
The Parliament of the Commonwealth of Australia

**A MODEL FOR A NEW ARMY:
COMMUNITY COMMENTS ON THE 'FROM
PHANTOM TO FORCE' PARLIAMENTARY
REPORT INTO THE ARMY**

Joint Standing Committee on
Foreign Affairs, Defence and Trade

September 2001
Canberra

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Foreword

This report is based on community feedback received on a previous committee report into the army, *From Phantom to Force: Towards a More Effective and Efficient Army*. That report was one of the most detailed studies of the Army in recent times, and came at a time when Australian forces were engaged in military commitments not seen for a generation.

In a departure from usual practice, we decided to seek public comment on the report following its release. We did this because, if the model for a future Army we proposed is to be successful in increasing the capability and efficiency of the Army, it will need to be refined through consultation and discussion. It needs to be owned and supported broadly by the community, the Army and the Defence Department.

There has been considerable change since the release of *From Phantom to Force*. In the first instance the Government released the Defence White Paper entitled 'Defence 2000: Our Future Defence Force'. In this document the Government took up many of the recommendations of our paper, including a significant boost to Defence spending over the next 10 years. In other areas, such as a change in role for the Reserve, Government policy took a different course from that recommended in the report. An additional issue was the important change to Defence Reserve legislation adopted in early 2001 whereby the procedure for calling out Reserves was simplified, and Reserves were given greater employment and education protection.

This paper has taken account of the new information provided by both the community consultation, and the changes in the Defence landscape since the release of *From Phantom to Force*. What this report aims to do is consolidate what the committee believes was a well researched and well received report, and update the report's recommendations. It also benefits from being an external report and thus not constrained by preconceived ideas, but able to take an objective assessment of where the future of the Army should lie.

D P M Hawker, MP
Chair Defence Sub-Committee

Membership of the Committee –39th Parliament

Chair	Senator A B Ferguson (from 1/7/99) Senator D J MacGibbon (to 30/6/99)	
Deputy Chair	Mr C Hollis, MP (from 11/8/99) Hon Dr A C Theophanous, MP (to 14/7/99)	
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Terms of reference

On 27 April 1999 the Minister for Defence referred the following matter to the Joint Standing Committee on Foreign Affairs, Defence and Trade. Through its Defence Sub-Committee, chaired by Senator David MacGibbon, the Committee will investigate and report on the suitability of the Australian Army for peacetime, peacekeeping and war. The inquiry will review the current and proposed changes to Army to ensure that it provides viable and credible land forces able to meet a range of contingencies. In considering this matter, the Committee shall take into account:

- *The Fundamentals of Land Warfare* document, released in March 1999
- The Restructuring of the Australian Army initiative
- The Defence Reform Program
- ADF force structure and preparedness
- The role and impact on full-time and part-time personnel
- *Australia's Strategic Policy* (1997).



List of abbreviations

ACSI	Area of Critical Security Interest
ADF	Australian Defence Force
ADMI	Area of Direct Military Interest
AIF	Australian Imperial Force
ANAO	Australian National Audit Office
ASP97	Australia's Strategic Policy 1997
Bde	Brigade
CA	Civil Affairs
CDF	Chief of Defence Force
DER	Defence Efficiency Review
FSR	Force Structure Review
JSCFADT	Joint Standing Committee on Foreign Affairs, Defence and Trade
NTM	Notice to Move
RAAF	Royal Australian Air Force
RAR	Royal Australian Regiment
RAN	Royal Australian Navy
RTA	Restructuring of the Army
RQR	Royal Queensland Regiment

... in modern war there is no failure like success and no success like failure.¹

Report Rationale and Structure

Introduction

- 1.1 On the 4th September 2000, this committee tabled a report on the Australian Army entitled, *From Phantom to Force: Towards a More Effective and Efficient Army*². At that time the committee made it clear that the report was an interim report, and that the committee would seek the community's views on the content and recommendations. In this way, the committee could gain valuable public interest and opinion to guide the future direction of the Army in a time of anticipated pressure on the Defence and Army budget. It was, and still is, the committee's opinion that important decisions need to be made now regarding the long-term future of the Australian Army.
- 1.2 In *From Phantom to Force*, the committee drew heavily on a seminal parliamentary research paper on the Defence budget³, which indicated that, after 2007, it would be extremely difficult to make substantial

1 Handel, M, *War, Strategy and Intelligence*, Frank Cass and Company Ltd, London, 1989, p. 24.

2 Australia, Parliament, *From Phantom to Force: Towards a More Efficient and Effective Army*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Canberra, August 2000.

3 Woolner D, *Pressures on Defence Policy: The Defence Budget Crisis*, Research Paper 20, 1999/2000, Parliamentary Library, 11 April 2000

changes to the army until the third decade of this new century. The future hiatus in the army's development is likely to be caused by the need to allocate significant Defence resources to addressing block obsolescence of platforms within the RAN and the RAAF and the increasing cost of personnel.

- 1.3 In practical terms, because of the lead-times associated with defence expenditure, decisions made by Government and Defence in the next three years will determine Army's capability for at least the next 16 to 18 years. This situation dramatically underlined for the committee the importance of providing a robust report that would provide a platform on which to base these vitally important decisions.
- 1.4 At the time of the release of *From Phantom to Force* the committee was aware of the proposed release of the Government's White Paper on Defence, *Defence 2000: Our Future Defence Force*. The committee is supportive of the majority of views expressed in the White Paper, and recognises that some of those views flow directly from recommendations raised in *From Phantom to Force*.
- 1.5 This report is an attempt to adjust and refine the committee's initial conclusions and recommendations, based on community feedback and taking into account changes within Defence since the release of *From Phantom to Force*.

The Response

The Evidence Received

- 1.6 Following the tabling of *From Phantom to Force*, the committee sought feedback from:
 - All citizens and organizations who provided submissions to the initial report;
 - Selected journalists/commentators and industry representatives;
 - Serving and retired soldiers; and
 - Parliamentary Library research staff.
- 1.7 In total, the committee received 43 written responses, held one public hearing and visited Army establishments to speak to junior Army personnel.

Outline of Views

- 1.8 The committee was very happy with both the volume and constructive nature of the community feedback. In general terms the feedback was positive, with support for the thrust of the report.
- 1.9 From two opposite and contradictory perspectives there was some criticism that:
- The report provided too much detail about matters that should be left to the experts;⁴ or
 - The report provided insufficient detail to explain what was being recommended, and the committee should have further investigated areas of the report.⁵
- 1.10 However, much of the feedback was supportive, and those submissions that raised objections to the committee's recommendations generally did so for one of three reasons:
- Necessity – was the recommendation considered necessary to permit the army to provide an effective contribution to desired strategic outcomes?
 - Affordability – was the recommendation affordable?
 - Achievability – was the recommendation actually achievable, even if resources were available?
- 1.11 This report reviews the committee's recommendations from the perspective of these three questions. An analysis of the community reaction to each of the committee's recommendations is at Chapter 5.
- 1.12 There were also issues raised that either had not been dealt with in depth or were not the subject of recommendations in *From Phantom to Force*. Examples were the questioning of the Army's rotation policy and the introduction of a form of National Service. Some of these issues are dealt with in summary at the end of Chapter 5.

4 Mr R Copley, Submission 7

5 Mr R Jennings, Submission 38

Report Structure

- 1.13 This report will deal with the committee's previous recommendations, detailed in Appendix C, under the themes of necessity, affordability and achievability in Chapters 2, 3 and 4. Chapter 5 provides detail of the comment received from respondents on each of the recommendations in *From Phantom to Force*. The report concludes with a final chapter that outlines the adjustments the committee recommends be made to *From Phantom to Force: Towards a More Efficient and Effective Army*.

It is only when a tradition is bankrupt that its efficacy is unduly insisted upon.¹

The Necessity for Enhanced Capability

Introduction

2.1 A number of the submissions received on *From Phantom to Force* questioned the necessity of some of the committee's recommendations. In particular, those recommendations that were not considered necessary were:

- The force restructuring recommended in Recommendations 3 and 5, with particular concern raised regarding Reserve restructuring;
- Recommendation 4, which detailed a requirement for ANAO audit of Army capabilities; and
- Recommendation 12, which outlined the need for an army capability enhancement project (ACEP) to oversee the force restructuring.

The Necessity for Force Restructuring

2.2 The submissions that raised concerns about restructuring centred on the following arguments and assumptions, which were more often implied than declared:

¹ Holroyd, M, *Lytton Strachy: The Unknown Years 1880 – 1910*, Heinemann, London, 1967, p.45.

- The army has undergone too much change. What it needs to do now is consolidate and re-build;
- Restructuring unnecessarily attacks living tradition and history which, if destroyed, will impact on the fighting power and ethos of the army;
- Skeletal/hollow organisations are an effective method for force expansion;
- Restructuring of the Reserve will negatively impact on regional Australia; and
- Standardising brigades will limit the Army's capability options.

2.3 These themes will be dealt with in detail below.

More Change – The Cure is Worse than the Cold

- 2.4 In November 2000, the committee met with army officers in Townsville and Brisbane to discuss the report. A major theme in these discussions was a concern over further change through restructuring, particularly the Army Reserve.² These concerns were broadly in line with a number of written submissions received during the inquiry that criticised the number of reviews conducted into the ADF.³
- 2.5 The submissions argued that, over the previous ten years there has been no time to bed down change and adopt new structures before a new wave of change appeared. This has lowered morale and disillusioned personnel, particularly when the changes have been ill communicated and with no apparent dividend. In light of the history of reform in Defence, the committee was sympathetic of this argument.
- 2.6 The committee's main concern in this area, however, is the reality that, from approximately \$3.5 billion invested annually, the army appears capable of fielding a maximum of three brigades, each with only two infantry battalions. Based on the recurrent cost for an ARA battalion and other Arms Corps units⁴ this indicates that significant funds are locked into units that do not generate capability. History shows that the situation is unlikely to improve by leaving the Army to 'settle down'. In fact, it

2 Committee discussion with Defence Groups on 20 November 2000 – HQ 11 Brigade and Deployable Joint Force HQ.

3 B K White, Submission 10.

4 Recurrent cost (personnel and operating costs) for a Infantry Battalion is approximately \$46 million per year, CSS Battalions \$45 million, Artillery Regiments \$25 Million. Figures received from Army August 2001.

could be argued that the perception of constant change within the army is driven by an aversion to necessary fundamental change.

- 2.7 For example, the Force Structure Review (FSR) imposed significant change on the army. FSR was designed to shed personnel to pay for operating costs. Yet FSR and the Defence Efficiency Review (DER) have not repositioned the army to avoid ongoing change, with much of the project cost savings being absorbed into personnel increases⁵. Rather they have placed the Army, and the ADF, in a position where economic reality will regularly precipitate further change, as personnel costs assume an increasingly larger proportion of the Defence budget and subsequently reduce capital expenditure. If the army wants to avoid a vicious cycle of destabilising change it must undergo fundamental restructuring rather than cosmetic change.

The Importance of Tradition and History

- 2.8 There was a strong and understandable concern expressed in the submissions about the impact of restructuring on history and tradition. The military is an organisation that is based on values. Many of these values are enshrined, and passed on, within the oral lore and rituals associated with unit histories. Both Regular and Reserve units have significant military histories.
- 2.9 The recommendations made within *From Phantom to Force* would inevitably require that many army units (both ARA and GRes) undergo merging, re-rolling or be disbanded. Both oral and written submissions raised concerns that Australia, a relatively young country, should not throw away military tradition needlessly⁶. Additionally, they argued that a proud military tradition added to morale and therefore increased unit capability, although this increase could not be quantified.
- 2.10 The committee concedes that tradition is of significant importance to the Army and to the general community. What cannot be accepted however, is tradition in place of capability.
- 2.11 The impetus for the committee's recommendations was the need to derive maximum combat capability from the Army from the available funding. In the case of the majority of Reserve units, the committee found that they lacked both the trained personnel and equipment to deliver significant

5 Woolner D, *Pressures on Defence Policy: The Defence Budget Crisis*, Research Paper 20, 1999/2000, Parliamentary Library, 11 April 2000, p. 11.

6 Visit to 13 Brigade by Mr Roger Price MP on 19 September 2000.

military capability in the short to medium term. The issues that must be addressed by the Australian community are:

- What is the veracity of the Army's claims of tradition, and what do they add to capability?
- To what extent should the nation pay a premium to maintain traditions at the expense of useable capability?

The Veracity and Utility of Tradition

- 2.12 Most units in the Army Order of Battle have a history of no more than 50 years. As many units were formed from personnel from previously existing units, some ARA units claim a lineage extending back further than 50 years. For instance, 3 RAR, an ARA battalion formed for Korea, claims lineage from the 67th Battalion of the 2nd AIF⁷.
- 2.13 A similar situation exists for other units, such as the 31st Battalion, Royal Queensland Regiment (RQR). The battalion that bears this name has laid up its colours (ie: disbanded) on several occasions, the last being in 1976, when it was reorganised as an independent rifle company, before gaining battalion status on 30 October 1986⁸. There is no direct and continual lineage between the current battalion and the units which were first raised as independent rifle companies in 1881, and subsequently fought in the Boer War. This is not for any moment to suggest that 31 RQR, and other army units, should not honour and maintain the history of these units. It does indicate, however, that a continuous thread of history and tradition can and has been maintained despite disbandment, changes of designation and re-raising. It does not appear necessary for battalions to have been continually on the Army Order of Battle to maintain these traditions.
- 2.14 What cannot be accurately measured is the effect of this tradition on the capability of a unit. But, given the undeniable positive effect on morale and esprit de corps, particularly when put to the test in warfare, there may be much to commend military tradition. As stated by Napoleon 'Morale makes up three quarters of the game; the relative balance of man-power accounts only for the remaining quarter.'⁹

7 *The Oxford Companion to Australian Military History*, Oxford University Press, Melbourne, 1995, p. 520

8 31 RQR Home Page, <http://www.defence.gov.au/army/hq11bde/T31RQRHist.htm>

9 Peter G Tsouras, *Warriors Words: A Quotation Book*, Arms and Armour Press, London, 1992, p. 270

- 2.15 The central issue to the committee is whether or not these units provide capability at all. Needlessly destroying tradition helps no cause, but neither does paying for the maintenance of units that exist only on paper.

Using Skeletal Structures for Force Expansion

- 2.16 *From Phantom to Force* asserted, but did not prove, that force expansion was highly dependent on equipment acquisition. Because of the lead times associated with equipment acquisition it may be more efficient and effective to achieve force expansion with new units, rather than fleshing out hollow units. The argument for maintaining skeletal structures¹⁰ appears to be based on its utility in providing a leadership base.
- 2.17 However, the utility of the existing hollow units for creating leaders must be questioned. The reasons for this are:
- During East Timor the army drew very few of its leaders from the existing Reserve. It did, however, draw significant numbers of its private soldiers from the Reserves¹¹.
 - Leadership development takes a long time as it is developed by relevant experience. Commanding under equipped and understaffed units that rarely undertake collective training is not necessarily a basis for relevant leadership development.
- 2.18 This argument would appear to have been accepted, as evidenced by the change in policy in use of the Reserve articulated in the Defence White Paper and subsequent initiatives by the Army¹².

The Impact on Regional Australia

- 2.19 There are significant economic and political concerns that arise from a rationalisation of the Army's force structure. The closure of depots:
- impacts on the amount of money coming into a community, particularly remote communities, and

10 Discussed in *From Phantom to Force: Towards a More Efficient and Effective Army*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Canberra, August 2000, pp. 116 - 118

11 There were a number of Reserve SNCO who took voluntary reduction in rank in order to deploy to East Timor.

12 Chief of Army presentation to the Defence Reserves Association 21 July 2001. Army intends to use Reserves to contribute to current capability by providing the capacity to surge and sustain forces on contemporary operational deployments.

- has the potential to isolate remote communities further from the defence forces.

These issues are reasonable concerns that must be addressed within any plan to rationalise the Army's force structure.

Financial Impact on Local Communities

- 2.20 The financial impact on local communities of closing depots will vary significantly. Communities benefit financially from depots through:
- local expenditure of both Regular and Reserve wages; and
 - local expenditure by the army on goods and services needed by the depot.
- 2.21 In country towns, such as Mildura, wages of both Regular and Reserve staff contribute approximately \$140,000¹³ annually to the local economy. This represents approximately 0.02% of the after tax wages wealth of the greater Mildura community¹⁴. In smaller communities, the wage contribution from the Army is likely to be more significant.
- 2.22 It is anticipated that similar percentages would apply in terms of the purchase of goods and services in support of the depots – such as vehicle and building maintenance and cleaning services.

Isolation of Communities

- 2.23 There was some concern expressed in the submission that closure of Reserve depots within remote communities may have the potential to distance the ADF from society. This is premised upon the theory that the Reserve is, in many areas, the public face of the Army. On this basis, it might be argued that the Reserve, no matter what the cost, must be retained in these locations. The committee is not convinced that, given the immediate and wide media coverage of Army activities, and East Timor is an example, that the Reserve fulfils this role. In addition and most critically, does the maintenance of under-staffed and under-resourced Reserve depots represent the best way to meet both the army's and the community's aspirations?

13 This is based on one ARA cadre staff on \$80,000 (assumes allowances and medical); 30 reservists each undertaking 40 days training and receiving \$80 dollars (Tax free). Hence total after tax is approximately 140,000

14 This assumes an employed population within 100km of Mildura of 18, 650 people on an average wage of \$742 per week before tax. Average wage figures derived from the Sydney Morning Herald, 12 February 1999. Employment statistics derived from 1996 census data covering population within 100km of Mildura.

- 2.24 Retaining a Reserve depot requires good will and support from all parties concerned. If a community is not willing or able to support a base then there is little rationale for retaining it. The committee feels that community resources are better spent elsewhere.

The Standardisation of Brigades

- 2.25 In analysing the community response to *From Phantom to Force*, there was marked uncertainty on the committee's recommendations on force structuring. Some felt that capabilities, once added to the Army, should never be removed.¹⁵ Others were concerned that the force structuring principles recommended by the committee would be too slavishly applied.¹⁶ In discussions with serving army officers it was also suggested that the maintenance of mechanised, motorised and light brigades was necessary to provide the maximum number of capability options to the Government.¹⁷
- 2.26 The general reluctance to remove capabilities, even if they are notional, is understandable. This reluctance was noted by Professor Dibb in his statement to the committee in June 2000:
- I want to hear what we are going to take out of the force structure to compensate for the fact there will be, under any government, limited resource allocation. Frankly, very few commentators and still fewer politicians will tell us what we are going to take out of the force structure. It is very difficult for the average Australian to be involved in that debate because the issue of costs and how you allocate costs to force element groups is a very complex issue. But at least we have to recognise there are limits to Australia's defence capacity and influence.¹⁸
- 2.27 The force structuring principles proposed in *From Phantom to Force* were based on achieving an army force structure capable of sustained mid-intensity conflict at the brigade level. It would appear, from some of the opinions received, that the necessity for sustaining brigade-sized forces at mid levels of intensity is not apparent.¹⁹ A number of serving officers believe that a range of capabilities can be mixed and matched to suit operational needs as they arise, the inference being that brigades should

15 Mr R Buick, Submission 1

16 C Gates (RSL), Submission 18, and Confidential Submission 20

17 20 November 2000 Defence groups – HQ 11 Brigade and Deployable Joint Force HQ.

18 P Dibb, Transcript of Defence Strategy Debate, 30 June 2000, p. 23

19 20 November 2000 committee discussion with Defence groups – HQ 11 Bde and Deployable Joint Force Headquarters

be 'task organised' with units as needs dictate.²⁰ Other officers appear to share this view.²¹ Mr Michael O'Connor raised concerns about this approach in anything but the most low-level activities²². This suggested approach, if adopted, calls into question the Army's need to perform brigade level command post and field exercise training in other than peacekeeping/low-intensity scenarios. It also raises questions about what the army defines to be mid-intensity conflict and how it sees itself contributing to this level of conflict in any meaningful way with the existing force structure.

- 2.28 It is with some frustration that the committee has received these views from serving officers. Army's professional advice to the committee in June 1999 was that the army had a limited capability for force sustainment and mid-intensity conflict.²³ Without standardised brigade structures the committee cannot see how Army can rotate formations with similar capabilities through a major (brigade level) focal area anywhere in the region, as recommended by *From Phantom to Force* and outlined in the Defence White Paper.
- 2.29 The committee sees that to rectify this situation in a strategically meaningful way, requires that either:
- The defence budget be significantly increased to generate additional mechanised and motorised brigades;
 - The existing brigades be standardised on a pattern that will allow them to reinforce and replace each other in mid-intensity operations; or
 - The army retain the existing force structure but accept the following limitations:
 - ⇒ the army will not commit to a mid-intensity engagement at greater than battalion level; and
 - ⇒ the army will be limited, at the brigade level, to low-intensity operations (because it cannot rotate a standard brigade level force).
- 2.30 The last option has significant implications for Australia in terms of self reliance. Part of the pressure for Australia to increase its commitment to the war in South Vietnam centred on the limitations of battalion sized commitments to coalitions.²⁴ Within a coalition it is practicable to create

20 P McIntosh, Submission 23.

21 D Chalmers, Submission 50 to *From Phantom to Force*

22 M. O'Connor, Transcript 22 February 2000, p.175

23 Australian Army, Submission 49 to *From Phantom to Force*, pp. 14-15

24 Frost F, *Australia's War in Vietnam*

brigade-sized forces which have a degree of national autonomy.

However, battalions inevitably have to be integrated more tightly into the predominant logistic and command and control systems.

- 2.31 In essence, Australia would have to model its battalions very tightly on the equipment, organisation and procedures of another nation – possibly the United States. This tight integration with one foreign army will inevitably limit Australia’s options to contribute battalions to other coalitions. Such a force structuring decision would strategically and diplomatically limit future Australian decision making.
- 2.32 The operations on East Timor identified difficulties with differences in capability and equipment between Army brigades. The committee feels that the current situation whereby Army has a light brigade (3 Brigade), a motorised brigade (7 Brigade) and a mechanised brigade (1 Brigade), with different manning and equipment presents real difficulties with rotation of forces. In large part, the committee feels that current differences in capabilities between brigades reflects more an inability to agree on a standard brigade structure and a desire to have a greater capability than can be adequately resourced, than a conscious effort to retain flexibility.

Auditing of Brigade Capabilities

- 2.33 Recommendation 4 of *From Phantom to Force* recommended broadly that Army report on the status of each brigade. On alternate years the Inspector General of the Department of Defence and the Australian National Audit Office would audit and report on the Army’s capability for force expansion. A significant number of people were equivocal, or opposed to the need to audit regularly the capability of the army’s brigades. Some respondents appeared concerned about the methodology that might be used:

Quality cannot be inspected into a product.²⁵

Others were concerned that the level of assessment was at the wrong level – ie: that readiness assessments should be done at unit level.²⁶ Still others queried whether the use of the ANAO on a recurring basis was the most appropriate way to report on capability.²⁷

25 R Copley, Submission 7

26 D Strain, Submission 25

27 Confidential Submission 20

- 2.34 The ANAO response to the report indicated that ANAO was very happy to help Defence review operational criteria and to assist Army in meeting the readiness criteria. However, it felt that Army periodic reporting was 'primarily a management responsibility'²⁸, and 'essentially a matter for Army and Defence rather than the Australian National Audit Office (ANAO).'²⁹ The committee accepts that the annual audit of capability is properly the responsibility of Defence rather than ANAO.
- 2.35 Nevertheless, the committee remained of the view, given the expenditures involved, that public reporting of capability achievement was important, and is concerned that annual reporting in the past has not identified the hollowness and lack of capability within a notionally large army.
- 2.36 Therefore, the committee recommends that recurrent reporting of Army capability be carried out by the Defence Inspector General, under appropriate guidelines and with support from ANAO. The ANAO should provide technical advice, help devise criteria for measurement, and conduct audits as required in support of the Defence Inspector General. In addition, ANAO should report to Parliament in 24 months on the efficacy of the Defence reporting program undertaken by the Inspector General.

The Need for an Army Capability Enhancement Project

- 2.37 Approximately 60% of recorded responses agreed with the concept of establishing an Army Capability Enhancement Project (ACEP). However, the 40% of respondents that disagreed, or were equivocal, are notable. The issues raised in these responses included:
- The fact that capability must be managed on a whole of Defence basis and therefore an Army project is unlikely to take into account the needs of the other services.
 - The recommendation adds more externally sourced management to the Army and does not allow it to get on with business.
 - One of the responses that agreed with the recommendation did so on the proviso that ACEP not be restricted to serving members of the Army or Department of Defence.

28 P J Barrett, ANAO, Submission 5

29 *ibid.* p.1.

- 2.38 The committee's intention in recommending an ACEP was to ensure that a coordinated approach be taken to the implementation of the various recommendations in the report. Additionally, a project team adds benefit by providing a level of transparency to the process, a factor often lacking in Defence processes. While accepting the argument that capability needs to be managed jointly, the committee remains supportive of the establishment of a project team to coordinate these major changes to Army.

Conclusion

- 2.39 While cognisant of the issues raised in submissions regarding force restructuring, the committee does not feel there is sufficient evidence to change the intention of the force restructuring recommendations. Specifically, the committee is committed to an Army that provides a capability commensurate with the resources provided to it, and the committee reiterates its concern regarding units that do not provide capability.
- 2.40 Tradition and history are important to both the Army and to Australia, but as stated on several occasions, the committee cannot accept tradition in place of capability. While some changes are occurring within Army relating to rerolling and restructuring of the Army Reserve, the committee would need to be convinced that this is more than window dressing of the same situation.
- 2.41 The committee remains firmly of the opinion that auditing of Army capability is imperative. It is cognisant of the ANAO comment and believes that reporting of capability is best carried out by the Inspector General of Defence, supported by the ANAO as required. The ANAO should report to Parliament in 24 months on the efficacy of the Defence reporting program undertaken by the Inspector General.
- 2.42 The committee continues to believe that an ACEP project office is the best mechanism for ensuring the recommendations in this report are carried out suitably.

Affordable Change or Expensive Whim?

Introduction

- 3.1 Concerns regarding the affordability of the model proposed by the committee were raised by a number of submissions. Press reports also indicated that affordability may also have been a concern of the current Government.¹ Surprisingly, these comments were not focused on Recommendation 3, which proposed acquiring an ability to expand the army by a further eight brigades within two years of warning. Rather, the concerns centred on:
- The cost of heightened readiness;
 - The dynamics of defence funding, including:
 - ⇒ Funding stability, and
 - ⇒ Funding competition;
 - The expense associated with the personnel model; and
 - The expense associated with fully equipping units.
- 3.2 These issues will be discussed below. This chapter will conclude by suggesting any amendments to the committee's approach on army funding.

1 Ferguson, G., 'Report calls for a smaller, tougher Australian Army', *Australian Defence Magazine*, Vol. 8, No. 10, October 2000, p. 5

The Cost of Heightened Readiness

- 3.3 Following the release of *From Phantom to Force* the Defence White Paper was released in October 2000, which significantly changed the Defence funding environment. It announced an increase to the extent that ‘defence spending over the decade is expected to increase by a total of \$23.5 billion.’² The committee welcomes this funding increase and considers it is a major step towards many of the recommendations made in *From Phantom to Force*.
- 3.4 The recent Defence White Paper determined that the Army should ‘be able to sustain a brigade deployed on operations for extended periods, and at the same time maintain at least a battalion group available for deployment elsewhere.’³ *From Phantom to Force*, in similar fashion, recommended in Recommendation 2 that the Army ‘be capable of the sustained dominance of one major (brigade level) and one minor (battalion level) focal area located anywhere within our region.’
- 3.5 The difference between the two proposals, however, is that the White Paper indicates that Army will use three brigades, each with two infantry battalions, and support from the Army Reserve. *From Phantom to Force* determined that Army required four standardised brigades, each of three infantry battalions, with a Regular/Reserve mix decided by Army, to carry out that same role.
- 3.6 The committee is concerned whether the role can be adequately carried out by a force of six infantry battalions groups, structured into three brigades, as proposed in the Defence White Paper. The committee questions whether this level of deployment can be sustained and rotated with the current force.
- 3.7 These concerns are highlighted by the force structures of the two proposals outlined in Figures 3.1 and 3.2. Figure 3.1 compares the force structure and readiness levels of the current brigades (*as detailed in the White Paper*) and the number of brigades proposed in *From Phantom to Force*.⁴ Figure 3.2 details the number of battalion groups available under the two proposals. It is clear from these two figures that the force proposed in *From Phantom to Force* results in a larger effective force, in large part by removing those elements of the Army that appear to provide little capability.

2 Defence White Paper, *Defence 2000: Our Future Defence Force*, Commonwealth of Australia, 2000, pp xvii

3 *ibid*, p. 80

4 The recommendation made by the committee was for all brigades to be on 120 days or less warning for operations.

Figure 3.1 Comparison of the current force with the force proposed by the committee in *From Phantom to Force*. Each vehicle represents an army brigade.

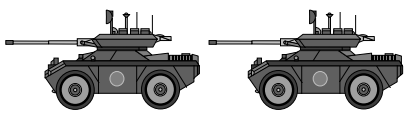


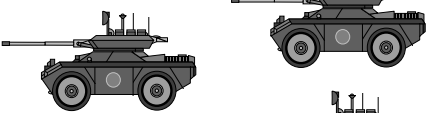
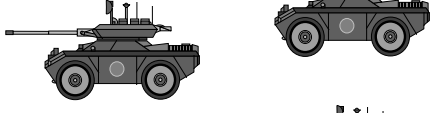
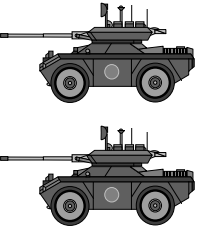
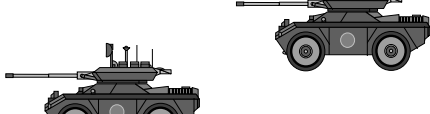

Days	Current Force (9 Brigades)	Proposed Force (4 Brigades)
30		
90		
120		
180		
360		

Figure 3.2 Comparison of the number of battalions with the number of battalions proposed by the committee in *From Phantom to Force*.

Current Deployable Force (White Paper) (6 Battalion Groups in 3 Brigades)	Proposed Deployable Force (From Phantom to Force) (12 Battalion Groups in 4 Brigades)																												
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- 3.8 The expense associated with the committee's proposal lies in bringing two additional brigades to 120 days notice for operations, including equipping and fully manning these brigades⁵. The committee has not been able to cost this increase accurately and independently, but notes that the cost of the change in Notice to Move of 1 Brigade from 180 days to 30 days prior to East Timor was approximately \$140 million⁶. It would be reasonable to assume that additional brigades would be of the same order of magnitude.
- 3.9 Army's figures indicate that the recurring annual expense in moving an infantry battalion from 180 days to 90 days is in the order of \$8 million. This roughly equates to a cost in the vicinity of \$50 million for an infantry brigade⁷, which is consistent with the stated cost for increased readiness of 1 Brigade⁸.
- 3.10 Evidence received in *From Phantom to Force* estimated the Army's equipment shortfall at \$4.5 billion⁹. The committee also notes that Army indicated the equipment shortfall for the entire Army is between \$2.3 and \$4.5 billion, depending on the level to which units are equipped in relation to their Notice to Move.
- 3.11 This is a large cost, but the committee notes that the *From Phantom to Force* proposal recommends a force of four effective brigades rather than the nine currently on the Army Order of Battle (ORBAT). As a result there will be some ability to redistribute equipment from the units and headquarters removed from the Army ORBAT, potentially significantly reducing the cost. The committee understands major work is required to cost this complex issue in detail. The committee would be concerned with any solution that does not fully equip the total force.
- 3.12 In the recent ANAO report on the Australian Defence Force Reserves¹⁰, it was estimated that the indicative annual cost of the Army Reserve was

5 This assumes that most Reserve brigades are, for practical purposes, resourced to a readiness level of between 360 and 180 days notice for operations.

6 Army Submission, Submission 42.

7 Derived from Department of Defence Submission 73, pp. 1110 – 1111. The estimate made here is that a brigade will be made of three infantry battalions and a number of combat and combat support units of similar cost – Artillery, Engineers, Signals.

8 Note that 1 Brigade went from 180 days to 30 days, whereas these figures are from 180 days to 90 days. In broad outline, the shorter the notice to move the greater the cost.

9 Australia, Parliament, *From Phantom to Force: Towards a More Efficient and Effective Army*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Canberra, August 2000, p.190.

10 Australian National Audit Office, *Australian Defence Force Reserves*, Audit Report No 33 2000-01, 7 May 2001, p. 120.

\$952 million. It therefore appears that the cost of the committee proposal can be offset by annual savings which could accrue from:

- Maintaining a reduced number of unit depot locations;
- A reduction in Reserve Brigade and Divisional headquarters, units and administration overheads by redirecting staff to more operationally deployable elements.

Depot Costs

- 3.13 The Army, either singularly, or with the other services, maintains 235 Reserve depots. In the ANAO audit report¹¹ it was estimated that the asset value of those facilities was \$1.114 billion, with an annual repair and maintenance cost of approximately \$25 million¹². In support of the committee's contentions in *From Phantom to Force*, the ANAO report stated that 'there is evidence that some country depots are being retained despite low levels of active membership, or insufficient numbers attending, to enable proper training to be conducted.'¹³
- 3.14 In the broadest terms, a halving of the force structure could see up to a 50 per cent reduction in the facilities which the army has to maintain. The committee still considers this to be worth exploring.

Redirection of Headquarter and Administration Staff

- 3.15 The committee's model involves a phasing out of five Reserve brigade headquarters and a Reserve divisional headquarters. The saving here is not only one of dollars but also summary redistribution of personnel assets from areas of lower operational relevance to areas of higher operational relevance. Some positions will be redistributed and others eliminated.
- 3.16 These personnel would be used to help fill the vacancies that currently exist in the higher readiness units. In essence, this could be seen as the amalgamation of a large number of hollow units to form a lesser number of fully manned units.

Effect on Personnel Costs

- 3.17 Most significantly, there is potential for improved retention within the part-time elements of the force. Current separation rates run at close to

11 *ibid*, p. 118.

12 1999 – 2000 Defence Annual Report, p. 300

13 Australian National Audit Office, *Australian Defence Force Reserves*, op cit, p. 119.

one-quarter of all those enlisted.¹⁴ The annual recruitment rate, recently, has been approximately 4000 part-time personnel each year. Recruitment and initial training costs amount to \$20,000 per person. Hence \$20m is lost each year through separations. Bringing this separation rate down to levels commensurate with the permanent forces would save between \$8 and \$10 million each year.

- 3.18 These figures must be offset by the increased training required of part-time personnel. Currently, as much as 70 per cent of staff within some brigades are not qualified in their trade. In essence, a significant number of part-time soldiers appear to be inducted, given initial training, and then leave. Hence, the costs of the additional training associated with trade and promotion courses do not have to be borne. Trade courses vary significantly in duration and expense.

Conclusion

- 3.19 This chapter has not been able to cost accurately and fully the proposals nor include a detailed costing of all aspects of the *From Phantom to Force* model. Inherent in the proposals, however, are a serious reduction in personnel and administrative overheads and major savings, as detailed in the recent ANAO audit report¹⁵. What it has shown is that significant amounts of money could be made available for upgrading the readiness of specific brigades by reducing the number of hollow structures in the Army Reserve.
- 3.20 The committee still remains of the view that the force structure of four brigades outlined in *From Phantom to Force* is viable and affordable. It also raises concern that the structure outlined in the White Paper does not have the personnel to achieve the deployment and sustainment of both a brigade and a battalion group with only six battalions.
- 3.21 Additionally, the committee can see that if Army persists in funding Reserve formations that provide a limited capability in proportion to the resources allocated, the capability the community receives for the investment will continue to diminish. This may also impact on Reserve morale.

14 See Australian Army Submission 61 to *From Phantom to Force*

15 Australian National Audit Office, *Australian Defence Force Reserves*, Audit Report No 33 2000-01, 7 May 2001

What can be achieved?

Introduction

- 4.1 The feasibility of some aspects of *From Phantom to Force* was questioned by the submissions. In particular, the proposed capability for force expansion was queried, with several of the submissions being sceptical of the ability of the Army to expand in the warning times detailed in *From Phantom to Force*. The feasibility of the personnel model was also called into question. In this section, the committee revisited the force expansion capability and the personnel model.

The Force Expansion Capability

- 4.2 One judgement and two assumptions drove the committee's recommendations on force expansion. These were:
- A committee judgement that the army must be ready to respond to a major threat within two years of warning;
 - An assumption that, aided by ex-serving soldiers and officers, the army could expand its personnel base sufficiently in two years; and
 - An assumption that, with two years of warning, the army could acquire sufficient stocks and equipment to field up to an additional eight brigades.

Warning Time.

- 4.3 As indicated in *From Phantom to Force*, declarations of warning time represent judgements. They provide clear guidance for force structuring and investment priorities. Following the release of *From Phantom to Force*, the committee has been appraised of the difficulty of expanding the army by eight brigades within two years of warning¹. Practically speaking, even if the equipment could be obtained, Australia lacks the trained military personnel base to expand to eight brigades within two years.

The Personnel Base

- 4.4 To create eight brigades requires between 24,000 and 32,000 troops, depending on the structure of the brigades. Between one-third to one-half of this number hold leadership positions that require not only training but also practical and relevant experience. In *From Phantom to Force*, the committee assumed it would satisfy this personnel base by:

- Recalling ex-serving personnel who had the requisite experience as leaders; and
- Training new recruits.

- 4.5 The assumption made by the committee was that ex-serving personnel who had departed from the service could be recalled up to five years after their last military service. This would have provided a theoretical leadership base of 10,000 personnel to provide leaders in the newly created brigades. Subsequent analysis would indicate that this is unrealistic for two reasons:

- after three years the army considers that skills will have eroded to the point that some degree of retraining is required²;
- not all personnel who leave the army are necessarily suited for re-enlistment; and
- not all personnel who leave the army wish to re-enlist.

- 4.6 The committee has consequently had to modify its assumptions on the pool of military leadership that exists within the community. More realistically, the army can re-enlist ex serving personnel³ up to three years
-

1 Australian Army Submission 42, and 20 November 2000 committee discussion with HQ 11 Bde and Deployable Joint Force Headquarters.

2 Footnote to DI(A) Pers 16/97, Enlistment of Applicants with Previous Service 8 Sep 97

3 Any soldier with military experience is deemed able to be placed in a position of higher authority if rapid force expansion is necessary. For instance, an experienced private may become a LCPL or CPL in a unit being raised.

after separation from the force. Hence the pool of available military leaders for recall in a defence emergency is theoretically 6000 strong. Assuming that up to 25% of this pool is not suited for leadership positions, for reasons of age, health, experience etc, this in practice, leaves a leadership base of 4,500 personnel.

- 4.7 On the basis that two thirds of a unit is made up from private soldiers⁴, then the availability of 4,500 leaders will support a force of 13,500. Army would therefore be required to train 9000 new recruits to staff this force. The maximum through put of recruits from the Army Recruit Training Centre (ARTC) is currently 6,200 per year.⁵ In any given year this capacity is being used to counter natural attrition which will still be present in time of a defence emergency. The army estimates that it could generate 11,000 recruits per year, but it would need 300 additional instructional staff and a new recruit training facility.⁶
- 4.8 Allowing for the need for additional instructional staff in other army schools, up to 500 additional instructional staff may be needed to achieve force expansion. One solution is to draw the additional staff from units and to backfill these positions with recalled ex-serving personnel. This would mean that the available leadership base for creation of new brigades is more likely to be 4,000, not 4,500. The total force size would therefore be 12,000.
- 4.9 From the evidence provided by the army, it is possible to generate a force of 12,000 personnel within two years. However, these personnel would be proficient individually, not necessarily as collective warfighting teams. Under the personnel constraints outlined, recruits graduating in the second year of expansion might not have sufficient time to finish trade training and would definitely not have sufficient time to complete unit and brigade team training.
- 4.10 Using the current 3rd Brigade staffing as indicative of a 'standard' brigade, it would be possible to create four additional brigades from this personnel base. However, the number of brigades raised could be higher or lower, depending on the impact of technology and warfighting doctrine on army's structures. This is a significant issue that will be driven by the

4 Based on a rifle company (and ignoring the rank of LCPL). The ratio varies significantly between organisations.

5 Australian Army, Submission 42, p. 3.

6 Ibid. The army estimates the construction cost of a new recruit training facility at \$80m. It should be noted that there would be a ripple through impact on staffing and facilities in other army schools which would also have to be calculated. These instructional staff may have to be pulled from units and back filled with ex-serving personnel who have been recalled.

extent to which the army initiates and fosters a technological support base within industry.

- 4.11 The committee supports the Government commitment to the cadet movement, with the increase in annual funding to \$30 million announced in the White Paper.⁷ The Australian Defence Force Cadet scheme is expected in the future to help both Regular and Reserve Defence Force Recruitment and add to the pool available for raising the additional brigades.

Industrial Support for Expansion

- 4.12 In the 43 submissions received by the committee there was very little discussion of industry policy and the benefits of a close relationship between Government, Defence and local industry. The topic was similarly not discussed at length in *From Phantom to Force*. In addition, there appears to be little research conducted in the area of force expansion.
- 4.13 The recommendations proposed in *From Phantom to Force*, particularly the force expansion requirements, necessitate a change in the relationship between defence and industry. Industry will, in future, need the ability to produce defence materiel in short timeframes, and far greater liaison will need to be carried out between defence and industry in relation to specific force expansion requirements. The committee believes further work on long term partnership arrangements between Defence and industry will be required.
- 4.14 This report does not go into this topic in any depth. Suffice to say that the committee considers it an important issue that has yet to be adequately addressed. It should be noted that one of the possible topics for the committee's next report, likely in the new Parliament, is that of Defence procurement. Any study of this topic will, by necessity, study the issue of industry support for Defence in detail.

The Personnel Model

- 4.15 Recommendation 8 of *From Phantom to Force* outlined a model for a unified Army personnel structure. Feedback from individual Reservists and the

7 Defence White Paper, *Defence 2000: Our Future Defence Force*, Commonwealth of Australia, 2000, p. 73

Defence Reserve Association⁸ has indicated strong support for this proposal and the flexibility it offers. Cat B service⁹, with initial full time service was seen as an effective new measure which could assist in meeting training needs, assist in meeting higher readiness and aid recruiting. The personnel structure affords the opportunity for Army to harness the capability of the Army Reserve more effectively and would go a large way to eliminating any issues of 'second class citizenship.'

- 4.16 Since the release of *From Phantom to Force*, there has been a great deal of change to the Army personnel model. The Defence White Paper made a significant change to the concept of the use of Reserves when it stated that 'the role of our Reserves will undergo a major transition. Henceforth their clear priority will be to provide fully-trained personnel to our ready frontline forces deployed on operations.'¹⁰ This change was a reflection of the way the Reserves had been used over the last two or three years, where shortfalls in regular capability were made up with the use of Reserve personnel on full time duty.
- 4.17 Subsequent to this, the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2000* was passed through Parliament. This legislation made the processes for calling out the Reserve more streamlined and provides a greater measure of employment protection for those Reservists that serve periods of full time service. The committee sees this as a major step ahead for the Army that should now enable the additional capability offered by the Reserve to be harnessed by Army.
- 4.18 As a result of these changes, the environment in which the initial recommendations were made has changed markedly. While not invalidating the committee's model, the committee does acknowledge that it moves some way away from the recommendations. The committee is not convinced, however, that the changes reflect a comprehensive review of the personnel model, and would like further information from the Department of Defence regarding the change in Reserve role, tasking and capability.

8 Held at Randwick Barracks on Saturday 21 July 2001 and attended by the Sub-Committee Chairman and Deputy Chairman.

9 Category B service is initial full-time service followed by an agreed commitment for part-time service for a set tenure. The part-time service requires regular attendance at a local unit.

10 *ibid.* pp. 81-82.

Conclusion

- 4.19 On the basis of the new evidence received, the committee accepts that it is optimistic to believe that an additional eight brigades can be raised within two years. The Army would not have the requisite personnel to train these new formations, and would be unlikely to be able to equip them adequately.
- 4.20 The committee does not believe that keeping the Army Reserve as both a provider of immediate capability and an expansion base is the key. It may appear to a detached observer that Army has merely changed a few names and maintained the status quo.
- 4.21 The committee believes, on the basis of new evidence, that it is reasonable, and more realistic, for the Army to have a capability to generate up to an additional four brigades within two years. This has been reduced from the previous recommendation of eight brigades.

Community Feedback

Introduction

- 5.1 The committee inquiry received a total of forty-three submissions in response to the release of *From Phantom to Force*. While most were supportive of the intent and overall direction of the report not all the recommendations were unanimously supported.
- 5.2 The submissions themselves ranged from single page single issue letters to full detailed critiques of the report. In addition, the committee held one public hearing and talked to current, serving members of the Army.
- 5.3 In this chapter the report will address each of the *From Phantom to Force* recommendations, and detail the level of support they received. The small number of submissions received does not allow any major study to be conducted, but the concerns raised have prompted the committee to revisit each specific issue and either reconfirm their support for the recommendation or alter it.

Recommendation 1

We recommend that the Government develop and maintain a national security policy. This policy should, amongst other things, guide the Defence Forces on their role in an integrated national concept for promoting and achieving international prosperity, peace and security.

We further recommend that the Government explore the feasibility of creating a National Security Council to oversee the development and maintenance of a national security policy.

- 5.4 There was overwhelming, positive support for this recommendation. Twelve of the respondents supported the recommendation, one responded negatively and two respondents were equivocal or gave qualified support.
- 5.5 Those who supported the recommendation thought it was a critical requirement. Comment included the statement that ‘a security policy will allow debate on the broadening role of Defence.’¹, and that the recommendation would allow for greater and essential guidance from the Government of the day. There was a level of concern best expressed by Mr T King who supported the concept ‘provided that the [proposed National Security Council, does not become a public service incubator, that breeds regiments of bean counters and political mates.’²
- 5.6 Those submittees who did not support the complete recommendation questioned the need for ‘masking total inactivity by creating another committee..’³, or thought it may be ‘treated as little more than platitudes or wishful thoughts.’⁴

Recommendation 2

We recommend that the Department of Defence:

Enhance and maintain a highly effective and regionally focused intelligence and surveillance capability.

Develop and maintain plans, processes and institutions to enable the defence force to expand to meet significant threats to Australian territory within a warning period of no more than two years.

Develop and maintain a well balanced and integrated force-in-being. This force should be capable of the sustained dominance of one major and one minor focal area located anywhere within our region, including Australia. This force-in-being should be deployable within time frames up to, but not exceeding, four months of warning.

- 5.7 Recommendation 2 was a complicated recommendation with three separate sections. Due to this, the general response was one of qualified support, with not all respondents agreeing with all the aspects of the

1 P. McIntosh, Submission 23.

2 T. King, Submission 17

3 J. Gallaway, Submission 8

4 A. McCormick, Submission 36

recommendation. In total, the committee received eight positive responses and six equivocal or qualified responses.

- 5.8 The sub-recommendation to enhance the intelligence and surveillance capability was universally supported, and was considered essential. A large number of responses were supportive of the recommendation, but doubted whether the funds would be made available. One respondent also noted the difficulties in democracies being able to react within warning times, and queried whether Australia would be given two years warning time⁵.
- 5.9 Several of the responses also believed that the capability to be able to sustain one major and one minor focal point is formula driven and inflexible and moves the focus of the Army away from the Defence of Australia, where it should be. As stated by Mr Copley, 'It [the recommendation] also shifts priority from national security to regional involvement.'⁶

Recommendation 3

We recommend that the Army be capable of:

Maintaining a force-in-being of four brigades optimised for operations within Australia's ACSI and capable of deploying within no more than four months warning.

Generating an additional eight brigades within two years of warning for operations within Australia's Area of Critical Security Interest (ACSI).

- 5.10 Recommendation 3 made some specific recommendations regarding the size of the proposed Army force-in-being, the expansion force, and warning times. There was considerable interest in this recommendation with mixed reaction. Five respondents supported the recommendation, five respondents gave negative responses and four respondents gave equivocal or qualified responses.
- 5.11 The concerns raised with this recommendation were concerns that the force itself was insufficient. Several of the negative responses believed that the recommendation 'sets its sights far too low to have any real effect'⁷, and that the 'Army that is proposed is much too small.'⁸ Along

5 Mr H Jennings, Submission 9

6 Mr R Copley, Submission 7

7 Mr J Gallaway, Submission 8

8 Mr P Stewart, Submission 11

the same lines was the concern that the proposed force is too great a reduction to be able to provide an expansion base when required.⁹

Recommendation 4

We recommend that:

The Army report on the status of each brigade within the Department's Annual Report in terms of operational criteria devised jointly between the Department of Defence and the National Audit Office.

On alternate years, the Inspector General of the Department of Defence and the National Audit Office, audit and report on the Army's capability for force expansion.

5.12 Recommendation 4 was strongly supported, with seven positive responses, two negative responses and three equivocal responses. The submissions supported the committee's thrust to ensure that regular auditing of Army capability take place. Those submissions that did not completely support the recommendation either believed further reports were not necessary, as outlined by Mr Copley, 'It is an old but valid statement that quality cannot be inspected into a product,'¹⁰ or believed that assessment of readiness should be done at unit level. The ANAO response indicated that while it was happy to support Army, the auditing was an Army management responsibility.

Recommendation 5

We recommend that the Army force structure be reviewed, such that:

There should be no single unit or formation present in the force structure unless it is able to detach useful capability in components. These components need to be in multiples of three – a component in commitment; a component returning and a component being prepared for deployment.

Where multiple units or formations exist in the force structure they must exist in multiples of three.

Where neither of these conditions can be satisfied the capability being sought should either:

Be reduced to a force size that can meet the structuring principle, or

Be removed from the force structure.

9 B H and S A Cooper, Submission 37

10 Mr R Copley, Submission 8

- 5.13 Recommendation 5 was positively supported with a total of seven positive responses, two negative responses and three equivocal responses. There were two main themes that ran through the comments of both supporters and detractors of the recommendation.
- 5.14 Firstly, there was concern that the recommendation that units have components in multiples of threes was too simplistic and formulaic. The RSL submission suggested that ‘Experience would suggest that it is not generally applicable, for instance for very good reasons each battalion at full strength has four companies.’¹¹ Another respondent stated that ‘it should not be applied to slavishly.’¹²
- 5.15 The second issue raised was the policy for force rotation underlying this recommendation. Several respondents claimed that the rotation policy, whereby forces are rotated after six or twelve months, was the driving factor behind this recommendation. These respondents claimed that forces should deploy for as long as necessary to fight whatever operations were required, as had been the case with Australian forces in previous wars. An example to support this was the claimed fact that ‘rotation each twelve months emasculated 3 RAR in Korea from [sic] a period from late 1951.’¹³

Recommendation 6

We recommend that the Army maintain its capability focus on the conduct of warfighting. This focus should be based on meeting or exceeding regional technical performance parameters up to, and including, mid-intensity conflict. We further recommend that the Army enhance or develop capabilities for:

Terminal Operations (ie, the equivalent of military stevedoring operations).

Civil Affairs (ie, the capability on deployment to establish and maintain a relationship between the Army and the government, civil population and/or other agencies in order to facilitate the resolution of conflict and the re-establishment of normal civil life).

- 5.16 Recommendation 6 was overwhelmingly supported with ten positive responses, one negative response and four respondents who supported some aspects of the recommendation.

11 RSL Submission, Submission 18

12 Confidential Submission, Submission 20

13 R Downey, Submission 4

- 5.17 The Army focus on warfighting had no detractors, with much of the comment being focused on the second section of the recommendation relating to terminal operations and civil affairs. A large number of the respondents argued that Reserve soldiers should carry out those functions rather than regulars, as they were potentially better qualified and enabled regular soldiers to conduct warfighting activities. Mr J Gallaway stated that, 'If it was considered imperative that the army [sic] have stevedoring or Civil Affairs personnel on tap, then they ought to be trained people enlisted on a part time basis who continue in their civilian callings.¹⁴

Recommendation 7

We recommend that the Army's funding be increased to:

Account for the yearly rise in costs associated with military personnel and equipment. (Based on historical trends this equates to an annual growth rate of four per cent which was also the rate of GDP growth at the time of the inquiry).

Provide a credible force expansion capability.

Provide, in the short term, funds necessary to implement the recommendations within this report.

- 5.18 There was strong support for Recommendation 7, with ten respondents supporting the recommendation, two opposed and two equivocal or neutral responses.
- 5.19 Some of the respondents who supported the recommendation argued that the provision of additional funding needed to be linked to outcomes as articulated by Mr D Strain who stated 'any provision of additional funding should be contingent upon achieving [sic] of specific, measurable, outcomes.'¹⁵ Several others argued that it is critical to have stability and bipartisanship in Defence funding¹⁶.
- 5.20 Concern raised by those respondents who did not support the recommendation varied from concern that additional funds would be wasted until the Army has effective governance¹⁷, to concern over whether the proposed funding model is affordable when in competition with RAN and RAAF priorities¹⁸.

14 J Gallaway, Submission 8

15 Mr D Strain, Submission 25

16 Australian Cretan Federation, Submission 19

17 Mr R Copley, Submissions 7 and 32

18 Confidential Submission, Submission 20

Recommendation 8

We recommend that the Army adopt a unified personnel structure. This structure should consist of five employment categories able to be deployed on service anywhere in the world:

Category A – Full-time service for an agreed tenure.

Category B – Initial full-time service followed by an agreed commitment for part-time service for a set tenure. This part-time service would require regular attendance at a local unit.

Category C – Part-time service for an agreed tenure. This part-time service would require regular attendance at a local unit.

Category D – Part-time service for an agreed tenure. This part-time service would be done in a local or remote location at irregular time intervals which best suit the individual.

Category E – Non-active service by fully trained personnel who remain on a recall database to support special projects or force expansion.

We further recommend that service within these categories be by voluntary enlistment and be covered by common legislation that provides for employment protection and call out.

- 5.21 Recommendation 8 elicited a significant amount of comment and had nine positive responses, two negative responses and three equivocal or neutral responses.
- 5.22 There was no clear theme to the comment with respondent's comments ranging from the RSL comment¹⁹ on the requirement for Reserve service to become a legal commitment, to concern about employer support and bipartisanship. Much of the debate has been overtaken by the change to Reserve Legislation passed in March 2001²⁰.

Recommendation 9

We recommend that:

All units are to be fully staffed to operational levels. Where a unit consists of predominantly part-time personnel it is to be staffed to 120 per cent of operational requirement.

No unit is to be staffed with less than 20 per cent full-time (Category A) staffing.

19 RSL Submission, Submission 18

20 The Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Bill 2000 was passed on 7 March 2001. It allows call out of the Reserves for operations such as peace enforcement, peacekeeping and disaster relief operations and provides financial and educational protection to Reserves when called out.

Transition of soldiers between Categories is to be administratively simple. This includes:

a standardised system of performance evaluation based on merit; and

a graduated system of employment conditions that covers issues such as superannuation, injury compensation and housing assistance.

- 5.23 Recommendation 9 generated a significant debate and had a total of fourteen responses, with eight of them supportive, one negative and five equivocal. Several of the respondents expressed caution regarding the cost of this recommendation, with the one negative response stating that it ‘may be prohibitively expensive and unnecessary to staff all units to operational levels, let alone 120%.’²¹ The equivocal responses generally supported the recommendation, but were not confident that fully staffed units could be achieved. The committee finds this surprising given Australia’s need for a fully operational Army.

Recommendation 10

We recommend that no Army equipment project be approved unless it is acquiring sufficient equipment to meet the full operational equipment liability for the total force.

- 5.24 Recommendation 10 was generally supported, with seven positive responses, two negative responses and three equivocal responses. There was a level of concern across a number of submissions that this would be very expensive and one respondent perceived that ‘The recommendation proposes rigidity and a loss of flexibility.’²²
- 5.25 Several of the equivocal responses thought that further information was needed before they could support the recommendation. One respondent, Mr King, suggested that the Army seek advice and information from Great Britain in this regard²³.

Recommendation 11

We recommend that the Army, in conjunction with the Department of Defence, review its equipment and stock acquisition strategy. We further recommend that this strategy be based on a coherent policy which addresses the need for the Army’s equipment and stock to:

21 Confidential Submission, Submission 20

22 Mr R Copley, Submission 7

23 Mr T King, Submission 17

Be sustainable.

Support plans for force expansion.

Be optimised for operations within Australia's ACSI.

Be based on, in the case of equipment, an appreciation of the whole-of-life costs associated with any particular purchase or replacement program.

5.26 There was very strong support for Recommendation 11, with nine positive responses and two equivocal or neutral responses. A common theme running through the responses was that Australia needed a more self-reliant defence industry and support base, including in one response a national capability for ammunition production. As stated by Mr I Wren 'We would emphasis the need to develop Australia's support base wherever possible.'²⁴

Recommendation 12

We recommend that the Government establish, for a period of three years, an Army Capability Enhancement Project (ACEP). The Project Team would work alongside the Army in effecting the restructuring and enhancements recommended in this report.

We further recommend that this Project provide a report to Parliament twice each year for the period of its operation.

5.27 Recommendation 12 did not generate the level of comment or support of some of the other recommendations. There were six respondents who supported the recommendation, two negative responses and three equivocal or neutral responses.

5.28 There was a level of concern that this recommendation could only be implemented within the context of changes within the RAN and RAAF²⁵, and that 'capability should be managed on a whole-of-Defence and not a single service basis.'²⁶ In addition, there were also a few respondents who were not entirely sure that another project team was needed and that the project team should not consist only of defence personnel.²⁷

24 Mr I Wren, Submission 6

25 Mr I Wren, Submission 6

26 Confidential Submission, Submission 20

27 Mr R Downey, Submission 4

Other Issues

- 5.29 There were several themes raised in the submissions that were not related specifically to the recommendations of *From Phantom to Force*. In particular, the topic of current rotation policy and National Service were raised. The outlines of the issues raised and the committee's response will be detailed in this section.

Rotation Policy

- 5.30 Several submissions raised the issue of the current rotation policy adopted by Defence, and argued that the policy either exacerbated or caused some of the problems with force structure. The current policy involves deployments of forces for periods of six or twelve months, depending on the type of operational deployment. For peace enforcement operations deployment times of six months are planned, and for war fighting operations twelve month rotations are planned. These rotation times are designed to ensure that units do not become fatigued and non-effective, but also that commitments can be carried out for extended periods.
- 5.31 Mr Downey argued strongly in his submission that 'the concept of annual rotation was American²⁸' and that 'prior to Korea, in times of war, Australians have volunteered on the basis of the duration of the war and six months thereafter²⁹'. He concluded that 'In the perilous situation where Australia is at risk and threatened, there must be no question of replacement other than to briefly rest the units of a formation³⁰'. Mr Downey was supported in his stance by Mr J Gallaway, who similarly stated that 'In Australia, in both world wars, soldiers enlisted for the duration.'³¹
- 5.32 While cognisant of the views of the submissions, the committee is supportive of the current rotation policy. Defence commitments of a relatively low level nature such as Bougainville and East Timor must be maintained indefinitely, and the burden shared among the units in the Army. The argument that single battalions should deploy to areas such as East Timor and stay until the job is finished, is not logically sustainable, nor is it smart leadership.

28 Mr R Downey, Submission 4

29 *ibid.*

30 *ibid.*

31 Mr J Gallaway, Submission 8.

- 5.33 If, in the worst possible scenario, Australia does become involved in a war that places the country at risk, such as World War II, then indeed forces will deploy for as long as required. When not required, a sensible and structured rotation plan to support overseas contingencies should be continued. This will ensure the existence of well rested, trained troops with high morale ready for any further contingencies that may arise.

National Service

- 5.34 There were also some submissions that proposed a form of national service be reintroduced. The submission from the National Servicemen's Association of Australia was quite detailed and advocated a scheme that included a National Guard incorporating State Emergency Services, a Coastguard, a Construction Corps and a Peace Corps³².
- 5.35 While the committee is aware of some support for this issue, it feels that a National Service Scheme is neither needed nor appropriate for Australia. Indeed, it can be argued that the aim of this report is to suggest actions to ensure the enduring security of Australia, so that National Service does not become necessary in a Defence emergency.

Conclusion

- 5.36 The committee was satisfied with the amount of constructive comment received regarding *From Phantom to Force*. The vast majority of the submissions were positive, showing the level of public interest in the Australian Defence Force in general and the Army in particular.
- 5.37 The comment ranged across the range of the topics covered in *From Phantom to Force*, with several of the submissions raising issues that were not considered in depth in the original report. There were no recommendations in *From Phantom to Force* that received more negative than positive feedback. Several of the key recommendations such as the force structure and the funding increase gained overwhelming support from the respondents, indicating perhaps that there is a significant level of public support for these issues in the community.
- 5.38 Since the release of *From Phantom to Force* there has been a significant number of large changes to the Defence and Army environment. Firstly the release of the Government's White Paper, *Defence 2000, Our Future Defence Force*, followed many of the intellectual arguments proposed in

32 National Servicemen's Association of Australia, Submission 16

From Phantom to Force. In addition, the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2000* was passed on 7 March 2001, giving both greater scope for 'callout' of the Reserve and greater protection for Reservists when called out. Both of these processes were informed by the previous report, for which all those who contributed can take some measure of credit.

Changes to the Report?

Introduction

- 6.1 In this concluding chapter we will detail the original recommendations on the Army, and either confirm or amend those recommendations as a result of feedback from the community and Army.

Recommendation 1 – Develop a National Security Policy

- 6.2 There was great support for this recommendation in the submissions and the committee feels no need to change the original recommendation. We continue to believe that the multi-dimensional nature of a security policy will allow Australia's limited resources to be channelled into providing deeper and more robust national security.

Recommendation 2 – Develop a Well Balanced Force

- 6.3 The review of capability and force structure in *From Phantom to Force* indicated that to sustain dominance of one major and one minor focal area Australia needed a force-in-being of four capable and ready to use brigades. The Defence White Paper came to the conclusion that the same task could be achieved with three brigades, plus a Special Operations Group.¹
- 6.4 The committee is not convinced that these forces can achieve this goal on a sustainable basis and remains to be convinced that it can be achieved. The

¹ Defence White Paper, *Defence 2000: Our Future Defence Force*, Commonwealth of Australia, 2000, p 80.

committee is particularly concerned if the logic behind this relies on the heavy use of Reserve forces.

- 6.5 Having stated that, the committee feels that the argument is about the detail rather than the crux of the recommendation. The committee feels Recommendation 2 remains a valid, achievable and necessary recommendation.

Recommendation 3 – An Army of Four Brigades with an Expansion Capability

- 6.6 In *From Phantom to Force*, the committee argued that the current nine, largely hollow brigades, be consolidated into four, highly capable and fully resourced brigades, and that a force expansion capability of an additional eight brigades within two years be created for a significant and credible deterrent.
- 6.7 The committee is still convinced that the Army needs a minimum of four brigades to provide the capability to dominate one major and one minor focal area. We accept the argument put forward by Army that it does not have the equipment nor trained personnel to produce an additional eight brigades within two years. Subsequently, and as explained in Chapter 4, the committee recommends that Army should have the ability to generate up to an additional four brigades in two years, rather than the eight previously recommended.
- 6.8 The committee would like to reiterate that it does not presently see that the Army Reserve provides any capability commensurate with the resources allocated to it. While the committee is aware that plans for the use of the Reserve to contribute to capability are underway, it still needs to be convinced that these are achievable and suitable plans that will provide the Defence Force with an increase in capability. It must not be the old Reserve with a new name.

Recommendation 4 – Annual Reporting of Army Capability

- 6.9 The committee remains convinced that, given the public resources involved, that open reporting of capability achievement is important. As explained in Chapter 2, current reporting by the Department of Defence has not alerted the public to the hollowness and lack of capability within a notionally large army. The committee has taken note of the ANAO comment and concedes that recurrent reporting might more appropriately be limited to the Defence Inspector General's department, with ANAO providing technical advice,

devising criteria for measurement and conducting audits as required. The ANAO should report to Parliament in 24 months on the efficacy of the Army capability audit program.

Recommendation 5 – A Review of Army Force Structure

- 6.10 Notwithstanding the concern raised at the formulaic nature of this recommendation by some of the submissions, the committee considers that this recommendation is valid, and would go a long way towards standardising Army formations. The committee accepts that there may be some unique force level units or structures that do not meet this standard. What the committee thinks should not occur is every single formation adopting a different structure in order to provide an illusory capability for every circumstance.
- 6.11 The committee was unconvinced by the argument that each brigade should have a different capability in order to provide flexibility, as discussed in Chapter 2. In order to provide a standardised brigade level force capable of rotation through a major focal point, Recommendation 5 needs to be adopted throughout the Army.
- 6.12 The decision to retain different, unique and individual capabilities at the brigade level and lower is seen by the committee as more an inability to make a suitable decision on force structure than a desire for flexibility.**

Recommendation 6 – Army Capability Focus on Warfighting

- 6.13 The submissions received on *From Phantom to Force* strongly supported the recommendation that the Army maintain its capability focus on the conduct of warfighting. The committee still considers that having a clear capability for warfighting is the best guarantor that the Army will continue to be successful as a peacekeeper.
- 6.14 There was some concern in the submissions that the capability for Terminal Operations and Civil Affairs should be a Reserve responsibility rather than a Regular Army role. Broadly, the committee is not concerned with that level of detail, rather whether Army has a deployable capability to support operations. While the committee is comfortable with Regular force capability to conduct either task, it may be that the role is better situated in the Reserve component. This decision is one for Army to make.

Recommendation 7 – An Increase in Army’s Funding

- 6.15 The Defence White Paper has significantly increased the amount of funding for Defence over the next ten years. It also identified major enhancements to Defence and Army capability including Armed reconnaissance Helicopters, air defence missile systems and artillery systems. The committee is strongly in support of this funding increase, which is vital to providing an adequate Army capability into the future.
- 6.16 As a result, the committee is comfortable that a considerable step has been taken towards the achievement of this recommendation, but considers it needs further information from the Department of Defence as to how the funding allocation and management may be achieved over the ten year period.

Recommendation 8 – A Unified Army Personnel Structure

- 6.17 The committee continues to be impressed with the level and depth of training we have seen amongst its members. We are also aware of many personnel initiatives being undertaken by the Department of Defence and the Army, some since the release of *From Phantom to Force* and the White Paper. The changes to callout legislation discussed in Chapter 2 are a major and important step for the Army that will allow a greater and more valuable contribution to be made by the Reserves.
- 6.18 One area of concern in several of the submissions and expressed at the 2001 Defence Reserves Association meeting² was the lack of a defined role for the Reserves, and their feeling that they are treated as second class citizens. Particular concern was raised regarding the Army's policy of deploying Reserves as individual or sub-unit level reinforcements, rather than as formed units.
- 6.19 The committee is still committed to its recommendation in relation to the unified personnel structure, but understands there has been considerable work within Army relating to a new role and structure for the Reserve component of the Army. The committee is keen to see the outcomes of this work, and strongly urges that it follow the recommendation outlined below. The committee will reconsider this when suitable time has elapsed.

2 Held at Randwick Barracks on Saturday 21 July 2001 and attended by the Sub-Committee Chairman and Deputy Chairman.

Recommendation 9 – Units Staffed to Operational Levels

- 6.20 The committee has received little feedback regarding the staffing of Reserve units. The committee understands that Army is developing a new policy regarding Reserve roles and structures. The committee will seek to be briefed by Army on the new Reserve structure and roles, particularly as that relates to operational staffing of units.

Recommendation 10 – Equipment Projects to Acquire Full Operational Liability

- 6.21 When first discussed by the committee, Recommendation 10 appeared to be a statement of logic, with members amazed that any other course was taken in a standing non-conscript Army. The committee still insists that a rationalisation of the Army's force structure to four brigades (even more so if three brigades as detailed in the White Paper) can substantially address the current estimated \$4.5 billion shortfall in equipment. In addition to this, the practice of partially equipping units should cease. The practice destroys capability and may be a significant cause of personnel separation, particularly within the Reserve.

Recommendation 11 – A Review of Army's Equipment and Stock Acquisition Strategy

- 6.22 The committee received overwhelming support for this recommendation and is not aware of any current project that would invalidate it. As stated in *From Phantom to Force*, the committee feels that the Army should adopt a more coherent and focused equipment acquisition strategy.
- 6.23 Neither *From Phantom to Force* nor this paper has studied the issue of Defence industry in any depth. The role of Australian industry within Defence Strategy should be clarified, as the ability of the national support base to enable force expansion and to sustain forces is critical to the defence of Australia and its interests.

Recommendation 12 – An Army Capability Enhancement Project

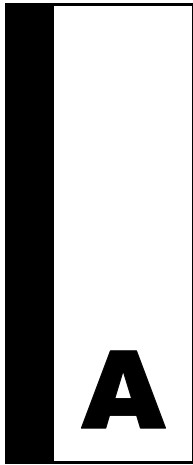
- 6.24 The issue of an Army Capability Enhancement Project elicited some discussion. While many respondents supported the idea, some were concerned that capability must be addressed on a joint, or whole of business manner. While the committee was cognisant of this, a joint project team was beyond the scope of the committee's terms of reference, and the committee was aware that reforms of the magnitude of those recommended have historically been implemented in a haphazard manner.
- 6.25 The committee is still of the opinion that a project team is required to bring all the disparate aspects of these report recommendations together. We are aware that there have been significant changes to Army and Defence since the release of the White Paper and have some concern as to how these issues are monitored and coordinated. The committee wishes to be briefed on how Defence, and Army in particular, are internally managing and deconflicting the capability, force structure, development and personnel aspects relating to this report.

The Measure of our Army

- 6.26 In *From Phantom to Force*, and subsequently in this smaller report, we have attempted to determine the suitability of our Army. After releasing *From Phantom to Force* we canvassed members of the public to elicit feedback on the reports recommendations, in order to give some sense of ownership and community input. This was done in an environment of major change for Army, as the Defence White Paper was released shortly thereafter, changing some major tenets of previous thinking.
- 6.27 In large part, *From Phantom to Force* remains valid and accurate. This report was always envisaged as a follow-on report to amend or change recommendations resulting from any new information and community feedback. That has now occurred, with the committee comfortable that there are only minor aspects of the report's recommendations that need amendment. This report should be read in conjunction with *From Phantom to Force*.

6.28 We continue to believe, that for the Army to meet the challenges of the future it needs to address some significant issues. While some changes have taken place over the last six months, we have yet to be convinced that they address the key issues raised in *From Phantom to Force* and subsequently in this report. In both reports we have attempted to assess the Army to ensure that it is relevant to the community, credible in its role, sustainable, efficient, balanced and, lastly, better able to scale its structure and readiness to meet shifting threats. We believe that the adoption of the refined recommendations in this report will move the Army towards achieving these objectives. The Australian people deserve a capable and suitable Army.

Senator Alan Ferguson
Chairman



Appendix A - Submissions

Submission No.	Individual/Organisation
1	Mr Robert S Buick, MM
2	Mr H F Keen
3	Mr N B Filby
4	Mr Robert Downey
5	Australian National Audit Office
6	Mr Ian Wren, National Party Queensland Branch
7	Mr Robert Copley
8	Mr Jack Gallaway
9	Mr Howard Jennings
10	Captain B K White, Headquarters 3 rd Brigade
11	Mr Peter Stewart
12	Lieutenant General Peter Cosgrove, AC, MC, Chief of Army
13	Mr N B Filby
14	Mr R J W Cain
15	Admiral C A Barrie, Chief of the Defence Force
16	National Servicemen's Association of Australia Inc
17	Mr Tom King
18	Ms Cheryl Gates, Returned Services League of Australia
19	Australian-Cretan Federation, NSW Division

20	Confidential Submission
21	Mr Chris Gardiner
22	Mr Leon Francis
23	Brigadier Patrick McIntosh
24	Hon Roger Price, MP
25	Mr Douglas Strain
26	Brigadier Atkinson, Defence Personnel Executive
27	Mrs Jean R Williams
28	Mr A T Parker
29	Mr Peter D Jones
30	Mr John Lenehan
31	Mr L J Usher
32	Mr Robert Copley
33	Mr A T Parker (Supplementary)
34	Mr Wayne Hamilton
35	Mr Nigel F Evans
36	Mr Alistair W McCormick
37	Brigadier Brian Cooper and Mr Scott Cooper
38	Mr Roger Jennings
39	Mr Robert Copley (Supplementary)
40	Dr Jim Wood
41	Air Marshal S D Evans
42	Minister for Defence
43	Minister for Defence (Supplementary)



Appendix B - Public Hearings and Witness List

Monday 20 November 2000 – Brisbane

Committee discussion with Defence Groups - HQ 11 Brigade and Deployable Joint Force HQ.

Friday 9 March 2001 – Canberra

Returned and Services League of Australia

Major General Adrian Clunies-Ross, AO, MBE (Retired), Chairman
RSL National Defence Committee

Private Capacity

Mr Robert John Copley
Air Marshal David Evans
Associate Professor Hugh Smith



Appendix C – Recommendations from the *From Phantom to Force* Report

1.1 The recommendations of *From Phantom to Force* are detailed in Table 1.1

Table 1.1 Summary of Recommendations in *From Phantom to Force*.

No	Recommendation Text
1	<p>We recommend that the Government develop and maintain a national security policy. This policy should, amongst other things, guide the Defence Forces on their role in an integrated national concept for promoting and achieving international prosperity, peace and security.</p> <p>We further recommend that the Government explore the feasibility of creating a National Security Council to oversee the development and maintenance of a national security policy.</p>
2	<p>We recommend that the Department of Defence:</p> <ul style="list-style-type: none">▪ Enhance and maintain a highly effective and regionally focused intelligence and surveillance capability.▪ Develop and maintain plans, processes and institutions to enable the defence force to expand to meet significant threats to Australian territory within a warning period of no more than two years.▪ Develop and maintain a well balanced and integrated force-in-being. This force should be capable of the sustained dominance of one major and one minor focal area located anywhere within our region, including Australia. This force-in-being should be deployable within time frames up to, but not exceeding, four months of warning.
3	<p>We recommend that the Army be capable of:</p> <ul style="list-style-type: none">▪ Maintaining a force-in-being of four brigades optimised for operations within Australia's ACSI and capable of deploying within no more than four months warning.▪ Generating an additional eight brigades within two years of warning for operations within Australia's Area of Critical Security Interest (ACSI).
4	<p>We recommend that:</p> <ul style="list-style-type: none">▪ The Army report on the status of each brigade within the Department's Annual Report in terms of operational criteria devised jointly between the Department of Defence and the National Audit Office.▪ On alternate years, the Inspector General of the Department of Defence and the National Audit Office, audit and report on the Army's capability for force expansion.
5	<p>We recommend that the Army force structure be reviewed, such that:</p> <ul style="list-style-type: none">▪ There should be no single unit or formation present in the force structure unless it is able to detach useful capability in components. These components need to be in multiples of three – a component in commitment; a component returning and a component being prepared for deployment.▪ Where multiple units or formations exist in the force structure they must exist in multiples of three.

-
- Where neither of these conditions can be satisfied the capability being sought should either:
 - Be reduced to a force size that can meet the structuring principle, or
 - Be removed from the force structure.
-
- 6 We recommend that the Army maintain its capability focus on the conduct of warfighting. This focus should be based on meeting or exceeding regional technical performance parameters up to, and including, mid-intensity conflict. We further recommend that the Army enhance or develop capabilities for:
- Terminal Operations (ie, the equivalent of military stevedoring operations).
 - Civil Affairs (ie, the capability on deployment to establish and maintain a relationship between the Army and the government, civil population and/or other agencies in order to facilitate the resolution of conflict and the re-establishment of normal civil life).
-
- 7 We recommend that the Army's funding be increased to:
- Account for the yearly rise in costs associated with military personnel and equipment. (Based on historical trends this equates to an annual growth rate of four per cent, which was also the rate of GDP growth at the time of the inquiry).
 - Provide a credible force expansion capability.
 - Provide, in the short term, funds necessary to implement the recommendations within this report.
-
- 8 We recommend that the Army adopt a unified personnel structure. This structure should consist of five employment categories able to be deployed on service anywhere in the world:
- Category A – Full-time service for an agreed tenure.
 - Category B – Initial full-time service followed by an agreed commitment for part-time service for a set tenure. This part-time service would require regular attendance at a local unit.
 - Category C – Part-time service for an agreed tenure. This part-time service would require regular attendance at a local unit.
 - Category D – Part-time service for an agreed tenure. This part-time service would be done in a local or remote location at irregular time intervals which best suit the individual.
 - Category E – Non-active service by fully trained personnel who remain on a recall database to support special projects or force expansion.
- We further recommend that service within these categories be by voluntary enlistment and be covered by common legislation that provides for employment protection and call out.
-
- 9 We recommend that:
- All units are to be fully staffed to operational levels. Where a unit consists of predominantly part-time personnel it is to be staffed to 120 per cent of operational requirement.
 - No unit is to be staffed with less than 20 per cent full-time (Category A) staffing.
 - Transition of soldiers between Categories is to be administratively simple. This includes:
 - a standardised system of performance evaluation based on merit; and
 - a graduated system of employment conditions that covers issues such as superannuation, injury compensation and housing assistance.
-
- 10 We recommend that no Army equipment project be approved unless it is acquiring sufficient equipment to meet the full operational equipment liability for the total force.
-
- 11 We recommend that the Army, in conjunction with the Department of Defence, review its equipment and stock acquisition strategy. We further recommend that this strategy be based on a coherent policy which addresses the need for the Army's equipment and stock to:
- Be sustainable.
 - Support plans for force expansion.
 - Be optimised for operations within Australia's ACSI.
 - Be based on, in the case of equipment, an appreciation of the whole-of-life costs associated with any particular purchase or replacement program.
-
- 12 We recommend that the Government establish, for a period of three years, an Army Capability Enhancement Project (ACEP). The Project Team would work alongside the Army in effecting the restructuring and enhancements recommended in this report.
- We further recommend that this Project provide a report to Parliament twice each year for the period of its operation.

