

Introduction

- 1.1 The 2001-02 Defence Annual Report covers a period of climactic events affecting Australian and world security. The terrorist attacks of 9-11 and the rise of non-state adversaries are causing nations to evaluate and reconsider their national defence strategies and priorities. Australia is not alone in this challenge. The review of the Defence Annual Report provides an opportunity to scrutinise the performance of Defence in delivering key services but also in how it is reacting to new security threats.
- 1.2 Four topics for scrutiny were selected from the Defence Annual Report which help focus attention on how Defence is addressing the new security environment. First, Defence is expanding its counter terrorism capability by establishing a second tactical assault group (TAG). The second issue is Army's capability and readiness. The Army is experiencing a sustained period of high operational tempo with troops deployed on a range of operational tasks within the region and further a field. The result is an increased focus on readiness and preparedness to support force rotations, as well as ensuring the Army is capable of responding to new or unexpected situations as they arise.
- 1.3 In contrast to these specific responses to terrorism, Defence has embarked on a possible multi-billion dollar purchase of a new strike and interceptor aircraft, the F-35 which is the third review topic. Underpinning all of these Defence programs is the Defence Budget and military strategy. Topic four focuses on the total Defence Budget and its adequacy in delivering Defence capability. The final chapter examines a range of issues including the *Defence Update 2003*, Reserve Policy and issues relating to military justice.
- 1.4 This chapter provides an overview of Defence, focusing on the Budget, capability and personnel. The Annual Report review objectives are set out

and the review topics are briefly discussed. The following five chapters each focus on the selected topics.

Defence objectives, personnel and 2003-04 Budget allocation

1.5 The 2003-04 Portfolio Budget Statements (PBS) 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.

1.6 In relation to capability, Defence states:

The training and skill levels of the ADF will be suitable for providing the nucleus for an Australian-led coalition force, or for providing a commitment to coalition forces. The ADF will be able to operate in the maritime, air and land environments both separately and jointly. Finally, Defence will be able to provide a range of peacetime contributions, including in relation to the security of Australia's territorial borders. The ADF will be sufficiently flexible to undertake some simultaneous operations in widely separated areas in defence of Australia.²

1.7 In 2003-04 the ADF is maintaining a force structure that comprises the following combat elements:

- a surface combatant force of six guided missile frigates and five Anzac-class frigates (rising to eight by 2006), together with onboard helicopters;

1 Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 5.

2 Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 5.

- six Collins-class submarines;
 - an amphibious lift and sea command force comprising two amphibious landing ships and one heavy landing ship;
 - a mine hunter force comprising six coastal mine hunters and a hydrographic force comprising two hydrographic ships;
 - an afloat support force comprising one oil tanker and one replenishment ship;
 - six Army battalions at 90 days readiness or less, supported by a range of armour, aviation, engineer, fire support, logistics and transport 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;
 - three Regional Surveillance Units;
 - an Incident Response Regiment and special forces consisting of the Special Air Service Regiment, a high-readiness commando battalion and a reserve commando battalion;
 - an air combat force of three front-line F/A-18 squadrons and one operational F-111 squadron, 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. Airborne early warning and control aircraft will be deployed from 2007 and operational air-to-air refuelling aircraft from about 2007;
 - a maritime patrol force of two front-line P-3C Orion squadrons; and
 - agencies responsible for intelligence collection and analysis.³
- 1.8 Defence states that these 'major combat elements will be integrated and informed through a number of well-developed command, communications and intelligence systems'.⁴
- 1.9 For 2003-04 the most recent Budget estimates for Defence are shown in the PBS. Table 1.1 reproduces the key information.

3 Defence Portfolio, *Portfolio Budget Statement 2003-04*, pp. 6-7.

4 Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 6.

Table 1.1 2003-04 Budget estimate

	2002-03 Projected Result \$000	2003-04 Budget Estimate \$000
Revenue from Government for outputs	18,230,325	14,398,319
Own source revenue	330,316	280,945
Equity injection from Government	995,201	1,020,524
Net Capital receipts	109,482	106,484
Administered appropriation	2,236,481	2,236,481
Total Defence resourcing	21,901,805	18,042,753

Notes

1. 2002-03 revenue from Government for price of outputs includes \$5,056m associated with capital use charge revenue that has been discontinued from 2003-04.
2. Own-source revenue excludes 'asset now recognised' revenue.
3. Total own-source revenue of \$387.4m in 2003-04 includes resources received free of charge (\$2m) while this amount is excluded from total cash receipts in Table 1.10.
4. The real year-on-year per cent growth excludes capital use charge of \$5,056m in 2002-03. Total departmental funding includes the reimbursement of \$248.6m for Operations Bastille and Falconer which were funded from Defence's cash reserves in 2002-03. To show the underlying real growth, the year-on-year per cent growth has been calculated by reducing the 2003-04 figure by \$248.6m and increasing 2002-03 by the same amount.

Source *Defence Portfolio Budget Statement, 2003-04, p. 19.*

1.10 Defence reports that the 'total resourcing available to Defence in 2003-04 is \$18,043m, comprising departmental funding of \$15,806m and a further \$2,236m for the administered appropriation.'⁵ Defence states:

Departmental funding of \$15,806m in 2003-04 represents an increase of \$1,197m compared to the projected 2002-03 result, excluding the capital use charge component in the 2002-03 budget that has been discontinued from 1 July 2003. This comprises an increase in total revenue from Government of \$1,249m and a net reduction in own-source revenue and net capital receipts of \$52m.⁶

1.11 The Defence Budget and performance framework is examined in more detail in Chapter four.

1.12 The average annual strength of the three services for the five years from 1998-99 through to 2003-04 is shown in Table 1.2 below.

⁵ Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 19.

⁶ Defence Portfolio, *Portfolio Budget Statement 2003-04*, p. 19.

Table 1.2 Average Annual Strength of Services (number of persons) – 1998-99 to 2003-04

	1998-99	1999-00	2000-01	2001-02 (actual)	2002-03 Projected Result	2003-04 Budgeted Estimate
Navy	13,661	12,887	12,396	12,598	12,828	13,000
Army	24,169	24,089	24,488	25,012	25,624	25,941
Air Force	15,065	14,051	13,471	13,322	13,652	13,400
Total Permanent Force	52,895	51,027	50,355	50,932	52,104	52,341

Source Department of Defence, Submission, Question W5 to review of Defence Annual Report 2000-01; Defence Annual Report 2001-02, p. 285; Defence Portfolio Budget Statements, 2003-04, p. 179.

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

Table 1.3 2003-04 ADF Reserve and civilian Staffing

Reserve Force	2002-03 Projected Result	2003-04 Budget Estimate
Navy	1,777	2,087
Army	16,500	16,700
Air Force	1,658	1,658
Total Reserve Force	19,935	20,445
Civilian Staffing	18,297	17,377

Source Defence Portfolio Budget Statements, 2003-04, p. 181.

1.14 Table 1.4 shows the total Defence Workforce comprising the military and civilian components.

Table 1.4 2003-04 Total Defence Workforce

Workforce	2002-03 Projected Result	2003-04 Budget Estimate
Military	72,039	72,786
Civilian	18,297	17,377
Total Workforce	90,336	90,163

Source Defence Portfolio Budget Statements, 2003-04, p. 179.

Annual Report review objectives and scope

- 1.15 The review examines a combination of information from the 2003-04 PBS and the 2001-02 Defence Annual Report.

Focus areas

- 1.16 The four focus areas selected for scrutiny at the public hearing provided an opportunity to examine how Defence is responding to the new strategic environment. The changing strategic environment raises questions about the adequacy of Defence funding, overall military strategy, tactical responses to terrorism and high levels of operational readiness. In contrast to these immediate needs is the focus on conventional Defence needs as demonstrated by the possible commitment to purchase the multi-billion dollar F-35 Joint Strike Fighter. The four focus areas are:
- ADF counter terrorism capability;
 - Army capability and readiness;
 - Financial management and performance; and
 - Force capability: Defence participation in F-35 project.
- 1.17 In addition, the final segment of the public hearing provided an opportunity to scrutinise a range of issues across the entire Defence Annual Report focusing on the Defence Update 2003, Reserve policy and military justice.

Powers of the Defence Sub-Committee

- 1.18 Paragraph 1(b) of the resolution of appointment of the Joint Standing Committee on Foreign Affairs, Defence and Trade provides for the Committee to consider and report on the annual reports of government departments in accordance with a schedule tabled by the Speaker in the House of Representatives. The Speaker's schedule lists annual reports from agencies within the Defence and Foreign Affairs portfolios as being available for review by the Committee. The Committee's resolution of appointment is a resolution of both the Senate and the House of Representatives.
- 1.19 Paragraph 14 of the Committee's resolution of appointment provides the power to send for persons, papers and records. These powers are derived

from the powers of the Senate and House of Representatives which ultimately derive their power from section 49 of the Constitution.

- 1.20 One of the key objectives of the Committee, and the reason for its extensive powers and the right to review departmental annual reports, is to scrutinise and hold to account Executive Government. This is a key part of the separation of powers.
- 1.21 The administrative arrangements and discussions with Defence leading up to the Committee's public scrutiny of the review of the 2001-02 Defence Annual Report suggest that there is the need to remind Defence of its responsibilities to account to the Parliament. Leading up to the public hearing, the Committee advised the Minister for Defence of the five key areas that would be the focus of scrutiny. In addition, the Committee indicated that there would be an 'open session' in which a range of issues would be canvassed. Defence did not agree with the 'open session' because this could potentially require the presence of a considerable number of Defence officials.
- 1.22 This attendance of large numbers of Defence officials was not required and the Committee conducted the 'open' session as it wished. The scrutiny proceeded effectively and the Secretary of Defence and the Chief of the Defence Force (CDF) responded adequately to the wide range of questions that were asked. The Defence response to the 'open session' unfortunately fails to acknowledge the role and powers of this and other Parliamentary Committees. Executive Government cannot tell Parliamentary committees how to conduct their work or, more seriously, whether a line of questioning should proceed. As discussed above, the Committee has clear powers, deriving from the Constitution, which enable it to scrutinise and hold to account Executive Government.
- 1.23 Notwithstanding these comments, the level of cooperation with Defence over the scrutiny of the 2001-02 Defence Annual Report was a vast improvement over the previous review. Scrutiny of the nominated areas was effective and Defence cooperation was noted. In future years, the Committee will continue, as a means of promoting the efficiency of the public hearing, to advise Defence of key topics which it wishes to focus on. However, the final session will be an 'open' session in which members will raise any matters that they wish. The Committee is comfortable with the Secretary and the CDF, alone, responding to the Committee's questions and, where necessary, questions on notice can be taken.

Conduct of the review

- 1.24 A public hearing on the review of the 2001-02 Defence Annual Report was held on 27 February 2003. A list of witnesses appearing at the hearing can be found at Appendix A.
- 1.25 The Department of Defence took some questions on notice and at a later date provided a submission containing answers to those questions. The submission is available from the Committee secretariat. The transcript of evidence and submission can be found at the Committee's website at http://www.aph.gov.au/house/committee/jfadt/annreps_0102/defence.htm
- 1.26 The Committee appreciates the technical assistance of Mr Alex Tewes and Mr Peter Rixon of the Foreign Affairs, Defence and Trade Group, Information and Research Services, Parliamentary Library.