

Army capability and readiness

3.1 During 2001-02 the high level of operational tempo for the Army was displayed through its activities in a range of deployments including operations in:

- Afghanistan (Operation Slipper);
- East Timor (Operation Tanager/Citadel),
- Bougainville (Operation Bel Isi II);
- Solomon Islands (Operation Trek);
- Middle East (Operation Paladin and Mazurka);
- Africa (Operations Pomelo, Coracle and Husky)
- Europe (Operation Osier); and
- Australia's monitoring of unauthorised boat arrivals (Operation Relex I, Relex II and Cranberry).

3.2 In the 2001-02 Portfolio Budget Statement (PBS), the Army indicated three key risks which may affect its ability to meet its responsibilities. In the 2001-02 Portfolio Additional Estimates Statements (PAES), the Army identified a further risk to delivering its objectives.¹ The four key risks and Army's response to mitigating these risks are explained in the following dot points:

- **'Logistics:** The Logistics Support Force has been enhanced by the addition of 642 Regular positions. Some of these have contributed to the establishment of new sub-units, and others have been used to increase the readiness of individual units by replacing existing Reserve positions. The career management agencies have filled some of the new

1 Department of Defence, *Annual Report 2001-02, 2002*, p.97.

positions, and the impact of the enhancements can be expected to continue as the staffing process continues. The Army Logistic Training Centre has been enhanced to provide greater capacity for the training of logistics personnel. The Logistic Support Force continues to employ specialist Reserve personnel on a full-time basis in order to enhance particular capabilities. The capacity of the Logistic Support Force has been enhanced by investment in a range of specialist road transport vehicles and material-handling equipment.

- **Personnel:** There are a range of remediation initiatives in place to address continued shortages in a number of key trades. These initiatives have been in place for less than 12 months. There are positive indications that the key trade deficiencies are being addressed although it will take some time before the full effects become evident. The Army will continue to pursue targeted initiatives in addressing critical personnel issues, thus enabling a transparent and measured approach to meeting personnel capability shortfalls.
- **Combat weight and deployability:** The proposed acquisition of a number of vehicles and upgrade programs by the Defence Materiel Organisation will help to address the combat weight and deployability risk.
 - ⇒ The vehicle acquisition program will include the Australian Light Armoured Vehicle (ASLAV). This program has partially achieved all forecasts for 2001-2002. Defence is contracted with General Motors Defence for the acquisition of additional ASLAVs. Vehicle deliveries will commence in mid- 2003.
 - ⇒ Project Bushranger provides infantry mobility vehicles. The outcomes of this project were not achieved. The project was hampered by the ability of the contractor to meet the original production schedule due to prototype vehicle deficiencies. A renegotiated contract was signed in July 2002.
 - ⇒ The major upgrade program for the M113 armoured personnel carriers is progressing to plan. Government approval has been given and a contract has been signed to commence the production stage, with introduction into service of an initial capability of one squadron scheduled for 2006.
 - ⇒ Lightweight, high performance night-fighting equipment, that enables the ADF to acquire and engage targets at night at close range has minor procurement action remaining to complete the equipment suite.

- **Resources.** The redirection of resources for the Army reflected a successful adaptation to the changes associated with the impact of the war against terrorism as well as the need to enhance domestic security.²

3.3 The price to government of delivering output three – Army capabilities is shown in table 3.1.

Table 3.1 Price of Output Three – Army Capabilities

	2002-03 Projected result \$'000	2003-04 Budget estimate \$'000	Variation 2002-03 to 2003-04 \$'000
Operating Expenses			
Employee Expenses	2,670,003	2,891,638	221,636
Supplier Expenses	1,379,219	1,470,911	91,696
Depreciation and amortisation	600,749	608,881	8,131
Write down of assets	150,586	85,890	(64,696)
Other expenses	17,681	17,617	(64)
Total Operating Expenses	4,818,234	5,074,937	256,705
Less Total Own Source Revenues	289,051	229,918	59,133
Price to Government	4,529,184	4,845,019	315,835

Source Portfolio Budget Statements 2003-04 Defence Portfolio, p. 76.

3.4 Defence stated, in relation to the 2001-02 financial year, that 'Army's ability to achieve the full range of directed preparedness requirements was constrained by concurrent activities, continued personnel shortages in some key trades, and shortages in equipment and specific types of ammunition.'³

3.5 The Army's capability performance information is located between pages 98 to 106 of the Annual Report. Of the 31 performance targets, 15 are only partially achieved. The key capability performance information is examined in the following sections.

2 Department of Defence, *Annual Report 2001-02*, 2002, pp. 96-97

3 Department of Defence, *Annual Report 2001-02*, 2002, p. 96.

Operational tempo

- 3.6 The high level of operational tempo currently experienced by the ADF can impact on training, effectiveness and preparedness if it results in certain core tasks being postponed or if Defence capabilities are highly utilised in the short term. The PBS states that ‘utilisation of capabilities in the short term need to be carefully balanced against the requirement to maintain and develop core Defence capabilities over many years or even decades.’⁴
- 3.7 In relation to logistics, the PBS states that ‘logistic support demands from current tempo of operations have reduced inventory levels and it is expected that procurement of new and additional equipment will be necessary to meet the changing operational environment for the ADF.’⁵
- 3.8 In relation to the impact of operational tempo on personnel, the IRS stated:
- For the troops, such a high operational tempo means ongoing hardship, loss of opportunity for relief postings, and fewer opportunities for training and education. For example, the availability of only two SAS squadrons to meet requirements in Afghanistan means either six months duty in every twelve, or in every eighteen months.⁶
- 3.9 In relation to the impact of high operational tempo on Army, the 2001-02 Defence Annual Report stated:
- **Special forces:** ‘A number of training activities and exercises were not conducted *as a result of commitments to operations* or the requirement to develop new capabilities.’
 - **Light Infantry Operations:** ‘Some preparedness tasks were assigned to other sub-outputs *due to the limitations imposed by the commitments to operations in East Timor.*’
 - **Army Aviation Operation:** ‘Due to limitations imposed by the commitment *to operations in East Timor, a high operational tempo* and consequent impact upon this capability, some directed military response options required sustainability issues to be addressed.’⁷
- 3.10 Defence acknowledged that ‘Army’s ability to meet all our preparedness requirements, in particular some issues relating to concurrency—that is,

4 Portfolio Budget Statements 2002-03, Defence Portfolio, May 2002, p. 29.

5 Portfolio Budget Statements 2002-03, Defence Portfolio, May 2002, p. 29.

6 Department of the Parliamentary Library, Information and Research Services, *Implications, Budget 2002-03*, June 2002, p. 36.

7 Department of Defence, *Annual Report 2001-02*, 2002, pp. 99-101.

while some of our capabilities have been committed on operations, our ability to train them for their other tasks has been somewhat curtailed.⁸ In relation to Special Forces, Defence stated:

I am pleased to report to you that, while we are working the soldiers very hard, we have managed to implement satisfactory rest arrangements. For example, the current group that are deployed in the Middle East had a very satisfactory break over the Christmas period. They were back in Australia—from operations in the main; I cannot speak for every one of them, but the group as a whole—for about seven or eight months of last year. Providing we continue to manage it—and we will continue to manage it very closely—we are in a sustainable situation.⁹

- 3.11 The 2003-04 PBS indicates that the Budget provides additional logistics funding of \$1,145.1million over five years. The 2003-04 PBS stated that the ‘changes in the strategic landscape have given rise to a higher operational tempo for the ADF, which has increased the cost of maintaining and operating existing defence assets beyond that envisaged in the Defence White Paper.’¹⁰
- 3.12 High operational tempo impacts mostly on personnel and equipment. Each of these matters is discussed in more detail in the following sections.

Personnel issues

- 3.13 Defence noted, in relation to output three, that ‘there are a range of remediation initiatives in place to address continued shortages in a number of key trades.’ In addition, Defence stated that the ‘Army will continue to pursue targeted initiatives in addressing critical personnel issues, thus enabling a transparent and measured approach to meeting personnel capability shortfalls.’¹¹
- 3.14 Of the 31 performance targets listed for Army capabilities, a number were affected by shortfall in personnel. These shortfalls are summarised in table 3.2.

8 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 2.

9 Major-General Duncan Lewis, Commander Special Forces, *Transcript*, p. 30.

10 Portfolio Budget Statements 2003-04, Defence Portfolio, May 2003, p. 24.

11 Department of Defence, *Annual Report 2001-02*, 2002, p. 98.

Table 3.2 Army capabilities – performance shortfalls where personnel deficiencies were cited

Capability and Performance target	Performance
Mechanised Operations <ul style="list-style-type: none"> Quality: Achieve levels of preparedness directed by CDF 	Partially achieved...Equipment shortfall, personnel deficiencies
Army Aviation Operations <ul style="list-style-type: none"> Quantity: 	Substantially achieved... Shortages in key personnel have reduced the aviation capability's ability to conduct all training and preparedness tasks.
Ground based Air Defence <ul style="list-style-type: none"> Quality: Achieve levels of preparedness directed by CDF 	Partially achieved... Personnel shortages are being rectified through recruiting programs
Combat Support Operations <ul style="list-style-type: none"> Quality: Achieve levels of preparedness directed by CDF 	Substantially achieved...Limitations due to equipment issues and personnel deficiencies in key trades affected some preparedness tasks.
Operational Logistic Support <ul style="list-style-type: none"> Quality: Achieve levels of preparedness directed by CDF 	Substantially achieved...Concurrent operations and personnel deficiencies in a number of key trades affected the achievement of all training requirements.
Motorised Operations <ul style="list-style-type: none"> Quality: Achieve levels of preparedness directed by CDF <p>Quality: Achieve a level of training that maintains core skills and professional standards across all warfare areas.</p>	Partially achieved... Personnel deficiencies are being addressed through ADF recruiting and retention programs Partially achieved...Some training activities were reduced in scope due to deficiencies in equipment, personnel and ammunition.
Protective Operations <ul style="list-style-type: none"> Quality: Achieve a level of training that maintains core skills and professional standards across all warfare areas. Quantity 	Partially achieved. Factors such as personnel numbers within the Army Reserve...affected the achievement of training within this capability Personnel availability for units in the sub-outputs were at a sub-optimal level.

Source Department of Defence, Annual Report 2001-02, p. 105

- 3.15 From a scrutiny and accountability perspective, it is encouraging that Defence has provided some level of information about its personnel shortage. However, the Parliament needs more detail to fully understand the nature of the problem. For example, the solutions that are planned and the length of time required to achieve optimum personnel levels. The critical information that is needed to answer these questions is the personnel shortage profile. That is, are shortages occurring predominantly in base level positions or are shortages occurring across officer ranks and specialist fields. The former can be addressed through recruitment programs while the latter is related to retention.
- 3.16 The time required to recruit and train a competent rifleman is 68 weeks. However, it takes around 5.5 years to recruit and train a Captain. For some specialist areas, the time to achieve full competency may be even longer. Therefore, it is essential to understand the nature of Army personnel shortage. Defence indicated that some of the key shortages were in trades and the officer ranks. Some of the critical trades experiencing shortages were those 'associated with logistic areas, people who work in our warehouses, people involved with some of the medical trades—in particular, medical assistants—some linguist areas and a whole range of areas in relation to communications, telecommunications and computers.'¹² In relation to shortages in the officer ranks, Defence stated:
- These tend to be specialists. I mention dentists, nurses, doctors, chaplains and pilots. Again, some of those also have community shortages. We are working as best we can with professional groups, particularly on the medical side of things. I did mention in my introductory remarks that the Chief of Air Force, as the manager of ADF aviation, has recently taken on some responsibilities and taken some very positive steps to improve the success rate of pilot trainees and also the flow of pilots—to rectify some of the issues we have there.¹³
- 3.17 Defence also indicated that there has been, during recent years, shortages of officers on graduation out of the Royal Military College (RMC). This shortage has been in the order of 25 per cent for three to four years. In 2003, however, the starting class in January was overfull and the starting class at the Australian Defence Force Academy for Army is almost full.¹⁴

12 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 22.

13 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 23.

14 Lt General Peter Leahy, Chief of Army, *Transcript*, pp.23-24.

Defence concluded that 'we do have a bubble, in that for the last three years we have been short about 25 per cent of officers.'¹⁵

- 3.18 In addressing some of these problems, Defence drew attention to the Officer Tertiary Recruitment Scheme (OTRS). Under this scheme, undergraduates would be offered the opportunity to join the Army Reserve and be trained in university regiments. At the end of a person's degree, they will be invited to join the RMC and waive the normal first six months of the 18 month course because of their Reserve service. At successful completion of their training at RMC a person will be commissioned as a Lieutenant.¹⁶
- 3.19 The Army is looking to recruit about 20 candidates to the OTRS to start in January 2004. On 29 August 2003 when the OTRS was officially launched there were two candidates in the scheme. Tertiary students will continue their studies at a tertiary institution of their choice whilst receiving a regular wage, medical and dental cover. In addition, the Army will pay the Higher Education Contribution Scheme obligations for candidates who successfully complete their tertiary and military studies.¹⁷
- 3.20 During the hearing, Defence was questioned on whether a perceived slowness of promotion was leading to personnel prematurely leaving. Defence commented that within the officer ranks, 'promotion rates are good' and in the higher ranks, 'we are quite rapidly promoting people through.' In summing up the key personnel issues, Defence stated:
- With regard to personnel, we have had some personnel problems and we have put in place remediation initiatives over the last 12 months. We have seen improved recruiting and that has been as a result of very focused recruiting in some of the critical trades listed in the papers in front of you. We are also seeing significantly improved retention. I am relatively happy with the state of Army personnel at the moment. There are shortages in specialist trades and we are intensively managing them.¹⁸
- 3.21 During 2000 the Australian National Audit Office (ANAO) conducted a performance audit on retention of military personnel.¹⁹ The audit report found that 'Defence was making considerable efforts to ensure that the

15 Lt General Peter Leahy, Chief of Army, *Transcript*, pp.23-24.

16 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 24.

17 The Hon Dana Vale, MP, Minister Assisting the Minister for Defence, *Media Release*, 29 August 2003.

18 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 3.

19 Australian National Audit Office, Audit Report No. 35, 1999-2000, *Retention of Military Personnel*.

conditions of service for members did not become a factor in members' decisions to separate from the military.²⁰ In 2003 the ANAO tabled a follow-up report on the retention of Military Personnel. The ANAO noted that the separation rate for the ADF in 2001-02 was 11.43 per cent which was 'the lowest rate for nearly five years.'²¹ The separation rate for the individual services in 2001-02 was:

- Navy 12.15%
- Army 11.63%
- Air Force 10.37%²²

3.22 In relation to some of the key retention problems, the ANAO stated:

Defence has previously acknowledged that identified retention problems relate to specific combinations of trade, rank, location and Service. For example, all three Services experience problems retaining doctors and pilots. There are separation difficulties for Air Force regarding air traffic controllers; for Navy regarding electronics technicians; and for Army in relation to members at the rank of Captain and Major.²³

3.23 The ANAO concluded that Defence has made significant progress in implementing recommendations arising from the 2000 performance audit. The ANAO commented that 'Commendable work has begun in evaluating the cost-effectiveness of quality of life measures designed to retain personnel; promoting the resolution of issues affecting the education of ADF members' children; and addressing physical training injury issues.'²⁴

3.24 Defence has sought to clearly understand its personnel trends now and into the future through the *Defence Personnel Environment Scan 2020* (2020). The aim of 2020 is to 'present a Defence Personnel Environment Scan covering external and internal personnel trends in the near future and to the year 2020, to provide direction for future human resource policies and to serve as a primary resource document.'²⁵

20 cited in Australian National Audit Office, Audit Report No. 31, 2002-2003, *Retention of Military Personnel-Follow-up Audit*, p. 11.

21 Audit Report No. 31, 2002-2003, *Retention of Military Personnel-Follow-up Audit*, p. 11.

22 Audit Report No. 31, 2002-2003, *Retention of Military Personnel-Follow-up Audit*, p. 11.

23 Audit Report No. 31, 2002-2003, *Retention of Military Personnel-Follow-up Audit*, p. 11.

24 Audit Report No. 31, 2002-2003, *Retention of Military Personnel-Follow-up Audit*, p. 12.

25 Department of Defence, *Defence Personnel Environment Scan 2020*, August 2001, p. 1.

Conclusions

- 3.25 The management of human resources and the ability to recruit, train and retain personnel is a key resourcing issue and underpins Army capability. In chapter two, for example, the raising of a second TAG and Incident Response Unit requires over 400 additional personnel. The prospect that these places are being met from within Army raises further questions about Defence's capacity to deal with personnel shortfalls in Army.
- 3.26 Defence, however, has given reassurances that it better understands the nature of its human resource challenges and is responding with effective solutions. The ANAO confirmed that Defence is making progress in addressing and improving retention. Notwithstanding this, the Parliament needs more detail to fully understand the nature of Army's personnel shortages. As suggested in the previous discussion the Parliament needs to be reassured through having more detail about the solutions that are planned and the length of time required to achieve optimum personnel levels.
- 3.27 As previously stated, the critical information that is needed to answer these questions is the personnel shortage profile. That is, are shortages occurring predominantly in base level positions or are shortages occurring across officer ranks and specialist fields. The former can be addressed through recruitment programs while the latter is related more to retention. This type of information will give effect to Defence's statement that 'the Army will continue to pursue targeted initiatives in addressing critical personnel issues, thus enabling a transparent and measured approach to meeting personnel capability shortfall.'
- 3.28 The management of Defence personnel is a critical element which underpins overall Defence objectives. The Committee has previously raised human resource management as priority issues. As part of the review of the 2000-01 Defence Annual Report, the Committee made a series of findings and recommendations relating to transition management in the ADF. One of the key findings was that well designed transition management program can help in the retention of ADF personnel.
- 3.29 The Committee recommends that the Department of Defence provide details in its Annual Report of the Army's personnel deficiencies including the personnel shortage profile, the measures being undertaken to address these problems including policies arising from the *Defence Personnel Environment Scan 2020*, and the time required to achieve optimum personnel levels.

3.30 At the same time, the Committee will continue to monitor human resource management in the ADF. It should be noted that the Committee did not have the time during the hearing to examine certain issues to the level required. For example, the Annual Report, on page 97, stated that there were enhancements to the Logistics Support Force of 642 regular positions. The comment was made that these positions have 'helped to increase the readiness of individual units by replacing existing Reserve positions.' In future reviews, the Committee will examine the extent to which Reserves are supplementing regular positions.

Recommendation 2

3.31 **The Committee recommends that the Department of Defence provide details in its Annual Report of the Army's personnel deficiencies, including the personnel shortage profile, the measures being undertaken to address these problems including policies arising from the *Defence Personnel Environment Scan 2020* and the time required to achieve optimum personnel levels.**

Equipment and Ammunition shortages

3.32 As part of the review of the Defence 2000-2001 Annual Report, the issue of ammunition shortfalls was examined. Ammunition shortfalls were cited in the Defence 2001-2002 Annual Report as an issue that was affecting the Army's ability to achieve the full range of directed preparedness requirements. Some of the capabilities that were affected by ammunition and equipment shortfalls include:

- **Mechanised operations:** '*Equipment shortfalls*, personnel deficiencies in key trades and sustainability issues, particularly in relation to *ammunition*, affected the achievement of preparedness levels for some directed military response options'.²⁶
- **Ground-Based Air Defence:** '*Equipment*, personnel and *ammunition* deficiencies and deployment on operations affected levels of preparedness for all military response options. Ammunition

26 Department of Defence, *Annual Report 2001-02*, 2002, p. 100.

requirements are being identified in the Army Ammunition Study and the ADF Explosive Ordnance Reserve Stockholding Study.²⁷

- **Motorised operations:** ‘Some training activities were reduced in scope due to deficiencies in *equipment*, personnel and *ammunition*.’²⁸

3.33 Defence acknowledged that there had been difficulties managing ammunition but practices are being improved. Defence indicated that it is improving its methodology in managing ammunition through having ‘an agreed set of endorsed training ammunition requirements which are clearly and directly linked to the achievement and maintenance of those directed levels of capability.’²⁹ Prior to this approach there was ‘no clear methodology to determine our requirement for ammunition.’³⁰

3.34 Defence indicated that ammunition requirements are being ‘identified in the *Army Ammunition Study and the ADF Explosive Ordnance Reserve Stockholding Study*. Defence stated:

There are two issues there: both the Army ammunition study and the ADF explosive ordnance reserve stockholding study. We have come a long way in our work on both those issues. Whilst I still have some reservations about ammunition, the picture is looking much better.³¹

3.35 In relation to equipment shortfalls, Defence noted that these were in the ‘primary areas of B vehicles—that is, our trucks—some communications equipment, some night-fighting equipment and some C vehicles, as we call the engineer vehicles.’³² Defence indicated, however, that in all cases, except B Vehicles and maybe some areas of communications, it has ‘steps in place.’³³

3.36 Some of the reasons attributed for the equipment shortfall relate to the high operational tempo of recent years, the ageing nature of the Army’s fleets, and ‘structural changes to Army as a result of the White Paper.’³⁴ In addressing equipment shortfalls, Defence stated:

What are we doing about the problem? Having identified that we have shortages in some areas and that some of our fleets are old,

27 Department of Defence, *Annual Report 2001-02*, 2002, p. 102.

28 Department of Defence, *Annual Report 2001-02*, 2002, p. 104.

29 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 26.

30 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 26.

31 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 2.

32 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 27.

33 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 27.

34 Brigadier Paul Retter, Director-General, Preparedness and Plans, Army, *Transcript*, p. 27

the approach we have taken is to address the problem through major capability improvements out of the Defence Capability Plan. In Army we have an annual Army capital program and we target that to address what we would call specific shortages, which we rate from one to whatever the number is, based upon preparedness requirements. There is also the ongoing review of equipment holdings where our aim is to cross-level.³⁵

- 3.37 During the hearing, Defence was asked to what extent Defence Projects outlined in the Defence Capability Plan were going to be postponed so as to provide additional funding for operations. Defence acknowledged that cuts were being considered and stated:

In terms of your question about what projects will be cut or moved about, it is clear that those decisions are still to be made, and certainly, in terms of my view of what the minister said yesterday and my attendance at senior Defence committees, we have not taken those decisions. We have talked about the need to see what we might need to do. All of us would agree that these are going to be terribly hard decisions because what we have in the ADF is a relatively well-balanced force that enables us to provide government with a good range of options for the types of challenges that face us in the future.³⁶

Conclusions

- 3.38 It is encouraging that Defence has acknowledged that its management of ammunition required improvement. Two studies have been conducted and an agreed set of endorsed training ammunition requirements have been introduced. It is essential that Defence achieve the outcomes that it has set and achieve an effective ammunition program which is clearly linked to the achievement and maintenance of those directed levels of capability. Again, this is a matter that the Committee will continue to monitor.
- 3.39 In relation to equipment shortfalls, Defence claims that it is managing these challenges and has 'steps in place.' Of even more concern is the possibility that Army programs outlined in the Defence Capability Plan may be postponed or even cut. What this means for Army and the possible outcomes that may arise have not been clearly articulated. The Committee proposes that when Defence has made decisions in this area

35 Brigadier Paul Retter, Director-General, Preparedness and Plans, Army, *Transcript*, p. 27.

36 Lt General Peter Leahy, Chief of Army, *Transcript*, p. 28.

that they be clearly expressed and the potential impact on capability should be explained.

- 3.40 A revised Defence Capability Plan will be issued during 2003. The Committee recommends that when the 2003-2013 Defence Capability Plan is released, the Department of Defence should release a statement indicating, and giving reasons for, the key changes to Defence capability that have been made.

Recommendation 3

- 3.41 **The Committee recommends that when the 2003-2013 Defence Capability Plan is released, the Department of Defence should release a statement indicating, and giving reasons for, the key changes to Defence capability that have been made.**