

PROGRAM 1: DEFENCE HEADQUARTERS

OBJECTIVE

To provide for the higher command and control of the ADF and advise on strategic policy and long-term Defence planning, the management of international defence relationships and the development of defence capabilities.

DESCRIPTION

The Defence Headquarters Program develops strategic policy, manages Australia's international relationships, manages force development and resource and logistics priorities, and supports the Chief of the Defence Force in command of the ADF.

The Program is jointly managed by the Vice Chief of the Defence Force and Deputy Secretary Strategy and Intelligence and comprises seven Sub-Programs: Strategic Policy and Plans; International Policy; Capability Program and Resources Planning; Capability Development; National Support; Strategic Command; and Australian Theatre.

PROGRAM SUMMARY

Work commenced on development of an annual strategic assessment to update the guidance provided in *Australia's Strategic Policy*. Its formulation has involved a wide-ranging process of consultation within Defence, with other Departments and with key academics in relevant universities in all major capital cities. It is intended that the assessment will be submitted to the Minister for Defence before the end of 1998.

Progress has been made on a number of issues that were identified in *Australia's Strategic Policy* as requiring further development. In particular, military strategies have been developed in support of the Defence outcome. The military strategies for Defeating Attacks against Australia, Defending Regional Interests and Defending Global Interests form the suite of Australian Defence Force strategies for conflict. These strategies, in concert with the warfighting concepts being developed by Commander Australian Theatre, inform the employment of the force-in-being and future ADF capability development.

The long-term planning process has been improved and strengthened. The development of Capability Assessment Reports has provided a useful mechanism for gaining a better understanding of the effectiveness of current capabilities. The quality of the initial reports was better than expected. However, there is still much room for further improvement, particularly in developing better, more robust capability effectiveness measures. Nevertheless, developments to date suggest that the Capability Assessment Reports offer considerable potential to inform resources priority setting and decision making in the future.

A good deal of progress has been made in developing a more robust infrastructure to support resource priority setting and resource allocation decision making in the short, medium and longer-term. A system has been developed and tested to support the costing of outputs. A number of deficiencies remain in the ability of our current corporate systems and processes which will need to be overcome if the quality of output costs is to be improved.

Our relationships with the United States and New Zealand have been enhanced through initiatives such as Ministerial meetings and visits. Defence relationships with our friends in

the region have been strengthened by a number of initiatives, including the provision of support and practical assistance aimed at helping them to manage the difficulties arising from the Asian economic crisis.

National Support Division, established in December 1997, made a useful start in achieving greater national and international support for the ADF, with areas of particular interest including the arrangements covering future relations with Australian Defence Industries, seeking to maximise ADF access to strategic airlift and port facilities, and enhancing cooperative logistics arrangements with allied partners and friends within the Asia-Pacific region.

PERFORMANCE MEASURES FOR 1997-98

The Defence Headquarters' performance is measured by the extent to which:

- a. advice on strategic policies provided to Government was accurate, timely, responsive, and innovative, and offered practical and cost effective approaches to fulfil the Government's Defence responsibilities;
- b. Defence resources were efficiently matched to strategic priorities to ensure that the ADF developed the maximum appropriate capability for each dollar spent;
- c. Long-term planning was improved to allow better and earlier decisions to be taken to achieve major strategic objectives;
- d. force development decisions were made quickly and rigorously and took full account of strategic, technical, operational and industrial factors;
- e. clear direction was provided to other parts of the Defence organisation on priorities for all aspects of capability development including equipment, training support and doctrine;
- f. Australia's strategic interests were served by the development of defence relationships and international cooperation, especially in regard to the maintenance of peace and stability in the Asia-Pacific region;
- g. new strategic and operational headquarters provided effective command for ADF operations at reasonable cost; and
- h. logistic policies were developed which provided better support for the ADF to conduct combat operations more cost effectively.

1997-98 PERFORMANCE AGAINST FORECAST

Establishment of Defence Headquarters

The formation of a single integrated Defence Headquarters has provided better strategic level direction to the Defence organisation. Feedback from clients and stakeholders indicates that Defence Headquarters' outputs are now more relevant, timely and informed than in the past, and that decisions are taken more quickly and rigorously, providing a better match between resources and priorities.

Development and introduction of new strategic planning processes, including long-term planning

An annual strategic review process was implemented following the release of *Australia's Strategic Policy*. Capability Assessment Reports were developed to measure the effectiveness of current capabilities.

A scenario planning technique is being used as one means to improve Defence's strategic planning. A range of Asia-Pacific scenarios, looking at potential plausible futures, has been developed. Use of this technique has enhanced the strategic planning process by:

- assisting in the identification of key issues in Australia's strategic environment;
- broadening understanding of the challenges facing Defence within the context of the evolving strategic environment;
- allowing planners to draw out capability issues – in the broadest sense – that relate to the strategic change occurring; and
- enabling Defence to test the assumptions underpinning *Australia's Strategic Policy* for their continuing relevance.

Introduction of new force development processes

A significant outcome has been the re-engineering of the capability development process. The establishment of the Defence Capability Committee, one of the recommendations of the Defence Efficiency Review, and streamlining the process has provided faster, more strategically-based decisions. The 1998-2003 New Major Equipment Program (known as the 'Pink Book') was developed and approved by the committee, with an unclassified version published which incorporated an expanded descriptions of projects.

Development of strategic level military planning for Defence of Australia

The Chiefs of Staff Committee agreed on principles for further development of the military strategies for Defeating Attacks against Australia, Defending Regional Interests, Defending Global Interests and Protecting National Interests.

Development of strategic level resource planning

Work has continued on developing a Capability Resource Model to assist in the analysis of longer-term trends in the costs of capabilities, and in understanding future funding pressures. The results of this work will become apparent with the development of a Resource Analysis Report for consideration by the Defence Executive later in 1998-99 as part of the longer-term planning process.

Improved strategic and operational-level command of ADF operations, especially the development of Headquarters Australian Theatre

A number of improvements in the planning and control of joint force operations within the Australian Theatre took place, particularly through the conduct of theatre exercises which concentrated on issues such as preparedness, planning, intelligence and monitoring. Concurrent joint and combined operations were successfully conducted to meet short-notice contingencies.

Development of a high-level concept of logistics support to the ADF, and improved ADF access to support, particularly in regard to strategic mobility and logistic interoperability

Principles were developed to underpin a strategic framework for engaging the national support base. Defence participated in national road transport reform which led to the incorporation of

Defence-specific requirements in the National Road Transport Commission Act. Projects were initiated to maximise ADF access to strategic airlift and port facilities, and to identify and reduce or remove policy, legal, commercial and other constraints on direct contractor support to ADF operations.

Improvement in international defence relationships, especially with our allies and partners, and throughout the Asia-Pacific region

During 1997-98, Defence negotiated a major joint statement with New Zealand on future directions under the Closer Defence Relationship and initiated programs to achieve the objectives set out in the joint statement. Agreement was secured with the United States on the closure of the Nurrungar/Woomera complex.

Defence has sustained contacts with the Indonesian Armed Forces' leadership to maintain high-level dialogue and the momentum of the defence relationship with Indonesia.

Defence relations with India and Pakistan were suspended as part of whole-of-government sanctions against those countries for conducting nuclear tests. Closer cooperation between the Governments of Australia, South Africa and France was achieved over fisheries protection in the Southern Ocean. Approval was received from the Vietnamese Ministry of Defence to establish a Defence Attache position in Hanoi.

In the South Pacific, Defence assisted the Government of the Solomon Islands to conduct a national strategic review. A review to determine the appropriateness of a life-of-type extension for the Pacific Patrol Boat project was also commenced, and a number of infrastructure projects within the South Pacific were completed¹.

Clearer 'whole-of-Defence' emphasis in policy and planning processes, and a more strategic focus in Defence management processes

Work continued on the development of a new Defence Corporate Plan which is now due for publication in late 1998. The 1998 Chief of the Defence Force Preparedness Directive was issued and development of the 1999 version is well under way.

Conduct of ADF exercises that contribute to Defence objectives and, specifically, enhance combat capabilities, joint expertise and interoperability with the forces of other countries

The outcomes of the ADF exercises are presented in *Appendix D* to Part One of this report.

¹ See *Appendix E* to Part One on *Defence Cooperation* for further details.

RESOURCES

Table 1.1: Defence Function Outlays Summary

<i>Sub-Program</i>	<i>1997-98 Budget Estimate</i>	<i>1997-98 Revised Estimate</i>	<i>1997-98 Actual Outcome</i>	<i>Variation (97-98 Actual less Revised Estimate)</i>	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>%</i>
1.1 Strategic Policy and Plans	4.7	5.4	5.3	-0.1	-2.2
1.2 International Policy	72.7	76.9	77.5	0.6	0.8
1.3 Capability Program and Resources Planning	27.3	7.8	7.7	-0.2	-1.9
1.4 Capability Development	12.2	12.0	11.1	-0.9	-7.5
1.5 National Support	10.7	7.6	5.1	-2.5	-32.8
1.6 Strategic Command	25.0	6.7	6.2	-0.5	-7.1
1.7 Australian Theatre	22.2	37.0	36.1	-0.9	-2.4
Program Total	174.8	153.5	149.1	-4.4	-2.9

Note:

Figures may not add due to rounding.

Table 1.2: Staffing Summary

<i>Sub-Program</i>	<i>1997-98 Budget Estimate</i>	<i>1997-98 Revised Estimate</i>	<i>1997-98 Actual Outcome</i>	<i>Variation (97-98 Actual less Revised Estimate)</i>	
	<i>Personnel Numbers</i>			<i>%</i>	
1.1 Strategic Policy and Plans	56	63	62	-1	-1.6
1.2 International Policy	160	167	218	51	30.5
1.3 Capability Program and Resources Planning	60	72	68	-4	-5.6
1.4 Capability Development	141	143	132	-11	-7.7
1.5 National Support	143	82	67	-15	-18.3
1.6 Strategic Command	184	86	77	-9	-10.5
1.7 Australian Theatre	332	493	615	122	24.7
Program Total	1,076	1,106	1,239	133	12.0

Table 1.3: Staffing Profile

<i>Personnel</i>		<i>Sub-Program</i>							<i>Total</i>
		<i>1.1</i>	<i>1.2</i>	<i>1.3</i>	<i>1.4</i>	<i>1.5</i>	<i>1.6</i>	<i>1.7</i>	
Permanent Force	97-98 Budget	14	102	3	131	110	132	293	785
	97-98 Revised	22	105	9	120	41	67	449	813
	97-98 Actual	22	155	9	120	41	67	449	863
Civilian	97-98 Budget	42	58	57	10	33	52	18	270
	97-98 Revised	41	62	63	23	41	19	23	272
	97-98 Actual	40	63	59	12	26	10	31	241
Reserves	97-98 Budget	0	0	0	0	0	0	21	21
	97-98 Revised	0	0	0	0	0	0	21	21
	97-98 Actual	0	0	0	0	0	0	135	135
Total	97-98 Budget	56	160	60	141	143	184	332	1,076
Personnel	97-98 Revised	63	167	72	143	82	86	493	1,106
	97-98 Actual	62	218	68	132	67	77	615	1,239

1997-98 Defence Reform Program Progress

Savings were achieved by a reduction to Defence Cooperation reflecting a general scaling back of assistance in line with a more strategic approach to Defence Cooperation funding. The Defence Cooperation savings were identified as a discrete item in the Defence Efficiency Review, but they do not fall under the general categories of reform of the Defence Reform Program and the savings are presented separately below.

Table 1.4: 1997-98 Defence Reform Program Savings

<i>Category</i>	<i>Personnel Savings</i>		<i>Savings</i>
	<i>ADF</i>	<i>APS</i>	<i>\$m</i>
Defence Cooperation			6.7
Capability Development ⁽¹⁾		1	
Total Savings		1	6.7

Note:

1. The saving in 1997-98 was less than \$0.1m.

Table 1.5 1997-98 Defence Reform Program Reinvestment

<i>Category</i>	<i>\$m</i>
Transition costs related principally to redundancies	0.1

Table 1.6: Reconciliation of Appropriations for the Australian Defence Headquarters

<i>Division/Appropriation Item</i>	<i>1997-98 Budget Estimate</i>	<i>1997-98 Revised Estimate</i>	<i>1997-98 Actual Outcome</i>	<i>Variation (97-98 Actual less Revised Estimate)</i>	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>%</i>
180-01 RUNNING COSTS					
Service Personnel	44.9	45.5	50.5	5.0	11.0
Civilian Personnel	16.4	16.3	15.8	-0.6	-3.4
Administrative Expenses	22.8	15.9	15.9	0.03	0.2
Facility Operations	0.07	0	0	0	0.0
180-02 OTHER SERVICES	0.3	0.3	0.3		0.7
181 EQUIPMENT & STORES	23.5	4.7	4.1	-0.7	-13.8
182 DEFENCE COOPERATION	67.9	71.9	63.4	-8.4	-11.7
Total Defence Function Appropriations (A)	175.8	154.6	150.0	-4.6	-3.0
Total Defence Function Receipts (Offset within Outlays) (B)	-1.1	-1.1	-0.9	0.2	-14.1
Total Defence Function Outlays (C) = (A+B)	174.8	153.5	149.1	-4.4	-2.9

Note:

Figures may not add due to rounding.

Table 1.7: Major Variations between 1997-98 Revised Estimate and 1997-98 Actual Outcome

<i>Appropriation</i>	<i>\$m</i>
180-01 RUNNING COSTS	
Service Personnel (\$5.0m)	
Variation to attribution and rank profile structure	3.1
Part year effect of ADF Workplace Bargaining Agreement	0.8
Higher than anticipated Accrual-Based Superannuation and 3% Productivity Benefit liability	0.8
Net Program transfers	0.3
Civilian Personnel (-\$0.6m)	
Higher than anticipated Accrual-Based Superannuation and 3% Productivity Benefit liability	0.2
Part year effect of Civilian Workplace Bargaining Agreement	0.2
Net Program transfers primarily associated with Navy Logistics Policy	-1.8
Minor miscellaneous variations	0.8
Administrative Expenses (\$0.1m)	
Additional funding to cover costs for Operations Ausindo Jaya and Brancard	1.6
Net Program transfers	-1.2
Minor miscellaneous variations	-0.3
181 EQUIPMENT & STORES (-\$0.7m)	
Net Program transfers	-0.3
Minor miscellaneous variations	-0.4
182 DEFENCE COOPERATION (-\$8.4m)	
Variation due to the suspension of Defence Cooperation activities with Cambodia in July 1997, lower than expected levels of training in South East Asia and the South Pacific, and lower than expected levels of project activity and personnel assistance in the South Pacific	-8.4
DEFENCE PORTFOLIO RECEIPTS (\$0.2m)	
Lower than anticipated Defence Cooperation recoveries for training and construction/maintenance of patrol boats in the South West Pacific	0.3
Minor miscellaneous variations	-0.1