

Introduction

- 1.1 During the period July 2005 to June 2006, Defence maintained a continued focus on military operations, equipment acquisition and improvements in financial and accounting management.
- 1.2 The Australian Defence Force (ADF) was involved in 11 new overseas operational deployments during the year. This involved the deployment of some 5,200 personnel to areas such as Iraq, Afghanistan, Timor Leste, and the Solomon Islands. Despite the high operational tempo, the ADF also demonstrated its high level of professionalism and resourcefulness in providing humanitarian relief to the people of Pakistan who were affected by a devastating earthquake in October 2005. Closer to home, it supported the Queensland Government and the people of North Queensland following Cyclone Harry. In March 2006 in Melbourne, 2,600 ADF personnel provided security support to the Commonwealth Games.
- 1.3 An improvement in Defence's financial management during 2005-06, allowed the Secretary to sign the Department's financial statements, after two years of qualification. Remediation work has seen improvements in four key areas:
 - reporting of military and civilian leave liabilities;
 - the valuation and reporting of explosive ordnance;
 - a more rigorous approach to asset capitalisation; and
 - completion of asset valuation work in information technology and communications.

- 1.4 The Defence Capability Plan was released in June 2006 and provides the blueprint for capability investments over the next ten years. Government acquisition decisions in 2005-2006 included:
- acquiring up to four C-17 Heavy Airlift aircraft and associated support equipment;
 - acquiring an additional 34 MRH-90 helicopters to replace the current Black Hawk and Sea King helicopter fleets;
 - upgrading the Anzac-class frigate anti-ship missile defence system;
 - acquiring the AEGIS weapon systems for the Air Warfare Destroyer;
 - acquiring the Joint Air to Surface Stand-off Missile for the F/A-18; and
 - first pass approval for the Amphibious Ships project, and the provision of funding to conduct further design, technical and through-life support studies.¹
- 1.5 The five topics selected for examination, as part of the review of the Defence Annual Report 2005-06, cover some of these issues. The first topic examines the ADF's contribution to the Proliferation Security Initiative (PSI). In particular, PSI exercises and its interaction with countries in the region that support the initiative.
- 1.6 The second area for examination is the Navy's patrol boat capability. Significant investment has been made in acquiring new platforms, such as the Armidale Class Patrol Boats (ACPBs). In parallel, the Navy is introducing an alternative crewing strategy to enable the Navy to more effectively meet its operational commitments.
- 1.7 Topic three examines the Remuneration Reform Project (RRP). The remuneration of ADF personnel has undergone a number of reviews over the years and the RRP is an evolutionary process which draws together past recommendations, whilst focussing on the recruitment and retention of ADF personnel.
- 1.8 The Army currently has a number of current and future projects designed to support its modernisation program and these are examined in topic four. These projects aim to improve the Army's capability to respond to an increasingly complex and demanding future. Significant funds have been allocated to harden and network

1 Department of Defence, *Annual Report 2005-06*, pp. 7-8.

the Army over the next ten years to increase its flexibility, adaptability and agility. Also, the Enhanced Land Force program is discussed together with the new initiatives to better integrate the Army Reserve.

- 1.9 Topic five examines the future capability of Army Aviation. In what has been a significant operational tempo for army aviation operations, two major platforms will be introduced into service over the next few years: the Tiger Armed Reconnaissance Helicopters and the MRH90 Troop-Lift Helicopters.

Defence objectives, personnel and 2005-06 Budget allocation

- 1.10 The Portfolio Budget Statements (PBS) 2006–07, in conjunction with the Portfolio Additional Estimates Statements 2006–07 (PAES), provide the 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), in Australia’s National Security: A Defence Update 2003 (the Defence Update 2003), and Australia’s National Security: A Defence Update 2005 (Defence Update 2005). The underpinning principles of the White Paper remain valid, nevertheless, the strategic environment of recent times is dynamic and challenging, and Defence’s strategy for Australia has evolved to meet these changing demands. The Defence Updates provide a framework to ensure the ongoing security of Australia and our national interests, as well as enabling the development of an ADF that is capable enough and flexible enough to contribute with increasing effectiveness to global, regional and domestic tasking as necessary.
- 1.11 The ADF is maintaining a force structure that comprises the following combat elements:
- a surface combatant force of five Adelaide-class guided missile frigates (to be reduced to four by the end of January 2008) and seven Anzac-class frigates (increasing to a total of eight by September 2006);
 - a naval aviation force comprising 16 Seahawk naval combatant helicopters, six Sea King maritime support helicopters and 13 Squirrel naval training helicopters. The introduction of the Super Seasprite helicopter to operational service has been delayed by the

need to resolve a system problem identified during the flight test program;

- a mix of Fremantle-class and Armidale-class patrol boats to provide patrol, response and surveillance capability in Australia's maritime approaches. The existing Fremantle-class force has been progressively replaced and all were decommissioned by May 2007 at which time 10 Armidale-class patrol boats were in service;
- six Collins-class submarines;
- an amphibious lift and sea command force comprising two amphibious landing ships, one heavy landing ship and six heavy landing craft;
- a mine warfare force comprising six Huon-class coastal mine hunter vessels, two auxiliary minesweepers and two clearance diving teams;
- a hydrographic force comprising two Leeuwin-class hydrographic ships, four Paluma-class survey motor launches, a laser airborne depth sounder aircraft and a deployable geospatial support team;
- an afloat support force comprising one auxiliary oil tanker (replaced in September 2006 with a more environmentally-compliant double-hulled tanker) and one fleet replenishment ship;
- nine combined arms battlegroups to provide depth, sustainability, utility and flexibility for the Army;
- a Reserve Force designed to provide specified individual and collective capabilities to support, sustain and reinforce the Army's operational forces;
- three regional force surveillance units;
- a Special Operations Command consisting of the Special Air Services regiment, a Regular Army commando regiment, an Army Reserve commando regiment, an Incident Response Regiment, a Special Forces Training Centre and a Special Forces Combat Service Support Company;
- an air combat force consisting of three front-line F/A-18 Hornet squadrons and one operational F-111 squadron (to be retired from service from 2010), supported by a training wing comprising four units, a wide-area surveillance system (Jindalee Operational Radar Network) monitoring Australia's northern approaches, and a range of ground radars and other support elements;

- an air lift and air-to-air refueling force that operates two C-130 Hercules airlift squadrons, one squadron each of DHC-4, B-707, and Special Purpose Aircraft (B-737 BBJ and CL-604 Challenger) supported by a training wing, and the Boeing C-17 Globemaster III heavy airlifter which entered service in late 2006;
- a combat support group consisting of three expeditionary combat support squadrons that provide the essential air base combat support required to conduct deployed air operations on bare bases and in low infrastructure conditions, an airfield defence wing and a health support wing;
- a maritime patrol force comprising two front line AP-3C Orion squadrons and one conversion unit, and the Wedgetail airborne early warning and control aircraft which will enter service in 2009-10; and
- diverse capabilities for intelligence collection and analysis.²

1.12 Defence commented that:

The major combat elements are being integrated through a robust communications network and the information systems required to support the ADF's mission command, intelligence, surveillance, reconnaissance, imagery and military geospatial information sharing requirements.³

1.13 For 2005-06, the most recent Budget estimates for Defence are shown in the PBS.

2 Department of Defence, *Portfolio Budget Statements 2006-2007*, pp. 10-11.

3 Department of Defence, *Portfolio Budget Statements 2006-2007*, pp. 11.

1.14 The Defence budget for 2005-06 is summarised in Table 1.1 below.

Table 1.1 Defence Resourcing Summary 2005-06

	2005-06 Budget Estimate \$000	2005-06 Additional Estimate \$000	Actual Result \$000
Revenue from Government for outputs	17,098,869	17,105,621	17,224,021
Own source revenue ¹	371,341	621,752	635,393
Net Capital receipts	24,863	24,863	61,358
Administered appropriation ²	2,539,350	2,602,100	2,754,208
Total Defence resourcing	20,034,423	20,354,336	20,674,980

Notes:

1. Own-source revenue includes sales of goods and services and other revenue. This excludes revenue from 'assets now recognised' revenue and 'other gains'.

2. The administered appropriation covers costs associated with the military superannuation schemes, and also covers the provision of housing subsidies to current and retired Defence personnel. The administered appropriation is managed by the Department of Finance and Administration (Commonwealth Superannuation) and the Defence Housing Authority (housing subsidies) on Defence's behalf.

Source *Defence Annual Report 2005-2006, p38*

1.15 The average funded strength of the three services for 2005-06 is shown in Table 1.2 below.

Table 1.2 ADF Permanent Force Average Funded Strength

	2004-05 Actual	2005-06 Budget Estimate	2005-06 Revised Estimate	2005-06 Actual
Navy	13,089	13,209	12,800	12,767
Army	25,356	25,484	25,171	25,241
Air Force	13,368	13,498	13,188	13,143
Total Permanent Force	51,813	52,191	51,159	51,151

Source *Defence Annual Report 2005-06, p218*

1.16 ADF Reserve and civilian staffing is shown in Table 1.3.

Table 1.3 2005-06 ADF Reserve and Civilian Staffing

	2004-05 Actual	2005-06 Budget Estimate	2005-06 Revised Estimate	2005-06 Actual
Navy	1,243	1,850	1,850	1,598
Army	15,845	16,000	16,000	15,579
Air Force	2,187	2,300	2,300	2,287
Civilian	13,390	13,370	13,421	13,577

Source *Defence Annual Report 2005-06, p219*

1.17 Table 1.4 shows the total Defence workforce comprising the military and civilian components.

Table 1.4 2004-05 Total Defence Workforce

Workforce	2005-06 Budget Estimate	2005-06 Actual Result
Military	72,341	70,615
Civilian	13,370	13,577
Professional service providers	1,341	1,319
Total Workforce	87,052	85,511

Source *Defence Annual Report 2005-06, p 221*

Annual Report review objectives and scope

1.18 The review examined a combination of information from the Portfolio Budget Statements 2006-07 (including Portfolio Additional Estimates Statements 2006-07) and the Defence Annual Report 2005-06.

Focus areas

1.19 The five focus areas selected for examination at the public hearing on 30 March 2007 provided an opportunity for the Committee to seek further information on how Defence is addressing current opportunities and challenges. The five focus areas were:

- Proliferation Security Initiative (PSI);
- Navy's Patrol Boat Capability;
- Remuneration Reform Project (RRP);
- Army – Current and Future Projects; and
- Army Aviation.

1.20 In addition, the Acting Secretary of Defence and the Chief of the Defence Force attended the hearing. This session provided an opportunity for the Committee to discuss a range of issues across the entire Defence Annual Report.

