
The Parliament of the Commonwealth of Australia

Review of the Defence Annual Report 2011-2012

Inquiry of the Defence Sub-Committee

Joint Standing Committee on Foreign Affairs, Defence and Trade

June 2013
Canberra

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Contents

Foreword	vii
Membership of the Committee	viii
Membership of the Defence Sub-Committee.....	ix
Terms of reference	xi
List of abbreviations	xii
List of recommendations	xvi
1 Introduction	1
Annual Report review objectives and scope	2
Focus areas	2
Conduct of the review.....	2
2 Drawdown of operations in Afghanistan	5
Background	5
Australia's mission in Afghanistan post 2014	6
Sustaining and supporting the ANSF	6
Development assistance	7
Resetting the ADF	8
Support for veterans.....	9
Capacity of the ADF to support veterans	10
Care of ADF personnel wounded or injured on operations.....	15
Defence materiel and equipment	16
Committee comment.....	16

3	Defence budget	19
	Introduction	19
	Budget cuts	21
	Capability planning and acquisition	21
	Provision of services to ADF personnel	24
	Reporting the Defence budget	24
	Operations	25
	Flood relief operations in Australia	25
	Operations in the immediate region	27
	Operations in Afghanistan	27
	Committee comment	28
4	Force Protection	29
	Background	29
	Protection of individuals	30
	Protection of force as a whole	35
	Force protection improvement process	37
	Force protection issues response	39
	Committee comment	41
5	Reviews of Defence Culture	43
	Background	43
	Summary of reviews	44
	Review of personal conduct of ADF personnel	44
	Review of the treatment of women in the Australian Defence Force	45
	Review of the use of alcohol in the ADF	46
	The Review of the use of social media in Defence.....	46
	Review of the management of incidents and complaints.....	47
	Review of Defence Australian Public Service women’s leadership pathways	47
	DLA Piper Review of Allegations of Sexual and Other Forms of Abuse in Defence.....	48
	The Pathway to Change: Evolving Defence Culture	49
	Review updates and discussion	50
	DLA Piper Review – update and discussion.....	50
	Review of the use of alcohol in the ADF – update and discussion	54

Review into the Treatment of Women in the Australian Defence Force – update and discussion	55
Women’s careers strategies.....	58
Indigenous participation in the Australian Defence Organisation	59
Disability programs in Defence.....	62
Committee comment.....	63
6 Strategic Reform Program	65
Background	65
2011-2012 cost reductions.....	67
Current status.....	67
Committee comment.....	79
7 Other issues.....	81
Strengthening Defence oversight.....	81
The <i>Defence Annual Report</i>	81
Publishing statistics.....	85
Reviews of major operations.....	87
Committee comment.....	89
The Australian Defence Force Parliamentary Program	90
Committee comment	92
Joint Strike Fighter	93
Cost.....	94
Schedule	95
Capability	97
Committee comment	100
Supplementary Remarks – Dr Dennis Jensen MP	101
Appendix A – List of Submissions.....	109
Appendix B – Witnesses who appeared at public hearings.....	111



Foreword

During its review, the Sub-Committee chose to focus on a broad range of issues as part of the process of accountability of Government agencies to Parliament. This accountability is particularly important in light of the major transitions that the Australian Defence Organisation is currently undergoing, and the Sub-Committee takes this responsibility very seriously.

During the period under review, Australia announced that it would be withdrawing its combat presence from Afghanistan and the process of transitioning responsibility to the Afghan National Security Forces commenced. This process occupied a large part of the Committee's attention during this review, as it is vital that Australian forces are successful in doing all they can to ensure an orderly and organised drawdown of operations in Afghanistan.

Efforts at ensuring the highest possible level of force protection are also examined in this review. The Sub-Committee found that Defence has been active in this area, and further is seeking to strengthen this capability. However, as Australia draws down its presence in Afghanistan, Defence will have to remain vigilant that there is no deterioration in this capability. The Sub-Committee resolves to maintain a focus on this issue into the future.

Also during the period under review, seven key reviews of Defence culture were conducted and finalised. These reviews examined a wide range of cultural issues within the Australian Defence Organisation, from the allegations of abuse at the Australian Defence Force academy to treatment of women in the civilian and uniformed wings of Defence, through to the use of alcohol and social media. The Sub-Committee examined these reviews, and found that there may be a lack of clarity as to what allegations fall within the scope of the DLA Piper Review. As such, it recommends that the Government seek to have this situation remedied.

The Defence budget was examined as a part of the review. The Sub-Committee found that, while Defence reports on its budget in a variety of places and contexts, Defence's budget needs to be reported on in greater detail in the *Annual Report*, particularly as it relates to the impact of declining budgets on capability acquisition and sustainment.

As with previous reviews, the Sub-Committee sought an update on progress in implementing the Strategic Reform Program (SRP). Defence appears to be tracking well against the original targets set out in the 2009 *Defence White Paper*, and against the particular targets set for the 2011-2012 financial year. Additionally, the Sub-Committee notes that Defence has partially implemented its recommendation from the *Review of the Defence Annual Report 2010-2011* that it include a discrete section on the SRP in annual reports. While this is a positive development, the Sub-Committee would still like to see this section expanded to include greater detail in future annual reports.

The Sub-Committee examined three other issues in this review. Firstly it looked at Defence reporting generally, noting that reporting tends to be relatively light on detail and overly optimistic. As a result, the Sub-Committee recommends that Defence enhance its annual reporting by:

- Developing a more precise method for reporting performance on capabilities acquisition and sustainment, which would detail:
 - Specific performance targets;
 - how performance is assessed in relation to these targets; and
 - the specific reasons why targets are, or are not, achieved;
- Including some detail on emerging areas of concern and potential future issues;
- Enhancing its reporting on the Defence budget and its implications for capabilities acquisition and sustainment;
- Undergoing a periodic review conducted by independent experts, similar to the United States' Quadrennial Defense Review; and
- Including information on operational readiness.


Second, the Sub-Committee looked briefly at parliamentary engagement with the Australian Defence Force. In order to further strengthen parliamentary oversight of Defence, the Committee also made a third recommendation: that the Parliamentary Defence Engagement Program, currently used to place parliamentarians with ADF units, be extended to include policy areas within the Department of Defence, as well as the Defence Materiel Organisation.

Finally, the Committee received an update on the Joint Strike Fighter project. The Sub-Committee was told that, since the recent re-baselining of the program, it has been tracking well towards delivering the required capability with an initial operating capability for Australia of around 2020.

The Sub-Committee commends the service of the men and women of the ADF, and their contribution to disaster relief efforts and operations in support of Australia's security around the globe. The Sub-Committee notes that, in 2013, Australia lost ten of its personnel on operations in Afghanistan. The Sub-

Committee acknowledges their sacrifice, and our thoughts are with the families of these brave soldiers.

Senator Mark Furner
Chair



Membership of the Committee

Chair Senator Michael Forshaw (to 30/06/11)

Hon Michael Danby MP (to 14/05/13)

Hon Joel Fitzgibbon MP (from 15/05/13)

Deputy Chair Mrs Joanna Gash MP

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Hon Anthony Byrne MP

Mr Nick Champion MP

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Hon Joel Fitzgibbon MP (to 15/05/13)

Hon Alan Griffin MP

Mr Harry Jenkins MP

Dr Dennis Jensen MP

Hon Richard Marles MP (from 14/05/13)

Mrs Sophie Mirabella MP

Hon John Murphy MP

Mr Ken O'Dowd MP

Hon Melissa Parke MP (to 5/02/13)

Mr Stuart Robert MP

Hon Philip Ruddock MP


Ms Janelle Saffin MP

Hon Bruce Scott MP

Hon Peter Slipper MP

Hon Dr Sharman Stone MP

Ms Maria Vamvakinou MP



Membership of the Defence Sub-Committee

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Deputy Chair Dr Dennis Jensen MP

Members Senator Mark Bishop
 Senator David Fawcett
 Senator the Hon David Johnston
 Senator the Hon Ian Macdonald
 Senator Stephen Parry
 Senator Marise Payne

 Hon Dick Adams MP
 Ms Gai Brodtmann MP
 Mr Nick Champion MP
 Mr Michael Danby MP (*ex officio*) (to
 14/05/13)

Hon Joel Fitzgibbon MP (*ex officio*)
Mrs Joanna Gash MP (*ex officio*)
Hon Alan Griffin MP
Mr Harry Jenkins MP
Mrs Sophie Mirabella MP
Mr Ken O'Dowd MP
Mr Stuart Robert MP
Hon Bruce Scott MP
Hon Peter Slipper MP

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Terms of reference

Pursuant to paragraph 1 (b) of its resolution of appointment, the Joint Standing Committee on Foreign Affairs, Defence and Trade is empowered to consider and report on the annual reports of government agencies, in accordance with a schedule presented by the Speaker of the House of Representatives.¹

The Speaker's schedule lists annual reports from agencies within the Defence and Foreign Affairs portfolios as being available for review by the Committee.²

On 27 November 2012 the Joint Standing Committee on Foreign Affairs, Defence and Trade authorised the Defence Sub-Committee to review the Department of Defence Annual Report 2011-2012.

1 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Resolution of Appointment*, viewed 24 May 2013, <www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jfadt/resoltn.htm>.

2 Speaker's Schedule, *Allocation to Committees of Annual Reports of Departments, Agencies, Authorities and Companies*, viewed on 24 May 2013 <www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees#roles>.



List of abbreviations

ADFA	Australian Defence Force Academy
ADF	Australian Defence Force
ADFPP	Australian Defence Force Parliamentary Program
ADO	Australian Defence Organisation
AMA	Australian Medical Association
ANA	Afghan National Army
ANSF	Afghan National Security Forces
ANAO	Australian National Audit Office
APS	Australian Public Service
ASPI	Australian Strategic Policy Institute
ANU	Australian National University
CDF	Chief of the Defence Force
CIED TF	Counter Improvised Explosive Devices Task Force
COO	Chief Operating Officer
CRAM	Counter Rocket and Mortar fire capability
DAR	Defence Annual Report
DAS	Distributed Aperture System

DART	Defence Abuse Response Taskforce
DCP	Defence Capability Plan
DEEWR	Department of Education, Employment and Workplace Relations
DIDP	Defence Indigenous Development Program
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation
DVA	Department of Veterans' Affairs
ECH	Enhanced Combat Helmet
FINMAN 4	Defence Financial Costing Manual
HQJOC	Headquarters Joint Operations Command
ICT	Information and Communications Technology
IED	Improvised Explosive Devices
IOC	Initial Operating Capability
ISAF	International Security Assistance Force
ISR	Intelligence, Surveillance and Reconnaissance
ISREW	Intelligence, Surveillance Reconnaissance Electronic Warfare
JSF	Joint Strike Fighter
JSOW	Joint Stand-Off Weapon
KPI	Key Performance Indicator
LCD	Liquid Crystal Display
LHD	Landing Helicopter Dock
MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization

NCO	Non-Commissioned Officer
NVG	Night Vision Goggle
NZDF	New Zealand Defence Force
PES	Physical Employment Standard
POPS	Post-Operational Psychological Screen
PTS	Post-traumatic Stress
PTSD	Post-traumatic Stress Disorder
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RAP	Reconciliation Action Plan
RtAPS	Return to Australia Psychological Screening
SCRAM	Schedule Compliance Risk Assessment Methodology
SRP	Strategic Reform Program
UAV	Unmanned Aerial Vehicle
USAF	United States Air Force
VCDF	Vice Chief of the Defence Force



List of recommendations

5 Reviews of Defence Culture

Recommendation 1

The Committee recommends that the 'Defence Abuse Reparation Scheme Guidelines' and the Defence Abuse Response Taskforce terms of reference should be reviewed to clarify:

- whether cases involving a complainant not employed by Defence fall within the scope of the relevant processes; and
- what abuses are defined as in and out of scope, including whether abuses which constitute offenses under relevant Commonwealth legislation are included.

6 Strategic Reform Program

Recommendation 2

The Committee recommends that the Defence Annual Report include detailed information on how savings are being achieved under each stream of the Strategic Reform Program.

7 Other issues

Recommendation 3

The Committee recommends that the Department of Defence enhance its public reporting by:

- Developing a more precise method for reporting performance on capabilities acquisition and sustainment, which would detail:
 - ⇒ Specific performance targets;
 - ⇒ how performance is assessed in relation to these targets; and
 - ⇒ the specific reasons why targets are, or are not, achieved;
- Including some detail on emerging areas of concern and potential future issues;
- Enhancing its reporting on the Defence budget and its implications for capabilities acquisition and sustainment;
- Undergoing a periodic review conducted by independent experts, similar to the United States' Quadrennial Defense Review; and
- Including information on operational readiness.

Recommendation 4

The Committee recommends that the Defence Parliamentary Engagement Program include placements with the Department of Defence policy areas and the Defence Materiel Organisation.

Introduction

- 1.1 During the 2011-2012 financial year, Defence continued to engage in military operations around the world, and to assist with disaster relief.
- 1.2 The Australian Defence Force (ADF) worked towards ceasing operations in Solomon Islands and East Timor, and began the formal process of transitioning security responsibility to the Afghan National Security Forces in Afghanistan.¹
- 1.3 In addition to these operations, the ADF was also active in providing support to communities affected by natural disaster in Australia, as well as assisting in the protection of Australia's borders.²
- 1.4 In 2011-2012, Defence claimed to have generated more than \$1 billion in savings through its Strategic Reform Program (SRP), now in its third year. This included reform of the way in which Defence managed and formulated its capital equipment budgets, and a number of important reforms to project management and accountability have been implemented.³
- 1.5 Defence culture received considerable attention in 2011-2012, with a range of comprehensive reviews being completed on a number of issues within the Defence organisation, including sexual and other abuse, the treatment of women, the use of alcohol and the use of social media. As a result of these reviews, Defence has produced a strategy called *Pathways to Change*, which will form the basis for Defence's addressing of the issues raised in the various reviews.

1 *Defence Annual Report 2011-2012*, p. 3.

2 *Defence Annual Report 2011-2012*, p. 3.

3 *Defence Annual Report 2011-2012*, p. 4.

Annual Report review objectives and scope

- 1.6 The review of the *Defence Annual Report* is an important task and an opportunity for the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to inquire into a broad range of Defence issues as part of the process of accountability of Government agencies to Parliament. The Sub-Committee takes this responsibility very seriously.

Focus areas

- 1.7 The Sub-Committee decided to focus on five main areas for its review of the *Defence Annual Report 2011-2012*. These issues and their chapters are:
- The drawdown and transition in Afghanistan – covered in Chapter Two;
 - Defence budget – covered in Chapter Three;
 - Force protection – covered in Chapter Four;
 - Reviews of Defence culture – covered in Chapter Five; and
 - The Strategic Reform Program – covered in Chapter Six.
- 1.8 In its review of the *Defence Annual Report 2010-2011*, the Sub-Committee resolved to maintain a focus on the Joint Strike Fighter (JSF) project, with a view to ensuring that it provides the ADF with the necessary capabilities. As such, the Sub-Committee also gives a brief update on the progress of the JSF project with a particular focus on the issues of cost, schedule and capability in Chapter Seven, along with an account of the other issues that arose during the course of this review.

Conduct of the review

- 1.9 The Review was announced via media release on 29 November 2012.
- 1.10 The Sub-Committee received five submissions; one from Mr James Brown and four from Defence answering questions on notice. These submissions were published on the Committee's website, and are listed at Appendix A.
- 1.11 The Sub-Committee held two public hearings and took evidence from the following witnesses:
- Senior Defence officials – 15 March 2013; and
 - Mr James Brown and Defence officials involved in the JSF project – 16 May 2013.

- 1.12 The proceedings of these hearings were webcast through the Parliament's website, allowing interested parties to follow the proceedings as they occurred.

Drawdown of operations in Afghanistan

- 2.1 This chapter outlines the changing role of the Australian Defence Force (ADF) in Afghanistan. It also discusses funding issues related to the drawdown, as well as support for returning veterans.

Background

- 2.2 Australia currently provides a military contribution to the International Security Assistance Force (ISAF) in Afghanistan under Operation SLIPPER. Approximately 1,550 ADF personnel are based in Afghanistan. A further 830 personnel are located within the Middle East Area of Operations.
- 2.3 The ISAF is now in a transition phase of the operation in Afghanistan and is handing over lead responsibility for security across Afghanistan to the Afghan National Security Forces (ANSF).
- 2.4 As a part of this transition process, the current Australian operation in Afghanistan will cease at the end of December 2014.
- 2.5 In the 2011-2012 financial year, Defence spent \$1.066 billion on Operation SLIPPER.¹ In terms of future funding, for 2012-13, Operation SLIPPER is estimated to cost approximately \$1.2 billion, and this is expected to drop in the coming financial year to around \$700 million.

1 *Defence Annual Report 2011-2012*, p. 110.

Australia's mission in Afghanistan post 2014

- 2.6 Defence told the Committee that the nature of Australia's involvement in Afghanistan will change significantly after 2014, noting that:

The operation will be distinctly different post-2014 in that it will be primarily an advise, assist and train mission. To date, we have handled a lot of the combat load. That is changing now as we hand over responsibility to the ANSF. Certainly the next mission is really about advise, assist and train. Therefore, there is no combat load on the next force in a conventional sense as we have done in the past.²

- 2.7 In addition, Defence stated that Australia's mission in Afghanistan after 2014 will involve sustaining and supporting the ANSF, as well as providing ongoing development assistance.³

Sustaining and supporting the ANSF

- 2.8 Defence advised the Committee that Australian support for the ANSF after 2014 will involve training for Afghan National Army officers, stating that:

The government has already agreed and stated that we will provide trainers to the Afghan National Army Officer Academy. That is being led by the United Kingdom military forces but we will be a significant contributor to that. We will start work on that in the third quarter of this year, in August or September, and we will provide that for quite a number of years until the Afghans are ready to take over that responsibility themselves.⁴

- 2.9 The Committee queried what specific forms of training Defence will provide as part of this program. In response, Defence explained that the training will be focused on 'developing the leadership skills at the junior and mid ranking officer level.'⁵
- 2.10 Defence added that ADF personnel will continue to be embedded in the ANSF headquarters that are established and advised that 'that sort of command and control framework is being worked through at the present time.'⁶

2 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 2.

3 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 2.

4 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 2.

5 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 2.

6 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

- 2.11 Further, Defence commented that the ADF may also assist with special forces operations after 2014, commenting that:

...we will look at providing assistance in the special forces operations tasks there, one of which could fall into the training of Afghan special forces, and then, if there is an appropriate mandate and a requirement to support, the government is prepared to consider providing a counter-terrorist force to continue to operate against al-Qaeda there.⁷

- 2.12 However, Defence clarified that these decisions are 'dependent on final NATO and government of Afghanistan decisions on what they typically want after 2014.'⁸

- 2.13 Australian support for the ANSF after 2014 will also include contributions to an international sustainment fund. Defence observed that:

...the government announced last year that it would provide \$100 million a year as our contribution to the sustainment of the ANSF for the first three years beyond the end of 2014. That is our contribution to an international sustainment fund of around \$4 billion a year to ensure that the ANSF has the numbers and the capability.⁹

Development assistance

- 2.14 Defence also noted that Australian development assistance to Afghanistan will increase after 2014:

...after the end of 2014, the government has announced that we will have a significant development assistance program. We have a significant development assistance program in Afghanistan now, but for the three years beyond the end of 2014 it will be in the order of \$200 million a year.¹⁰

- 2.15 Due to these changes to the Australian mission in Afghanistan, Defence advised that the number of ADF personnel in Afghanistan will be reduced, stating that:

Beyond the end of 2014, probably the major Australian interaction with Afghan civilians will be via the government's development assistance program. That is a deliberate move.¹¹

7 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

8 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

9 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 3.

10 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 3.

11 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 10.

Resetting the ADF

- 2.16 The Committee queried how Australia's changing mission in Afghanistan after 2014 will affect the role and structure of the ADF. In response, Defence stated that there is a need to 'reset' the ADF post-Afghanistan:

...it is not just post-Afghanistan. Obviously, we are pretty much done and dusted in East Timor. At the moment, there is only a handful of people over there doing the last bit of admin. We will be out of the Solomon Islands in about September and... there will be a substantial reduction in numbers over the coming year or so in Afghanistan.¹²

- 2.17 Defence also highlighted the need to build on the experience gained by the ADF in Afghanistan, emphasising that:

...as we look to reset the ADF on the comeback, one thing is the absorption of the right lessons at many levels – operational and tactical level – into the ADF so that we can continue. Afghanistan is not the only war; it is a form of warfare. We need to take those lessons where appropriate, and many of them do cross over to conventional operations in a broader sense.¹³

- 2.18 In particular, Defence noted that training processes and command and control procedures are being revised to reflect the experience of the ADF in Afghanistan:

We are rethinking and resetting our training and exercise programs to get better value for money out of them and to make sure they are being conducted in the right context and the right complexity. A lot of what we have learnt about fusion of information command and control and so forth is quite transferable into that space, so we need to do that.¹⁴

- 2.19 Defence added that it is working to restore conventional capabilities that were limited by the operations in Afghanistan:

We will also obviously be concentrating on the preparedness of the ADF to ensure that, across the board, some of our particular conventional skills such as anti-submarine warfare and so forth, which, to be frank, we have taken a dip in because the particular elements have been used elsewhere – the P3s for example – and differently will be running through our design.¹⁵

12 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

13 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

14 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

15 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

2.20 The Committee also asked Defence what measures were in place to maintain force readiness and mitigate the retirement of personnel after the drawdown in Afghanistan is complete. Defence responded that there is a need to continue to develop training and education programs for personnel:

...we are looking at the construct of our employment offer to people to ensure that it reflects where we think the requirement is to attract, recruit and retrain people and also to make sure that the nature of the work they do builds on that experience – that is, if they come back and we are not training them, educating them and working them as they have seen on operations, then frankly they could say we are not serious and we will lose people.¹⁶

2.21 Also, according to Defence there may be increased opportunities for personnel to participate in activities and exercises offshore after 2014:

...we will be looking to do different types of activities with our friends throughout the region... So, there will be, I think, an increase in opportunity for people to participate in activities or exercises offshore. As we look at each of the countries that we have bilateral relationships with at the moment, we are reframing each of those relationships to make sure there is an appropriate level of interaction – discussions, talks and so forth, but also hands-on physical activities with each of those countries.¹⁷

2.22 However, Defence acknowledged that some loss of personnel will occur after the drawdown is complete:

But we will lose people – there is no doubt. We do not run wars to keep people in the Defence Force – quite the opposite; we keep them there to be ready if we need to go and do it. So we go back to where we were, in a general sense, post-Vietnam and have to really develop that training regime, the exercise regime and the professionalism in the organisation to maintain it there for the next time the ADF might be required to deploy.¹⁸

Support for veterans

2.23 An important facet of Australia's withdrawal from Afghanistan is what happens to the defence personnel upon their return. It is vital that they

16 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

17 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 9.

18 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

receive the proper support both in regard to transitioning from a wartime to a peacetime force, and in ensuring appropriate support for any physical or mental health issues they develop as a result of their service in Afghanistan. The care of wounded and injured soldiers is the subject of an inquiry by this Committee, and as a result this section focuses mostly on the mental health impacts on returning Defence personnel.

Capacity of the ADF to support veterans

- 2.24 Defence noted that it has been doing a lot in recent years to ensure that returning soldiers receive proper support and care for any mental health issues they may develop as a result of their service:

If you look at what we have done over about the last three years in terms of programs to support wounded, injured and ill soldiers, I think we have done a very good job to put the framework into place to deal with the cases we have at hand and set ourselves up to deal with what might come in the future. I do see reports about tidal waves, or surges as you say, coming in. For post-traumatic stress disorder (PTSD), for example, we would expect the numbers to increase into the future because this syndrome takes time, for some people, to evolve. We have put resources into it. Following the Dunt review a few years back, the government put a significant amount of money into the resourcing. We have reframed the way we are regionally postured to assist people, going into much more multiskilled teams. We have established regional mental health care teams. We have instituted a lot of programs – from resilience to the other end.¹⁹

- 2.25 However, Defence noted that sometimes it is difficult to determine which individuals are suffering from the effects of PTSD and similar disorders, as there is a reticence to come forward due to perceptions it could harm career prospects. Defence told the Committee that:

As always, the issue is... that people need to come forward, and be urged and supported to come forward, to declare that they need assistance. I will say again on the public record that if people come forward and they are suffering they will be treated. There is no detriment to their career. But they need to accept their personal responsibility that they need to be able to do the job and I and their subordinates have got to have confidence in them to do the job as well. So hiding illness and putting your subordinates at risk is just as big a sin as me not providing you with the right support.

19 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 4.

And I think people need to think that through: it is not just about me, it is about what their responsibilities are. I think that is a message which probably has not gone out strongly enough. And, should there be a tidal wave, I think we have got at least the foundation in place to be able to expand to deal with it. But, at the moment, I think the framework is appropriate. Let us watch and learn as the years go by.²⁰

- 2.26 While this is an issue in society more generally, Defence stated that this reticence to come forward posed them particular difficulties in identifying sufferers of PTSD:

We often have very high-functioning people, who – not just in the military, but in all walks of life – do manage to conceal their symptoms and manage them to a point so that they continue to function. That is whether they continue to function in Afghanistan or in a high-powered civilian job. People use alcohol and people use drugs, but they hide it. What we really are trying to address is that there is an absolute responsibility for us in the health system to assist people. There is also an absolute responsibility within the command system to encourage their people, to look after their people, and to encourage them to seek help. But there is also a personal responsibility to admit that you have a problem.²¹

- 2.27 Defence also informed the Committee that it was endeavouring to train commanders and soldiers to raise awareness about how to spot personnel who are potentially suffering from mental ill-health, and provide appropriate pathways for them to seek help for themselves or their colleagues:

Again, there are a range of programs we have put in place in terms of suicide awareness training, suicide ideation and so forth. There are quite a number of 24/7 capacities for people to seek support and so forth. From our ab initio training at officer and soldier level and in our courses above that, awareness of what has happened to the force and going through the force I think is quite alive. If people front up with those sorts of issues, the capacity to move them pretty much into health care within hours exists. So I would be confident that if someone fronted up to an officer, a senior non-commissioned officer or so forth and said, "Hey, I'm suffering from this," they know what the contact points are – and if it is

20 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 4.

21 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 12.

simply just marching them over to the health centre, that is the start point.²²

- 2.28 Specifically, Defence told the Committee that it runs a number of programs in this area:

We have a number of training programs. We have some general suicide awareness training and we have some general mental health training. It is what we call the Keep Your Mates Safe Program – Keep Your Mates Safe-Alcohol and Keep Your Mates Safe-Suicide. It is about trying to give the peer group a bit more awareness about what to do. Particularly if someone is suffering a mental health condition, the individual, peers, command, and health all have a responsibility. If someone suggests that they are worried for a person's safety from a mental health condition or any condition, you do not leave them. You ring 000, you ring command or you take them to the health centre. If they do not go, you do not leave them; you get someone else to talk to command.²³

- 2.29 The Committee explored the issue of the adequacy of the post-deployment screening process, and whether this was robust enough to deal with the health issues likely to arise as Australia withdraws its presence in Afghanistan. Defence assured the Committee that it is:

...quite confident that we have invested appropriately and put in the framework to support the care and management of the wounded, injured and ill service men and women in the ADF, particularly in the mental health area. Some of our work in that space is world class. I know we all harbour concern that people can fall through the cracks or people do not identify. The framework is right. If you could get me a predictor of who will suffer mental health disorder, that would go a great way to help us probably be better than we are at the present time. But certainly we have not been sitting back to let this just develop around us... Over the last three years at least, there has been quite significant work to build that framework, looking at it on a continuum, from resilience training from day one to support and identification when you come back. The big loophole in all of that is if people do not self-identify and we cannot identify through the work environment or family reporting and so forth, they will stay out

22 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, pp. 4-5.

23 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 13.

there until they either decide to do that, or they take some other sort of action.²⁴

- 2.30 Defence elaborated on the difficulties of using a pre-deployment screening process, and discussed the need to conduct regular screenings both during and after deployments:

We do have those screening tools in place, but what we know from the evidence is that screening people prior to going on deployment is not beneficial. If they want to go, people will answer the questions because they want to go. What evidence does support is that when people return and we do that screening prior to them leaving the area of operation four to six months later, is that that is the time when people will be honest and tell us. That is why we have a screening program that is done post-deployment rather than pre-deployment. Every military in the world will say that the evidence of doing pre-deployment screening is not worth the paper that it is written on.²⁵

- 2.31 Then, Defence discussed the range of preparatory work it does with personnel to ensure, insofar as it is possible, that they are prepared for the situation that they will face on deployment:

First of all, we screen people coming into the military. We do resilience training that starts off in the recruit schools and the initial officer school. It is about teaching people how to deal with stressful situations—how to manage them and how to react. In the beginning, it is about how you deal with leaving civilian life and coming into the military, coming into recruit school. It is testing and adjusting, discovering what tools are needed to adjust to that stressful situation.

Then we do training pre-deployment. That is more about how you test and adjust in a stressful warlike combat operation. It is like a continuum. You are doing it through the different stages of a military career. It is also about trying to prepare people for what will happen on deployment. In the military there will be people who will see things and experience things that will affect not only their physical health but also their mental health.²⁶

- 2.32 Defence then informed the Committee of what it was doing in terms of post-deployment screening:

24 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, pp. 7-8.

25 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 8.

26 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 8.

The screening tools that we do post-deployment, the RtAPS and the POPS – Return to Australia Psychological Screening and Post-Operational Psychological Screen – are administered by psychologists. There is a scoring system, so if you meet the cut-off then either you go on for a medium assessment or early assessment or we will review you in a period of time. Then what we would do is consider whether they are put in to clinical psychologists for review or whether they are seen by the general practitioner for ongoing monitoring. There may be a decision for a psychiatric review, or there may be ongoing monitoring by the general practitioner. Again, because there is a spectrum of disorder and a spectrum of how people present, there are different ways that we will manage them.²⁷

Cooperation with the Department of Veterans Affairs

2.33 A central part in providing appropriate care for the veterans of the conflict in Afghanistan is played by the Department of Veterans Affairs (DVA). As such, Defence discussed a recent memorandum of understanding (MOU) it has signed with DVA which is designed to ensure that appropriate care and support is given to returned soldiers long term:

What we are trying to do with DVA is ensure that there is a continuum in how we support people while they are currently serving and then, if they leave the military and they have a medical condition, when and how they transition. It is about ensuring that we have got our processes and our procedures all aligned. For example, there could be someone with a medical condition – and it is often mental health because that is often a little bit more difficult. It is about how we identify someone with that condition and give them appropriate treatment. They have a rehabilitation case manager in Defence appointed with the aim of either getting them back to work or into a different job that is still within the military or transitioning out because they are no longer available.²⁸

2.34 Alignment of goals for and programs of support between Defence and DVA is a central part of this MOU and of improving the continuity of care and support offered to veterans as they transition out of the ADF. Defence elaborated on this aspect at a public hearing:

27 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 13.

28 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 8.

If we are going to transition them, it is about looking at what we need to have in place as they transition. It is about ensuring that their DVA claim has been put in and is managed and in most cases accepted prior to discharge. It is about putting in place the medical support, so there has to be a case handover. If possible, we will hand over from the same treating person that they have had in Defence and that will continue once they leave, but if it is not possible then we make sure that handover is a positive handover of the facts to the new treating health provider. It is about looking at what are the rehabilitation goals, needs and programs that we might then transition. Perhaps previously we were a bit disjointed; it was what we did and then what DVA did, but they were not all aligned up. What we are trying to do now is for it to be all aligned as we move forward. So the patient or the member does not really see anything different. They are just going on their treatment program; it is just that one day they are in the military and the next day they have been discharged, but they have the same support, the same mechanisms, the same health support and the same rehab requirements and providers that they did when they were in the military.²⁹

- 2.35 In regard to the potential for individual veterans suffering from physical injuries or mental ill health to ‘slip through the cracks’ of the post-deployment screening processes, Defence noted that it was attempting to use every opportunity to prevent this from happening, stating:

We also use every engagement – if you go to medical for a vaccination or if you go for your annual medical. We use all of those opportunities to ask people how they are going. In the medicals, we look at alcohol screening and stress levels. We do give people the opportunities to engage... there is a personal responsibility for people to tell us there is a problem, and then we can help in the mental health space. I have said before that it is really hard to hide a broken leg, but it is easier to hide mental health conditions.³⁰

Care of ADF personnel wounded or injured on operations

- 2.36 Concurrent with this review of the *Defence Annual Report 2011-2012*, the Committee has conducted an Inquiry into the Care of ADF Personnel Wounded and Injured on Operations. For a deeper analysis of the issue of

29 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 8.

30 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 11.

support for veterans and the capacity of the ADF and DVA to support them, see the Inquiry report.³¹

Defence materiel and equipment

- 2.37 One of the major questions facing Defence during the withdrawal from Afghanistan is what to do with the important capabilities and materiel currently stationed in Afghanistan. The Committee questioned Defence as to what would happen to the equipment:

If it is in workable order and so forth and repairable and maintainable back here in Australia we will bring it all back. So there is a massive effort in planning at the present time in terms of collapsing that camp and bringing everything back – from ammunition to vehicles, equipment and so forth. I anticipate that we will leave very little behind. Indeed, from the ISAF perspective and with the government of Afghanistan, we need to be very careful that we do not leave stuff behind that could be used with ill intent or leave kit behind for the Afghans which they simply cannot maintain. So our intent would be to bring everything back if we can.³²

Committee comment

- 2.38 It is important that, as Australia withdraws its combat presence in Afghanistan, the legacy of Australia's presence there be appropriately dealt with. In the Committee's view, there are several aspects to this.
- 2.39 First, the Committee believes it is important that the ANSF be provided with the appropriate support and assistance they need to maintain security in Afghanistan. This will require ongoing engagement from partner nations, including Australia, both in terms of training assistance, defence materiel and development assistance. The Committee is satisfied that Defence has a plan in this regard, and that this plan is as robust as possible.
- 2.40 Second, it is vital that the transition of the ADF from a wartime force to a peacetime force be handled with as little disruption as possible. At the same time, it is important that the operational readiness of the ADF be
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31 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Care of ADF Personnel Wounded and Injured on Operations*, June 2013.

32 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 3.

maintained to the highest extent possible. While the Committee is concerned at the potential for the loss of personnel once Australia's presence in Afghanistan has been drawn down, it is confident that Defence is aware of the potential issues in this area and has a plan to manage these issues.

- 2.41 Third, given the large number of uniformed personnel who have served on active duty in Afghanistan, one of the main challenges Defence will face over the next decade is making sure these veterans receive appropriate assistance and care. The Committee examines this matter further in its report for the inquiry into the care of soldiers wounded and injured on operations.

Defence budget

Introduction

- 3.1 The Australian Defence Organisation is one of the largest government employers in Australia, and is responsible for employing more than 22,000 public servants and 56,000 military personnel.¹
- 3.2 It is also responsible for a wide range of functions, including conducting military operations within Australia and internationally, disaster relief, planning for and delivering Australia's military capabilities, and the day to day functioning of the Australian Defence Force (ADF).
- 3.3 As a result, Defence has one of the largest budgets of any Australian government agency, with a total spend of \$25.291 billion in 2011-2012.² The *Annual Report 2011-2012* elaborated on this figure:
- This is an overspend of \$170.9 million when compared to the revised estimate as at *Portfolio Budget Statements 2012-13* after factoring in no-win/no-loss movements of \$117.0 million. The budget overspend was funded by utilising carry forward appropriation from previous years.
- This is primarily a result of an overspend in operating costs (\$239.2 million) and an under-receipt in own-source revenue (\$89.8 million), offset by underspends in capital purchases (\$138.5 million) and employee costs (\$19.5 million).³
- 3.4 When reporting on its budget, Defence divides its activities into three outcomes. Outcome 1 accounted for the bulk of the Defence budget in
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1 *Defence Annual Report 2011-2012*, p. 285.

2 *Defence Annual Report 2011-2012*, p. 9.

3 *Defence Annual Report 2011-2012*, p. 9.

2011-2012, costing \$22.047 billion. This outcome is focused on the maintaining Defence's 'capacity to support current commitments and future contingencies', including through the provision of military capabilities and all of the 'policy, command and support functions undertaken by the entire Defence organisation'.⁴

- 3.5 Outcome 2 accounted for a further \$958 million in 2011-2012. This outcome is focused on the conduct of military operations in support of Australia's regional and global interests, and is split into two broad areas: operations in the immediate region and operations in support of wider interests.⁵
- 3.6 Operations in the immediate region cost \$176 million in 2011-2012. This involved Australian defence personnel being deployed to Solomon Islands, Timor-Leste, Papua New Guinea and the island countries of the Southwest Pacific.⁶
- 3.7 Operations in support of wider interests cost \$782.66 million in 2011-2012. This mainly involved Australian defence personnel being deployed to Afghanistan, but also includes support for United Nations operations in the Middle East and Africa.⁷
- 3.8 Outcome 3 accounted for \$18.4 million in 2011-2012. According to the *Annual Report*, this outcome is focused on:
- ...the security of the Australian coastline from illegal immigration, smuggling, quarantine evasion and other intrusions to Australian sovereignty, counter-terrorism responses, search and rescue, and natural disaster relief.⁸
- 3.9 Specifically, this outcome involved the ADF:
- supporting Border Protection Command through the provision of maritime surveillance assets;
 - the provision of assistance to flood affected communities in New South Wales, Queensland and Victoria; and
 - support for the security arrangements surrounding the October 2011 Commonwealth Heads of Government Meeting and the November 2011 visit of US President Barack Obama.⁹

4 *Defence Annual Report 2011-2012*, p. 31, 35.

5 *Defence Annual Report 2011-2012*, pp. 109-115.

6 *Defence Annual Report 2011-2012*, pp. 116-119.

7 *Defence Annual Report 2011-2012*, pp. 120-123.

8 *Defence Annual Report 2011-2012*, p. 127.

9 *Defence Annual Report 2011-2012*, p. 127.

- 3.10 This chapter will focus on the following selected areas of the Defence budget:
- Budget cuts and their impact;
 - Reporting the Defence budget; and
 - The budgetary implications of operations both in Australia and overseas.

Budget cuts

- 3.11 While Defence's funding increased by 4.2 per cent in the 2011-2012 financial year, in the 2011-2012 budget the Government announced a significant cut to the Defence budget of \$4.3 billion over seven years.¹⁰ In the 2012-13 budget, this figure was adjusted to \$5.5 billion over four years.¹¹
- 3.12 While this Review examines Defence's annual report for the 2011-2012 financial year, it is still necessary to examine these long term budget cuts. The Committee focused particularly on the impact of cuts on capability planning and acquisition, and on the provision of services at bases and other facilities.

Capability planning and acquisition

- 3.13 In regard to capability planning and acquisition, Defence noted that while 'critical capabilities' would continue to be delivered as planned, it has still been necessary to defer some projects:

There were 57 projects in all which were deferred mostly by one or two years as part of the last budget.¹²

- 3.14 Defence discussed further the budgetary implications of the economic uncertainty, noting that it would not affect the delivery of the core capabilities outlined in the *Defence White Paper 2009*:

The government is committed to delivering the core capabilities enunciated in the 2009 white paper such as the air warfare destroyers, the helicopter landing docks, the Joint Strike Fighter program, the future submarines and the like. The government is on the public record as doing that. We do face challenges, quite obviously. The 2009 white paper was predicated on Defence

10 Australian Strategic Policy Institute, *Cost of Defence 2011-2012*, p. vi.

11 Australian Strategic Policy Institute, *Cost of Defence 2012-2013*, p. vi.

12 Vice Admiral James, Australian Defence Force, Transcript, 15 March 2013, p. 24.

spending increasing by three per cent real out to 2018-19 and, because of fiscal circumstances, that has not been able to be implemented. We have had, as you have stated, a reduction in the Defence budget as part of the government's broader fiscal strategy and we have had other matters move to the right. All of that poses challenges for us, but at present we will be able to deliver on the core capabilities identified in the 2009 white paper, even though the delivery of some may be deferred beyond the original timetable.¹³

3.15 Defence elaborated on the ways it is managing the delivery of key capabilities in light of reprioritisation:

The reprioritisation of Defence expenditure in the 2011-2012 budget was designed to have minimum impact on the delivery of core Defence capabilities. A number of lower-priority capability projects were deferred with a small number cancelled where they were superseded by alternative capabilities, and other capability and facility programs were subject to re-scoping. Australia will continue to maintain one of the strongest military capabilities in our region.

[...]

In conjunction with establishing a new funding model for Defence, the Defence budget has been reprofiled over the Forward Estimates for expenditure on priority Capital Investment and Sustainment Programs. This includes the acquisition of 12 new EA-18G Growler aircraft, as announced in the White Paper, for which the Government will also provide Defence an additional \$200 million in 2014-2015. The reprofiling of the budget will in the usual way involve adjustments to the priority of activities across Defence, including proposed capability acquisitions. Details will be provided in the next Public Defence Capability Plan, to be published before the end of the 2012-2013 financial year.¹⁴

3.16 In regard to capability acquisition, the Defence Materiel Organisation (DMO) told the Committee that, despite the impression given by public discussion that capabilities are often delivered over budget, Defence has a strong track record of completing such projects under budget. The DMO argued:

Defence projects which come in under budget are the norm. Since July 2010 59 major projects have been closed following successful

13 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 25.

14 Department of Defence, *Submission No. 5*, p. 8.

introduction into service. On average these projects were completed within 95 per cent of the approved budget. Of this only four projects required a real cost increase to complete approved scope.¹⁵

- 3.17 The DMO also told the Committee that its practices and project management policies are ‘under constant review to incorporate lessons learned and streamline processes’. The DMO elaborated on how it was achieving this:

The DMO has invested heavily in people through the establishment of a project management professionalism framework to enable people in project management roles to acquire the knowledge, skills and competence for the effective management and delivery of projects. This framework provides a range of training pathways including practitioner courses, nationally accredited vocational based training and post graduate education options. DMO has developed Communities of Practice across the scheduling, cost estimation and project management streams, which enable knowledge sharing and the identification of best practice processes that can be applied across the organisation.¹⁶

- 3.18 When questioned about the cost growth indexation figures it currently uses when formulating budgets, Defence noted that the indices it uses were:

...formulated back in the Pappas review, when McKinseys did their review. It is a composite of indices. [...] The indices that the Pappas report referred to is quite an extensive list, but we with Pappas eventually settled on a more manageable list of indices. Some of the indices that he in the first instance recommended were a little obscure and it was difficult to obtain regular updated information for them. There is a practicality involved in that as well.¹⁷

- 3.19 Defence elaborated on the specific cost growth indices currently in use:

The cost growth figures used in the Defence budget utilise a basket of five indices to model the future costs of Defence. The basket of indices is as follows:

15 Department of Defence, *Submission No. 5*, p. 3.

16 Department of Defence, *Submission No. 5*, p. 5.

17 Mr Prior, Department of Defence, Transcript, 15 March 2013, p. 27-28.

- Military Equipment Capital and Sustainment – 4 per cent US Department of Defence Procurement Index; 39 per cent Wage Price Index and 21 per cent Producer Price Index;
- Personnel – 100 per cent Wage Price Index;
- Facilities – 100 per cent Gross Fixed Capital Non-Dwelling Construction Index; and
- Other Operating Expenses – 100 per cent Non Farm Gross Domestic Product implicit price deflator.¹⁸

Provision of services to ADF personnel

3.20 Another area of focus for the Committee where significant savings are being achieved within the Defence budget is in ‘non-equipment procurement’, which includes the provision of services to ADF personnel and Defence facilities, travel, building maintenance, professional services and removals.¹⁹ This is examined in greater detail in Chapter Six on the Strategic Reform Program.

Reporting the Defence budget

3.21 The *Defence Annual Report 2011-2012* contains two mentions of the effects of the current budgetary constraints. The main mention is contained in the section dealing with the DMO, which notes:

Current budget conditions are tight and the impacts cannot be avoided or ignored. The only way to survive is through expert management of our day to day business. For acquisition, this means extracting every bit of value from every dollar we spend. For sustainment, it means making every effort to align support concepts with customer demands, and ensuring that we do not allow capabilities to be hollowed out over time.²⁰

3.22 When asked whether there is any wider public reporting on the consequences of the constrained budget, Defence stated:

I suppose Senate estimates and this committee hearing today go to just that. At the last Senate estimates hearing, we spent a day before the Committee; and, if the Committee had wanted to, we could have spent two days before the Committee. Senators were free to ask the department any question they wanted on any matter and, indeed, there were a lot of questions digging down

18 Department of Defence, *Submission No. 5*, p. 11.

19 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 30.

20 *Defence Annual Report 2011-2012*, p. 148.

further. [...] So, in terms of our responsibility to provide information to Parliament, this is what we are doing.²¹

3.23 Defence also noted that, in addition to the estimates process, Defence's annual report, and reviews of their annual report, there is 'an articulation of any cuts documented' in its portfolio budget statements.²²

3.24 Additionally, Defence argued that the *Annual Report* is not of sufficient size to incorporate all of the effects and implications of declining budgets:

In the sense of practicality this [annual] report for 2011-2012 is 540 pages thick; if we were to go through it project by project and take out lessons learnt we will be in something even less manageable. There is a need for practicality here as to where the information about the department is coming out.²³

3.25 Furthermore, Defence told the Committee that the Australian National Audit Office (ANAO) regularly produces reports that highlight the impact on capabilities that declining budgets can have. In particular, Defence directed the Committee's attention to a recent ANAO report on the project to acquire the MU90 lightweight torpedo, noting:

Yes, we acknowledge that there are calls for greater transparency and so forth but there are many routes to achieve that; it does not have to be in a single document. Indeed, this [annual] report is for 2011-2012, so if you are looking at implications of financial reductions made in the budget 2012-2013 one would not expect them to be reflected in this report - hence they are reflected in the PBS for the period.

Operations

3.26 A significant portion of the 2011-2012 Defence budget went towards a number of operations within Australia, in Australia's immediate region, and in Afghanistan. Furthermore, a large portion of the operations occurring overseas came in under budget.

Flood relief operations in Australia

3.27 The Defence *Annual Report 2011-2012* notes that 'the ADF provided support to the Queensland, New South Wales and Victorian Governments

21 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 26.

22 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 26.

23 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 27.

in the wake of serious flooding events'.²⁴ Defence told the Committee that the additional costs incurred by this support operation totalled \$1.157 million.²⁵

3.28 Defence further noted that these costs were incurred primarily by flights to Brisbane, and that when expenditure on any operation is below \$10 million a year, any costs are absorbed by Defence into the current structure of its budget and will not appear in its *Annual Report*.²⁶

3.29 Furthermore, while natural disasters do form part of Defence's preparedness and readiness planning, they do not form part of its budgetary planning. This is because these operations usually do not cost more than \$10 million. In cases where they do cost more than \$10 million, Defence informed the Committee of the means by which the budget is maintained:

For any of our operations, wherever they occur and however they occur, there is an appropriation arrangement where, if the costs are greater than \$10 million, we are funded on a no-win, no-loss basis – that is, we are supplemented for them. Where they are less than \$10 million we absorb the costs within the base of our funding, and that has been a long-standing arrangement.²⁷

3.30 Overall, Defence characterised the impact of natural disaster relief on its budget as 'marginal'. This is because a large portion of the cost of responding to natural disasters is tied up in defence personnel and does not constitute additional expenditure. Defence elaborated on this at a public hearing:

Those [personnel] costs are already there; there is no marginal cost of deploying people to those disasters as opposed to their regular activities, in the main. It is the same with asset deployments – vehicles and the like. We do have budget lines for the fuel and for the running costs of those assets, so it is a matter of reprioritising the assets and the activities to what other activities they might have done.²⁸

24 *Defence Annual Report 2011-2012*, p. 127.

25 Department of Defence, *Submission No. 2*, p. 3.

26 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 28.

27 Mr Prior, Department of Defence, *Transcript*, 15 March 2013, p. 28.

28 Mr Prior, Department of Defence, *Transcript*, 15 March 2013, pp. 28-29.

Operations in the immediate region

- 3.31 Operation ANODE, which supports Australia's mission of assistance in Solomon Islands, came in \$5 million under budget in 2011-2012. Defence explained this at a public hearing:

Actual expenditure for Operation ANODE was \$5 million less than budget due to lower than estimated costs for the use of reservists on continuous full time service, lower than anticipated logistics support requirements, lower than planned strategic lift costs, and lower than planned costs for sustainment and remediation of equipment.²⁹

- 3.32 Similarly, Operation ASTUTE in Timor-Leste came in well under the \$160.2 million it was expected to cost. The *Defence Annual Report 2011-2012* explained this:

Actual expenditure for Operation ASTUTE was \$18.5 million less than budget due to lower than estimated personnel costs for Permanent and Reservists on continuous full time service, saving under the logistic support contract, variations in planned facilities works, lower than anticipated strategic lift requirements and lower than planned costs for sustainment and remediation of equipment.³⁰

Operations in Afghanistan

- 3.33 In regard to Operation SLIPPER in Afghanistan, the *Defence Annual Report 2011-2012* notes:

The 2011-2012 Budget initially provided \$1.221 billion for the continuation of operations in Afghanistan in 2011-2012. The Government provided a further \$2.2 million at Additional Estimates to enhance detainee management in Afghanistan taking the 2011-2012 Revised Estimate to \$1.224 billion.³¹

- 3.34 However, actual expenditure came in significantly lower than was budgeted, with SLIPPER costing \$157.3 million less than expected. Defence explained that this was due mainly to:

...delays in facilities projects, delays in the implementation of the logistics and base support services contracts, lower than anticipated strategic lift requirements due to savings associated

29 Department of Defence, *Submission No. 2*, p. 4.

30 *Defence Annual Report 2011-2012*, p. 113.

31 *Defence Annual Report 2011-2012*, p. 113.

with contracted helicopter support, and lower than anticipated costs against sustainment and remediation of equipment.³²

- 3.35 Furthermore, the *Defence Annual Report 2011-2012* notes that enhanced force protection in Afghanistan was \$233.2 million less than the 2011-2012 revised estimate of \$392.4 million. Force protection is dealt with in greater detail in Chapter Four.

Committee comment

- 3.36 The Committee acknowledges that Defence reports on its budget in a variety of contexts, including through parliamentary processes like Senate Estimates and this Review, as well as through budget documents and ANAO audits. Furthermore, the Committee accepts Defence's contention that the *Annual Report* is already of substantial size. Nonetheless, it is clear to the Committee that the *Defence Annual Report* does not currently deal with the Defence budget in enough detail. Ultimately, it should be possible to ascertain which projects are of most concern as a result of budgetary considerations from reading the annual report. However, this is not currently the case.
- 3.37 Additionally, it has become clear through the Senate Estimates process that over the last several years, Defence's budget for sustainment has been reduced by budget cuts. This reduction in the sustainment budget could have an impact on Australia's ability to conduct a major operation. As a result, greater transparency in the reporting of the budget for sustainment in the *Annual Report* is required.
- 3.38 In light of this, the Committee believes it would be desirable for a more holistic account of the important information relating to the Defence budget and its implications for capability acquisition and sustainment of capabilities and facilities to be included in future *Annual Reports*.
- 3.39 The Committee deals with the issue of reporting in greater detail in Chapter Seven.

32 Department of Defence, *Submission No. 5*, p. 15.

Force Protection

Background

- 4.1 In July 2009, the then Minister for Defence directed the then Chief of the Defence Force (CDF) to carry out a review of the force protection measures available for Australia's deployed troops.¹ This direction reflected the fact that the Government places the protection of soldiers deployed in Afghanistan as one of its highest priorities.²
- 4.2 In June 2010, Defence outlined the outcomes of the Review:
- ... this work put forward 48 recommendations for enhancements to our force protection measures, particularly reflecting the escalating improvised explosive device (IED) and rocket attacks in Uruzgan Province. It ensured a coherent, comprehensive and complete approach to force protection.
- The force protection improvements... cover a variety of active and passive measures, which range from personal protective equipment for our soldiers, to unmanned surveillance systems.³
- 4.3 In order to implement these changes, the Government in 2009 committed \$1.1 billion of funding for enhanced force protection measures for troops in Afghanistan. This was in addition to approximately half a billion dollars of existing measures. Hence, a total of \$1.6 billion was committed

1 Senator the Hon John Faulkner, Minister for Defence, 'Force Protection Measures', Media Release, 01 June 2010, p. 1

2 Senator the Hon John Faulkner, Minister for Defence, 'Force Protection Measures', Media Release, 01 June 2010, p. 1

3 Senator the Hon John Faulkner, Minister for Defence, 'Force Protection Measures', Media Release, 01 June 2010, p. 1

to enhanced force protection measures over the financial period 2009-10 to 2012-13.⁴

4.4 During the public hearing for this inquiry, Defence outlined the current status of this funding:

\$150 million of that has been returned to government because we did not need either the capability or the level of funding that was allowed for when the plan was first done. There is about \$250 million planned to be spent this year in that program.⁵

4.5 Thus, the review of force protection conducted in 2009 provides critical context for the Committee's inquiry into force protection. Both the Committee and Defence were focussed on ensuring that the Review's recommendations were being adequately implemented. Hence, current force protection issues were discussed with regular reference to the Review.

4.6 The Committee focussed on a range of force protection issues, entailing three particular categories.

- First, the Committee was concerned with force protection capabilities which seek to protect against harm on an individual level, such as body armour, helmets and physical employment standards.
- Second, the Committee inquired into capabilities protecting the force as a whole on a larger scale, such as through vehicles as well as intelligence, surveillance and reconnaissance (ISR) capabilities.
- Third, the Committee was mindful to inquire into Defence's processes for responding to force protection issues and improving capabilities.

4.7 Notably, the Committee's consideration of the issue of force protection capabilities has been closely intertwined with the effects of the drawdown from Afghanistan. This drawdown is dealt with in greater detail in Chapter Two.

Protection of individuals

4.8 The first element of force protection entails capabilities directly aimed at making individual uniformed personnel less likely to be harmed in operations, and minimising harm when it does occur. These capabilities

4 The Hon Stephen Smith MP, Minister for Defence, Question without Notice - Force protection measures, 28 October 2010, p. 1.

5 Air Vice Marshal Hart, Australian Defence Force, *Transcript*, 15 March 2013, p. 16.

occur in two forms: first, equipment of individual force members; second, physical characteristics of these force members.

- 4.9 In relation to force protection equipment for the individual, the Committee focussed on night-vision goggles, combat helmets and 'new camouflage' uniforms, as well as the over-arching consideration of the weight of a soldier, 'fully-kitted' with appropriate equipment.
- 4.10 In relation to individual force member characteristics, the Committee focussed upon physical training as well as employment standards for various roles in the Australian Defence Force (ADF).

Night-vision goggles

4.11 During its visit to Afghanistan in 2011, the Committee was informed that the night-vision goggles in use were about 10 years old. The Committee was therefore concerned that night-vision goggles available to personnel in Afghanistan were not up to date.

4.12 Defence responded to this concern by acknowledging the problem, explaining the causes and emphasizing the priority given to the issue. Specifically, Defence stated:

The issue here is that Australia competes across the world for access to state-of-the-art equipment. We have an ageing fleet of night vision devices and there is a program inside the Defence Capability Plan (DCP) to upgrade that to the next generation; we will do that; it is still a very high priority.⁶

4.13 Defence further stated that the operational requirements demanded of the system, particularly by special forces in Afghanistan, have been met where they can be through sourcing available stocks. However, these stocks are in short supply.⁷

4.14 Defence stated that improvements have been made in the 18 months since the Committee's visit to Afghanistan. However, Defence explained the practical challenges involved in dealing with this issue, and acknowledged that the current situation is not optimal:

I am not sure we have satisfied all of the soldier requirements but we have certainly made important steps. I cannot, nor can the Defence Materiel Organisation (DMO), produce equipment for soldiers if it is not there to actually procure.⁸

6 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 17.

7 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 17.

8 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 17.

Combat helmets

4.15 The 2009 force protection review specified 'improved body armour' as an important element of force protection initiatives.⁹ As a result, the Committee focussed upon the effects of an upgraded combat helmet.

4.16 Defence explained that all close combatants are currently using the upgraded Enhanced Combat Helmet (ECH).¹⁰ Defence then elaborated on exactly what the ECH offers:

It has the same weight and ballistic protection as the non-upgraded ECH. The weight is 1.35 kilos. The improvement with the upgraded helmet is that it provides better blunt force protection, and that is largely because of its improved padding and suspension system. It is also able ... to accommodate various other systems that are on the soldier. That is most particularly the case with night vision goggles.¹¹

4.17 Furthermore, the Committee inquired what the troops' assessment has been of the upgraded helmet. Defence responded by noting that the troops were consulted throughout the study which informed the upgrade, and then the eventual selection and procurement of the upgraded helmet. The feedback from troops has been positive in response to the upgraded ECH.¹²

New camouflage uniforms

4.18 The Committee sought feedback from Defence on the testing of a new camouflage uniform for the Australian army, namely the 'Crye patterned uniforms', in the context of force protection.

4.19 Defence responded that the feedback has been very good, and subsequently explained the specifics of this positive feedback as drawn from soldiers, stating:

The feedback has been very good. You might be aware that initially, on fielding the new uniform, we had some problems with the wear and tear – literally – of the uniforms, most notably in the trousers. That has been resolved now. The stitching on the uniforms has proved to be very successful, and, while you will still have damage to uniforms because of the environment that they are worn in, the utility of the new uniforms, both in terms of fit and in

9 The Hon. Greg Combet AM MP, Minister for Defence Materiel and Science, 'Defence Budget Breakfast' Speech, National Press Club, 12 May 2010, p. 2.

10 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 35.

11 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 35.

12 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 20.

terms of camouflage, has been very highly rated by those who have used them. Soldiers like the adaptations that have come with uniforms – most particularly the lighter fabric that can be worn under the body armour that soldiers wear, and that has pointed a way for me as the Chief of Army to the future.¹³

4.20 In terms of the future direction of these uniforms, Defence explained:

We are looking at the moment at where we go with the replacement of our current uniform, but that will be done within the budget that is allocated to the Army.

The pattern has proved to be very good in the operating environment that it is used in, in Afghanistan, but I have asked for a broader study to be done about its utility in different environments... So these decisions are all coming into play now.¹⁴

Overall weight of soldier

4.21 An over-arching issue when considering the various specifics of force protection equipment for an individual, is the overall weight of a fully kitted soldier.

4.22 Defence explained that there is not a standard weight for a soldier as it is dependent on the specific role they perform, and hence 'kit' that they require. However, as a general comment, Defence stated that at the moment, ADF soldiers' load-carrying has gotten heavier as the ADF has been able to furnish them with additional equipment.¹⁵

4.23 Defence then stipulated three responses to the issue of heavier loads for soldiers:

- The first is ensuring that the equipment that we furnish them with is the lightest and most functional that we can provide, and we certainly do a lot of weight testing as part of the selection process as we look at new pieces of equipment. Batteries are a prime example, and the need for batteries bedevils almost all modern armies. We have so many systems now that have to be powered by battery, and that is added to the weight. There is a lot of work done to consider that.
- The second area is that we need to look at the physical training that we give our soldiers. We know that weight carriage is an important part of a number of the roles that our soldiers perform, and the recent introduction of the physical employment standards across the ADF, but certainly in the Army, was done after considerable discussion and trialling

13 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 20.

14 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 20.

15 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 21.

with Defence Science and Technology Organisation (DSTO) assistance. That has allowed us to do a number of other things as well, most particularly open up all of our trades to women, because physical employment standards have to be met irrespective of gender.

- The third area that we look at now is whether we need to carry all of our equipment all of the time... We have looked at how we can provide soldiers with lighter packs that are used for shorter periods of time and we bring heavier stores up to forward operating bases or to areas where they have ready access to it. That has changed, in some respects, the way the Army operates and it has been a recognition of the need to be able to address the tactical requirements that we have.¹⁶

Physical characteristics of uniformed personnel

- 4.24 The second element of Force Protection considerations for individuals entails physical characteristics of uniformed personnel. The Committee considered this both in terms of employment standards for entry into the force, as well as the physical training of individuals once they are serving in the ADF.
- 4.25 When asked about the nature of physical employment standards in the ADF, Defence stated that there is a baseline standard for all categories of ADF personnel that must be met, irrespective of size or gender.¹⁷
- 4.26 Defence stated that the focus of employment standards is on getting the right person in the right job at the right time. Certain occupations in the Army entail physiological criteria.¹⁸
- 4.27 Further, Defence explained that there are also certain physiological criteria for particular positions in the Air Force. For example, if an individual is colour blind, this disqualifies them from certain positions. Also, anthropometric measurements become relevant to employment standards in terms of fitting into aircraft and ejecting.¹⁹
- 4.28 The Committee noted that it may be possible for an individual to meet a certain physical standard on a certain day, but then not meet the standards in the days following due to problems of recovery. This may particularly be the case for women. Thus, the Committee inquired as to whether the ADF considers this recovery aspect in employment and training.

16 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 21.

17 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 22.

18 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 22.

19 Rear Adm. Walker, Australian Defence Force, *Transcript*, 15 March 2013, p. 22.

- 4.29 Defence explained that this recovery aspect is part of the standard that must be met. Moreover, the training given to ADF personnel ensures they are able to maintain this standard, with adequate recovery:

You cannot employ a physical employment standard (PES) and have a soldier meet it once and just allow them to develop from there. The standard itself is one part of this but it is the training that allows you to attain that standard and then maintain that standard which is actually the heart of what we call the PES system. I agree with you that the physical capacity of women to carry out arduous physical activities in an enduring way needs to be examined. The PES was introduced late last year and there is a year-long trial currently underway, with the Army as the primary agent for conducting the trial. I have had some feedback talking to women who have been undergoing it that they have some concerns about particular areas. My point to them is that we will take that information and incorporate it into the year-long trial but, having opened up all of our trades to women, the standard has to be such that we are confident that you can perform at that standard or higher in an enduring way, otherwise we would actually see a degradation of capabilities.²⁰

Protection of force as a whole

- 4.30 Capabilities associated with protecting the force as a whole occur on a much larger scale than individual items. The Committee sought an update on the status of these capabilities within the context of the drawdown from Afghanistan.
- 4.31 In regard to funding, Defence explained that current force protection activities are predominately funded through operational supplementation. As a result the Committee focussed on inquiring about funding issues for these capabilities going forward, amidst the withdrawal from operations.
- 4.32 Further, Defence explained that there are ongoing questions regarding what equipment is to be brought back from Afghanistan and what is done once it is returned, particularly in terms of remediating equipment.²¹
- 4.33 Fundamental to modern force protection in the ADF is protection against improvised explosive devices (IED). Therefore, the particular focus of these larger-scale capabilities tends to occur in the counter IED space.

20 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p. 22.

21 Air Vice Marshal Hart, Australian Defence Force, *Transcript*, 15 March 2013, p. 15.

Counter IED Capability

4.34 In the context of capabilities protecting the force as a whole, Defence identified three key 'platform' based capabilities central to counter IED:

I would say the three big platform based items we need to make decisions about are in the counter IED space and that is in the route clearance area, counter rocket and mortar fire capability (CRAM) – the radars and the vehicles and so forth – and then the intelligence, surveillance and reconnaissance (ISR) area, where we own some platforms and we have others on contract. What do we do with those as we wind down. They are the three big areas.²²

4.35 Defence subsequently elaborated on the costs of these capabilities, noting that the total acquisition costs for CRAM were approximately \$253 million; counter IED \$429 million, and ISR \$160 million. Defence further noted that:

The annual cost to support these capabilities in-theatre has been approximately \$149 million. These figures do not include items such as consumables which can be attributed across a range of activities.²³

4.36 Central to the status of counter IED capabilities are decisions associated with Defence's response to the 'wind down' in Afghanistan, which is discussed in further detail in Chapter Two of this report.

Route clearance

4.37 Enhanced route clearance capability was an initiative stemming from the 2009 Force Protection Review as an element of counter IED capability. Defence offered further detail on the current status of the initiative:

... we have introduced into theatre a much more hardened and mobile counter-IED road clearance or route clearance system built on a configuration of a number of vehicles that work together to produce that. I think we still need to make a decision about whether we want to retain that or how much of that we would want to retain back in Australia once it comes back... We are still very much learning how to use that.²⁴

22 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 16.

23 Department of Defence, *Submission No. 5*, p. 8.

24 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 14.

ISR capability

4.38 ISR capability was also outlined in the force protection review of 2009 as an important element of force protection, within counter IED capability.²⁵

4.39 Given the importance of ISR to effective force protection, Defence explained the recent cancellation of the funding for the acquisition of Intelligence, Surveillance Reconnaissance Electronic Warfare (ISREW) aircraft, stating:

What we had there was to move the sensor pack and put it on a different platform. So we moved it across to an unmanned aerial vehicle (UAV) rather than a manned aircraft. So we now have that change-detection capability, for example, that we did not have before. That would be something we would want to continue on... it is a very good capability.²⁶

4.40 Defence further explained the current status of UAV capability. Whilst this capability is moving forward, there are elements of uncertainty amidst the drawdown from Afghanistan:

We went into Afghanistan with UAV programs coming through in the Defence Capability Plan, so there is a platform there for funding into the future... We have operated now three different types of UAVs: ScanEagle, Shadow and Heron. As we look to the future now... what does that transition path look like?²⁷

4.41 Defence elaborated on this 'transition path', noting that if a UAV capability is taken back from Afghanistan, decisions must be made as to how to bring it in to the ADF and sustain it, in the Air Force for example.²⁸ Defence told the Committee that it is mindful of these issues and is continually considering them.

Force protection improvement process

4.42 The Committee raised concerns regarding two procedural elements of developing and improving Force Protection capabilities. The first concern related to Australia's research and development activities in this area, particularly in the context of the drawdown from Afghanistan. Second, the Committee expressed concern regarding the 'filtering up' of force

25 The Hon. Greg Combet AM MP, Minister for Defence Material and Science, 'Defence Budget Breakfast' Speech, National Press Club, 12 May 2010, p. 2.

26 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 15.

27 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 15.

28 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 15.

protection issues from soldiers on the ground to the relevant decision-makers upon Force Protection capabilities. These two issues were explored in detail at a public hearing.

Research and development

- 4.43 The Committee was concerned with ensuring that research and development, particularly in regard to critical force protection capabilities like counter IED capabilities, is not hampered by the withdrawal from Afghanistan. Given that a lot of leading edge thinking and ability occurs in the context of active involvement in operational tasks and developing solutions to particular threats. Hence, the Committee sought evidence from Defence indicating that this important element of advancing Force Protection capabilities would not atrophy post-withdrawal.
- 4.44 Defence responded by referring to the Counter IED Task Force (CIED TF). The CIED TF was established in 2006 to coordinate and monitor the ADF's response to the IED threat, and is constantly exploring technology-based opportunities to strengthen counter IED capabilities. Research and development is critical in this area, particularly through the work of the DSTO.²⁹
- 4.45 The Committee asked whether the CIED TF is potentially an area of ongoing support for the Afghan National Army (ANA) post 2014, assuming the insurgency there continues to use IEDs with their indigenous forces.
- 4.46 Defence responded that this may not be a role for the ADF taskforce alone, and further that:
- I think it would be more US led with contributions from others in terms of assisting. So at the moment the program that the North Atlantic Treaty Organisation (NATO) Training Mission Afghanistan is looking at is how to provide – and there is already some kit being filtered – an individual counter-IED capability that has [...] an anti-tamper capability – it cannot be backwards engineered and so forth.³⁰
- 4.47 Specifically, the NATO Training Mission in Afghanistan is currently looking at how to provide an individual counter-IED capability with certain features.³¹ A lot of work has gone into this in the last 18 months,
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29 Department of Defence, 'Global Operations – Afghanistan – Factsheet', viewed on 29 May 2013, <<http://www.defence.gov.au/op/afghanistan/info/factsheet.htm>>

30 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 14.

31 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 14.

with significant involvement from the ADF. In fact, DSTO has produced an item which performs certain features 'perfectly well', such as an anti-tamper capability that cannot be backwards engineered. The ADF is in discussions with the US regarding using this item.³²

- 4.48 Defence offered an explanation as to how they were seeking to prevent any 'atrophy' in terms of DSTO's technical, innovative design and development capabilities, as Australia withdraws from areas of active counterinsurgency:

There are two aspects to that. We will continue to maintain a counter-IED analysis development capability in the ADF, fundamental to our future capability. Whilst we are in Afghanistan, we will keep a link in the US counterparts, who are really the leaders in this and then secondly with the Brits, so we will keep the technical expertise up. Further to that, we are already engaged in the region in trying to develop in specific countries their counter-IED capability as well.³³

- 4.49 The Committee expressed concern that the ADF is moving merely towards a 'monitoring overwatch' in Afghanistan. This monitoring role might miss an opportunity to continue to engage Australia's scientific and technical workforce in an operational environment where a lot of leading edge thinking and ability comes.

- 4.50 Defence responded to these particular concerns by further elaborating on the two elements of their earlier response:

... we will want to be involved and we will stay involved in the development program. How active we can be in Afghanistan when we do not have a requirement in the field ourselves, is an issue but we will stay involved in the counter-IED fight. We are in an excellent place now and I do not want to lose that.³⁴

Force protection issues response

- 4.51 Issues of force protection are of critical importance as they directly affect the safety and livelihood of troops 'on the ground' at operational level. The Committee asked what Defence is doing to ensure that force protection issues experienced by troops are 'filtering up' to the relevant decision-makers.

32 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 14.

33 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 14.

34 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 15.

4.52 Defence described the processes they have instituted that are specifically designed to ensure force protection issues experienced by troops are dealt with by the relevant decision makers.³⁵

4.53 Defence conceded that:

... in the early parts of the operations in Afghanistan, where we were trying to ensure that the equipment that soldiers used, either for a military purpose or for self-protection, was appropriate, it was probably not supported by a system back here in Australia that was as responsive as it could have been.³⁶

4.54 However, Defence contended that improvements have been made and lessons have been learnt in this regard:

That was a lesson for the Army as it was for the DMO, but it is a lesson that I can say confidently has been learnt. Certainly, over the last three years... we have put in place a system that allows us to look rapidly at issues that are presenting themselves in the battle space and make appropriate responses to them.³⁷

4.55 Defence further explained that a key element of this improved system of response has been the establishment of the 'Diggerworks' organisation. This is an organisation of Army personnel in the DMO and the DSTO. The key role of Diggerworks is to conduct soldier engagement while coordinating rapid trialling and implementation of soldier combat systems,³⁸ and ultimately to deliver new equipment to better protect Australian troops.³⁹

4.56 Defence further explained that Diggerworks has improved Defence's response to 'ground-level' force protection issues by utilizing recent operational experience:

Diggerworks has been a major feature in improving the flash-to-bang, if you like, of what is a tactical or operational requirement and having it met. Almost all of the staff at Diggerworks have had recent operational experience... so they have taken very current knowledge back here into the DMO to make sure that the correct focus is given. That has resulted in a very much improved allocation of operationally required equipment into theatre.

35 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p 17.

36 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p 17.

37 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p 17.

38 The Australian Army, 'Army and Diggerworks', viewed on 29 May 2013, <<http://www.army.gov.au/Our-work/Partnerships/Army-and-Diggerworks>>

39 The Hon. Jason Clare MP, Minister for Defence Material, 'Diggerworks - New team established to enhance protection of Australian soldiers in Afghanistan', *Media Release*, 28 August 2011.

Supporting that has been a capability assessment board that now runs in Army that takes the lessons learnt from the tactical level... and fuses that with the soldiers' desires for particular pieces of equipment.⁴⁰

4.57 In addition to these formal mechanisms for responding to force protection issues, Defence outlined the informal communication that further informs these processes. Defence stated that all of the senior officials who visit Afghanistan ask questions about soldiers' views on equipment:

I asked maybe 700 soldiers the last time I was there in the various visits I made to forward operating bases – the overwhelming response is that we have the best equipment in the world.⁴¹

Committee comment

4.58 The Committee is mindful of the need to ensure that force protection issues experienced by troops at ground level are being adequately communicated to and dealt with by decision makers. The Committee is reassured by evidence presented by Defence that these 'filtering up' processes are adequate and continually improving, through both formal and informal mechanisms.

4.59 The Committee is concerned that amidst the ADF withdrawing from operations, research and development in the area of force protection capabilities may deteriorate. Defence provided evidence to reassure the Committee that it will continue to actively prioritise advancement in this area.

4.60 The Committee is also mindful of the need to ensure that force protection capabilities at the level of individual items were up-to-date and of high-quality. Defence contended that whilst all requirements are not met perfectly due to resource constraints, Defence places a high priority on these capabilities and is continually monitoring potential improvements through regular engagement with troops.

4.61 The Committee notes ongoing issues with force protection capabilities amidst the drawdown from Afghanistan. The Committee resolves to monitor decisions regarding what capital machinery and vehicles to bring back, and what to do with them once they return. The Committee will maintain a focus on this issue into the future.

40 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p 17.

41 Lt Gen. Morrison, Australian Defence Force, *Transcript*, 15 March 2013, p 18.

Reviews of Defence Culture

Background

- 5.1 In April 2011, following an incident at the Australian Defence Force Academy (ADFA), the Minister for Defence announced that a series of urgent reviews would be conducted on a wide set of aspects of Defence culture.
- 5.2 The reviews announced by the Minister were:
- *Review of the use of Social Media in Defence*
 - *Review into the Treatment of Women at ADFA and in the wider Australian Defence Force (ADF) (conducted by the Sex Discrimination Commissioner, Ms Elizabeth Broderick)*
 - *Review of the use of Alcohol in the ADF*
 - *Review of Personal Conduct of ADF Personnel*
 - *Review of the Management of Incidents and Complaints in Defence*
 - *Review of Defence Australian Public Service (APS) Women's Leadership Pathways*
- 5.3 The Minister also announced the *DLA Piper Review of Allegations of Sexual and Other Forms of Abuse in Defence*.
- 5.4 The Reviews point to opportunities to improve Defence systems and processes and also evolve Defence cultures. Moreover, they provide an opportunity to continue the work of making Defence workplaces safe and equitable for all.
- 5.5 The Reviews were overseen and coordinated by a Steering Committee chaired by the Vice Chief of the Defence Force (VCDF). Defence's comprehensive response to these cultural Reviews, the *Pathway to Change*:

Evolving Defence Culture outlines how the recommendations of the reviews will be implemented consistent with the wider Defence reform programme.

- 5.6 The Committee sought an update from Defence on the progress of implementation of these various reviews. In eliciting this update, the Committee focussed on issues related to all these reviews with the exception of the *Review of the use of Social Media in Defence*.
- 5.7 In addition to exploring issues related to these Reviews, the Committee was mindful to explore two further culture-related issues:
- the progress of the 'Reconciliation Action Plan', an important initiative concerning Defence's engagement with Indigenous persons and issues.
 - Disability programs in Defence, particularly initiatives assisting injured personnel.
- 5.8 There are two sections in this chapter:
- a summary of the various Defence Culture Reviews; and
 - a summary of the Committee's exploration of Defence culture-related issues primarily arising from these reviews.

Summary of reviews

Review of personal conduct of ADF personnel

- 5.9 Major General Craig Orme led this review which focused on assessing the effectiveness and current policies governing ADF conduct, and identifying areas of strength and weakness. The Review recommended:
- A culture that is just and inclusive.
 - The ADF will more explicitly state values and behaviours on enlistment, and reinforce them through education and practice.
 - The Navy, Army and Air Force will continue to improve avenues of communication for members to report concerns about personal conduct through the formal chain of command and through confidential methods of reporting.¹

1 The Hon Stephen Smith MP, Minister for Defence, 'Reviews into Defence and Australian Defence Force Culture', *Media Release*, 7 March 2012, p. 1.

Review of the treatment of women in the Australian Defence Force

- 5.10 Ms Elizabeth Broderick, the Sex Discrimination Commissioner, conducted the Australian Human Rights Commission Review of the Treatment of Women in the ADF. The Review was conducted in two phases:
- Phase One of the Review – into the Treatment of Women at ADFA – was tabled in Parliament on 3 November 2011. Phase One of the Review found that there have been improvements in the culture at the Academy since the mid-1990s. The Review acknowledged that the experiences of both male and female midshipmen and officer cadets at the Academy are for the most part positive. However, the Review also found widespread, low-level sexual harassment, inadequate levels of supervision, cumbersome complaints process and an equity and diversity environment marked by sanction rather than positive engagement. The Review also identified areas in ADFA’s culture which could be improved and recommended improvements such as providing quality staffing at ADFA, management of complaints, accommodation for students and mechanisms to better manage the risk of injury to female cadets.
 - Phase Two of the Review – into the Treatment of Women in the ADF – was tabled in the Parliament in August 2012. Phase Two dealt comprehensively with the careers of women in the ADF from recruitment and retention to career choices, work-life balance practices and policies, leadership and topics such as sexual harassment, discrimination and sexual assault. Phase Two made 21 recommendations covering five key principles that aim to:
 - ⇒ Actively promote a broad organisational understanding of diversity as both a core Defence value and an operational imperative linked to capability and operational effectiveness;
 - ⇒ Address the significant under-representation of women at decision making level;
 - ⇒ Increase the number of women recruited to the ADF as a whole, but also to specific occupational areas and units;
 - ⇒ Improve the level to which the ADF assists serving women and men to balance their work and family commitments; and
 - ⇒ Establish a new and more robust approach to responding to unacceptable sexual behaviours and attitudes.²

2 The Hon Stephen Smith MP, Minister for Defence, ‘Reviews into Defence and Australian Defence Force Culture’, *Media Release*, 7 March 2012, p. 1.

Review of the use of alcohol in the ADF

- 5.11 Professor Margaret Hamilton, an executive member of the Australian National Council on Drugs, led an independent panel to review the overall strategy for managing the use of alcohol in the ADF. Immediate and specific initiatives included:
- The preparation of an evidence-based alcohol management strategy for implementation within Defence;
 - Defence to ensure that the pricing of alcohol available at Defence establishments is consistent with the alcohol management strategy;
 - Developing an approach to collecting and responding to alcohol related data to enhance its value in terms of managing individuals and strategic planning; this will include alcohol screening of individuals at recruitment and across important career transition points, particularly post-deployment, and a whole of ADF Alcohol Incident Reporting System;
 - Commanders to assess situations in which alcohol is proposed to be used informally or formally and where specific approval would then be required for the use and access to alcohol within ADF work location; and
 - Defence to form alliances and partnerships with other organisations and individual experts on alcohol outside Defence to provide their input into alcohol policy and program development and implementation.³

The Review of the use of social media in Defence

- 5.12 Mr Rob Hudson, from the external consulting company George Patterson Y & R, led a team to examine the impact of the use of social media in Defence, with the aim of developing measures to ensure that the use of new technologies is consistent with ADF and Defence values. His recommendations included:
- All policies relating to the use of social media, the internet or cyber activities to be reviewed, including a review of guidelines to ensure they are consistent with the overall social media policy and engagement principles;
 - Defence should consider reviewing social media training and the way it is prioritised and delivered in order to ensure consistency, including relevant resources, guidelines and support mechanisms; and

3 The Hon Stephen Smith MP, Minister for Defence, 'Reviews into Defence and Australian Defence Force Culture', *Media Release*, 7 March 2012, p. 1.

- Resources will be provided to support the understanding and management of social media in Defence.⁴

Review of the management of incidents and complaints

5.13 The Inspector General of the ADF, Mr Geoff Earley AM, conducted a review of the management of incidents and complaints in Defence, with specific reference to the treatment of victims, transparency and processes and the jurisdictional interface between military and civil law. His recommendations include:

- Funding to be provided as a matter of priority to contract out the task of reducing the current grievance backlog of cases to suitably qualified legal firms;
- Training and information to be provided to ADF members in relation to the management of incidents, and complaint processes will be simplified and improved;
- Defence's administrative policies to be amended to provide for administrative suspension from duty, including the circumstances in which a Commander may suspend an ADF member and the conditions which may be imposed on the suspended member; and
- An improved process to manage grievances in Defence will also be developed.⁵

Review of Defence Australian Public Service women's leadership pathways

5.14 The review into Defence as an employer of woman was led by the former Deputy Public Service Commissioner, Ms Carmel McGregor, who examined the effectiveness of current strategies and proposed recommendations across a range of issues relating to employment pathways for Defence APS women. Ms McGregor has subsequently been appointed to the position of Deputy Secretary People Strategies and Policy in Defence. Her recommendations include:

- The Secretary to issue an explicit statement to senior leaders and staff to reinforce the importance of gender diversity to build a sustainable workforce;
- The establishment of a rotation program for senior women at Senior Executive Service Band 2/3 with the broader APS;

4 The Hon Stephen Smith MP, Minister for Defence, 'Reviews into Defence and Australian Defence Force Culture', *Media Release*, 7 March 2012, p. 1.

5 The Hon Stephen Smith MP, Minister for Defence, 'Reviews into Defence and Australian Defence Force Culture', *Media Release*, 7 March 2012, p. 1.

- Ensure female membership in senior decision-making bodies;
- Implement a development program for Executive Level women that includes job rotation, as well as over-representing women in existing development programs;
- Embed a focus on identifying and developing women for leadership roles, including a facilitated shadowing and coaching component, in the new talent management system; and
- Establish a central maternity leave pool for central management of the full-time equivalent liability associated with maternity leave.⁶

DLA Piper Review of Allegations of Sexual and Other Forms of Abuse in Defence

- 5.15 On 11 April 2011 the Minister for Defence Stephen Smith announced an external review of allegations of sexual and other forms of abuse that were raised following the ADFA 'Skype' incident.
- 5.16 In response to these allegations, the law firm DLA Piper was engaged by Defence to review each allegation methodically and at arm's length from Defence to make recommendations for further action.⁷
- 5.17 On 11 October 2011, DLA Piper submitted Volume 1 of its Report – General Findings and Recommendations and the first tranche of Volume 2 in relation to Individual Allegations.⁸
- 5.18 On 7 March 2012, the Minister announced the release of redacted extracts of Volume 1: Facing problems of the past – General findings and recommendations.⁹
- 5.19 On 17 April 2012, the Minister announced he had received the final tranche of Volume 2 of the Report – Individual Allegations.
- 5.20 On 14 June 2012, under Freedom of Information provisions, the un-redacted Executive Summary to the DLA Piper Review Team's Volume 1 Report became public.

6 The Hon Stephen Smith MP, Minister for Defence, 'Reviews into Defence and Australian Defence Force Culture', *Media Release*, 7 March 2012, p. 1.

7 The Hon Stephen Smith MP, Minister for Defence, 'Release of Volume 1 of the DLA Piper Report: Allegations of sexual and other abuse in Defence', *Media Release*, 10 July 2012, p. 1.

8 The Hon Stephen Smith MP, Minister for Defence, 'Release of Redacted Extracts from Executive Summary and Findings of Volume 1 of the DLA Piper Report: Allegations of sexual and other abuse in Defence', *Media Release*, 7 March 2012, p. 1.

9 The Hon Stephen Smith MP, Minister for Defence, 'Release of Redacted Extracts from Executive Summary and Findings of Volume 1 of the DLA Piper Report: Allegations of sexual and other abuse in Defence', *Media Release*, 7 March 2012, p. 1.

- 5.21 On 10 July 2012, the Final Report of Phase 1 of the DLA Piper Review of Allegations of sexual and other abuse in Defence was released.¹⁰
- 5.22 On 26 November 2012, the Minister for Defence announced the Government's response to the *Review into Allegations of Sexual and other forms of Abuse in Defence*. The response included:
- A general apology to members of the ADF or Defence employees who have suffered sexual or other forms of abuse in the course of their employment
 - The establishment of an independent Taskforce to assess the individual complaints and any wider systemic issues to be headed by the Hon Len Roberts-Smith QC.
 - Access to a capped compensation scheme; and
 - A free telephone hotline (already established) so that complainants can access information about the Government's response.¹¹

The Pathway to Change: Evolving Defence Culture

- 5.23 Defence's response to these cultural Reviews, the *Pathway to Change: Evolving Defence Culture*, outlines how the recommendations of the reviews will be implemented consistent with the wider Defence reform programme. *Pathway to Change* also builds on the institutional and personal accountability reforms in Defence to implement the *Review of the Defence Accountability Framework* (the Black Review) announced in August 2011.
- 5.24 Implementation covers a series of systemic changes, as well as more immediate and specific initiatives. This includes:
- Increasing diversity within leadership groups;
 - Fully implementing ADFA reforms to address safety and behaviour issues at ADFA; and
 - Applying principles of the ADFA reforms to all new starter training institutes across Defence.
- 5.25 Most of these will require a 2-3 year period to fully implement and for their impacts to be embedded in Defence's culture. There are over 130

10 The Hon Stephen Smith MP, Minister for Defence, 'Release of Volume 1 of the DLA Piper Report: Allegations of sexual and other abuse in Defence', *Media Release*, 10 July 2012, p. 1.

11 Department of Defence, 'Pathway to Change' - DLA Piper Review of Allegations of sexual assault and other abuse in Defence', viewed 5 June 2013, <<http://www.defence.gov.au/pathwaytochange/docs/DLAPiper/index.htm>>.

recommendations in the *Pathway to Change* response comprising all of the recommendations from the reviews into Defence culture and relevant recommendations from the Black Review. To date, 33 recommendations from the Reviews have been actioned.¹²

Review updates and discussion

DLA Piper Review – update and discussion

5.26 The Committee inquired about particular issues related to the DLA Piper Review and its implementation.

Views of ‘abuse’ within Defence

5.27 The Committee questioned Defence about its view of the nature of abuse, within the context of the DLA Piper Review.

5.28 Defence assured the Committee of their recognition that the problems people have as a result of abuse is a Defence problem, not just a problem related to the person themselves.¹³

5.29 When the Committee sought further elaboration upon Defence’s view of the nature and scope of abuse, Defence explained in response:

I think we have got it clearly laid down in a number of our Defence instructions in terms of what sexual, physical abuse and so forth relate to.¹⁴

5.30 Further, Defence assured the Committee that they were actively dealing with psychological forms of abuse:

We certainly have policies around bullying, harassment and mental abuse in those terms of relationships with members of the ADF and in the department more broadly.¹⁵

5.31 Defence elaborated on the formal policies surrounding these types of abuse:

They go to the full spectrum and in fact there are a range of instructions that guide managers and commanders in the organisation. Firstly, there is the Defence Instructions (General) Personnel Management and Reporting of Sexual Offences;

12 The Hon Stephen Smith MP, Minister for Defence, ‘Implementation of Defence cultural reform – Pathway to Change’, *Media Release*, 26 November 2012, p. 1.

13 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 36.

14 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 38.

15 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 38.

secondly, there is a Defence Instructions (General) Personnel Management and Reporting of Unacceptable Behaviour which is very broad, however within those guidelines there is quite specific guidance; thirdly, the Defence Instructions (General) Personnel Jurisdiction under *Defence Force Discipline Act*. That is guidance for military commanders. Fourthly, there is Defence Instructions (General) Reporting and Management of Notifiable Incidents. That then goes to various parts of the organisation who have particular remits depending on which part of the workforce they are dealing with and the type of offence or mistreatment.¹⁶

Scope of DLA Piper Review Allegations

- 5.32 The Committee focused on the scope of allegations falling within the ambit of the DLA Piper Review's processes.
- 5.33 Regarding the scope of allegations, Defence stated that it was unaware of any reports made against existing members of the force in relation to the Review.¹⁷
- 5.34 The Committee sought information from Defence regarding the process of dealing with allegations under the DLA Piper Review, and particularly the process of determining whether an allegation occurs within the scope of the Review. The Committee was mindful to ensure that the process allowed cases to be dealt with in a fair and just manner.
- 5.35 Defence responded by explaining the bounds of the review in general terms, as initially intended by the Minister for Defence:

The announcement by the Minister, even before formal terms of reference were identified, focused on certain areas of allegations. It was not framed in terms that there would be a review of every issue that every person ever had with any arm of the Australian Defence Force, the Department of Defence or any entity which might now be reflected within that construct. We were not going back to all questions, for instance, about why a person did not enlist; we were not going back to contractual questions; we were not going back to a whole range of things because they were excluded of their nature by the type of work. In matters where people had identified their issue, in some cases, when you applied that fairly simple precept, the matters fell outside what were

16 Ms McGregor, Department of Defence, *Transcript*, 15 March 2013, p. 38.

17 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 36.

intended. There are other avenues for some of those matters, but they were not intended to be covered by that.¹⁸

- 5.36 Defence elaborated on the process of determining whether a matter fell within or outside the intended scope of the Review:

The process of considering whether matters were in scope or out of scope has been identified publicly in a number of forums. It involved an initial decision which was formed within the team working on behalf of DLA. Where they came to a view that a matter was out of scope, they provided it to Defence Legal. Where we took a view that perhaps suggested we thought there was a question or something that they may have overlooked, we returned it to them. In other cases, if we considered that their view was sound, the matter went straight off to the ombudsman. Any matter that – if I can put it this way – both DLA and we felt was beyond the terms went to the ombudsman.¹⁹

- 5.37 Defence then explained that all these decisions regarding whether a matter fell within the scope of the Review, are now being reviewed by the independent Taskforce established in November 2012:

In all circumstances in any case, in terms of the current handling, all of those matters are part of what Mr Roberts-Smith and the taskforce are reconsidering. So regardless of the past... the issues are back before the entirely independent taskforce. So that whether any of those views were valid, questionable or found wanting, Mr Roberts-Smith and his taskforce entirely independent from any part of Defence Legal will look at them.²⁰

- 5.38 The Committee further inquired into this issue with particular regard to persons contractually dealing with the ADF. The Committee specifically asked whether a person, not directly employed by Defence, who felt they had been a victim of abuse by someone employed by Defence, would be able to bring their case before the Defence Abuse Response Taskforce (DART). Defence responded by stating:

... it depends on the type of abuse. In a sense, this is a somewhat academic discussion at this point, because the ultimate test is a test of what the taskforce pursues at this stage, regardless of what has happened in the past.²¹

18 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 37.

19 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 36.

20 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 37.

21 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 37.

5.39 Whilst Defence explained that these decisions whether claims are in scope are the responsibility of the independent Taskforce, the Committee was concerned that decisions may be made that are contrary to the revised understanding of the DLA Piper terms of reference.

5.40 Specifically, the Committee quoted from the 'Defence Abuse Reparation Scheme Guidelines':

I will give you this specific reference. It is 3.1.4, sub paragraph (c). It says 'A person is eligible if they were at the time of the alleged abuse employed in Defence.' This automatically appears to exclude an individual who may have been representing a company who was dealing with a Defence official. That seems at odds with the revised understanding of the DLA Piper terms of reference.²²

5.41 Defence responded by stating that the interpretation of those terms of reference is a matter for the independent taskforce.²³

5.42 However, noting that the intent of the terms of reference must be absolutely clear, the Committee questioned whether Defence could seek to have these terms of reference clarified. Defence responded by re-iterating that these are issues for the independent taskforce:

I do not think we can help you clarify the intent because the taskforce is entirely separate to the department, and is operating entirely separately to the department.²⁴

Terms of reference drafting

5.43 The Committee was engaged in an in-depth exploration of the Review's terms of reference. Specifically, the Committee sought to clarify the role of Defence Legal in the writing of these terms of reference.

5.44 Defence responded by explaining the process of drafting and finalising the terms of reference:

They were finalised and settled by the Minister in the Minister's office. But, yes, Defence Legal were involved in terms of preparing some of the wording.²⁵

22 *Transcript*, 15 March 2013, p. 37. These guidelines provide for reparations to people who plausibly suffered abuse in Defence prior to 11 April 2011, as part of the Australian Government's response to the *Report of the Review of allegations of sexual and other forms of abuse in Defence*.

23 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 38.

24 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 38.

25 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 36.

- 5.45 When questioned on whether Defence Legal having a role in the drafting of the terms of reference could constitute a potential conflict of interest, Defence definitively rejected this idea:

No, I do not and I would not [call this a conflict of interest]. What we do is serve the Defence interest, and in this respect the Minister and the leadership's interest in terms of trying to formulate the wording for the independent work. The final settling of that was for the Minister, and I think the degree to which there might be argument about the terminology is an issue which goes to the policy formulation, which we tried faithfully to reflect.²⁶

Review of the use of alcohol in the ADF – update and discussion

- 5.46 The Committee explored the issue of the use of alcohol in the ADF. In order to place this exploration in the context of society as a whole, Defence's attention was drawn to an Australian Medical Association (AMA) report into alcohol use amongst young Australians. This report specifically looked at people in the age group of 14 – 24. It found that 80 per cent of the alcohol consumed by people in this age range is consumed in ways that put the drinker's (and others') health at risk.²⁷ It was suggested that the findings were particularly relevant for the ADF, as most people entering ADFA or other military training are under the age of 24.
- 5.47 The report's findings regarding behaviours associated with alcohol use amongst this age group, including sexual misconduct and assaults were noted. These behaviours occur at particularly high levels in residential boarding situations. It was suggested that this report was highly relevant to Defence particularly in the context of behaviour at ADFA.
- 5.48 Defence responded by acknowledging the significance of the report and expressing a high motivation to confront these issues in the context of the ADF:

We are taking this very seriously. In fact, that AMA report that came out about young people under the age of 24 drinking to harm was what really struck a chord with us with our own experiences... Given our demographic, we should be leading in this space.²⁸

26 Mr Cunliffe, Department of Defence, *Transcript*, 15 March 2013, p. 36.

27 Australian Medical Association, *Alcohol Consumption and Alcohol Related Harms – 2012*, viewed 5 June 2013, < <https://ama.com.au/position-statement/alcohol-consumption-and-alcohol-related-harms-2012>>.

28 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 41.

- 5.49 Furthermore, Defence outlined the background of the Hamilton Report, which looked at alcohol use in the ADF, and the development of plans to implement reforms in this area:

The Hamilton review is one of eight reviews conducted in 2011-12. We have an implementation plan now working its way through in response to that, and the aim of the plan is to build the ADF's capacity to effectively manage alcohol and therefore enhance its operational capacity, reduce personal harm – which is a very important part of this – and minimise organisational costs. We have been working for quite a while; early in 2011, before the announcement that the Hamilton review was to be undertaken, we were working with the Australian Drug Foundation to develop an alcohol management system... Joint Health Command has been working in very close step with that organisation. I hope we will have a nationally ground-breaking approach to alcohol management in the ADF when we complete that strategy.²⁹

- 5.50 Notably, Defence not only outlined plans for a new approach, but also explained practical measures that have already been taken as a response to the Hamilton Review:

We have not been idle though. In the meantime, we have taken a number of initiatives. We have looked at ADF's alcohol policy in regard to the access to and management of alcohol on our bases. We are in the process of looking at the management of garrisons, reducing bar hours and making them more appropriate to work conditions, and changing the nature of alcohol that can be served on our bases.

We have put out a statement on alcohol behaviour expectations. We have produced an alcohol management guide for our leadership at all levels and we have put out new guidelines for ADF hospitality management so that we set an example across the organisation about when and where the consumption of alcohol should occur and costs related to that. The alcohol management strategy, when it emerges, will be ground-breaking, I believe.³⁰

Review into the Treatment of Women in the Australian Defence Force – update and discussion

- 5.51 The Committee sought evidence from Defence regarding the status of implementation of the *Review of the Treatment of Women in the ADF*

29 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 40.

30 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 41.

recommendations. The Committee was eager to canvass the general implementation of this Report, but with a particular focus on standards of behaviour within ADFA.

5.52 Defence responded by offering a detailed explanation of the practical measures taken to implement the Review:

After the events of April 2011, we had a major review conducted by the Sex Discrimination Commissioner, Elizabeth Broderick, who produced a report about the treatment of women at ADFA. We have been diligently working through the recommendations of that review, phase 1, and we will receive the Sex Discrimination Commissioner's report on our progress, I think, in the next month or close to.

We have done a number of things in response to her report. We have established a residential support officer scheme within each of the residential blocks and so forth in the cadet accommodation. We have created a dedicated 24/7 emergency and support hotline for the cadets, their families and the staff – so broader than the institution itself. ADFA midshipmen and cadets have been provided details of a range of support options regarding health and wellbeing, sexual and personal abuse, and violence. We also have links to a number of external support services. All of these are in accordance with Ms Broderick's recommendations. That links into the broader phase 2 review, where we are well progressed in implementing a number of those recommendations. We have developed a database relating to individual complaints. This is one of the key things that came out of Ms Broderick's report into both the ADF and the ADFA, and that is in place in ADFA now. We have completely revised our teaching of equity and diversity in the academy. It is much more scenario based, practical and related to the age and situation, and there is a very clear separation between equity and diversity training and the complaints procedures because they had become merged and were not being put into place properly.³¹

5.53 Further, the Chief of the Defence Force, General Hurley, placed these actions in the particular context of ADFA and the standards of behaviour within the Academy:

I have every confidence in the Defence Force Academy. I have said this at a number of parades I have attended. I say it to parents. I would put the performance and the record of the Australian

31 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 41.

Defence Academy against any major similar residential institution in the country. We have a good crop of young people there; I think they are well led. They have been through a difficult time and, if you were to go and talk to them now, particularly those who have been there over the last two years, yes, they have learnt a lot – hopefully, they have learnt a lot about leadership. But I think they have shown a strength and resilience that we should all be very proud of. They are a good bunch of young people.³²

Standards of behaviour in the ADF

5.54 The Committee further explored this issue of standards of behaviour in the ADF. Particularly, the Committee questioned Defence about whether they aim for a standard of behaviour which reflects broader community standards, or a higher standard. The Committee inquired about this in the context of reference to the previously mentioned AMA report which outlined worrying trends in relation to alcohol abuse for persons under 24.

5.55 Whilst stating that the ADF aims for standards higher than the broader community, Defence cautioned that these broader standards are very difficult to definitively measure, but that ADF standards of behaviour are currently high:

I think our standards across the board, particularly in ADFA, are very high. I have said on a number of occasions, when we talk about Pathways to Change, that the ADF needs to reflect the community it comes from more closely than it might have in the past and that we will be held to higher standards than the general community. If you look at the Pathways to Change, the thrust of what we are trying to achieve there, we recognise that. It is very hard to say what is the measure of Australia's standards. You can get quantitative data; it is probably harder to get qualitative data. But even on the quantitative sense, if we rank ourselves around general communities, or populations of the size of 100,000 people, our standards and our behaviours are something we should be proud of. To go back to DLA Piper and the stories it tells us, it is an aspect of ADF history that we should not be proud of, but again, I have been very, very strong in statements that the ADF is not an abusive organisation. I think its standards are high on the whole and we should continue to work to keep them there.³³

32 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 41.

33 Gen. Hurley, Australian Defence Force, *Transcript*, 15 March 2013, p. 41.

Women's careers strategies

- 5.56 Both the *Broderick Review*³⁴ and the *Review of Defence APS Women's Leadership Pathways* outlined the importance of strategies seeking to advance career opportunities for women in the Australian Defence Organisation (ADO).
- 5.57 The Committee sought evidence from Defence regarding the implementation of strategies associated with career development, particularly for women. Within this issue, the Committee focussed particularly on workplace flexibility as an issue affecting both men and women.
- 5.58 Defence responded by offering a detailed explanation of the actions they are taking to provide a flexible workplace:

...that whole area of workplace flexibility was one that Liz Broderick observed in her reports, and it is No.1 of the bulletin terms of concerns that people have about being able to participate fully in the ADF and the broader department. Similarly, in the *Review of Defence APS women's leadership pathways*... it was a very significant issue. It was gender neutral – men and women – in a modern workplace... In terms of the work we have been doing, inside the department there have been a range of initiatives over the last 12 months that the services have been really pushing for and wanting to have put in place in a policy sense.

I will run through a couple of them: 1 December 2012 – carer's leave provisions for ADF members came into effect. That means members had an increase in the number of carer's leave days that they could access from five days to 10, and the scope of carer's leave was broadened to include situations where a member is required to provide care and support to the dependents who live with them, so when they are injured or affected by an unexpected emergency as well as if they are sick. Changes to the Paid Parental Leave scheme came into effect on 28 February and that meant that members had greater flexibility in how they accessed paid parental leave and were able to choose parental leave at full pay, half-pay or a combination of both. Work is currently being undertaken in regard to purchasing recreation leave, but we will have to develop a system to enable members to purchase that leave. It is anticipated that we will have that in place by the middle of this year and that will benefit all members. We are also looking at non-dependent carers living in Defence housing and allowing

ADF members to have an au pair live in their subsidised housing for the purpose of providing assistance with child care.

There are a range of these things which we are pleased are coming to fruition. There is still much more that we can attend to, but I think it is starting to demonstrate to people that we are being able to respond to their needs and provide a contemporary flexible workplace.³⁵

5.59 Defence elaborated on the other actions it was taking to ensure its employees had access to the greatest possible level of workplace flexibility:

The current policy relating to flexible employment is under review in order to:

- Broaden the parameters and reaffirm Defence's commitment to flexible employment, reinforcing full-time and part-time flexible employment options, as well as part time options;
- Establish targets for flexible employment for each Service, in line with Recommendation 13 of the Broderick Review (phase 2); and
- Develop strategies within the current workforce management systems to collect data on access and uptake of flexible employment, which will be reported annually in the "Women in the ADF" report, in accordance with Recommendation 3 of the Broderick Review (Phase 2).³⁶

5.60 Furthermore, Defence told the Committee that:

ADF positions are not formally designated as being specifically part-time or full-time. Decisions to approve part-time filling of positions are made on a case by case basis under the board policy context that:

- ADF personnel are entitled to access part-time work on return from Maternity or Paternity leave for a period of up to two years, this includes adoptive parents; and
- ADF personnel are not limited by location to access part-time or full-time flexible employment.³⁷

Indigenous participation in the Australian Defence Organisation

5.61 The Committee invited evidence from Defence regarding initiatives to increase Indigenous participation in both the civilian and force spheres of the ADO.

35 Ms McGregor, Department of Defence, *Transcript*, 15 March 2013, p. 42.

36 Department of Defence, *Submission No. 5*, p. 42.

37 Department of Defence, *Submission No. 5*, pp. 42-43.

5.62 The *Defence Annual Report 2011-12* outlined the background to these initiatives:

The Diversity Directorate within Defence People Group oversees the implementation of initiatives and strategies arising from the *Defence Reconciliation Action Plan 2010-14* and the whole-of-government targets set under the Closing the Gap on Indigenous Disadvantage agenda. Funding for these strategies is provided under the *Defence White Paper 2009*.³⁸

5.63 Further, the Report explained that implementation of the 'Reconciliation Action Plan' (RAP) entails a 'refreshed strategy' in 2011-12:

During the 2011-12 reporting period there has been a focus on the Indigenous Employment Strategy, with strategies being examined that will improve recruitment of Indigenous peoples into Defence. A refreshed strategy is being considered for implementation during the new reporting period.³⁹

5.64 The Committee noted that the RAP was very detailed, and sought further information from Defence regarding the strategy underpinning that initial Plan, as well as the 'refreshed strategy' for 2011-12.

5.65 Defence responded by outlining the central themes of the RAP, in the context of an increased focus on employment strategies:

We are refreshing it as you have mentioned, and sometimes the detail and complexity does not help us, but we have the three thematic areas of changing perceptions: going to the heart of community and cultural engagement; providing specialised pathways, which are through the variety of the employment programs; and the support – that is, the networks and programs to support Indigenous employees. We will frame the plan and the responses under those themes. It is probably not as far advanced as we would have liked but it is definitely on its way.⁴⁰

5.66 Furthermore, Defence elaborated on the current status of Indigenous employment in both the ADF and APS sides of Defence:

You have got the ADF and the civilian side. The ADF is doing better than on the civilian side. We are having a look at Indigenous employment in defence on the civilian side at the moment. We are working through a systematic approach to that and our performances have not been very good. We are looking at what

38 Department of Defence, *Defence Annual Report 2011-12*, September 2012, p. 278.

39 Department of Defence, *Defence Annual Report 2011-12*, September 2012, p. 278.

40 Ms. McGregor, Department of Defence, *Transcript*, 15 March 2013, p. 42-43.

partnerships we might be able to develop with some colleges. We are looking at what more we might do. Particularly when we look at our civilian employment in Queensland and the Northern Territory, for instance, we do not do very well at all on the civilian side. We are working through some initiatives we might take to be able to improve our outcomes there. The ADF is doing a lot better.⁴¹

- 5.67 The Committee sought further specifics on the actions Defence is taking to improve Indigenous participation in the APS. Defence assured the Committee that they were exploring a variety of initiatives. For example, Defence considers questions such as whether to require consideration of a person's status as an Indigenous Australian when engaging contractors in the context of the current retendering for Defence's major contracts.⁴²
- 5.68 A significant initiative undertaken by Defence in this area has been the continued delivery of the 'Defence Indigenous Development Program' (DIDP) in Katherine and Cairns.
- 5.69 DIDP is part of the Government's Indigenous employment program. It is a joint initiative between the Department of Defence, the Department of Education, Employment and Workplace Relations (DEEWR) and the Northern Territory Department of Education and Training. The program's graduates complete a seven month live-in course to provide young Aboriginal and Torres Strait Islander adults with the life skills and confidence to secure opportunities and sustain continuous employment of their choice.⁴³
- 5.70 The Committee recognised the significance of this program and sought an update on its progress from Defence. Defence responded by explaining that:

We are currently in the assessment phase for this year. We have 58 people being assessed in the next couple of weeks, of which we are hoping 30 to 35 will be picked up in the Northern Territory. I actually do not have the breakdown of Katherine versus Darwin there, but that is the progress for this year. The course will actually start on 3 May...⁴⁴

41 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 39.

42 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 39.

43 Department of Defence, 'Defence News Archive - Trainees graduate from Defence Indigenous Development Program' viewed 5 June 2013, <<http://www.defence.gov.au/defencenews/stories/2012/nov/1114.htm>>.

44 Ms Mcgregor, Department of Defence, *Transcript*, 15 March 2013, p. 38.

In Cairns there will be 20. We currently have around 34 people in the assessment phase.⁴⁵

Disability programs in Defence

- 5.71 In discussing programs to encourage greater participation by persons with disabilities, the Committee focussed particularly on initiatives assisting ADF personnel who have been injured on operations.
- 5.72 Defence reassured the Committee of the importance placed on this issue, particularly in the present context as approximately 279 ADF personnel have been injured in either Iraq or Afghanistan.⁴⁶
- 5.73 Moreover, Defence outlined the practical measures taken to assist injured and disabled personnel in the context of future employment in both the uniform and civilian side of Defence.
- 5.74 In the context of the APS, Defence explained that they are currently in the process of developing initiatives to assist with the employment of people emerging from operations with severe disabilities, particularly in the context of people returning from Afghanistan. Defence expressed confidence that positive results will come from this process within the next 12 months.⁴⁷
- 5.75 In the context of ADF personnel, Defence offered a detailed explanation of the processes involved in the rehabilitation of casualties, including future employment assistance:

Under the rehabilitation program – and it includes all our people, not just our battle casualties – we look at whether our members, whatever their injury or illness, are fit to stay in their current trade, whether they are fit to be retrained in another trade but stay in the military or whether they required to be discharged. It is about looking individually at their cases to see what can be provided. At the higher end of the injury scale, under the Simpson Assist program, we have commenced piloting two intensive rehabilitation centres, one in Holsworthy and one in Townsville at Lavarack Barracks. There we are looking at providing the rehabilitation high end. We have exercise physiologists, rehabilitation consultants, psychologists and general doctors. It is about rehabilitating people back to not just activities and daily

45 Ms Mcgregor, Department of Defence, *Transcript*, 15 March 2013, p. 39.

46 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, page 39.

47 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, page 39.

living but also meaningful work opportunities. As part of that we also identify people who we think will be discharged and offer them training opportunities within whatever area they would like. Some of them have trained as baristas, some of them are doing other TAFE courses; it is about working with the individual to see what opportunities they might seek when they look to discharge. It might be giving them an opportunity to see if this is the area they wish to go into, and we are trialling that activity.

There is a range of opportunities in the rehabilitation of individuals either as they stay in the military, change and retrain or as they move out.⁴⁸

- 5.76 Defence assured the Committee of the importance of each individual case of an injured or disabled ADF person, and the practical initiatives in place to offer appropriate assistance.

Committee comment

- 5.77 The Committee was mindful to ensure that Defence demonstrate a practical commitment to implementing the findings of their various culture reviews. This is especially important in light of the recent revelations of sexually inappropriate behaviour by a group of Defence personnel, which has so far resulted in the suspension of some personnel, and investigations into the conduct of others. The Committee also notes the strong response to this revelation by the Chief of Army.⁴⁹ Defence's detailed evidence assured the Committee that whilst there is still a lot of work to be done, numerous initiatives and reforms are being undertaken through the strategies outlined in *Pathway to Change* which reflect a commitment to enduring cultural reform.
- 5.78 The Committee notes that instances of inappropriate behaviour are not isolated to Defence and the ADF, rather they are issue which affect the whole of Australian society. The Committee understands that, when compared to rates of abuse in other parts of Australian society, the ADO has a relatively low number of incidents. Nonetheless, the Committee commends Defence's efforts to ensure that this relatively low number of incidents is further decreased.

48 Rear Adm. Walker, Australian Defence Force, *Transcript*, p. 40.

49 Department of Defence website, 'Chief of Army addresses allegations of unacceptable behaviour', *Media Release*, 13 June 2013, viewed 17 June 2013, <<http://news.defence.gov.au/2013/06/13/chief-of-army-addresses-allegations-of-unacceptable-behaviour/>>.

- 5.79 The Committee was concerned that there may be a lack of clarity regarding the nature of allegations fitting within the scope of the DLA Piper Review. While Defence stated that decisions regarding whether a claim fits within the scope are in the hands of the independent taskforce, the Committee was concerned that there exists a lack of clarity specifically regarding whether a complainant is excluded from the scope of the DART processes because they are not an employee of a Defence organisation. This uncertainty should be remedied.

Recommendation 1

The Committee recommends that the 'Defence Abuse Reparation Scheme Guidelines' and the Defence Abuse Response Taskforce terms of reference should be reviewed to clarify:

- **whether cases involving a complainant not employed by Defence fall within the scope of the relevant processes; and**
- **what abuses are defined as in and out of scope, including whether abuses which constitute offenses under relevant Commonwealth legislation are included.**

Strategic Reform Program

Background

- 6.1 The Strategic Reform Program (SRP) began with the 2009 White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*. According to the *Defence White Paper 2013*:

The 2009 Defence White Paper emphasised that Defence must be effective in delivering its mission, and efficient across every aspect of its business. The Government established the SRP as part of the 2009 Defence White Paper to overhaul the Defence enterprise for this purpose.¹

- 6.2 The 2013 White Paper further notes that:

The Government and Defence are absolutely committed and focused on continued delivery of the defence reform agenda, building on and updating the original SRP. Strategic and fiscal developments since 2009 have reinforced the imperatives of an agile, innovative, efficient and networked Defence Organisation. Defence will continue to integrate the reforms initiated since 2009 into the existing reform framework to achieve a comprehensive and coordinated reform agenda.²

- 6.3 As the 2013 White Paper discusses, the SRP has achieved \$3.3 billion in savings 'as well as capability and productivity improvements across Defence's operations, capability, organisation and culture'.³

1 *Defence White Paper 2013*, p. 91.

2 *Defence White Paper 2013*, p. 96.

3 *Defence White Paper 2013*, p. 91.

6.4 These savings have been achieved through a variety of initiatives, all of which revolve around the elements outlined in *The Strategic Reform Program: Delivering Force 2030*:

- Improved Accountability in Defence. Providing much greater transparency - that is, visibility of how Defence manages the close to \$26 billion annual budget - will strengthen the accountability of Defence, and individuals within Defence, to the Government, to Parliament and the Australian taxpayer.
- Improved Defence Planning. Improving our strategic and corporate level planning will strengthen the link between strategic planning and the definition and development of military capabilities; better control the cost of military preparedness; and tighten governance and systems to ensure that Defence accurately forecasts and manages major acquisitions.
- Enhanced Productivity in Defence. Implementing smarter, tighter and more cost effective business processes and practices will make sustainment and support management more efficient and effective; improve cost effectiveness for military capability and procurement processes; and create the basis for a more efficient Defence Estate footprint.⁴

6.5 The *Defence Annual Report 2011-2012* noted that the SRP is continuing:
...to provide a means for long-term business transformation that would make the Defence organisation more efficient, effective and accountable and will continue to be implemented in the context of an expanding reform agenda.⁵

6.6 The *Defence Annual Report 2011-2012* also gave an update on the current reform priorities with the SRP:

The priority is to ensure that the SRP integrates effectively with the broader reforms, while continuing to pursue efficiencies and cost reduction in a tight fiscal environment. The Associate Secretary Chief Operating Officer (COO) now has oversight responsibility for the SRP. The COO will assist Defence to position reform as mainstream business, drive further reforms and integrate the business processes across Defence Groups.⁶

4 *The Strategic Reform Program: Delivering Force 2030*, p. 5.

5 *Defence Annual Report 2011-2012*, p. 238.

6 *Defence Annual Report 2011-2012*, p. 238.

2011-2012 cost reductions

6.7 In the 2011-2012 financial year, the *Defence Annual Report 2011-2012* notes that, across the Defence portfolio, \$1.24 billion in savings were achieved. It further states that this is:

...97 per cent of its cost reduction target of \$1.284 billion for the financial year... and a significant achievement in difficult fiscal circumstances.⁷

6.8 Additionally, the *Defence Annual Report 2011-2012* states that these savings were achieved without impacting the agreed levels of capability of the Australian Defence Force (ADF). For instance, the report notes that in terms of the capabilities of the Royal Australian Navy (RAN), 'there were no adverse SRP-related impacts to agreed levels of Navy capability'.⁸

6.9 Similarly, Army notes that it 'remains committed to achieving its SRP targets across the Defence Finance Management Plan without impacting capability'.⁹ The Royal Australian Air Force (RAAF) states:

Air Force's continued implementation of enduring reform, in partnership with the Defence Materiel Organisation (DMO) and Defence industry, enabled it to deliver SRP savings while meeting operational tasking, preparedness, and safety /airworthiness requirements. Change programs supporting the development of cost-conscious behaviours across the Air Force continued. Full achievement was limited by cost increases in aircraft sustainment, which could not be fully offset by operating and maintenance efficiencies.¹⁰

Current status

6.10 The SRP-related savings achieved in 2011-2012 are grouped into seven key areas:

- Information and communications technology (ICT);
- Smart sustainment;
- Non-equipment procurement;
- Workforce and shared services;
- Reserves;
- Logistics; and

7 *Defence Annual Report 2011-2012*, p. 238.

8 *Defence Annual Report 2011-2012*, p. 42.

9 *Defence Annual Report 2011-2012*, p. 46.

10 *Defence Annual Report 2011-2012*, p. 51.

- Other.¹¹

Information and communications technology

6.11 According to the *Defence Annual Report 2011-2012*, Defence achieved a \$215.8 million saving in the area of ICT reform by providing:

...a simplified and modern ICT infrastructure that reduces maintenance costs, increases productivity and enables other reforms, through:

- Remediation of ICT infrastructure;
- Data centre migration;
- Next generation desktop; and
- Centralised processing and terrestrial communications.¹²

Smart sustainment

6.12 The *Defence Annual Report 2011-2012* notes that \$389.1 million in SRP savings were achieved in the area of smart sustainment. The report states that Defence is controlling equipment sustainment costs through:

- Grouping contracts to generate efficiencies and reduce duplication;
- Optimising the Navy's Fleet Support Units as lead repair agencies for the fleet through the up-skilling of the Navy's technical workforce;
- Maximising contractual arrangements;
- Streamlining usage and reducing active items in service; and
- Better aligning facility usage with workforce requirements.¹³

6.13 The Committee focused particularly on grouping contracts, optimising Navy's Fleet Units and maximising contractual arrangements in its examination of this savings stream.

Grouping contracts

6.14 Defence told the Committee about how savings were achieved by grouping contracts to generate efficiencies and reduce duplication in the maritime sector:

...we are grouping up contracts for the sustainment of groups of ships in order to make it more efficient in terms of how the work is conducted by contractors. With the previous system, we contracted individually for each maintenance period, and that was proving to be inefficient. While we were having a large number of

11 *Defence Annual Report 2011-2012*, p. 239.

12 *Defence Annual Report 2011-2012*, p. 239.

13 *Defence Annual Report 2011-2012*, p. 239.

competitions, there were actually, in our assessment, not long enough periods of time for contractors to stabilise their workforce and plan properly. By introducing group maintenance contracts – they are five year contracts with the ability to extend them – that provides the contractor certainty and provides us a better basis for planning for maintenance in order to optimise that maintenance and reduce overall costs. So, with the first group maintenance contract for a similar amount of work to what we were doing previously through many, many contracts, the sort of saving that we achieved through that tender process was around a 15 to 20 per cent saving on the previous work.¹⁴

Optimising Navy's Fleet Support Units

- 6.15 The Committee asked Defence to elaborate on how it was achieving savings through the up-skilling of Navy's technical workforce to optimise Navy's Fleet Support Units. Defence responded:

The Navy's Fleet Support Unit improvement program is about just that – actually improving and leveraging on the technical skills of the sailors that are in those shore based units. They are there to provide immediate support to the ships, so I would call that, in an Air Force sense, flight line or dockside repair. But, to improve their technical competency and agility to respond to Navy's needs, there has been a reform program put in place to get better use out of them and therefore train them up, particularly in recognition of the landing helicopter dock capability that is coming in. I am sure that, if the Chief of Navy were here, he would be able to describe this a lot better than I can, but part of that is to provide them with a continual flow of repair work, and, in conjunction with the DMO, they will find commodities to send to the Fleet Support Units, just like the Fleet Support Unit would be a contractor, but an internal contractor, and that would then give them the baseline work to continue to develop these skills. A secondary function of the Fleet Support Unit is to then provide short-term operational relief to Navy ships' complements whenever somebody cannot go on a particular operation. So it is quite a fundamental component of Navy capability and one that the Chief of Navy is wishing to get more out of.¹⁵

14 Ms McKinnie, Department of Defence, *Transcript*, 15 March 2013, p. 53.

15 Air Vice Marshal Smith, Australian Defence Force, *Transcript*, 15 March 2013, p. 53.

Maximising contractual arrangements

6.16 In regard to maximising their contractual arrangements, Defence informed the Committee that it was doing a number of things:

We have developed a more consistent approach to performance and productivity based contracting, so our new contracts will not only include performance requirements but will also include productivity requirements, so that over time we are seeking productivity improvement approaches to be offered by contractors. Additionally, we are working with contractors to renegotiate some of our contracts, particularly where in working with the contractors we have identified particular ways of business that we have been using that are driving costs, to modify our approaches to how we might be contracting for something. For example, we might be using key performance indicators that are driving incorrect performance in order for companies to meet their contractual obligations. A better set of performance indicators might actually drive better outcomes in terms of capability but at a lower cost.¹⁶

Non-equipment procurement

6.17 A further \$147.7 million in SRP savings were achieved in the area of non-equipment procurement in the 2011-2012 financial year. The *Defence Annual Report 2011-2012* notes that this was done through:

Improved demand management of travel, training, professional services and garrison support through:

- Base Services Re-Tender;
- Mess closures and consolidations including the conversion of Russell Messes to the Russell Conference Centre; and
- Continued success of the online travel booking tool.¹⁷

6.18 Defence elaborated on the specific areas where savings were made:

Non-equipment procurement reform has over 50 initiatives, looking for greater efficiencies in various business categories such as travel, removals, professional services, garrison support and building maintenance.

Key areas of reform contributing the to 2011-2012 financial year outcomes include unpacking options, online travel booking tool,

16 Ms McKinnie, Department of Defence, *Transcript*, 15 March 2013, p. 54.

17 *Defence Annual Report 2011-2012*, p. 239.

mess consolidation and rationalisation in the procurement of office supplies and hardware items.¹⁸

6.19 At a public hearing, Defence discussed in further detail how savings were being realised:

...for all of these areas there are three areas we look at: policy – can we adjust our policies so that the delivery of that thing is cheaper; demand – can we reduce the amount of something we deliver; and contracting – can we get a better price on the market for what we deliver?¹⁹

6.20 In regard to removals, Defence told the Committee how these three areas were resulting in savings:

In a removals case, due to policies that the three services have been introducing we are seeing a lower incidence of removals because we have moved to three-year back-to-back postings where possible. That reduces removals costs because of a lower incidence of removals.

We did some work with the removal contractors a year or so ago to try and get a better price. We extracted some efficiencies from the contract. As an example, what we found was that when some people are removed, their preference is when they arrive at a new location to unpack their own gear out of the boxes; whereas we were paying, in all cases, for the removalists to unpack. In some areas, we were paying for an unpacking service that then was not being delivered, because the preference of the individual ADF family was that they wanted to unpack their own furniture et cetera. Now, we are a bit cleverer about how we do that. If the ADF family wishes to unpack their own gear, then we do not pay that amount to the removalists.²⁰

6.21 Defence discussed another example of non-equipment procurement savings, noting that they were currently retendering for the contracts to provide services at military bases. Defence told the Committee that this includes:

...all of the living accommodation services. We do that through a heavily outsourced model. The majority of that work is done by outsourced contractors. I currently have 21 contracts around the country that cover the totality of the services at the 72-odd bases. We are in the process of retendering for those services at the

18 Department of Defence, *Submission No. 5*, p. 12.

19 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 30.

20 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 30.

moment. Under the strategic reform program in 2009 there were a number of savings lines declared against the types of services that are provided. One of the mechanisms that we are using to try to achieve savings is the retendering process to drive efficiencies in the way we deliver those services and also to look at the level of service we provide and, where possible, rationalise the level of service and try to see if we can reduce the demand for some services.²¹

Workforce and shared services

6.22 In the area of workforce and shared services, Defence achieved \$155.8 million in SRP-related savings. The *Defence Annual Report 2011-2012* notes that this was done through:

- Conversion of contractors to Australian Public Service (APS) positions;
- Rationalised customer service centres;
- Civilianisation of ADF to APS positions;
- Leaning of base estate and garrison support;
- Reduction in contract management costs;
- Rationalised libraries;
- Consolidation of mail and records; and
- Finance, human resources and non-equipment procurements shared services reform planning and implementation.²²

6.23 In examining these savings, the Committee focused particularly on conversion of contractors, civilianisation of ADF positions, and leaning of base estate and garrison support.

Conversion of contractors

6.24 Defence informed the Committee of the ways that savings were being achieved by converting contractors to APS positions:

In the Defence Budget Audit conducted in 2008 McKinsey and Co identified that there were a large number of roles undertaken by contractors that could be equally undertaken by an APS employee without negatively impacting on capability. McKinsey advised that by converting these roles, up to 30 per cent of the contractor cost could be saved.

The roles identified were positions filled by individual contractors and primarily involved filling a line position within the organisation. Positions/roles would only be converted where

21 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 29.

22 *Defence Annual Report 2011-2012*, p. 239.

there were suitable people in the market place wishing to fulfil the role as an APS employee.

The types of positions previously filled by a contractor that have been converted to an APS position include, but are not limited to: a medical practitioner with work health and safety expertise, finance analysts, ICT analysts, project managers and scientific support. Contractor positions that were part of a larger outsourcing or service-provision initiative were excluded from conversion as the terms of the contract would preclude this activity.²³

- 6.25 Defence further noted that there were non-financial benefits to maintaining workforce flexibility in terms of engaging contractors:

Defence constantly needs to be able to respond to a fast-moving and changing labour market environment. Changing the integrated workforce mix has enabled Defence to deliver a cost-effective, flexible and adaptable workforce. In addition, non-financial benefits have included: a better corporate memory, expanded career paths for ongoing employees, better compliance with legislation and employment agreements where the role has supervisory duties, and a better understanding of the ongoing business needs of the organisation.²⁴

- 6.26 In light of the financial and other benefits, when asked why it had relied on contractors for so long, Defence responded that the use of contractors:

...depends on what area. The reason can vary. For instance, it is not uncommon to engage contractors in the ICT area where you want people for a particular period with a particular skill set. It does not make sense to employ people permanently for what might be a temporary need. Contractors are best suited to that. If you are planning in the public service and you increase your full-time staff equivalent by one person, you normally work on the assumption that that will cost you about \$125,000 a year. That is an all-up cost of salary, superannuation and the like. Now, obviously, the actual cost varies depending on level and all of that. But as an average cost, that is normally what you work at in our department. In another department, the average cost might be higher or lower. A contractor is significantly more than that. However, you cannot simply make a decision to change all

23 Department of Defence, *Submission No. 5*, p. 13.

24 Department of Defence, *Submission No. 5*, p. 13.

contractors to public servants because there is a trade-off in flexibility in respect of contractors and public servants.²⁵

Civilianisation of ADF positions

6.27 The Committee asked Defence how savings were being achieved through civilianisation of ADF positions. Defence responded:

This was one of the original initiatives from Strategic Reform Program in 2009. At that time, we were critically looking at some roles in the ADF that might be most cost effectively performed by Australian Public Service people. Typically, they would be more back office administrative roles. There has been an active program over the last two to three years to turn some roles from ADF performed roles into APS performed roles. That is what we term a “civilianisation program”.

The driver behind it was that the cost of employing an APS person is significantly less than the cost of employing an ADF person – something of the order of a 30 to 40 per cent difference, depending on which rank you might be looking at. Therefore, it was one of the cost-reduction initiatives in that program. I do not have with me the detail of how many roles have been civilianised, but the program is coming near the end of its time now.²⁶

6.28 Defence elaborated on the reasons why civilian APS staff can, in some cases, cost less than uniformed personnel:

The savings come essentially from the cost of employing the type of person. If you look rank for rank, generally the ADF are paid more – for very good reasons. Also, there is an overhead associated with an ADF person in terms of the health care that is provided to them, in terms of the subsidised housing that is provided to them and in terms of needing to equip them to do their role – simple things like the provision of uniforms. It is more expensive to employ a military person than a civilian person. The rationale behind this initiative at the time was very much that if we could do work with civilians then we should, because it is a lower cost workforce model overall. I think the program is actually reaching its end probably this year or next year.²⁷

6.29 Subsequently, Defence provided some examples of savings made by civilianising ADF positions, drawn from the Defence Financial Costing Manual (FINMAN 4):

25 Mr Richardson, Department of Defence, *Transcript*, 15 March 2013, p. 31.

26 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 44.

27 Mr Grzeskowiak, Department of Defence, *Transcript*, 15 March 2013, p. 44.

In 2009, FINMAN 4 provided average costings by rank and APS level and includes salary, accrued costs, variable on-costs and fixed on-costs. To determine the savings potential Defence used the differences between salary, accrued cost and variable on-costs. Accrued costs are primarily superannuation, but include a small component to cover annual leave and long service leave. Variable on-costs cover a wide range of items but notably include allowances, housing, education and training and ICT support. Fixed on-costs, which include items such as buildings, utility costs and security were not used as no civilianisation actions resulted in the complete closure of a Defence facility.²⁸

6.30 Defence provided an example of the scale of savings made in regard to two specific positions that are being civilianised:

In the case of pay clerks, in 2009, FINMAN 4 costed a sergeant as follows: \$61,843 pay, \$22,885 accrued costs and \$55,195 for variable on-costs giving a total annual cost of \$139,924. The equivalent position in the APS is an APS3. The 2009 FINMAN 4 costed an APS3 as follows: \$53,239 pay, \$9,892 accrued costs and \$7,907 for variable on-costs, giving a total annual cost of \$71,037. In this case, civilianising the position saves \$87,055.

In the case of the secretariat role, in 2009 FINMAN 4 costed a Major as follows: \$93,395 pay, \$32,802 accrued costs, \$57,183 variable on-costs, giving a total annual cost of \$183,380. The equivalent position in the APS is APS6. In 2009, FINMAN 4 costed an APS6 as follows: \$74,564 pay, \$13,854 accrued costs and \$7,907 variable on-costs, giving an annual cost of \$96,325. In this case, civilianising the position saves \$87,055.²⁹

6.31 In regard to managing this process for the personnel concerned, Defence told the Committee that:

As part of the implementation design, ADF members that occupied a position that was identified for civilianisation were offered the opportunity to leave the ADF and transfer with the position into the APS. This was entirely voluntary with ADF members individually assessing their work/life stage making decisions accordingly. Approximately 20 per cent of the ADF members in civilianised positions chose to transfer with the position.

28 Department of Defence, *Submission No. 5*, pp. 39-40.

29 Department of Defence, *Submission No. 5*, p. 40.

Where an ADF member chose not to transfer with a position they were posted to a new position, in accordance with their career management plan. In some cases voluntary redundancies were also offered. Once a position had been civilianised and the ADF member posted, workforce rebalancing to reach new guidance was achieved mainly through natural attrition.³⁰

Reserves

6.32 The *Defence Annual Report 2011-2012* states that \$46.7 million was saved in the area of Reserves, and that these savings were made through:

- Reduction in the use of Reservists;
- Reduction of Army personnel on High Readiness Reserve; and
- Reduction in the frequency of training.³¹

6.33 Defence informed the Committee of how it was making reforms in the area of Reserves:

The program with reserves was about restructuring the way that reserves are used. If you go back to the Pappas [Report] recommendation in the Defence budget audit, it was about better integration of the reserves into the permanent forces. I think it is fair to say that the model that the Pappas consultants used was the model that Air Force was implementing – a more integrated model where there was a seamless service career from full time to part time arrangements and you could swap around. Each service had different models for operating and in the reserves space the largest component of the reserves belong to the Army. The Chief of Army is not here to address this, but the cost reductions of the initial years were achieved through some policy changes. For example, there was a requirement, largely in the Army, to have a reservist comply with their material readiness requirement twice per year. That drives costs. The Army assessed that the permanent forces in the Air Force, for example, only had to do it once a year. That was a policy change and that reduced costs for operating and maintaining the reserves.

6.34 Furthermore, Defence noted:

There were a number of other policy tools being put in place to try and improve the cost of delivering reserves – like the cost of training services. Could we modularise the training to allow a reservist to step through small packages of training? If we could

30 Department of Defence, *Submission No. 5*, p. 40.

31 *Defence Annual Report 2011-2012*, p. 239.

do that, we would minimise our loss rate, because often people hit a large training block at a time when they cannot get away from their full time employment and lose interest in committing.³²

- 6.35 Another SRP-related initiative in relation to the Reserves was outlined by Defence:

Another initiative was to try and pick up a greater conversion – people leaving the Army and going into the reserves. Those initiatives are starting to get traction, but in the last 18 months or so the approach to finding a structural – and therefore more capable – way of using our reserves has been redeveloped. I do not know whether the committee has been briefed about Plan SUAKIN. I am not the best person to talk about Plan SUAKIN, but it is a complete rethink of the way reserves will be utilised to support ADF capability. In a nutshell, it is going to introduce a continuum of employment conditions, from part-time to full-time. There are about five or six different arrangements. Through that, we will get a better utilisation of reserves and achieve the Pappas objective and the cost reduction targets.³³

Logistics

- 6.36 A small SRP-related saving of \$300 000 was made through reform of Defence's logistics. The *Defence Annual Report 2011-2012* notes that these saving were made through:

Rationalisation of wholesale storage and distribution arrangements including second pass approval for delivery of the program.³⁴

Other

- 6.37 An additional SRP-related saving of \$285.4 million was listed in the *Defence Annual Report 2011-2012* under the heading of 'Other'. The report states that this saving was made through 'changes in the way financial risk is managed.'³⁵

- 6.38 Defence elaborated on what this 'Other' category encompassed:

The program, when we started, was about identifying savings. We identified the savings and then took the money out of the budgets. All the areas affected then had to run to the new budget, and there

32 Air Vice Marshal Smith, Australian Defence Force, *Transcript*, 15 March 2013, p. 49.

33 Air Vice Marshal Smith, Australian Defence Force, *Transcript*, 15 March 2013, p. 50.

34 *Defence Annual Report 2011-2012*, p. 239.

35 *Defence Annual Report 2011-2012*, p. 239.

is an incentive on all of the various groups to achieve their budget outcomes because they do not have the money to spend otherwise. That is an important feature of this particular program. It is sometimes misunderstood. It is not the case that there is a budget of 100 at the start of the year and that it is expected that it will be brought down to a lower number; the budget is the lower number. When we do our reporting, as we do here, what we are really repeating is the amounts that we took out of the budgets, So what we are really saying is: "Did everyone live within their means? Did they achieve their new budgets?" If they achieved their new budgets, then they saved an amount of money. So when we put these reports together, what we are really reporting is whether there has been any blowout in budgets. If a group was to spend more than the recent budget amount, it would follow that they had not achieved the savings.³⁶

6.39 Defence subsequently told the Committee how this overview of the program results in changes in the way that financial risk is managed:

When we commenced this program... it was roughly \$20 billion and there was something like \$5 billion which sat in the "other" category across that period. That "other" category was, in fact, a combination of moneys that were unallocated within Defence at the time, moneys that when we did our 2009 White Paper across time were seen to be not needed to be set aside for a rainy day or for events that might happen. We would then risk-manage that differently. Rather than having a fund set aside for "just in case" we said we would run "lean"; we would run to the wire; we would run against specific budgets.

One of the other things we did at that time was allocate all the budgets from the centre to all the groups. There is no money sitting in the centre of Defence. Before the 2009 SRP time there were pockets of money held centrally. This line was about running lean, and to incentivise the organisation to achieve this we took away the option of having a safety valve. That is what that risk management line was; it was to take that money away. Don't forget - all the moneys that were taken were reapplied back into the organisation to higher priorities. Rather than having a set of funds available just in case a priority came up, we allocated them all. That is what that [risk management] line represents. It does not represent some new activity, it represents an event that had

36 Mr Prior, Department of Defence, *Transcript*, 15 March 2013, p. 46.

occurred back at the beginning of the SRP, and this is just recording how we are going each year against that.³⁷

Committee comment

- 6.40 The Committee notes that Defence appears to be tracking well this financial year against the SRP savings outlined at the beginning of the program in 2009.
- 6.41 While the Committee is pleased that Defence has included a separate section in its *Annual Report* in which it reports only on the SRP, the Committee is of the view that this section should contain more detail.
- 6.42 In its current form, the SRP section is very light on details, to the extent that it is not possible to gain a clear understanding of how Defence is making the savings it claims under the SRP. The Committee is of the view that this inhibits public understanding of the ways Defence is seeking to manage its finances. Defence's annual reporting is examined in greater detail in Chapter Seven.
- 6.43 In terms of expanding the reporting on the SRP, the Committee is of the view that Defence could, as a matter of course, include the type of details shared during the course of this review in its reporting on the SRP. For instance, it would be possible for the SRP section of future annual reports to include a detailed breakdown of how specific savings are being achieved under each stream. As an example, in response to questions asked by the Committee, Defence outlined exactly how it was achieving savings in the Workforce and Shared Services stream, through the conversion of contractors to APS positions and the conversion of uniform to APS positions.
- 6.44 Furthermore, despite raising this issue with Defence during the Review of the Defence Annual Report 2010-2011, the Committee is still not able to ascertain the cost of delivering these savings from the reporting on the SRP contained in the Defence Annual Report 2011-2012. Savings achieved through the conversion of contractors to APS positions surely come with costs attached, and yet the Annual Report gives no indication as to what these costs might be, or what these costs amount to. Any future reporting on the SRP should include reporting on the costs of delivering such savings.

37 Mr Prior, Department of Defence, *Transcript*, 15 March 2013, p. 47.

Recommendation 2

The Committee recommends that the Defence Annual Report include detailed information on how savings are being achieved under each stream of the Strategic Reform Program.

Other issues

- 7.1 During the course of the Review, a number of other issues were dealt with that do not fit into the broad subject areas the Committee resolved to examine during its consideration of the *Defence Annual Report 2011-2012*. These issues will be discussed in this Chapter.
- 7.2 These issues fall into three broad categories:
- Strengthening Defence oversight;
 - The Parliamentary Defence Engagement Program; and
 - The Joint Strike Fighter (JSF) Project.

Strengthening Defence oversight

- 7.3 In a submission to this Review, Mr James Brown argued that there were a number of issues which prevented effective oversight of the Defence organisation. These issues largely stem from the nature of Defence's annual reporting, and Mr Brown's evidence focused on both the perceived shortcomings of Defence's reporting, and recommended ways to improve it.

The *Defence Annual Report*

- 7.4 When it comes to departmental annual reporting, Mr Brown noted that, ideally:
- The *Defence Annual Report* should allow the Parliament to gauge how good the [Australian Defence Organisation (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.*¹

- 7.5 Mr Brown told the Committee that this was particularly concerning in the area of gauging preparedness:

The issue I have is that this report makes it very difficult for Defence to be accountable to Parliament. There is not a lot of information with which you can measure preparedness for defence, readiness issues or some of the deeper, more structural and institutional problems that might be happening within the ADO.²

- 7.6 As such, Mr Brown raised a number of concerns about the nature of *Defence's Annual Report*, noting particularly that it is 'less transparent and detailed than similar reporting in the UK, US, Canada and New Zealand.' Of particular concern to Mr Brown was:

...the methodology for reporting department performance. The ADO assesses its 20 departmental and administered programs using a system of one, two and three ticks.

The three tick system is an exceptionally crude performance measurement methodology for a government department with 105,000 employees and an annual budget of \$24.2 billion. 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.³

- 7.7 Furthermore, Mr Brown characterised what reporting there is as 'overly optimistic', noting that it does not serve to highlight risks to performance. For example:

...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.⁴

1 Mr James Brown, *Submission No. 1*, p. 3.

2 Mr Brown, *Transcript*, 16 May 2013, p. 1.

3 Mr James Brown, *Submission No. 1*, p. 3.

4 Mr James Brown, *Submission No. 1*, p. 4.

- 7.8 Mr Brown highlighted another example of what he calls optimistic reporting:

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.⁵

- 7.9 Defence responded that it will ‘will continue to review its approach to performance reporting in considering the preparation’ of its next annual report, noting:

Defence is committed to performance reporting that reflects in a balanced way both the achievements of the Australian Defence Organisation and its current and future challenges.

It should be noted that in addition to the three-ticks performance reporting in the 2011- 2012 Defence Annual Report, the Report includes several types of statistical performance data that allow a more granular assessment of performance. These include flying hours for aircraft types across all three Services and readiness data for Navy fleet units. In these examples both the actual performance and the relevant performance targets are included.⁶

- 7.10 Mr Brown put forward his view that this ‘overly optimistic’ reporting has led to poor public perceptions of Defence as an organisation:

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-averse in the release of information and fostering of professional debate.⁷

- 7.11 To remedy this situation, Mr Brown recommended that Australia move towards the style of defence reporting currently used in the UK:

In looking at other defence forces around the world and other defence organisations, it is quite clear that some of them use their reporting as an opportunity to flag critical issues and critical

5 Mr James Brown, *Submission No. 1*, p. 4.

6 Department of Defence, *Submission No. 6*, p. 4.

7 Mr James Brown, *Submission No. 1*, p. 11.

shortages. The United Kingdom, for example, in their annual reporting take the opportunity to list where they are critically short of personnel. There are arguments for why you would and would not do that. But when I look through this report I see language that is not entirely useful and I think it is a cultural and institutional trait within Defence. I would hope that you would recommend them to take note of that and address it.⁸

7.12 Mr Brown compared this style of reporting to that adopted in similar countries:

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 personnel 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 New Zealand Defence Force is meeting readiness targets or not.⁹

7.13 Defence responded that its annual reporting conforms with the guidelines set out by the Department of Prime Minister and Cabinet:

Defence's public reporting conforms with the *Annual Report* performance reporting required by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70(2) of the *Public Service Act 1999*. It should be noted that in addition to the three-ticks performance reporting in the *2011-2012 Defence Annual Report*, the Report includes several types of statistical performance data that allow a more granular assessment of performance. These include flying hours for aircraft types across all three Services, as well as readiness and availability performance data for Navy fleet units. In these examples both the

8 Mr Brown, *Transcript*, 16 May 2013, p. 2.

9 Mr James Brown, *Submission No. 1*, p. 4.

actual performance and the relevant performance targets are included.¹⁰

- 7.14 Mr Brown further noted that New Zealand's reporting methodology manages to provide this information without 'divulging any operational security information.' Mr Brown suggested that:

There could be some good work to be done there. I do not know whether it would be a public method of reporting – it might be an in camera method of reporting – but a more institutionalised and granular way of letting you know ether or not Defence is hitting its targets.¹¹

- 7.15 Nonetheless, Defence noted that security classifications made it difficult to report publicly on force readiness:

With regard to routine reporting, Defence provides regular quarterly reports on readiness (also called preparedness) to the Minister for Defence. Because of the sensitive nature of assessments on Defence's ability to undertake tasks as directed by the Government, most preparedness and capability reporting is classified. Advice on capability issues arising outside the reporting cycle is also provided directly to the Minister by the responsible Service Chief.¹²

Publishing statistics

- 7.16 Another means of strengthening oversight of the ADO suggested by Mr Brown was through the routine publication of important Defence-related statistics. Mr Brown outlined his arguments in support of this to the Committee at a public hearing:

The second suggestion I have made is that this committee encourage the defence organisation to more routinely publish statistical information for a number of reasons. Firstly, so that my job as a researcher is easier. Secondly, so that both the public and Parliament can do their own assessment of where defence is at. Thirdly, so that defence personnel themselves can access this information. I believe that it is just as hard within the organisation to get your hands on statistical information. For example, it took me four months to work out how many Army officers have a tertiary degree. That is not very controversial information in itself. It does not give us a huge degree of insight into how good the

10 Department of Defence, *Submission No. 6*, p. 2.

11 Mr Brown, *Transcript*, 16 May 2013, p. 2.

12 Department of Defence, *Submission No. 6*, p. 2.

Army is, but it is an indicator of how professional our Army Officer Corps is. Four months later I have been given that data by Defence. It turns out that, from their records, 20 per cent of Army officers have a degree – a surprisingly low number. It is a number, I believe, cannot be correct given the number that go through the Australian Defence Force Academy, and Command and Staff College at the Australian National University. An initiative to convince Defence to publish more of this type of statistical information would be entirely useful. There is a good model for this. The United Kingdom Ministry of Defence has an analytical statistical agency, which basically has economists, statisticians and researchers who work to put together this kind of information and publish it for public, parliament and defence usage.¹³

7.17 As a result, Mr Brown noted that:

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.¹⁴

7.18 Defence noted that it was already publishing statistics, and was seeking to publish more information:

The *Defence Annual Report* (DAR) is Defence's primary vehicle for the release of statistical information pertaining to the Defence portfolio. The DAR contains many statistics comparable to those accessible via the United Kingdom Ministry of Defence's statistical agency (Defence Analytical Services and Advice), including statistics on Defence staffing and finance. Defence also releases statistical information comparable to the United Kingdom Ministry of Defence's statistical agency on its website. For example, the operations section of this website includes statistics on Australian Defence Force casualties.

Defence is also seeking to place more information, including information sought regularly by Parliamentary Committees through Questions on Notice, on its Information Publication

13 Mr Brown, *Transcript*, 16 May 2013, p. 2.

14 Mr James Brown, *Submission No. 1*, p. 10.

Scheme website. Responses to Questions on Notice, available from the Australian Parliamentary website, also contain considerable statistical data for researchers and the general public.¹⁵

Reviews of major operations

7.19 Another means of fostering greater Parliamentary oversight and thus public understanding of Defence and its activities that was raised during this Review was through the conduct of post-campaign assessments.

7.20 Mr Brown made the following comment on efforts at reviewing operations:

Concurrently, the ADO is transitioning from a high tempo decade of operations in Afghanistan, Iraq, East Timor and Solomon Islands. These operations need to be reviews and the ADO does not have a good record in reviewing its own operations. The Australian National Audit Office (ANAO) concluded in 2011 that Defence's ability to learn from operations was "patchy and fragmented", the Australian Defence Force (ADF) had no central repository for operational evaluations, and that until 2009 Defence had reviewed only 5 of its 17 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".¹⁶

7.21 Mr Brown thus argued that:

...it is particularly important that we review how successful [recent operations have] been on a number of levels: the military strategy, the operational effectiveness and the tactical lessons that we have learned as well.¹⁷

7.22 Defence noted that it currently has a campaign assessment process in place:

Headquarters Joint Operations Command (HQJOC) employs a campaign approach to managing large scale, enduring ADF operations. As part of the campaign approach to operations, HQJOC conducts campaign assessments for designated operations. The campaign assessment assesses progress against set operational objectives, highlights risk and informs Chief of Joint Operations' decision making.

15 Department of Defence, *Submission No. 6*, p. 3.

16 Mr James Brown, *Submission No. 1*, p. 6.

17 Mr Brown, *Transcript*, 16 May 2013, pp. 2-3.

For example, the ADF's operations in Afghanistan, under Operation SLIPPER, are assessed quarterly. In line with the HQJOC campaign plan, the Afghanistan campaign assessment is primarily focused on Uruzgan Province. The Operation SLIPPER campaign assessment draws upon a wide base of reporting that includes inputs from Combined Team - Uruzgan, the International Security Assistance Force (ISAF) chain of command, and other wider sources. This reporting is used to provide both contextual background and the assessment of specific measures of effectiveness used to assess progress.¹⁸

7.23 Furthermore, Mr Brown suggested that these reviews pay particular attention to implementing the lessons learned from these operations, and that the reviews contain some sort of public component.¹⁹

7.24 In response, Defence informed the Committee that it:

...believes that the current reporting, post activity evaluation and lessons learned processes of the ADF provides suitable opportunity for the Government to evaluate operations and for Defence to develop new or revised strategies and doctrine and update tactics, techniques and procedures. Public reviews such as those recommended would carry the risk of providing potential adversaries with information of the ADF's strengths and weaknesses without necessarily providing further information of value.²⁰

7.25 Furthermore, Defence stated that some information on the various assessments of the campaign are made available to the public:

ISAF conducts its own assessments of the overall campaign in Afghanistan and reports on these regularly through North Atlantic Treaty Organisation (NATO). At the appropriate time, NATO releases information publicly, the US Commander provides updates to the media and provides testimonies to the US Congress. Furthermore, ISAF provides briefings to the media on operations, including how ISAF assesses the overall campaign. An extract is available on the ISAF website.

Finally, the Minister for Defence, Minister Smith, provides regular updates to Parliament on the progress of the mission in Afghanistan. Regular updates to Parliament in 2013 have included operational reviews, updates on operational incidents and

18 Department of Defence, *Submission No. 6*, p. 1.

19 Mr Brown, *Transcript*, 16 May 2013, p. 3 and Mr James Brown, *Submission No. 1*, p. 11.

20 Department of Defence, *Submission No. 6*, p. 1.

detainee management, as well as transition progress in Afghanistan.²¹

Committee comment

- 7.26 The Committee is of the view that Defence's annual reporting, as it currently stands, does not provide sufficient detail on performance or on the readiness of the ADF. While the Committee acknowledges that the *Defence Annual Report* is not the only place where Defence's performance is examined, it could still be expanded to include more information.
- 7.27 The Committee agrees with Mr Brown's contention that reporting tends to be overly optimistic, and that Defence could be using its annual reporting to flag potential future issues and operational pinch points.
- 7.28 The Committee shares Mr Brown's concerns about the three ticks methodology for reporting performance. Not only does this method not shed much light on the extent to which Defence is fulfilling its functions, it also makes it difficult to monitor performance between annual reports as no indication is given as to how the number of ticks is arrived at.
- 7.29 As a result, the Committee sees considerable value in expanding the information included in the Defence annual report. This should include, at a minimum:
- the specific performance targets which underlie key performance indicators and deliverables;
 - how performance is assessed in relation to these targets; and
 - when targets are not achieved, specific details on the reasons.
- The expanded performance reporting framework should draw on international experience in the capabilities acquisition and sustainment arena.

21 Department of Defence, *Submission No. 6*, pp. 1-2.

Recommendation 3

The Committee recommends that the Department of Defence enhance its public reporting by:

- Developing a more precise method for reporting performance on capabilities acquisition and sustainment, which would detail:
 - ⇒ Specific performance targets;
 - ⇒ how performance is assessed in relation to these targets; and
 - ⇒ the specific reasons why targets are, or are not, achieved;
- Including some detail on emerging areas of concern and potential future issues;
- Enhancing its reporting on the Defence budget and its implications for capabilities acquisition and sustainment;
- Undergoing a periodic review conducted by independent experts, similar to the United States' Quadrennial Defense Review; and
- Including information on operational readiness.

The Australian Defence Force Parliamentary Program

7.30 One of the key challenges to strengthened Parliamentary oversight of Defence highlighted in Mr Brown's submission was the lack of military experience of many Australian parliamentarians. Mr Brown noted that while:

Prior military service is not a precondition for developing a deep understanding of defence... 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.²²

7.31 Mr Brown noted that while nearly eight per cent of Australia's parliamentarians do have military experience:

22 Mr James Brown, *Submission No. 1*, pp. 8-9.

...in 50 per cent of cases military service has been limited to brief stints in reserve training units. Not a single member of the 43rd Parliament has served in a combat position, only two have experience in the ADF post-9/11.²³

- 7.32 One highly successful means of remedying this is the Australian Defence Force Parliamentary Program (ADFPP). The Defence website gives a background to the genesis of this program:

In late 2000, there was a growing awareness that the number of parliamentarians who had direct experience with the Australian Defence Force (ADF) had diminished markedly. Defence took the position that it needed to increase parliamentarian's exposure to the ADF and provide them with an opportunity to gain an insight into the ADF and its capabilities. In turn, this was expected to assist parliamentarians in the facilitation of a more fulsome Defence debate on issues of national security and budgetary expenditure, issues which had attracted increased attention through the nineties as a result of heightened world events.²⁴

- 7.33 Defence's website elaborated on the role of the program:

The stated aim of the ADFPP was, and remains, to provide Senators and Members of Parliament with practical experiences of the ADF so that they can play a more informed and constructive part in the Defence debate. The program has the following objectives:

- provide an understanding of a unit's role and missions,
- provide an opportunity to experience life as a service person, and
- provide an awareness and understanding of Defence capabilities, personnel and management issues.²⁵

- 7.34 Since the program's inception in 2001, 293 placements have been undertaken by members of the Federal Parliament. These placements have been in a variety of operational areas, and Defence offers some examples from the 2013 program:

During 2013, 19 attachment options are offered. The Middle East Gulf Region and Afghanistan operational options remain at the forefront of the program. Activities for this option include undertaking an operational naval patrol on an ANZAC frigate in

23 Mr James Brown, *Submission No. 1*, p. 9.

24 Department of Defence website, *Defence Parliamentary Engagement Program: History*, viewed 11 June 2013, <<http://www.defence.gov.au/adfpp/history.htm>>.

25 Department of Defence website, *Defence Parliamentary Engagement Program: History*, viewed 11 June 2013, <<http://www.defence.gov.au/adfpp/history.htm>>.

the Gulf of Aden, or engaging in activities with service personnel on deployment at Tarin Kot and Kandahar in Afghanistan.

Attachments to other Areas of Operation include the longstanding Border Protection activity to the North and the ADF's Regional Assistance to the Solomon Islands, which will complete this year.

Options within the three services in Australia include attachment options to Navy's Fleet Base West with a focus on the Collins submarine, to Army's major firepower exercise CHONG JU, or to Air Force's Royal Australian Air Force Base Williamtown, home of the F/A 18 Hornet and the new Wedgetail Airborne Early Warning and Control aircraft.²⁶

- 7.35 Given the success of the program in fostering a deeper understanding of the issues faced by Defence, and Defence's uniformed personnel in particular, Mr Brown recommended that it be expanded into other areas of the ADO where Members of Parliament may have fewer opportunities to engage:

The ADF Parliamentary Program... is highly successful (34 per cent 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 [Defence Materiel Organisation].²⁷

Committee comment

- 7.36 The Committee recognises the value of the Defence Parliamentary Engagement Program. This Program has been of immense value in terms of informing parliamentarians about the lives and activities of Australia's servicemen and women, and the Committee is very supportive of the Program's continuation.

26 Department of Defence website, *Defence Parliamentary Engagement Program: History*, viewed 11 June 2013, <<http://www.defence.gov.au/adfpp/history.htm>>.

27 Mr James Brown, *Submission No, 1*, p. 9.

- 7.37 Nevertheless, the Committee would like to see the Defence Parliamentary Engagement Program extended into other areas. The Committee sees value in extending the Program to include placements with the Department of Defence, with a particular focus on strategic policy and the DMO.

Recommendation 4

The Committee recommends that the Defence Parliamentary Engagement Program include placements with the Department of Defence policy areas and the Defence Materiel Organisation.

Joint Strike Fighter

- 7.38 In its *Review of the Defence Annual Report 2010-2011*, in light of the conflicting perspectives presented to it on the cost, schedule and capabilities of the JSF, the Committee resolved to maintain a focus on the project to ensure that it does provide Australia with ongoing regional air superiority in a cost-effective and timely fashion.

- 7.39 The *Defence Annual Report 2011-2012* states that:

Lockheed Martin is contracted to the United States Government for the development and production of the F-35 Joint Strike Fighter. Australia is procuring the aircraft through a government-to-government agreement.

During 2012, this project signed the long lead acquisition contract for Australia's first two JSF aircraft. Production of aircraft components has commenced to support delivery to the United States Pilot Training Centre in early 2014. Full contract signature (known as definitisation) has been delayed and is not expected to occur until mid-2013, however this is not expected to impact the 2014 delivery.

In the 2012-2013 budget, the Australian Government confirmed its commitment to the first two JSF aircraft but deferred the acquisition of the subsequent 12 aircraft by two years. This decision was taken to maintain alignment with the United States

Program which has recently deferred the acquisition of 179 aircraft.²⁸

- 7.40 The Committee received an update on the JSF project from senior Defence officials. This update focused particularly on the Committee's three key areas of concern: cost, schedule and capability.

Cost

- 7.41 The Committee's *Review of the Defence Annual Report 2010-2011* found that cost estimates had increased throughout the life of the JSF project, and flagged this as a particular issue of concern for the project.²⁹

- 7.42 At a public hearing, Defence advised the Committee that the JSF would be delivered within budget:

From a cost perspective, the approved AIR 6000 phase 2A/B stage 1 – that is, the “first 14 aircraft” – remains within budget. The unapproved AIR 6000 2A and 2B stage 2 – that is, the “next 58 aircraft” – remains within its Defence Capability Plan provision.³⁰

- 7.43 Furthermore, Defence told the Committee that costs were expected to decrease through the life of the project, as production increased:

There is now strong alignment between the aircraft acquisition cost estimates from the independent US Cost Assessment and Program Evaluation Office, the US F-35A Joint Program Office, and the Australian New Air Combat Capability Project Office. However, the aircraft costs are sensitive to US and partner nation purchase profiles. The actual costs for each successive low-rate initial production lot continue to be below the US congressional estimates. Our first two aircraft are expected to be around, or less than, the \$130 million estimate that Defence has had since before 2011. Overall, in 2012 dollars and exchange rate at A\$1.03 to US dollars, 72 F35As are expected to cost an average of A\$83.0 million – unit recurring flyaway cost – if ordered in the 2018-19 to 2023-24 time frame.³¹

- 7.44 It was also noted by Defence that the figures it estimated independently are consistent with US Congressional cost estimates:

The latest official US congressional F-35A cost estimates, sourced from the publicly available Selected Acquisition Report of 2011,

28 *Defence Annual Report 2011-2012*, p. 169.

29 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of the Defence Annual Report 2010-2011*, p. 81.

30 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

31 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

are consistent with the Australian estimates and indicate the cost of the F-35A – unit recurring flyaway cost – reducing from a price of about \$130 million in US then dollars for aircraft delivered in 2014 reducing over time down to about \$82 million in US then dollars for aircraft delivered in the 2020 time frame.³²

- 7.45 Defence also discussed the likely sustainment costs, noting that while they are currently high, they are likely to decrease over time:

The sustainment costs are high but reducing, and we should see further refinement of these costs now that the F-35A has been fielded at several units in the US. This area is a particular focus of the US JSF Program Office at present, who have been implementing initiatives such as improving the supportability of high-value and high-usage aircraft components; opening up greater competition for sustainment work; and further developing programs to reduce the cost of ownership of F-35A support equipment.³³

Schedule

- 7.46 In its review of the previous *Defence Annual Report*, the Committee found that while Defence and Lockheed Martin were positive about future developments, the schedule for the delivery of working JSFs had slipped considerably since the inception of the project.³⁴
- 7.47 Defence provided the Committee with an update on the schedule for the delivery of the JSF to Australia:

Following the re-baselining of the program by the US Joint Program Office, in 2010-11, the program has stabilised and the manufacturer is meeting its key milestones. Technical problems with systems such as the helmet mounted display system are being addressed. We now have a greater level of confidence that the program will deliver the required capability by 2020. We have reached this view based on three independent reviews conducted by Defence. These consist of two software focussed reviews using the schedule compliance risk assessment methodology, or SCRAM, and also a further DMO-led review that was independent of the Project Team, in March/April 2013. These reviews have confirmed the assessment made by the new Program Executive

32 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

33 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

34 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of the Defence Annual Report 2010-2011*, p. 82.

Officer, Lieutenant General Bogdan, to the Defence subcommittee during his briefing at Avalon, and in his April 2013 testimony to the US congress, that the program is likely to deliver the threshold capability needed for an Australian IOC in 2020, based on block 3i of the aircraft software. Defence assesses a medium risk for the delivery of the software capabilities needed to meet the Australian IOC requirements in 2020.³⁵

7.48 Specifically, Defence told the Committee that:

It is now less than two years before the first two Australian F-35A aircraft are delivered, and seven years before the Initial Operating Capability, or IOC, of the F-35A in the Royal Australian Air Force. [...]

The first two Australian F-35A aircraft are on track for delivery in the United States in late 2014 and will be used for training the first Australian pilots at Luke Air Force Base from 2015. Production ramp up from 35 to 100-plus F-35A aircraft and engines per annum presents a challenge, but the F-35A Joint Program Office and the recent DMO-led review assess that it is achievable. Lockheed Martin and Pratt and Whitney appear to have the resources and expertise to deliver the system development and demonstration program and hence achieve an Australian IOC of 2020.³⁶

7.49 Furthermore, a recent independent, DMO-led review found that 'the F-35A, in a block 3F configuration, together with its weapons and support systems, is likely to be ready to meet an Australian IOC schedule'.³⁷

7.50 Nonetheless, Defence flagged some potential risk areas in terms of schedule:

From a schedule perspective, software remains a key risk; however, the risk appears to be reducing. The block 2B release is expected to be delivered to the fleet in mid-2015, and block 3I in 2016, representing about a four-year schedule buffer to the planned Australian IOC of 2020.

The independent DMO SCRAM review assessed about 11 months of schedule risk in the block 3F software. This assessment appears valid with about three months slip now forecast by the US JSF Program Office. The block 3F fleet release is planned for the third quarter of 2017, but could be as late as mid-2018 if the risk is

35 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 6.

36 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, pp. 6 and 7.

37 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 6.

realised. Defence will have better idea of fleet release date for block 3F after the block 3 critical design review in mid-2013.³⁸

Capability

- 7.51 In its *Review of the Defence Annual Report 2010-2011*, the Committee received conflicting evidence on whether the JSF would offer the type of capabilities needed to maintain Australia's regional air superiority, particularly in light of the fact that other nations are currently in the process of developing fifth generation fighter jets.³⁹
- 7.52 Defence offered the Committee an overview of the capability that would be offered by the JSF:
- The F-35A, as a 5th generation strike fighter, will provide Australia the capability to succeed in the air across the spectrum of conflict. It will bring to the fight a degree of networking that is a force multiplier for airborne forces, as well as for land and maritime forces. The F-35A will be able to operate and win in very high threat environments where most other fighters will struggle. Very importantly, it is at the start of its operational life and will be able to evolve and improve over decades as the threat evolves.⁴⁰
- 7.53 Defence elaborated on the results of the testing that had been conducted so far, noting that the JSF will meet requirements upon IOC:
- Of course, with only 35 per cent of flight testing of the F-35A complete, and ground fatigue testing of the F-35A just entering the second life of testing, there is still the potential for issues to emerge. The Block 2B/3i configuration of the F-35A aircraft is assessed to be at least as capable as the Classic Hornet in the priority IOC roles and will meet the threshold requirements for IOC. At this time, all planned capability is expected to be fielded in the Block 2B/31 configuration, but there are several 'drops' of Block 2B software to be delivered in the next few months. Some capability features of the block 3F software may potentially be deferred because of the limited budget and schedule available to the F-35A System Development and Demonstration program.⁴¹
- 7.54 Nonetheless, Defence noted that risks to capability do exist, particularly in the area of the weapons being designed for use of the JSF:

38 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

39 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of the Defence Annual Report 2010-2011*, p. 82.

40 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 6.

41 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, p. 6.

Maritime strike capability is a high-capability priority for Australia, and also is a very high US Department of Defense priority for block 4A, planned for release to service in the 2020-21 timeframe. Defence assess a medium risk that the implementation of the Joint Stand-Off Weapon, or JSOW C-1 maritime strike weapon, could be delayed to beyond the planned F-35A final operating capability date of 2023. This risk will be reassessed once the final block 4A content and priorities are confirmed in around September 2013 and advised as a part of the AIR 6000 phase 2A/2B second-pass consideration to government.⁴²

7.55 Additionally, the large volumes of data were posing potential risks in regard to capability:

A high risk remains in the area of generating a suitable mission data load for the F-35A at IOC. The mission data load contains threat parameters, weapons information and other mission data. Ways of mitigating this risk are being investigated, including the sourcing of an initial mission data load from the United States.⁴³

7.56 The Committee questioned Defence about the technical problems with the new helmet mounted display, requesting more detail on what the problems were and how they were being addressed. Defence responded at length:

They have been conducting a series of flight tests purely devoted to exploring the issues with the helmet mount display system and also some of the fixes that they have been putting into the helmet mounted display to improve its performance. That testing has just been completed and they are now finalising the analysis of it. I will give you an initial readout on what the analysis is indicating there. As you are well aware there is a dual path on the helmet. We currently have the VSI Gen II helmet. The VSI Gen III helmet, which will have an improved low-light night vision capability will be coming in about 2015 and that will then take over. We will no longer have the VSI Gen II. We will go to an all VSI Gen III helmet. You are well aware that the other path is a BAE helmet that has a night vision goggle arrangement attached to it as an interim helmet and as an alternate helmet to the VSI helmet. At the moment both paths are being progressed but of course the flight testing was all about the VSI Gen II helmet.

42 Vice Adm. Jones, Australian Defence Force, *Transcript*, 16 May 2013, pp. 6-7.

43 Air Vice Marshal Osley, Australian Defence Force, *Transcript*, 16 May 2013, p. 7.

I think you are across the issues but I will briefly cover them. Alignment is a key one. You hop into the aircraft and on occasion the helmet display may not be aligned with the earth. That requires you to get out of the aircraft and have it realigned on the ground. They are working on a proposal to have that, whereby you in fact fine-tune that prior to getting in the aeroplane; the pilot can do it as part of his normal checkout procedures. At the moment you have to return the helmet and basically go back and have it adjusted in the workshop. They are making it so that it is pilot-adjustable.

The next one is green glow, and that is a factor of the design of the helmet, using liquid crystal displays. It implies that there is a whole lot of extraneous light that is coming in at night around the display. Even though it is noted by a few of the test pilots it is not considered an operationally significant issue for them and they can overcome that one.

The third one is jitter. There were in excess of 35 flight tests; I believe there were 38 by the time I had been to Edwards, and there were more being planned. The initial results were that they were seeing positive improvements from the modifications that had been made. So, they had adjustments to the software to counteract the jitter, and in the pre-jitter software the pilot considered that it was acceptable but that it would require some workarounds and some compensation operationally. The post-modification ones for the anti-jitter in the software were showing significant improvement. That is all I could get out of them at the time, from the commander there.

The fourth issue is distributed aperture system latency – that is, the display has a lag in it. That lag has proven in the test flights to not be significant, so it is no major concern. It is expected to meet United States Air Force operational requirements. They have tested it and measured it and the USAF is now considering that data, but it is looking good.

The final one is the night vision camera. The Generation II helmet is not compliant in its night vision capability, and that is an issue not so much for the USAF – it can achieve their operational requirements – but for the US Marine Corps, in particular for fine motor skills of landing on the deck of an landing helicopter dock and the fine motor skills involved in air refuelling off KC-130s at night doing the probe refuelling. It is a problem both with the amount of resolution you have and with the location of the camera, as you are aware. That will be fixed in the Generation III

helmet by using a better system, and they are working on that. And in the interim of course the US Marine Corps are assessing whether it is operationally acceptable to go to IOC in 2015 with it, noting that they also have the alternate helmet as the backup at this time.⁴⁴

Committee comment

- 7.57 The Committee is encouraged by the update on the JSF project provided by Defence. It is pleased to see that, since the re-baselining in 2010-2011, the project has been meeting its objectives particularly in terms of cost and schedule.
- 7.58 While some concerns around capability do still exist, the Committee notes Defence's confidence that these risks can be managed. The Committee notes that many of the key areas of risk in regard to capability are actually still under development. Thus, it cautions that a close watch must be kept on these aspects of the program.
- 7.59 The Committee resolves to continue to seek updates on the JSF project in future reviews of the *Defence Annual Report*, so that it can stay up to date on current and emerging areas of risk.

Hon Joel Fitzgibbon MP
Chair

44 Air Vice Marshal Osley, Australian Defence Force, *Transcript*, 16 May 2013, pp. 9-10.



Supplementary Remarks – Dr Dennis Jensen MP

Despite the confidence displayed by the Department of Defence, I am not confident that the Joint Strike Fighter (JSF) will be able to deliver the capabilities promised within schedule and cost parameters.

This belief is well-founded and carefully considered, and is based on my observations of the JSF project over the last decade. For instance, in regard to the delivery schedule, former Chief of the Defence Force (CDF) Air Chief Marshal Angus Houston told the Parliament in 2004 that ‘the expectation is they will begin arriving in Australia in 2012’. In 2005 he stated that jets would begin to arrive in 2012. Despite these assurances, Australia is yet to take delivery of its first two aircraft, and Defence advised the Committee in the course of this review that Australia is ‘less than two years away’ from receiving its first two aircraft.¹ However, current defence plans have these aircraft remaining in the USA for some years!

Furthermore, in 2007, initial operation capability (IOC) was to be achieved by 2014-2015. By 2011, Air Vice Marshal Osley was informing the Parliament that IOC would be achieved in 2018.² In 2013, Vice Admiral Jones informed the Committee that ‘the program is likely to deliver the threshold capability needed for an Australian IOC in 2020’.³ As we can see, the slippage in schedule has been considerable over the life of the project, and there is no reason to believe the situation might improve given more recent disclosures in the USA.

Schedule is not the only area where estimates made by Defence and Lockheed Martin on which Australia’s decisions have been based have proven to be

1 Dr Dennis Jensen, *House of Representatives Hansard*, 13 February 2013, p. 163.

2 Dr Dennis Jensen, *House of Representatives Hansard*, 13 February 2013, p. 163.

3 Vice Admiral Jones, *Australian Defence Force, Transcript*, 16 May 2013, p. 6.

incorrect. The cost of the JSF has also been repeatedly revised throughout the life of the project. In 2004, Air Marshal Houston stated that the flyaway cost would be about \$45 Million per aircraft. By 2007 Air Commodore Harvey was estimating 'approximately \$55 Million' on average. By 2008, Dr Gumley of the Defence Materiel Organisation noted that he would be surprised if the cost was over \$75 Million (in 2008 dollars at an exchange rate of 0.92). By June 2010 the US had revised its cost estimate to \$133 Million per jet.⁴ In 2013, Defence told the Committee that Australia would pay \$130 Million for its initial two jets, with this reducing to \$82 Million by around 2020.⁵

Interestingly in 2006-2007, the independent think tank, Air Power Australia (APA) produced an estimate, based on detailed cost modelling, of between \$136 and \$176 Million for the F-35A JSF across the then planned production program. The APA cost modelling in 2006-2007 also projected that the aircraft unit price Australia would be required to pay for the planned purchases of F-35A CTOL variant aircraft would almost certainly be around \$219.5 Million if not more, particularly for getting fully operational aircraft on the flight line in Australia.

In 2009, the Australian Government appropriated some \$3.2 Billion of public funds for the purchase of the first tranche of 14 F-35A JSF aircraft from which funds have been committed under contract for the two aircraft mentioned above. This equates to a cost figure of \$228.57 Million per aircraft but still leaves those aircraft in the USA.

The APA estimates have turned out to be far more accurate than those presented by either Lockheed Martin, the JSF Program Office or our own Department of Defence. Nonetheless, APA has been consistently, repeatedly and, as the data and facts now show, falsely denigrated and defamed by Defence, and not only on cost.

In regard to APA's analysis of the capabilities, and particularly the aerodynamic performance offered by the JSF, in 2012 Air Vice Marshal Osley told the Committee that it was 'inconsistent with years of detailed analysis undertaken by Defence, the JSF Program Office, Lockheed Martin and the eight other partner nations.' Air Vice Marshal Osley claimed that APA's analysis was 'basically flawed' due to 'incorrect assumptions' based on a 'lack of knowledge of the classified F-35 performance information'.⁶

This is inconsistent with the findings of the most recent report of the Director of Operational Test and Evaluation (DOT&E).⁷ The latest DOT&E report on the JSF

4 Dr Dennis Jensen, House of Representatives Hansard, 13 February 2013, p. 163.

5 Vice Admiral Jones, *Transcript*, 16 May 2013, p. 7.

6 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of the Defence Annual Report 2010-2011*, p. 78.

7 The Office of the Director, Operational Test and Evaluation website, *DoD Programs: F-35 Joint Strike Fighter*, viewed 24 June 2013, <<http://www.dote.osd.mil/pub/reports/FY2012/pdf/dod/2012f35jsf.pdf>>.

demonstrates that APA's analyses of the performance of the JSF, much like the results of their analysis of the cost of the JSF, were correct from the outset.

For instance, over the past decade or so, both Lockheed Martin and Defence have waxed lyrical before the Australian Parliament (and elsewhere) about the fighter performance of the JSF, claiming it to be a '9g fighter aircraft with comparable fighter performance to the F-16 and F/A-18 legacy aircraft'.

However, in 2006, APA's analysis projected that the F-35A variant of the JSF would struggle to sustain 4.7 g when attempting to turn at 15,000 feet, when the specification of the JSF (the Joint Operational Requirements Document or JORD) required the F-35A to be able to sustain a 6.0g turn as the target Objective Specification under these conditions, with a bare minimum acceptable Threshold Specification of 5.3 g. Furthermore, APA calculated that the F-35A would take more than 60 seconds to accelerate from 0.8 Mach to 1.2 Mach at 30,000 feet, while the JORD had set a target Objective Specification of less than 40 seconds with the bare minimum acceptable Threshold Specification to be, at most, 55 seconds. Failure to meet the bare minimum Threshold level of any specification means the design fails to meet specification.

According to the 2012 DOT&E report, the JSF program office 'announced an intention to change performance specifications for the F-35A, reducing turn performance from 5.3 to 4.6 sustained g's. Furthermore, the JSF program office also sought an increase of eight seconds on the acceleration bare minimum acceptable Threshold level specification, from 55 seconds to 63 seconds.⁸ Crucially, these requested changes accord exactly with the analysis conducted by APA in 2006-2007. This, put simply, refutes the statement made by Air Vice Marshal Osley that APA's analysis is 'basically flawed'.

Since it is said a picture is worth a thousand words, the following summary of the APA advice to Defence, successive Defence Ministers, and successive Parliaments in relation to the aero/propulsive performance of the JSF aircraft is provided.

8 The Office of the Director, Operational Test and Evaluation website, *DoD Programs: F-35 Joint Strike Fighter*, viewed 24 June 2013, <<http://www.dote.osd.mil/pub/reports/FY2012/pdf/dod/2012f35jsf.pdf>>.

APA Analysis & Assessment of JSF ORD Maneuverability KPIs

X Likely Fails to meet even Threshold Specification

Maneuverability

DOT&E Report, December 2012

JSF ORD, March 2000 - Change 3

Air Power Australia (APA) 2006 Assessments/Estimates in RED
Copyright(c)APA, PGAA, Peter Goon : January 2013, 2006-2012

		Threshold	Bare, Minimum Accept.	Objectives	Target Specifications
Corner Speed	CTOL/CV	F-16 like		F/A-18 like	
Instantaneous G	STOVL (At 15K feet)	+7.0	320 KCAS @0.76M, ISA	+7.5	305 KCAS
Sustained G	CTOL	+5.3	+4.6g	+6.0	X +4.7g
	CV	+5.1	+5.0g	+6.0	X +4.0g
	STOVL (At 15K feet/.8 Mach)	+5.0	+4.5g	+6.0	X +4.3g
Sustained G (< 1.15 G)	CTOL ¹	Sustained 30 degree bank turn		Sustained 45 degree bank turn	
Mil Power performance at 30K ft ≤0.9M	CV	1000 fpm climb (straight and level).		2500 fpm climb (straight and level). X < 27 degree	
Acceleration: +8 = 63 secs more than 43 = >108 secs +16 = 81 secs	CTOL	≤ 55 sec	F-16C Blk50 + 2 x BVR + 2 x WVR + 50% Internal Fuel ~28 secs Source: LMC/F/AD	≤ 40 sec	X 60+ secs
	CV	≤ 65 sec		≤ 45 sec	X 95+ secs
	STOVL (At 30K feet/0.8 to 1.2 Mach)	≤ 65 sec			X 69+ secs
Ps	STOVL (At 15K feet/0.8 Mach)	550 feet/sec	X < 490 ft/sec		
G at Maneuver Weight	CTOL ²	+9.0/-3.0 (Mach ≤ 1.05)	X	Will be N ₂ W Limited!!!	
	CV	+7.5/-3.0 (Mach ≤ 1.05)	X		
	STOVL	+7.0/-3.0 (Mach ≤ 1.05)	X		
Note: The only "comparable fighter performance" metric sought was 'Corner Speed' which, not surprisingly, are different for F-16C and F/A-18C.	CV	+6.5/-2.0 (Mach > 1.2)		+8.0/-3.0	
	STOVL	+7.0/-3.0 (Mach > 1.2)		+8.0/-3.0	
	STOVL	+6.0/-2.0 (Mach > 1.2)			

- Configuration: 2 x empty external 370 gallon tanks internal fuel for 540nm combat radius, 4 x JDAM Mk-84, 2 x AIM-120, gun with 150 rounds. Airspeed ≤0.9M. **Specifies 'useful' Combat Ceiling Limit for this configuration!!!**
- With 60% of internal fuel load required for 540nm combat radius and JDAMs jettisoned/released.
Maneuver Weight = NTE + 1,200lb (2 x AIM-120 + SSE) + 10,800lb fuel = 41,371lb, but... with WE (Max Nz) @ 28,948lb, Maneuver Weight = 40,948lb. So data point (60% fuel load and 540nm combat radius) likely not achievable. As empty weights increase, as predicted & happening, performance will degrade even further!!!

Tom Burbage, the Lockheed Martin Vice President and JSF Program Integration General Manager, on 20 March 2012, stated 'the airplane will continue to be well in excess of its basic requirement. The airplane is meeting all of the other requirements today', which is clearly contradicted by the DOT&E report and also a July 2009 Aviation Week and Space Technology article by Andy Nativi 'F-35 Air Combat Skills Analyzed' that stated the acceleration time from Mach 0.8 to 1.2 at 30,000 ft was 61 seconds, and sustained turn was 4.95g at 15,000 ft.⁹ This clearly demonstrates that the aircraft was not reaching its performance requirements, and that the data was available as early as 2009, preceding the evidence given by Burbage. Burbage also stated that: 'The STOL weight has been very stable and the airplane is meeting all of its performance requirements'.

In response to a speech I gave in Feb 2013, Burbage wrote a letter to the Committee¹⁰ attempting to justify his assertions. On APA's analysis of

9 F-35 Air Combat Skills Analyzed by Andy Nativi.
www.aviationweek.com/aw/jsp_includes/articlePrint.jsp?...

10 Letter to Committee by Mr. Tom Burbage, 26 February 2013 CTB: tb: 13-003

aerodynamic performance (which were proven correct by the DOT&E Report and the JPO request of the JROC to reduce the specifications as stated previously for turn and acceleration) he claimed that 'Air Vice Marshal Osley is correct in his assessment that APA's criticisms of the F-35's aerodynamic performance is inconsistent with years of detailed analysis undertaken by Defence, the JSF Program Office, Lockheed Martin and eight other partner nations'. One cannot have too much confidence in all of this 'consensus' analysis given that the flight test program has shown them to be wrong, yet a small non-profit organisation, comprising mostly highly experienced engineers, without access to the much vaunted 'classified data', has been proven correct repeatedly.

Lockheed Martin CEO Marilyn Hewson, when asked to respond whether her company fully supported the claims made by Mr. Burbage in both testimony and correspondence, attempted to deflect attention away from the key point, by making points that were irrelevant to the specifics of the incorrect information Mr. Burbage provided.¹¹ She also tried to explain away the performance contradictions by rationalising that Mr. Burbage was only talking about the JSF KPP's, whereas this was never stated by Mr. Burbage, either in his original testimony, nor his subsequent communication, responding to my speech of Feb 2013.

Performance specifications are not the only area where the Committee has received evidence from Defence and Lockheed Martin that is directly contradicted by the DOT&E report. At a public hearing in 2012, Lockheed Martin told the Committee that weight was not an issue in the JSF project. Mr. Burbage informed the Committee that only the F-35B variant was sensitive to increases in weight, and that the F-35A and F-35C were 'several thousand pounds away from the first compromise of the performance requirements.'¹²

Of note here is the several thousand pounds of margin, and the statement of 'performance requirements', where the A-model only has one performance KPP, that being range. If Ms. Hewson were correct that Mr. Burbage, in terms of performance was specifically speaking of performance KPP's, then there is only one!

Once again, Mr. Burbage's testimony is contradicted by the DOT&E report, where it is stated 'The latest F-35A weight status report from November 2012 showed the estimated weight of 29,098 pounds to be within 273 pounds (0.94 percent) of the projected maximum weight needed to meet technical performance required per contract specifications in January 2015.' This is hardly 'several thousand pounds of margin'. Mr. Burbage, in response to my speech, once again states 'The F-35 has significant weight margins in the F-35A and C.' Once again, Mr. Burbage knows at

11 Letter to Committee by Ms. Marilyn A. Hewson, April 16, 2013

12 Mr Tom Burbage, Lockheed Martin, *Transcript*, 20 March 2012, p. 7.

this stage of the DOT&E report, as he referred to it in this communication, but persists with the incorrect weight margin.

Ms. Hewson attempts to obfuscate by stating in her letter that 'In reference to "margin", the DOT&E report accurately stated the weight margin that then existed against the internal weight design target.' As can be seen from the direct quote from the DOT&E report, this is clearly not the case, it is the weight margin to the aircraft not meeting its technical performance.

Of major concern is that, during the recent live fire tests at the Navy Test Centre at China Lake in the US, the F-35 demonstrated serious design problems. Burbage, in his Feb 2013 communication to the Committee makes a further incorrect statement. He stated 'The F-35 has unprecedented survivability features incorporated in its basic design, a fact which is being verified in live fire testing at the Navy Test Center in China Lake. Certain equipment was removed from the F-35 in the early design phase as it was deemed unnecessary redundancy to other installed systems'. This claim was in response, again, to my speech of Feb 2013.

This statement is completely at odds with the DOT&E report which states 'The program's most recent vulnerability assessment showed that the removal of fueldraulic fuses, the PAO shutoff valve, and the dry bay fire suppression [system], also removed in 2008, results in the F-35 not meeting the Operational Requirements Document (ORD) requirement to have a vulnerability posture better than analogous legacy aircraft.' It is clear that 2008 is not 'in the early design phase', and the aircraft certainly does not have unprecedented design features when it cannot even match the vulnerability of current fighter to hostile weapons fire.

Further, Burbage does not state the correct reason for the removal of these mission critical safety features. He simply states 'deemed unnecessary'. The DOT&E report states 'In 2008, the JSF Executive Steering Board (JESB) directed the removal of the PAO shutoff valves from the F-35 design to reduce aircraft weight by 2 pounds.' Also 'As a result of the weight reduction initiative, the JESB directed the removal of fueldraulic fuses from the production design in 2008 to provide a weight saving of 9 pounds'. So Burbage is incorrect in stating the survivability of the aircraft to ballistic damage, is incorrect in stating the reason for the removal of the equipment, and it is clear that his claim of significant weight margins, of around 'several thousand pounds', is completely false given that the aircraft is significantly more vulnerable than it should be, for a saving of a mere 11 pounds of weight.¹³

In light of this reduction in performance specifications and the increase in vulnerability, both incurred to meet weight requirements, there is cause for major concern. Essentially, the revised performance specifications place the JSF on par with legacy fighters such as the long retired Vietnam era F-4 Phantom, which is

13 For comparison, 11 pounds is the weight of a typical housecat.

currently more than 50 years old by design. Furthermore, the JSF is unable to achieve the JORD requirement to have vulnerability to ballistic damage that was better than legacy fighters.

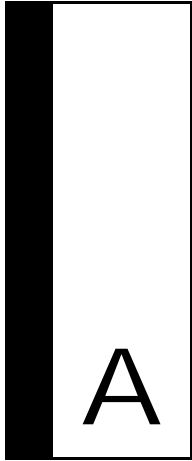
I have serious questions and deep concerns about how both Defence and the prime contractor, Lockheed Martin, might expect the F-35 JSF to credibly compete with other, highly capable, Russian and Chinese fighter jets currently being developed to compete with the far more capable F-22 Raptor.¹⁴ In light of these concerns, it is my view that Australia should immediately reconsider its decision to purchase the F-35 JSF.

In conclusion, we might reflect on the extent to which we, the Parliament of Australia, have allowed this situation to develop, by repeatedly accepting evidence from Defence and their prime contractors, which is clearly at odds with reality and irrefutable material hard fact. Every time we accept evidence which is either of dubious quality, or intentionally false, we reinforce these inappropriate and unlawful behaviours by Defence and their contractors. I am reminded of Jackman's famous statement 'In God we trust. All others must bring data.'¹⁵

Dr Dennis Jensen MP

14 There is ample unclassified public data on these new Russian and Chinese aircraft, including footage of demonstration flights, which clearly shows these aircraft were designed and built from the outset to compete against the F-22.

15 Professor Simon Jackman accurately predicted the electoral victory of Barack Obama in November, 2012, by scientifically analysing polling data.



Appendix A – List of Submissions

1. Mr James Brown
2. Department of Defence
3. Mr Steven Grzeskowiak, Deputy Secretary, Defence Support and Reform Group, Department of Defence
4. Mr Warren King, Chief Executive Officer, Defence Materiel Organisation, Department of Defence
5. Department of Defence – Answers to Questions on Notice
6. Department of Defence – Answers to Questions on Notice
7. REPSIM Pty Ltd



Appendix B – Witnesses who appeared at public hearings

Canberra, 15 March 2013

Department of Defence

Mr Mark Cunliffe, Head Defence Legal

Vice Admiral Ray Griggs, Chief of Navy

Mr Steven Grzeskowiak, Deputy Secretary, Defence Support and Reform Group

Mr Warren King, Chief Executive Officer, Defence Materiel Organisation

Ms Carmel McGregor, Deputy Secretary, Defence People Group

Ms Shireanne McKinnie, General Manager Joint Systems and Air, Defence Materiel Organisation

Mr Phillip Prior, Chief Finance Officer

Mr Dennis Richardson, Secretary of Defence

Australian Defence Force

Air Marshal Geoff Brown, Chief of Air Force

Major General Gerard Fogarty, Head People Capability Division, Defence People Group

Air Vice Marshal Neil Hart, Head Joint Capability Coordination

General David Hurley, Chief of the Defence Force

Vice Admiral Peter Jones, Chief Capability Development Group

Lieutenant General David Morrison, Chief of Army

Air Vice Marshal Kevin Paule, Acting Vice Chief of the Defence Force

Air Vice Marshal Ian Smith, Deputy Head, Strategic Reform and Governance

Rear Admiral Robyn Walker, Commander Joint Health

Canberra, 16 May 2013

Mr James Brown, Military Fellow, Lowy Institute of International Policy

Department of Defence

Mr Warren King, Chief Executive Officer, Defence Materiel Organisation

Australian Defence Force

Air Marshal Geoff Brown, Chief of Air Force

Vice Admiral Peter Jones, Chief, Capability Development Group

Air Vice Marshal Kym Osley, Program Manager, New Air Combat Capability,
Defence Materiel Organisation