
The Parliament of the Commonwealth of Australia

Review of Foreign Affairs, Trade and Defence Annual Reports, 2000-2001

Joint Standing Committee on Foreign Affairs, Defence and Trade

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Canberra

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Contents

Foreword.....	vii
Membership of the Committee.....	ix
Membership of the Foreign Affairs Sub-Committee	xi
Membership of the Defence Sub-Committee	xiii
Terms of reference	xv
List of recommendations.....	xvii

1 Introduction

The conduct of this review.....	1
Structure of the report	3

2 Issues in Australia's Foreign and Trade Relations

Introduction.....	5
Committee Reports on the Middle East and South America.....	6
Australia and the Middle East	6
Australia and South America.....	7
Relations with North Asia	8
China and Taiwan	8
Korean Peninsula.....	10
Japan.....	10
Relations with South Asia.....	11
India, Pakistan and Bangladesh	11
Afghanistan	12
Australia's Relations with the Immediate Region	13
Indonesia.....	14
East Timor.....	16
Solomon Islands.....	17
Papua New Guinea	18
Fiji and Nauru	19
Vietnam, Cambodia and Burma	21
Foreign Policy White Paper	24
In Conclusion.....	25

3 Issues in Defence

Introduction.....	27
Objectives and scope	28
Defence objectives, personnel and 2002-03 Budget allocation	28
Issues	31
Achievement against key priorities.....	32
Organisational renewal.....	33
Recruitment and retention	33
Conditions of service relating to operational deployment.....	34
Women in the ADF	35
Unacceptable Behaviour	36
Ammunition shortfalls	37
Bushranger Project.....	38
F-111C aircraft.....	39
Replacement patrol boats	40
Readiness of Reserves	40
Acquisition and major projects	41
C-130J.....	42
MILSATCOM.....	42
Hawk lead-in fighter	42
JORN.....	43
F/A-18A Hornet Upgrade Program	44
AEW&C Aircraft.....	44
HMAS Collins	45
Costs of unauthorised boat arrivals and Middle East operations	45
ANZUS Treaty	46
Government responses to reports.....	46

4 Operational deployment and transition management in the ADF

Introduction.....	49
Operational deployment	50
Conditions of service.....	50
Conclusions.....	52
The statistical database	53
Conclusions.....	54
Support services and programs	56
Family breakdown support	56
Operational Safety Team	57
Counselling and psychological screening	58
'Decompression' periods and support for Reservists	59
Conclusions.....	61
Transition management.....	62
Defence and DVA support services	62
Transition management and retention	66
Conclusions.....	67

Employment needs 68
Conclusions..... 70

Appendix A – Resolution of Appointment..... 73
Appendix B – Witnesses at Public Hearings 77



Foreword

This report is the result of the first general review by the Joint Standing Committee on Foreign Affairs, Defence and Trade of annual reports from the government agencies within its area of interest.

Traditionally, Senate committees, not Joint or House committees, have conducted general annual report reviews. We decided to review the annual reports from the Department of Foreign Affairs and Trade, AusAID, Austrade and the Department of Defence for two main reasons:

- first, to make an active contribution to the processes by which the Parliament holds the Executive and its agencies to account; and
- second, to seek status reports on various policy and operational issues outlined in the annual reports.

The review involved two public hearings: one conducted by the Foreign Affairs Sub-Committee, the other by the Defence Sub-Committee. A broad range of issues were canvassed at these hearings, many of them also of interest to our Trade and Human Rights Sub-Committees.

From our perspective, the review has been very useful. Not only has it contributed to the accountability process, it has allowed us to consider issues which may warrant closer examination by way of specific inquiry.

We expect that annual report reviews will become a regular part of the Committee's work program.

Senator Alan Ferguson
Committee Chairman

Hon David Jull MP
Chairman
Foreign Affairs Sub-Committee

Hon Bruce Scott MP
Chairman
Defence Sub-Committee

Membership of the Committee

Chair Senator A B Ferguson

Deputy Chair Hon L J Brereton, MP

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Senator A Bartlett (from 1/7/02)	Hon K C Beazley, MP
Senator M Bishop (from 1/7/02; to 19/8/02)	Hon A R Bevis, MP
Senator the Hon N Bolkus (from 1/7/02)	Hon G J Edwards, MP
Senator V W Bourne (to 30/6/02)	Mr L D T Ferguson, MP
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Senator J A L Macdonald	Hon G D Prosser, MP
Senator K O'Brien (from 1/7/02)	Hon B C Scott, MP
Senator M A Payne	Hon W E Snowdon, MP
Senator the Hon C Schacht (to 30/6/02)	Hon A M Somlyay, MP
Hon B G Baird, MP	Mr C P Thompson, MP
Mr R C Baldwin, MP	

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Membership of the Defence Sub-Committee

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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 21 March 2002 the Committee resolved to hold public hearings to review the 2000-2001 annual reports from the Department of Defence, the Department of Foreign Affairs and Trade, the Australian Agency for International Development (AusAID) and the Australian Trade Commission (Austrade).

1 See *Journals of the Senate*, No. 3, 14 February 2002 and *Votes and Proceedings*, No. 3, 14 February 2002

2 See *Votes and Proceedings*, No. 3, 14 February 2002



List of recommendations

Recommendation 1

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

Recommendation 2

The Department of Veterans Affairs should develop an information package clarifying what Australian Defence Force conditions of service equate to under the provisions of the *Veterans Entitlements Act 1986* (paragraph 4.19).

Recommendation 3

The Department of Veterans Affairs (DVA) should develop information fact sheets for all deployments covered by DVA, stating what benefits and assistance are available to Australian Defence Force personnel serving on those deployments. This information should be posted on the DVA website (paragraph 4.20).

Recommendation 4

The Department of Defence should develop a compulsory survey questionnaire which should be provided to all ADF personnel three to six months after returning from an operational deployment. This survey is in addition to the ADF Census which is held every four years (paragraph 4.28).

Recommendation 5

The ADF Census should be amended to ensure that a person in a defacto relationships is no longer regarded as 'single' (paragraph 4.29).

Recommendation 6

The Department of Defence must ensure that the use of decompression periods for all ADF personnel returning from operational deployments is mandatory (paragraph 4.51).

Recommendation 7

The Auditor-General should consider conducting a performance audit focusing on transition management programs conducted by the Department of Defence (paragraph 4.76).

Recommendation 8

The Department of Defence should provide access to outplacement services for all ADF personnel as part of the Career Transition Assistance Scheme (paragraph 4.89).

Recommendation 9

The Department of Defence should provide access to specialised employment services for the spouses of ADF personnel (paragraph 4.90).

Introduction

The conduct of this review

- 1.1 On 21 March 2002 the Joint Standing Committee on Foreign Affairs, Defence and Trade decided to hold public hearings to review the 2000-2001 annual reports from the Department of Defence, the Department of Foreign Affairs and Trade, the Australian Agency for International Development (AusAID) and the Australian Trade Commission (Austrade).
- 1.2 This decision was made pursuant to paragraph 1 (b) of our resolution of appointment, which empowers us 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
- 1.3 Two hearings were conducted as part of this review:
 - the first, convened by the Defence Sub-Committee on 8 May 2002, examined the Department of Defence's Annual Report; and
 - the second, convened by the Foreign Affairs Sub-Committee on 21 May 2002, focussed on the annual reports of the Department of Foreign Affairs and Trade, AusAID and Austrade.³

1 See the Committee's resolution of appointment at Appendix A.

2 See *Votes and Proceedings*, No. 3, 14 February 2002.

3 Issues of interest to the Committee's other sub-committees (that is, the Trade and Human Rights Sub-Committees) were also canvassed at these hearings, especially at the second hearing. A list of the witnesses who gave evidence at these hearings is at Appendix B.

- 1.4 In accordance with the *Public Service Act 1999*, chief executives of departments of state and certain prescribed agencies are required to prepare for their Ministers and present to Parliament on or before 31 October each year, a report on the performance of their agency.
- 1.5 Annual reports provide a retrospective statement of the expenditure administered, the activities undertaken and the outputs produced by agencies in the preceding financial year. They are the primary means by which agencies account to Parliament and the wider community for their performance in delivering the Government's policy outcomes.
- 1.6 Since 1994, Senate legislation committees have routinely examined the annual reports of agencies within their areas of responsibility to assess whether the reports are 'apparently satisfactory'.⁴ In conducting these examinations Senate committees typically seek to consider whether the reports comply with the *Requirements for Departmental Annual Reports*, prepared by the Department of Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit. Senate committees also commonly refer to and draw upon departmental annual reports when examining budget and additional estimates.
- 1.7 Although House and Joint committees are also able to review departmental annual reports, few such committees have taken advantage of the opportunity. As a result, Senate committees undertake most of the detailed investigations of agency performance.
- 1.8 Our decision to review the annual reports of the principal agencies within our area of interest was motivated partly by a desire to ensure both Houses of Parliament play a role in holding Executive agencies to account for their performance and their expenditure of public monies. We are of the view that members of the House should be able to participate in activities similar to those routinely available to Senators.
- 1.9 Nevertheless, we have been careful not to duplicate the type of scrutiny undertaken by the Senate Foreign Affairs, Defence and Trade Legislation Committee. Our aim has been to take a broader view of the issues canvassed in the annual reports, by:
- surveying the range of policy, operational and management issues currently on the agenda of the Government and their agencies;
 - seeking status reports on key issues of interest; and
 - importantly, seeking responses to issues canvassed in earlier reports from the Committee.

4 See Senate Standing Order 25(21).

- 1.10 The hearings have also provided an opportunity for us to seek comment on various issues which may warrant closer examination by way of a specific inquiry. This has been an important process as we consider our work priorities for the 40th Parliament.
- 1.11 We expect that these annual report reviews will become a regular part of our work program and aim to conduct hearings each year, in the period immediately after annual reports are presented.

Structure of the report

- 1.12 This report contains a summary of the key issues raised and discussed at our hearings. Although in some cases we offer comment on the evidence that was presented, the one-off nature of the hearings and the general absence of supporting written evidence means that we have not been able to present a full analysis of each issue.
- 1.13 For those readers interested in a complete record of the issues canvassed at our hearings, transcripts are available on our Internet site (www.aph.gov.au/house/committee/jfadt). Answers to the questions taken on notice at the hearings are also available on our Internet site.
- 1.14 Chapter 2 outlines the key issues canvassed at our 21 May hearing on agencies within the Foreign Affairs and Trade portfolio.
- 1.15 The key issues canvassed at our 8 May hearing on the Department of Defence Annual Report are outlined in Chapter 3 of the report.
- 1.16 The final chapter, Chapter 4, expands on one of the issues raised at the hearing on 8 May — the provision of support to Australian Defence Force personnel and their families following operational deployment and in preparation for the transition from military service to civilian life. This issue was examined in more detail at a round table forum held on 1 July.

Issues in Australia's Foreign and Trade Relations

Introduction

- 2.1 The public hearing on 21 May 2002 examined a range of topical issues relevant to Australia's relations with selected countries and regions. Issues influencing Australia's foreign relations—including trade and investment, development assistance and human rights—were explored with senior officials from the Department of Foreign Affairs and Trade (DFAT), the Australian Trade Commission (Austrade) and the Australian Agency for International Development (AusAID).
- 2.2 Within the time and other constraints imposed by a single day's hearing involving only official representatives from the principal Foreign Affairs and Trade Portfolio agencies, we decided to focus our review on particular themes and geographical areas. As background material for the review, we drew upon the published annual reports of the three organisations.
- 2.3 The public hearing program comprised three sessions:
- Session 1 was designed to follow up the Committee's reports on the Middle East and South America;¹
 - Session 2 examined Australia's relations with North Asia and South Asia; and
 - Session 3 reviewed Australia's relations with many of our near neighbours.

¹ *Australia's relations with the Middle East*, tabled on 19 September 2001; *Building Australia's Trade and Investment Relationship with South America*, tabled on 4 September 2000.

- 2.4 A one-day hearing could not hope to present a full review of Australia's relations around the entire globe. Consequently, the time constraints required us to focus on countries and regions of particular interest. A further consideration militating against a full-scale report of proceedings was that evidence was requested solely from the principal agencies within the Foreign Affairs and Trade Portfolio.
- 2.5 Without attempting an in-depth analysis of the material derived from the hearing, some of the key issues discussed have been presented in this chapter. The Committee has published at its website the complete transcript record of proceedings, together with the supplementary information provided by the three agencies in response to a number of questions taken on notice.²
- 2.6 The comments which follow outline the main topics of discussion during each of the hearing's three sessions.

Committee Reports on the Middle East and South America

Australia and the Middle East

- 2.7 At the time of writing, the Government Response to the Committee's recommendations in the Middle East report had not been presented to Parliament. DFAT advised, however, that a draft had been prepared for consideration by the Government.³
- 2.8 Other discussion about the Middle East centred on the following key issues:
- continued escalation of violence in the Israeli-Palestinian conflict and the international response, including regional initiatives such as the proposal enunciated by Saudi Arabia and the concerted efforts of the United States, the European Union and Russia to bring about a lasting settlement;
 - Australia's aid contribution to the Palestinian territories through non-government organisations (NGOs) and the United Nations Relief and Works Agency;

2 JSCFADT, www.aph.gov.au/house/committee/jfadt

3 DFAT, Transcript, 21 May 2002, p. 7.

- the state of the Palestinian leadership and international pressure to reform the Palestinian Authority and to curb terrorist acts by extremist organisations supporting the Palestinian cause; and
 - trade opportunities and impediments, particularly in the Persian Gulf region.
- 2.9 Since the hearing in May, there has been greatly increased tension between the United States and Iraq over the issue of alleged development of weapons of mass destruction and the refusal of Iraq to allow UN inspectors to re-enter Iraq. The Bush administration has threatened military action to overthrow the Saddam regime if Iraq does not comply with UN weapons inspection resolutions. As a strong ally of the United States in the war on terrorism, Australia may be called upon to consider accepting a role in support of any action against Iraq.⁴

Australia and South America

- 2.10 One of the Committee's main recommendations in its report on building trade and investment with South America was the establishment of an Australia-South America foundation, to which the Australian Government agreed. Accordingly, the Council on Australia-Latin American Relations (COALAR) held its inaugural meeting in Canberra on 28 September 2001 with membership drawn from a cross-section of business, government, academia and civil society organisations.⁵
- 2.11 During COALAR's first year of operation, there have been some early dividends in the form of visits and delegations to South American countries. Given the Council's three-year funding arrangements, DFAT is confident that further outcomes can be expected in subsequent years—for example, lifting Australia's profile in the region and raising awareness of opportunities for Australian businesses.⁶
- 2.12 The other main topic addressed under the heading of South America was the political instability in Argentina and the collapse of its economy. In DFAT's view, the economic impact on Australian companies to date has been limited.⁷ Austrade confirmed, however, that Argentina's imports had declined by 50 per cent over the previous 12 months and it was

4 The Prime Minister stated publicly at a New South Wales Press Forum luncheon on 5 August 2002, that any Australian involvement would not occur without a thorough public debate, preferably in the Parliament—also reported by *The Australian*, 6 August 2002, p. 5.

5 Joint Media Release, Minister for Foreign Affairs and Minister for Trade, 5 October 2001.

6 DFAT, Transcript, p. 13.

7 Transcript, pp. 13-14.

anticipated that the level of Australia's exports would correspondingly decline due to devaluation of the Argentine peso.⁸

2.13 The role of the International Monetary Fund (IMF) in supporting Argentina's recovery was also discussed. One Committee member expressed surprise that there appeared to be no formal mechanism to ensure that advice and analysis prepared separately by Treasury (Australia's representative on the IMF) and DFAT seemed not to be coordinated effectively.⁹ The IMF announced on 28 June 2002 the resumption of negotiations for a loan package to Argentina, focussing on four areas:

- finalising the fiscal framework;
- addressing the critical problems within the banking sector;
- developing an effective monetary framework; and
- reinforcing the independence of the Central Bank.¹⁰

2.14 The broader issues of the relatively low recognition given by Australia to the potential of the Latin American markets and Austrade's representation in that region were also discussed. Austrade agreed that more should be done to promote a medium to long term approach towards those markets.¹¹

Relations with North Asia

2.15 In discussing the North Asia region, discussion concentrated on issues affecting Australia's foreign and trade relations with the People's Republic of China (PRC), Taiwan, Japan and the Korean Peninsula. Where relevant, aid and human rights aspects of those issues were also considered.

China and Taiwan

2.16 Alongside the enormous increase in trade and investment links between the PRC and Taiwan the political situation between them had remained fairly stable, according to DFAT.¹² Australia's trade with the PRC has been

8 Transcript, p. 14.

9 Senator the Hon C Schacht, Transcript, pp. 18-19.

10 IMF News Brief No. 02/56, 28 June 2002; *The Australian Financial Review*, 30 June 2002.

11 Transcript, p. 14.

12 However, in recent months there have been signs of increased tension reflected in the language used by both Taiwan and the PRC when referring to political and other non-economic issues.

growing quite dramatically in the last few years, making China Australia's third largest trading partner. Significant expansion has been recorded in the services sector, particularly education and tourism.¹³

2.17 The wide range of other topics discussed is shown in the following representative list:

- commencement of negotiations for a bilateral framework agreement to expand the economic and trade relationship between Australia and the PRC beyond the traditional commodities sector into new fields such as telecommunications, legal and financial services and the housing and construction sectors;¹⁴
- China's economic transformation and recent membership of the World Trade Organisation (WTO);¹⁵
- the size and locations of Austrade's resources in China and the legal and regulatory impediments restricting trade and investment by Australian companies;¹⁶
- dialogue with China on human rights issues and representations on behalf of individuals and ethnic or religious minorities;¹⁷
- the situation of the Uighurs in Xinjiang, western China;¹⁸
- opportunities to include Parliamentary representatives in the human rights dialogue process;¹⁹ and
- sensitivities of the visit to Australia by the Dalai Lama in May 2002, and the policy of the Australian Government on meetings between the Dalai Lama and Australian political leaders and officials.²⁰

13 DFAT, Transcript, p. 21. Trade Minister Vaile announced on 8 August 2002 Australia's largest-ever export contract in which North West Shelf Venture will supply three million tonnes of liquefied natural gas annually to Guandong, southern China—see also contemporary media reports, for example, *The Australian Financial Review*, 9 August 2002, p. 58.

14 DFAT, Transcript, p. 22.

15 DFAT, Transcript, pp. 24-26.

16 Austrade, Transcript, p. 24; DFAT, Transcript, pp. 24-25.

17 DFAT, *Annual Report 2000-01*, p. 30; Transcript, pp. 22-23 and pp. 30-31.

18 See DFAT's response to Question No. 3 (Submission No. 3), which indicated that since the terrorist attacks on 11 September 2001, Chinese authorities have been more open about their efforts to control what they perceive as separatist and religious extremist groups in the Xinjiang Uighur Autonomous Region. China has sought to identify certain groups in Xinjiang as having close ties with international terrorist organisations.

19 Hon B G Baird, MP, Transcript, p. 23.

20 There was considerable media interest in alleged Australian Government restrictions on meetings with the Tibetan spiritual leader, for example, 'ABC Online', 21 May 2002 and *The Canberra Times*, 22 May 2002. DFAT clarified the Government's guidelines during evidence (Transcript, pp. 28-30 and p. 71 and Submission No. 3, response to Question No. 2).

Korean Peninsula

- 2.18 A number of topics relating to North and South Korea were discussed, including:
- the grim economic situation in North Korea, the outflow of refugees into China and Australia's security concerns about North Korea;²¹
 - Australian food aid to North Korea (which is delivered mainly through the World Food Program) and the effectiveness of the distribution and monitoring mechanisms;²² and
 - relations between North and South Korea and the stalled reconciliation process, notwithstanding some indications of progress in the north-south dialogue.²³

Japan

- 2.19 For the most part, trade and security issues provided the main focus of the discussions relating to Japan, including:
- Japan's dominant position as Australia's main trading partner in North Asia;
 - prospects for negotiation with Japan of a new bilateral 'trade and economic agreement', notwithstanding Japan's strongly protectionist agricultural lobby;²⁴ and
 - Prime Minister Koizumi's recent visit to Australia and Japan's preliminary suggestions for a new East Asia trade and regional security grouping—ASEAN, Japan, China, South Korea, Australia and New Zealand (ASEAN plus 3 plus 2).²⁵
- 2.20 The issue of Australia's objections to Japan's strategies for garnering support among small developing nations for its whaling interests at the

21 DFAT, Transcript, p. 32.

22 AusAID gave evidence that the projected shortfall in food supplies this year is in the order of 1.5 million tonnes and described the monitoring processes used by the World Food Program in North Korea as 'less than ideal'. However, access to target populations is improving: AusAID, Transcript, pp. 33-34.

23 DFAT, Transcript, p. 33. In August, North and South Korea agreed to resume high-level dialogue in Seoul, relieving two months of heightened tensions following a naval incident on 29 June 2002 which resulted in the deaths of four South Korean service personnel.

24 DFAT, Transcript, p. 35. DFAT also responded to questions concerning the length of time taken to complete a Free Trade Agreement with Singapore: Transcript, pp. 37-38.

25 Transcript, pp. 35-36. In his first official visit to the region, Prime Minister Koizumi visited Australia from 30 April to 2 May 2002 after official engagements in Vietnam and East Timor. After leaving Australia, Mr Koizumi visited New Zealand.

International Whaling Commission were touched upon during the hearing.²⁶

Relations with South Asia

2.21 The focus of the South Asia segment of the hearing was given to issues pertaining to India, Pakistan, Afghanistan and Bangladesh.

India, Pakistan and Bangladesh

2.22 The Committee expressed concern at the heightened state of tension between nuclear-capable neighbours, India and Pakistan over the issue of Kashmir and terrorist attacks by extremist groups linked to rebel movements in the disputed territory. The gravity of the crisis has been underlined by the urgency of efforts by leaders from the United States, Russia, the PRC and Britain in particular to defuse the extremely dangerous conflict between India and Pakistan.²⁷

2.23 Bilateral trade issues offered a more optimistic focus for discussion. The Committee discussed the enormous potential of emerging market sectors in India; for example, education exports, film production, information technology, 'biotechnical' and other service industries. Austrade acknowledged, however, the often difficult environment faced by Australian companies attempting to do business in India, explaining that trade promotion activities needed to be specific and well targeted.²⁸

2.24 Pakistan's journey from 'international pariah' after the 1999 coup to ally in the coalition against terrorism was discussed, as were human rights issues, particularly the treatment of ethnic and religious minorities in both Pakistan and Bangladesh. Continuing concerns were expressed about treatment of the Ahmadis in Pakistan, most recently in relation to their exclusion from electoral rolls.²⁹ In its subsequent submission, DFAT

26 Transcript, pp. 33-34. Australia and New Zealand's joint proposal to establish a South Pacific whale sanctuary was defeated for the third time in three years in May 2002. The proposal was strongly criticised by Japan and Iceland—see *The Australian*, 22 May 2002.

27 In May 2001, DFAT expressed 'deep concern' about the increased tension between India and Pakistan (Transcript, pp. 40-41). The US State Department has recently warned (12 August 2002) that although the high levels of tension between India and Pakistan had subsided, the risk of renewed tensions and further terrorist actions against American citizens in the region could not be dismissed. Of all the international 'flashpoints' at the present time, the confrontation between India and Pakistan has the lowest threshold for potential nuclear exchange anywhere in the world.

28 Transcript, pp. 42-43. See also Austrade's response to questions on notice (Submission No. 1).

29 Mr L D T Ferguson MP and the Hon B G Baird, Transcript, p. 45-46.

explained that Ahmadis can participate in the elections, both as voters and candidates on the same basis as other Pakistanis. However, as declared non-Muslims, Ahmadis—like Christians, Hindus, Parsees and other non-Muslims—are not eligible to become President of Pakistan.³⁰

- 2.25 In relation to Bangladesh, DFAT indicated that there had been no real evidence of systematic discrimination by the Bangladesh Government against religious minorities in that country. Rather, DFAT's sources of information suggested that reported allegations mainly involved localised incidents.³¹

Afghanistan

- 2.26 The task of rebuilding Afghanistan's political, social and economic infrastructure provided the main focus for discussions on the current situation in Afghanistan. Australian aid totalling \$41.3 million has been committed for a range of activities including emergency food supplies, removal of landmines, immunisation and nutrition programs, opium and other drugs control efforts, assistance to the UN Interim Authority and \$1.0 million in March 2002 through the International Red Cross and the World Food Program for emergency earthquake relief.³²
- 2.27 Destabilising influences such as emerging conflicts between opposing warlords, and their impact on the authority of the Karzai Government, were discussed. DFAT and AusAID indicated that there was no information to suggest that the activities of the warlords had caused interference with the delivery of international aid. DFAT assured the Committee that Australian forces fighting al-Qa'ida and the Taliban had not been inadvertently involved in disputes between the various warlord factions in Afghanistan.³³
- 2.28 With regard to measures taken to curtail the resumption of opium production in Afghanistan, DFAT cited the Afghan Interim Authority's decree on the eradication of narcotics production and trafficking. The Authority had pursued vigorously a strategy of eradication in conjunction with an appeal to the international community to support crop substitution programs for Afghan farmers who had returned to opium cultivation after the defeat of the Taliban.³⁴

30 Submission No. 3, response to Question No. 4.

31 DFAT, Transcript, pp. 45-46.

32 Further details were provided by AusAID (Transcript, p. 39 and Submission No. 2) and Austrade (Transcript, p. 44).

33 Transcript, p. 38.

34 DFAT, Transcript, p. 40.

- 2.29 As part of the 'watching brief' on the war on terrorism, a delegation of Committee members visited Australian troops deployed in the Persian Gulf, Kyrgyzstan and Afghanistan in July 2002. A report of that visit will be presented to the Parliament during the 2002 Spring sittings.
- 2.30 A large number of specific questions from Committee members in relation to South Asia and Afghanistan were taken 'on notice' by representatives of DFAT, AusAID and Austrade. In the interest of informing public debate, the Committee has published the detailed responses provided by those agencies as formal submissions.³⁵

Australia's Relations with the Immediate Region

- 2.31 The final session of the public hearing comprised discussion of Australia's relations with a range of countries in our more immediate region, namely: Indonesia; East Timor; Papua New Guinea (PNG); the developing nations of the South West Pacific; Burma; Cambodia and Vietnam.
- 2.32 A measure of the importance to Australia of the immediate region was provided by the Government's announcement in May 2002 of increased aid funding for developing countries in the Asia-Pacific region. The focus for 2002-03 will continue to be promoting growth and stability in the region, and will include:
- an increased commitment to the Solomon Islands;
 - resumption of a full bilateral aid program to Fiji;
 - substantial bilateral assistance to PNG and East Timor; and
 - continuing support to Indonesia.³⁶
- 2.33 In 2002-03, the second year of the Virtual Colombo Plan, Australia will provide \$31.0 million to promote access to education and information technology in developing countries of our region.³⁷

35 The Committee has printed a volume of evidence, incorporating the transcript of proceedings and the consolidated submissions from the agencies represented at the public hearing and from the Department of Immigration and Ethnic and Indigenous Affairs. The documents are also available at the Committee's website: www.aph.gov.au/house/committee/jfadt

36 The Australian aid program is concentrated in East Asia, PNG and the Pacific Island countries, with selective engagement in South Asia, Africa and the Middle East: www.budget.gov.au/2002-03/budget_ministerial/ausaid

37 Hon Alexander Downer MP, Minister for Foreign Affairs, Media Release AA02 024 of 14 May 2002. The Virtual Colombo Plan is a joint initiative between the World Bank and the Australian Government that will address the causes of poverty by using information and communication technologies to provide 200 'electronic' distance education scholarships for

Indonesia

- 2.34 As Australia's largest and most populous neighbour, Indonesia's size and strategic location mean it will always play a leading role in the South East Asia region and continue to engage Australia's national interest. Yet, few adjacent countries in the world possess such enormous differences in history, culture and economic development as do Australia and Indonesia.
- 2.35 One of the effectiveness indicators published in DFAT's annual report was listed as the 'strengthening of democratic institutions in Indonesia and consolidation of the bilateral relationship, including through a successful Ministerial Forum'.³⁸ These themes emerged clearly during the very wide range of issues raised during the hearing.
- 2.36 Recent political and economic instability in Indonesia has highlighted the need for Australia to rebuild the bilateral relationship, which suffered significantly as a result of perceptions of a critical Australian attitude towards a number of sensitive issues, including:
- East Timor's struggle for independence;
 - separatist movements and communal violence in various parts of the Indonesian archipelago;
 - the difficult transition towards establishing effective democratic institutions post-Suharto; and
 - the role of the Indonesian Armed Forces (TNI) in civil government.³⁹
- 2.37 While acknowledging that elements of the Indonesian leadership are still not warmly disposed towards Australia, DFAT emphasised the positive influence generated by the Australia-Indonesia Ministerial Forum and the regular, less formal, Parliamentary contacts between Australian and Indonesian political leaders.⁴⁰
- 2.38 The constraints evident at times in Australia-Indonesia relations appear not to have impacted substantially on bilateral trade. Merchandise trade with Indonesia, for example, currently stands at \$7.1 billion annually and strong performance has been recorded in the education sector as well. Although Australia's overall trade with Indonesia is now at its highest

teachers, beginning with equipment for learning centres in eight PNG primary teachers' colleges in 2002: 'Bridging the Digital Divide', speech by Mr Downer, 2 August 2001.

38 DFAT, *Annual Report 2000-2001*, October 2001, p. 38.

39 Earlier tensions had emerged following the invasion and annexation of East Timor in 1975-76, the 1986 Australian press reports of corruption in high places and the Dili massacre in 1991. A major breach in relations occurred in 1999 after Australia led the international peacekeeping force in East Timor (INTERFET).

40 Transcript, p. 52.

recorded level, the challenges facing Indonesia's economic reform program include establishing certainties in the legal system and protection for foreign investment.⁴¹

2.39 On human rights issues arising from separatist movements and communal violence in several parts of Indonesia, the Committee obtained assurances that Australia monitors developments closely and regularly makes clear its concerns to the Indonesian authorities. In recent times, representations have been made following religious and communal violence in Maluku, Sulawesi and Kalimantan. Encouraging signs of progress have been observed in relation to autonomy agreements between the Indonesian Government and separatist movements in Aceh and the former Irian Jaya, notwithstanding tensions generated by serious criminal actions, the policy of transmigration and the growing influence of Laskar Jihad,⁴² a militant Muslim organisation which claims to have 15,000 members throughout Indonesia.⁴³

2.40 The Committee strongly supports regional cooperation initiatives against illegal migration and people-smuggling operations. A recent example was the joint Australia-Indonesia conference held in Bali during February 2002 on asylum-seekers, illegal entry and people-smuggling. It was the first conference of its type to bring together the relevant source, destination and transit countries. DFAT described the outcomes from the conference in the following terms:

- raising the political profile of people-smuggling in the region and persuading governments to focus on regional cooperation policies and strategies; and
- formation of working groups to pursue implementation through existing regional forums and to establish a framework of practical measures such as enhancement of border protection and legislation to criminalise people-smuggling operations.⁴⁴

41 DFAT, Transcript, p. 53. Indonesia provides the largest number of overseas students in Australia, with more than 17,000 currently studying in Australian educational institutions.

42 DFAT, Transcript, p. 60; *The Sydney Morning Herald*, 1 June 2002; *The Bulletin*, 2 July 2002, pp. 28-29.

43 DFAT, Transcript, pp. 54-56, 58. Estimates of deaths due to violence in the Maluku Islands, for example (up to approximately 5,000 in recent conflict) are difficult to verify due to problems gaining access in that region. The kidnapping and murder of West Papua independence leader, Theys Eluay, in November 2001 was a severe setback to relations with both the central government and the Indonesian military (TNI). In mid April 2002, three Kopassus soldiers were arrested in connection with the murder. From 1 January 2002, the province of Irian Jaya became known as Papua under the Indonesian Government's autonomy agreement.

44 DFAT, Transcript, pp. 55, 59-60 and Co-Chairs' Statement, Bali Ministerial Conference, 28 February 2002. The Bali conference attracted 38 ministers from 36 countries, including Pakistan and Afghanistan as well as countries in the immediate region.

East Timor

- 2.41 Estimates of the numbers of East Timorese refugees still in West Timor total around 40,000 to 55,000. In February 2002, the Minister for Foreign Affairs announced the commitment of \$6.6 million to assist repatriation to East Timor, mainly through voluntary return under the auspices of the UN High Commissioner for Refugees and the International Organisation for Migration. It also included special funding to meet some of the pension entitlements of public servants in an effort to encourage them to return.⁴⁵
- 2.42 In DFAT's view, there have been encouraging signs that the newly-independent East Timor is heading towards establishing democratic institutions such as a merit-based bureaucracy. For at least the next three years, however, the economic outlook will remain heavily dependent on external donor support to establish a framework of fiscal discipline for the public sector, good governance and key infrastructure regimes for health, education and poverty-alleviation. The Committee acknowledges the prime importance of the Timor Sea petroleum resources to East Timor's economic future.
- 2.43 Australia will continue to be a major aid donor to East Timor, pledging up to \$24.0 million during the first three years after independence. Australia's aid priorities in East Timor for the previous two and a half years have been to assist good governance, economic and financial management, institution-building and the delivery of basic services, including rural productivity improvement.⁴⁶ The Committee endorses these priorities and acknowledges the work of AusAID in assisting the East Timorese authorities to establish and maintain a donor coordination unit to assess project proposals and avoid duplication.
- 2.44 Opportunities for Australian companies to deliver aid projects in East Timor arise mainly from programs developed by the Asian Development Bank (ADB) and the World Bank. Austrade gave evidence to the effect that Australian tenderers had secured 29 per cent of the contracts let by the UN Transitional Administration in East Timor (UNTAET) in the

45 DFAT, Transcript, pp. 60-61. Security problems remain at some refugee camps in places such as Kupang, and residual militia intimidation may still be a factor influencing rates of return of East Timorese refugees in camps located away from the border.

46 DFAT, Transcript, p. 63-65. The financing 'gap' for the next three years will be in the order of \$US80 million to \$US90 million until petroleum revenues from the Timor Sea fields are realised. In addition to Australia, the major international donors providing support to East Timor are Japan, Portugal, the United States, the United Kingdom and the European Commission. The total commitment of Australia's total aid program for East Timor over four years to 2004-05 is \$150 million (see AusAID's East Asia website: www.ausaid.gov.au/country/).

12 months to June 2000, with the next highest proportion being achieved by East Timorese proposals.⁴⁷

- 2.45 Australia has taken a lead role in supporting the development of the East Timor Defence Force by providing specialist infantry training, military and general equipment, the development of purpose-built training facilities and communications infrastructure and Australian Defence Force (ADF) advisory and training personnel. A substantial ADF contribution will continue to be deployed for approximately two years in the post-independence mission—the UN Mission of Support in East Timor—in addition to the on-going Defence Cooperation Program with various countries in our region.⁴⁸

Solomon Islands

- 2.46 In providing an update on the Solomon Islands, DFAT indicated that, notwithstanding elections held in December 2001, Australia has continuing concerns in a number of areas. The Kemakeza Government faces enormous problems in extricating the country from systemic corruption, mismanagement and a state of near economic and political collapse in the wake of the civil war and continuing law and order problems. Australia and New Zealand have both attached conditions to grants of further aid, including:

- improved budget transparency and financial management;
- cessation of the discredited practice of granting tax remissions;
- anti-corruption reforms; and
- demonstrable action to establish law and order.⁴⁹

- 2.47 Australia's involvement in the international peace monitoring force established following the Townsville Peace Agreement of October 2000 has now been completed.⁵⁰ The Australian-led team was deployed to end the inter-ethnic conflict and to support the Solomon Islands people's

47 AusAID, Transcript, pp. 66-68; Austrade, Transcript, p. 68. ADB programs tend to comprise infrastructure projects, while the focus for World Bank projects is mainly in the field of social services. Transparency deficiencies in the tendering processes for ADB projects has been subject to some criticism in the past.

48 Senator the Hon Robert Hill, Minister for Defence, Media Release MIN 229/02, 20 May 2002; DFAT, Transcript, pp. 70-71.

49 DFAT, Transcript, pp. 78-80; AusAID, Transcript, p. 80. Financial instability, for example, was highlighted by the sudden devaluation of the Solomons dollar in March 2002, which was reversed two weeks later after the dismissal of the Finance Minister, Michael Maina and fears of a foreign exchange crisis (Mary-Louise O'Callaghan, *The Australian*, 8 April 2002, p. 6).

50 Joint statement by the Australian and New Zealand Ministers for Foreign Affairs, FA94, 25 June 2002.

efforts in confidence-building and weapons collection. Although the confidence-building task has largely been completed, there has been only mixed success in collection and storage of illegal weapons and there are serious concerns about the professionalism and integrity of many in the police force.⁵¹

- 2.48 The Committee would be very concerned if the departure of the international monitoring team represented any lessening of Australia's on-going support for resolution of the serious problems facing the Solomon Islands. We will continue to monitor the next phases of Australia's development assistance, which were foreshadowed in a joint statement issued by the Foreign Ministers of Australia and New Zealand in June 2002:

A key focus of Australia and New Zealand assistance will now be to provide increased support to strengthen Solomon Islands' capacity to deal with the major law and order and economic challenges it faces.⁵²

Papua New Guinea

- 2.49 DFAT provided an update on the Bougainville peace process and the formal transition to an autonomous provincial government. The extent of weapons disposal remains the most critical factor in achieving certification by the UN mission of compliance with the terms of the peace agreement and hence establishment of autonomous administrative arrangements for Bougainville.⁵³
- 2.50 National elections in Papua New Guinea (PNG) were held from mid June 2002, in the wake of serious concerns about the state of the electoral rolls and consistent reports of electoral corruption, intimidation and violence both before and during the voting period. Counting of the votes and declaration of the polls was a chaotic process, and there were fears at the time that all the results would not be known in time for the new Parliament to meet as planned in early August 2002.⁵⁴ DFAT informed the Committee that the next election would be held on the basis of a

51 DFAT, Transcript, p. 79.

52 Joint statement, op. cit. and DFAT, Transcript, p. 80. See also media reports such as *The Age*, 26 June 2002, p. 2 which highlighted the problem of unrecovered weapons and fears of renewed criminal activity and violence.

53 DFAT, Transcript, p. 72.

54 Widely reported in the Australian and PNG media, for example: *The Australian*, 28 June 2002; Reuters newswire [3797] 24 June 2002; *The Age*, 21 June 2002; *The National* [PNG], 20 June 2002; *The Australian Financial Review*, 4 and 5 June 2002 and AAP newswire 22 July 2002. The voting period was extended from 15 June to 29 July in almost half the electorates as a result of deaths and serious irregularities, including destruction of ballot papers and intimidation of voters.

preferential voting system rather than the existing 'first-past-the-post' method.⁵⁵ Subsequent events have only served to reinforce our concerns about the conduct of the electoral process in PNG.

2.51 Other topics discussed included:

- potential for greater coordination between Australia and New Zealand in delivering aid to PNG and other countries in the region;⁵⁶
- prevalence of HIV/AIDS infection, the response of the PNG Government and aid donors;⁵⁷
- continuing law and order problems in PNG;
- Australian aid projects to assist development of the PNG police force and correctional services;⁵⁸
- reform of the PNG Defence Force (PNGDF), serious morale issues and budgetary constraints;⁵⁹ and
- impediments to bilateral trade and investment, principally due to uncertainties relating to the law and order situation and institutional protection for foreign investors.⁶⁰

Fiji and Nauru

2.52 Further to the problems in PNG already alluded to, the instability in Fiji and other Pacific island nations emerged as a major theme during the hearing. Media reports last year and in recent months have focussed attention on evidence of 'instability on our doorstep'. In relation to the prospects for Fiji, there is a consistent view that the signs of recovery are

55 Detailed information on the electoral system in PNG were provided in DFAT's submission (Submission No. 3, Response to Question No. 9).

56 AusAID, Transcript, p. 74. The Development Cooperation Program with PNG is by far the largest of any of Australia's bilateral aid programs, currently providing approximately \$300.0 million in aid to PNG each year—see AusAID's publication, *Papua New Guinea: Program profiles 2001-02* for an overview of the various projects.

57 AusAID, Transcript, pp. 75-76. Conservative estimates have been made that from 10,000 to 15,000 people are already infected with HIV and infection rates are increasing annually by 15 to 30 per cent. Australia has commenced a five-year AIDS project in PNG with a commitment of \$60.0 million—see 'PNG National HIV/AIDS Support Project', Submission No. 2.

58 DFAT and AusAID, Transcript, p. 75.

59 DFAT, Transcript, pp. 75-77. Australia has committed \$20.0 million to assist the first phase of the retrenchment program and improvement of facilities for the PNGDF.

60 Austrade and DFAT, Transcript, pp. 74-75. Australia accounts for 29 per cent of PNG's total exports and 21 per cent of total imports. Australia's merchandise exports to PNG in 2000-01 were worth \$1.05 billion, an increase of 13.2 per cent over the previous year. However, PNG enjoyed a trade surplus with Australia in 2000-01, with exports worth \$1.45 billion (DFAT, *Annual Report 2000-01*, p. 58).

mixed. Comments in *The Australian Financial Review* in June 2002 were typical:

Fiji may seem to be on the mend following the George Speight coup of two years ago. But its largest employing industry—sugar—is in irreversible decline, many of the country's brightest are emigrating, and the Government's answer is to subsidise ethnic Fijians into emulating Indians' business and professional success.⁶¹

- 2.53 We have monitored with some alarm the economic and political situation in Fiji two years after the coup. A major constitutional difficulty arose from Prime Minister Qarase's decision not to invite into government the Fiji Labour Party, even though the Labour Party obtained more than the required 10 per cent of the seats in the national elections held in August 2001.⁶²
- 2.54 The Australian Government expects that Fiji will abide by the decisions of the courts in such matters, notwithstanding the possible political turmoil that might be generated if the Supreme Court upholds the decision of the lower court.⁶³
- 2.55 A full bilateral aid program to Fiji will be resumed in 2002-03, with total aid expected to reach \$19.7 million. The program will promote stability by seeking to strengthen basic services and to increase confidence in the law and justice sector.⁶⁴ We welcome that announcement.
- 2.56 Australia's aid program to Nauru aims to ameliorate the economic impact of the complete decline in phosphate mining activity and revenues. Australia is providing technical assistance designed to:
- improve economic management;
 - address Nauru's chronic power and water shortages; and
 - improve the sustainability of service delivery in health and education.⁶⁵

61 'Instability on our Doorstep', *The Australian Financial Review*, 24 June 2002, p. 58.

62 DFAT informed the Committee that the Qarase Government had challenged in the Supreme Court a lower court decision to uphold an appeal by the Fiji Labour Party against non-inclusion in government of members of that Party as required under the terms of the 1997 Constitution. An interim Government under Laisenia Qarase was installed by the military after the coup in May 2000 overthrew the Government of Prime Minister Mahendra Chaudry.

63 DFAT, Transcript, p. 81.

64 Hon Alexander Downer, Media Release AA 02024, 14 May 2002.

65 <http://www.ausaid.gov.au/country/> (as at 4 July 2002).

- 2.57 Other challenges facing Nauru were discussed, in particular:
- the financial crisis following the OECD's refusal to accept as adequate Nauru's efforts to legislate against money laundering practices;⁶⁶ and
 - Nauru's involvement in the 'Pacific Solution' for offshore processing of asylum-seekers.⁶⁷

Vietnam, Cambodia and Burma

- 2.58 The final session of the hearing examined key aspects of Australia's relations with Cambodia, Burma and Vietnam.
- 2.59 For Vietnam, DFAT has identified a number of current political and social challenges, including:
- increasing unemployment;
 - growing income disparities between urban and rural areas;
 - social problems such as drug abuse, prostitution and increasing levels of HIV/AIDS infection;
 - pockets of provincial unrest;
 - corruption and mismanagement; and
 - declining membership of the ruling Communist Party.⁶⁸
- 2.60 The Vietnamese economy is currently in transition from a centrally-planned to a market-based economy, although state ownership is still predominant. DFAT described Vietnam as presenting similar challenges to other South East Asian markets, with particular reference to the lack of legal certainty, the difficulty of enforcing contracts and the lack of security

66 DFAT, Transcript, p. 82. The Organisation for Economic Cooperation and Development and the Financial Action Task Force on Money Laundering (of which Australia is a member) have listed Nauru as a country which still has financial and banking mechanisms in place which could allow money-laundering. See also 'Nowhere left to hide dirty money', *The Australian Financial Review*, 4 July 2002, p. 14.

67 President Rene Harris complained in June 2002 that Australia was not fulfilling its financial and 'sunset' obligations under the agreement with Nauru—reported by ABC TV and *The Sydney Morning Herald* on 10 June 2002 and *The Australian Financial Review* on 11 June 2002. According to DFAT, relations between Nauruans themselves and the asylum-seekers in the processing centres were cordial: (Transcript, p. 82; see also AAP newswire, 'Harris says asylum-seekers praise Nauru', 1 July 2002).

68 www.dfat.gov.au/geo/vietnam/ (as at 30 June 2002).

of investment. In DFAT's view, these elements are the key to economic reform in Vietnam.⁶⁹

2.61 Among the human rights issues raised were the following:

- the situation of minority groups such as the Montagnard people in refugee camps near the Thai border;⁷⁰
- individual cases of deprivation of human rights;
- freedom of religion issues; and
- treatment of political prisoners.⁷¹

2.62 In July 2002, the Foreign Minister announced a four-year Australian-funded program with a total cost of \$9.0 million to combat the spread of HIV/AIDS in South East Asia and southern China. Australian specialists commenced the program in Vietnam, with planned extension to Burma and southern China by August/September 2002.⁷² We welcome this initiative.

2.63 In response to questioning, DFAT provided statistical information on the size of Vietnam's armed forces. According to DFAT, the following figures represent a significant level of demobilisation:

Table 3.1 Vietnam's Armed Forces

Army	450,000
Navy	42,000 (includes 27,000 naval infantry)
Air Force	15,000
Reserve/Militia	3,000,000 (persons classed as able bodied but not necessarily armed)

Source DFAT, Submission, (Response to Question 15)

2.64 Burma is an impoverished country and its economy remains stagnant.⁷³ The release of opposition leader Aung San Suu Kyi from house detention in May 2002 was seen by the international community as the most

69 DFAT, Transcript, p. 84; AusAID gave evidence that progress had been made in achieving budgetary transparency, although a major exception continued to be the largest item of expenditure—defence spending: (Transcript, p. 86).

70 Information provided in DFAT's submission indicated that there are no Montagnard people from Vietnam in camps in Thailand (Response to Question No. 10).

71 Transcript, pp. 84-86. DFAT indicated in evidence that there are currently 10 individual human rights cases being pursued with Vietnamese authorities, including the case of Father Nguyen Van Ly. In Submission No. 3, Response to Question No. 12, DFAT indicated that ethnic minorities in Vietnam continue to experience discrimination and restrictions of their human rights from both central government policy and local authorities. Australia makes regular representations on the recognition of their rights through the Embassy in Hanoi, along with representations to the Vietnam Embassy in Canberra.

72 Hon Alexander Downer MP, Media Release AA 02 042, 22 July 2002.

73 DFAT and Austrade, Transcript, p. 88.

significant of the positive developments that have occurred in the past year in that country, although the overall prospects for democratic reform are less certain. Private dialogue in the previous 18 months between Ms Suu Kyi and the military junta, the State Peace and Development Council (SPDC), had produced some tangible results, for example the release of approximately 250 political prisoners, but little else.⁷⁴

- 2.65 Australia's government-to-government aid to Burma was suspended in September 1988 following the military's violent suppression of pro-democracy demonstrations. Australia's small bilateral aid program to Burma will increase in 2002-03, to bring total aid flows to \$6.2 million. The initial priority is improvement of basic health services, poverty alleviation, community nutrition programs and anti-HIV/AIDS measures, in addition to improvement of the human rights situation in that country.⁷⁵
- 2.66 Australia's human rights training initiative, which has in the past drawn ambivalent comment from Ms Suu Kyi, will continue this year with two further workshops for mid-level officials on international human rights principles and practice. DFAT saw the workshops as a means of providing 'some incremental benefit to the process of change over a long period'.⁷⁶
- 2.67 The situation of refugees, both Burmese and members of ethnic minorities, in camps along the border between Thailand and Burma was raised in the context of Australia's humanitarian aid programs. There are approximately 133,000 refugees in the 12 border camps, for which Australia provides health support, shelter, food and distance education services. DFAT confirmed that the SPDC still claims that the camps are used as bases for subversive activities and military attacks against Burma.⁷⁷

74 Australia's Ambassador met with Ms Suu Kyi on 10 May 2002, shortly after her release. On 22 June 2002, Ms Suu Kyi began a well-publicised visit to Burma's second city, Mandalay, which is the headquarters of her NLD party. There was widely reported media criticism and guarded optimism between April and June 2002 about outcomes from the dialogue and compromises on democratic reform—for example, *The Australian*, 25 April 2002, p. 8; AFP newswire 3644, 30 April 2002; *The Economist*, 11 May 2002, pp. 29-30; *The Australian*, 28 June 2002, p. 7.

75 AusAID website: www.aisaid.gov.au/country (as at 3 July 2002) and Media Release AA 02024 (Downer), op. cit. In 2002-03, Australia will provide specific human rights training to Burmese officials, including training on the Convention of the Rights of the Child. Australia also provides health support, shelter, food and distance education to approximately 133,000 refugees in 12 camps on the Thailand/Burma border.

76 AusAID, Transcript, p. 89; DFAT, Transcript, pp. 91-92. See also *Annual Report 2000-2001*, op. cit., pp. 45-46.

77 Transcript, p. 93.

- 2.68 Cambodia is one of the world's most heavily landmined countries, as well as one of the world's least developed—its estimated GDP is only US\$300 per capita per year. Although casualty rates appear to be decreasing, landmines and other unexploded ordnance continue to kill or injure around 100 victims per month and the task of demining agricultural and other productive land is enormous. Australia is the third largest bilateral aid donor to Cambodia after Japan and France. In 2001-02 Australia provided \$23.8 million for bilaterally-agreed activities.⁷⁸
- 2.69 The Royal Cambodian Government established the Cambodian Mine Action Centre (CMAC) in 1992 to continue demining work begun by the UN Transitional Authority in Cambodia. Australia makes a substantial aid contribution to landmine clearance in Cambodia, committing a total of approximately \$33.0 million from January 1996 to June 2002. AusAID provided statistical data on the extent of land reclamation, clearance forecasts for the next 12 months and casualty rates for the previous 12 months. AusAID estimates that it will be decades before all or most of the mines are removed.⁷⁹
- 2.70 Apart from discussion of the landmines issue, and Australia's concerns in the recent past about administration problems within CMAC, the continuing problem of political and other violence in Cambodia was also raised. The level of political support for the Khmer Rouge is now almost negligible, having deteriorated into 'remnants of banditry'.⁸⁰

Foreign Policy White Paper

- 2.71 We welcome the commissioning by the Government of a new White Paper to be entitled *Advancing the National Interest*. The task force established within DFAT to undertake the work of developing the framework for Australia's future foreign and trade policy directions is currently engaged in the public consultation stage of its work. Written submissions were due to be lodged by the extended deadline of 15 August 2002.
- 2.72 Release of the White Paper will stimulate public debate on the key themes and developments identified as being important to Australia's foreign and trade relations with the rest of the world. These themes should include consideration of the policies and priorities driving Australia's

78 AusAID, 'Country Information' at: www.ausaid.gov.au/ (13 May 2002).

79 AusAID, Transcript, p. 93 and Submission No. 2. Australia plans to provide 20 per cent of CMAC's budget in 2002.

80 DFAT, Transcript, p. 94.

development cooperation programs and our performance on the promotion and protection of international human rights.⁸¹

In Conclusion

- 2.73 The vehicle of an annual reports review has enabled the Committee to obtain up to date information on many aspects of Australia's relations with significant parts of the world. This information has been placed on the public record as a contribution to community debate on, and Parliamentary scrutiny of, recent developments affecting Australia's relations with selected countries and regions.
- 2.74 In the current review process, we have emphasised examination of topical foreign relations and trade issues rather than the technical aspects of the annual reports themselves.⁸² One outcome of this approach has been consideration of several major topics for a full-scale public inquiry early in the life of the present Parliament.
- 2.75 The first topic the Committee has decided to address by conducting a public inquiry is the relationship between Australia and Indonesia. The inquiry was announced in August 2002 and the Committee expects to present its report to Parliament in the 2003 Spring Sittings.

81 Media reports in July 2002 speculated that the most significant emphasis would be placed on Australia's relationship with the United States of America. However, Foreign Minister Downer's speech at the National Press Club in Canberra on 7 May 2002 indicated that Asia and the Pacific remain the primary focus of Australia's foreign policy, notwithstanding a reassessment of international alignments after the terrorist attacks on 11 September 2001 and the pre-eminence of the United States in world affairs.

82 Technical issues did emerge occasionally, however; for example, perceptions of the use of 'meaningless effectiveness indicators' throughout the DFAT and AusAID reports: (Transcript, pp. 11-12).

Issues in Defence

Introduction

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

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

Objectives and scope

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

Defence objectives, personnel and 2002-03 Budget allocation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source Department of Defence, Submission, Question W5.

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

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

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

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

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

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

Issues

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

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

Achievement against key priorities

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

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

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

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

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

Organisational renewal

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

Recruitment and retention

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

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

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

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

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

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

Conditions of service relating to operational deployment

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

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

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

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

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

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

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

Women in the ADF

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

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

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

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

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

Unacceptable Behaviour

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

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

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

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

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

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

Recommendation 1

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

Ammunition shortfalls

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

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

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

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

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

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

Bushranger Project

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

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

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

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

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

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

F-111C aircraft

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

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

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

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

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

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

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

Replacement patrol boats

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

Readiness of Reserves

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

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

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

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

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

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

Acquisition and major projects

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

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

C-130J

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

MILSATCOM

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

Hawk lead-in fighter

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

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

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

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

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

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

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

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

JORN

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

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

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

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

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

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

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

F/A-18A Hornet Upgrade Program

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

AEW&C Aircraft

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

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

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

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

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

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

HMAS Collins

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

Costs of unauthorised boat arrivals and Middle East operations

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

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

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

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

ANZUS Treaty

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

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

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

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

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

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

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

Government responses to reports

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

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

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

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

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

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

Operational deployment and transition management in the ADF

Introduction

- 4.2 In 2001-02 there were about 51 000 people in the Australian Defence Force (ADF). These people are highly trained, perform a wide range of tasks and operate in often dangerous situations. While the ADF is relatively small, the quality of training, and the skills and professionalism of ADF personnel make it a highly effective and potent force.
- 4.3 Managing people in the ADF is extremely challenging and is one of the most critical elements in ensuring that Australia has an effective defence force. The ADF, therefore, must ensure that it has effective recruitment, training, and retention programs. A fourth element, which is often less understood, is transition management. This focuses on the assistance and advice provided to ADF personnel when they decide to leave the service and move into civilian employment or retirement.
- 4.4 There are different levels of assistance that are provided to serving personnel depending on their years and conditions of service. This chapter examines the adequacy of some of the services and programs that are provided. The quality and effectiveness of transition services can have broader influences than just assisting individual service personnel to re-enter civilian life. For example, an effective transition management program may help to improve retention rates across the ADF. This is based on the view that service personnel who decide to leave after 4 years may be less inclined to leave if they have confidence that the transition

management programs are effective and will help them secure quality employment after 12, 16 or 20 years in the ADF.

- 4.5 The first part of this chapter examines the impact of operational deployment on service personnel. Some of the specific services and programs that are available to ADF personnel and their families are outlined. It is essential to scrutinise the quality and effectiveness of support services provided to ADF personnel on deployment.
- 4.6 The reason for examining aspects of operational deployment is that there is a link with transition management. Different types and levels of operational deployment can result in different types of 'transition' entitlements which personnel can call upon when leaving the ADF.
- 4.7 These issues were raised first at our annual report review on 8 May 2002 and then examined more fully at a round table forum held on 1 July 2002, where representatives of Defence, Defence organisations and private sector human resource management agencies provided evidence on deployment and transition management issues. In addition, a research paper on transition management was prepared for the committee as part of the Australian National Internship Program.¹

Operational deployment

Conditions of service

- 4.8 Since World War II, ADF personnel have been involved in a range of operational deployments. In recent times this has included service in the Middle East, Western and Central Asia, North-East Africa and Diego Garcia in the war against terrorism. In addition, ADF personnel are currently serving in the Solomon Islands, Ethiopia, Eritrea, Sierra Leone, East Timor, Bougainville and the Middle East.
- 4.9 An operational deployment results in 'conditions of service'. ADF conditions of service 'are government rulings which determine the pay and benefits that ADF members, and their families, receive as a result of an operational deployment'.² In addition to ADF conditions of service, there are 'categories of operations' defined in the *Veterans Entitlement's Act 1986* (VEA).

1 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002.

2 *ibid.*, p. 16.

- 4.10 The current method for determining conditions of service is for the Minister for Defence, in consultation with the Prime Minister, to declare the nature of service as 'warlike', 'non-warlike' or 'peacetime'. Each of these has a specific definition. For example, warlike operations 'are those military activities where the application of force is authorised to pursue specific military objectives and there is an expectation of casualties'.³ Some of the military operations that fall under this category include East Timor (INTERFET), the War on Terrorism, and the battalion deployment to Somalia.
- 4.11 Non-warlike operations usually limit the application of force to self-defence. Peacekeeping operations, for example, are non-warlike operations. The ADF deployments to Bougainville, Mozambique and Sierra Leone were peacekeeping operations
- 4.12 In addition to these ADF categories of military service, the Department of Veterans Affairs (DVA) has additional categories which it derives from the VEA. The DVA categories of military service include:
- operational service;
 - qualifying service;
 - eligible war service;
 - defence service (7 December 1972 to 6 April 1994);
 - peacekeeping service; and
 - hazardous service.⁴
- 4.13 A comparison of ADF conditions of service and VEA definitions of military service suggests that there are some anomalies between the two. The array of conditions is complex and potentially confusing. The Injured Service Persons Association, for example, has been established to assist personnel to understand the policies and conditions. Table 4.1 provides a comparison between ADF conditions of service and VEA definitions of military service.

3 *ibid.*, p. 17.

4 *ibid.*, p. 19.

Table 4.1 A comparison between ADF conditions of service and VEA definitions of military service

Item	ADF conditions of Service	VEA definition of military Service
1	warlike service	operational service, eligible war service
2	non-warlike service	peacekeeping service, hazardous service
3	peacetime service – enlisted on or after 7 April 1994	this service is not covered by the VEA
4	peacetime service –enlisted before 22 May 1996 (and has served continuously up to and after 7 April 1994)	defence service (7 December 1972 to 6 April 1994)

Source *George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', Australian National Internship Program, July 2002, p. 30.*

4.14 A comparison of the application of ADF conditions of service and VEA definitions of military service suggests that there are some anomalies. For example, the VEA lists military service in Somalia between 20 October 1992 and 30 November 1994 as 'operational service'. As shown in Table 4.1, this equates to 'warlike' service under ADF conditions of service.

4.15 However, the ADF classes service in Somalia between 17 October 1992 and 30 April 1993 as 'non-warlike'. For service in Somalia, as part of operation SOLACE, between 10 January 1993 and 21 May 1993, the ADF recognised service as 'warlike'.⁵ Therefore, ADF personnel serving in Somalia between 1992 and 1993 could have served in the same theatre of operations but been under different conditions of service. The different conditions of service result from the ADF classification of the tasks on which the personnel were employed. Some tasks were classified 'warlike' and other were 'non-warlike'.

Conclusions

4.16 Deployment of ADF personnel results in certain conditions of service depending on the nature of the operation. The ADF defines warlike, non-warlike and peacetime operations. Each of these operations will result in a specified level of pay, entitlements and conditions. Similarly, the Department of Veterans Affairs will use the operational status of a deployment as a means of determining benefits and assistance.

4.17 The ADF and DVA seem to have different criteria for determining operational status as shown by the Somalia case study described above. In addition, each operational deployment may have slightly different

5 *ibid.*, p. 32.

conditions, benefits and levels of assistance. For example, retired service personnel may find it difficult to determine what DVA service they are entitled to as a result of being deployed on a certain deployment.

- 4.18 To clarify this complexity, DVA should develop an information package explaining what ADF conditions of service packages equate to under the provisions of the VEA. In addition, DVA should create information fact sheets for all deployments covered by DVA, stating what benefits and assistance are available for having served on a particular deployment. This information should be posted on the DVA website so that it is readily available to serving and retired ADF personnel. This approach will provide valuable assistance to ADF personnel when seeking to determine and obtain their entitlements.

Recommendation 2

- 4.19 **The Department of Veterans Affairs should develop an information package clarifying what Australian Defence Force conditions of service equate to under the provisions of the *Veterans Entitlements Act 1986*.**

Recommendation 3

- 4.20 **The Department of Veterans Affairs (DVA) should develop information fact sheets for all deployments covered by DVA, stating what benefits and assistance are available to Australian Defence Force personnel serving on those deployments. This information should be posted on the DVA website.**

The statistical database

- 4.21 An essential aspect in providing effective support services to ADF personnel is having up to date and accurate data which provides information on the needs of personnel. Scrutiny of Defence revealed that there were often incomplete or non-existent statistical databases on Defence personnel. For example, operational deployments can place stress on families, and through the long period of separation may lead to family breakdown. A statistical database which can provide information on the extent of family breakdown may lead to the development of more effective support programs.

- 4.22 During the round table forum, participants were asked if there was any survey information which provided insight into the impact of operational deployment on family stability. In particular, was there any survey evidence to suggest that deployments resulted in increased levels of family breakdown. In response to this, the Defence Community Organisation (DCO) stated:
- Only anecdotally at this stage. We would have to rely on the ADF census, and I understand we will have a new census next year. Only anecdotally do we have evidence that deployments are affecting relationships in the family and may be precipitating family breakdown. But at this stage, we have no hard data to qualify that.⁶
- 4.23 The ADF Census may, however, lack precision. The DCO commented that while the ADF Census does provide data on 'family separation', it does not record family separation as a result of deployment stress.⁷ The ADF Census is held every four years. Mr Malcolm Jackman advised that the focus of the ADF Census was not on marital status but rather on single status.⁸ For example, a person in a defacto relation is regarded as single.
- 4.24 Scrutiny of the other human resource databases suggested that there were additional deficits in the range and quality of data. DVA provides counselling services which are available to people who have been on operational deployment. The statistics show that 'the number of peacekeepers using the Vietnam Veterans Counselling Service is increasing'.⁹ The database, however, cannot disaggregate the usage of the counselling service by deployment.

Conclusions

- 4.25 The Department of Defence has a significant responsibility in managing possibly the largest and most diverse workforce in Australia. The management task would be performed more effectively if Defence had ready access to an effective statistical data bases which provides indicators about the status of the ADF and information about specific areas to help in identifying possible problem areas. With this information, Defence would be better placed to construct ameliorative programs.

6 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 17.

7 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 18.

8 Mr Malcolm Jackman, Manpower, *Transcript*, p. 21.

9 Repatriation Commission, Major General Stevens, Repatriation Commissioner, *Transcript*, p. 14.

- 4.26 The ADF Census partly fulfils this objective by providing data on the status of the ADF. However, the ADF Census is only held every four years and there are limitations on the precision that a census can provide. For example, the ADF Census currently classifies a person in a defacto relationship as 'single'. By ignoring defacto relationships the ADF Census is inflating the number of 'single' persons. This may, for example, influence the development of programs and services that are designed for single persons as opposed to persons in defacto or married relationships. Defence needs to obtain more accurate and current data on the impact of operational deployment. Therefore, Defence should develop a compulsory survey questionnaire which should be provided to all ADF personnel three to six months after returning from an operational deployment. The questionnaire should include questions on the positive and negative impact of the deployment on the person and their family. The survey questionnaire must conform to strict survey and questionnaire methodology, and the survey information must be easily compiled and tabulated. Aggregate information should be available for each deployment.
- 4.27 In addition, Defence should ensure that its maximises other sources of data through the provision and analysis of aggregate data where possible. For example, Defence personnel databases record service information for each individual. Where possible, information from this source should be aggregated and analysed. Similar data that should be collated and analysed is the information obtained from exit surveys and compulsory psychological screening for all people returning from deployments.

Recommendation 4

- 4.28 **The Department of Defence should develop a compulsory survey questionnaire which should be provided to all ADF personnel three to six months after returning from an operational deployment. This survey is in addition to the ADF Census which is held every four years.**

Recommendation 5

- 4.29 **The ADF Census should be amended to ensure that a person in a defacto relationship is no longer regarded as 'single'.**

Support services and programs

4.30 During the hearing, one of the focus topics was the adequacy of services provided to ADF personnel, and their families, who are engaged in operational deployments. For ADF personnel, the prospect of being deployed on operations overseas can be rewarding and challenging but, at the same time, extremely demanding on the individual and family members. This section examines some of the services and programs that are provided to ADF personnel and their families to help them deal with the constraints on family life caused by operational deployment. The following support programs and services are briefly described:

- family breakdown support;
- the work of the 'operational safety team';
- psychological screening;
- the use of 'decompression' periods upon return; and
- support services for Reserves.

4.31 At the completion of this discussion, some concluding remarks are made about these support services and programs.

Family breakdown support

4.32 The Defence Community Organisation (DCO) provides a range of relationship counselling services for ADF personnel and spouses. The DCO commented that 'we also have relationships with specialist agencies in the community and, if a spouse came to seek our assistance, we would then refer to specialist counselling agencies in the community, if appropriate'.¹⁰ The DCO stated:

As much as possible, for the people that want to participate, we try to provide a holistic approach—that is, education, prevention and early awareness of issues that may arise. Then there is a community development focus that funds and maintains family support activities to provide support to spouses when members are away on deployment. Then there are strategies and specialist services that we put into place if people do need to seek counselling.¹¹

10 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 27.

11 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 28.

Operational Safety Team

4.33 An operational deployment, depending on the location and threat, is often dangerous. At the same time, the location may present natural or artificial hazards. For example, industrial toxic wastes should be identified and ADF personnel should be adequately protected. Defence indicated that 'for the first time in Australia's history we deployed an operational safety team to Timor, with the exception of Bougainville'.¹² Defence stated:

We sent up a hazard assessment team to look at the chemical issue at Loloho. We have a comprehensive report on the chemicals at Loloho, and another team will be going back there shortly. General Cosgrove asked for specific safety support in Timor, which you can tend to do when you run the operation. As a consequence of that, that was probably the first time we got that level of assessment. Any assessment done prior to that would largely have been done by the preventative medicine staff, who look at preventative health issues primarily. Timor was the first time we had ever deployed safety professionals with an Australian force.¹³

4.34 One of the focus areas during the hearing was the adequacy of information provided to ADF personnel about the threat that they had been exposed to as a result of a deployment. Defence commented, for example, that it had 'produced a pamphlet on exposure to asbestos in Timor and provided that to both the serving community and the ex-serving community and made people aware of the compensation scheme that we run in Defence, and we have been running since the Enfield report in 1991'.¹⁴

4.35 Defence indicated that there have been smaller isolated reports of industrial waste contamination where it was difficult to record who could have been in the contamination area. In those situations, Defence commented that it records the hazard and the area that it was found in, 'but matching the people to the hazard could not be done'.¹⁵

4.36 If an ADF member subsequently made a claim for compensation, they would need to make that claim to DVA. DVA would then seek to confirm the details with Defence. Defence commented that the 'approach is to use

12 Mr Glen Tye, Department of Defence, *Transcript*, p. 9.

13 Mr Glen Tye, Department of Defence, *Transcript*, p. 9.

14 Mr Glen Tye, Department of Defence, *Transcript*, p. 10.

15 Mr Glen Tye, Department of Defence, *Transcript*, p. 10

a beneficial standard of proof so that the benefit of the doubt is given to the person'.¹⁶

Counselling and psychological screening

4.37 ADF personnel returning from an overseas deployment have access to a full range of support services including Defence health, psychology, social work and chaplaincy services. In addition, they also have access to the Vietnam Veterans Counselling Service because of their 'veteran' status.¹⁷ The adequacy and effectiveness of these services was debated. Defence suggested that many personnel might think that some of the services were unnecessary. However, the impact and coping strategies of individuals vary and therefore these services are vital. Defence stated:

There was clearly a need for these services. Not everybody as an individual recognised that there was a need, and a lot of them received the counselling almost under some sufferance; nevertheless, they were all provided with it. If anybody slipped out without getting it then it was because they were particularly nifty. There was a great and concerted effort made to ensure that everybody who left the zone was counselled before they left and then, if necessary, followed up when they got home.¹⁸

4.38 Defence indicated that the range of issues that a person may seek counselling over relate to the experiences of the deployment but also the aspect of family and relationships. The Defence Community Organisation (DCO) commented that the 'presiding problems presented are family and relationship issues'.¹⁹ In response to this, the DCO provides 'comprehensive deployment briefings before members go on deployments, both to individual members and to the families'.²⁰ The DCO stated:

In those briefings we flag and discuss some of the issues that commonly occur during deployments, both for the members and for families. We also discuss strategies to assist families to cope while the member is away and discuss strategies with the members as well. We provide family support activities during the deployments.²¹

16 Mr Jason Brown, Department of Defence, *Transcript*, p. 10.

17 *Transcript*, p. 11.

18 Mr Roxley McLennan, Air Commodore, Department of Defence, *Transcript*, p. 12.

19 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 13.

20 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 13.

21 Ms Jenny Reich, Defence Community Organisation, *Transcript*, p. 13.

- 4.39 All ADF personnel returning from a deployment are psychologically screened before returning home. The purpose of this exercise is to screen people in order to determine if they would benefit from additional services. In addition, ADF personnel are screened between three to six months after returning. Defence indicated that since January 2000 it has 'conducted over 16,000 of those screenings across the ADF'.²²

'Decompression' periods and support for Reservists

- 4.40 ADF personnel on deployment accrue a range of leave entitlements depending on the nature of the deployment. Upon returning from a deployment a person would be entitled to take a significant amount of recreation leave. For example, war service leave (WSL) accrues for service on Warlike operations. WSL accrues at the rate of one and half days leave for each calendar month spent in an operational area. Those personnel who are deployed on non-warlike operations accrue 10 days of additional leave for each year spent in the operational area.²³
- 4.41 The ADF orders that 'WSL should be taken immediately on return to Australia and prior to other forms of leave'.²⁴ However, there is support for the use of 'decompression periods'. 'Decompression' refers to the practise of requiring personnel who are returning from a deployment to return to their unit for about two weeks and undertake normal work duties along with any counselling or post deployment medical tests. This process ensures that returning personnel have time to adjust before spending all of their time on recreation leave. A Defence operational commander stated:

I insisted that those people have a two-week decompression period when they come home, so the soldier does not simply arrive back from his operational deployment and then go on leave immediately without fitting back into his unit to get the support necessary. It also means that he does not arrive home and be a shock for mum and the kids at that point in time when all rules have changed.²⁵

- 4.42 Defence commented that from an Army point a decompression period 'was a standard operating procedure across the combat force in Army'.²⁶

22 Lieutenant Colonel Martin Levey, Department of Defence, *Transcript*, p. 13.

23 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002, p. 39.

24 *ibid.*, p. 39.

25 Brigadier Douglas Tyers, Department of Defence, *Transcript*, p. 25.

26 Colonel Michael Kehoe, Department of Defence, *Transcript*, p. 25.

- 4.43 The study of WSL and decompression periods has so far been limited to full-time army units. There has not been a study of decompression periods in relation to Reserve units. This may be particularly relevant in view of the deployment of an Army Reserve unit to East Timor.²⁷ George states:

Approximately 600 Army Reservists were slotted into regular formations in East Timor. There are no available statistics or studies into how these soldiers transitioned back into their civilian employment or their Army Reserve units. This makes policy evaluation difficult. The Army has not yet made public its plans for decompression period for future Reserve deployments. This issue of decompression periods for Reservists, and the monitoring of the return of the Reservists return to their civilian employment are issues requiring further attention.²⁸

- 4.44 The hearing also considered the return to civilian employment by Reservists from the perspective of employers. Defence suggested that the needs of employers was important and commented that it 'was constantly dealing with employers'.²⁹ In particular, the Defence Reserves Support Council which was established as a peak body to work with employer groups was 'enhanced following a decision by the government in 2000 and includes now representatives from a number of employer groups, including the Australian Industry Group; the Council of Small Business Organisations of Australia, COSBOA; and other groups'.³⁰ Defence stated:

Part of the role of the council and its committees is to undertake a number of activities to maintain and build employer support within the community. One of the key initiatives that has been taken in recent times has been the employer support payments scheme, which was launched just over 12 months ago.³¹

- 4.45 In relation to deployments of Reservists, Defence commented that service chiefs 'must consider in deciding whether or not to make that full-time service protected, in accordance with the Defence Reserve Service (Protection) Act, is the impact on third parties'.³² That is Defence will seek to find out the effects that a deployment will have on employers.

27 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002, p. 41.

28 *ibid.*, p. 41.

29 Colonel Malcolm Stedman, Department of Defence, *Transcript*, p. 47.

30 Colonel Malcolm Stedman, Department of Defence, *Transcript*, p. 47.

31 Colonel Malcolm Stedman, Department of Defence, *Transcript*, p. 47.

32 Colonel Malcolm Stedman, Department of Defence, *Transcript*, p. 47.

Conclusions

- 4.46 Some of the key support services and programs for ADF personnel involved in operational deployments include counselling services, family breakdown support, psychological screening, the use of decompression periods and specific support for reservists. There appears to be improvement in the range and quality of services that are being provided to ADF personnel. For example, operational safety teams have been used in East Timor to identify locations which may be contaminated with hazardous wastes. This information is then used to protect ADF personnel.
- 4.47 Counselling and psychological screening is a routine part of operational deployments. ADF personnel are counselled prior to a deployment and are subject to psychological screening upon return. In addition, family members and spouses are entitled to family breakdown support services. It is encouraging that Defence is delivering these types of services.
- 4.48 The evidence suggests that it is extremely beneficial to have ADF personnel returning from a deployment to return to their unit and 'adjust' for about two weeks before going on recreation leave. This period of 'decompression' provides an opportunity to readjust amongst other ADF personnel and undergo any testing that might be required.
- 4.49 The ADF, however, orders that war service leave should be taken immediately on return to Australia and prior to other forms of leave. In contrast, operational Defence staff at the hearing indicated that they routinely require their officers and soldiers to have decompression periods. This inconsistency needs to be rectified and the use of decompression periods for all returning ADF personnel should be made mandatory.
- 4.50 There is a lack of information on the application of decompression periods for Reservists. There is a further complication as these personnel 'transition' back to civilian employment. Now that Reservists are being sent to East-Timor, Defence must give more attention to the transition requirements, including the use of decompression periods, for Reservists.

Recommendation 6

- 4.51 **The Department of Defence must ensure that the use of decompression periods for all ADF personnel returning from operational deployments is mandatory.**

Transition management

- 4.52 Transition management is 'broadly defined as the monitoring, management and provision of support to ADF members and their families transitioning from military service to civilian life'.³³ In particular, this includes the provision of service to:
- veterans of operational service and their families;
 - military personnel injured on operational, non-operational or training activities; and
 - the provision of support to families of ADF members.
- 4.53 There are three issues to be addressed in seeking to understand transition management. First, is the need to determine the support and services that ADF personnel are entitled to. Second, is determining what government agency is responsible for providing what services to eligible persons. For example, there is the Transition Management Service (TMS) and the Military Compensation and Rehabilitation Service which provide different services. Third, it is important to determine how risks and threats to individuals are verified, recorded and monitored. For example, ADF personnel deployed on 'warlike operations' may be exposed to certain adverse conditions which may influence their transition entitlements.³⁴
- 4.54 The final section of this chapter outlines the range of Defence and DVA transition services. The final part of the chapter examines some key transition services discussed during the hearing.

Defence and DVA support services

- 4.55 Discharging from the ADF is divided into two categories. Discharges can be on medical or non-medical grounds. For those personnel who discharge on non-medical grounds, there is the Career Transition Assistance Scheme (CTAS).
- 4.56 The CTAS is the ADF's primary method of fulfilling its 'obligations to assist members with career transition when they separate after continuous full-time service whether voluntarily or involuntarily'.³⁵

33 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002, p. 7.

34 *ibid.*, pp. 7-8.

35 *ibid.*, p. 56.

- 4.57 The major features of the CTAS are explained in the following dot points:
- transition assistance is a condition of service and is available at different levels to eligible members;
 - career transition is available for up to 12 months after separation from the ADF or can be preserved for a specified period, when a member transfers to an active Reserve Force from the Permanent Forces;
 - basic career transition information is provided on-line via the Defence Intranet (DEFWEB) if practicable. CD-ROM and hard copy information is available for members without DEFWEB access; and
 - additional assistance is provided to members who are medically discharged.
- 4.58 CTAS benefits are incremental and based on the length of service an ADF member has served. The three levels are:
- **Level 1** for service of less than 12 years;
 - **Level 2** for service of between 12 years and less than 18 years; and
 - **Level 3** for service of 18 years or more. Level 3 also includes members who reach compulsory retirement age which is 55 for most ADF members, or where a member separates to meet service needs where that member has completed a minimum of 12 years service or where members are discharged on medical grounds provided that the disability was not caused by the member's misconduct or wilful neglect.

4.59 Table 4.2 provides a summary of the benefits provided through the CTAS.

Table 4.2 Benefits of each CTAS level

CTAS Level	Benefits
CTAS Level 1 (service of less than 12 years)	(a) unrestricted access to on-line information on discharge entitlements, financial lifestyle planning, job search strategies, résumé development and links to relevant agencies; (b) up to 5 days' approved absence from duty for career transition activities after 5 years' service; and (c) attendance at Defence resettlement seminars.
CTAS Level 2 (service of between 12 and 18 years)	(a) Level 1 plus: (b) an additional 5 days' approved absence from duty for career transition activities (total 10 days); (c) coaching on the development of a curriculum vitae to a limit of \$215; and (d) access to career transition training within a limit of \$1,000.
CTAS Level 3 (service of 18 years or more)	(a) Level 2 plus: (b) an additional 13 days' approved absence for career transition activities (total 23 days); and (c) career transition training (without the financial limit at Level 2) or career transition management counselling.

Source George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program, July 2002, p. 58.*

4.60 For those ADF personnel discharging on medical grounds, the full level of CTAS services are available irrespective of time served.

4.61 DVA administers, on behalf of Defence, the Transition Management Service (TMS). The TMS aims to 'ensure that members make a successful transition from military to civilian life by ensuring they have access to the full range of information and services available'.³⁶ Services offered through the TMS are available to ADF members who discharge from the ADF on medical grounds.

4.62 When an ADF member is discharged on medical grounds, a TMS coordinator develops a Personal Transition Action Plan which examines:

- optimising discharge entitlements;
- possible future employment options;
- post discharge medical matters;
- superannuation;
- housing;

- financial planning;
 - insurance; and
 - compensation.³⁷
- 4.63 During the hearing, the Military Compensation and Rehabilitation Service (MCRS) was examined. ADF Pay and Conditions information indicates that 'if a member is being discharged for medical reasons and has an associated accepted compensation claim, the member may become eligible for assistance through the vocational rehabilitation programs available under the *Safety, Rehabilitation and Compensation Act 1988* and administered by the Department of Veteran Affairs.³⁸
- 4.64 A new Military Compensation Scheme is being developed which is based on the MCRS, 'melded with elements of the Veterans' Entitlements Act'.³⁹ The new scheme has been under development since 1999 and concerns were raised about progress and a possible 'stand off' between Defence and DVA. Defence stated:
- Again, we do not disagree about the nature and content of the review; we are just trying avoid additional levels of review to ensure that we do not further complicate already complicated procedures. So while there is pretty strong and robust discussion at the working group, which includes a range of ex-service organisations, the main focus is to get the stuff on the table so we can work through it. The issues between DVA and us are matters at that level as opposed to matters of significant substance, as I see it.⁴⁰
- 4.65 DVA agreed with that assessment but commented that while there is 'the go-ahead to develop the new Act, that is what is taking time at the moment'.⁴¹ While this level of agreement is reassuring, it is essential that no further time is wasted. Defence and DVA should seek to conclude the development of the new Military Compensation Scheme as quickly as possible.

37 *ibid.*, p. 60.

38 PACMAN Chapter 10-Part 7-40, September 2001.

39 Major General James Stevens, Repatriation Commission, *Transcript*, p. 68.

40 Mr Jason Brown, Director-General, Safety Compensation and People Development, Department of Defence, *Transcript*, p. 68.

41 Major General James Stevens, Repatriation Commission, *Transcript*, p. 68.

Transition management and retention

- 4.66 The average length of stay in the ADF is about nine years. Approximately, 40 per cent of ADF personnel leave after their initial period of service. Defence explained this departure on the grounds that these people had set specific goals for themselves and 'moved on in a way they are comfortable with and have planned for'.⁴²
- 4.67 The retention of ADF personnel is a critical part of human resource management. If, for example, the retention rate was considered too low then Defence would need to expend more resources in recruitment and training. All organisations need to balance these factors in managing their human resources.
- 4.68 During the hearing, the prospect was raised that transition management can positively influence retention. For example, about 40 per cent of ADF people leave after their initial period of service. It was suggested that one of the reasons people leave after 4 or 8 years is that they have greater control over their employment options than if they waited 12 or maybe 18 years. The view was put that if the transition management schemes were effective then people at the 4 to 8 year period may have more confidence in staying on. Mr Jackman stated:
- I am of the belief that one of the issues that drives retention is the fear that some people have as to how they will transition from the ADF further down their career path.
- So the transition of people from the ADF becomes an important part in their whole of life career. If that is not handled well and if people perceive the transition from the ADF is not going to be handled well, then they may seek to exit the ADF early, rather than seeing out the full term of their career. From that point of view, I think that is why it becomes such an important issue in terms of maintaining force capability within the ADF.⁴³
- 4.69 Mr Jackman suggested that if the 'fear' or apprehension of transitioning, at a later age could be removed through having an effective transition program then retention would improve. Mr Jackman posed the hypothetical situation of a person at the four or eight year mark may decide to stay on if they knew that there would be proven transition program that have an 85 per cent success rate of finding people appropriate employment.⁴⁴ Mr Jackman concluded that 'if there were a

42 Mr Roxley McLennan, Air Commodore, Department of Defence, *Transcript*, p. 12.

43 Malcolm Jackman, Manpower, *Transcript*, p. 6.

44 Malcolm Jackman, Manpower, *Transcript*, p. 38.

stronger transition program, they might feel more comfortable about when they actually exit'.⁴⁵

- 4.70 Another feature of transition management programs is that the level of service is related to time served. Table 4.2, for example, shows that people who have completed 18 years of service receive the highest level of CTAS services. Mr Jackman suggested that if you could bring the length of service qualification down then this also could get the retention rate up. Mr Jackman stated:

The current programs basically reward people who have stayed in the organisation—they have their 12- or 18-year break points—but nothing positive is done to encourage people who have done their four years to stay on for eight years. If they joined as an 18- to 20-year-old, that eight-year point is likely to be the period when they are in a stable relationship, they might be looking to buy a house and they might have a young family on the way. That is when transition would be most traumatic for them, so they say: 'I am footloose and fancy-free. I will go at four years'. This is all anecdotal, but there is a lot of substance behind it. There is a very strong cost-benefit model to say to people 'We will give you transition services a lot earlier in your career and take some of the fear out of it'.⁴⁶

- 4.71 Defence, in relation to the discharge resettlement training scheme, did acknowledge the view that more could be done for those personnel who had served less time. The discharge resettlement training scheme is based on people who have served more than 20 years. If a person has completed less time then they would not receive any services. Defence commented that 'the people who administer the scheme are of the view that we should put more funding towards people who have served less time, but that has not been pursued policy wise'.⁴⁷

Conclusions

- 4.72 Transition management is an essential part of Defence's human resource management. The one day hearing on this matter has been productive in providing an opportunity to review and assess the adequacy of some of the key transition management programs.

45 Malcolm Jackman, Manpower, *Transcript*, p. 39.

46 Malcolm Jackman, Manpower, *Transcript*, p. 46.

47 Wing Commander David Lindsay, Department of Defence, *Transcript*, p. 52.

- 4.73 One of the most important findings arising from the review is the suggestion that an effective and well designed transition management program can help in the retention of ADF personnel. This is based on the view that part of the reason that people leave after 4 or 8 years is because they lack confidence in transition management programs. Alternatively, if transition management programs were shown to be effective and the results were widely canvassed, then people may have more confidence and be enticed to stay on longer in the service.
- 4.74 Defence should embrace the view that an effective transition management program can influence retention. Defence, in redeveloping its transition management programs, should ensure that the merits of the programs are widely circulated through the ADF. In addition, transition management programs should be more widely available and less emphasis should be placed on long qualifying periods of service. The majority of programs should be available to people who have served a minimum of 8 years.
- 4.75 In order to assess Defence's performance in the area of transition management, the Auditor-General should consider conducting a performance audit into this area. This will give Defence time to implement changes to its systems. If the Auditor-General conducted this review then the Committee could use the audit report as the basis for a further examination of transition management.

Recommendation 7

- 4.76 **The Auditor-General should consider conducting a performance audit focusing on transition management programs conducted by the Department of Defence.**

Employment needs

- 4.77 A key requirement for most people exiting the ADF is the need to obtain appropriate employment. ADF personnel have a range of skills which are often highly valued in the private sector and most people are highly successful in finding employment.
- 4.78 The adequacy of ADF employment programs was examined during the hearing. The CTAS is a key program which assists ADF personnel with employment needs. The services provided through this program are described in Table 4.2. The programs are focused on improving

presentation and marketability. For example, personnel at CTAS level 2 will be given coaching in developing a curriculum vitae.

4.79 The focus of the CTAS is mainly about the provision of information services. This point was noted during the hearing and, consequently, the need for outplacement services was debated. Mr Jackman stated:

...if you look at outplacement in the private sector, it is completely different from transition management in the Defence Force. The resettlement that defence forces around the world have been offering for probably the last 50 or 60 years is really an information based activity to try and prepare a member for when they actually exit the Defence Force in one form or another, whether it is upon retirement for age, whether it is because they want to seek early separation or whatever. It is not actually an outplacement service. It is not a job placement service. It is really just to educate the individual.⁴⁸

4.80 The use of job placement programs is used by the British Army as part of its military resettlement program. Level three of the British program provides career counselling, workshops, training, work attachments and assistance with job-placement.⁴⁹ The service is provided through the Career Transition Partnership and is available indefinitely to eligible soldiers.

4.81 Mr Jackman described a similar service provided by Telstra to its staff. During the past five years, 'about 8,000 people successfully out of Telstra, with more than 90 per cent of them actually getting a job, having exited from Telstra'.⁵⁰ In relation to the ADF, Mr Jackman concluded that 'providing some outplacement service has real merit'.⁵¹

4.82 The provision of outplacement services for the immediate family members of ADF personnel is not currently provided. However, there could be merit in providing this service because it may offset some of the reasons why ADF personnel decide to leave the ADF. Spouses of ADF personnel may, because of posting requirements, have disrupted and unfulfilled employment opportunities. Previous studies have shown that the employment opportunities of spouses of ADF personnel is a consideration in retention. Mr George notes, in his paper, that:

48 Mr Malcolm Jackman, Manpower, *Transcript*, p. 37.

49 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002, p. 61.

50 Malcolm Jackman, Manpower, *Transcript*, p. 37.

51 Malcolm Jackman, Manpower, *Transcript*, p. 38.

These spouses are overwhelmingly female, many with a family to help support. If the ADF were to develop a job-placement program to support these women then separation rates for family reasons are highly likely to decrease. Through the money saved in recruitment (approximately \$45 000 per person successfully recruited), and in training (approximately \$300 000 per student at the Australian Defence Force Academy), this system may also save the ADF considerable amounts of money. Retention rates would be managed and transition, where applicable, would be assisted with the employment of personnel and their families.⁵²

- 4.83 During the hearing, Defence discussed the use of exit surveys. All ADF members leaving the ADF are required to complete an exit survey.⁵³ The survey questionnaire asks the reason why the person is leaving. The top ten reasons are aggregated. Defence confirmed that the major reason for leaving was employment. Defence commented that 'other reasons are probably of no surprise to those working in the retention business in the ADF: geographic stability, *spouse employment*, [emphasis added] children's education and those sorts of things'.⁵⁴

Conclusions

- 4.84 The Career Transition Assistance Scheme (CTAS) assists ADF personnel with employment needs when they are transitioning from the ADF. The program provides a range of information services. However, there is no active assistance in the form of an outplacement service. The British Army use outplacement services and there is growing use of these programs in the private sector.
- 4.85 The ADF could enhance the CTAS by offering an outplacement service on a demand basis. It is expected that not all ADF personnel will need the services of an outplacement program. However, for those that do, Defence should provide this service. Private sector contractors may be best positioned to provide this service.
- 4.86 In addition, there is persuasive evidence for providing an 'employment service' to the spouses of ADF personnel. These people will often have to make sacrifices to their employment because of the requirement of ADF postings. Studies have shown that this pressure may lead to premature

52 George, Andrew, 'A Research Report into Transition Management and the Australian Defence Force', *Australian National Internship Program*, July 2002, p. 63.

53 Commander Suzanne Smith, Department of Defence, *Transcript*, p. 58.

54 Colonel Ross Boyd, Department of Defence, *Transcript*, p. 60.

transition of ADF personnel. This service should be provided on a demand basis.

- 4.87 It is acknowledged that spouses in search of employment would have access to employment services through the existing Job Network. However, these people may, depending on their location and needs, require specialised services that may not be readily available through the Job Network system. This is where Defence should seek to meet this unmet need by providing support for spouses to specialised employment services.
- 4.88 The acceptance of these recommendations would make a positive statement that Defence values the service of its personnel and is prepared to implement programs which help in improving retention.

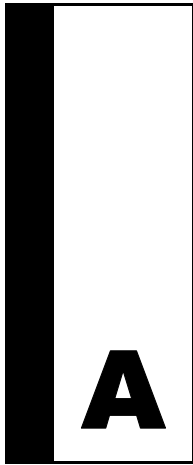
Recommendation 8

- 4.89 **The Department of Defence should provide access to outplacement services for all ADF personnel as part of the Career Transition Assistance Scheme.**

Recommendation 9

- 4.90 **The Department of Defence should provide access to specialised employment services for the spouses of ADF personnel.**

Senator Alan Ferguson
Chairman
28 August 2002



Appendix A – Resolution of Appointment

- (1)
 - (a) That a Joint Standing Committee on Foreign Affairs, Defence and Trade be appointed to consider and report on such matters relating to foreign affairs, defence and trade as may be referred to it by:
 - (i) either House of the Parliament;
 - (ii) the Minister for Foreign Affairs;
 - (iii) the Minister for Defence; or
 - (iv) the Minister for Trade.
 - (b) Annual reports of governments departments and authorities tabled in the House shall stand referred to the committee for any inquiry the committee may wish to make. Reports shall stand referred to the committee in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee, provided that:
 - (i) any question concerning responsibility for a report or a part of a report shall be determined by the Speaker; and
 - (ii) the period during which an inquiry concerning an annual report may be commenced by a committee shall end on the date on which the next annual report of that Department or authority is presented to the House.
- (2) That the committee consist of 32 members, 12 Members of the House of Representatives to be nominated by the Government Whip or Whips, 8 Members of the House of Representatives to be nominated by the Opposition Whip or Whips or by any independent Member, 5 Senators to be nominated by the Leader of the Government in the Senate, 5 Senators to be nominated by the Leader of the Opposition in the Senate and 2 Senators to be nominated by any minority group or groups or independent Senator or independent Senators.

- (3) That every nomination of a member of the committee be forthwith notified in writing to the President of the Senate and the Speaker of the House of Representatives.
- (4) That the members of the committee hold office as a joint committee until the House of Representatives is dissolved or expires by effluxion of time.
- (5) That the committee elect a Government member as its chair.
- (6) That the committee elect a deputy chair who shall act as chair of the committee at any time when the chair is not present at a meeting of the committee and at any time when the chair and deputy chair are not present at a meeting of the committee the members present shall elect another member to act as chair at that meeting.
- (7) That in the event of an equality of voting, the chair, or the deputy chair when acting as chair, shall have a casting vote.
- (8) That 6 members of the committee constitute a quorum of the committee, provided that in a deliberative meeting the quorum shall include 1 member of either House of the Government parties and 1 member of either House of the non-Government parties.
- (9) That the committee have power to appoint subcommittees consisting of 3 or more of its members and to refer to any subcommittee any matter which the committee is empowered to examine.
- (10) That, in addition to the members appointed pursuant to paragraph (9), the chair and deputy chair of the committee be *ex officio* members of each subcommittee appointed.
- (11) That the committee appoint the chair of each subcommittee who shall have a casting vote only, and at any time when the chair of a subcommittee is not present at a meeting of the subcommittee the members of the subcommittee present shall elect another member of that subcommittee to act as chair at that meeting.
- (12) That the quorum of a subcommittee be 2 members of that subcommittee, provided that in a deliberative meeting the quorum shall comprise 1 member of either House of the Government parties and 1 member of either House of the non-Government parties.
- (13) That members of the committee who are not members of a subcommittee may participate in the proceedings of that subcommittee but shall not vote, move any motion or be counted for the purpose of a quorum.
- (14) That the committee or any subcommittee have power to send for persons, papers and records.
- (15) That the committee or any subcommittee have power to move from place to place.

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- (16) That a subcommittee have power to adjourn from time to time and to sit during any adjournment of the Senate and the House of Representatives.
 - (17) That the committee have leave to report from time to time.
 - (18) That the committee or any subcommittee have power to consider and make use of the evidence and records of the Joint Committees on Foreign Affairs and Defence and Foreign Affairs, Defence and Trade appointed during previous Parliaments.
 - (19) That the foregoing provisions of this resolution, so far as they are inconsistent with the standing orders, have effect notwithstanding anything contained in the standing orders.¹

¹ *Journals of the Senate*, No. 3, 14 February 2002 and *Votes and Proceedings*, No. 3, 14 February 2002



Appendix B – Witnesses at Public Hearings

Wednesday 8 May 2002, Canberra – Defence Sub-Committee

Department of Defence

Mr David Anderson, Acting Director General, Resources Management,
Defence Personnel Executive

Mr Lloyd Bennett, Acting Chief Finance Officer

COL Mark Bornholt, Director, Defence Force Recruiting

Mr Shane Carmody, Deputy Secretary, Corporate Services

Dr Allan Hawke, Secretary

AirCDRE Roxley McLennan, Director General, Career Management Policy

LTGEN Desmond Mueller, Vice Chief of the Defence Force

Mr Mal Pearce, Director General, Australian Defence Force Remuneration
Team, Defence Personnel Executive

CDRE Louis Rago, Director General, Personnel Plans

Mr Michael Roche, Under Secretary, Defence Materiel Organisation

Mr Peter Sharp, Head, Strategic Workforce Planning Review

Tuesday 21 May 2002, Canberra – Foreign Affairs Sub-Committee

Department of Foreign Affairs and Trade

Mr George Atkin, Assistant Secretary, Middle East and Africa Branch

Mr Graham Fletcher, Assistant Secretary, Pacific Islands Branch

Mr Paul Grigson, Acting First Assistant Secretary, South and South-East Asia Division

Dr Leanne Kerr, Formerly Director, Canada, Latin America and Caribbean Section, Americas Branch, Americas and Europe Division

Mr Murray McLean, First Assistant Secretary, North Asia Division

Mr John Oliver, Assistant Secretary, New Zealand and Papua New Guinea Branch

Mr Bill Paterson, First Assistant Secretary, International Security Division

Dr Geoff Raby, First Assistant Secretary, International Organisations and Legal Division

Mr David Ritchie, First Assistant Secretary, Americas and Europe Division

Mr Phillip Stonehouse, Director, India and South Asia Section

Dr Alan Thomas, Deputy Secretary

Mr Dominic Trindade, Legal Adviser

Ms Elizabeth Wetherell, Director, ASEAN, Burma and Cambodia Section

Mr James Wise, First Assistant Secretary, South Pacific, Africa and Middle East Division

AusAID

Mr Bruce Davis, Director General

Mr Scott Dawson, Deputy Director-General, Asia and Corporate Resources

Ms Annmaree O'Keefe, Deputy Director-General, Contracts and Corporate Policy

Mr Richard Moore, Assistant Director-General, Mekong, South Asia and Africa Branch

Mr Murray Proctor, Assistant Director-General, Office of Review and Evaluation

Mr Peter Versegi, Acting Assistant Director-General, Corporate Policy Branch

Austrade

Mr Anthony Fernando, Manager, Americas' Regional Office

Ms Margaret Lyons, Executive General Manager, Corporate

Ms Jessica Ramsden Smith, Middle East Indian Ocean Regional Office

Ms Julia Selby, Executive General Manager, Australian Operations/South Pacific

Mr Pat Stortz, Manager, South Pacific/South East Asia Regional Offices

Monday 1 July 2002, Canberra – Defence Sub-Committee

Department of Defence

Mr David Anderson, Acting Director-General, Resources Management, Personnel Executive

Mr Andre Bobets, Director, Entitlements

COL Ross Boyd, Director, Personnel Policy, Career Management Policy

Mr Jason Brown, Director-General, Safety Compensation and People Development

CMDR Michael Brown, Fleet Human Resources Manager, Maritime Headquarters

Mr David Cooke, Director, Compensation Policy

COL Anthony Cotton, Director of Psychology and Director of Mental Health

LTCOL Michael Cullen, Commanding Officer Deployed Forces Support Unit

WGCDR David Gaddes, Staff Officer Personnel, Headquarters Air Command, Royal Australian Air Force

BRIG Michael Hannan, Director-General, Military Public Relations, Public Affairs and Corporate Communications

WGCDR Anthony Hindmarsh, Deputy Director, Personnel Planning, Royal Australian Air Force

COL Michael Kehoe, Director of Personnel, Army

LTCOL Martin Levey, Commanding Officer, 1st Psychology Unit, Army

WGCDR David Lindsay, Assistant Director, Education Assistance Schemes

AirCDRE Roxley McLennan, Acting Head, Defence Personnel Executive

Mrs Latha Reardon, Graduate Research Assistant

CMDR Suzanne Smith, Director, Navy Employment Conditions, Navy

COL Malcolm Stedman, Deputy Head, Reserve Policy

MAJ Simon Stuart, Company Commander, 2nd Battalion, Royal Australian Regiment

MAJ Ron Tattersall, Team Leader, Separation Benefits, Directorate of Entitlements

Mr Glen Tye, Director, Defence Safety Management Agency

BRIG Douglas Tyers, Commander, Logistic Support Force, Army

COL Glen Wells, Director, Clinical Policy, Defence Health Service Branch

Injured Service Persons Association

Mr Ray Brown, President, Welfare Officer and Pensions Officer

Department of Veterans' Affairs

Mr Arthur Edgar, Branch Head, Defence Links

Mr Mark Johnson, Branch Head, Disability Compensation Branch

Mr Mark Travers, Director, Policy and Procedures, Military Compensation and Rehabilitation Scheme

Manpower

Mr Malcolm Jackman, Chief Executive Officer

Armed Forces Federation of Australia

MAJ Gary Skewes

Defence Community Organisation

Ms Judy Lachele, Director-General

Ms Jenny Reich, Social Work and Client Services

Repatriation Commission

MAJGEN James Stevens, Repatriation Commissioner

Returned and Services League of Australia

BRIG James Townley (Rtd), Chairman, Conditions of Service Committee