



**Australian Government**

**Department of Defence**

# **INCOMING GOVERNMENT BRIEF**



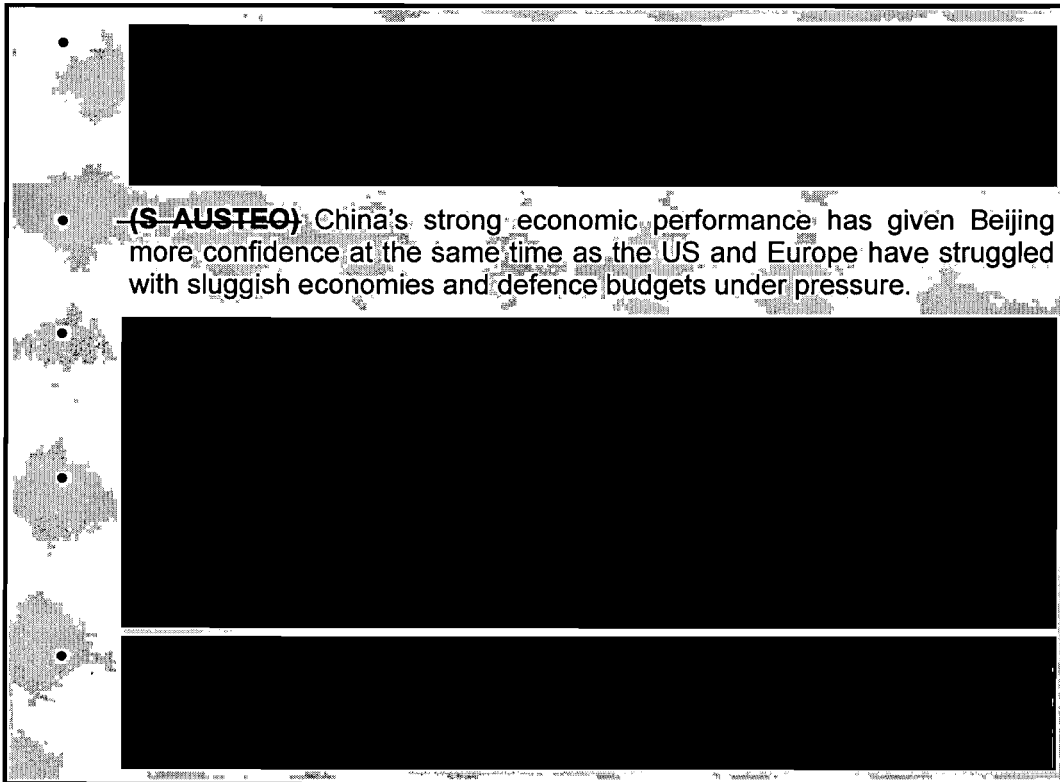
## CONTENTS

- Chapter 1      The Strategic Basis of Defence Planning**
- Chapter 2      Afghanistan/Pakistan: Operational and Policy Issues**
- Chapter 3      Update on Other Significant Defence Operations**
- Chapter 4      Progress with the Strategic Reform Program**
- Chapter 5      Implementation of Force 2030**
- Chapter 6      Defence Funding over the Long Term**
- Chapter 7      People in Defence**
- Chapter 8      International Defence Relationships**
- Chapter 9      Intelligence: A National Warfighting Capability**
- Chapter 10     Acquisition and Sustainment**
- Chapter 11     Defence Accountability Framework**
- Chapter 12     Australian Labor Party Election Policy Proposals**
- Chapter 13     Matters Requiring Early Ministerial Attention**  
Key decisions in the next three to six months including events and visits of significance
- Chapter 14     Defence Intelligence Organisation (DIO) – Intelligence Brief**  
DIO's Assessment of Australia's Strategic Environment – the next three years
- Chapter 15     Establishing Effective Cabinet Arrangements**
- Chapter 16     Industry Relationships**



CHAPTER 1

THE STRATEGIC BASIS OF DEFENCE PLANNING



S33(1)(a)(iii)

• ~~(S AUSTEO)~~ China's strong economic performance has given Beijing more confidence at the same time as the US and Europe have struggled with sluggish economies and defence budgets under pressure.

S33(1)(a)(iii)

S36(1)

1.1 ~~(S AUSTEO)~~ The 2009 Defence White Paper assessed that US global primacy would continue until 2030, although power relativities between the US, China, Japan and India would slowly change. It assessed that China would become the strongest Asian military power 'by a considerable margin', and that US primacy would be 'increasingly tested'.

S33(1)(a)(iii)

1.2 ~~(S AUSTEO)~~ US strategic primacy in the Asia-Pacific, built on its capacity to deploy formidable military capability anywhere in the region, has been a key factor in ensuring regional stability in the Asia-Pacific region.

S33(1)(a)(iii)

1.3 ~~(C AUSTEO)~~ Since the 2009 Defence White Paper was drafted, the differing impact on the major powers of the worst global downturn since the Great Depression has become clearer. The US, Japan, the United Kingdom and the European countries are facing unprecedented levels of sovereign debt and high budget deficits for years to come, which will continue to slow the pace of economic recovery. Tight budgetary circumstances are putting an inevitable squeeze on defence budgets. The US has announced a series of cuts that will reduce key Defense acquisition programs including the F-22 fighter, C-17 transport aircraft and the DDG-1000 destroyer. Internal efficiency measures aim to find \$100 billion in US defence savings over five years. The UK is expected to announce savings measures

that may cut its defence budget by 10 to 15 per cent with other NATO countries likely to follow suit.

S33(1)(a)(iii)

They will also place downward pressure on defence spending for the next three to five years, limiting force modernisation and even maintenance of current capabilities.

**1.4** ~~(S AUSTEO)~~ China by contrast has emerged well from the Global Financial Crisis. The International Monetary Fund judges that China is leading the global recovery and has made important changes to rebalance its economy such that internal demand is now a much stronger element in China's overall growth. Buoyed by this strong economic performance, China is exerting more influence in new forums such as the G20 and developing strong relations with countries throughout Africa and the Middle East driven by its interest in securing access to natural resources. The US Department of Defense assesses in its 2010 public report to Congress that Chinese defence spending has been unaffected by the international financial downturn. Based on China's own figures the defence budget has grown annually by an average of 11.8 per cent between 2000 and 2009. The US assesses that growth has come off a much higher base, with real Chinese defence spending over US\$150 billion in 2009, which is more than double the official Chinese figure.

**1.5** ~~(S AUSTEO)~~ China's sustained investment in developing defence capabilities is shifting the balance of military power in Asia.

[Redacted]

S33(1)(a)(i)

The United States is on the public record as judging that 'the balance of cross-[Taiwan] strait military forces continues to shift in the mainland's favour' based on significant enhancements in Chinese missile technology and airpower.

[Redacted]

S33(1)(a)(i) &  
S33(1)(b)

[Redacted]

S33(1)(a)(i)

**1.8** ~~(S-AUSTEO)~~ North East Asian tensions have risen since the 2009 Defence White Paper was drafted. [Redacted]

S33(1)(a)(iii)

[Redacted] In disputed territories such as the South China Sea and waters close to Japan, it is patrolling with increased frequency and in greater strength. Public US assessments report that a new PLA Navy base on Hainan Island is essentially complete, including with underground facilities to house submarines. The base will enhance Chinese capability to deploy forces into the South China Sea. Further afield, naval support to anti-piracy missions around the Gulf of Aden is improving the PLA Navy's experience and techniques in sustaining long range deployments. [Redacted]

S33(1)(a)(iii)

S33(1)(a)(iii)

**1.10** ~~(S-AUSTEO)~~ The US recognises these risks and is moving quickly to address them. The US Quadrennial Defense Review 2010 has established 'defeating anti-access capabilities' as a core mission and is developing a new joint air-sea battle concept. Under the new concept, the US will pursue new technologies and capabilities enabling it to fight at long distance in a contested space and cyber environment. [Redacted]

S33(1)(a)(iii)

S33(1)(a)(iii)

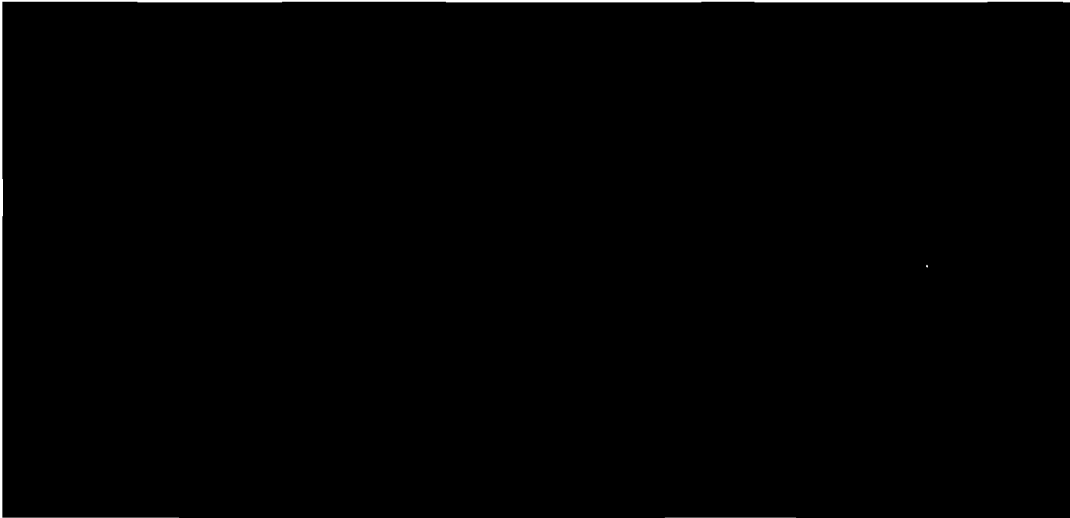
[Redacted]

S33(1)(a)(i) &  
S33(1)(b)

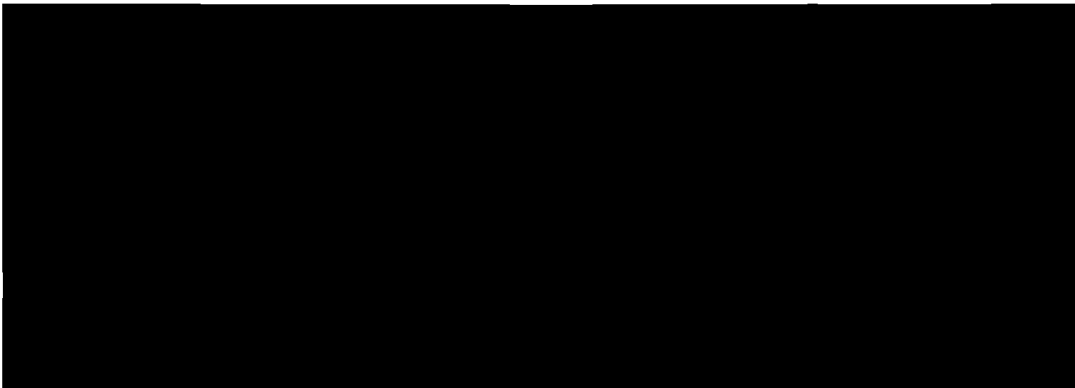
[Redacted]

S33(1)(a)(iii)

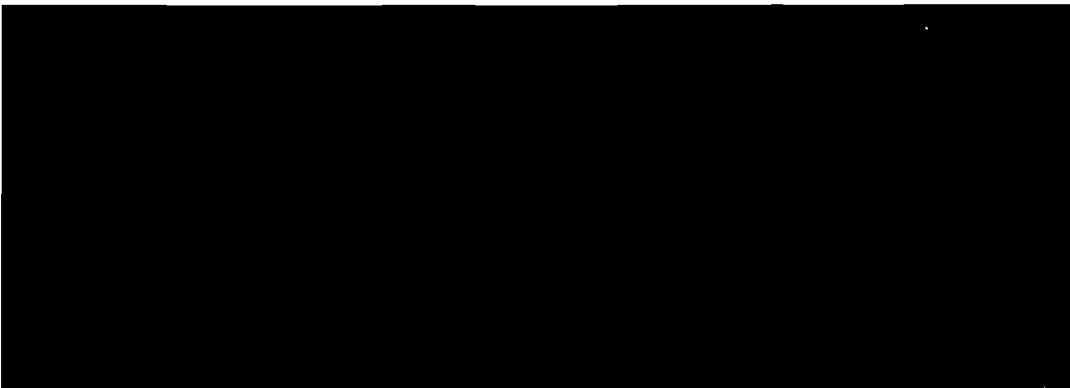
DECLASSIFIED  
**SECRET AUSTEO**



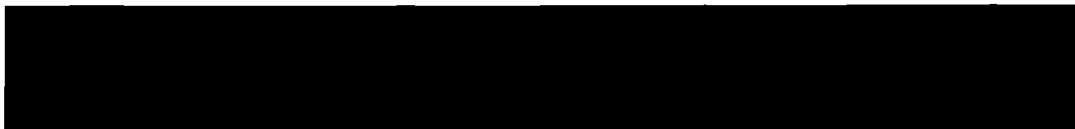
S33(1)(a)(i) &  
S33(1)(a)(ii) &  
S33(1)(a)(iii)



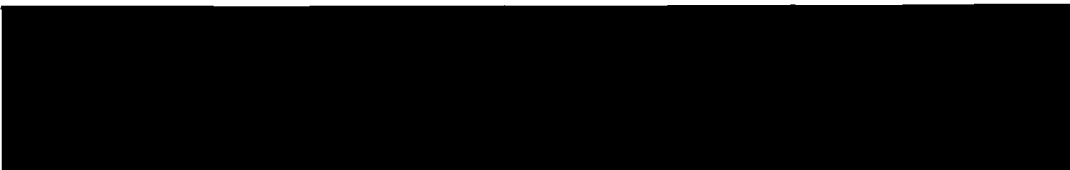
S36(1)



S33(1)(a)(ii) &  
S33(1)(a)(iii) &  
S36(1)



S36(1)

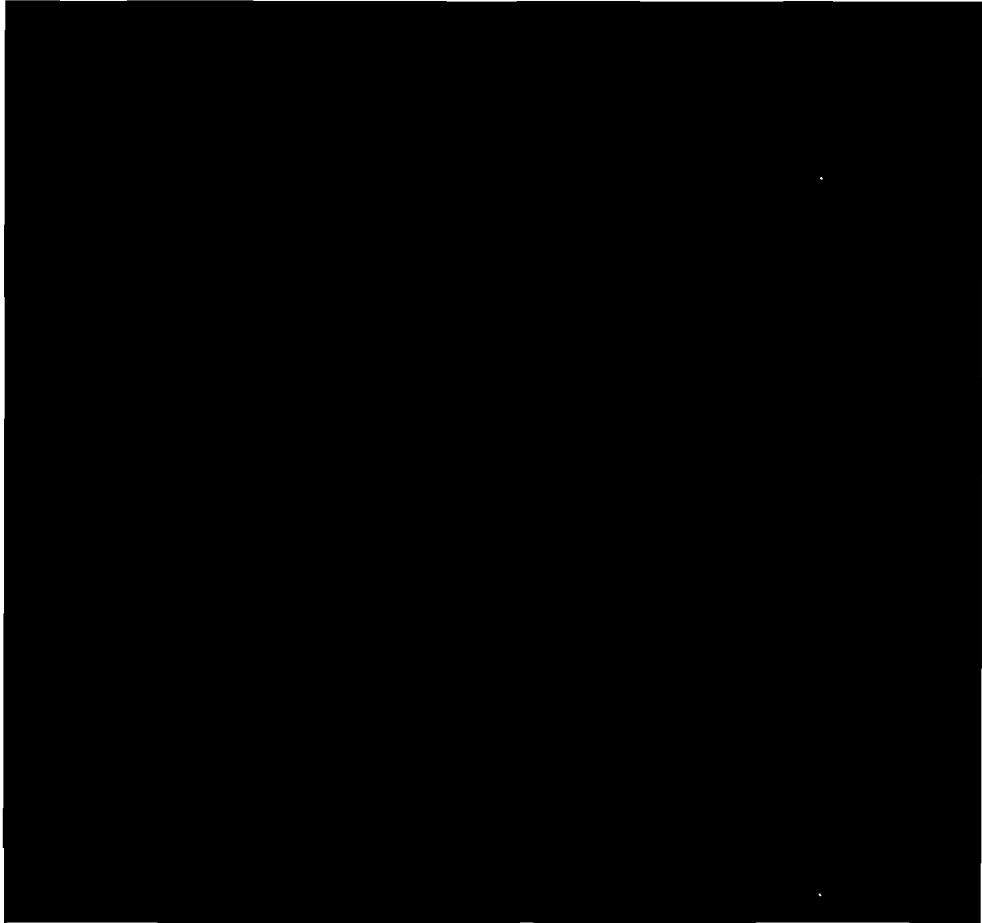


S33(1)(a)(ii)

DECLASSIFIED  
**SECRET AUSTEO**



These include:



S33(1)(a)(i) &  
S33(1)(a)(ii) &  
S33(1)(a)(iii)

**1.19** ~~(S-AUSTEO)~~ These issues are dealt with in more detail in Chapter 8 – *International Defence Relationships*. In addition, [REDACTED] a range of evolving concerns associated with non-traditional threats to security, including the impact of climate change and the potential for disputes to escalate over access to natural resources.

S36(1)

DECLASSIFIED  
**SECRET AUSTEO**

**PAGE INTENTIONALLY BLANK**

DECLASSIFIED  
**SECRET AUSTEO**

DECLASSIFIED  
**SECRET AUSTEO**  
LIMITED DISTRIBUTION

CHAPTER 2

AFGHANISTAN/PAKISTAN: OPERATIONAL AND POLICY ISSUES

[REDACTED]

[REDACTED]

- ~~(S - AUSTEO)~~ The US has announced that July 2011 is the start of a conditions-based withdrawal of its forces, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Our flood relief operation, Operation Pakistan Assist II further demonstrates our commitment.

S33(1)(a)(ii) &  
S33(1)(a)(iii)

S33(1)(a)(iii)

S33(1)(a)(iii)

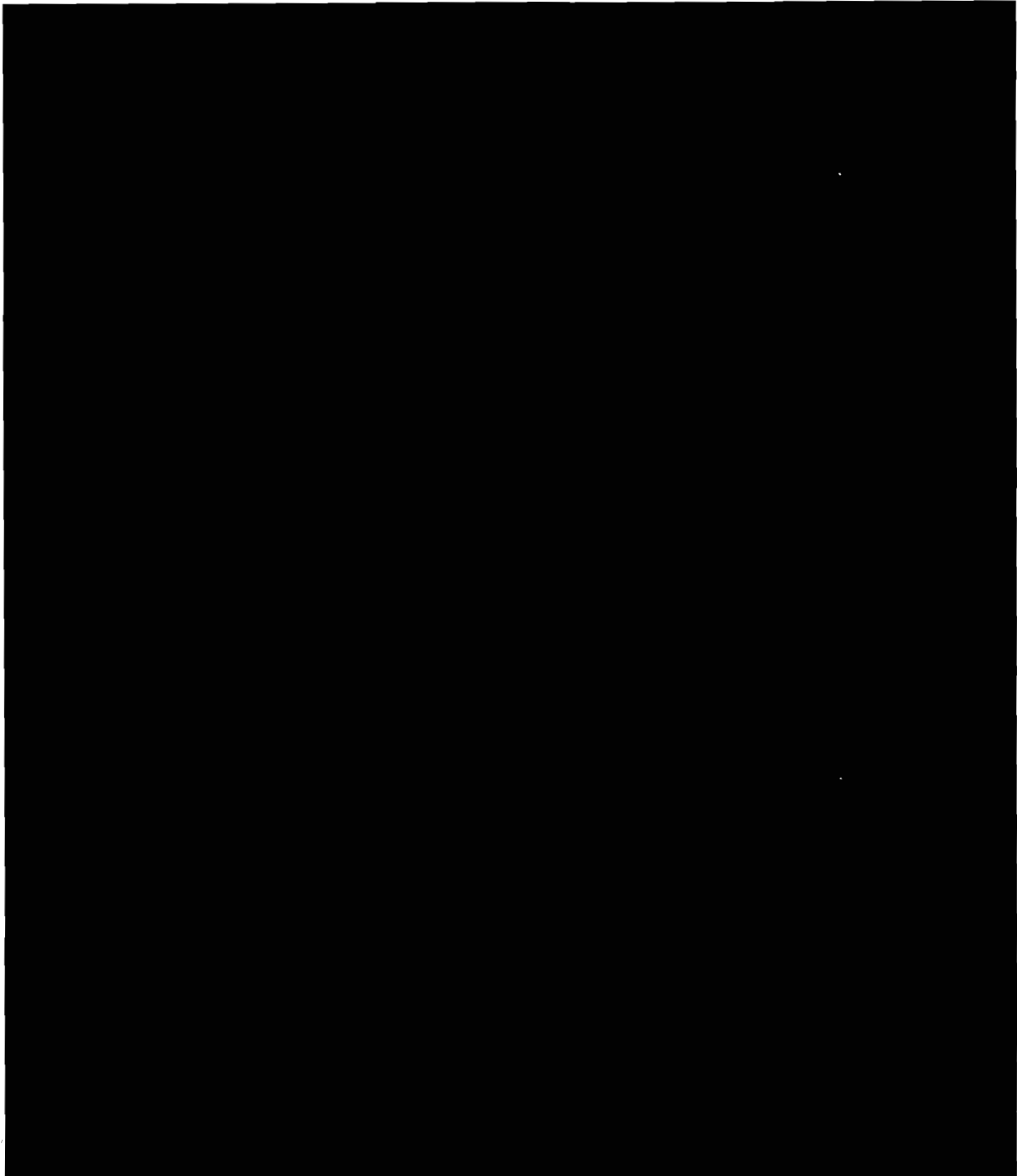
S33(1)(a)(iii)

S33(1)(a)(iii)

S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
LIMITED DISTRIBUTION

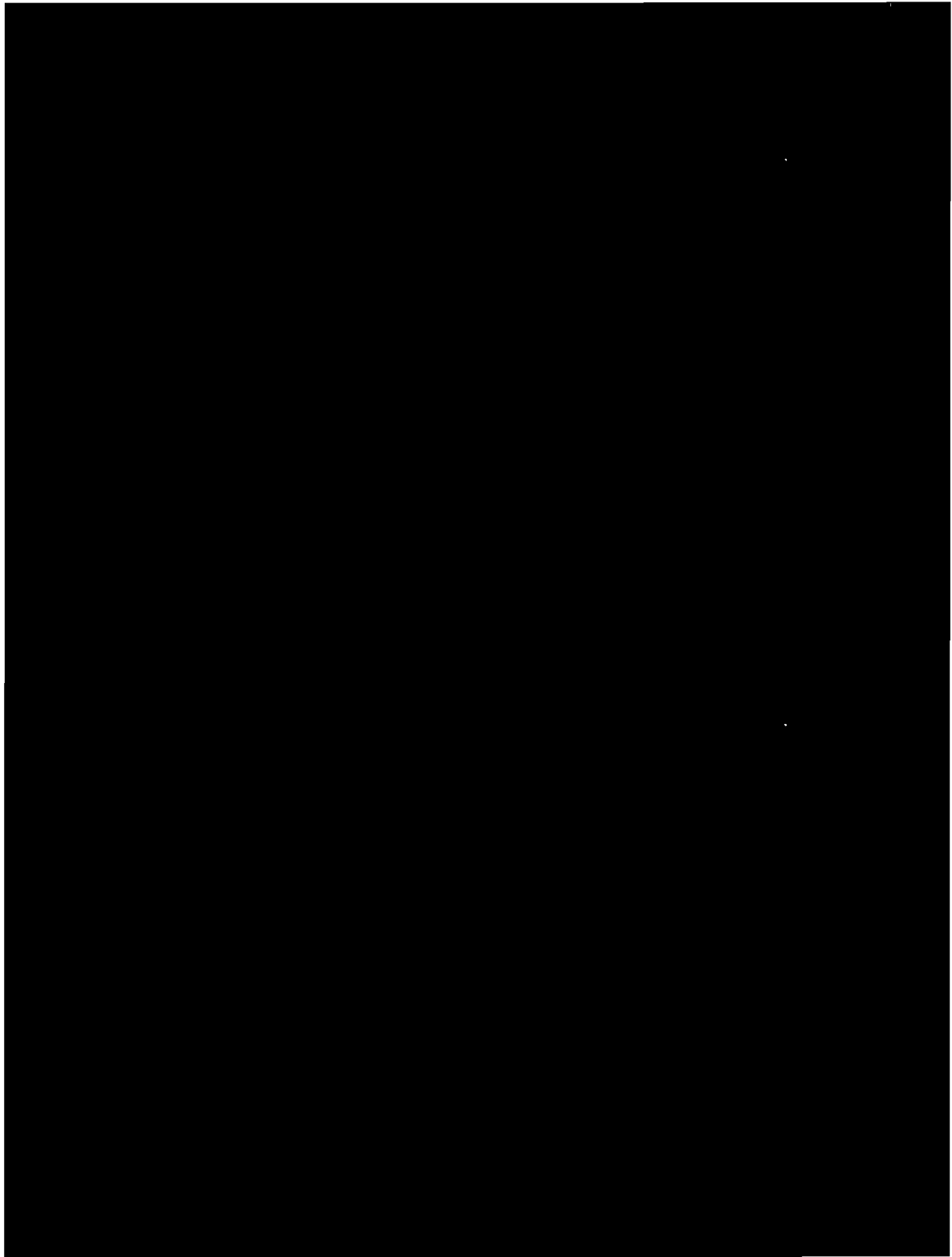
DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**



S7

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**

DECLASSIFIED  
**SECRET AUSTEO**  
LIMITED DISTRIBUTION



S7

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**

**The Strategic Setting**

[REDACTED]

S33(1)(a)(iii)

**2.2** ~~(S)~~ Last November, President Obama agreed to a new approach to the war, matching a 30,000 troop surge with a COIN strategy aimed at winning Afghan popular support by regaining the military initiative, building Afghan security forces and delivering basic services. In the US, [REDACTED] President Obama promised to begin drawing down troops from mid-2011.

S33(1)(a)(iii)

[REDACTED]

S33(1)(a)(iii)

**2.4** ~~(S - AUSTEO)~~ At the Kabul Conference in July, [REDACTED]

S33(1)(a)(iii)

While the development of the Afghan National Army (ANA) is on track, [REDACTED] the overall picture will remain mixed, with the insurgency remaining resilient. With the large increase in ISAF force levels, violence will increase as ISAF contests Taliban areas in the South. [REDACTED]

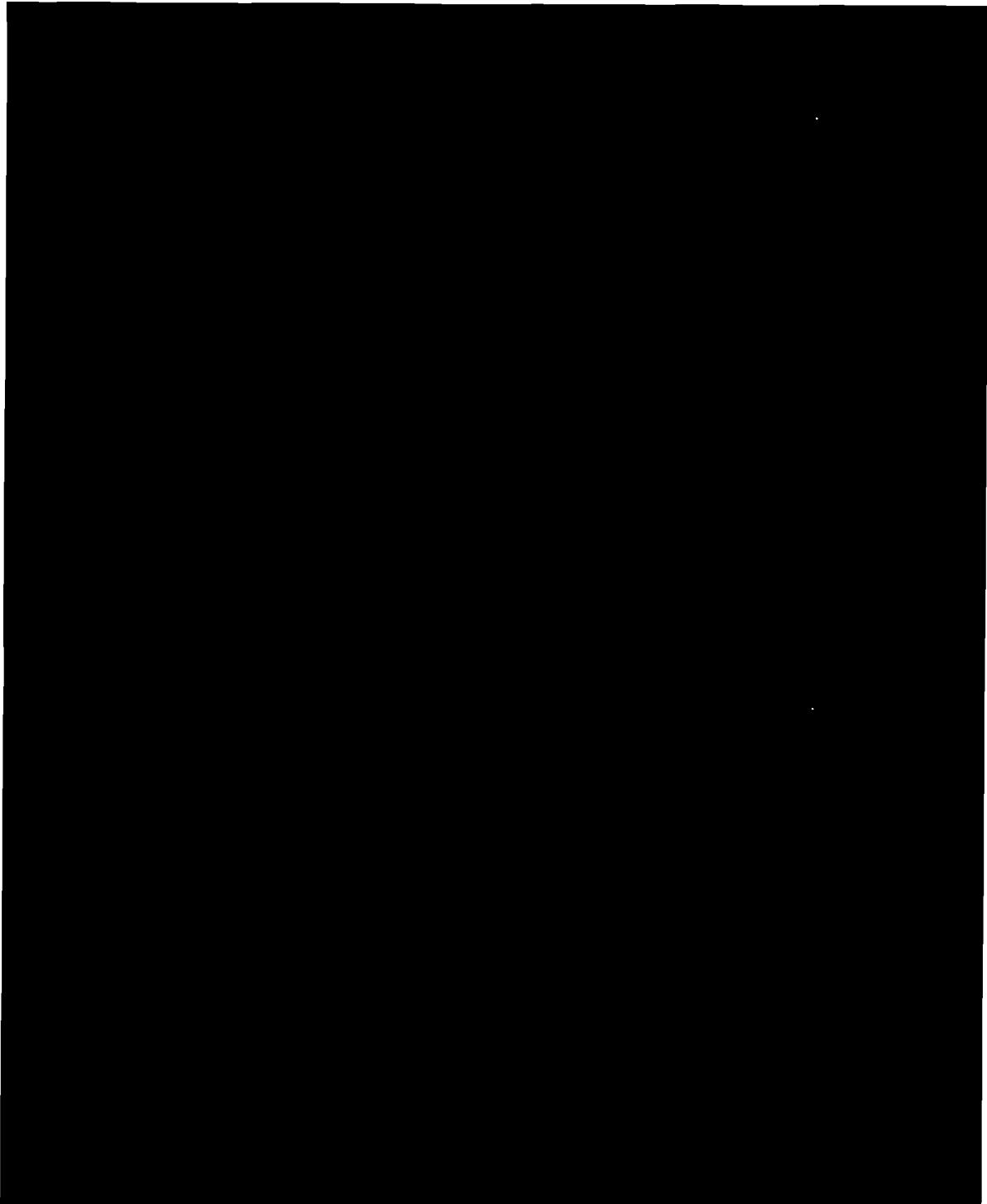
S33(1)(a)(iii)

S33(1)(a)(iii)

[REDACTED]

S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**



S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**

### Australia's interests

**2.10** ~~(G)~~ [REDACTED] S33(1)(a)(iii)  
 [REDACTED] the national interests underlying our Afghan commitment remain compelling.

- ~~(G)~~ We do not want to see the return to Afghanistan of terrorists with the freedom to organise, plan and train for attacks on us and our friends and allies. Terrorists responsible for the deaths of over 100 Australians over the last decade have had direct links to Afghanistan.

- [REDACTED] S33(1)(a)(iii)

### Australia's current posture

**2.11** ~~(R)~~ Australia's military contribution to the ISAF mission in Afghanistan comprises an annual average of 1,550 ADF personnel deployed within Afghanistan. [REDACTED] S33(1)(a)(ii)

[REDACTED] Australian forces in Afghanistan are assigned to the operational control of Commander ISAF. We have agreed a statement of principles and protocols with the other agency heads which set out the key requirements for whole-of-government cooperation.

**2.12** ~~(R)~~ The ADF focus in Afghanistan is on two major elements: the Mentoring Task Force (about 730 personnel) and the Special Operations Task Group (SOTG) (about 340 personnel).

- The ADF primary mission in Afghanistan is to train and mentor the Afghan National Army 4th Brigade, based in Uruzgan Province, to a stage where it can take on lead security responsibility for the province. The Mentoring Task Force is responsible for these efforts through its Operational Mentor and Liaison Teams (OMLTs), and also undertakes reconstruction tasks.
- The SOTG contributes to the Australian effort by providing enhanced provincial security through disruption of the insurgent leadership and supply routes. The SOTG also contributes to national capacity building by partnering the Uruzgan 'Provincial Police Reserve' Company.
- The remaining ADF units support the National effort and the campaign more broadly, through strategic airlift aircraft, helicopter support, intelligence, surveillance and reconnaissance and embedded staff throughout International Security Assistance Force.

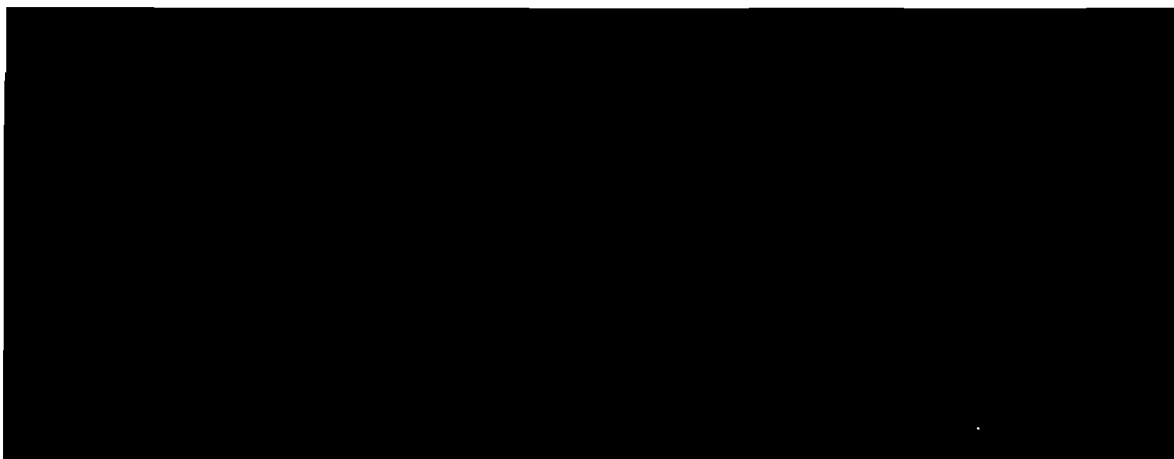
**2.13** ~~(R)~~ Over recent months, the ADF effort has been augmented by a comprehensive whole-of-government contribution with an increase in non-Defence civilians in Afghanistan to around 50 personnel from [REDACTED]. The ADF has responsibility for the [REDACTED] S33(1)(a)(ii)



DECLASSIFIED  
**SECRET AUSTEO**  
LIMITED DISTRIBUTION

provision of security to our whole-of-government effort.

**2.14** ~~(R)~~ Following the hand-over of Dutch leadership in Uruzgan in August, new leadership arrangements are in place under 'Combined Team – Uruzgan (CT-U)'. While CT-U will operate under the ISAF 'badge' rather than a national flag (the first province to do so) and will include contributions from Singapore, Slovakia and New Zealand, at its core is a partnership between Australia and the US. The US has provided a Commander (Colonel Jim Creighton) and some staff officers for the combined headquarters and will replace most of the military and logistical enablers provided by the Netherlands. Australia fills the deputy commander CT-U position, the majority of staff positions in the headquarters, and the Australian civilian lead of the Provincial Reconstruction Team (PRT) and most of the civilian positions. The PRT mentors and supports the development of the local Afghan government, and manages political relations with tribal leaders and power-brokers in the province.



S33(1)(a)(ii) &  
S33(1)(a)(iii)

**Decisions for this term of Government**

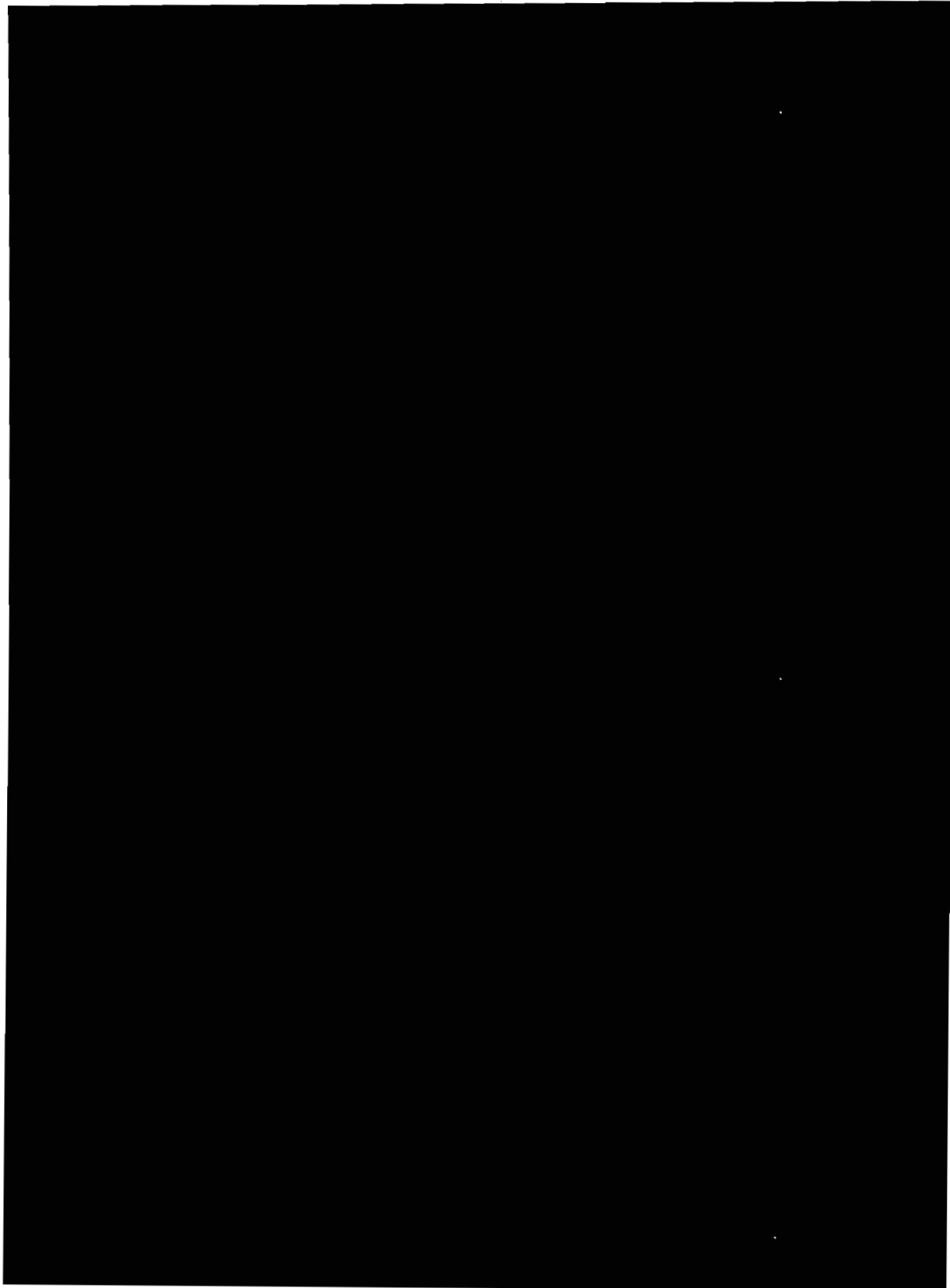


S33(1)(a)(iii)



S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**



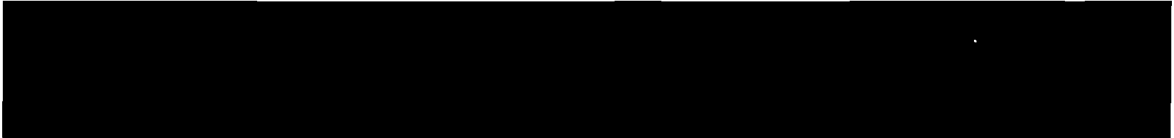
S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
LIMITED DISTRIBUTION

**2.21** (~~S~~ ~~AUSTEO~~) Since 2008, we have made a strong investment in our defence relationship with Pakistan.



S33(1)(a)(iii)



S33(1)(a)(iii)

**Decision for this term of Government**



S33(1)(a)(iii)

**2.26** (~~C~~ ~~Cabinet in Confidence~~) As part of the initial response, Defence assisted AusAID in the transportation of emergency humanitarian aid and stores to Pakistan via C-17 flights. Given the scale of the crisis, Defence has deployed medical teams with AusAID to Kot Addu near the major city of Multan, in the centre of Punjab province. The medical teams comprise ADF health specialists as well as civilian doctors, nurses, paramedics and support personnel drawn from state health agencies and coordinated by Emergency Management Australia. Defence has provided C-17 airlift support to move the contingent. There is likely to be pressure for further Defence assistance as the magnitude of the tragedy grows.

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**

**PAGE INTENTIONALLY BLANK**

DECLASSIFIED  
**SECRET AUSTEO**  
**LIMITED DISTRIBUTION**

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**


**CHAPTER 3**

**UPDATE ON OTHER SIGNIFICANT DEFENCE OPERATIONS**

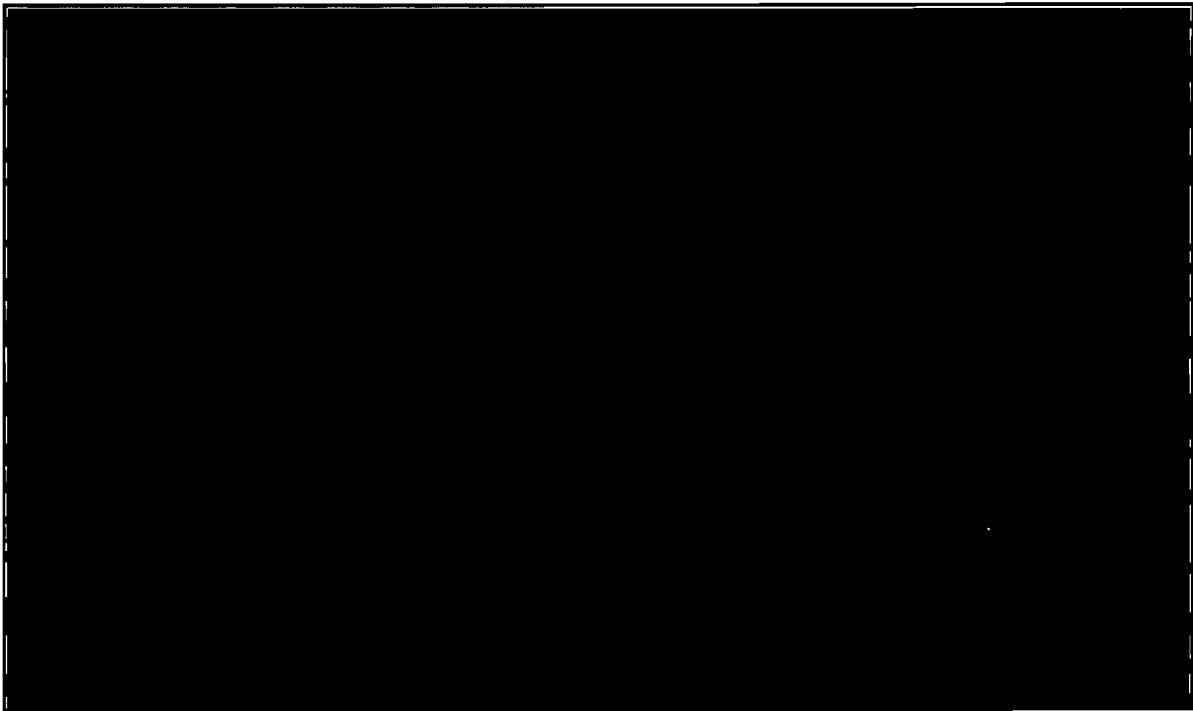
**3.1** (U) In addition to our commitment in Afghanistan, the ADF is engaged in East Timor, the Solomon Islands and Iraq, and contributes to US-led maritime security operations in the Middle East. Under Operation Resolute, the ADF also contributes naval assets to the Customs-led, whole-of-government border protection effort.

**3.2** ~~(R)~~ **Command and Control.** The CDF commands and controls all operations through the Chief of Joint Operations (CJOPS), Lieutenant General Mark Evans. CJOPS exercises his command through Joint Task Force Commanders in Afghanistan and Iraq (based in the United Arab Emirates), Dili, Honiara, and Canberra (Commander Border Protection Command). The three Service Chiefs are not in the operational chain of command and are responsible for raising, training and sustaining the forces which are required by CJOPS to conduct operations.

**EAST TIMOR**

- ~~(C)~~ As a result of the continuing stability in East Timor's security situation, International Stabilisation Force efforts are transitioning from a security focus to strengthening the capacity of the East Timorese Defence Force through the Defence Cooperation Program.
- 

S33(1)(a)(iii)



S7

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

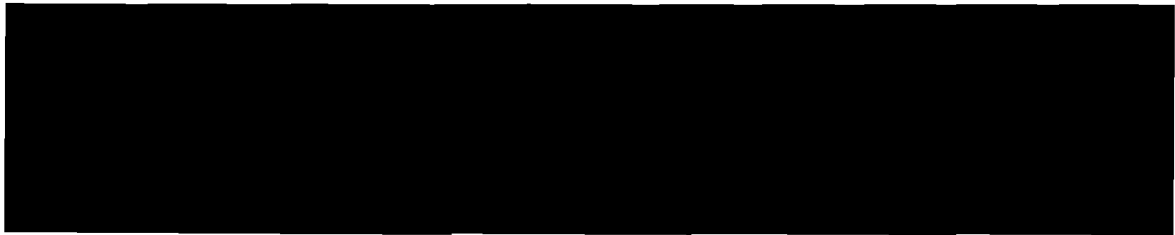


S7

**3.3 (U)** The International Stabilisation Force (ISF) in East Timor assists the Government of East Timor to maintain stability, conducts capacity building and provides security to the United Nations Integrated Mission in Timor Leste (UNMIT).

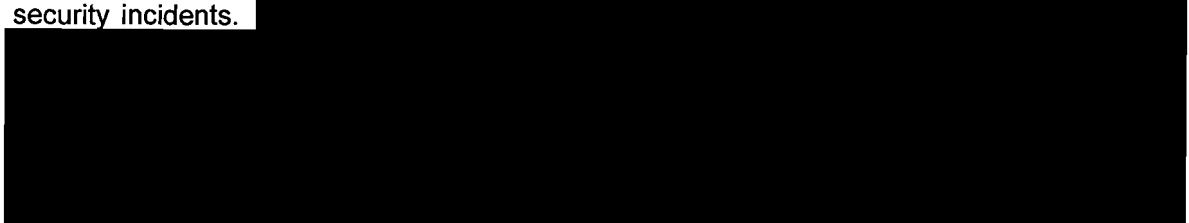
**3.4 ~~(R)~~** The ADF commands the ISF and contributes approximately 400 personnel. The main body of the ISF consists of a Task Group (currently the Eighth/Ninth Battalion of the Royal Australian Regiment (8/9RAR), based in Brisbane) and three Black Hawk helicopters from the Fifth Aviation Regiment (5AVN), based in Townsville. 8/9RAR commenced its eight-month deployment to East Timor in February 2010 and is scheduled to rotate in October 2010. The Black Hawk force rotates every four months. New Zealand provides a contribution of approximately 70 personnel and Protected Mobility Vehicles, which are integrated into the Task Group.

**3.5 (U)** Defence Cooperation Program (DCP) spending in East Timor in recent years has been between \$8m to \$13m annually. In addition to ISF personnel, there are currently 24 DCP personnel (22 ADF and 2 civilians) in East Timor, including advisors in the Defence Secretariat, East Timor Defence Force (F-FDTL) and naval component headquarters.



S7

**3.7 ~~(R)~~** The UN Police is a multi-national policing force of up to 1,600 personnel that, since May 2006, has taken on the role and responsibilities of providing primary response to security incidents.



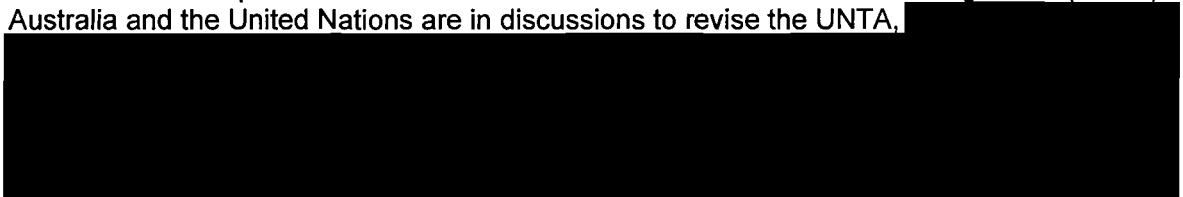
S33(1)(a)(iii)



S33(1)(a)(iii)

DECLASSIFIED  
SECRET AUSTEO  
CABINET-IN-CONFIDENCE

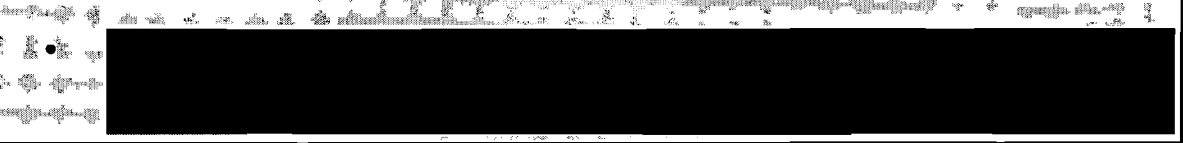
**3.9** ~~(C Cabinet-In-Confidence)~~ The ADF commitment to the ISF reduced from 650 personnel to 400 in February 2010 due to the improved security environment. This is the minimum force required to meet the current United Nations Technical Arrangement (UNTA). Australia and the United Nations are in discussions to revise the UNTA,



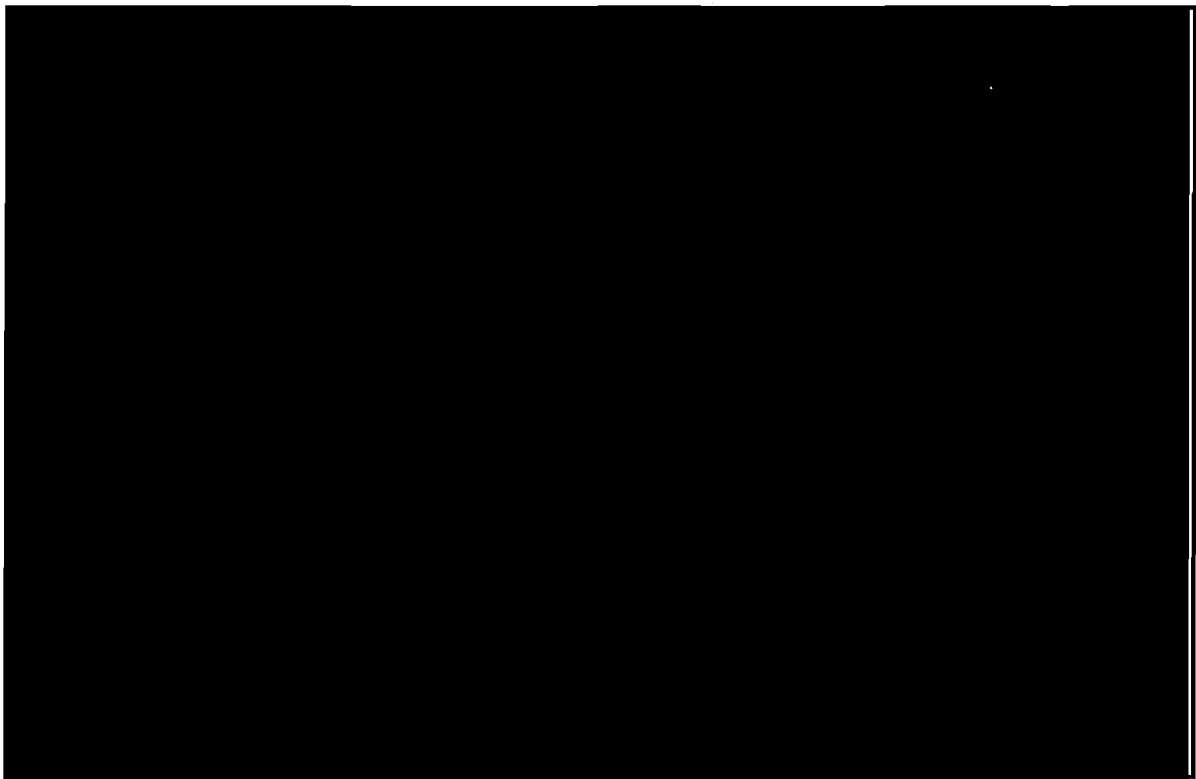
S34(1)(d)

**SOLOMON ISLANDS**

~~(R)~~ The role of Combined Task Force 635, the military component of the Regional Assistance Mission in the Solomon Islands (RAMSI), has transitioned from restoring security to maintaining a secure environment, in which RAMSI can work to achieve its broader development goals.



S33(1)(a)(iii)



S7

**3.10** (U) Operation Anode is the ADF commitment to the Regional Assistance Mission to the Solomon Islands (RAMSI). Australia's commitment is currently approved to 2013.

DECLASSIFIED  
SECRET AUSTEO  
CABINET-IN-CONFIDENCE

**3.11** ~~(C)~~ RAMSI promotes governance, security and stability, [REDACTED]

S33(1)(a)(iii)

The ADF leads the coalition military contribution to RAMSI, designated Combined Task Force 635 (CTF635), which comprises a headquarters (approximately 50 personnel) and three platoons (approximately 35 personnel each). Australia currently has 113 personnel deployed to the Solomon Islands in support of CTF635, which includes most of the headquarters personnel and two of the three platoons. New Zealand currently provides eight personnel to Operation Anode, two of whom are permanently deployed as part of the headquarters (the Deputy Commander of CTF635 and [REDACTED] and six others comprise the New Zealand National Support Element.

[REDACTED]

S33(1)(a)(iii)

**3.12** (U) The Australian commitment will reduce to 83 in early December 2010, when one of the two Australian platoons is replaced with a New Zealand platoon of 31 personnel. Tonga and Papua New Guinea each alternately deploy one platoon (approximately 35 personnel) which comprises the third CTF635 Platoon. Rotations occur every four months. The Commanding Officer, an Australian, remains in theatre for 12 months.

**3.13** (U) The ADF contribution is predominantly provided by Reserve personnel from the Army's 2nd Division. The Theatre Reserve Force based on units from 3 Brigade remains on standby to assist if required. The current unit on standby is 3 RAR in Sydney.

[REDACTED]

S7

[REDACTED]

S33(1)(a)(ii)

**3.16** (U) The ADF has funding responsibility (\$29.6m for 2009-10) for all ADF expenses as well as deployment, redeployment, training and allowances for the Pacific Island contributing countries. [REDACTED]

S36(1)

[REDACTED] The key aim of our DCP engagement is to enhance the capacity of the Royal Solomon Islands Police Force Maritime



DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

Wing with fuel subsidies, training for crew, maintenance funding, and in-country support.

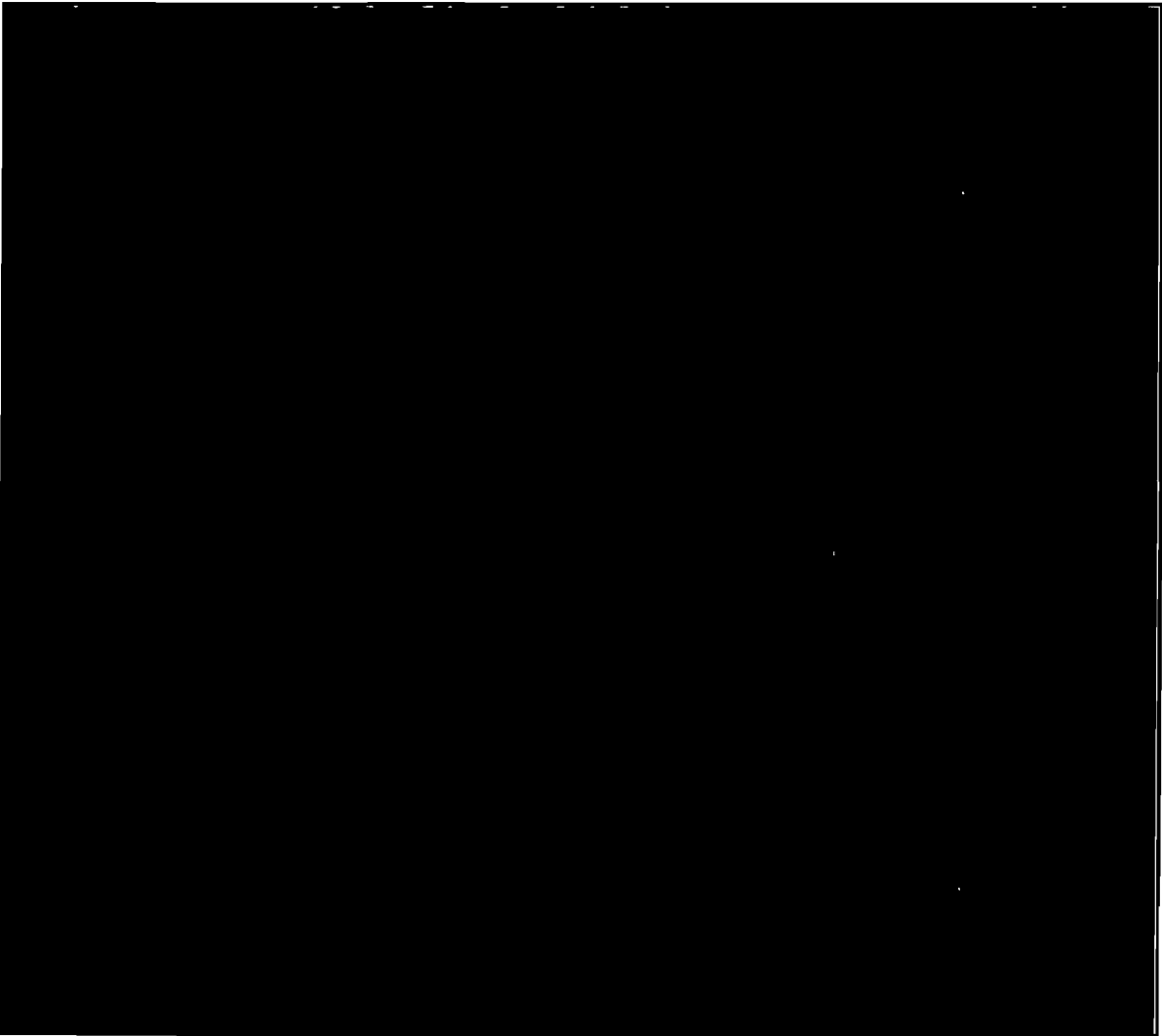
**3.17 (C)** The military component of RAMSI reduced from five platoons to three in July 2009 due to the improved security environment.



S36(1)

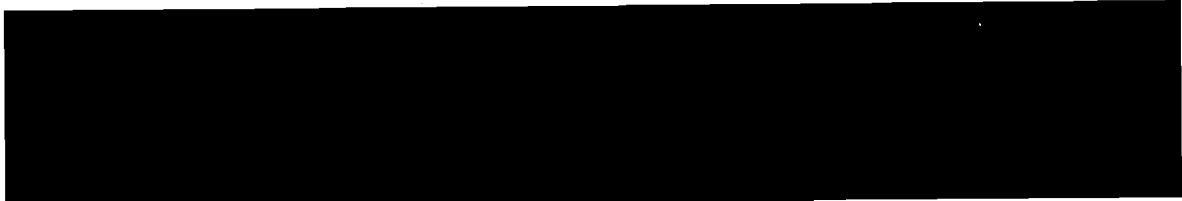
**IRAQ AND MIDDLE EAST**

- **(C)** Following the conclusion of Operation Catalyst, we fund a modest Defence Cooperation Program in Iraq focused on officer and logistics training, to support the broader bilateral relationship.
- **(U)** We also maintain a maritime commitment to the Combined Maritime Forces task forces in the Middle East, focused on counter-terrorism, counter-piracy, maritime security and regional engagement.



S7

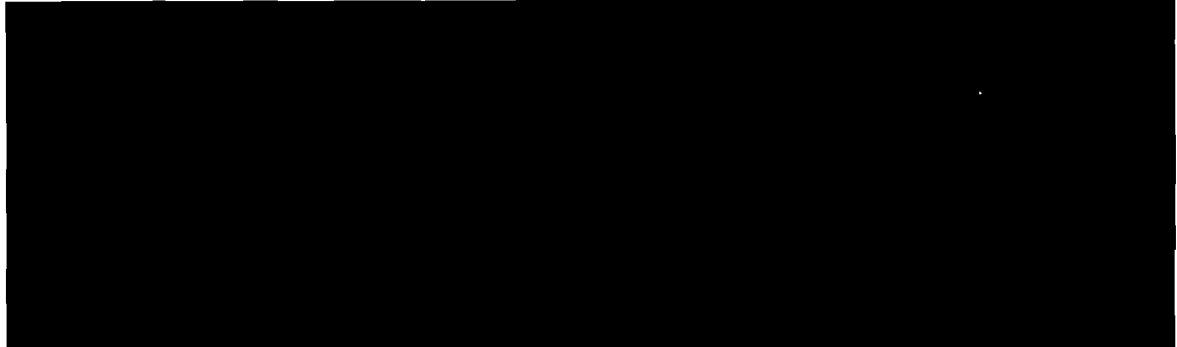
DECLASSIFIED  
SECRET AUSTEO  
CABINET-IN-CONFIDENCE



S7

**3.19** ~~(R)~~ Defence withdrew the last combat, logistic and embedded personnel from Iraq on 31 July 2009 to conclude Operation Catalyst. Defence has approximately 60 personnel in place to provide security and support to the Australian Embassy and its staff in Iraq under Operation Kruger. A further two officers are in Iraq in support of the United Nations Assistance Mission for Iraq under Operation Riverbank. Agencies are currently working to transition the provision of Embassy security from an ADF-led security operation to a Department of Foreign Affairs and Trade (DFAT) controlled, commercial solution. This reflects the improving security situation in Iraq and both countries' intent to normalise bilateral relations. DFAT assumed the commercial security contracts for the Embassy on 1 July 2010. The ADF presence is scheduled to reduce to 33 personnel from October 2010.

**3.20** ~~(G)~~ Following the conclusion of Operation Catalyst, we fund a modest Defence Cooperation Program in Iraq focused on officer and logistics training.

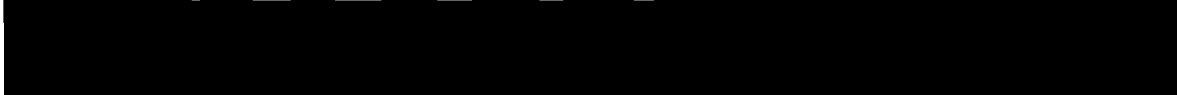


S33(1)(a)(ii) &  
S33(1)(a)(iii)

**BORDER PROTECTION: OPERATION RESOLUTE**

**3.22** ~~(R)~~ Protecting Australia's maritime approaches remains a constant challenge. Operation Resolute is the ADF's contribution to the Customs-led, whole-of-government border protection effort. Under the Command of Border Protection Command, Operation Resolute's mission contributes to the maritime enforcement elements of border protection. The maritime enforcement activity is directed against Australia's maritime security threats. These threats include illegal exploitation of natural resources, illegal activity in protected areas, unauthorised maritime arrivals, prohibited imports/exports, maritime terrorism, piracy, compromise to bio-security and marine pollution.

**3.23** ~~(R)~~ The ADF provides seven patrol boats, two AP-3C Orion maritime patrol aircraft and Regional Force Surveillance Units to patrol Australia's maritime approaches. Additional ADF ships, units and aircraft are assigned short periods in response to increases in threat.

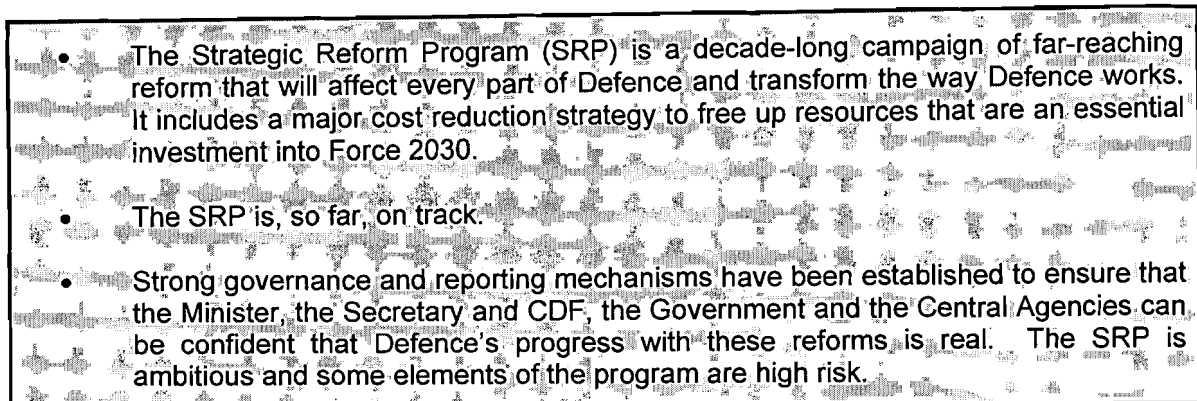


S33(1)(a)(ii)

UNCLASSIFIED

## CHAPTER 4

## PROGRESS WITH THE STRATEGIC REFORM PROGRAM



**4.1** The SRP is a major public sector reform initiative and as large as any cost reduction initiative ever undertaken in Australia. It is a once in a generation opportunity for Defence to build a better and more capable organisation. If Defence is to build and sustain Force 2030 it must succeed. It will need strong leadership because what it requires that Defence do is hard. But the Defence workforce understands the purpose of SRP and the benefits it will bring. Commitment is high, but the challenge and risk should not be underestimated.

**4.2** The 2009 Defence White Paper recognised that achieving Force 2030 required fundamental and sustainable reform across Defence. A number of reviews undertaken during the development of the White Paper included the eight internal 'Companion Reviews' and the *2008 Audit of the Defence Budget* (DBA). They concluded that the reform activities, in which Defence has been engaged, should not only continue, but needed to be consolidated and intensified.

**4.3** The SRP brings together the work of these reviews to form a comprehensive set of reforms designed to improve Defence performance, accountability, planning and productivity. The SRP will achieve cost reductions of around \$20 billion over the decade to be reinvested in Defence capability.

**4.4** The SRP is a strategic, organisational transformation. Its core purpose is to build a Defence organisation capable of implementing and sustaining Force 2030. It seeks to free up resources for investment by increasing Defence efficiency. It includes substantial investment in remediation of Information and Communications Technology infrastructure and logistics systems. It will build Defence management capacity, strengthening our ability to handle a tight budgetary environment.

**4.5** Defence is now implementing a comprehensive whole-of-portfolio implementation plan. This includes a detailed implementation schedule; a full risk analysis and risk management strategy; governance; performance monitoring; and reporting. This plan was approved by the Government in March 2010.

**4.6** The SRP consists of over 300 separate initiatives which are managed through 15 individual reform streams, as described in the diagram on page 4.

UNCLASSIFIED

**UNCLASSIFIED**

**4.7** We are implementing the SRP with a roll-out of complex and sustainable reform initiatives over the next three years. Some streams will deliver direct cost reductions that have been earmarked for reinvestment in Force 2030. Others will help put downward pressure on costs through reform to planning and business process.

**4.8** The SRP is on track to date. Defence has already achieved the \$797m of cost reductions programmed for 2009-10. The bulk of these reductions, and much of the cost reductions programmed for 2010-11, are a continuation of the Defence Savings Program that commenced prior to the SRP. In 2010-11 the cost reductions step up to \$1,016m as new reforms roll out in 2010-11 and gains from sustainable reforms start to be realised.

**4.9** Risk identification and management is a major focus of implementation. Major risks include the complexity of the program and the interdependence of its elements. There are many moving parts. Another major risk is the political and/or organisational sensitivities associated with particular cost reduction proposals. SRP challenges many established customs and practices. Some proposals have already been ruled out because of their sensitivity. Notwithstanding this, it is important not to rule out proposals before they have been examined and considered. To do so makes the achievement of cost reductions more difficult and undermines the integrity of the program.

**4.10** The Secretary and CDF are responsible for the SRP. To support this, Defence Committee members have been assigned individual accountabilities for the implementation of specific reforms and achievement of accompanying savings. The Deputy Secretary Strategic Reform and Governance is accountable and responsible for the oversight, integration and coordination of the SRP at the portfolio level. Each of the 15 reform streams is led by an SES band three/military three star officer.

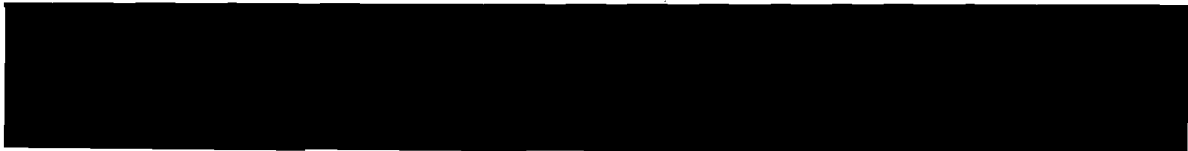
**4.11** The Defence Audit and Risk Committee (DARC) is provided with regular updates on the achievement of savings and management of the risks involved. The DARC will provide the Secretary and CDF with an annual assurance that Defence is implementing reform and achieving the required cost savings. The DARC provides robust and independent advice to Defence leaders on all aspects of governance.

**4.12** External governance arrangements include: progress reporting to the Minister for Defence; biannual progress reporting to the National Security Committee (NSC) of Cabinet; and quarterly reporting to the Minister for Defence by the private sector chair of the Defence Strategic Reform Advisory Board (DSRAB). The next report to the NSC is due in October. We have commenced work on the report and will have it available for your consideration in late September/early October. This report will include a comprehensive assessment of the SRP's performance against cost reduction targets and its impact on the Defence Organisation. The DSRAB was established by the Minister for Defence to provide careful external scrutiny of the SRP.

**4.13** External scrutiny is an essential feature of the governance arrangements. It injects different perspectives and new ideas into the management of the SRP. It helps drive out complacency within Defence and builds confidence in our performance with stakeholders elsewhere in Government. The DSRAB is the key mechanism to provide this scrutiny. The DSRAB reports independently to the Minister for Defence.

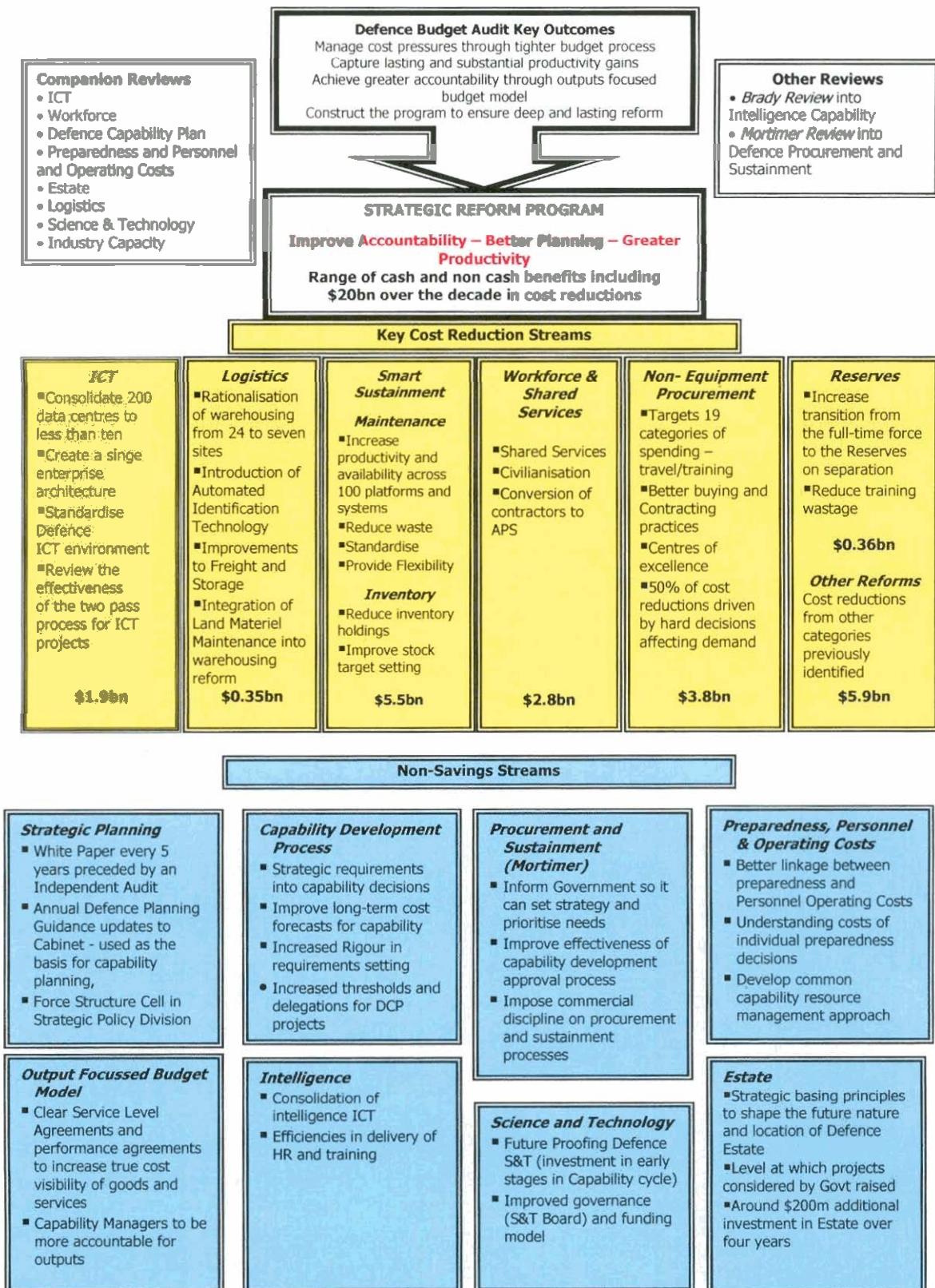
**UNCLASSIFIED**

**4.14** The DSRAB membership is: Mr George Pappas (external Chair), Mr David Mortimer, Mr John Fletcher, Ms Linda Nicholls, the Secretary of the Department of Defence, the CDF, the Chief Executive Officer of the Defence Materiel Organisation, the Secretary of the Department of the Prime Minister and Cabinet, the Secretary of the Department of Finance and Deregulation, and the Secretary of the Treasury. Mr Paul Rizzo, external Chair of the Defence Audit and Risk Committee, and Ms Jennifer Clark, external Chair of the Defence Material Audit Committee attend meetings as observers.



S36(1)

UNCLASSIFIED



UNCLASSIFIED

DECLASSIFIED  
SECRET AUSTEO

## CHAPTER 5

## IMPLEMENTATION OF FORCE 2030

• ~~(C)~~ Some 16 months after the White Paper's release, the implementation of Force 2030 is on track but under pressure. It is an ambitious program, which will take constant effort to deliver, but the payoff is that it will produce a very capable ADF.

• ~~(R)~~ The key issues in delivering Force 2030 include managing a challenging schedule of capability development plans to ensure that force structure acquisition time frames align with changes in the strategic environment, securing Cabinet approval at first and second pass and managing complexity in bringing so many platforms into service.

• ~~(R)~~ Several key decisions are required from the Government in the next term of office to successfully implement Force 2030, including the acquisition of new naval combat helicopters and Joint Strike Fighters and the concept design of the future submarine.

S36(1)

## Implementation of Force 2030 – Key Challenges

**5.1** ~~(C)~~ The implementation of Force 2030 is on track but under pressure. It was deliberately designed to be an ambitious program and it will take constant effort to deliver. Risks to the program will emerge as a result of strategic change in the region which, over a 20 year period, will require constant assessment. New developments may lead to changes in capability requirements. Budget pressures either in the Defence Capability Plan projects or in areas where we have no budget flexibility will necessitate tough management and some difficult choices to keep projects on time and on budget. That said, Force 2030 is a plan which will deliver new capabilities to Defence every year from now to 2030 and beyond and ultimately deliver a formidably capable ADF. It is not a plan for a one-off step up in capability in 2030. This, and successive, governments will need to actively manage force structure decisions to ensure the program remains on course.

**5.2** ~~(C)~~ Notwithstanding the risks set out above, we judge that Force 2030 remains on track.

S36(1)

**5.3** ~~(C)~~ Defence's performance with respect to the approval rate of capability submissions over the past 15 months has not been optimal.

**5.4** ~~(C)~~ The White Paper set a very ambitious timetable and in 2009-10, Defence struggled to get the major capital projects predicted for consideration ready for approval by the Government. In terms of Government consideration, we achieved approximately the historic average of approvals, but this was below what Defence anticipated and a visible failure against the White Paper's timetable.

DECLASSIFIED  
SECRET AUSTEO



DECLASSIFIED  
**SECRET AUSTEO**

**5.5** ~~(C)~~ The *Portfolio Budget Statement 2009-10* foreshadowed 29 capability projects to be progressed – 15 first pass approvals and 14 second pass approvals. Of these, Defence achieved approval of (disappointingly) only two of the 15 projected First Pass approvals, and eight out of 14 Second Pass projects.

**5.6** ~~(C)~~ In addition to these, Defence received approval of an extra four First Pass submissions and seven Second Pass submissions that were unplanned at the time of the *Portfolio Budget Statement 2009-10*, including a number of urgent operational requirements that were approved several days after the end of the financial year.

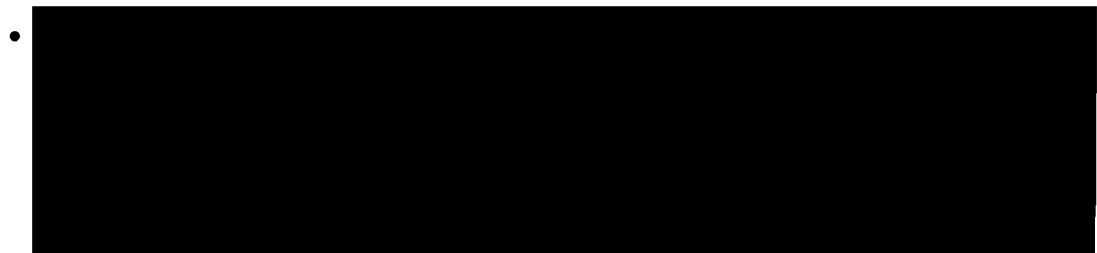
**5.7** ~~(C)~~ Overall, we therefore achieved approval of 22 major capital capability submissions. In addition, while the number of approvals was not optimal, we achieved Government approval of approximately \$540m out of the \$578m (that is 93 per cent) of the funding allocated in 2009-10 for major capital equipment in the Defence Capability Plan.]

**5.8** ~~(C)~~ The capability development stream of the Strategic Reform Program aims to improve the timeliness and quality of advice to Government on major capital equipment submissions. It has four top-level reform deliverables – improving governance arrangements, better cost forecasting initiatives, improved management of funding for major acquisitions, and reducing the cost of major equipment procurement. As many of the reforms address changes to process and education, they are designed to improve efficiencies and improvements to effectiveness over the medium and longer term.

**5.9** ~~(C)~~ In the shorter term, we have asked Defence to improve the rate, quality of analysis and timeliness of Cabinet Submissions through greater accountability, enforced business processes and additional reporting requirements. We will be pushing hard to help address that objective.

**5.10** ~~(C)~~ The key challenges in implementing Force 2030 include:

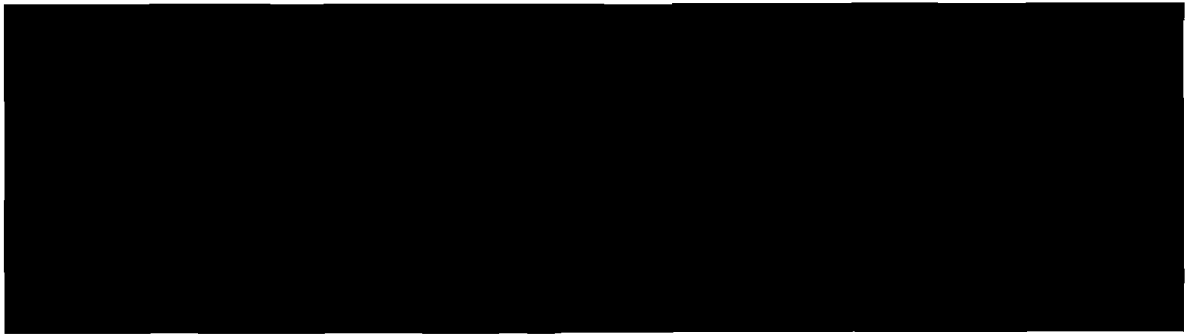
- ensuring capability is developed in accordance with strategic guidance;
- the timely development and approval of major capital investment proposals, incorporating all elements of the Fundamental Inputs to Capability (the standard Defence list for consideration of what is required to generate capability, comprising Personnel, Organisation, Collective Training, Major Systems, Supplies, Facilities and Training Areas, Support, and Command and Management);
- ensuring adequate resourcing, both financial and personnel (with appropriate skills), to build and maintain the planned force structure;
- the difficulties associated with the introduction into service and operation of several new capabilities as planned in the DCP; and



S36(1)

DECLASSIFIED  
**SECRET AUSTEO**





S33(1)(a)(iii) &  
S36(1)

**Implementation of Force 2030 – Key Decisions**



S36(1)

**Timeline for the Development of Force 2030**

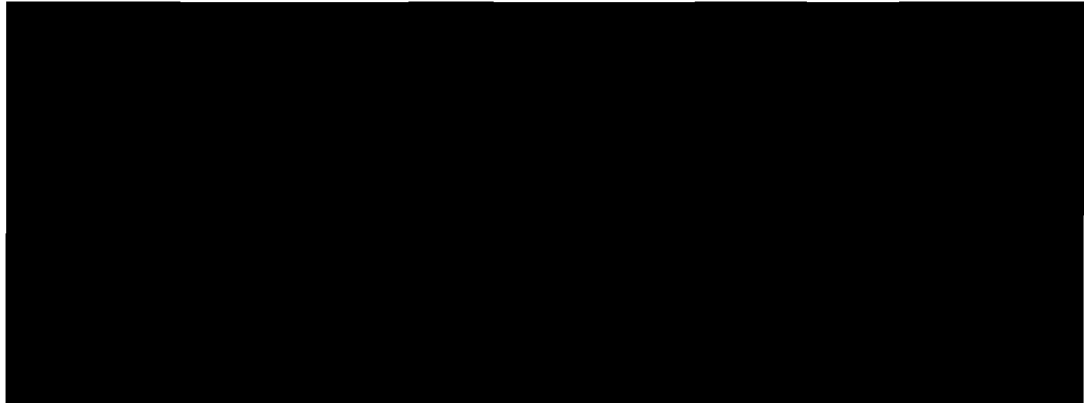
**5.16 (U)** During the period to 2030, many of the key capabilities that comprise the current force structure will be progressively replaced based on planned withdrawal dates, or in some instances new capabilities will be introduced. Force 2030 will therefore incrementally introduce new capabilities over the coming years. It does not represent a single step up in capability in 2030 but rather will deliver an ADF that is becoming steadily more capable.

S33(1)(a)(i)

**5.17 (S-AUSTEO)** By [redacted] the following key capabilities will have entered service or be in the course of being introduced into service:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

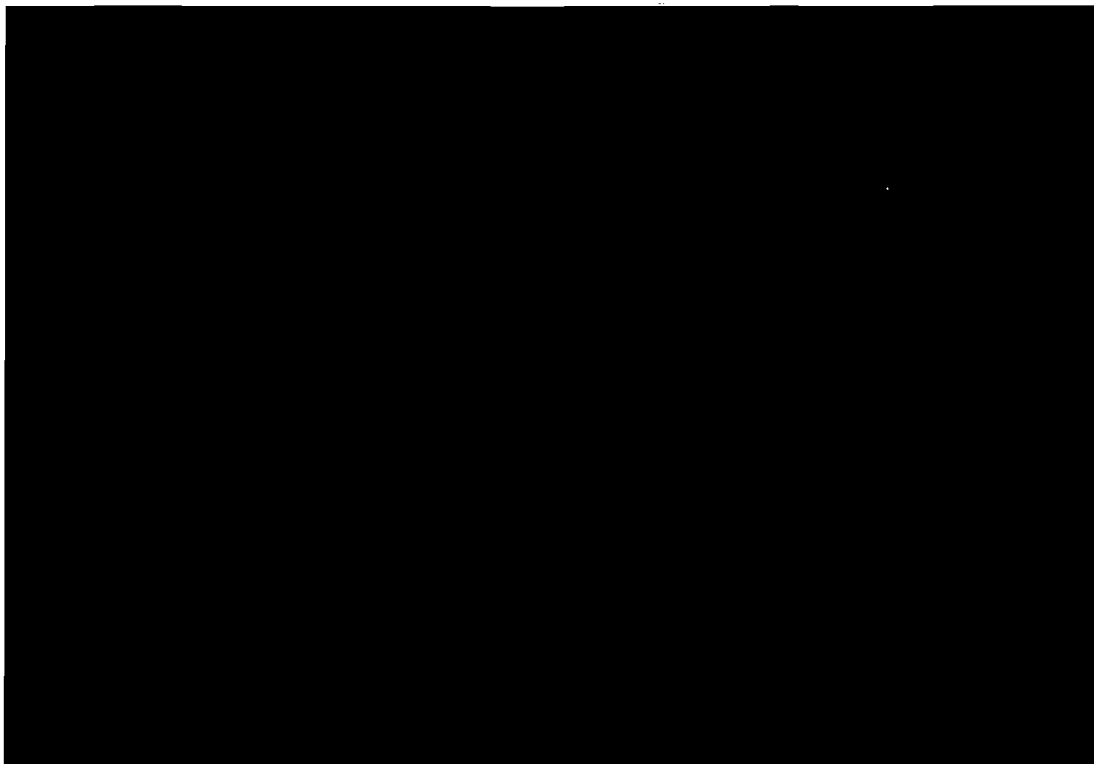
S33(1)(a)(ii) &  
S36(1)



S33(1)(a)(ii) &  
S36(1)

**5.18** ~~(S-AUSTEO)~~ By [redacted] the following key capabilities will have entered service or be in the course of being introduced into service:

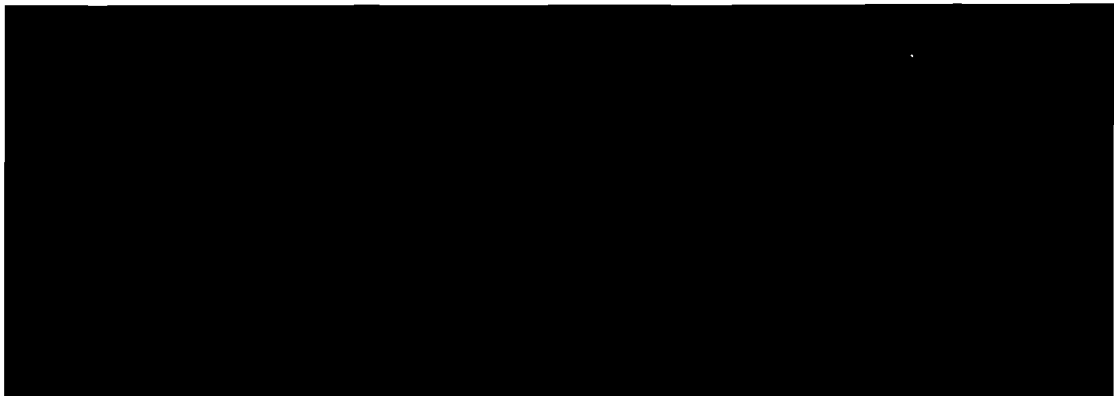
S33(1)(a)(ii)



S33(1)(a)(ii)

**5.19** ~~(S-AUSTEO)~~ By [redacted] the key capability changes to the force structure will consist of:

S33(1)(a)(ii)



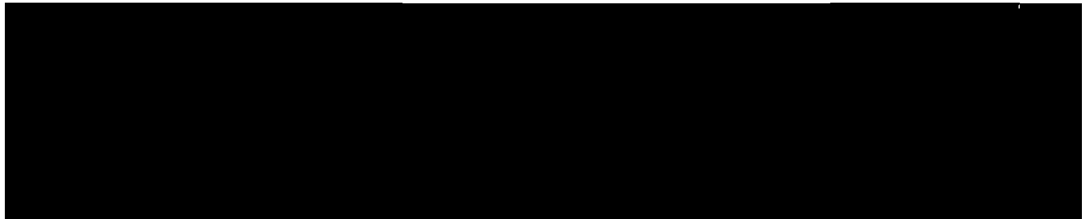
S33(1)(a)(ii)



S33(1)(a)(ii) &  
S36(1)

**5.20** ~~(S-AUSTEO)~~ By [redacted] the key capability changes to the force structure will consist of:

S33(1)(a)(ii)

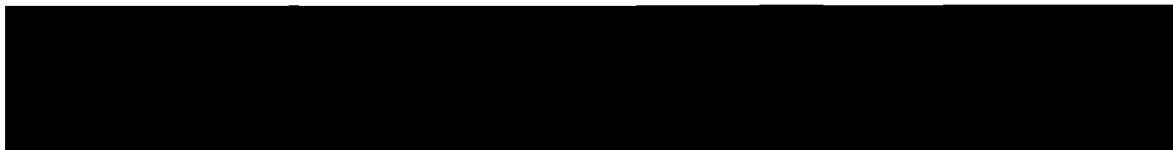


S33(1)(a)(ii) &  
S36(1)

**Force 2030: A refined force structure and capability development process**

**5.21** (U) The 2009 Defence White Paper stated that *“improved Defence planning processes will be crucial to the implementation of Force 2030”*. To achieve this a five-year planning cycle would be adopted, including an institutionalised Force Structure Review (FSR) process to improve and strengthen the linkages between strategic guidance, force development and capability decisions. No force structure option or capability requirement is to be considered unless it has been generated through this process.

**5.22** (U) As a result, Secretary and CDF directed the establishment of the Force Structure Development Directorate in Military Strategy Branch, Strategic Policy Division to improve the alignment between capability and strategy. The branch works very closely with Capability Development Group to ensure that capability proposals flow logically from Government agreed strategic guidance.



S36(1)

DECLASSIFIED  
**SECRET AUSTEO**

**PAGE INTENTIONALLY BLANK**

DECLASSIFIED  
**SECRET AUSTEO**

DECLASSIFIED  
**CONFIDENTIAL**  
**CABINET-IN-CONFIDENCE**

## CHAPTER 6

### DEFENCE FUNDING OVER THE LONG TERM

- **(U)** The 2009-10 Budget provided Defence with a capped, long term funding model to fully fund the estimated costs of the 2009 Defence White Paper.
- **(U)** Defence has internally managed a range of additional pressures through reprogramming and reprioritisation, over the last 15 months one consequence of which is that there is little flexibility left in the Budget.
- **(U)** We do have budgetary problems but we are managing within our budget and we expect to continue to do so.

#### DEFENCE FUNDING MODEL

**6.1 (U)** In the 2009-10 Budget, Defence was provided with a capped budget to fully fund the 2009 Defence White Paper over the 21 years to 2029-30. The cap applies to all years individually over the 21 year period and cannot be exceeded in any individual year. The only additional funding that Defence is expected to seek is no-win/no-loss funding for Defence Operations.

**6.2 (U)** There will always be emerging funding pressures in Defence. As they arise, offsets will need to be identified within the capped budget; over time that is becoming increasingly difficult to achieve.

#### Funding Arrangements

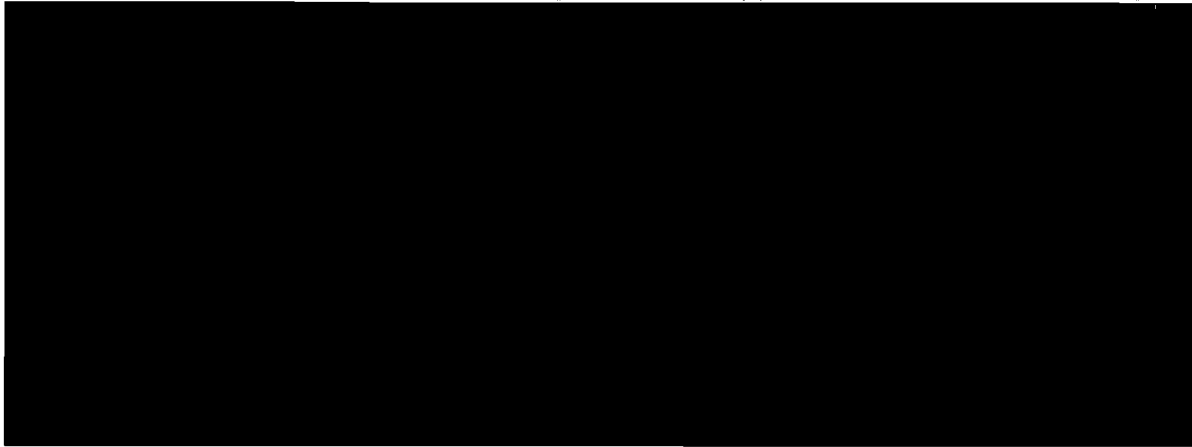
**6.3 (U)** Defence's current funding model originated in the 2009-10 Budget. The Government provided Defence with a fixed funding model to fully fund the 2009 Defence White Paper over 21 years. This funding model is based on the following funding principles:

- 3 per cent average real growth to 2017-18;
- 2.2 per cent average real growth from 2018-19 to 2029-30;
- 2.5 per cent fixed price indexation from 2009-10 to 2029-30, with the 2.5 per cent to be calculated from 2009-10 but applied only from 2013-14; and
- agreement that Defence will reinvest all savings (\$20 billion gross) from the Strategic Reform Program (SRP) and other initiatives into higher priority Defence capabilities.

**6.4 (U)** The funding package provides Defence with greater funding stability and certainty, while requiring Defence to drive efficiencies and improve productivity.

S34(1)(d)

DECLASSIFIED  
**CONFIDENTIAL.**  
**CABINET-IN-CONFIDENCE**

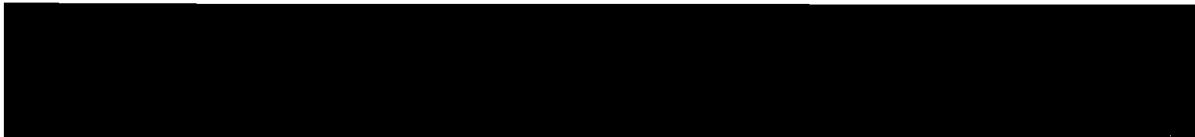


S34(1)(d)

### Funding arrangements for Operations



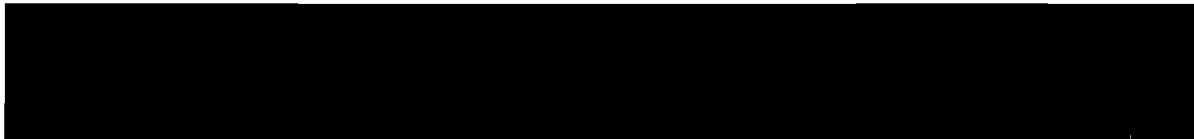
S34(1)(d)



S34(1)(d)

**6.9** ~~(R)~~ Defence is also required to continue to absorb the costs associated with minor operations (under \$10m), including longstanding United Nations and regional peacekeeping minor operations.

### Options for Balancing the Budget



S34(1)(d)



S34(1)(d)

### BUDGET OVERVIEW

**6.12** (U) Defence's Total Resourcing in 2010-11 of \$26,896.6m includes funding from Government of \$25,736.8m and funding from other sources of \$1,159.7m. The structure of Defence expenditure is as follows:

	2010-11 Budget \$m	% of the Budget
Capital Investment Program	7,876.2	29.3
Workforce Expenses	9,486.1	35.3
Military Operations	1,853.7	6.9
Operating Expenses	7,680.6	28.6
<b>Total</b>	<b>26,896.6</b>	<b>100</b>

DECLASSIFIED  
**CONFIDENTIAL**  
**CABINET-IN-CONFIDENCE**

[Redacted]

S34(1)(d)

[Redacted]

S34(1)(d)

**Capital Investment Program**

[Redacted]

S36(1)

**Workforce Expenses**

**6.16** ~~(C)~~ The Military Employee Expenses (MEE) comprise 84 per cent of the total Workforce Expenses in Defence. The MEE component is made up of military salaries, allowances and superannuation paid to individuals, along with conditions of service such as free healthcare, superannuation and subsidised housing. There is no flexibility in the Military Workforce as the number of Military is fixed by the government and military remuneration is set by the independent Defence Force Remuneration Tribunal.

[Redacted]

S36(1)

[Redacted]

S36(1)


**Military Operations**

[Redacted]

S36(1)

DECLASSIFIED  
**CONFIDENTIAL.**  
**CABINET-IN-CONFIDENCE**

### Operating Expenses

**6.20** ~~(C)~~ Defence's operating budget represents the non-personnel/non-capital cost of delivering Defence capability. The majority of expenditure relates to the maintenance and support costs for Defence assets. The remainder relates to garrison support, estate management costs, information technology, delivery of intelligence capabilities, research and development costs, Human Resource management and financial management costs.  S36(1)

### STRATEGIC REFORM PROGRAM (SRP)

**6.21** (U) Defence has initiated a major reform program that will deliver gross savings of around \$20 billion over the decade. SRP savings will be supplemented by further savings initiatives, reprogrammed funds and by new funding from the government to provide nearly \$45 billion in total for investment in new initiatives.

### MANAGEMENT OF DEFENCE'S FINANCIAL PRESSURES


S36(1)

### 'FAT AND BLOATED' PERCEPTION OF THE DEFENCE BUDGET

**6.23** (U) Defence consumes approximately 9 per cent of government outlays and is typically seen either as largely discretionary spending or at least more capable of being financially reshaped than other government agencies. Indeed there still exists a view that despite the \$44.9 billion of funds reinvested in the 2009 Defence White Paper, \$20 billion (gross) of which were identified in the Pappas Audit, there still is "plenty of fat" within Defence. These views, although ill-conceived, render Defence an obvious a target for any major budget reshaping.


S36(1)



## UNCLASSIFIED

## CHAPTER 7

## PEOPLE IN DEFENCE

- The 2009 Defence White Paper and the Strategic Reform Program (SRP) provide guidance for the Defence People Strategy.
- This Strategy is contained in the document *‘People in Defence’* – a vision for change by 2015 and a strategic blueprint for achieving the reform required to produce the people capability outlined in the 2009 Defence White Paper.
- Historically low separation rates and successful recruiting achievement has resulted in the ADF exceeding its funding cover, creating financial pressures that are being offset internally at the cost of other programs/projects.
- While current workforce performance is strong, the prospect for economic resurgence in the resources and construction sectors suggests that the ADF workforce may again be under pressure leading up to 2012-13.

**People in Defence**

**7.1** The *‘People in Defence – Generating the Capability for the Future Force’* document sets out the Defence strategy to deliver reform and new initiatives by 2015 to ensure Defence is on track to meet the workforce required by the 2009 Defence White Paper.

**7.2** Defence faces some unique challenges in attracting and retaining its required workforce that are in addition to the demographic challenges faced by all Australian employers. These challenges relate particularly to the demanding nature of ADF employment, the potential for life-long impacts and the demands placed on Defence families. *‘People in Defence’* outlines what must be achieved by 2015 to achieve success in the eyes of the Australian Government, the Australian Community and people contemplating a Defence career.

**The Current Defence Workforce**

**7.3** Defence employs in the order of 80,000 people in its permanent workforce and some 25,000 Reserves. Specialist expertise is also provided by a contractor workforce – in the order of 750 full time equivalent positions.

**7.4** The tables on the following page set out the current workforce numbers. The data shown is current as at 1 August 2010.

**UNCLASSIFIED**

People in Defence

Chapter 7

<b>ADF Workforce</b>				
	<b>Navy</b>	<b>Army</b>	<b>Air Force</b>	<b>TOTAL ADF</b>
Permanent	13,713	29,609	14,650	<b>57,972</b>
Reservists on Continuous Full Time Service	476	676	147	<b>1,299</b>
Gap Year	223	286	107	<b>616</b>
<b>TOTAL</b>	<b>14,412</b>	<b>30,571</b>	<b>14,904</b>	<b>59,887</b>
Active Reserves	4,304	16,582	3,410	<b>24,296</b>
<b>TOTAL (Incl Active Reserves)</b>	<b>18,716</b>	<b>47,153</b>	<b>18,314</b>	<b>84,183</b>

<b>Civilian and Contractor Workforce</b>	
APS Workforce (including the Defence Materiel Organisation)	<b>21,346</b>
Contractors	<b>742</b>

<b>Senior Executive Service and Star Ranks (including the Defence Materiel Organisation)</b>					
	<b>4*</b>	<b>3*</b>	<b>2*</b>	<b>1*</b>	<b>TOTAL</b>
ADF	1	6	38	131	<b>176</b>
SES/Chiefs of Division/Medical Officers	1	13	32	94	<b>140</b>
<b>TOTAL</b>	<b>2</b>	<b>19</b>	<b>70</b>	<b>225</b>	<b>316</b>

<b>ADF 12 Month Rolling Separation Rate</b>	<b>Navy</b>	<b>Army</b>	<b>Air Force</b>	<b>TOTAL ADF</b>
	8.3%	7.3%	5.4%	<b>7.0%</b>

**UNCLASSIFIED****The Immediate Workforce Challenge**

**7.5** The most critical workforce issue facing Defence is overachievement against Average Funded Strength (AFS). As at 1 August 2010, the ADF is 1,552 over its funded strength (the Army is 1,163 above, the Air Force is 470 above, and the Navy is 81 below). This situation results from strong recruitment and retention performance over the last 18 months, reflecting firstly the impact of the 2006-07 and 2007-08 Recruitment and Retention package (\$3.1 billion) and then the impact of the Global Financial Crisis. Although this position represents a less than 3 per cent variance against target, it creates significant financial pressures in the order of \$144.5m that must be addressed within the Defence budget. This significant pressure coincides with challenges generated for Defence by the SRP savings plan.

**7.6** In order to reduce the AFS overachievement the ADF is using a range of tools to ensure we do so, but retain a balanced and sustainable workforce. These tools include reducing ab-initio recruiting targets (by 25.9 per cent over the last two years), reducing the use of Continuous Full Time Service, limiting lateral recruiting from overseas, reducing prior service re-enlistment targets and reducing the number of people transferring from the Reserve to Full Time Service.

**7.7** Due to the need to maintain a workforce with the required rank and occupational category mix and appropriate skills and qualifications to support future capability, and the fact that the ADF workforce is largely grown from within, these are the limits of reductions in recruitment at any point in time that are feasible.

**The Enduring Workforce Challenge**

**7.8** The second workforce challenge relates to current status on critical and perilous employment categories. This situation has improved over the last 12 months with a reduction in the number of these categories (from 32 to 20). Continued effort focused on recruiting achievement, training systems effectiveness, retention, and employment category structure is required to ensure these critical skills are available to support ADF capability.

**The Target Workforce for 2030**

**7.9** The ADF and civilian workforce will need to grow to meet the force requirements set out in the 2009 Defence White Paper, to approximately 59,772, and the civilian workforce to 22,971. These targets will be reviewed in the five-year White Paper planning cycle to ensure that personnel targets keep pace with changes in strategic circumstances.

**Strategies for Success**

**7.10** *People in Defence* outlines three Blueprint strategies for achieving success in 2015:

- The attraction of people willing to do extraordinary things by building and communicating an attractive and compelling employment offer.

Defence needs to create an attractive and compelling employment offer to ensure it is competitive in both the broader employment market and in attracting key talent.

- Supporting Defence people and their families to stay in the Defence workforce by continuing to develop a work environment and support arrangements that deliver our commitments to our people.

**UNCLASSIFIED**

Defence must support, engage, develop and empower Defence personnel and their families to continue in service. Defence Leaders and HR professionals must ensure that the employment offer we have made is more consistently delivered to our workforce and their families.

- Development of an effective and efficient people system to achieve more consistently effective people outcomes, with greater efficiency Shared Service reform must simplify and standardise HR business processes.

An assurance framework must operate to assess the effectiveness of programs and policies, progress in closing performance gaps, and the identification of steps to ensure that Defence's offer to its workforce is refreshed and remains compelling.

**2009 Defence White Paper Funding**

**7.11** \$2.6 billion is committed over the next ten years toward a range of initiatives aimed at providing a highly attractive employment offer and sustaining a healthy and effective workforce, including:

- Improved support to ADF Families (a self reliance strategy to equip families of full-time members with the skills to develop social networks in new posting locations), and access for Reserve families to Defence Community Organisation services for up to 12 months following deployment;
- Diversity Strategies (recruitment and retention of women, indigenous employment, multicultural recruitment and retention and ADF workplace diversity);
- Housing and Accommodation Assistance;
- ADF Health Support (including improved mental health management, improvements to ADF rehabilitation and compensation, and the development of a capacity for complex medical transition coordination to improve transition and separation outcomes for members injured during service); and
- Workforce Intelligence capability, providing an increased personnel research capacity to allow Defence to monitor, analyse and mitigate external and internal labour market risks to its current and future workforce.

**The Future Defence Workforce – Key Strategic Challenges****Effect of Economic Resurgence**

**7.12** Defence is undertaking an Economic Resurgence Project, which gathers and analyses data on the potential impacts of the expansion of the Australian resources and construction sectors on the Defence workforce. The project's findings will provide the basis for determining the requirement for any action to mitigate the risks associated with the return to economic growth. The project will be completed in the latter part of 2010 and will inform advice to government on these matters.

**UNCLASSIFIED****Limited Funding Flexibility**

**7.13** Defence does not have any funding contingency to enable it to adjust its employment offer if the impact of economic resurgence produces a significant need to meet the market on remuneration or benefits. Not all of the responses likely to be necessary will require funding, however any that do require funding will need to be found within the Defence budget through reallocation of priorities.

**A Solution to Military Pay Issues**

**7.14** Defence faces three main challenges in creating a more consistently accurate and efficient military pay system:

- **Effective Governance and Administration.** Many of the causes of current payroll problems can be attributed back to poor administration, poor execution of delegated authority, inconsistent record keeping and/or members not checking their pay slips to pick up anomalies. Most of the pay issues that generate debts have their genesis in defective administration. Achieving full oversight of all administrative actions that impact pay is difficult given that functions are being carried out in the Services as well as the Defence Support Group, and each year there are some 3,000,000 manual pay transactions.

**Response:** On 2 February 2010, an ADF Payroll Remediation Task Force was established to rectify current deficiencies in the ADF payroll system and to accelerate the introduction of an improved pay system. The Task Force is co-chaired by the VCDF and the Deputy Secretary Defence Support. It is making progress in conducting audits and reviewing business processes, resulting in much needed earlier identification of potential pay issues and anomalies and their rectification.

- **Ageing technical systems with limited integration.** The Task Force has identified that contributing factors to high profile over/under payments include the use of multiple systems and manual interfaces. That is, once pay issues are identified the current ICT system environment can make analysis and solutions difficult to progress in a timely manner.

**Response:** The introduction of capability under the Technical Refresh project and Joint Project 2080 Phase 2B.1 will help to reduce the operation (system) risk in the payroll/HR function. The Technical Refresh will generate a stable ICT environment for payroll while Joint Project 2080 will enable a modern and integrated HR and payroll business process.

- **Underlying Complexity In Pay and Allowances.** Defence has undertaken a phased approach to remuneration reform since 2001 to recognise work value through base salary and generate more relevant skills-based classification structures for both Officers and Other Ranks. There are over 1,000 active allowances in ADFPAY alone. Many of these allowances have interdependencies – for example, when in receipt of Special Forces Disability Allowance, field allowance is not payable. Despite this program of reform the traditional industrial structure of Defence Allowances results in the following metrics:

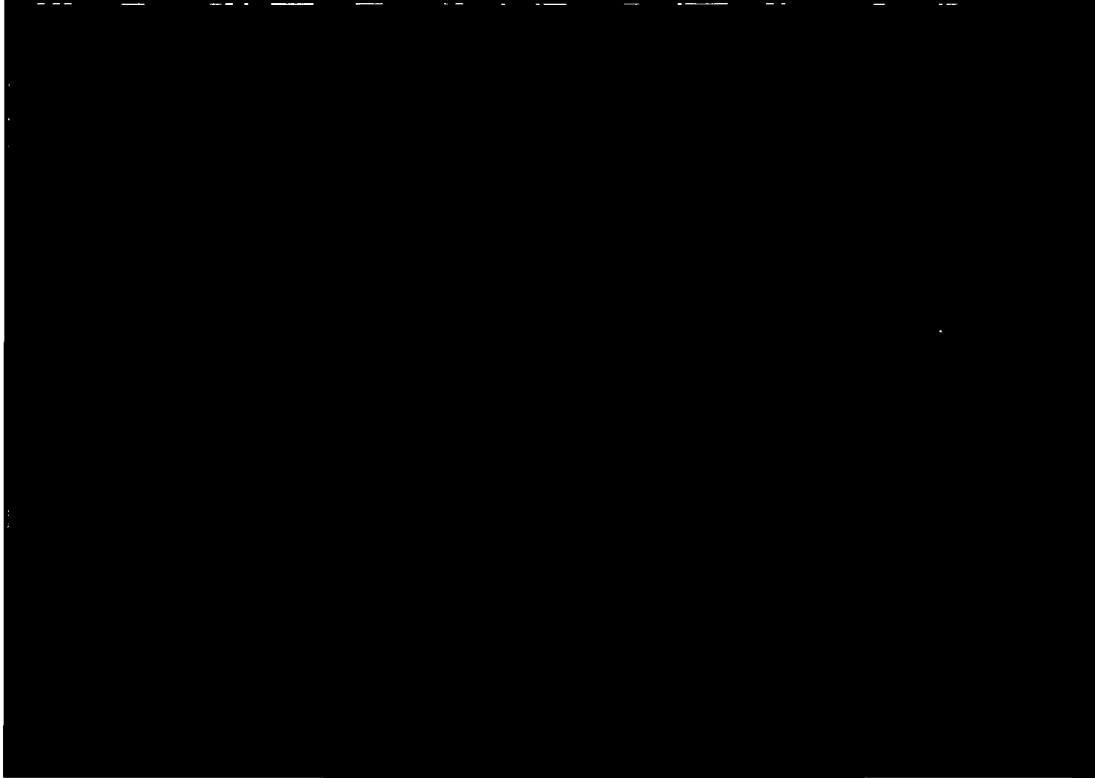
- (1) 17 'pay related' allowances, with a complex set of just 100 categories of these allowances;

**UNCLASSIFIED**

- (2) Some of these allowances are paid continuously, while others are paid on an 'on occurrence' basis. Some allowances may be paid both on a continuous basis or an on occurrence basis, depending on the circumstances; and
- (3) Over 130 potential pay points according to circumstances.

**Response.** The final tranche of reform is the simplification and rationalisation of the ADF Allowances Framework. The simplification and standardisation process will reduce the opportunity of administrative errors, and support a more efficient shared services payroll processing function that delivers SRP savings. High level design of a simplified allowances framework is underway. Following Government endorsement of the concept, a comprehensive consultation process and detailed financial modelling will be required to achieve positive endorsement of the framework within Defence and from the Defence Force Remuneration Tribunal.

**CHAPTER 8**  
**INTERNATIONAL DEFENCE RELATIONSHIPS**



S33(1)(a)(iii)

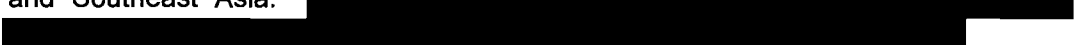
**A challenging International outlook**

**8.1** ~~(C)~~ We maintain a wide network of international defence relationships as a means to promote our national interests. Our alliance with the United States, founded on the ANZUS Treaty but strengthened over 60 years of close cooperation, gives us access to intelligence, technology, training and exercising that underpin the capability and credibility of the ADF.



S33(1)(a)(iii)

The Defence Cooperation Program (DCP) budget for 2010-11 is around \$96m, with a heavy emphasis on projects in the South Pacific, East Timor and Southeast Asia.



S33(1)(a)(iii)



S33(1)(a)(iii)

[REDACTED]

S33(1)(a)(iii)

[REDACTED]

S33(1)(a)(iii)

**US Alliance**

**8.5** ~~(S)~~ The US continues to focus on Afghanistan and Iraq, but the Obama Administration understands the importance of the Asia-Pacific region to American security.

[REDACTED]

S33(1)(a)(iii)

[REDACTED]

S33(1)(a)(iii)

[REDACTED]

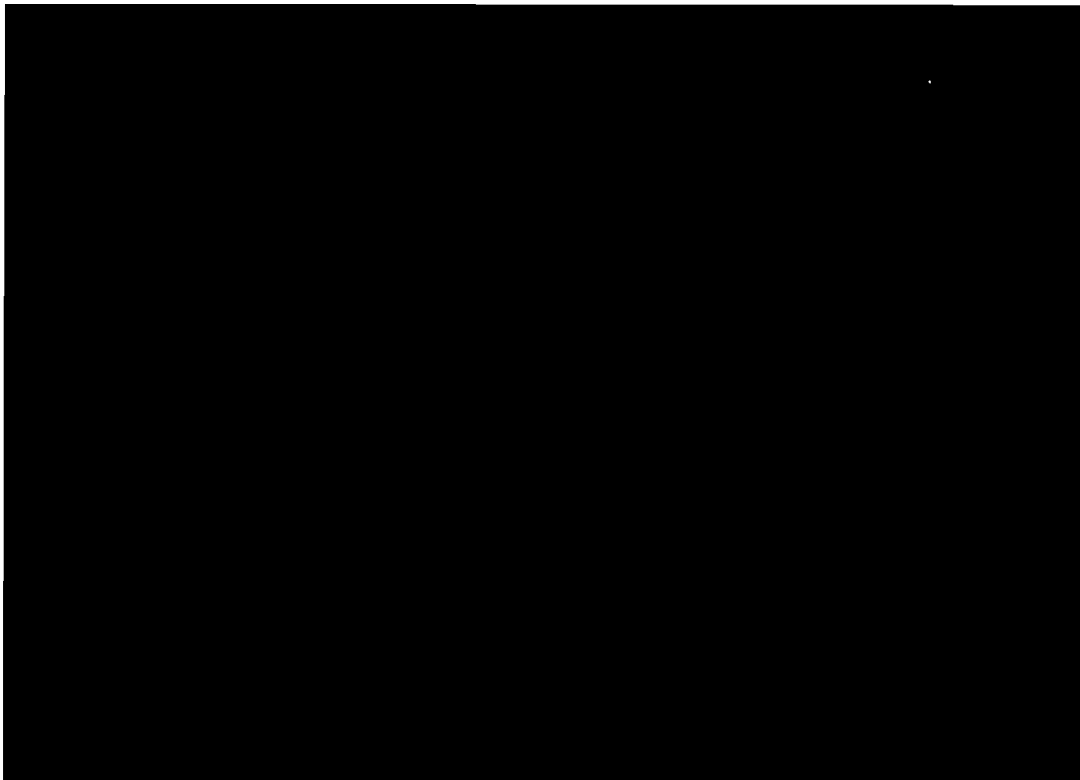
S33(1)(a)(iii)



**Japan, India and Korea**



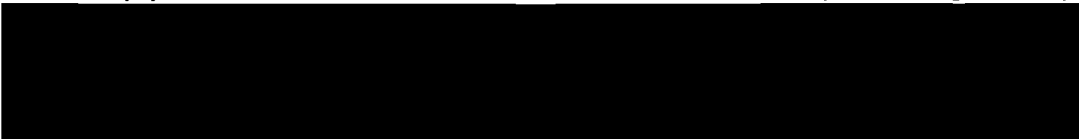
S33(1)(a)(iii)



S33(1)(a)(iii)

**United Nations, Africa and Europe**

**8.13** ~~(C)~~ Defence relations with the UN and Africa have expanded significantly



S33(1)(a)(iii)

**8.14** ~~(R)~~ The main focus of our engagement in Europe is with the UK, where we have recently strengthened traditional and longstanding ties by finalising a joint review of defence cooperation. Our other interests in Europe are in maintaining access and influence with NATO partners deployed in Afghanistan and supporting equipment purchases.

**South East Asia**

**8.15** (C) Indonesia is our most important defence relationship in the near region, and our engagement continues to grow.

S33(1)(a)(iii)

[Redacted]

**8.16** ~~(C)~~ We have a close defence partnership with Singapore based on common strategic understandings and close cooperation between our military forces.

S33(1)(a)(iii)

[Redacted] We have a longstanding military relationship with Malaysia,

[Redacted]

S33(1)(a)(iii)

[Redacted] We are providing training to both the Thai and the Philippine militaries [Redacted] our cooperation with Vietnam will expand [Redacted]

S33(1)(a)(iii)

S33(1)(a)(iii)

[Redacted]

S33(1)(a)(iii)

**8.19** ~~(C)~~ The FPDA with Singapore, Malaysia, the UK and New Zealand remains a useful mechanism to respond to both traditional and emerging challenges.

[Redacted]

[Redacted]

S33(1)(a)(iii)

**East Timor, the Pacific and New Zealand**

**8.20** ~~(R)~~ As a close neighbour, Australia has an enduring interest in assisting East Timor to strengthen its security sector through the Defence Cooperation Program (DCP), currently costing over \$10m annually.

[Redacted]

S33(1)(a)(iii)

[Redacted]

S33(1)(a)(iii)

**8.22** ~~(G)~~ New Zealand remains an important partner, particularly in the South Pacific.

[Redacted]

[Redacted]

S33(1)(a)(iii)

**8.23** ~~(S)~~ Australia's defence relationship with Fiji will remain suspended until the Fiji Interim Government commits to an acceptable time frame for elections and a return to democracy and the rule of law.

[Redacted]

S33(1)(a)(iii)

**8.24** ~~(G)~~ Australia has a long-standing and close bilateral defence relationship with Papua New Guinea (PNG). The PNG Defence Force is one of the largest recipients of Defence Cooperation Program funding, this year worth around \$11m, through which we provide training, joint exercises and infrastructure projects to assist the PNG Defence Force to become a more efficient, sustainable and professional force.

[Redacted]

S33(1)(a)(iii)

DECLASSIFIED  
SECRET AUSTEO

**8.25** ~~(R)~~ Our cooperation with the Solomon Islands is focused on enhancing the capacity of the Royal Solomon Islands Police Force Maritime Wing. [REDACTED]

S33(1)(a)(iii)

**8.26** (U) The Pacific Patrol Boat Program is Australia's primary vehicle for delivering security assistance to Pacific Island countries. The Program makes a valuable contribution to Australia's presence in the Pacific, providing maritime surveillance and fisheries protection capabilities.

### The Middle East

**8.27** ~~(G)~~ Our key focus in the Middle East is to support ADF operations, assist governments that confront extremism, and maintain our knowledge of regional security issues through regional dialogue. [REDACTED]

S33(1)(a)(iii)

**8.28** ~~(G)~~ Following the conclusion of Operation Catalyst, we fund a modest Defence Cooperation Program in Iraq focused on officer and logistics training. [REDACTED]

S33(1)(a)(iii)

[REDACTED] This supports both the broad bilateral relationship and ADF involvement in the security of the Australian Embassy in Baghdad .

**8.29** ~~(G)~~ Australia does not have a bilateral defence relationship with Iran. Defence supports United Nations Security Council (UNSC) resolutions, autonomous sanctions and other counter-proliferation measures against activities, entities and individuals associated with Iran's nuclear program. Most recently, Australia supported the adoption of UNSC resolution 1929 on 9 June, in response to Iran's failure to comply with international requirements relating to its nuclear program. [REDACTED]

S33(1)(a)(iii)

**8.30** ~~(S)~~ We have a modest defence relationship with Israel, focused on the acquisition of leading edge systems on a commercial basis. [REDACTED]

S33(1)(a)(iii)

**8.31** ~~(G)~~ We are increasing the focus of our maritime assets in the Middle East on counter-terrorism. [REDACTED]

S33(1)(a)(iii)

**8.32** (U) Afghanistan and Pakistan are dealt with in Chapter 2 – *Afghanistan / Pakistan: Operational and Policy Issues*.

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
RESTRICTED

## CHAPTER 10

## ACQUISITION AND SUSTAINMENT

- (U) The top priority of Defence's acquisition and sustainment arm, the Defence Materiel Organisation (DMO), is to support ADF operational deployments.
  - (U) The major strategic challenge for Defence is continuing to meet the equipment demands of the ADF – as agreed by Government in the context of the 2009 Defence White Paper – while simultaneously delivering \$5.5 billion in sustainment savings over ten years as part of the Strategic Reform Program (SRP).
  - (U) Sustainment savings will impact on Industry and Defence employment in a number of cities and regional areas, with significant potential losses of jobs. This is expected to be offset by growth in employment opportunities related to new investments in defence equipment, although not necessarily in the same locations.
  - (U) Other challenges include industry's capacity to deliver the new Defence Capability Plan (DCP), delivery of major projects, on time and within budget, progressing commercial issues including a stronger emphasis on performance-based contracting, international cooperation and the international transfer (releasability) of sensitive technology.
  - (U) Defence and the DMO have made considerable progress in implementing the agreed recommendations of the 2008 Defence Procurement and Sustainment Review ('the Mortimer Review'). Many new processes are now in place, but it will take time to deliver the expected outcomes.
- 

S39

**The DMO: Defence's Acquisition and Sustainment Organisation**

**10.1** (U) The DMO's role is to equip and sustain the ADF. The DMO has been a Prescribed Agency since 1 July 2005. Accordingly, the Chief Executive Officer (CEO), Dr Stephen Gumley, is directly accountable to the Minister under the *Financial Management and Accountability (FMA) Act 1997* for the DMO's performance, while remaining accountable to the Secretary under the *Public Service Act 1999*. The CEO DMO has joint accountabilities to the Secretary and the CDF.

**10.2** (U) The acquisition and sustainment business that DMO manages for Defence is worth over \$120 billion in the next ten years. With a budget of more than \$11.5 billion per annum, it includes over 200 major capital equipment projects and over 120 minor projects and sustaining and upgrading when necessary over 100 existing fleets. There are approximately 28,000 staff in private sector Australian defence industry (Australian content is about 50-55 per cent, with \$0.93 of every dollar going to private industry).

**10.3** ~~(R)~~ Support to ADF units deploying on military operations or humanitarian missions continues to be the highest priority for acquisition and sustainment. This involves a direct level of responsiveness to urgent equipment demands along with the provision of specialist engineering and other technical support in environments that are subject to high levels of national security classification.

DECLASSIFIED  
RESTRICTED

**10.4 (U)** Responsiveness to the ADF's operational requirements needs to be matched by responsiveness to the Government and to its Defence partners. Performance in delivering projects to budget and schedule has improved since the implementation of the 2003 Defence Procurement Review (Kinnaird Reforms), but further work to consolidate and sustain improvements is necessary. This was recognised in the Mortimer Review. Defence and the DMO are continuing to implement the plan agreed by the previous Government in response to the Mortimer Review.

**10.5 (U)** The DMO is driving reform across all elements of its business operations. Current priorities for reform are focused on:

- continuing to prioritise and meet the ADF's urgent operational demands in addition to delivery of DCP projects;
- embedding stronger assurance and review processes that do not undermine personal accountability, but allow for appropriate and timely intervention if required;
- providing specialist commercial and technical/engineering advice earlier in the capability development process to ensure that technical risks, costs and appropriate acquisition strategies are considered in the development of capability options;
- enhancing the DMO's advice to the Government on the capacity of industry to deliver desired capabilities and on cost and schedule estimates for new equipment;
- upskilling our defence industry sector to address workforce demands in areas critical to achieving the DCP and through-life support of existing platforms;
- benchmarking DMO performance in procurement and sustainment against best commercial practice and against international defence procurement agencies; and
- under the SRP, reducing the cost of sustainment by 10-15 per cent in real terms compared with the 2007-08 baseline levels.

**10.6 (U)** The Government also expects the DMO to provide independent and robust advice on the commercial and industrial impacts of decisions on major equipment proposals. Fully implementing the Mortimer reforms and a disciplined approach to defence capability planning will continue to be key challenges in the medium-term.

### **SRP Savings**

**10.7 (U)** The DMO has a major role in delivering \$5.5 billion of SRP savings, over the decade to 2018-19, through the Smart Sustainment reform stream that encompasses maintenance and inventory reforms.

**10.8 (U)** Progress to date has been very good, with full achievement of Smart Sustainment savings targets in 2009-10 (in the order of \$263m) in addition to the \$230m of costs of ownership reductions achieved in 2008-09, prior to the SRP announcement. The commitment to reinvest savings in Defence capability provides a significant incentive for both Defence and its industry suppliers to achieve SRP targets.

**DECLASSIFIED  
RESTRICTED**

**10.9 (U)** Importantly, Defence, the DMO and our suppliers are working closely to ensure these measures are sustainable and will not compromise the agreed level of capability, quality or safety.

**10.10 (U)** There is considerable synergy between the Mortimer and other SRP reforms. While Mortimer reforms are focused on effectiveness, Smart Sustainment focuses on efficiency. Defence partners and industry counterparts at both senior and project levels are being engaged and consulted. The goal is to ensure maximum efficiency is extracted from equipment support programs, while retaining capability levels, safety and quality as tenets that cannot be compromised. Opportunities to achieve genuine reform include improvements in preliminary logistics support planning, better cost estimation practices, improved understanding of commercial risks and clarity in requirements and expectations as determined by the Capability Managers.

**10.11 (U)** Examples of Smart Sustainment initiatives include re-tendering of the support contracts for major equipment fleets to reduce costs and introduce incentives if the industry supplier can achieve ongoing efficiency targets. Servicing regimes are being adjusted and repair pool arrangements are being implemented for vehicle fleets to deliver the required level of capability at a lower cost. In the naval ship repair sector, the Navy's major fleet units are being grouped, and performance-based contracts introduced, to deliver more certainty of work for Industry, better maintenance and availability planning information for Navy and lower costs for the taxpayer.

**10.12 (U)** A more commercially astute DMO presents a positive challenge in the relationship with Defence industry suppliers, as do the demands for increasing productivity and efficiency in through-life support contracts. Progress in the early days of the decade-long SRP has been encouraging. The reform program encompasses changes in demand requirements, improvements in contracting processes and industry suppliers achieving efficiency and productivity gains. Since most equipment sustainment and supply arrangements are provided under contract by industry suppliers, reform activities will result in reductions in payments to suppliers. Savings from the reforms will be returned to Defence to fund new capabilities. Over the decade of the SRP, it is anticipated that while there will be reductions in the flow of funding to industry for the sustainment of the current capabilities, this will be offset by additional demands on industry in acquisition and support of new equipment.

**10.13 (U)** One of the Mortimer reforms is the inclusion of Project Directives. This provides a stronger connection between the equipment specifications agreed by Government, agreement of the Capability Managers to bring that equipment into service and the performance expectations of the DMO and providers of inputs in the delivery of materiel to the Capability Manager. Another key outcome expected under the Mortimer reforms is improvements to the rigour of planning information presented in the Defence Capability Plan (DCP). This requires sign-off from the key stakeholders in the capability development process. The first such sign-off occurred in 2009, however, there is room for continuing improvement in cost and schedule estimates. The DMO has a key role in providing assurances on the costs schedule and technical risks of equipment acquisition and sustainment options.

### **Budget indexation**

**10.14 ~~(R)~~** The DMO continues to watch exchange rate fluctuations and volatility in global orders for military equipment and other defence hardware. [REDACTED]

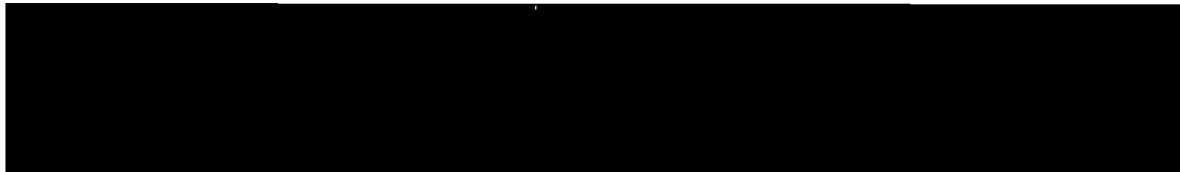
S39

**DECLASSIFIED  
RESTRICTED**

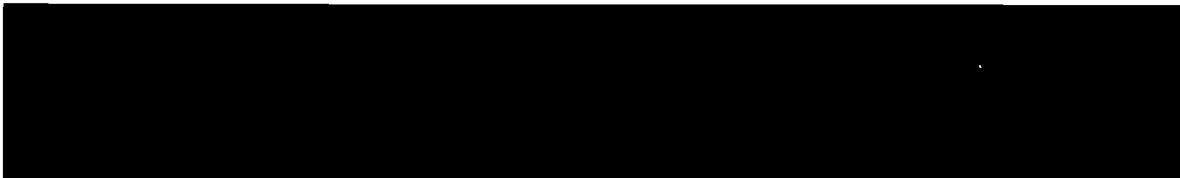
DECLASSIFIED  
RESTRICTED



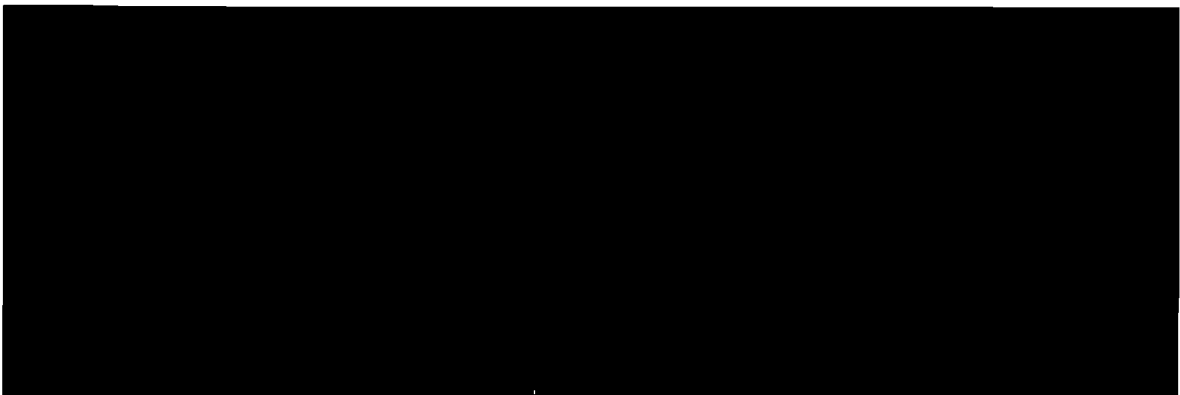
S39



S39



S39



S39

### Contracting Reform

**10.18 (U)** The DMO is committed to achieving further procurement reform. Enhancements to contracting practices involve a balance between the retention of the Commonwealth's commercial leverage and industry's demands for long-term certainty so that appropriate investments in workforce and infrastructure can be made.

**10.19 (U)** The current focus for contracting reform is on optimising contracting templates to align with the range of procurement activities undertaken (e.g. by risk and value), and strengthening and increasing the use of performance-based contracts, particularly for sustainment activities. These forms of contracts provide incentives for industry suppliers to achieve cost reductions over the term of the contract, and give the Commonwealth leverage to extend or re-tender contracts based on the supplier's performance. The DMO is also consulting with industry suppliers and peak bodies to improve its procurement and contracting policy, templates, training and advice to reflect contemporary commercial practices and simplify the templates for complex but lower risk procurements.

**10.20 (U)** The DMO is currently undertaking a 'costs of tendering' reductions initiative to directly address industry concerns about excessive information requirements in defence tendering. However, benchmarking for dollar size, scope, scale and complexity shows that the DMO's tendering and contracting paperwork is similar to (or even lighter than) that currently used in the Australian construction and infrastructure industries, and it should be noted that about 99 per cent of DMO's 112,000 contract transactions per annum occur via simple purchase orders.

DECLASSIFIED  
RESTRICTED



DECLASSIFIED  
RESTRICTED**Projects of Concern**

**10.21** ~~(R)~~ A moderate number of the 200+ projects and 100+ sustainment activities have significant risks or issues relating to schedule, cost, or the delivery of capability to Defence. These projects, subject to approval of the Minister for Defence Materiel and Science, were listed as a 'Project of Concern' under the previous Government. The Project of Concern program has an intense management framework, aimed at either remediating projects or, if necessary, cancelling to avoid further ineffective expenditure. In addition, lessons learned through the Projects of Concern program are used.

**10.22** (U) High profile projects previously on the list have included SEA 1411, which was to deliver the Seasprite helicopter, but was eventually cancelled by the previous Government. Another project experiencing significant schedule and capability risks was SEA 1390, the FFG Upgrade program, which was successfully remediated leading to Navy's acceptance of the final upgraded ship in late 2009.

**10.23** (U) Once a project is on the list of Projects of Concern, the clear aim is to develop and execute an appropriate strategy to remediate the project, actively engaging with both the Defence partners and the industry suppliers to achieve the optimal commercial outcome for the Commonwealth. This has proved successful in removing three projects from the list over the past 12 months.

**10.24** (U) The objective now needs to shift to developing projects in a way that minimises the likelihood of them becoming Projects of Concern.

**10.25** ~~(R)~~ There are 11 projects on the list, two of which have not yet been publicly disclosed and one is awaiting Government approval to be included (see footnote 3). The first monthly report to the incoming Minister will provide the context to each of the current Projects of Concern, including: detail on the project; why the project came to be added to the list; and the current progress status against the remediation objectives. The current Projects of Concern list is as follows:

Project	Description	Status
CN10	Collins Class Submarine Sustainment and Projects	
AIR 5077 Phase 3	'Wedgetail' Airborne Early Warning and Control aircraft	
SEA 1448 Phase 2B	Anti-Ship Missile Defence radar upgrades for ANZAC Class Frigates	
JOINT 2043 Phase 3A	High Frequency Modernisation (HFMOD) – communications and data exchange capability for sea, air and land forces	
AIR 5333	'Vigilare' – Aerospace surveillance and command and control system	
JOINT 129 Phase 2	Tactical Unmanned Aerial Vehicles – airborne surveillance for land forces	

DECLASSIFIED  
RESTRICTED

DECLASSIFIED  
RESTRICTED

LAND 121 Phase 3	'Overlander' replacement field vehicles, trailers and modules for land forces ('Medium Heavy' class of vehicles only)	Amber
JOINT 2070	Lightweight torpedo replacement for ANZAC and ADELAIDE Class Frigates	Amber
AIR 5402	Multi-Role Tanker Transport aircraft – Air to Air Refuelling Capability <sup>1</sup>	Amber
JOINT 2048 Phase 1A	LCM2000 Watercraft for Landing Platform Amphibious ships <sup>2</sup>	Red
AIR 5276 Phase 8B	Electronic Support Measures upgrade for AP-3C Orion aircraft <sup>3</sup>	Red

**Legend:**

**Red.** There remain significant risks to be remediated or the project cannot deliver the required capability to the ADF.

**Amber.** There are continued high risks of achieving the project objectives and the project remains under close Projects of Concern management.

**Green.** The key project risks have been mitigated and the remediation objectives will likely be met within 12 months, leading to removal from the Project of Concern list.

<sup>1</sup> Not yet publicly disclosed.

<sup>2</sup> Not yet publicly disclosed

<sup>3</sup> A submission to Government will be provided around September 2010 recommending adding AIR 5276 Phase 8B, AP-3C Electronic Support Measures (ESM) Upgrade to the Projects of Concern list.

DECLASSIFIED  
RESTRICTED

**UNCLASSIFIED****CHAPTER 11****DEFENCE ACCOUNTABILITY FRAMEWORK**

- Defence is jointly led at the strategic level by a diarchy of the Secretary and CDF, under the direction of the Minister for Defence. The diarchy concept does not end at the Secretary/CDF level of the Defence organisation. It is cascaded through the organisation via the Senior Defence Committee structure and is facilitated in practice by a number of administrative processes/factors.
- At the start of 2010, the Secretary and CDF commissioned a Review of Defence's Accountability Framework with the aim of strengthening the capacity of the Secretary and CDF to exercise their strategic control over Defence, in order to provide stronger and more effective support to the Minister.
- The foundation of the review is the idea that Defence performance is built on its ability to function as a single entity (One Defence) and that the purpose of accountability is to support this. The review will be completed in September.

**11.1** Defence is a single organisation made up of many parts. Each part has its own culture and history from which it draws capability. The art of leading and managing Defence lies in harnessing its diversity in ways that support an outcome that no organisation within Defence could achieve by itself. Strategic leadership is the creation and deployment of One Defence.

**11.2** The story of Defence reform since the mid-1970s has been the building of One Defence. This idea recognises that Defence is best able to meet the challenge of our strategic circumstances if it has the capacity to operate as a single entity, organisationally agile in support of a balanced force. This is easy to say, but hard to do.

**11.3** The diarchy is one of the foundations, and the major enabler of, One Defence. The diarchy is the means by which the Secretary and the CDF exercise their separate accountabilities under legislation and jointly lead and manage Defence as a single, integrated organisation.

**11.4** The continuing legacy of Defence's origins in five Departments and separate Services has left Defence with complex accountability systems. These, along with Defence's structure, have evolved over time to support greater integration and increased organisational capacity to function as a single entity. As the demand for better performance from Defence in a tight budgetary environment has increased in the last five years, current accountability arrangements have come under greater stress. Their failure damages both the Government and Defence and weakens Defence's performance.

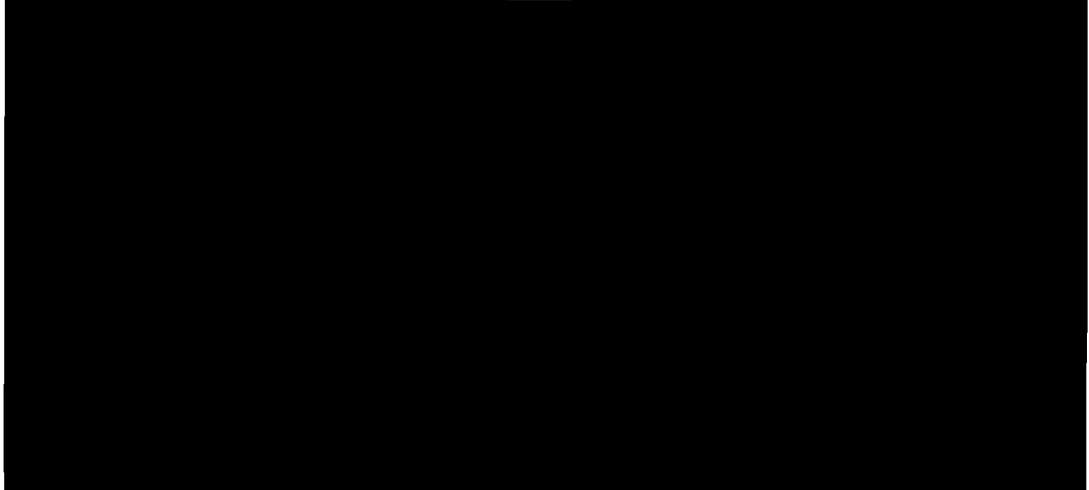
**11.5** Defence therefore needs to redesign its accountability system to strengthen its capacity to drive better performance. This is necessary as a response to a tighter budgetary environment and to the demands of our strategic environment, but also to support the effective implementation of the SRP, which relies, for its success, on a strong culture of performance and accountability.

**11.6** The Review of Defence's Accountability Framework ('the review'), led by Associate Professor Rufus Black (formerly of McKinsey & Company), examined how accountability can be strengthened to better support the ability of the Secretary and CDF to exercise strategic control. The review has examined how accountability is exercised by Defence's senior

**UNCLASSIFIED**

executives, how clear that accountability is, how well it is understood throughout the organisation, and how well that accountability is aligned with Defence's outputs. The review also examined the effectiveness of the accountability framework as a whole, particularly its support for One Defence and its utility in driving performance. The review did not include any consideration of the accountabilities associated with the exercise of military command.

**11.7** The review's focus is on decision making processes and culture. But it has implications for structure to the extent that, as a general principle, accountability and structure should be as aligned as closely as possible. The review proposes changes to the internal Defence decision making architecture to strengthen the capacity of the Secretary and CDF to exercise strategic control. The key changes will include:



S36(1)

**11.8** The review looks at the need to build an organisational culture of accountability and makes recommendations to do this. Its philosophy is encapsulated in the idea that when things go wrong, we should ask first: Why? then Who?

**11.9** The implementation of the review's findings will take time but, provided it is rigorously pursued, it will change the way Defence manages and governs itself. It will change Defence's leadership and management culture. Implementation of the changes is integral to achieving long-term and sustainable success in the Strategic Reform Program. Most importantly, it is essential if we are to build a better Defence organisation.



S36(1)

DECLASSIFIED  
SECRET AUSTEO

## CHAPTER 12

# AUSTRALIAN LABOR PARTY ELECTION POLICY PROPOSALS

### Overview

**12.1** ~~(R)~~ This chapter provides our initial advice on how Defence will respond to each of the 52 policy proposals that were outlined in your Defence policy platform, 'Labor's Plan for Defence', that was released on 16 August 2010. We look forward to early discussions with you to clarify the Government's thinking and plans in regard to a number of the proposals. Subject to your agreement, we will provide you with a quarterly report on progress with the implementation of these proposals throughout the life of the Gillard Government.

**12.2** ~~(R)~~ In the lead up to and during the course of the 2010 election campaign, the Australian Labor Party made references to a small number of other proposals that relate directly to the Defence Portfolio, but were not addressed in 'Labor's Plan for Defence'. These proposals relate to road improvements in Darwin; the relocation of houses from Larrakeyah Barracks; aircraft noise at RAAF Williamtown; and Townsville wharf (see paragraphs 12.110 - 12.118). While these matters were not addressed in 'Labor's Plan for Defence', we have provided initial responses below. You may wish to provide us with early guidance on your preferred way ahead with these proposals.

**12.3** ~~(R)~~ In addition to proposals that relate directly to the Defence Portfolio, we will also need to address the implications for Defence of the proposal to maintain the 1.25 per cent Efficiency Dividend across Commonwealth agencies, potential implications for Defence of changes to taxation policy as well as reductions in Government advertising.

**12.4** ~~(R)~~ We look forward to early discussions with you on the implementation of the proposals outlined in 'Labor's Plan for Defence', and those proposals outlined in paragraphs 12.2 and 12.3 above.

### PROPOSALS OUTLINED IN 'LABOR'S PLAN FOR DEFENCE'

#### Ensuring a Secure Australia

*"The Gillard Labor Government will publish a new Defence White Paper at least every five years."*

**12.5** ~~(R)~~ Defence is working towards delivering the next White Paper in 2014. This will be preceded by a Force Structure Review, Strategic Risk Assessment and Defence Budget Audit in 2013. In working towards White Paper 2014, Defence will continue to develop Defence planning guidance. Defence Planning Guidance (DPG) 2010 was developed and submitted for Government consideration prior to the election; but the document was not agreed before the calling of the election. We intend to re-submit it for your consideration in October 2010.

S36(1)

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
SECRET AUSTEO

### Force 2030 and Defence Funding

*"A Gillard Labor Government will honour its defence funding commitment that enables Defence to make long-term plans for the delivery of Force 2030, and engage in more efficient and effective long-term planning."*

Our funding commitment includes:

- 3 per cent average real growth in Defence's funding base to 2017-18;
- after 2018, an average of 2.2 per cent real growth maintained through 2030; and
- 2.5 per cent fixed cost indexation from 2009-10 to 2030."

**12.7** ~~(R)~~ A brief on *Defence Funding over the Long Term* is in Chapter 6. The brief provides advice on the origin of the current funding model in the 2009-10 Budget, and on decisions taken in the context of the budget to defer some \$8 billion in funding beyond the Forward Estimates, with the funds to be refunded over the period 2016-17 to 2029-30. Business rules to guide decisions on the reprogramming of funds were also agreed in the 2009-10 Budget.

S39

We will brief you early in your tenure on Defence funding pressures, and options for balancing the budget.

**12.8** ~~(R)~~ The process for the last decade has been for the Government to commence the development of the Defence budget in the September/October time frame. We will brief you on the detailed rules that will apply for the next budget process once they have been promulgated by the Department of Finance and Deregulation.

### Strategic Reform Program

*"A Gillard Labor Government will continue its commitment to implementing the SRP throughout Defence."*

**12.9** ~~(R)~~ A brief on the *Strategic Reform Program* is in Chapter 4. Defence has made solid progress with the implementation of the SRP, with the planned cost reductions of \$797m in 2009-10 achieved. In 2010-11, the cost reductions step up to \$1,016m as new reforms roll out in 2010-11 and gains from sustained reforms start to be realised.

S34(1)(d)

### Greater Transparency

*"A Gillard Labor Government will continue to increase transparency in Defence and keep the Australian people informed about defence issues."*

**12.10** ~~(R)~~ Defence has made significant headway in the last 12 months in improving its responsiveness to FOI-related requests; there are currently no overdue FOI-related requests in the department; backlogs have been addressed; and there has been a significant improvement in the timeliness of our handling of FOI-related matters. We will build on this progress over the next 12 months through the implementation of initiatives such as the Information Publication Scheme, which will ensure that Defence remains in a position to

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
SECRET AUSTEO

embrace the Government's reform agenda for increasing transparency. We will also examine options for more regular reporting on Defence issues.

**12.11 (U)** The regular Ministerial statements on Afghanistan introduced by the previous Minister and other reporting (see below) have also added to this transparency.

#### Ministerial Statements

*"Federal Labor will continue to make regular Ministerial Statements to the Parliament to ensure that the Australian Parliament and Australian people are informed about our operations in Afghanistan."*

**12.12 (R)** We will provide you with a draft Ministerial Statement on our operations in Afghanistan for you to deliver in the Spring 2010 session of the new Parliament.

#### Wounded in Afghanistan

*"Federal Labor will also continue to provide increased reporting to the Australian people about the number and status of ADF personnel Wounded in Action in Afghanistan."*

S36(1)

#### Public Reporting of Investigations into Incidents of Civilian Casualties

*"Federal Labor is also committed to informing the public of the outcomes of any investigations into alleged civilian casualties."*

**12.14 (R)** Defence has a well-established policy of releasing the outcomes of inquiries into alleged civilian casualty incidents and other sensitive matters to the public. We will ensure that we continue this practice.

**12.15 (R)** There is currently one inquiry that has yet to be released publically. This relates to an incident in Afghanistan involving civilian casualties on or about 12 February 2009. The current status of this case is that the Director of Military Prosecutions has invited the chain of command to provide comment on matters of ADF interest in accordance with s 5A of the *Defence Force Discipline Act 1982*. This matter may result in serious criminal and disciplinary charges being brought against ADF members. Throughout the process relating to this inquiry, progress reports have been provided publically. Defence is committed to releasing the inquiry outcomes once the legal processes have been concluded.

#### International relationships

##### The United States

*"A Gillard Labor Government will be committed to continuing and strengthening our alliance with the United States, which will remain Australia's most important bilateral security relationship."*

S33(1)(a)(iii)

DECLASSIFIED  
SECRET AUSTEO



areas – [redacted] – demonstrating Alliance adaptability for the future. [redacted] The current status of the Alliance with the US is addressed in Chapter 8 *International Defence Relationships*. We intend to work closely with the US [redacted]

S33(1)(a)(ii) & S33(1)(a)(iii)

**Australia United States Ministerial Meetings**

*"Federal Labor is strongly committed to the continuation of regular AUSMIN meetings between Australian Government Ministers and their US counterparts."*

**12.17** ~~(S-AS/US)~~ The next Australia-United States Ministerial (AUSMIN) meeting is scheduled for the first week of November 2010, and is expected to be in Australia. We will provide you with a comprehensive briefing on the range of topics that will be proposed for discussion at AUSMIN. [redacted]

S33(1)(a)(iii)

**Relationships In the Region**

*"Federal Labor will continue to strengthen our bilateral security cooperation with Japan."*

[redacted]

S33(1)(a)(iii)

*"A Gillard Labor Government will continue to strengthen our relationship with China."*

[redacted]

S33(1)(a)(iii)

*"Federal Labor will also continue to strengthen our relationship with South Korea."*

[redacted]

S33(1)(a)(iii)



*"Federal Labor will also ensure that we maintain and progress our strong defence relationships with other countries in our region, including Singapore, Indonesia, Malaysia, India and Pakistan."*



S33(1)(a)(ii) &  
S33(1)(a)(iii)



S33(1)(a)(ii) &  
S33(1)(a)(iii)



S33(1)(a)(ii) &  
S33(1)(a)(iii)

**Close Neighbours: the Pacific and South East Asia**

*"A Gillard Labor Government will continue to progress and build a network of security relationships within South East Asia and the Pacific."*

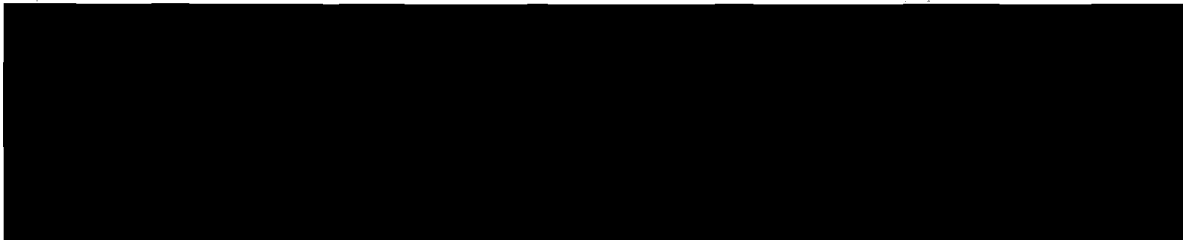
*"In South East Asia, Federal Labor will continue to make sure defence cooperation is focused on supporting the development of regional military capacity in areas such as counterterrorism, humanitarian assistance, disaster relief and peace-keeping."*

**12.26 (U)** Throughout the region, we continue to work closely with our partners to develop capacity in counter-terrorism, peacekeeping, and humanitarian assistance and disaster relief. The majority of this work occurs bilaterally, through exercises and training.

*"In the Pacific, a Gillard Labor Government will focus on promoting economic security, good governance and internal stability."*

**12.27** ~~(R)~~ We will continue to work in cooperation with other Government agencies (such as AusAID and the Australian Federal Police) to promote greater professionalism and sustainability within developing security forces in the Pacific. Our major contribution to the Pacific will continue to be through the Pacific Patrol Boat Program.

*"Our strong military relationship with New Zealand will continue"*

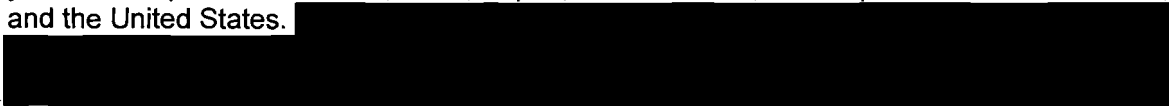


S33(1)(a)(iii)

**The United Nations and Multilateral Engagement**

*"Federal Labor reaffirms its commitment to the United Nations (UN), and the system of multilateral engagements that supports a peaceful world order."*

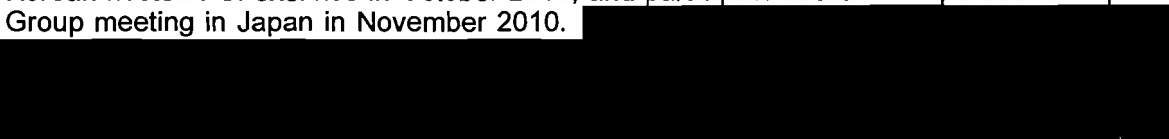
**12.29** ~~(R)~~ In the near region, you will be invited to attend the first ASEAN Defence Ministers' Meeting-Plus forum in Vietnam during October. This new forum will also include your counterparts from China, India, Japan, New Zealand, the Republic of Korea, Russia, and the United States.



S33(1)(a)(iii)

*"A Gillard Labor Government will continue to lead and participate in initiatives to prevent the proliferation of Weapons of Mass Destruction, in accordance with our international obligations. Labor will ensure that Australia has an effective export control regime."*

**12.30** ~~(R)~~ Defence will continue to support multilateral activities, such as the Proliferation Security Initiative (PSI); that uphold United Nations sanctions obligations and discourage proliferation of Weapons of Mass Destruction (WMD) technology. Defence is to host a regional meeting of PSI supporters at Cairns in September 2010; will attend a South Korean-hosted PSI exercise in October 2010; and participate in the PSI Operational Experts Group meeting in Japan in November 2010.



S33(1)(a)(ii) &  
S33(1)(a)(iii)

DECLASSIFIED  
SECRET AUSTEO

S33(1)(a)(i)

### Humanitarian Assistance and Disaster Relief

*"Labor is committed to the ADF providing appropriate assistance when a humanitarian emergency or natural disaster strikes, in Australia or in our region."*

**12.33 (U)** Defence continues to demonstrate its capability and responsiveness to assisting civil agencies in humanitarian emergencies and natural disasters, as evidenced by the current support to the floods in Pakistan or to last year's fires in Victoria. The ADF, with its high levels of training, readiness and capabilities remains well poised to assist at short notice when directed by government.

### Defence Operations

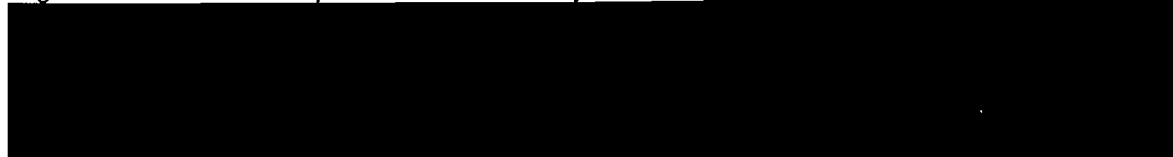
#### Afghanistan

*"Federal Labor will continue to support our commitment in Afghanistan, given Australia's crucial strategic stake in the future of the struggle against global terrorism."*

a. *Based on progress so far, Defence expects to be able to complete the training of the entire 4th Brigade in Uruzgan province, and start to transition security responsibility and move into a supporting role there within two to four years.*

b. *A Gillard Labor Government will not keep Australian troops in Afghanistan any longer than necessary. But Labor remains committed to our troops being there as long as our mission requires"*

**12.34 (R)** Australia's engagement in Afghanistan as part of the NATO led International Security Assistance Force is the highest priority issue that we will discuss with you from the outset of your tenure as Minister for Defence. A detailed brief on the strategic and operational issues that relate to our presence in Afghanistan is contained in Chapter 2 *Afghanistan/Pakistan: Operational and Policy Issues.*

S33(1)(a)(ii) &  
S33(1)(a)(iii)DECLASSIFIED  
SECRET AUSTEO

**Force Protection Review**

*"A Gillard Labor Government will proceed with the acquisition of a Counter-Rocket, Artillery and Mortar or 'C-RAM' system to provide greater protection for our troops in Afghanistan."*

**12.35** ~~(R)~~ We will provide you with a brief on the acquisition and rapid deployment of a Counter Rocket Artillery and Mortar (C-RAM) Sense and Warn capability by mid-September 2010.



S33(1)(a)(ii)



S33(1)(a)(ii)

**12.38** ~~(R)~~ Defence will further advise you in mid-2011 of the intentions for the capability after its first three years of operation in Afghanistan.

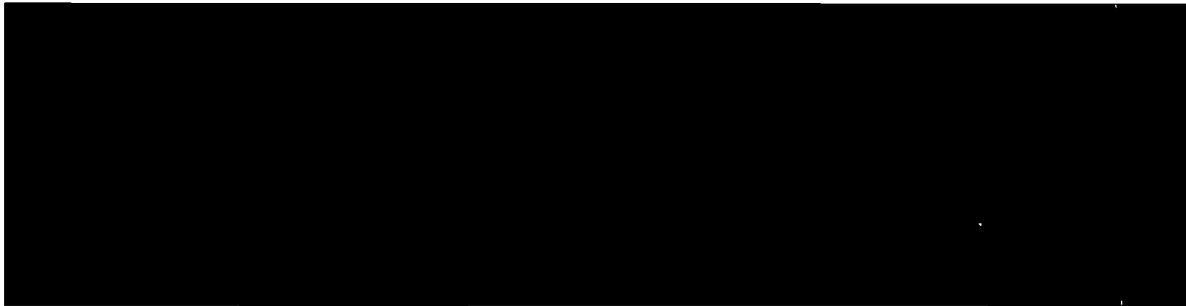
*"Federal Labor will ensure that the remaining recommendations of the Force Protection Review are progressed as a priority, including enhanced medical support, the upgrading and hardening of living and working accommodation in our base in Tarin Kowt, as well as other capability enhancements."*

**12.39** ~~(R)~~ A review of force protection measures was conducted in Afghanistan in late 2009. The subsequent findings of the Review recommended 48 initiatives to enhance force protection for our deployed troops. The Government agreed to the initiatives and the Force Protection Package (FPP) was tabled as part of the May 2010 budget.

DECLASSIFIED  
SECRET AUSTEO

**12.40** ~~(S)~~ As at 30 July 2010, the status of the delivery of the 48 initiatives is as follows:

FPF Status	No. of Initiatives
Completed and delivered capability	10
Proceeding on track	21
Experiencing issues, may affect schedule, cost or scope	11
Significant issues, have affected schedule, cost or scope	1
Not yet commenced	5



S36(1)

**12.42** ~~(R)~~ We will provide a brief to you on progress with the implementation of the Force Protection Review by mid-September 2010.

*"The acquisition of Shadow 200 Unmanned Aerial Vehicles (UAVs) to conduct battlefield surveillance, reconnaissance and target acquisition. 18 UAVs, ground control systems, vehicles and other support systems will be acquired at a cost of \$175 million. This includes funding to enable the expedited delivery of the new UAVs to the Middle East Area of Operations."*

**12.43** ~~(R)~~ We will provide you with a progress brief on this matter by mid-September 2010.

**12.44** ~~(R)~~ On 16 July 2010, the Government approved the acquisition of the SHADOW 200 Tactical Unmanned Aerial Vehicles from the US Army through Foreign Military Sale (FMS) as Phase 2 of Joint Project 129. The FMS Letters of Offer and Acceptance were signed on 11 August 2010.



S33(1)(a)(ii)

DECLASSIFIED  
SECRET AUSTEO

*"The enhancement of the ADF's Counter Improvised Explosive Device capability providing additional explosive disposal robots, new force protection systems for vehicles and training systems, at a cost of \$120 million."*

**12.46** ~~(R)~~ We will provide you with a progress brief on this matter, together with the other Force Protection Project matters, by mid-September 2010.

S36(1)

*"Federal Labor has also accelerated a Defence Capability Plan project to acquire an improved targeting system [Digital Terminal Control System] for deployment to Afghanistan as soon as possible, at a cost of \$30 million."*

**12.47** ~~(R)~~ The Digital Terminal Control System (DTCS) will provide an enhanced digital target acquisition capability.

S36(1)

**East Timor and Solomon Islands**

*"Under a Gillard Labor Government, Australia will continue to play its part in supporting regional stability, through our contribution to operations in East Timor and the Solomon Islands."*

**12.49** ~~(G)~~ Our focus in East Timor is transitioning from security to strengthening the capacity of the East Timorese Defence Force.

S33(1)(a)(iii)

The ADF commitment to the International Stabilisation Force reduced from 650 personnel to 400 in February 2010 due to the improved security environment.

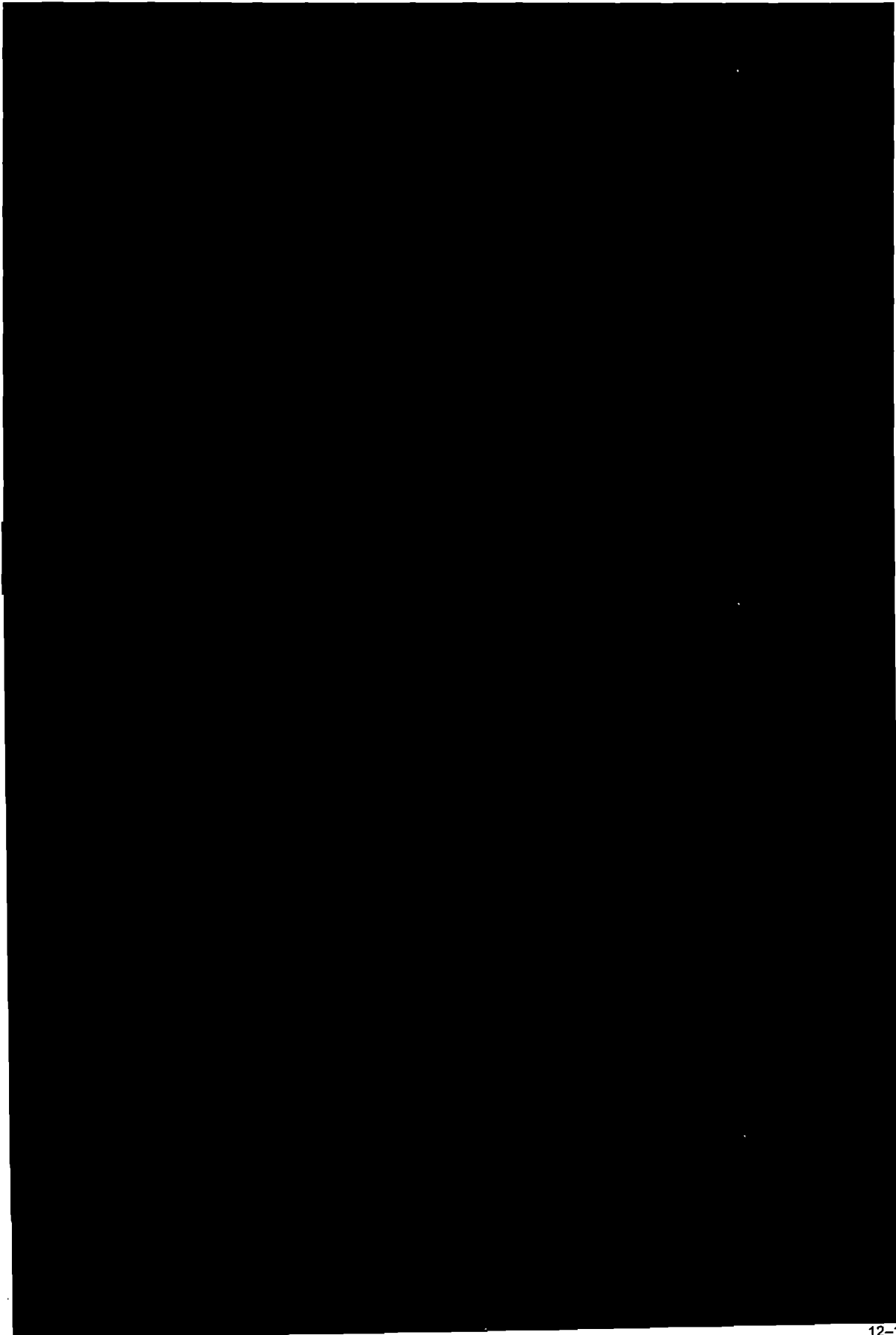
S33(1)(a)(iii)

**Intelligence and Security**

*"A Gillard Labor Government will sustain and strengthen cooperation and collaboration with allied intelligence partners."*

S7

DECLASSIFIED  
**SECRET AUSTEO**

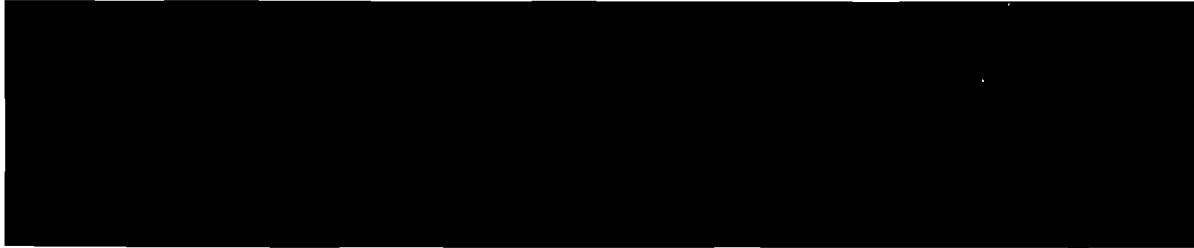


S7

12-11

DECLASSIFIED  
**SECRET AUSTEO**

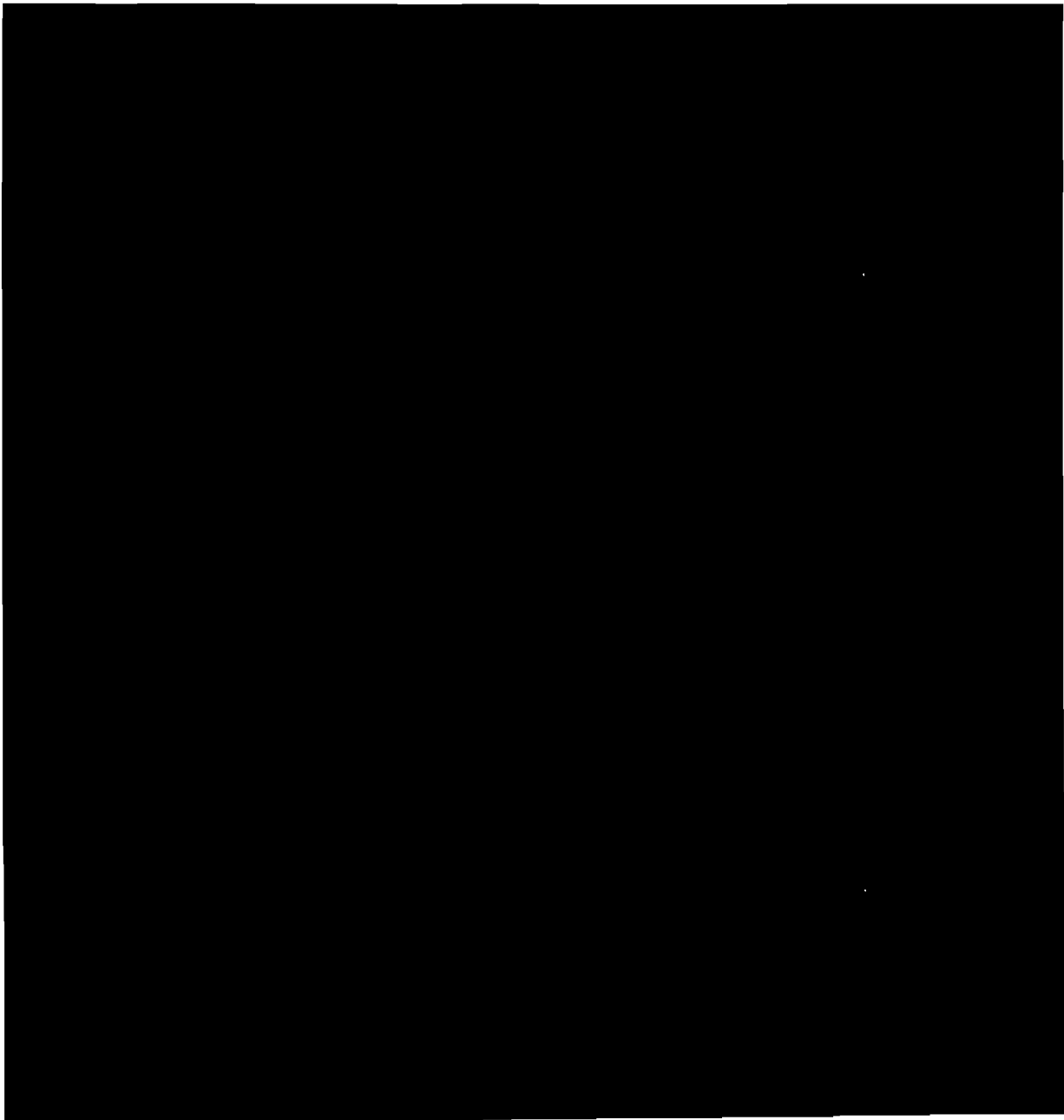
DECLASSIFIED  
SECRET AUSTEO



S7

**Defence Capability and Industry  
Force 2030 and the Defence Capability Plan**

*"A Gillard Labor Government will continue to implement and update the 2009 Defence Capability Plan."*



S36(1)

DECLASSIFIED  
SECRET AUSTEO



DECLASSIFIED  
**SECRET AUSTEO****New Submarine Capability**

*"Labor will ensure that Defence continues its analysis, planning and design work for this major enhancement of our maritime capability."*

**12.63** ~~(R)~~ We will provide you with a brief on the Future Submarines Program, Project Sea 1000 by October 2010. The project is a key component of Force 2030 where Australia's future strategic circumstances necessitate a substantially expanded submarine capability in order to:

- sustain a force at sea large enough in a crisis or conflict to be able to defend our approaches (including at considerable distance from Australia, if necessary);
- protect and support other ADF assets; and
- undertake certain strategic missions where the stealth and other operating characteristics of highly-capable advanced submarines would be crucial.



S36(1)

DECLASSIFIED  
**SECRET AUSTEO**

DECLASSIFIED  
SECRET AUSTEO**Defence Procurement Reforms**

*"A Gillard Labor Government will continue to work hard to improve Defence procurement processes."*

**12.69** ~~(R)~~ A brief on *Acquisition and Sustainment* is in Chapter 10. The current focus for contracting reform is on optimising contracting templates to align with the range of procurement activities undertaken (e.g. by risk and value), and strengthening and increasing the use of performance-based contracts, particularly for sustainment activities. As part of this reform, the DMO is consulting with industry suppliers and peak bodies to improve its procurement and contracting policy, templates, training and advice to reflect contemporary commercial practices and simplify the templates for complex but lower risk procurements.

**Defence Industry Support**

*"A Gillard Labor Government will continue the implementation of the 2010 Defence Industry Policy Statement and will invest \$445 million over the next decade in programs that Australia's Defence industry can access to improve their competitiveness, their capacity for innovation, their ability to enter export markets, their opportunity to win work locally and the skills of their workforce."*

**12.70** ~~(R)~~ We will provide you with a brief by October 2010 on how Defence Industry Policy will assist local industry to be ready to compete for Defence work, [REDACTED] and on options for how this may be improved.

S39

**12.71** ~~(R)~~ Options will include:

- **Capability Development Advisory Forum (CDAF).** This forum could be used to provide communication between Defence and Defence Industry focusing primarily on future projects and skill-sets required. This would provide Defence with a greater insight in the capacity of Australian Industry, supporting informed consideration of any application for sole-sourcing, while better informing Defence Industry of future programs. This will enable industry to better target its training and other resources to meet the need.
- **Defence Industry Innovation Centres (DIIC).** These Centres, operated and managed by the Department of Industry, Innovation, Science and Research (DIISR) supported by Defence funding, would be briefed on upcoming Defence projects (utilising both the System Project Offices and the DMO Business Access Offices located in most States). The DIIC would then be better placed to use their resources to assist the SME community to better prepare themselves for upcoming opportunities.
- **Skilling Australia's Defence Industry Program (SADI).** Australian Defence Industry will have continued access to the resources available through the SADI program and will be able to use those resources to prepare for known future opportunities.
- **Defence Industry Innovation Board.** This newly established board comprising Defence Industry, Capability, DMO and DIISR representation is well placed to provide Australian Defence Industry with the guidance necessary to ensure that Australian Industry picks up on the need to develop those strategically important capabilities that may form part of a particular project and better place themselves in any future tendering process.

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
SECRET AUSTEO

- **Capability Technology Demonstrator Program (CTD).** This program provides Australian defence industry with funding to develop and test innovative ideas that may provide solutions to foreseen technical issues in future projects which may provide companies with an edge when tendering for a given project.

### Naval shipbuilding, repair and maintenance

*"A Gillard Labor Government will deliver improved capabilities for the Australian Navy, with a strong emphasis on Australian industry content."*

**12.72** ~~(R)~~ The next five years will be a very challenging period for Navy as new platforms and capabilities transition into service. In 2014, the largest ships Navy has ever operated, the Canberra class Landing Helicopter Docks, will replace the existing Kanimbla class Landing Platform Amphibious with a truly joint amphibious capability. In December 2014, the Hobart class Air Warfare Destroyer will begin delivery to replace the Adelaide class frigates, restoring an area air defence capability to Navy. The Future Naval Aviation Combat System helicopter will also enter service in late 2014. Defence will deliver these new capabilities and continue to maintain the existing fleet through its existing relationships with Australian industry and overseas suppliers,

S43(1)(c)

### Science, research and Innovation

*"The DSTO will receive an additional \$138 million in funding between 2010-11 and 2012-13."*

**12.73** ~~(R)~~ The additional funding of \$138m over three financial years allows DSTO to increase its science and technology workforce, establish strategic national and international collaborations with science partners, refresh a number of technical facilities to maintain laboratories that are world class, and establish new technical facilities to support a number of highly technologically complex Defence Capability Plan projects. This will ensure that the DSTO has the capacity to provide robust science and technology (S&T) advice on Defence acquisitions, support current operations and support preparedness and sustainment of the current force, while increasing efforts on researching cutting edge areas of Defence technology as foreshadowed in the 2009 Defence White Paper.

**12.74** ~~(R)~~ The DSTO will recruit approximately 200 additional high quality scientists and engineers in the next two years to strengthen research and innovation in Defence and to ensure S&T capacity is available to provide advice on acquisition projects delivering Force 2030.

S33(1)(a)(iii)

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
**SECRET AUSTEO**

*"Federal Labor will strengthen the Corporate Enabling Research Program, which focuses on cutting-edge areas of Defence technology for current and future operations, including cyber and electronic warfare, hypersonics, intelligence, surveillance and reconnaissance."*

**12.77** ~~(R)~~ In November 2010, the research initiatives that form the Corporate Enabling Research Program (CERP) will be formally reviewed by an independent review panel, including DSTO Advisory Board members, senior Defence leaders and international Defence science experts from the US, UK and Canada. This will ensure that DSTO's science is rigorous, thorough, and capable of standing up to scrutiny by its international peers. It will also provide guidance for future annual reviews of the CERP.

S33(1)(a)(ii) &  
S33(1)(a)(iii)

**12.79** ~~(R)~~ The DSTO is considering the appropriateness of its mechanisms for national engagement both with industry and academia, to ensure that its resources are utilised in the most effective and efficient manner to provide the best outcomes for Defence. Over the next 12 months, consideration will be given to establishment of a strategic framework for engaging with universities, and the possible formation of a DSTO Industry Probity Board to oversee and provide advice on how DSTO might best engage with industry and academia without compromising its responsibilities to provide independent advice in the area of technical risk assessment.

### **Looking after our troops**

#### **The legacy of war - wounded personnel**

*"A Gillard Labor Government will introduce a new program of enhanced support and services for wounded ADF members, the Simpson Program."*

**12.80** ~~(R)~~ We will provide a brief on this proposal by mid-October 2010. Defence is examining the option of establishing a rehabilitation centre of excellence that will support wounded personnel with a focus on improved coordination and integration of existing services. The program will ensure a comprehensive approach to tailored recovery programs which support the needs of wounded individuals and their families.

S36(1)

DECLASSIFIED  
**SECRET AUSTEO**

DECLASSIFIED  
SECRET AUSTEO

**Ensuring the health of our forces**

*"Federal Labor will examine the results of the ADF Family Healthcare Trial, which provides access to a range of medical services to ADF families."*

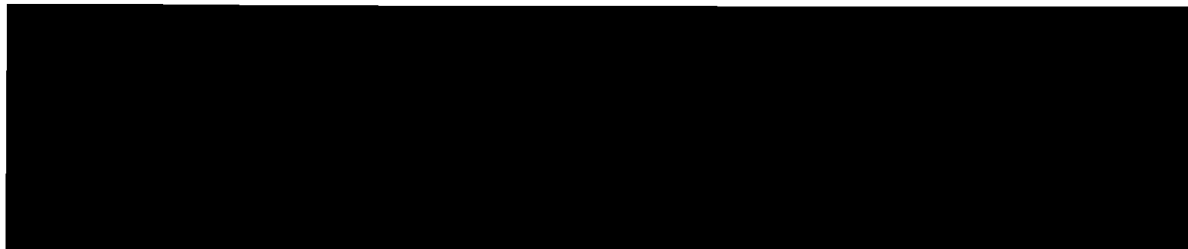
**12.81** ~~(R)~~ A trial for the provision of healthcare to family members of ADF personnel commenced in May 2009, and is scheduled to conclude on 30 June 2012. This trial is taking place at eight locations around Australia.



S36(1)

*"Federal Labor will expand this alliance into a network of strategic alliances across Australia to deliver state of the art treatment and training opportunities for ADF personnel. The expanded network of alliances, costing \$7.6 million over four years."*

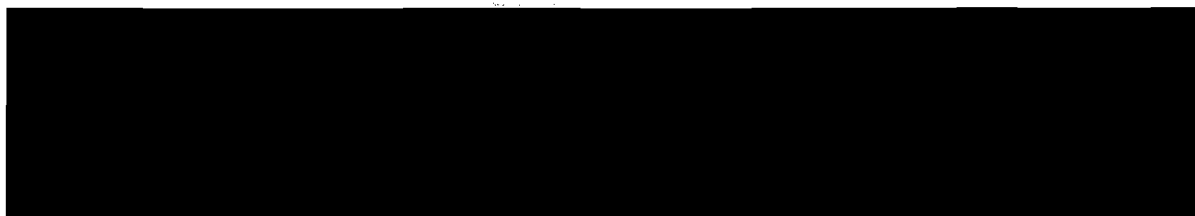
**12.83** ~~(R)~~ A strategic alliance has been signed with Queensland Health and the University of Queensland with an expected expenditure of \$0.58m in 2010-11. This alliance will establish a Chair of Military Surgery, and enhance the clinical capability of ADF health professionals providing additional access to research and training/educational opportunities.



S36(1)

*"A Gillard Labor Government will extend specialist care in a program costing \$12.1 million over four years, funding a permanent ADF specialist medical capability to meet the requirements of Defence personnel."*

**12.85** ~~(R)~~ The Permanent ADF Specialist Medical Capability will provide current ADF medical officers with an opportunity to undergo specialist medical training. This proposal will provide a permanent ADF specialist capability available for short notice deployments and provision of specialist services in Australia.



S36(1)

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
**SECRET AUSTEO****Recruitment and Retention**

*"Federal Labor will continue to focus on maintaining high recruitment and retention levels in the ADF."*

**12.87** ~~(R)~~ Defence will work with the Government to continue to provide competitive and attractive employment packages for ADF members through the Workplace Remuneration Arrangement (scheduled for redevelopment in the second-half of 2011), and to simplify and streamline pay and allowance policy. Work will continue on the Defence Employment Offer Project, which will regularly re-validate and refine, as necessary, the key elements of the Defence Employment Offer which will ensure that Defence can recruit and retain the workforce required to meet its capability needs.

**12.88** ~~(R)~~ Defence will continue to monitor the potential impacts of the expansion of the Australian resources sector on the Defence workforce. While Defence does not have any funding contingency to adjust its employment offer if the impact of economic resurgence produces a significant need to meet the market on remuneration or benefits, reallocation of priorities may produce the required funding within the Defence budget cap.

*"Federal Labor will also ask Defence to review the posting cycle to increase the length of back-to-back postings in the same area, to reduce stress on members and their families from relocations."*

**12.89** ~~(R)~~ We will report to you on the outcomes of a review into the posting cycle to increase the length of back-to-back postings in the same area in late October 2010. We will discuss with you the proposed scope of the review to ensure that it accords with the objective of your proposal.

**Women in the ADF**

*"Federal Labor is committed to supporting the position of women in the Defence Forces."*

**12.90** ~~(R)~~ Defence will work with the Government to continue efforts to improve the recruitment and retention of women in the ADF. Defence will continue to progress the Chief of the Defence Force's Action Plan for Women in the ADF and the Physical Employment Standards Project. The relevant stage of the Physical Employment Standards Project concerning employment categories available to women will be completed by the end of 2011.

**12.91** ~~(R)~~ Defence is making solid progress against the CDF action plan, with 416 more women in the ADF at the end of 2009-10 than at the end of the previous financial year.

**Defence Housing**

*"A Gillard Labor Government will progress Single LEAP Phase 2 and deliver over 3,000 additional living in units across Australia."*

**12.92** ~~(R)~~ Project Single LEAP Phase 2 will deliver 3,015 units across 14 Defence sites nationally, potentially through Public Private Partnership arrangements.

**12.93** ~~(R)~~ Project delays (largely due to the Global Financial Crisis) have required Defence to develop interim accommodation solutions for RAAF Edinburgh in Adelaide and Lavarack Barracks, Townsville.

DECLASSIFIED  
SECRET AUSTEO

**12.94** ~~(R)~~ Tender documents were recently issued to two of the original short-listed Proponents to recommence the procurement phase of the Project. The tender is due to close later this year followed by an evaluation of the proposals.

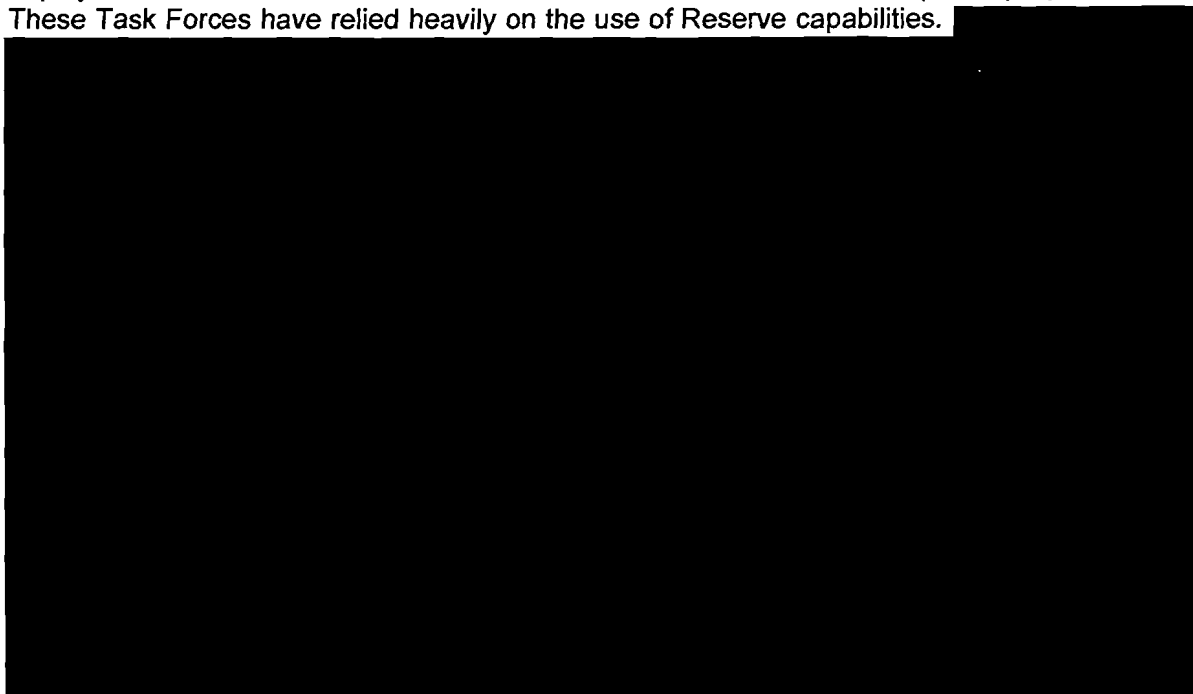
**12.95** ~~(R)~~ Defence expects to put a recommendation to the Government by the end of February 2011 seeking approval to finalise contract negotiations with a 'preferred proponent'.

**12.96** ~~(R)~~ Construction on the first scheduled sites is expected to commence in May 2011 with a project completion date scheduled for December 2013.

### Defence Reserves

*"Under a Gillard Labor Government, the skills of reservists will be relied upon to develop an enhanced humanitarian assistance and disaster relief Reserve capability, suited to responding to humanitarian crises, disaster situations and peacekeeping operations."*

**12.97** ~~(R)~~ Recent experience has demonstrated the ADF's ability to quickly form and deploy Task Forces for humanitarian assistance and disaster relief (HADR) operations. These Task Forces have relied heavily on the use of Reserve capabilities.

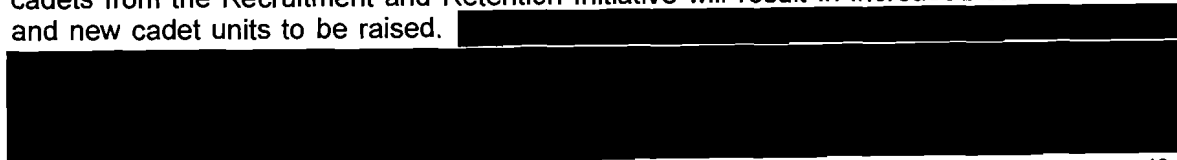


S36(1)

### Cadets

*"Federal Labor recognises the important role of the ADF Cadets, and is committed to their continuation and growth."*

**12.99** (U) We will provide you with a brief on cadets by October 2010. Defence continues to implement the agreed recommendations of the 2008 Review of the ADF Cadet Scheme (the Hickling Review) which examined enhancements to the Australian Navy Cadets, Australian Army Cadets and Australian Air Force Cadets. Additional funds allocated to cadets from the Recruitment and Retention Initiative will result in increased cadet numbers and new cadet units to be raised.



S36(1)

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
SECRET AUSTEO

*"A Gillard Labor Government will introduce legislation to give the Chief of the Defence Force more control and responsibility over the Cadets."*

**12.100 (R)** The then Parliamentary Secretary for Defence Support signed a Ministerial Directive on 2 July 2010, directing the Chiefs of Navy, Army and Air Force to take account of any instructions given to them by the Chief of the Defence Force (CDF) or Vice Chief of the Defence Force (VCDF) in relation to their respective cadet organisations. The Ministerial Directive is an interim measure designed to provide greater clarity in arrangements for the administration of the ADF Cadet Scheme before the adoption of legislative change that will supersede it.

**12.101 (U)** The proposed legislative change, designed to enable the CDF to direct Service Chiefs in the administration of their respective cadet organisation, has been drafted by Defence and agreed to by the former government but is yet to be formally drafted into legislation to go before the Parliament. We will provide you with a brief on this matter by October 2010.

*"A Gillard Labor Government will continue its commitment to ensuring the prosperity of the Cadets, and will provide additional funding of \$10 million per year until 2017-18 to support the Cadets."*

**12.102 (U)** The Expanding Cadets Initiatives under the Recruitment and Retention Initiative supplemented cadet funding by \$10m per year, for ten years, from 2007-08. This funding is earmarked for improving the cadet programs and increasing participation in the Cadet scheme. This initiative was supported by the 2008 Review of the ADF Cadet Scheme (the Hickling Review) and performance on the initiative to June 2010 has seen cadet numbers increasing faster than originally planned.

**12.103 (U)** Acknowledging the value of the ADF Cadet Scheme and its significant contribution to ADF recruitment, Defence will continue this level of additional support beyond 2016-17. This supplementation has made it possible to transfer funding to the Service baselines from 2011-12. This transfer will give the Services greater certainty of funding over time and greater flexibility in the use of funds which in turn will generate improved outcomes for cadets.

**12.104 (R)** We will provide a brief to you on progress with this initiative by October 2010.

### **Defence Infrastructure**

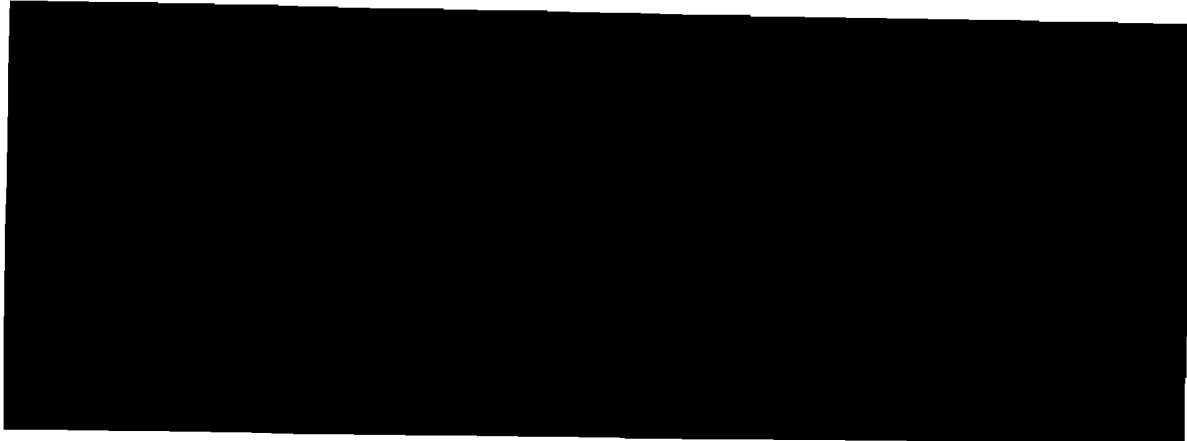
#### **Base Review**

*"A Gillard Labor Government will carry out a comprehensive review of the Defence estate, including a strategic assessment of Defence's basing requirements and a detailed financial analysis of long-term costs and efficiency gains of different basing mixes."*

S36(1)

DECLASSIFIED  
SECRET AUSTEO



DECLASSIFIED  
SECRET AUSTEO

S36(1)

### Investment in Facilities

*"A Gillard Labor Government will invest in and support high quality facilities to maintain and support a strong and capable Defence force."*

**12.108 (R)**—On current planning, Defence will invest some \$1.76 billion in facilities in 2010-11; total expenditure by State and Territories is as follows:

- New South Wales - \$266.5m;
- Victoria - \$147.6m;
- Queensland - \$601.8m;
- South Australia - \$268m;
- Western Australia - \$88.6m;
- Northern Territory - \$214.2m;
- Australian Capital Territory - \$165.4m; and
- Tasmania - \$4.7m.

### Asbestos Tiger Team

*"Federal Labor is committed to eliminating the risk of asbestos in Defence."*

**12.109 (R)**—Defence will provide you with bi-monthly reports from the Asbestos Inventory Tiger Team as they progressively audit Defence's inventory of equipment and facilities to identify and remove all asbestos from Defence.

### Securing the Future of NORCOM

*"A Gillard Labor Government will keep the Australian Defence Force's Northern Command (NORCOM) Headquarters in Darwin."*

**12.110 (R)**—We will provide you with a brief on the arrangements to retain NORCOM in Darwin addressing its role, responsibilities and workforce by the end of September 2010.

DECLASSIFIED  
SECRET AUSTEO

DECLASSIFIED  
SECRET AUSTEO**Operational Training and the Community**

*"Wherever possible, Federal Labor will ensure that local communities affected by Defence training or exercises are consulted, and that any negative impacts on communities are minimised."*

**12.111 –(R)** Defence has a range of community consultation strategies in place to ensure that local communities remain well informed of exercise and training practices. The strategies are tailored to reflect the scale of the proposed exercise and may include conducting public briefing sessions, issuing public notices in local newspapers, issuing letters to affected residents and advising the media. For proposed changes to existing training regimes which may, for example, result from the introduction of new capabilities, community consultation is conducted through working groups with stakeholders. This is occurring for the introduction of the Joint Strike Fighter aircraft and may, in response to community feedback, result in significant modifications to Defence's initial concept for training.

**OTHER DEFENCE-RELATED PROPOSALS – NOT INCLUDED IN 'LABOR'S PLAN FOR DEFENCE'****Darwin Road Upgrade**

*"The ALP is committed to road improvements at the intersection of Stevens and Campbell and Stevens and Brandt Roads."*

**12.112 –(R)** We would welcome the opportunity to discuss with you options to implement traffic management improvements near Robertson Barracks, Darwin.

S36(1)

**Housing at Larrakeyah Barracks**

*"The Gillard Labor Government has also announced that 57 houses from Larrakeyah Barracks will be relocated to provide more housing options for Darwin residents."*

**12.113 –(R)** We can advise that the 57 houses referred to in this proposal will be available to be relocated from Larrakeyah Barracks from October 2010, with a view to their being recycled to provide community housing options.

**RAAF Williamtown noise**

*"A Labor Government will consider all options to reduce aircraft noise, convene a Williamtown Aircraft Noise Strategic Taskforce and review and replace the current 2025 ANEF."*

**12.114 –(R)** We will brief you by late September on the costs and operational impact of a range of noise mitigation options for RAAF Williamtown, potentially including extending the runway and reconfiguring instrument approach systems. The extent to which any options may affect the 2025 noise forecast for RAAF Williamtown will be investigated and discussed with the Port Stephens Council when analysis is completed.

**12.115 –(R)** Defence will review existing consultative arrangements to establish an appropriate mechanism to establish an aircraft noise strategic taskforce.

DECLASSIFIED  
SECRET AUSTEO

**12.116** ~~(R)~~ Australian Noise Exposure Forecast (ANEF) maps are updated, as the need arises, to reflect proposed major changes to existing aircraft capabilities or the introduction of new capabilities. The 2025 ANEF, which is based on the best information currently available to Defence, is a basis for Port Stephens Council and the NSW State Government to make long-term planning and building policy decisions. The 2025 ANEF is given statutory effect through Port Stephens Council's planning and building policies.

**12.117** ~~(R)~~ A new 2025 Australian Noise Exposure Concept (a necessary step towards a new ANEF), produced by Defence on 17 May 2010 and reflecting Air Force's potentially halving the Joint Strike Fighter's projected use of the Salt Ash Air Weapons Range, remains in draft form. It will be published as the new 2025 ANEF after Defence completes its analysis of the impact on the ANEF noise contours from the noise mitigation options and after further consultation with the Port Stephens Council.

### Townsville Wharf

*"A re-elected Gillard Government would provide an additional \$4 million and the State Government an additional \$3.5 million to make up the shortfall, needed to fund a \$75 million project."*

**12.118** (R) Defence has approval for a \$30 million contribution to the upgrade to Berth 10 and is seeking to gain agreement with the Port of Townsville Ltd to commit this funding by November 2010. Defence will work with the Queensland Government and the Port of Townsville Ltd on the additional funding proposed for the wharf extension and ocean terminal.

## WHOLE-OF-GOVERNMENT PROPOSALS THAT MAY HAVE AN IMPACT ON DEFENCE

### Efficiency Dividend

*"Maintain the Efficiency Dividend at 1.25 per cent."*

S36(1)

### Tax Plan for our Future

*"...making our tax system simpler and fairer..."*

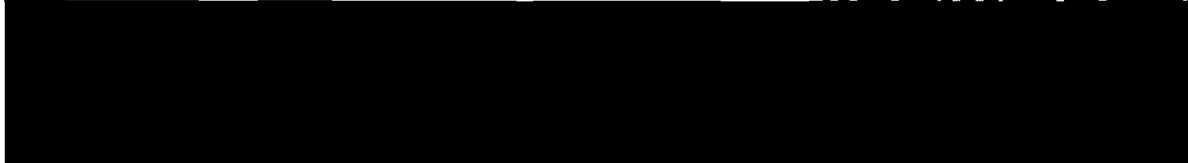
**12.120** ~~(R)~~ At this stage we are not in a position to assess the potential impact on Defence of possible changes to the tax system.

DECLASSIFIED  
**SECRET AUSTEO**

**Advertising**

*"The Gillard Labor Government will reduce government advertising by \$60 million over the forward estimates."*

**12.121** ~~(R)~~ In 2009-10, Defence spent \$47m on advertising. 



S36(1)

DECLASSIFIED  
**SECRET AUSTEO**

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

## CHAPTER 13

# MATTERS REQUIRING EARLY MINISTERIAL ATTENTION

## KEY DECISIONS IN THE NEXT THREE TO SIX MONTHS INCLUDING EVENTS AND VISITS OF SIGNIFICANCE

**13.1** This chapter contains a consolidated summary of the key decisions that you will most likely need to make in the first three to six months of your appointment. It also contains advice on other potentially sensitive and important issues that you will most likely need to consider.

**13.2** Some issues listed below have been held back due to the Caretaker period and will require early attention. Further, there are a number of matters that will be submitted to your office for consideration to proceed to the National Security Committee (NSC) of Cabinet, some as early as the first NSC meeting of the new Cabinet.

**13.3** As you will appreciate, while the information was correct at the date of finalisation of this brief, some changes will be necessary as issues and events unfold.

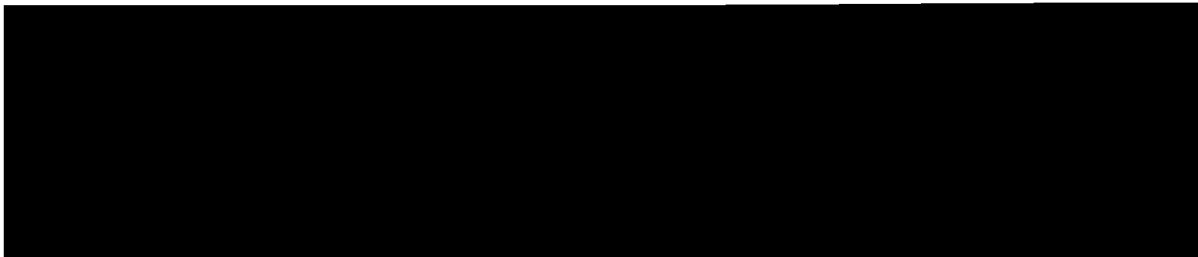
**13.4** These issues and decisions are presented in the following categories :

- Submissions to be brought for NSC/Cabinet Consideration;
- Matters requiring two Minister approval;
- Key Decisions and Portfolio Advice;
- Proposed overseas visits;
- Key events / visits of significance; and
- Proposed familiarisation visits to Defence bases.

**13.5** The list is a long one, reflecting the pace of Defence operations and the ambitious Defence reform and rebuilding program under way. The Secretary and the Chief of the Defence Force (CDF) and key Defence officers will be available to discuss each item with you should you choose to do so, something the previous Minister found very helpful.

### SUBMISSIONS TO BE BROUGHT FOR NSC/CABINET CONSIDERATION

#### The First NSC Meeting



S34(1)(d)

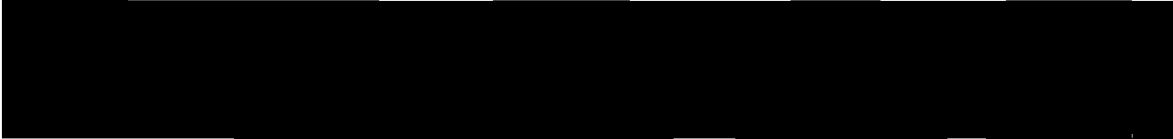
DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

Matters Requiring Early Ministerial Attention

Chapter 13

**13.7** This meeting may also consider updates on current issues including progress with Pakistan Assist and security preparations for the 2010 Commonwealth Games in New Delhi, India.

**The Second NSC Meeting**



S34(1)(d)

**Future 2010 SCNS/NSC Meetings**




S34(1)(d)

**13.10** There are also a number of Defence Capability Plan (DCP) projects, already considered by SCNS, which are positioned to be brought forward once regular NSC meetings resume. This may be as early as late September. These submissions have been agreed by SCNS and are:

- AIR 5431 Ph 1 - Deployable Air Traffic Management and Control Systems (First Pass);
- AIR 5376 Ph 4 - Hornet Upgrade Program – Structural Assurance Consolidation Program (First and Second Pass); and
- SEA 1442 Ph 4 - Maritime Communication Modernisation (Tranche 1) (First Pass).

**13.11** A number of other items are expected to be ready to progress for NSC consideration before the end of 2010. Below is an indicative list of those items and the NSC meeting at which we will seek to have them scheduled for consideration. SCNS has not yet considered any of these submissions – this would usually occur in the fortnight prior to the scheduled NSC. In the normal course of events, we would expect to provide these submissions to you for your consideration in the month prior to the scheduled NSC. The items are:


-  S36(1)
- SEA 1448 Ph 4A - ANZAC Electronic Support System Improvements (First Pass) (October);
- AIR 6000 Ph 2 - New Air Combat Capability Project (Joint Strike Fighter) Update (October);

-  S36(1)

13-2

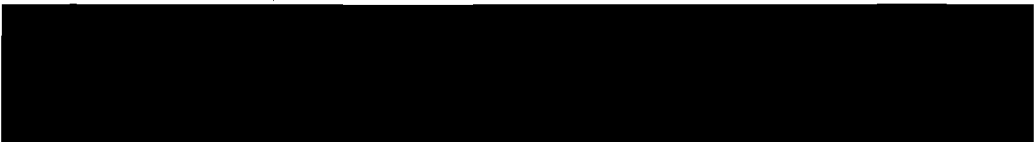
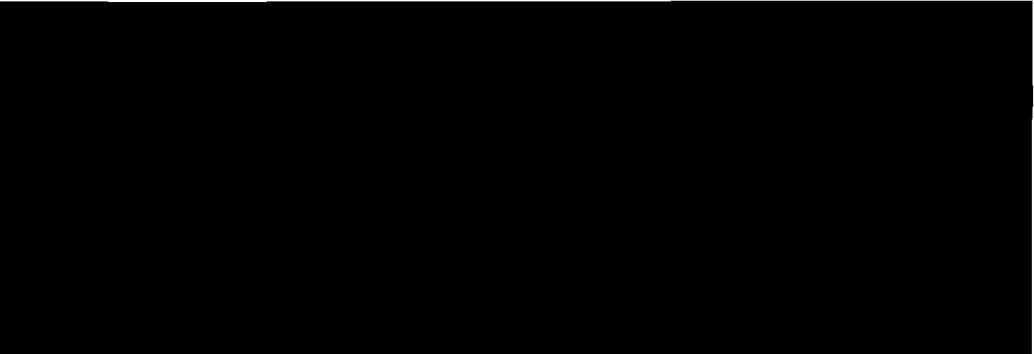
DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

-  S36(1)
- Progress of the Strategic Reform Program (SRP) (November);
- JP 2097 Ph 1B - REDFIN - Enhancements to Special Operations Capability (First Pass) (November);
- JP2047 Ph 3 – Defence Wide Area Communications Network Replacement (First Pass) (November);
- LAND 121 Ph 5A – Overlander – Field Vehicles & Trailers (including Land 121 facilities elements) (First and Second Pass) (November); and
- LAND 17 Ph 1B – Artillery Replacement – Digital Fire Control Systems (Second Pass) (November).

**Other Cabinet Matters**

**13.12** We anticipate that some other Cabinet-related matters will be forwarded to you for consideration this calendar year. These include:

-  S34(1)(d)
- **AIR 9000 Phase 8 – Future Naval Aviation Combat System** – to provide second pass approval by NSC in the first quarter of 2011.
-  S34(1)(d)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

**MATTERS REQUIRING TWO MINISTER APPROVAL**

**DCP Projects**

**13.13** While the agreement of the NSC is required for Defence projects costing over \$100m, the Minister for Defence and the Minister for Finance and Deregulation (Finance) may jointly approve projects costing between \$20m and \$100m. A number of these projects will come forward for your consideration in the next few months; they are listed by month below.

- Seahawk Capability Assurance Program (Second Pass) (September);

- [Redacted] S36(1)
- [Redacted]

- [Redacted] S33(1)(a)(ii)

- [Redacted] S33(1)(a)(ii)

- JP 2085 Ph 2/3 - Explosive Ordnance Warstock – Initial consideration (Interim First Pass) (September);

- JP 2008 Ph 3H - Military Satellite Capability – Wideband Terrestrial Terminals (First Pass) (October);

- [Redacted] S33(1)(a)(ii)

- [Redacted] S36(1)
- [Redacted]



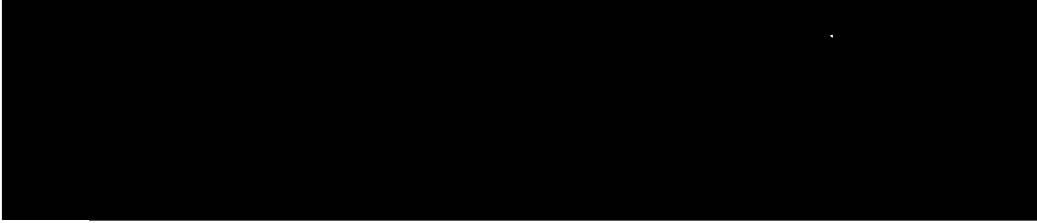
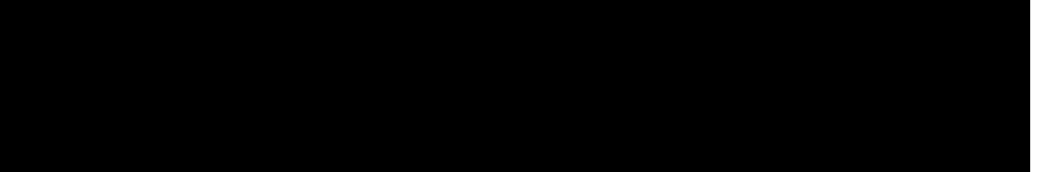
**Infrastructure projects**

**13.14** A number of infrastructure projects to support Defence bases and capability around Australia will also be brought forward for the agreement of yourself and the Minister for Finance. These are:

- [Redacted] S39



DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

-  S39
-  S39
-  S39
-  S39

**KEY DECISIONS AND PORTFOLIO ADVICE**

**13.15** There are a number of other key decisions and announcements you will be asked to make in the coming months. There are also a number of parliamentary and legislative obligations you will need to fulfil. These are listed below and will give you a sense of the rhythm of the Defence Portfolio.

**Condolence Motions**

**13.16** You will be requested to approve draft condolence statements to be made in the first sitting week of the Spring session of the new Parliament (September) for the five ADF members killed in action in Afghanistan since the Parliament last sat on 24 June 2010.

**Intelligence Briefings**

**13.17** We will also invite you to be briefed into specific sensitive intelligence compartments in order for you to be provided with access to intelligence product and to consider highly sensitive material. These briefs will be conducted at Russell Offices; the department will work with your office to make the necessary arrangements (September).

**Key Decisions**

**13.18** The key decisions that you will be asked to make cover the full range of matters in the Defence Portfolio. We have grouped these below in the following categories: Intelligence matters; International Strategy; Defence Governance; Management of Defence Infrastructure and Estate; the Lewincamp Review; and other. The month of decision is also indicated.


**Intelligence Matters**



S7

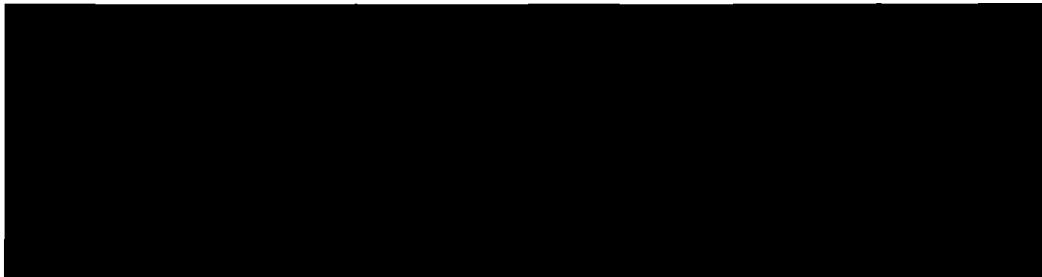
**International Strategy**

**13.20** Defence actively plans for future international and strategic developments. We also manage a number of Defence relationships with other nations and successful conduct of overseas operations is dependent upon the success of our relationships and long-term strategic planning. Initial matters you will need to consider are:

- **Agreement to provide a final draft United Nations Technical Arrangement (UNTA) to the United Nations (UN).** The UNTA is the legal agreement between Australia and the UN for Australia to provide security to the United Nations Integrated Mission in East Timor (UNMIT). 

S33(1)(b)

- **Export Control Regulation.** (September). You will be requested to:



S36(1)

DECLASSIFIED  
SECRET AUSTEO  
CABINET-IN-CONFIDENCE

[Redacted]

S33(1)(a)(iii)  
&  
S36(1)

- **Federal Executive Council (ExCO) consideration.** [Redacted]

[Redacted]

S35

- [Redacted]
- [Redacted]

S33(1)(a)(iii)  
&  
S36(1)

**ADF Combat Clothing and Personal Equipment**

**13.21** The policy and processes associated with the procurement of ADF clothing and personal protective equipment have been the subject of significant public commentary in recent months. [Redacted]

[Redacted]

S36(1)

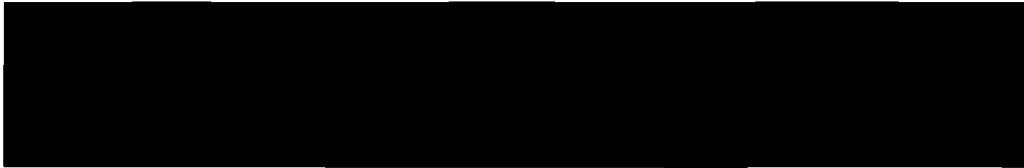
**Defence Governance**

**13.22** As you are aware, the management of the complex Defence Portfolio depends upon the establishment and continuing improvement of effective governance frameworks. Initial matters for your consideration in this area will be:

- [Redacted]

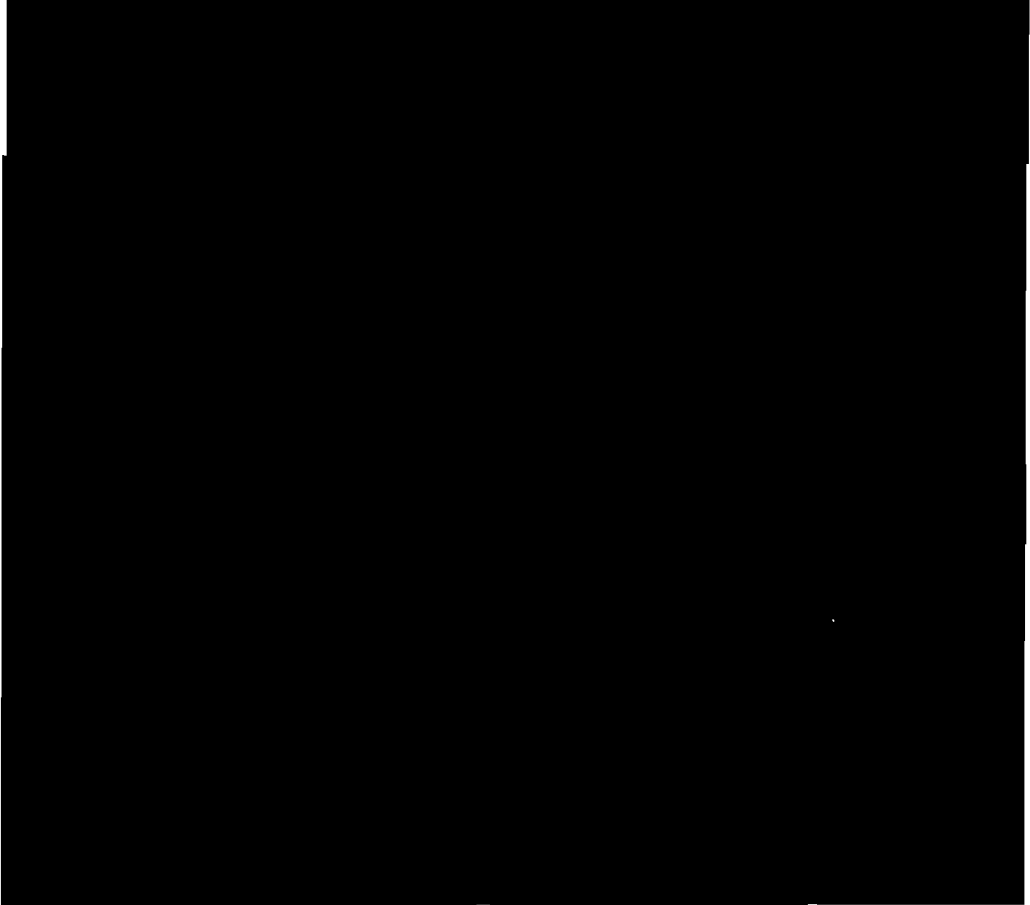
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



S36(1)

- **Centralisation of Service Delivery Functions.** Since 2004, the Defence Support Group has been undertaking reform of shared services capability including the transition of selected regionally delivered functions to business centres at Adelaide, Puckapunyal, Raymond Terrace, Townsville, Hobart and Bandiana. The Strategic Reform Program includes initiatives under the Workforce and Shared Services stream to continue this program of centralisation for selected functions and a rationalisation of the existing business centres.



S36(1)

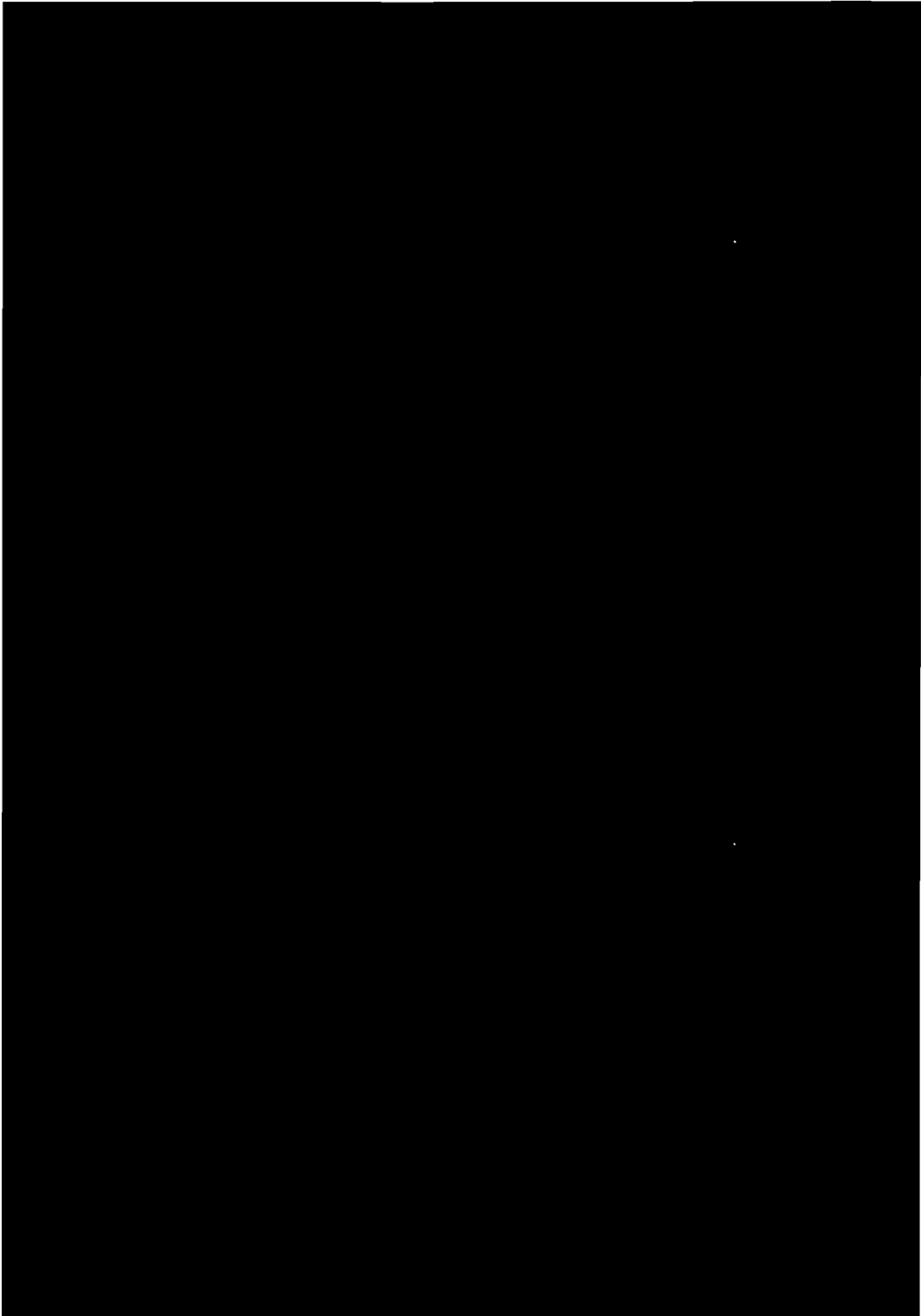
**Defence Infrastructure, Estate Management and Sustainment Matters**

**13.23** Management and upkeep of our estate, infrastructure and sustainment of our major capital equipment is crucial for the maintenance of Defence capability. The first matters for your consideration will be:



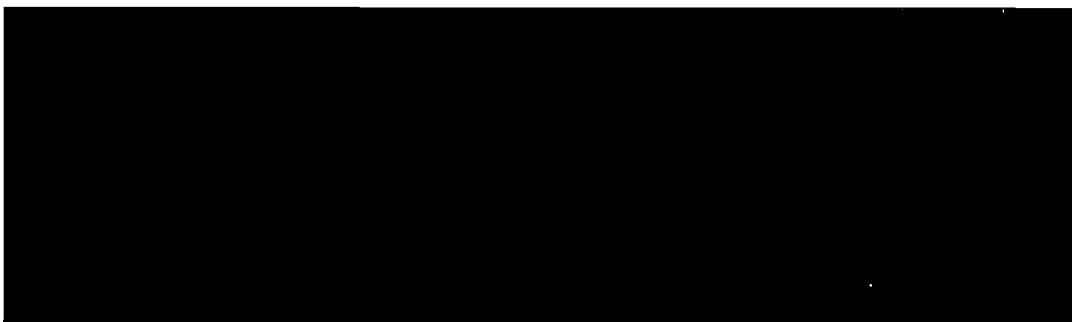
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



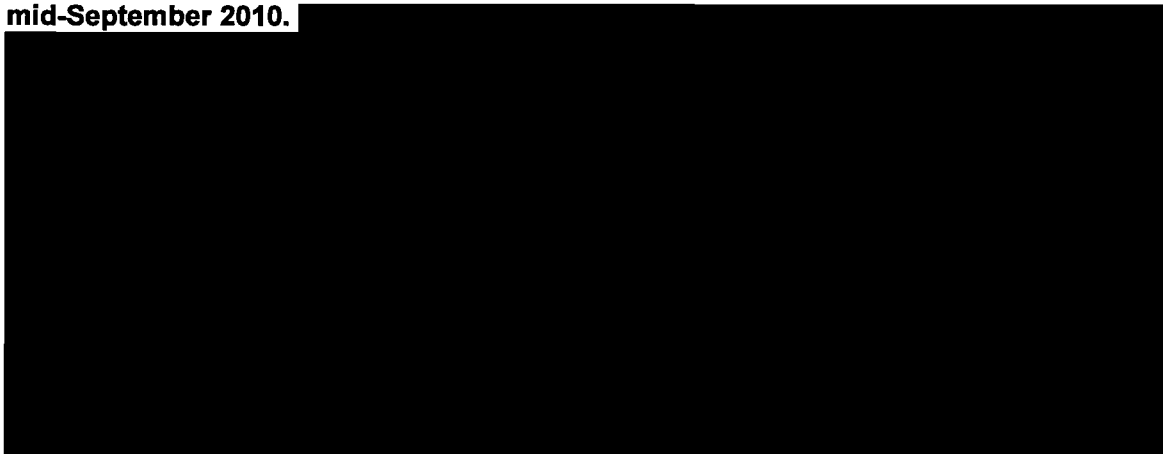
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



S36(1)

**13.24 Clothing Procurement (Lewincamp) Review. Planned for completion in mid-September 2010.**



S36(1) &  
S39

**Parliamentary and Legislative Requirements**

**13.25** Some of the submissions we will ask you to consider relate to parliamentary reporting and legislative requirements. These are listed, together with the month of decision, below.

- **Questions taken on notice from the Senate Standing Committee on Foreign Affairs Defence and Trade Estimates Hearing.** You will be requested to consider outstanding responses (September).



S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

- **Defence Annual Report 2009-10.** You will be requested to approve the Defence Annual Report 2009-10 to meet the tabling requirement of 31 October 2010 (October).

**Your Election Proposals**

**13.26** We will provide you briefs, commencing as early as mid-September, in response to a number of the proposals contained in your Defence policy platform, and the whole-of-government initiatives that are likely to have an impact on Defence.

**PROPOSED OVERSEAS VISITS**

**13.27** Outlined below is a list of proposed overseas visits you may wish to consider undertaking in the first six months of your appointment.

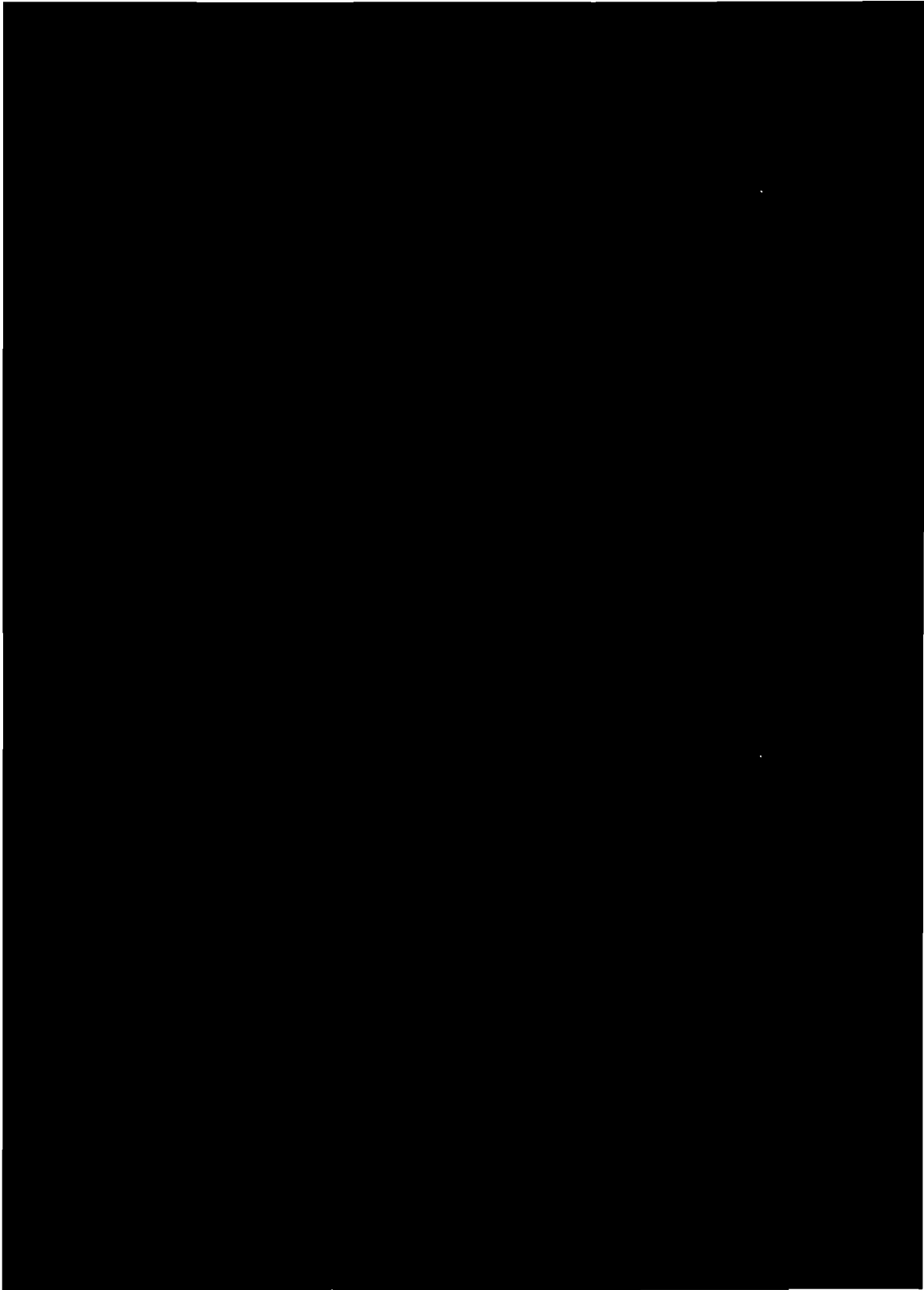
[Redacted]

S33(1)(a)(iii)

[Redacted]

S33(1)(a)(iii)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



S33(1)(a)(iii)



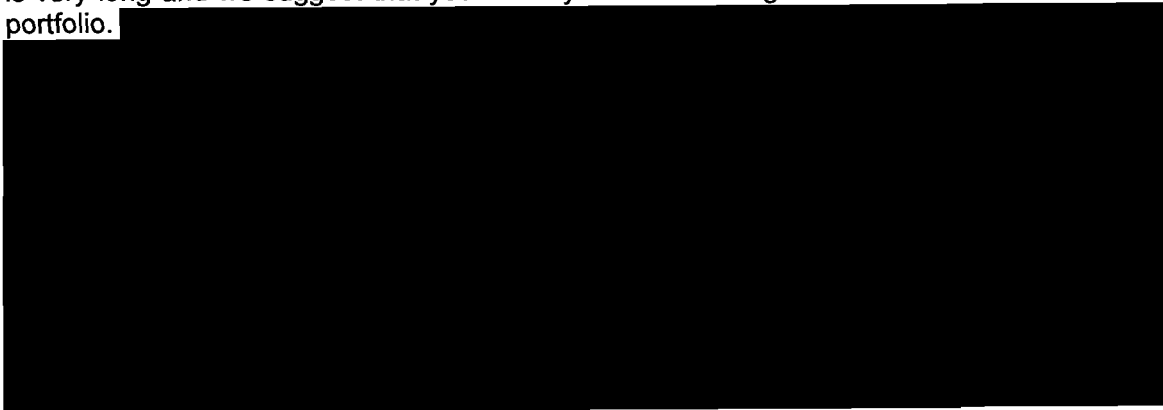
DECLASSIFIED  
SECRET AUSTEO  
CABINET-IN-CONFIDENCE



S33(1)(a)(iii)

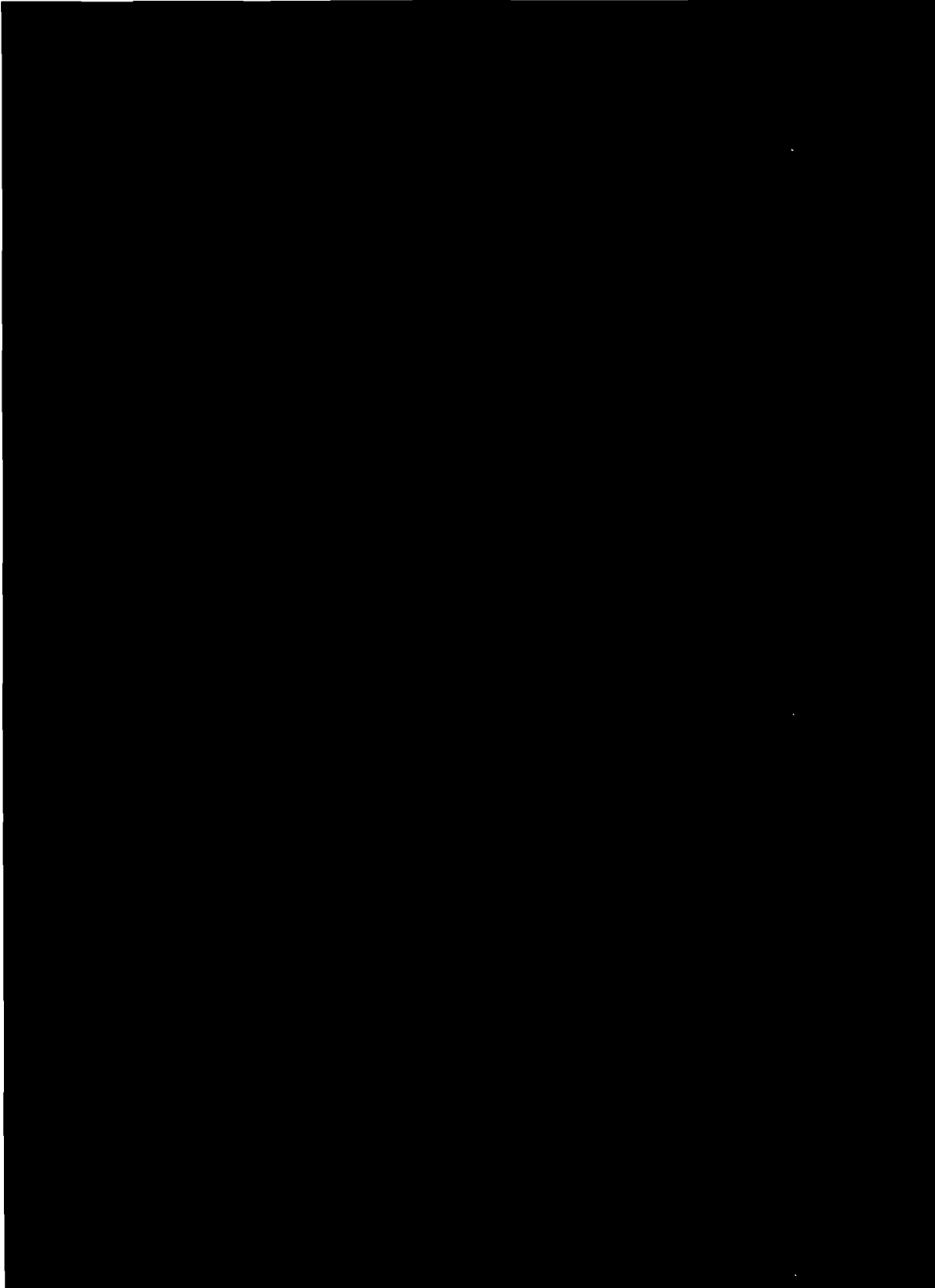
**KEY EVENTS / VISITS OF SIGNIFICANCE**

**13.29** Outlined below is a list of key events and domestic visits of significance that you will be asked to be involved with, or nominate a representative to attend on your behalf. This list is very long and we suggest that you make your choice in light of the other demands of the portfolio.



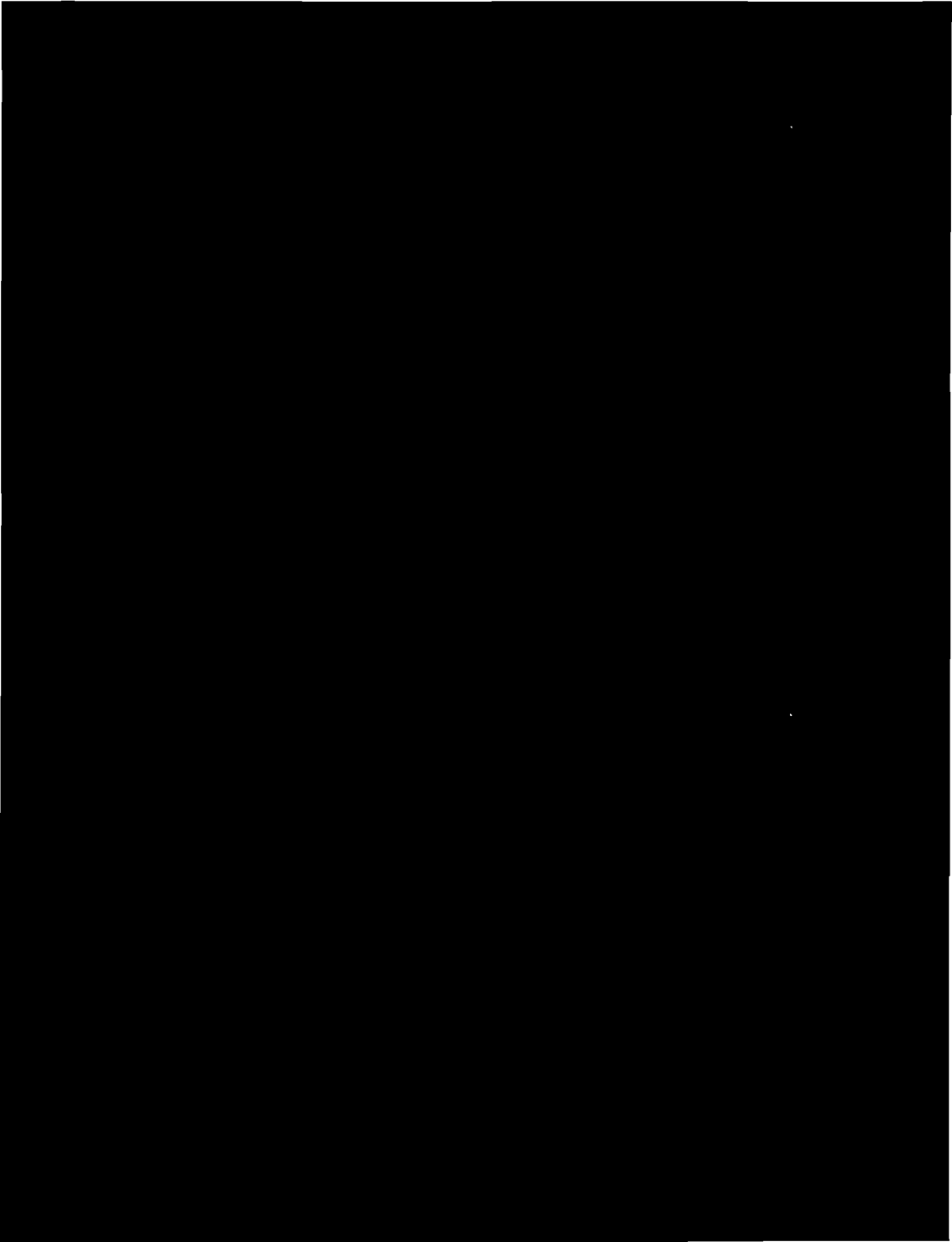
S33(1)(a)(iii)  
&  
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



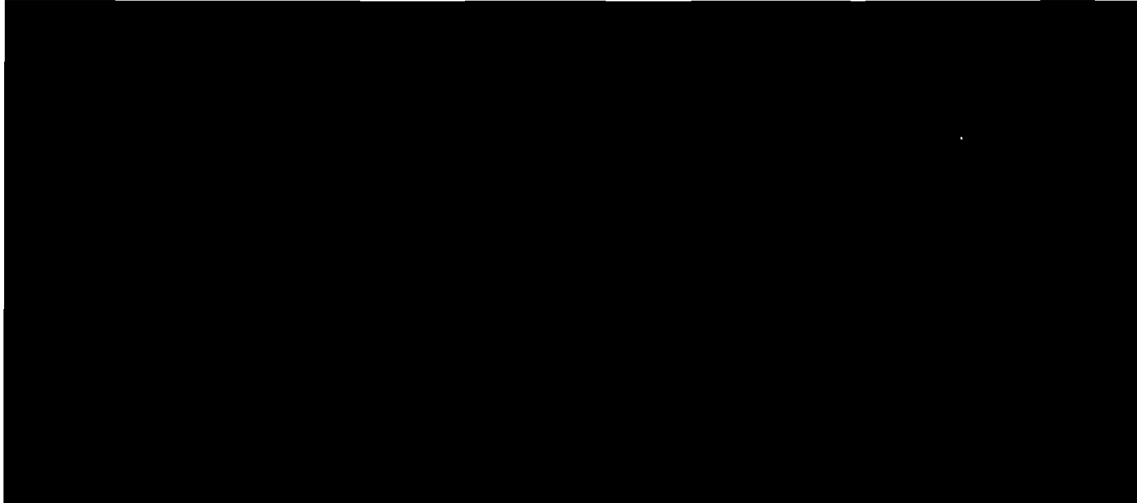
S33(1)(a)(iii)  
&  
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



S33(1)(a)(iii)  
&  
S36(1)

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**



S33(1)(a)(iii) & S36(1)
-------------------------------

### PROPOSED FAMILIARISATION VISITS TO DEFENCE BASES

**13.30** Outlined below are suggested visits to key Defence sites that you may wish to consider in the first three to six months of your appointment. Rather than being planned as one-off events, these are best arranged around your other Ministerial commitments throughout the year ahead.

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ACT | <p><b>Cyber Security Operations Centre In DSD.</b> Opened in 2010, this multi-agency centre is central to our efforts to enhance cyber security and capability. There would be value in a visit to the centre to receive a more detailed briefing on its capability and plans.</p>                                                                                                                                                                   |
| NT  | <p><b>Robertson Barracks Darwin</b> accommodates Army's mechanised infantry brigade (1 Brigade), an armoured reconnaissance unit (2nd Cavalry Regiment) and an aviation regiment (1st Aviation Regiment), as well as support and logistic units. 7 Royal Australian Regiment is currently being raised at Robertson Barracks, but will relocate to Edinburgh Defence Precinct in 2012.</p>                                                           |
| WA  | <p><b>Campbell Barracks</b> accommodates Army's Special Air Service Regiment.</p> <p><b>HMAS Stirling</b> incorporates Fleet Base West and is a Navy operational and support base providing ship repair, maintenance, training, logistical and operational support, plus home port facilities for the six Collins-class submarines, five Anzac-class frigates, one replenishment ship, Clearance Diving Team Four, and associated support craft.</p> |

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

NSW

**RAAF Base Williamtown** accommodates the command, operational and support elements of Air Combat Group's tactical fighter force component operating F/A-18, Hawk and PC-9 aircraft. The base also accommodates Surveillance and Response Group's air surveillance and battlefield management command and support elements, Airborne Early Warning and Control aircraft when they are introduced into service, and an Air Force Reserve squadron. The base also accommodates a number of Combat Support Group units and the Australian Defence Force Warfare Centre.

QLD

**Shoalwater Bay Training Area – during Exercise Swift Eagle.** Shoalwater Bay Training Area is a large Defence training area located 100km from Yeppoon and is the site for large scale exercises such as Exercise Swift Eagle.

**RAAF Base Townsville** is a mounting base for concentration and ADF operations, and supports Number 38 Squadron; the Army's 5 Aviation Regiment; Combat Survival Training School; an Air Force Reserve Squadron; Number 1 Airfield Operations Support Squadron, Airfield Engineering and Explosive Ordnance Disposal capability; and support organisations.

**RAAF Base Amberley** accommodates the F-111 component of Air Combat Group which is being replaced with the Australian Super Hornet FA-18F from 2010, and Air Lift Group's C-17 Globemaster. Air Lift Group KC-30A Multi Role Tanker Transport aircraft are to be located at RAAF Amberley in 2010. Also accommodated are Headquarters Combat Support Group, a number of Combat Support Group units, an Air Force Reserve squadron and the Army's 9 Force Support Battalion and DMO. Army's 21 Construction Squadron will relocate in 2011.

SA

**Edinburgh Defence Precinct** includes RAAF Edinburgh and Defence Science and Technology Organisation (DSTO) Edinburgh. RAAF Edinburgh is the operational flying and training home base for Surveillance and Response Group's Orion maritime patrol aircraft comprising of Number 92 Wing. The base also supports major aircraft experimental research, and testing and evaluation of aerospace systems on operational aircraft by the Aerospace Operations Support Group. Other units at the Edinburgh Defence Precinct include an Air Force Reserve Squadron; Joint Logistics Unit – South; Defence Materiel Organisation (DMO) Units; and Combat Support Group units.

DECLASSIFIED  
**SECRET AUSTEO**  
**CABINET-IN-CONFIDENCE**

Matters Requiring Early Ministerial Attention

Chapter 13

SA continued

**Techport (Adelaide)** is Australia's premier naval industry hub located at Osbourne. It accommodates various naval industry bodies (including ASC) and is the site where the future Air Warfare Destroyer will be developed, built and delivered.

VIC

**Puckapunyal Military Area Victoria** is the Army's centre for combat training and doctrinal development. The School of Armour and the School of Artillery are also located there. It also accommodates Army logistic and Army Reserve training activities, and some Defence logistic functions.

**RAAF East Sale** is a training base for pilot instructors, air combat officers, observers and air traffic controllers of Air Training Wing as well as initial officer training at the Officer Training School. The base also accommodates DMO, an Air Force Reserve Squadron, Army Reserve and Army and Air Force Cadet units.

**DSTO Fishermens Bend.** Is a major DSTO laboratory complex which undertakes research into aircraft structures and operations, maritime platform structures and operations, and chemical, biological, nuclear and radiological defence.

## CHAPTER 15

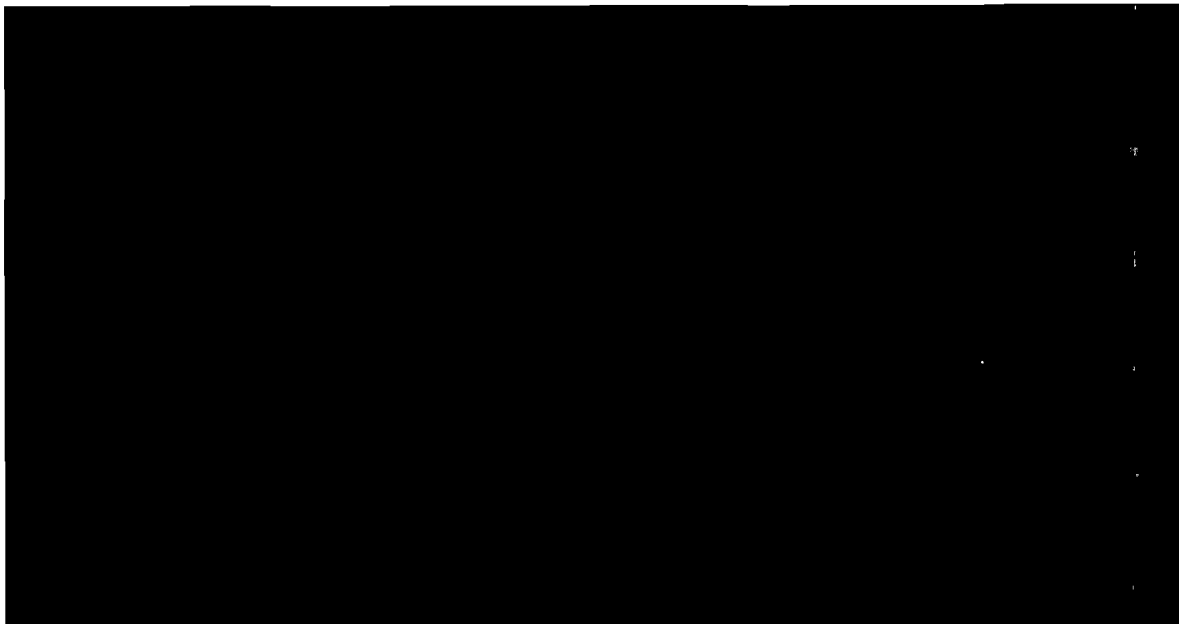
# ESTABLISHING EFFECTIVE CABINET ARRANGEMENTS

**15.1** This chapter sets out your responsibilities as a Cabinet Minister and also highlights some of the changes that are currently in train to improve the Cabinet process. As one of the largest, if not the largest portfolio in Government, Defence matters are regularly referred to Cabinet and its committees for consideration. The majority of Defence business is considered by the National Security Committee (NSC) of Cabinet, having first been discussed, and usually 'agreed', by the Secretaries Committee on National Security (SCNS).

**15.2** As the Minister for Defence, you will be asked to consider a large number of Cabinet Submissions and Memoranda throughout your term, both independently and jointly with Ministers of other portfolios that work with Defence on cross-portfolio issues.

**15.3** The Department of the Prime Minister and Cabinet (PM&C) manages the Cabinet and NSC schedules and will agree the new schedule with the Prime Minister and the Cabinet Secretary before advising departments and Ministers of the approved meeting dates. Past practice suggests that NSC meetings will be held monthly to consider scheduled business, with other meetings to be held as necessary, generally in response to significant emerging issues.

### 2010 CABINET PROCESS REVIEW



S34(1)(d)

### BUILDING A STRONG CABINET

**15.8** In its recent work to improve the current Cabinet process, PM&C identified the essential features of a strong and effective Cabinet, which include:

- strict confidentiality of all proceedings and documentation;
- Ministers taking collective responsibility for Cabinet decisions; and
- well considered and coordinated policy, supported by sound and readable Cabinet documents and timely processes.

S34(1)(d)

S34(1)(d)

The Secretary and CDF are permanent invitees to NSC and provide subject matter advice as required. Other Defence officials may be coopted for specific submissions with prior approval of the Cabinet Secretary. Officials make comments only when invited within the ambit of their official responsibilities.

**15.11** Cabinet Ministers are responsible for the quality and accuracy of advice provided to Cabinet under their name. We will support you with this responsibility by ensuring that you receive quality advice and policy proposals in a timely manner. We also provide you with dot point briefs on each submission and we would welcome any opportunity to discuss NSC-related business with you before each meeting of the committee.

**15.12** As a rule, Defence matters should be presented as full submissions; abbreviated forms (such as Under the Line items) should be avoided. The Cabinet Secretary has the power of veto with regards to abbreviated forms of Cabinet business and only matters of urgent or unforeseeable business should be considered to take this form.

**15.13** Timeliness is critical for Cabinet business. Submissions should be planned on the basis that deadlines will be enforced. Deadlines such as the five day rule are essential for good decision-making as they allow time for considered departmental advice and provide all interested parties with the opportunity to review and comment on submissions.

S34(1)(d)

#### SCNS/NSC CYCLE

**15.15** NSC meetings are generally held monthly, and the majority of Defence's Cabinet business is considered by this Committee. As a general rule, we seek to provide you with the first look at a draft Cabinet Submission in the month prior to the scheduled NSC meeting. However, we will also engage early with you and your office in the initial shaping stages of submissions.

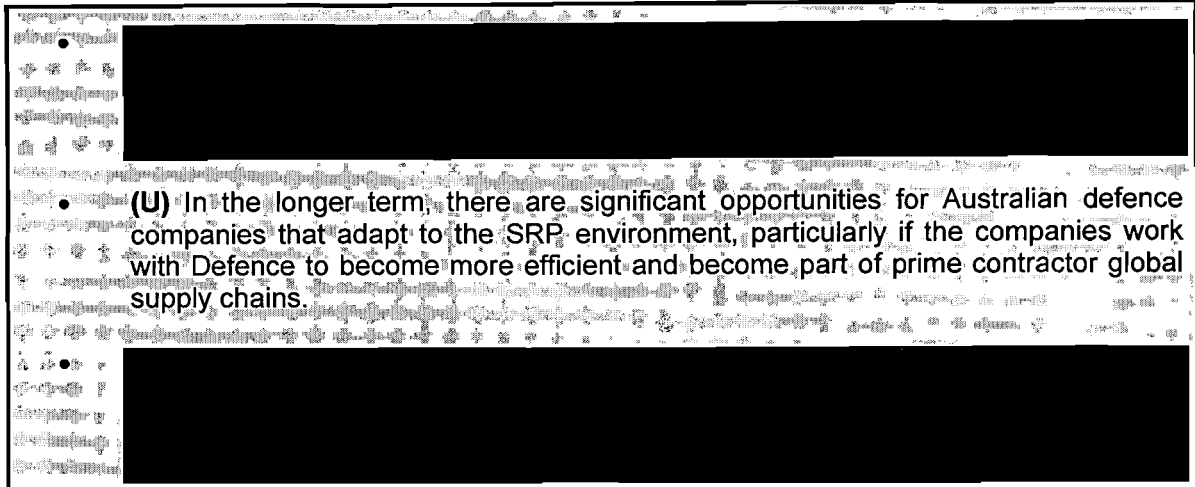
**15.16** Much of the business that we bring to the NSC concerns the approval of Defence Capability Plan projects. We need to maintain a constant throughput of project approvals if we are to achieve the force development goals outlined in Force 2030. By way of indication, we submitted 22 submissions and one Cabinet Memorandum for consideration by SCNS/NSC in 2009-10 and 33 submissions and five memoranda for consideration by SCNS/NSC in 2008-09.

S34(1)(d)



DECLASSIFIED  
CONFIDENTIAL  
COMMERCIAL-IN-CONFIDENCE

CHAPTER 16  
INDUSTRY RELATIONSHIPS



S36(1) & S39

(U) In the longer term, there are significant opportunities for Australian defence companies that adapt to the SRP environment, particularly if the companies work with Defence to become more efficient and become part of prime contractor global supply chains.

S36(1) & S39

**16.1 (U)** Defence industry plays an important role in supporting ADF capability, from the provision and maintenance of military equipment, to the delivery of a wide range of support services.

**16.2 (U)** The release of the 'Force 2030' concept in the 2009 Defence White Paper, the Defence Strategic Reform Program (SRP), the publication of the Priority Industry Capabilities (PICs), and the release of the 2009 Public Defence Capability Plan (DCP) resulted in significant industry optimism about the future based on the expectation of a larger and consistent flow through of new contract opportunities.

**16.3 (U)** In addition, the 2010 Defence Industry Policy Statement (DIPS), released in June, reiterated the Government's commitment to the range of industry support and development programs that have been introduced since the 2007 Statement. Industry reaction to the 2010 DIPS has been generally positive and supportive.

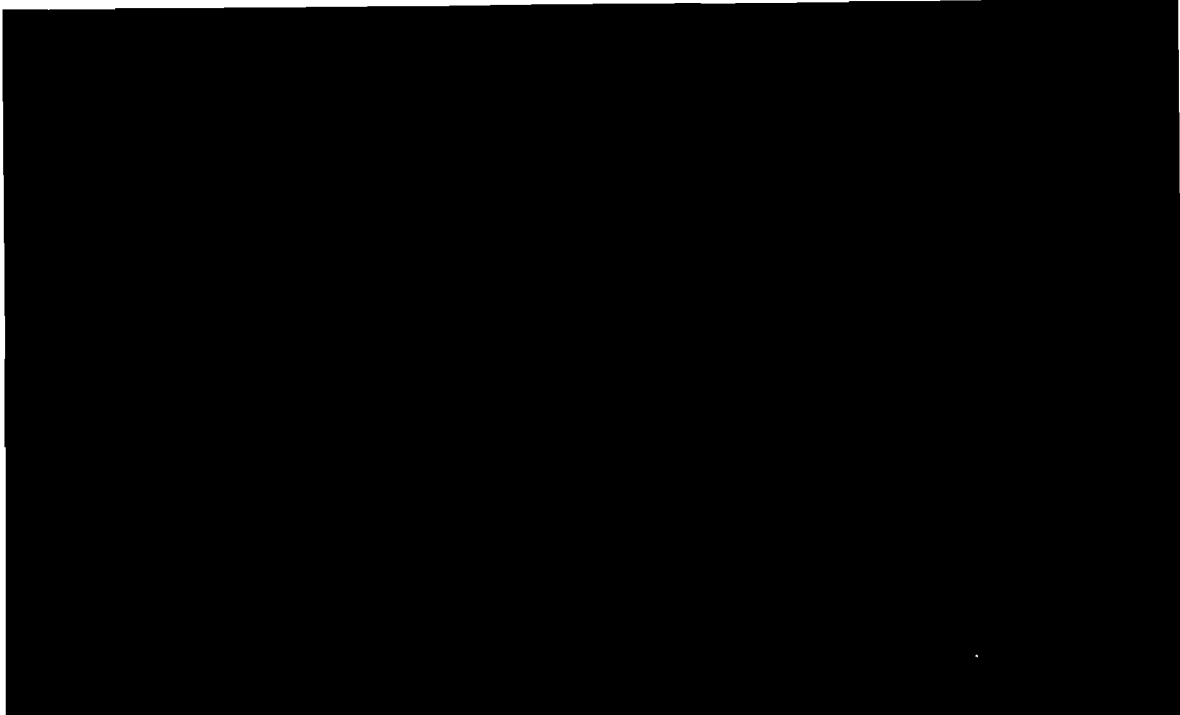
**16.4 ~~(C)~~** However, some negative industry sentiment has arisen, despite the sector being largely unaffected by the Global Financial Crisis (GFC),

S39

It should be noted, however, that while there were changes to the programming of projects, almost all of the foreshadowed DCP spend was approved.

**16.5 ~~(C)~~** The multi-national Primes, which are the principal focus of Defence's major capital acquisitions and sustainment, have therefore been increasingly holding work inside their organisations, rather than engaging Small to Medium Enterprises (SMEs), so as to maintain revenue streams and work for their own workforces. This has generated significant concern in the SME community which relies on sub-contracts from the Primes, and spares orders, to maintain cashflow.

DECLASSIFIED  
**CONFIDENTIAL**  
**COMMERCIAL-IN-CONFIDENCE**



S43(1)(c)  
&  
S39


**16.7** ~~(C)~~ All of the primes are skilled lobbyists, both domestically and internationally,

S36(1)

**16.8** ~~(C)~~ In accordance with current policies and business practices, Defence has competition and value for money as the central pillars of its procurement and industry activities. They have served the Government and the taxpayer well. However, the Australian defence industry is becoming more vocal regarding what it perceives as the negative aspects of these policies:

- ~~(C)~~ The costs of tendering. Tender preparation does cost money – for big projects the tender costs can be millions of dollars – but tender processes are key steps to minimise the cost and risk of projects.
  - (1) Defence Material Organisation (DMO) and industry have undertaken a joint review of the drivers of the costs of tendering and have agreed a range of improvements to DMO's tendering and contracting templates and practices.
  - (2) Further, of the around 112,000 contracts DMO lets each year with industry, more than 111,000 of them are simple purchase orders or Defence purchasing card transactions, which have little, if any, tendering costs.
- ~~(C)~~ Inability to compete with most Commercial and Military Off-the-Shelf (COTS/MOTS) solutions;

DECLASSIFIED  
**CONFIDENTIAL.**  
**COMMERCIAL-IN-CONFIDENCE**

- ~~(C)~~ The incorrect belief that Defence believes that value for money means lowest price, when it does not and never has;
- **(Commercial-in-Confidence)**  S39

(1)

(2)

S39

**16.9 (U)** The introduction of PICs, and now Strategic Industry Capabilities (SICs) through the 2010 DIPS, was seen by industry as a potential panacea; however, difficulties in isolating the specific capabilities required by Defence and therefore the inability to effectively measure the health of these capabilities quantitatively has meant that industry has seen little benefit to date from the PIC/SIC program.

**16.10 ~~(C)~~** To remedy this situation, DMO is working with internal Defence stakeholders and industry to better define the content of the respective PICs and SICs. This work will then feed into the design and requirements of future procurement processes involving PIC or SIC capabilities. This will give industry much more certainty about how Defence will procure future Defence capability that involves a PIC or SIC.

**16.11 ~~(C)~~** In addition, the 2010 DIPS announced that the PIC Centres of Excellence concept which was announced in the 2009 Defence White Paper would be refocused as a new PIC Innovation Program. This program is aimed at providing more direct and practical support and encouragement to Australian defence industry, particularly SMEs, for PIC related activities.

**16.12 (U)** In addition to the PIC Innovation Program, there are a significant number of programs available from Defence to support and development Australian industry to supply the ADF:

- **(U)** These programs are designed to make newcomers 'Defence ready' by understanding the processes and requirements of the Defence organisation when doing business with it; and to assist companies to become more efficient and 'lean'.
- **(U)** The programs also help companies gain access to overseas markets for exports through the Defence Exports Unit and the Global Supply Chain program; thus making these companies less dependent on Defence contracts for their income and cashflow.
- **(U)** Skills enhancement, workforce development, innovation and research programs are also available from Defence, primarily for SMEs, but accessible by Primes.

DECLASSIFIED  
**CONFIDENTIAL.**  
**COMMERCIAL-IN-CONFIDENCE**

**16.13 (U)** As Defence is experiencing a period of significant reform, so Australian defence industry is facing a period of change that will see the structure and company make-up altered.

- 



S39

- **(U)** The 2008 Defence Procurement and Sustainment Review ('the Mortimer Review') recognises the value to Government of benchmarking new programs against COTS and MOTS solutions, and where these solutions are adopted will likely reduce the level of Australian industry participation;
- ~~**(C)**~~ The global defence industry environment is tightening significantly, with major cuts to defence expenditure expected in countries seeking to recover from the GFC, meaning that multi-nationals will become even more focused on their workforces in home markets, and unit prices are likely to rise due to decreased demand – thus adversely affecting Australia's DCP and industry opportunities.

**16.14 ~~(C)~~** There are very significant opportunities for Australian defence companies in Force 2030 that are willing to adapt to the SRP environment and work with Defence to help them become more efficient and gain export markets. That said, the rewards for industry will accrue over time.



S39

**16.15 ~~(C)~~** This will need careful managing and involve significant ministerial input. We will be happy to play our role in that management.