

Chapter 1

The year in review



OVERVIEW BY THE SECRETARY AND THE CHIEF OF THE DEFENCE FORCE

For many, the image of the Australian Defence Force is soldiers in Afghanistan and Iraq, peacekeeping in Timor-Leste, and the spectacular power of our platforms—billions of dollars worth of tanks, planes and ships. Occasionally attention focuses on controversial issues—a soldier wounded in action, a contract delay, or a sensational newspaper headline. Between these two extremes can be found a big Australian organisation—with a wealth of experiences and successes that plays an important part in Australia's life and economy.

For example, over the next decade Defence will spend around \$100b on buying and maintaining military equipment. Over the past year the Defence Materiel Organisation, a prescribed agency within Defence, signed around 3,000 contracts valued at \$100,000 or more, or roughly 10 such contracts every working day. We also made 900,000 payments to more than 230,000 registered suppliers during the year. All this while looking after our more than 90,000 people (including serving 7,700,000 meals to our military personnel) and tracking 280,000,000 bits of equipment ranging from computer chips to ship propellers.

During the reporting year, our major operational deployments continued unabated, and were supplemented by a number of smaller, short-notice operations, such as those to Tonga to stabilise a tense situation, preparations in support of a potential evacuation of Australian nationals in

Fiji, and an evacuation of nationals in Lebanon. There were also a number of significant acquisition decisions, improvements to our financial position and further management reform.

These developments all point to the ever-increasing workload of Defence—that is, our focus on the operational capability of our forces as the tempo of our international deployments continues unabated. This means that it is more important than ever to make sure Defence is getting the best value for taxpayers' money, and that we have a dedicated and motivated workforce willing to give their all to achieve our aims.

Defence's departmental income for 2006–07 was \$18.480b and our administered revenue was \$790.2m. This was set against liabilities of \$3.507b (departmental) and \$32.478b (administered).

At 30 June 2007, Defence's total assets were \$57.472b (departmental) and \$1.188b (administered). Our staff comprised 51,504 permanent members of the Australian Defence Force (ADF), 19,562 reservists, 14,516 civilian staff and 810 professional service providers.

Our ministerial team welcomed a new member in January 2007, when Mr Peter Lindsay MP took over as Parliamentary Secretary from Senator Sandy Macdonald.

OPERATIONS

The ADF's operational tempo continues to match the complexity and challenges of the global environment. As at 30 June 2007, approximately 3,850 ADF personnel were deployed on 10 ongoing operations overseas, while an additional 450 personnel were deployed to protect Australia's borders and offshore maritime interests. A further 120 personnel were providing support to the Northern Territory Emergency Response Task Force working in Indigenous communities. With the ADF also managing five short-notice contingencies during the course of 2006–07, the people of Defence have risen to the challenges of continuing rotations in Africa, the Middle East, the Pacific, and Australia.

The transfer of security in Al Muthanna and Dhi Qar provinces to Iraqi control was a major milestone for the Coalition, the ADF and Iraq under Operation Catalyst. Now known as the Overwatch Battle Group (West), approximately 515 ADF personnel have been deployed to support the Iraqi Security Forces while an additional 70 trainers have also been deployed to Iraq to improve the logistics skills of the Iraqi Army. Our Security Detachment, personnel embedded in headquarter, P-3 Orions and C-130s continue to do valuable work in support of the Coalition.

Australia has continued its longstanding commitment of a frigate to maritime security operations in the Northern Persian Gulf. In November 2006, Commodore Peter Lockwood supported by an Australian Command team became

only the second Australian since World War II to command a multinational naval force on operations.

Australia's support to International Security Assistance Force reconstruction and security operations in Afghanistan, Operation Slipper, has been substantially boosted in the past year with the deployment of the Reconstruction Taskforce as part of the Dutch-led Force in Oruzgan, the recent return to Afghanistan of the Special Operations Task Group, the deployment of an Air Force Mobile Control and Reporting Unit as well as an additional C-130 Hercules to the Middle East.

We have also continued providing support to the Government of Timor-Leste and the United Nations Police deployed in that country. Through Operations Astute and Tower, Defence is working to provide a peaceful and stable environment for the people of Timor-Leste. The recent peaceful conduct of elections is testimony to the improving security environment.

Hostilities between Hezbollah and Israel created a security crisis in Lebanon in July 2006 that led to 120 ADF personnel assisting with the evacuation of 5,300 Australians and 1,350 foreign nationals as part of Operation Ramp.

Around 50 ADF personnel were deployed to Tonga as part of the New Zealand-led combined military force that supported the Tongan Security Forces in stabilising the security situation after riots in the city of Nuku'alofa in November 2006. Known



The Minister for Defence, the Hon. Dr Brendan Nelson MP, talks to Warrant Officer Class 2 Andrew Stuart and Lieutenant Colonel Mick Mahy during his visit to the Middle East Area of Operations in early September 2006.



Private M Purdon, Private Michael Litchfield and Major Andrew Williams greeting local Solomon Islanders at the Honiara Wharf during a routine patrol as part of Operation Anode.

as Operation Quickstep, this also saw a taskforce deployed in the South Pacific, prepared if necessary to evacuate Australians from Fiji following the unacceptable military coup in that country. Other rapid deployments to support our region included assistance following an earthquake in Indonesia, the Garuda plane crash in Yogyakarta, and medical aid to Solomon Islands following a tsunami.

The deployment of a company of Reserve personnel to Solomon Islands as part of the Regional Assistance Mission to Solomon Islands remains significant. These deployments—part of Operation Anode—highlight the indispensable role of our Reserve personnel, and the invaluable contribution they and their employers make to Australia's security. This year witnessed the largest deployment of Reservists from New South Wales since World War II. More information about this deployment is in Chapter 3 of this report.

Defence's commitment to maritime border security was greatly enhanced during 2006–07. The Joint Offshore Protection Command transformed into Border Protection Command and assumed responsibility for whole-of-government operational coordination and control for enforcement responses to illegal foreign fishing. An important example of their work took place 1 July 2006 when HMAS *Dubbo* and HMAS *Success* struck a major blow against illegal fishing by apprehending seven Indonesian fishing boats at once. Sixty-seven people were on board and 4,300kg of reef-fish were seized.

Defence's successes in complex and intense operations during the year serve as a demonstration of the excellent leadership, training and equipment of our troops, but risk is ever present. The loss of two fine soldiers in the tragic Black Hawk accident during Operation Quickstep in the South Pacific was a blow felt by all in Defence. This tragedy highlights the difficult and dangerous conditions in which our people operate.

A further mark of the intensity of recent military operations is that in the past 12 months, nine Australian Gallantry awards and 27 Distinguished Service awards have been made for active ADF service in the Middle East. Some are related to Commando service, for which individuals cannot be identified, including the award of the Star of Gallantry to a Commando sergeant in the Middle East—the only one ever awarded. This award exemplifies the courage of our personnel in the highest traditions of the ADF. On 9 July 2006, during a coalition operation to capture an anti-coalition militia leader in the Oruzgan Province, the sergeant displayed superior leadership and personal courage under heavy militia fire. Throughout protracted engagements, and disregarding his own safety, he displayed multiple acts of conspicuous gallantry. His selfless actions contributed to the success of the mission and, ultimately, the safe return of his platoon.¹

1. Further details are included within the case study at the end of this chapter.

Such military action is supported by a large Defence workforce engaged on activities as diverse as command and control intelligence analysis, equipment procurement, strategic policy development and a myriad of other supporting activities. All of these contribute in vital ways to our operational success.

We pay tribute to all the families that allow their loved ones to serve this nation with distinction. To them, as always, we owe our gratitude.

STRATEGY

Along with the annual classified Defence Planning Guidance, Defence produced two major public strategy documents in 2006–07. In May 2007, *Joint Operations for the 21st Century*, which outlines the Chief of the Defence Force's 'vision' for future military operations, was released, and the Prime Minister launched a new *Defence Update* in July 2007. The update reviewed the Government's response to the changing security environment, including Defence's evolving military posture and capabilities, and emphasised the importance of partnerships in securing Australia's strategic interests at the global, regional and local levels. Both documents underlined the increasing integration within the separate arms of the ADF, and between Defence and other government agencies.²

International engagement

In international engagements, two of the highlights of the year were related to Australia's strategic relations with Japan and France.

The signature of the Joint Declaration on Security Cooperation by Prime Minister Howard and Japanese Prime Minister Abe on 13 March 2007 shows the maturity of the strategic relationship between Australia and Japan. Under the auspices of this agreement, Defence will contribute to security cooperation by regularly exchanging personnel, conducting reciprocal visits by aircraft, ships and other military capability, and planning for disaster relief in our region.

In December 2006, Minister Nelson and the French Minister for Defence, Michele Alliot-Marie, signed the *Australia–France Defence Cooperation Agreement* in France. This agreement is Australia's first defence cooperation agreement with a European country, and it will provide a framework for further cooperation across a broad range of military and defence civilian areas such as materiel and capability planning.

In other areas, the steady work of Defence diplomacy continued. We continued efforts to enhance Australia's policy standing with the United States by improving access to US technology and developing cooperative initiatives, both in support of coalition operations and activities in the Asia–Pacific region. Defence cooperation with India included ongoing strategic dialogue and the signature of an Information Sharing Arrangement on 11 July 2007. Preparations continued for the expected reciprocal naval visits by China's People's Liberation Army–Navy and the Royal Australian Navy. Defence engagement in the South Pacific continued its aim of fostering and supporting regional security and stability by enhancing the professional skills of the region's security forces and on promoting the development of appropriate civil–military relations. Finally, our engagement with the countries of South East Asia was highlighted by the signature and ratification of the Australia–Indonesia Framework for Security Cooperation (the Lombok Treaty) and the signature of the Status of visiting Forces Agreement between Australia and the Philippines. Further information about developments in Defence's international relationships can be found in Chapter 3 of this report.

2. Web versions of these documents can be found at www.defence.gov.au/publications.cfm.

CAPABILITY

Since the Defence White Paper³ was published in December 2000, the Government has approved more than 180 major projects or phases of projects at an approximate cost of \$42.6b. During 2006–07, more than 30 projects and studies were approved at a cost of over \$14.3b. Among these projects, the following are critically important:

- › acquisition of 24 F/A-18F Super Hornets (AIR 5349 Phase 1)
- › acquisition of three Air Warfare Destroyers (SEA 4000 Phase 3)
- › acquisition of two amphibious ships (JP 2048 Phase 4A/4B)
- › extensive structural refurbishment of additional F/A-18 aircraft through the procurement and installation of centre barrel modification kits (AIR 5376 Phase 3.2C)
- › first pass approval for the Joint Strike Fighter aircraft (AIR 6000 Phase 2A/2B New Air Combat Capability).

The Super Hornet acquisition and Joint Strike Fighter first pass approval ensure that Australia will retain a key edge in air combat capability as we make the transition to the next generation of combat aircraft. The decision to acquire the Air Warfare Destroyers and amphibious ships will significantly enhance our capacity to transport and protect Australian forces and to operate with friends and allies on maritime tasks.

3. More information can be found at www.defence.gov.au/whitepaper/.

In addition to approving these key equipment projects, the Government significantly expanded the size and capability of the Army as part of its Hardened and Networked Army initiative. Among their expected outcomes, the initiative will enhance the survivability of deployed forces by increasing its firepower and combat weight, increase interoperability through enhanced networking, and improve the preparedness and utility of the Army Reserve through new roles and tasks. Building on the capability enhancements of a Hardened and Networked Army, the Enhanced Land Force initiative began in December 2006 and will deliver two extra infantry battalions to the Army, increasing the number of battalions to eight and the size of the Regular Army to around 30,000.

Activity on the Defence Estate is increasing as infrastructure and facilities projects are developed and delivered in support of the Defence Capability Plan and Government initiatives such as the Hardened and Networked Army. This effort is reflected in projects at RAAF Amberley, Queensland (\$700m), and at Holsworthy, New South Wales (\$350m), where high value capital works are in development or are currently being constructed.

Defence continues its use of public–private partnerships with Praeco Pty Ltd for the Headquarters Joint Operations Command Project at Bungendore in New South Wales and with Plenary Living Pty Ltd for the delivery, under Phase 1 of Project Single LEAP, of accommodation services. Single LEAP (Living Environment and Accommodation Precinct) is a Defence project to



HMAS *Sirius* and HMAS *Toowoomba* conducting a replenishment at sea in the Western Australian Exercise area.



Proud mother Anne Ramsey and daughter Casey Ramsey, 17, on the flight deck of HMAS *Kanimbla*. Casey is joining the Navy as a Bosun's Mate from Training Ship Coral Sea.

bring living-in accommodation for single members of the ADF into line with community standards. It is one of the largest social infrastructure projects to be undertaken in Australia as a public-private partnership arrangement.

Shoalwater Bay Training Area has been a major asset for elements of the ADF for 42 years. In 2006–07 new training assets were constructed, including an urban operations training facility, the associated urban assault range and an exercise control facility. All of these were used for Exercise Talisman Sabre '07, a major joint training exercise with the US armed forces. The significant environmental and heritage values of the training area were preserved while maintaining a hectic training schedule in the past year.⁴

PEOPLE

The success of the ADF in carrying out its objectives relies first and foremost on recruiting and retaining the right people. This year we have seen some major achievements in recruitment and retention, making Defence more attractive to new and existing members.

During the year, the Government provided \$3.1b of new funding to enable the ADF to streamline its recruitment processes, making a career in the ADF more accessible, and for the provision of financial retention initiatives to maintain the ADF

as an employer of choice. Further details about these initiatives can be found in Chapter 4 of this report.

This year, the compulsory retirement age for permanent ADF members was raised to 60 years, reflecting community standards and recognising the desire of many ADF members to serve longer. Reservists' compulsory retirement age was increased to age 65, providing options for permanent force members to continue serving beyond age 60.

Substantial policy development work undertaken in 2006–07 has contributed to the continuing improvement of subsidised housing offers for ADF members. The new Defence housing classification policy, which took effect on 1 July 2007, gives ADF personnel with dependants greater choice and improved standards in subsidised housing. For those who wish to purchase their own home, the Defence Home Ownership Assistance Scheme announced in the 2007–08 Budget will deliver substantially higher levels of home loan subsidy and give access to a selection of mortgage providers.

Following a clothing review last year which highlighted the contribution of clothing industry collaboration for improved understanding of Defence's requirements and purchasing patterns, an industry forum was established. This forum is helping to ensure that we provide our personnel with the best possible equipment and clothing.

4. More information can be found in Chapter 4 of this report.

Progress in implementation of improvements to the military justice system

Good progress continues in reforming the military justice system to deliver impartial, rigorous and fair outcomes. During the year, a total of 21 out of the 30 agreed recommendations from the Senate Committee's on Foreign Affairs Defence and Trade's report into military justice were completed. Twenty-two of the recommendations are now complete with the rest on track to be finished by the end of 2007 in line with the Government's commitment.⁵

A new permanent Australian Military Court— independent of the ADF chain of command—will soon replace the current system of trials by Courts Martial and Defence Force Magistrates,⁶ while a new joint ADF investigative unit has been established to investigate more serious incidents with a service connection.

The complaints and redress of grievance process is also being streamlined. On 18 June 2007, the acting Commonwealth and Defence Force Ombudsman, Dr Vivienne Thom, released a report on ADF handling of unacceptable behaviour complaints and said that 'the report concludes that, for dealing with complaints of unacceptable behaviour, Defence currently provides an effective complaint management mechanism, that is accessible and responsive'.⁷

A new mandatory form of inquiry (to be known as a Chief of the Defence Force Commission of Inquiry) into suicide by ADF members and deaths in service has also been put in place. The Chief of the Defence Force Commission of Inquiry will be chaired by a civilian with judicial experience. This new arrangement will contribute to the enhanced independence, impartiality and transparency of such inquiries.

5. As at 1 October 2007, 23 of the recommendations are complete.

6. The Australian Military Court commenced on 1 October 2007.

7. The Ombudsman's report can be found at www.defence.gov.au/fr/Reports/ADF_unacceptable_behaviour_042007.pdf.

Learning culture inquiry

An independent Inquiry into the Learning Culture in ADF Schools and Training Establishments was commissioned in order to determine whether a culture of harassment and bullying exists and whether irregularities against established policies and processes occur. After its completion, the inquiry report and the Defence response to it were publicly released on 6 December 2006. Although the inquiry team reported that it considered the ADF to be a highly professional training organisation and found no evidence of a culture that supported bullying or harassment, it was able to identify areas where we are not yet a best-practice learning organisation and concluded that the underlying training culture still had some way to go before it firmly opposes harassment and bullying. Defence agreed to 46 of the report's 47 recommendations and these are being implemented as a matter of priority.

MANAGEMENT AND ACCOUNTABILITY

Defence Management Review

The Defence Management Review was established by the Minister in August 2006 and chaired by Ms Elizabeth Proust. The review examined efficiency and effectiveness across Defence, looking specifically at management structures, decision-making, and non-operational business processes and information management processes and systems. The completed review was forwarded to the Minister in April 2007.

The report acknowledged the significant progress Defence had made over the past decade in a range of areas, most notably in military operations but also in policy development and a range of public sector reforms. Since the 2000 White Paper, more than \$85b worth of projects have been approved and planned; major procurement reforms have been implemented; command and control arrangements have been progressively refined to reflect the essentially joint nature of modern warfare; and Defence has become a better place to work, with the introduction of programs that emphasise organisational values and extensive reform of the military justice system.



Members of the Defence organisation undertake training on the development of complex government submissions.

Having acknowledged these achievements and successes, the review team made 53 recommendations about how Defence could improve its performance in key areas including the need for clearer accountabilities; the need to be more responsive in supporting Ministers and the Government; the impact of a focus on current operations at the expense of long-term planning; the need to streamline the committee system and decision-making processes; and the need for better business systems and processes, specifically in service delivery and information communication and technology.

The review provided the impetus for us to implement reforms and improvements across all areas of Defence's business. Of the 53 recommendations, Defence agreed to 50 in full and two in part and did not agree on one. While we work to implement the review's proposals, our focus is to ensure that Defence constantly strives to renew and improve our business. There is more that can be done to improve our management to make sure we are even better placed to support ADF operations now and into the future.

Over the next few years, our reforms will focus on four key areas: providing clear accountabilities and a streamlined governance framework; better supporting the Minister; building a skilled, adaptable and responsive workforce, and strengthening our strategic personnel policy capacity; and reforming our business systems and processes.⁸

8. More information can be found in Chapter 7 of this report.

Accountability to Ministers and Parliament

The year under review saw continuing improvement in our responsiveness to Ministers and to the Parliament as a whole, despite the growth in our overall workload. This is reflected in the 5,660 submissions or briefs sent to the Ministers and the Parliamentary Secretary. A total of 9,347 items of ministerial correspondence were tasked to Defence and 9,582 were completed in this financial year (taking account of additional items from the previous financial year).

Defence appeared at 25 separate parliamentary briefings, as well as at eight private briefings. This was in addition to supporting a number of visits by parliamentary committees to Defence establishments and units, and addressing 344 questions from committees either on notice or in writing.

The Defence Management Review acknowledged improvements already under way in relation to supporting the Minister. These have been enhanced by a range of targeted programs and educational tools developed over the past year to ensure Defence personnel understand our government and parliamentary system and are well informed, responsive and accountable to Ministers as we undertake our work of developing and implementing government policies.

Financial management and support

Defence has continued to focus on improving its financial management and made significant progress during the year.

During 2006–07, Defence built on the work of 2005–06 and has no new areas of qualification by the Australian National Audit Office (ANAO). In addition, the 2005–06 ANAO qualification relating to Repairable Items has been successfully remediated, with the only outstanding area of qualification relating to the uncertainty around General Stores Inventory.

This was achieved by:

- › successfully implementing a Financial Controls Framework which identified and continually monitored controls relating to all financial processes
- › establishing project teams to focus on management and reporting issues associated with high-risk areas such as inventory and employee entitlements
- › producing Defence accounting position papers to develop a shared understanding of technical issues with the ANAO
- › instituting a comprehensive, multi-layered quality assurance process over the underlying transactions of the financial statements.

Work still remains to address the uncertainty of General Stores Inventory prices, and this will be the focus during 2007–08. Given the size and diversity of its stock holdings and the legacy challenges it confronts, Defence has made good progress in improving the management and reporting of its inventory.

In light of the extent of ANAO qualifications to Defence's financial statements over the past five years, the current state of Defence's financial management is a major achievement, and a credit to all Defence personnel involved in this work.⁹

9. More information on financial management and support can be found in Chapter 3 of this report.

Security of Defence weapons, munitions and explosives

In December 2006, as a result of a joint police investigation into weapons and ammunition theft, the Minister directed Defence to undertake an audit into Defence security arrangements for weapons and explosive ordinance. The audit reported its findings and recommendations in the second half of 2007. These will be addressed in next year's annual report.

Tritium contamination

As a result of concern about potential tritium contamination at Bulimba Barracks in Queensland, we instituted a review of the policy and procedures to manage equipment containing tritium-based light sources. The review was set up in mid-May 2007 and drew on specialist support from the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA), Queensland Health Scientific Services (QHSS) and Comcare. The review examined files, sought advice from subject-matter experts, undertook site visits, and interviewed a wide range of personnel.

Both ARPANSA and QHSS advised that the radiation dose to which the employees in the Electrical and Instrument Repair workshop at Bulimba may have been exposed was well within internationally and nationally accepted radiation limits. The review found that there was no statistically significant data to suggest that exposure to low levels of tritium contamination has adverse health effects. The review made a number of recommendations regarding the management of tritium-based light sources within Defence but did not recommend the conduct of a follow-on, external review. Rather, Defence will implement the recommendations with external oversight from ARPANSA.

Defence formed a steering group that includes all stakeholders to address these concerns in a comprehensive manner. Action has already commenced on all of the 21 recommendations made by ARPANSA.

HMAS *Westralia* allegations

At the Senate Estimates Hearings in February 2007, claims were raised following media reports that Defence was warned of problems with faulty fuel lines three months before a fatal fire on HMAS *Westralia* in 1998. Defence's examination of available documentation suggests that the claims were unfounded. Nevertheless, to ensure full transparency we recommended to the Ministers that the allegations be independently investigated. As a result, the matter was passed to the Commonwealth Ombudsman who has since commenced an own-motion investigation of the matter. We acknowledge the depth of public feeling the welfare of the survivors and relatives of those who perished in the HMAS *Westralia* fire, and hope that our openness in responding to their claims demonstrates that we take these matters very seriously indeed and will continue to investigate any new claims as they arise.



Nick Warner PSM
Secretary
Department of Defence



Angus Houston AO AFC
Air Chief Marshal
Chief of the Defence Force

CONCLUSION

It is difficult in this brief review to fully capture the vast array of achievements that the people who make up the ADF and the Department of Defence have accomplished in 2006–07. Their commitment, professionalism, team spirit and innovation what make Defence a unique force in opera and a respected organisation at home. Wh successes Defence has enjoyed over this y it is because of the work and dedication of ou people—so to them we give our thanks.

