



## **Submission No 8**

### **Review of the Defence Annual Report 2006/2007**

**Organisation:** Department of Defence  
Strategy, Coordination and Governance

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**Australian Government**  
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ASMES/OUT/2008/133

18 August 2008

Dr Margot Kerley  
Secretary  
Joint Standing Committee on  
Foreign Affairs Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear ~~Dr Kerley~~ *Margot*

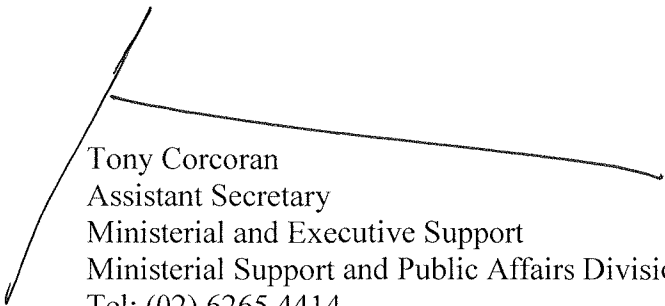
Please find attached responses to questions taken on notice from the Defence Annual Report 2006-07 hearing held in July this year.

The responses have been cleared by the Minister for Defence, the Hon Joel Fitzgibbon MP.

Also attached is a letter to Mr Bevis in response to a number of queries relating to the Joint Strike Fighter Program.

Please do not hesitate to contact me if you would like to discuss further.

Yours sincerely

  
Tony Corcoran  
Assistant Secretary  
Ministerial and Executive Support  
Ministerial Support and Public Affairs Division  
Tel: (02) 6265 4414

**JSCFADT Defence Sub Committee**

Inquiry into Defence Annual Report 2006-07 – 10 July 2008  
List of questions taken on notice from the Department of Defence

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<b>QUESTION</b>	<b>TOPIC</b>	<b>ASKED BY</b>
1	JSF Program Acquisition Cost	Mr Bevis
2	Outcome Performance 'Sale of Goods and Rendering of Services'	Mr Bevis
3	Defence Recruitment Scholarship Scheme	Mr Bevis
4	ADF Separation	Mr Robert
5	Reservists Deployed to Solomon Islands	Senator Forshaw
6	Non-Operational Postings	Mr Bevis

**Q1**

**JSF Program Acquisition Cost**

Mr Bevis, Hansard, 10 July 2008, p30

Could you please provide the committee with an explanation of why the total acquisition cost estimated by the US Department of Defence for the JSF program increased by \$23 billion in one year, as stated by the US Government Audit Office?

**RESPONSE**

The US\$23 billion increase referred to in the 2008 US Government Accountability Office Report is the difference between the estimates for the total US acquisition cost in the December 2006 Selected Acquisition Report (SAR) and the December 2005 SAR. A critical point to note in any examination of these Reports is that they are based on Then Year (TY) or 'out-turn' estimates; that is, they take into account projected inflation across the period being examined. TY costs are therefore considerably higher than costs against a Base Year (BY) estimate which is referenced to a specific year and indicates "real" cost changes.

Normally, a substantial increase in a TY estimate is the result of a substantial increase in the BY estimate. The major TY increase between the December 2006 and December 2005 SAR, however, did not result in a major increase in the BY estimate. This is because much of the cost increase was associated with a significant extension to the period over which the US plans to buy its aircraft. This effect is not associated with an increase to forecasts of future inflation rates; rather, because aircraft are acquired over a longer period, inflation compounds over a longer period. Discounting inflation shows that the "real" cost increase incurred during this period was much more limited at US\$7.7 billion in 2002 BY prices or approximately 3.7 per cent.

This "real" increase was anticipated by Defence and therefore allowed for in the cost estimates presented at New Air Combat Capability (NACC) First Pass consideration in November 2006. As a result, there was almost no adjustment needed to NACC First Pass estimates once the December 2006 SAR was formally released.

**Q2**

**Outcome Performance ‘Sale of Goods and Rendering of Services’**

Mr Bevis, Hansard, 10 July 2008, p58

Could you please explain what is included in the Income Revenue line ‘sale of goods and rendering of services’ in the cost to Government table related to Defence outcomes, with particular reference to the \$42.5 million received under Outcome 1?

**RESPONSE**

In 2006-07, Defence reported total revenue from ‘sale of goods and rendering of services’ of \$674.5 million. This amount included items such as revenue from the group rent scheme, rations and quarters contributions, married quarter contributions, sale and disposal of stores, refunds from Foreign Military Sales cases and service revenue from the Defence Materiel Organisation. It also included direct revenue received from foreign forces participating with the ADF in joint exercises. For example, revenue is received from the sale of fuel to foreign military ships and aircraft participating in exercises such as Talisman Sabre and Pitch Black. In addition, revenue is also received from foreign forces participating in operations such as in East Timor (Operation Astute) and the Solomon Islands (Operation Anode) for garrison support provided under ADF contract arrangements.

Of the total revenue amount, \$42.5 million was attributed in the 2006-07 Annual Report to Outcome 1. This amount was calculated by an attribution method which is an accepted approach to assigning costs to outcomes.

**JSCFADT Defence Sub Committee**  
Inquiry into Defence Annual Report 2006-07 – 10 July 2008  
Responses to questions taken on notice from the Department of Defence

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**Q3**

**Defence Recruitment Scholarship Scheme**

Mr Bevis, Hansard, 10 July 2008, p82

Could you please provide the committee with details of the scholarship scheme that Defence is introducing to encourage high school students to consider entering critical trades after Year 12?

**RESPONSE**

There are currently a number of initiatives being developed by Defence with the aim of encouraging entry into critical trades. These initiatives will be considered in due course.

**Q4**

**ADF Separation**

Mr Robert, Hansard, 10 July 2008, p82

Between June 2001 and June 2003, why did ADF separation drop by four per cent or five per cent and in the next two years, from June 2003 to June 2005, why did it rise by two per cent or three per cent? (see page 137 of the Annual Report)

**RESPONSE**

The higher separation rate (peak seen around June 2001) is due to the impact of the 2000-2001 RAAF redundancy program. The lower separation rates (trough seen between June 2002 and June 2005) are due to two reasons. First, the Army increased recruiting in the two to four years prior and, as these people were bound by their obligations to serve out their initial period of service, this had the effect of lowering separation rates. Second, after the Air Force's redundancy program, there were fewer people able to separate, which also helped to reduce the separation rate.

Long term separation rates typically vary between 11 and 12 percent. Rates outside of these bounds are caused by other influences such as redundancy programs, and changes in previous years' recruiting targets.

**JSCFADT Defence Sub Committee**  
Inquiry into Defence Annual Report 2006-07 – 10 July 2008  
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**Q5**

**Reservists Deployed to Solomon Islands**

Senator Forshaw, Hansard, 10 July 2008, p85

Could you please provide the committee with information on the company of reservists in the Solomon Islands, in particular the details of how the personnel are being rotated?

**RESPONSE**

The Australian contingent for Joint Task Force 635 former comprises a Company-sized element drawn from the 2nd Division. The duration of each rotation is four months. Each rotation conducts rehearsal training prior to departure. The rotation occurs as a complete element over a period of about seven days in order to conduct a handover of responsibilities with the outgoing element. The current rotation is filled predominately by the Sydney-based 5th Brigade. The former contingent was predominately from the 11th Brigade and rotated out of Solomon Islands at the end of July 2008.



**Q6**

**Non-Operational Postings**

Mr Bevis, Hansard, 10 July 2008, pp92-93

Could you please provide to the committee a detailed breakdown of the 843 Defence personnel who are based overseas on non-operational postings? Please provide by function, by location, and by rank and Service.

**RESPONSE**

As at 1 July 2008, there were 842 Defence personnel (162 Navy, 225 Army, 317 Air Force and 138 Defence civilians) posted overseas in non-operational roles.

These personnel are posted to 41 different countries. The United States (398) and the United Kingdom (114) are the two main nations where Australian personnel are serving.

The majority (775) of these people have been overseas for more than 12 months.

Personnel have been grouped into eight functions to provide an indication of their main work function:

- Training and instruction (267)
- Logistics and procurement (167)
- Defence international policy (98)
- Defence liaison (94)
- Defence cooperation (84)
- Butterworth detachment, Malaysia (53)
- Defence Security (44)
- Research and development (35)

The tables below show further detail on the respective statistics.

**Detail by Country:**

Description	Total Personnel	Navy	Army	RAAF	APS
Belgium	2	1		1	
Cambodia	2		1	1	
Canada	31	3	5	21	2
China	3	1	1	1	
Cook Islands	1	1			
East Timor	23	1	20		2
Fiji	4	1	3		
France	13		6	1	6
Germany	4		4		
India	3		2	1	
Indonesia	19	3	8	6	2
Iraq	2			1	1
Italy	3		1	1	1
Japan	4	1	2	1	
Kiribati	3	3			
Korea, Republic of	3		3		
Kuwait	1	1			
Malaysia	67	4	13	49	1
Marshall Islands	3	3			
Micronesia (Federated States)	3	3			
Netherlands	1				1
New Zealand	20	6	9	4	1
Overseas (General)	16			14	2
Pakistan	3	1	2		
Palau	3	3			
Papua New Guinea	27	4	18	3	2
Philippines	3	1	2		
Samoa	2	2			
Saudi Arabia	2	1	1		
Singapore	7	3	2	2	
Solomon Islands	6	5		1	
Spain	23	4		9	10
Thailand	5		3	1	1
Tonga	5	3	2		
Turkey	1		1		
Tuvalu	3	3			
United Arab Emirates	1			1	
United Kingdom	114	33	32	32	17
United States	398	64	79	166	89
Vanuatu	5	3	2		
Vietnam	3		3		
	<b>842</b>	<b>162</b>	<b>225</b>	<b>317</b>	<b>138</b>

### Detail by Rank or Level

Rank/Level	Total Personnel	Navy	Army	RAAF	APS
APS4	1				1
APS5	6				6
APS6	22				22
E03 (PTE(E))	7	4	1	2	
E05 (CPL(E))	28	2	3	23	
E06 (SGT(E))	45	5	13	27	
E08 (WO2(E))	72	29	26	17	
E09 (WO1(E))	30	2	10	18	
EL 1	46				46
EL 2	26				26
O00 (OFFCDT(E))	8		2	6	
O01 (2LT(E))	5			5	
O02 (LT(E))	10	3	1	6	
O03 (CAPT(E))	136	23	35	78	
O04 (MAJ(E))	209	59	70	80	
O05 (LTCOL(E))	100	22	42	36	
O06 (COL(E))	44	11	20	13	
O07 (BRIG(E))	8	1	2	5	
O08 (MAJGEN(E))	2	1		1	
S&T3	1				1
S&T4	5				5
S&T5	8				8
S&T6	15				15
S&T7	5				5
S&T8	1				1
SES1	2				2
	<b>842</b>	<b>162</b>	<b>225</b>	<b>317</b>	<b>138</b>

**Key:**

APS, EL, S&T and SES are civilian positions within the Department. S&T refers to Science and Technology personnel.

### Detail by Posting Duration

Duration	Total Personnel	Navy	Army	RAAF	APS
6 to 12 Months	67	4	33	30	
12 to 24 Months	191	56	76	59	
24 to 36 Months	278	74	77	127	
36 or more Months	306	28	39	101	138
	<b>842</b>	<b>162</b>	<b>225</b>	<b>317</b>	<b>138</b>

**Detail by Job Function**

Position Tasking/Function	Total Personnel	Navy	Army	RAAF	APS
ADO Butterworth	53	1	6	45	1
ADO Training & Instruction	267	48	111	107	1
Defence Cooperation	84	33	49		2
Defence International Policy	98	23	43	26	6
Defence Liaison	94	45	6	37	6
Defence Security	44	1	1		42
Logistics & Procurement	167	11	9	102	45
Research & Development	35				35
	<b>842</b>	<b>162</b>	<b>225</b>	<b>317</b>	<b>138</b>