analytical Services Agency routinely publishes defence statistical data to support parliamentary work. In Canada, the Chief of Review Services provides advice related to the effectiveness and efficiency of Canadian defence operations, programs, and activities. The US Congress has the analytical capability of the Congressional Research Service and the Government Accountability Office. In Australia the ADO very rarely publishes statistical or research data. There is only a small team in the Australian National

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Audit Office tasked with evaluating defence performance, and over the past decade they have found plenty of problems. Just three of 120 staff in the parliamentary library are tasked to defence research (compared to 12 working exclusively on social policy).

A research capacity for parliament is important, because even extracting information from the ADO can be difficult, let alone conducting analysis on performance or capabilities. During the previous parliament's review of the *Defence Annual Report 2009-10*, the ADO took over five months to respond to questions on notice and officials were "poorly briefed and ill prepared" for the committee's public hearing.

Where parliament has actively examined defence issues, it has achieved good results. The parliamentary debate on Afghanistan resulted in greatly improved defence transparency with the Defence Minister publically releasing information on the ADF's force structure for the first time in five years of ADF deployments to Afghanistan.

### *Recommendations*

The following recommendations are made to strengthen parliamentary oversight of defence performance:

1. *Work with the ADO to construct a new method of measuring and reporting defence performance*

The *Defence Annual Report 2011-12* does not allow effective parliamentary assessment of defence performance, particularly when it comes to the readiness of forces. Similarly, neither estimates, questions on notice, or private briefings to members and senators suffice to allow consideration of defence data over time. The sub-committee should work with the ADO and other experts to determine a more regular method for assessing and briefing defence performance. This might include additional public reporting as well as in-camera sessions of the Defence Sub-Committee.

2. *Encourage the ADO to more routinely publish defence information*

The ADO has been slow to embrace the age of open government and Australia often lags behind our allies when it comes to defence transparency. The sub-committee should encourage, and if necessary seek to legislate, for the ADO to routinely publish more statistical data and defence information. Additionally, the ADO should be encouraged to publish more of its reports and surveys rather than waiting for the public to request them through the freedom of information process, or for members to request information through questions on notice.

3. *Encourage the ADO to guard against overly optimistic reporting*

Despite being a highly professional organisation, the ADO often appears to lurch from crisis to scandal. This perception is often fostered by a defensive approach to the release of information and overly optimistic and positive reporting. The Sub-Committee should encourage the ADO to be more balanced in its engagement with the parliament and public, and to be more self-critical and less risk-adverse in the release of information and fostering of professional debate.

4. *Strengthen the defence research capacity in the parliamentary library and analytical capacity in the Australian National Audit Office*

Whilst the parliamentary library does excellent work on defence, its capability to provide research and analytical support to parliament needs to be bolstered. Similarly, the small defence team in the Australian National Audit Office has done excellent work in analysis defence performance in the past decade. Both teams need to be bolstered to allow more thorough defence analytical and research support to the parliament. Alternatively, the Sub-Committee might consider the development of an independent entity able to able to provide analysis of ADO performance, perhaps incorporating aspects of the work done by the UK MOD's Defence Analytical Services Agency.

5. *Lead the ADO to review the effectiveness of its operations and strategy in East Timor, the Solomon Islands, Iraq, and Afghanistan*

The Sub-Committee should encourage the ADO to review the effectiveness and efficiency of operations and strategy in East Timor, the Solomon Islands, Iraq, and Afghanistan over the past decade. Given defence's previous poor performance in conducting reviews of its own operations, the Sub-Committee may need to exercise strong leadership in this regard. This review should include a public component.

6. *Develop a more mature parliamentary defence engagement program*

Whilst the ADFPP has been successful in exposing parliamentarians to tactical units in the ADF and military life, a more sophisticated and mature parliamentary program is needed to provide engagement with defence strategic issues. This program should include regular briefings by senior defence personnel, visits to HQs such as Russell and HQJOC, and exposure to more strategic policy issues. The program could also include the establishment of a parliamentary defence caucus – a cross-bench group who meet regularly and informally to discuss defence strategic issues and be briefed by experts.

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A more mature parliamentary defence visit program would dispense with military uniforms and rank insignia for parliamentarians whilst on defence visits. This would better allow parliamentarians to maintain the independence necessary to exercise effective oversight of defence performance.

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8 Feb 2013