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# The Management of Australia's Defence



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The Parliament of the Commonwealth of Australia  
Joint Committee on Foreign Affairs, Defence and Trade

THE PARLIAMENT OF THE  
COMMONWEALTH OF AUSTRALIA

Joint Committee on  
Foreign Affairs, Defence and Trade

THE MANAGEMENT OF AUSTRALIA'S DEFENCE

November 1987

Australian Government Publishing Service  
Canberra 1987

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TERMS OF REFERENCE

The Management of Australia's Defence

'To investigate and report on the management of the Department of Defence and the Australian Defence Force, with particular reference to

- a. the determination, management and implementation of Defence policies, and
- b. the suitability of the existing defence organisation for peace and war.'

In accordance with the Committee's Resolution of Appointment, the Sub-Committee considered and made use of the records of the Joint Committee on Foreign Affairs and Defence of the 34th Parliament.

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## 35th Parliament

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 Mr P.N. Gibson, MC

Defence Adviser to the Committee:  
 Dr G.L. Cheeseman

## Defence Sub-Committee:

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Secretary to the Sub-Committee:  
 Mr A.W. Stephens

34th Parliament  
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 Mr P.J. Stephens

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## GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ACPOL	Assistant Chief of Defence Force (Policy)
ACOPS	Assistant Chief of Defence Force (Operations)
ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
AJWE	Australian Joint Warfare Establishment
ANZUS	Australia, New Zealand and United States (Security Treaty)
ASADPO	Australian Strategic Analysis and Defence Policy Objectives
CAS	Chief of the Air Staff
CCP	Chief of Capital Procurement
CDP	Chief of the Defence Force
CDFS	Chief of the Defence Force Staff
CDRWESTCOM	Commander Western Command
CDS	Chief Defence Scientist
CGS	Chief of the General Staff
CINC	Commander in Chief
CINCPACAF	Commander in Chief Pacific Air Force
CINCPACFLT	Commander in Chief Pacific Fleet
CNS	Chief of the Naval Staff
COSC	Chiefs of Staff Committee
CPO	Capital Procurement Office
DEPSEC A	Deputy Secretary A
DEPSEC B	Deputy Secretary B
DEPSEC C	Deputy Secretary C
DFDC	Defence Force Development Committee
DGCC	Defence Guidance and Capabilities Committee
DGDFAP	Director General Defence Force Administrative Policy
DGDFD	Director General Defence Force Development
DGFDP	Director General Force Development Planning
DJP	Directorate of Joint Plans
DOCCC	Defence Operational Concepts and Capabilities Committee

DoD	Department of Defence
DORC	Defence Operational Requirements Committee
DSD	Defence Signals Directorate
DSTO	Defence Science and Technology Organisation
EDP	Electronic Data Processing
FDA	Force Development and Analysis (Division)
FGA	Fighter/Ground Attack (aircraft)
FSC	Force Structure Committee
FYDP	Five Year Defence Program
HQADF	Headquarters Australian Defence Force
JCS	Joint Chiefs of Staff
JIO	Joint Intelligence Organisation
JSSC	Joint Services Staff College
LRMP	Long Range Maritime Patrol Aircraft
MAO	Maritime Area of Operations
MEP	Major Equipment Proposal
NATO	North Atlantic Treaty Organisation
NDO	Natural Disasters Organisation
ODF	Operational Deployment Force
ODP	Office of Defence Production
ONA	Office of National Assessments
POM	Program Objective Memoranda
PPB(S)	Planning, Programming and Budgeting (System)
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RCAGA	Royal Commission on Australian Government Administration
SEATO	South-East Asia Treaty Organisation
SIP	Strategic and International Policy (Division)
TFF	Tactical Fighter Force
VCDF	Vice Chief of the Defence Force

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## FOREWORD

1. On 11 September 1985 the Joint Committee on Foreign Affairs and Defence of the 34th Parliament referred the following topic to the Defence Sub-Committee for inquiry and report:

'The Management of Australia's Defence and National Security, with particular reference to:

1. the determination, management and implementation of national security policies;
2. the suitability of the existing central defence organisation for peace and war; and
3. the interaction of civilian and military agencies, the bureaucracy, the executive and the Parliament.'

Subsequently 35 written submissions were received and evidence was taken from senior officials from the Departments of Defence and Foreign Affairs, and the RSL.

2. After reviewing that information the Committee determined that the terms of reference were too wide and that the report would be more effective if it were limited to one of the two major areas of concern, that is, the management of either defence or national security. Accordingly, when the Joint Committee on Foreign Affairs, Defence and Trade of the 35th Parliament decided to consider and make use of the evidence and records from the previous Parliament, it did so under the refined terms of reference listed at page iii of this report.

3. The refinement of the terms of reference meant that about one third of the submissions to the inquiry, and which dealt with national security issues, were not taken into account

in the preparation of this report. The Committee acknowledges the importance of national security and regrets that the views of those individuals and groups were not dealt with due to the narrower focus. In acknowledgement of the considerable community concern expressed, it recommends that a future inquiry into issues of national security should follow.

4. During the preparation of its report the Committee has been mindful of the efforts of the many officials within the defence establishment who have worked conscientiously to make the organisation more efficient. We have in a like manner tried to be positive in our deliberations and findings.

5. Generally the Committee believes that considerable progress has been made in recent years. We believe that the 1987 White Paper represents a significant milestone in the formulation of a logical and coherent defence strategy and force structure; while the recent establishment by the Australian Defence Force of three Joint Force Commands is an encouraging move towards the kind of command organisation recommended by this Committee in its 1984 report 'The Australian Defence Force: its structure and capabilities'. At the same time management remains a dynamic process, and no organisation should be exempt from constructive analysis. As detailed in the body of this report, we consider that there is still much to be done, particularly with regard to political participation in decision-making, the development of defence policy and guidance, the division of responsibilities within the defence establishment, and unified action by the three single Services. Our findings and recommendations have been drafted accordingly.

6. Readers will note that in a number of instances we have recommended that particular issues should be the subject of further inquiry, sometimes from within the defence organisation itself. Those recommendations have arisen because a management shortcoming was identified but the Committee either did not have

adequate evidence to propose a course of action, or considered further review by the ADF or the Department necessary.

7. The inquiry has demanded a substantial effort from many individuals during the past two years. The Committee would like to express its appreciation to all those involved in the conduct of the inquiry and the preparation of this report. We would also like to acknowledge the contribution of those who presented evidence and submissions; in particular, the cooperation of the Minister for Defence and his Department was appreciated.

8. In his Preface to the 1987 White Paper, the Minister for Defence stated that the realisation of Australia's defence objectives depends not only upon a realistic assessment of our strengths but also on a rigorous appraisal of our weaknesses and deficiencies. That positive outlook has informed the Committee's approach to this inquiry. We trust that our findings will contribute to both the better management of Australia's defence and public discussion of the issues involved.

#### SUMMARY OF PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS

##### INTRODUCTION (CHAPTER ONE)

1. The Committee has noted that the debate following the issue of the Government's Policy Information Paper, The Defence of Australia 1987, has tended to concentrate on the equipments needed to implement the defence strategy adumbrated in the White Paper. Little interest has been shown in whether the existing defence establishment is the most suitable for managing Australia's defence in both peace and war. If the broad policy prescriptions contained in the White Paper are to be implemented successfully, the capacity of the Defence higher organisation to carry out its role is crucial.

2. The Committee supports the need for a single organisation dealing with defence matters in which civilians and military personnel work together under the control of the Minister for Defence. It sees no point or value in returning to the kind of differentiated organisational structure that existed prior to 1973.

##### THE DIARCHIC STRUCTURE (CHAPTER FOUR)

###### The Balance of Power Between the Secretary and the CDF

3. The Committee considers that the present organisational arrangements tend to favour the civilian hierarchy. The changes that were made in 1976 have provided the Secretary with increased formal and informal powers, some of which have been obtained at the expense of the military. The Secretary is solely responsible to the Minister for the provision of advice on most matters concerning the development of defence policy, and for the management of defence resources. He and his senior officers chair

most of the senior defence committees, have privileged access to the Minister and to the information flowing to and from him, and tend to serve much longer in key policy positions than either their political leaders or their Service counterparts.

4. While the CDF has been given equal status to the Secretary, his ability to influence defence policy is constrained by a number of factors. These include his relatively small support staff compared with both Defence Central and the Service Offices, his lack of direct control over many administrative and support functions, the absence of any means of appeal against decisions by the Secretary or his staff other than through recourse to the Minister, and the absence of formal means of seeking joint advice other than in the context of committee considerations. The CDF is also constrained by his association with and dependence on the Services for much of his advice and support.

#### Should the Current Balance of Power be Changed?

5. Many of the deficiencies and weaknesses associated with the defence establishment in Australia stem from the diarchic structure of the higher organisation which continues to separate the military and civilian staffs and thereby ensures that defence policy-making proceeds by a process of confrontation and bargaining rather than mutual cooperation and collaboration. This reduces the efficiency of the decision-making process and makes overall management and control of the organisation very difficult. The problems are compounded by the continuing ambiguities and overlap in the respective responsibilities and functions of the key organisational interests within the defence establishment, and the continuing failure of the 'joint process'. We also consider it philosophically unsound for the commander of Australia's *operational* forces not to have *prime* responsibility for the development of defence guidance and capabilities studies.

6. The Committee has no doubt that the defence establishment in its present form would be able to cope with the added requirements and pressures of a relatively short-lived and low-level defence emergency. It is also clear that there would need to be significant changes to the existing organisational structure and its decision-making procedures in the event that a defence emergency either became protracted or escalated into a higher level conflict. Under these circumstances, the military would need to assume a much higher profile in the administration of the department, the policy process would have to be streamlined, and many of the existing 'checks and balances' in the equipment procurement and resource allocation processes would need to be dispensed with. It is not clear, however, whether the transition between these two conditions could be effected in an appropriate and timely manner. The Committee notes, but is not convinced by, the Department's assertion that it has 'already and often demonstrated its capability to adjust quickly to change'. In our view, it is better to attempt to minimise these potential problems before they occur rather than react to them.

7. The Committee considers that the arguments which have been advanced to justify the present distribution of power within the defence establishment do not rule out alternative structures which may be more efficient and less susceptible to civil-military conflict than the present arrangement. It believes that it is time to review the basic organisational structure of the defence establishment and the distribution of power within it. There is a need to clarify, and redefine in some areas, the respective roles and functions of the Secretary and the CDF. In our view, the fundamental role of the defence establishment should be to develop and maintain a defence force which is capable of achieving the Government's objectives within the broad policy and resource constraints that it sets. We consider that the primary responsibility for carrying out this task should rest with the CDF who would be advised by appropriate civilian and military staff. The basic function of the Secretary would be to:

- a. assist the Minister for Defence in setting out the overall parameters within which the CDF would work; and
  - b. ensure that the proposals which are put forward by the CDF and his staff are within the resources allocated and are consistent with overall government policy.
8. We acknowledge that there are potential dangers in creating a unified defence staff under the control of a military officer. These can be minimised, however, by:
- a. increasing the participation of the Minister for Defence and his Assistant Minister(s);
  - b. reserving key programming and analytical appointments for civilians;
  - c. retaining a committee system;
  - d. maintaining a separate machinery for the development of national security policies and objectives; and
  - e. ensuring that financial control of defence is vested in the Secretary of the Department.
9. The Committee recommends that

- R1. the existing distribution of power and responsibilities between the Secretary and the CDF be reviewed within the conceptual framework of the ADF as the defence establishment's operational element, and the Department as its enabling element [para 4.48]; and

- R2. the Ministerial Directive to the Secretary and the CDF jointly be amended to give the CDF a role in the management and development of the Department's civilian staff, similar to that exercised by the Secretary in relation to Service staff [para 4.48].

#### DEFENCE MANAGEMENT AND DECISION-MAKING ISSUES (CHAPTER FIVE)

10. Despite the continuing efforts of successive administrations and large numbers of organisational and procedural reforms, the Committee is concerned that the present defence establishment and its management and decision-making processes are deficient in a number of important respects, and that these detract from the efficiency and effectiveness of the organisation as a whole. Three problem areas which have been identified by the Committee and which stem from the increasing size and complexity of the defence establishment are:
- a. inadequacies in political supervision and control of defence policy and activities;
  - b. the inadequate integration of functions across the defence establishment; and
  - c. the problems of over-staffing and over-ranking within the Department of Defence and the Australian Defence Force.

#### Ministerial Supervision and Control of Defence Policies and Activities

11. The Committee does not accept the view advanced by some within the bureaucracy that the Minister for Defence should be responsible only for broad policy formulation. It considers that

the Minister also needs to be acquainted with the complexities and problems involved in the administration of his Department. In particular he should be aware of how policies are made and should participate more in the debate and consideration of major issues. Having said this, it must also be recognised that the means of political control within Westminster systems must be sufficiently flexible to take into account both the abilities and the additional interests and duties of the Minister(s) as well as the due processes of government.

12. The Committee considers that there is a case for reviewing the current organisational arrangements affecting the relationship between the Minister for Defence and his Department. We further consider that there should be greater political involvement in the defence decision-making process than occurs at present in order that Parliament and the Government are able to exert greater influence in the formulation, oversight and implementation of defence policy. In line with this general principle, the Government should consider introducing measures which:

- a. further reduce the current workload on the Minister for Defence, thereby giving him more time and opportunity to consider longer-term issues;
- b. provide Senators and Members with a much greater understanding of the problems and complexities of the defence establishment and the principal defence issues; and
- c. enable the Minister and Cabinet to exert greater authority and control over defence policy.

13. The Committee recommends that:

R3. the Government review the organisational arrangements affecting the relationship between the Minister for Defence and his Department. The review should aim to increase the political participation and involvement in the defence decision-making process, and address:

- (i) the need for additional assistant ministers, without necessarily increasing the size of the ministry,
- (ii) ministerial and specialist staff support, and
- (iii) the potential role of ministers in the defence committee system [para 5.37];

R4. the terms of reference of the Defence Council be amended to consider and discuss matters relating to the defence establishment as a whole, and that it meet on a regular basis [para 5.37]; and

R5. the Minister for Defence or an Assistant Minister chair the Defence Force Development Committee [para 5.37].

(Note: R36 also relates to the DFDC.)

#### Integrating Defence Functions

14. The defence establishment comprises a number of highly specialised, complex organisations, with differing functions, operating modes and characteristics. There is a natural tendency for the various organisations to 'pull' in different directions. If national defence strategies are to be implemented it is essential to establish a management system which draws the parts

together as a whole. The Committee notes that because of the complex demands of the various divisions of the defence establishment, the breadth of perspective and authority necessary to achieve that outcome is likely to be found only at the highest levels, that is, with the Minister, the CDF and the Secretary.

15. While the Minister and his principal officers have sufficient authority to carry out this crucial managerial role, they are hampered by:

- a. Inadequate bureaucratic support. At present, there is no organisation or policy committee charged with the broad oversight of defence policy and planning, although the Defence Committee could be used for this purpose.
- b. Inadequate guidance on what our basic strategic goals and defence priorities should be. Until there is agreement on Australia's national objectives and the basic strategic defence concepts and postures that are required to satisfy these objectives then there is no way that the basic missions of the defence establishment can be determined and tested.
- c. Inadequate information base. Most of the basic data on defence is expressed in terms of input functions (manpower, major equipments, facilities, and so on) rather than outputs. It is very difficult therefore to demonstrate that the objectives of the defence establishment are being met.

16. We believe that there is an urgent need to strengthen the policy co-ordinating role of the Minister for Defence and his principal advisers to enable them more effectively to control the implementation of the overall defence strategy. Measures which we believe would achieve this with respect to the Minister and the CDF are detailed at recommendations R3, R4, R5,

and R18, R20, R21, R34, R35, R40 respectively. As far as the Secretary is concerned, the Committee has not received sufficient evidence for it to assess the options. Accordingly, we recommend that:

- R6. the Minister for Defence appoint an external management review body to examine and report publicly upon the management effectiveness and organisational and structural efficiency of the higher levels of the Department of Defence [para 5.49]. As a minimum, the review should address:
  - (i) the span of control of the Secretary and his principal officers,
  - (ii) the formulation of departmental objectives and strategies, and the means of assessing whether and how they are achieved, and
  - (iii) the establishment of a position of Under Secretary of the Department of Defence who would assist the Secretary in the administration of his Department.

#### Civilian-Military Ratio

17. The Committee could not support the assertions made to it in evidence that the defence establishment in Australia has too many civilians when compared with other Western nations and that the civilian to military ratio is increasing. There may, however, be some evidence that Australian military personnel are being used to carry out functions which either could or would normally be carried out by civilians. If it is true, this would represent both a waste of resources and a drain on our

operational forces. We consider that there is considerable scope for the transfer of responsibilities between Service and civilian personnel within all areas of the defence establishment.

18. The Committee recommends that:

R7. the ADF and the Department of Defence conduct a detailed study into the present utilisation of both its civilian and Service workforce with a view to releasing Service personnel currently located in non-operational posts for duty in operational and direct logistic support forces. The study should take into account the need to provide:

- (i) the ADF with the collective expertise and experience necessary to carry out its expanded responsibilities in times of defence emergency or war, and
- (ii) uniformed personnel serving in operational units with the opportunity to move to non-operational duties on a regular basis [para 5.57].

#### Rank Levels in the Higher Organisation

19. A substantial growth in the number and relative status of senior military and civilian positions within the higher organisation was identified. On the military side the number of two-star positions at Russell Hill increased from 19 in 1972 to 27 in 1986, while the number of one-stars increased from 36 to 62. The overall number of senior civilian posts increased from 80 to 129. Further, in 1972 only 19 per cent of the senior civilian positions were in the Level 3 to Level 6 range, but in the

current organisation this proportion has increased to around 35 per cent.

20. The Committee accepts that there may be good reasons for these changes. We note, however, that they are contrary to the expectations of the Tange Report. In our view, there is some justification for the criticism that the higher defence establishment has become too big and 'top-heavy' and that it draws too many military personnel away from other duties. The Committee recommends that:

R8. the overall number of senior military and civilian appointments at Russell Hill be reduced [para 5.64];

R9. the upper rank structure of the defence establishment be 'deflated' by:

- (i) streamlining the present personnel structure, and
- (ii) delegating more authority and responsibility to middle-ranking officers and officials [para 5.64]; and

R10. the proportion of military to civilian personnel within the higher defence establishment be reduced, keeping in mind a need to retain an adequate military input into the policy process[para 5.64].

#### Service Separation Rates

21. The Committee shares the widespread concern over the relatively high and continuing wastage rates of Service officers

and senior non-commissioned officers. Annual separation rates in the order of 10 per cent have persisted for some years, and appear likely to continue or increase for at least the next two or three years. We believe the ADF can ill-afford a continuation of the current separation pattern. We recommend that:

- R11. the ADF and the Department conduct an examination into the whole question of officer and other rank separation from the ADF, and give priority to enacting policies which improve retention rates and attract key skills back into the defence force [para 5.69].

The Committee recognises the importance of this issue and has itself accepted terms of reference to inquire into the matter.

#### PLANNING, PROGRAMMING AND BUDGETING IN DEFENCE (CHAPTER SIX)

##### National Security Planning and Policy-Making

22. Under the present arrangements Australia's national security policies as detailed in the Australian Strategic Analysis and Defence Policy Objectives paper (ASADPO) are largely developed by the Minister for Defence and his Department, with the Strategic and International Policy Division playing a major role. The Committee considers that the present means of developing strategic and national security plans are inadequate and should be improved in at least the following respects:

- a. greater political involvement in the definition of national security objectives and the allocation of resources to defence and other portfolios;
- b. greater involvement of other government and non-government bodies in national security policy analysis and preparation of options for consideration by government; and

- c. greater analysis of technological, economic, social and political factors likely to influence Australia's interests and national security objectives.

23. As a first step in this process, the Committee considers that the existing machinery for developing the ASADPO documents should be enhanced. It recommends that:

- R12. the Strategic and International Policy (SIP) Division be retitled the National Security and International Policy Division, and its functions and resources be expanded to enable it to:

- (i) coordinate broader studies into political, economic, technological and social trends likely to affect Australia's national security policies;
- (ii) oversee the development of national security policy objectives and priorities to be presented to government, and
- (iii) direct studies aimed at identifying specific threat or crisis scenarios likely to influence or threaten Australia's interests [para 6.24];

- R13. the membership and functions of the Defence Committee be expanded to consider and provide advice on national security policy as a whole. We consider that the scope of the membership should at least equate to that of the Security Committee of Cabinet but that the *Service Chiefs of Staff* should not be included in considerations of national security policy [para 6.24];

- R14. the [N]SIP be placed under the authority of the Defence Committee [para 6.24];
- R15. a system of specialist working groups or inter-departmental committees be established under the overall control of the [N]SIP Division to conduct detailed studies into aspects of Australia's national security and report accordingly [para 6.24]; and
- R16. the Department of Defence confer regularly on matters relating to national security policies with the Parliament through the appropriate committees, namely, the Senate Standing Committee on Foreign Affairs, Defence and Trade and the Joint Committee on Foreign Affairs, Defence and Trade [para 6.24].

24. While these recommended changes would improve national security planning and policy-making, it will be noted that they are occupied essentially with enhancing current procedures within the defence establishment for the development of the Strategic Basis. As a general principle, the Committee considers that the Department of Defence should not be the prime mover in the preparation of national security policies and objectives. Rather, the Committee considers that the government of the day should set national security goals and objectives, making determinations on the basis of an independent analysis and review of options put forward by participating interests, and that it should be supported in this task by an independent body or agency. The defence establishment should concentrate more on determining the means of achieving the overall goals that are set for it.

25. The Committee is not in a position to determine exactly what the revised organisational and procedural arrangements should be. It recommends that:

R17. the Government inquire into Australia's existing national security planning and policy-making processes with a view to:

- (i) identifying alternative structures and procedures, and
- (ii) recommending the most appropriate approach for Australia both in peacetime and in times of defence emergency or war [para 6.26].

#### Defence Planning and Policy Guidance

26. The Government's Policy Information Paper, *The Defence of Australia 1987*, clearly represents a significant and timely advance in our approach to defence policy-making in Australia since it provides broad political and strategic direction to our decision-makers. Such direction is long overdue, but it is still insufficient to facilitate the development of the most appropriate defence force structure and the detailed capabilities that are needed to satisfy our basic defence interests and objectives. The Committee considers that there is a need for a more comprehensive planning document which provides defence planners with detailed guidance on:

- a. the preferred military strategy and concept of operations for the ADF;
- b. the basic tasks and objectives of the Services, the Joint Force Commanders, and other functional and supporting elements within the defence establishment;
- c. the fiscal and other constraints on the development of defence policy; and

d. any outstanding issues still to be resolved.

Such a document would provide the link between forces and capabilities and overall aims and strategies. It would also provide the means of assessing competing bids and allocating priorities for development. It thus would serve as the principal means of directing and controlling defence policy. Without detailed defence guidance, defence programs and policies run the risk of being incoherent and uneconomic.

27. In the Committee's view, the current process for preparing defence guidance continues to be deficient in a number of respects. The most important of these are:

- a. Inadequate control and direction. Defence guidance is not developed in a rational and coherent manner. As noted by the Dibb Report, current joint planning documents are not well advanced and they lack overall direction and authority. There appears to be no attempt to analyse alternative military strategies or force structures or systematically to investigate capability options. The reviews and studies relating to defence force structure which have been conducted by the Department do not appear to conform to any overall plan or strategy designed to produce the most appropriate defence force structure.
- b. Inadequate involvement of the CDF and HQADF. Despite assurances to the contrary, the Committee is concerned that the CDF and the Joint Staff are not sufficiently involved in the preparation of initial defence guidance or in the refinement of that guidance as Service and other functional advice is submitted to Defence Central.

c. The predominant role of the Services. Through their early and continued involvement in the preparation of the Defence Capabilities Paper, the Services are able to ensure that their interests and favoured capabilities are protected, and so undermine the development of joint Service policies and structures.

d. Inadequate involvement of the Joint Force Commanders. Despite the fact that the Joint Force Commanders will be responsible for carrying out defence force operations in times of emergency, they appear to have only limited capacity to influence the development of the defence guidance (other than operational doctrine) or the allocation of resources to their commands.

In the Committee's view these deficiencies have probably been instrumental in preventing Defence from issuing adequate defence guidance in the past, and they are likely to continue to do so in the future.

28. It is also clear that the present process of formulating defence guidance and selecting new weapons and capabilities for inclusion in the Five Year Defence Plan (FYDP) does not have the complete confidence of the military and that this lack of confidence is a major contributing factor to the strained relations between military and civilians within Russell Hill, which in turn adversely affects the efficiency of the central policy process. The Committee is also concerned that the Force Development and Analysis Division (FDA) is being called on, or is seeking to play, a much greater role in the formulation of basic military concepts and the selection of competing military capabilities or weapons systems than it either should be or is capable of doing properly.

29. In view of the continuing failure of Deputy Secretary B and FDA Division to develop adequate defence guidance, and the lack of confidence that this has engendered in the force development process generally, the Committee considers that it is time for a fundamental reappraisal of the division of responsibilities between the Secretary and the CDF on this matter, with the CDF being given prime responsibility for developing defence guidance, and the appropriate resources for carrying out this task.

30. As part of the rationalisation of responsibilities for preparing defence guidance, and in order to both simplify and streamline the policy process and provide the potential for greater control, the Committee considers that a Defence Guidance and Capabilities Committee (DGCC) should be established to take over the current functions of the Defence Operational Concepts and Capabilities Committee and the Force Structure Committee. The DGCC would be chaired by the VCDF and would be responsible for:

- a. directing and coordinating the development of defence capabilities guidance;
- b. considering, reviewing and endorsing operational requirements against approved guidance;
- c. allocating priorities to major equipment acquisition and force structure proposals as part of the preparation of the FYDP; and
- d. providing advice to the Defence Force Development Committee on the defence force structure, major equipment proposals and the FYDP.

31. In addition to strategic and defence guidance, the effectiveness of the Planning, Programming and Budgeting

approach to defence decision-making also crucially depends on realistic fiscal guidance. The Committee is concerned by the disparities between financial guidance and budget allocations which have continued to occur, despite government recognition of the fact that such disparities inevitably lead to considerable waste and inefficiency in defence planning.

32. The Committee recommends that:

R18. consideration be given to making the CDF responsible, within the overall policy and resource constraints set by the Minister, for:

- (i) the development and implementation of defence policy and guidance (as opposed to national security policy),
- (ii) the preparation of the annual defence program, and
- (iii) the day-to-day management of defence activities [para 4.48];

R19. the ADF and the Department of Defence give urgent consideration to the development of a new Defence Capabilities Paper or Defence Guidance document, which provides further guidance on the strategies and defence force capabilities contained in the 1983 ASADPO and the 1987 Government Policy Information Paper [para 6.37];

R20. the Force Development and Analysis Division and those other elements of Defence Central concerned with the development of Defence Guidance and the preparation of the Defence Program be placed into HQADP under the control of the CDF [para 6.49];

R21. a Defence Guidance and Capabilities Committee be established, to be:

- (i) chaired by VCDF and include in its membership senior staff from HQADF, the Department of Defence and the Services, with representatives from the Joint Force Commands to be invited as required, and
- (ii) responsible for providing advice to the Defence Force Development Committee on force structure, major equipment proposals and the FYDP [para 6.56];

R22. the Force Structure Committee and Defence Operational Concepts and Capabilities Committee be abolished and their functions transferred to the Defence Guidance and Capabilities Committee [para 6.56];

R23. the Government provide the Department of Defence with a firm basis for financial planning for the FYDP [para 6.64];

R24. all basic planning documents issued by CDF/HQADF reflect those financial constraints [para 6.64]; and

R25. the Government give consideration to establishing a biennial (or triennial) budget for defence [para 6.64].

#### Defence Programming and Budgeting

33. A number of problems with the programming and budgeting cycles of the PPB system have been identified by the Committee. These include the following:

- a. the programming and budgeting cycle is too complex and time-consuming, primarily because of excessively centralised control and repeated reviews of the same issues through the hierarchy of committees;
- b. there is undue focus on the forthcoming budget year at the expense of the full five-year term;
- c. too much attention is focused on 'input' functions (manpower levels, procurement decisions, budget deadlines, etc) and not enough on 'outputs' (operational readiness, integrated force capabilities, crisis management preparations, etc);
- d. HQADF and the Joint Force Commanders have insufficient involvement in programming reviews;
- e. there is inadequate oversight of the implementation of budget decisions; and
- f. determinations are distorted by poor cost data.

34. The Committee is concerned that in the fifteen years since it first introduced the PPB system into the department, Defence has not conducted a detailed and integrated analysis of

the process(es) which make up the system. This is despite the fact that successive inquiries into the defence establishment have identified significant and consistent weaknesses and deficiencies associated with the process.

35. The Committee recommends that:

R26. the planning, programming and budgeting system used by the defence establishment be reviewed by the Department with a view to making it more efficient, less complex and more cost-effective [para 6.69].

#### EQUIPMENT ACQUISITION AND PROJECT MANAGEMENT (CHAPTER SEVEN)

36. As evidenced by the findings of the Joint Committee of Public Accounts' 1986 Review of Defence Project Management in particular, Australia's current capital procurement and defence purchasing arrangements remain deficient in a number of very important respects. Further changes are needed if we are to have a truly efficient and effective approach to equipment acquisition. In our view, the most significant weaknesses in the current arrangements are:

- a. lack of effective oversight of the defence acquisition process, and inadequate control over equipment and project costs;
- b. inadequate definition of requirements and insufficient connection between those requirements and Australia's defence strategy;
- c. inadequate resources devoted to project management and limited expertise especially among the Services;

- d. the existence of overlapping or ambiguous responsibilities and a potential conflict of interests between sponsors and project managers; and
- e. inadequate involvement of local industry and a declining indigenous industrial base.

Taken together these deficiencies are contributing to excessive delays in the development and deployment of new weapons systems, unnecessary 'cost overruns' on individual programs, increasing pressures to spend more on the capital equipment vote in order to maintain existing force levels and capabilities, and an increasing concern over whether Australia is buying the right systems for its evolving defence strategy.

37. In the Committee's view, it is paramount that the defence acquisition process be made as efficient and effective as possible, where equipment outputs properly mirror Australia's strategic requirements and the costs of procuring new capabilities are strictly controlled. We generally support the recommendations contained in the Joint Committee of Public Accounts' Review of Defence Project Management and note that the Department of Defence is instituting a number of these changes. These changes notwithstanding, the Committee considers that there is scope for further reform in the following areas:

- a. the management and oversight of the acquisition of new equipments and weapons;
- b. the definition and selection of new equipments and weapons systems; and
- c. the control of the cost of the major capital equipment vote.

#### The Role and Responsibilities of the Service Materiel Divisions

38. The 'two-hatted' arrangement under which a Service Chief of Materiel is responsible to both the Chief of Capital Procurement and his Service Chief of Staff gives rise to potential conflicts of interest, unnecessarily complicates the chain of command, and facilitates a diversity of approaches to project management. We consider that the primary role of the Services Materiel Divisions is to manage the procurement of approved major new equipments and weapons systems as directed by the CPO, and that this should be reflected in the organisational structure. Service interests are sufficiently protected through their involvement in the project definition phase, and by the continued participation of Service personnel in the project teams. Those interests could be further promoted by establishing a contractual relationship between the sponsor and CPO, by involving the Services in the tender evaluation and contract negotiation stages of the procurement process and by establishing an organisational element within the CPO itself which is charged with protecting Service interests.

39. The Committee recommends that:

R27. the present 'dual-hatted' arrangements affecting the Chiefs of Materiel and the three Services be abolished and that the Materiel Divisions be made solely responsible to the Chief of Capital Procurement [para 7.26]; and

R28. Materiel Divisions be grouped with the remainder of the CPO in a single location [para 7.26].

40. Noting the considerable degree of commonality among the Services in project organisation and skills, the Committee considers that there is merit in examining whether the three Service Materiel Divisions within the CPO could be rationalised

into a single organisation responsible for managing both minor and major defence procurement projects. The advantages of a rationalised structure are:

- a. it would facilitate centralised policy control of the procurement process as well as the adoption and utilisation of common procedures and support services (computer-based management information and control systems for example);
- b. it would provide for greater flexibility in staffing arrangements and a probable reduction in staffing resources overall; and
- c. it would provide for greater career opportunities for both civilian and Service personnel who elect to specialise in project management.

41. The Committee recommends that:

R29. the Department of Defence rationalise the three Service Materiel Divisions into a single Project Management Division responsible for managing minor and major equipment projects sponsored by the Services [para 7.31]; and

R30. the Services continue to pursue the introduction of specialist career paths for staff within the area of materiel acquisition and management [para 7.31].

#### Technical Support in the CPO

42. The Committee considers that the capacity should exist within the CPO to provide the necessary degree of technical

support to each Chief of Materiel. We believe that the current dispersion of responsibilities between the Services and the division of authority over the technical services is inconsistent with the efficient management of the defence procurement function. Noting that this conclusion may have implications which extend beyond defence procurement, the Committee recommends that:

R31. the Department of Defence conduct a further study into the rationalisation of technical services supporting the defence acquisition process with a view to concentrating them under the control of the CCP [para 7.38].

#### The Higher Management of the CPO

43. Given our recommendations regarding the Service Materiel Divisions, we believe that the senior post within the CPO should be open to both civilian and military officers. We also consider that, even allowing for the principle of centralised control and decentralised execution in the procurement process, the span of control affecting the CCP is excessive.

44. The Committee recommends that:

R32. the position of Chief of Capital Procurement be open to civilian and Service officers [para 7.26]; and

R33. the Department of Defence examine the existing arrangements for the higher level management and oversight of the defence procurement process, with a view to:

- (i) improving the means of reviewing the organisation's ongoing activities, and the achievement of its objectives,
- (ii) reducing the present span of control of the CCP, without prejudicing the organising principle of centralised control and decentralised execution of the defence procurement functions, and
- (iii) ensuring that Service needs expressed in their requirements documents are being satisfied [para 7.41].

#### The Equipment Definition and Selection Process

45. The Committee considers that the present arrangements for the development and selection of operational requirements for new major equipments or weapons systems are deficient in a number of respects, namely:

- a. the absence of an assured connection between basic defence guidance and operational requirements;
- b. inadequate involvement of the CDF and the Joint Staff; and
- c. unduly complex and repetitive procedures for the preparation and endorsement of operational requirements.

46. These problems would be reduced if the responsibility for the project definition stage of the process were delegated to the CDF, who would be responsible for preparing, in accordance with broad guidelines and policy and resource constraints laid

down by the Minister, a consolidated list of operational requirements and major equipment proposals as part of the defence guidance for the forthcoming FYDP. The single Services and other functional groupings in Defence would still be responsible for the preparation of detailed Staff Objectives, Targets and Requirements, and major equipment proposals, but only at the direction of HQADF.

47. The progress of proposals and programs through the defence committee system would also be facilitated by our earlier recommendation to abolish the FSC and the DOCCC, whose essential functions would be concentrated in one committee, namely, the DGCC (see R21), and by restricting the membership of the DFDC to the Minister (see R5), the Secretary and the CDF.

48. The Committee recommends that:

R34. subject to the overall guidance and policy constraints laid down by the Minister for Defence, the CDF be responsible for preparing a consolidated list of operational requirements and major equipment proposals for inclusion in the FYDP [para 7.61];

R35. appropriate operational requirements and planning policy staff be transferred from the single Services to HQADF [para 6.52]; and

R36. the Defence Force Development Committee membership be restricted to the Minister for Defence (or Minister Assisting) as Chairman (see R5), CDF, and the Secretary to the Department of Defence and his principal financial adviser [para 7.61].

#### Controlling the Costs of the Major Capital Equipment Vote

49. The Committee is concerned over the continuing high level of expenditure on capital assets and its potential longer-term consequences for other areas of the defence program. The financial resources allocated to capital assets should be controlled so that hardware needs do not swamp other defence activities and priorities such as manpower and operational readiness. It is also important to retain a degree of flexibility in the spending program in order to satisfy requirements which may arise in the short term. The Committee further considers that there is considerable scope for improving the efficiency of the defence procurement process, thereby either reducing the total cost of acquiring capital defence assets or getting more value for money. The main internal causes of high costs include poor cost estimating, overspecification of requirements, and poor control over cost variables in the project management process. In addition to examining means of controlling the budget allocations to capital assets (see R23, R24 and R25) and improving the efficiency and accountability of the equipment acquisition process itself, the Committee recommends that:

R37. the Defence Department examine techniques and incentives for lowering the unit costs of future equipments and weapons systems. Such considerations should include where appropriate:

- (i) the use of lower-technology items to satisfy Australia's basic force requirements;
- (ii) greater use of commercial equipments or standards in new equipments or support systems, and
- (iii) greater freedom of discretion in the selection of contending equipments or weapons systems [para 7.70].

## THE COMMAND AND CONTROL OF THE ADF (CHAPTER EIGHT)

### The ADF Command Structure

50. The Committee endorses the revised arrangements for the command of the ADF, particularly the formation of permanent Joint Force Commands and the integration of the single Service operational headquarters into the Joint Force Headquarters. Nevertheless, we consider that the present arrangements are not as unambiguous as they should be, and that they still allow for potential conflicts of interest in the exercise of operational command and in the training and deployment of operational forces. More importantly, they continue to give undue emphasis to single Service interests and activities. In our view, the ADF chain of command needs to be further refined so that there is a clear delineation between operational command and administrative command.

51. The Committee recommends that:

R38. the Australian Defence Force be divided into two discrete elements as follows:

- (i) an employing or operational element comprising HQADF and the appropriate Joint Force Commands. This element would be responsible for planning and conducting all Defence Force operations and operational training activities in peace and war, and for providing joint military advice and support to the CDF and the Minister for Defence, and
- (ii) a maintaining or administrative element made up of the three single Services. This element would be responsible for providing

combat-ready personnel and assets to the Joint Force Commanders, and for raising, training, supplying and maintaining these basic assets in accordance with directions issued by the CDF and the Secretary of the Department of Defence [para 8.30].

### Enhancing the Joint Structure

52. A number of factors which act to limit the ability of the CDF and HQADF to develop and promulgate a unified Service approach were identified. These included a shortage of resources within HQADF, the existence of separate - and often competing - policy planning staffs in the Department of Defence and the Service Offices, and, in the context of joint Service knowledge and experience, the inadequate quality and experience of HQADF staff.

53. We believe a clear need exists to enhance the capabilities of HQADF, especially in relation to operational planning, strategic and overall defence planning, and force development and analysis. While not in a position to propose a revised organisational structure, we believe that the current arrangement for the Defence Staff in the United Kingdom Ministry of Defence is an appropriate model for consideration.

54. The Committee recommends that:

R39. the CDF, in consultation with the Secretary and the Service Chiefs of Staff, reviews the present organisation and staffing of HQADF, using the UK Defence Staff as a basic model [para 8.55]; and

R40. the Military Staff Branch of SIP Division and those elements of the Strategic Guidance and

Policy Branch dealing with defence planning and wartime administration be abolished and their functions transferred to HQADF [para 8.55].

55. We further consider that policies should be adopted which are specifically directed towards increasing the joint experience of incumbent staff officers and provide incentives for Service officers to seek joint appointments. In that context we recommend that:

R41. joint duty should be a prerequisite for promotion to two-star appointments [para 8.57];

R42. the CDF and his Joint Staff should be increasingly involved in the appointment of staff officers to HQADF [para 8.57]; and

R43. the number of inter-Service postings should be increased in order to promote understanding of the capabilities, doctrines and tactics of the other Services [para 8.57].

56. The Committee considers that the creation of a strong, confident and motivated joint staff ultimately requires the establishment of a viable career pattern for officers in the joint arena. Officers specialising in joint appointments should spend the major part of their careers developing a joint outlook and proficiency. The means of providing for a joint career stream is already in place with the establishment of the tri-Service Australian Defence Force Academy and the adoption of a permanent joint Service command structure.

57. We believe that there is a need substantially to expand the joint training process: here, we recommend that the ADF give consideration to:

R44. including a substantial element of mandatory 'joint' subjects in single Service staff development programs and courses such as promotion exams, Service staff courses, etc [para 8.58];

R45. establishing greater opportunities for officers destined for senior joint staff appointments to undergo education in joint matters at the political-strategic level. This could be achieved by increasing the number of postings to overseas institutions, or by establishing a National War College or its equivalent in Australia [para 8.58];

R46. requiring officers appointed to joint staff positions in HQADF or the Joint Force Headquarters to undergo specific familiarisation courses aimed at minimising the amount of 'on-the-job' training [para 8.58];

R47. requiring the Services to establish a career stream for officers electing to specialise in joint Service appointments [para 8.58]; and

R48. increasing the role of the CDF and his Joint Staff in career management [para 8.58].

#### Joint Force Operational Training

58. Finally, the Committee considers the operational effectiveness of the ADF would be enhanced by providing its members with more frequent opportunities to practise joint operations. We recommend that CDF:

R49. adjusts the peacetime missions and tasks of the Joint Force Commanders to ensure that they involve units and assets from two and preferably three Services and assigns these forces accordingly [para 8.59]; and

R50. investigates the establishment of permanent 'theatre' joint force headquarters in the North or North-West of Australia which could serve under each of the Joint Force Commands on a rotational basis and would be used by them to practise command of joint air, land or maritime operations as appropriate, and to develop and test joint doctrine [para 8.59].

#### The Role and Functions of the Joint Force Commanders

59. The Committee is concerned that there is insufficient allowance in the current ADF organisation for the operational commanders and their staffs to influence the higher decision-making process. We believe that the Joint Force Commanders should be able to participate in those policy matters which affect their capability to carry out their assigned tasks and functions. Here we note that a potential constraint on the authority of the Joint Force Commanders is their subordinate relationship with the Chiefs of Staff. It could be argued that this relationship could contribute to single Service domination of the resource allocation process and to de facto influence over operational matters.

60. The Committee recommends that:

R51. the CDF examine the future role of the Joint Force Commanders in relation to:

(i) the formulation and oversight of joint Service and defence policy, and

(ii) representation on higher level joint planning and defence advisory committees [para 8.80];

R52. the Joint Force Commanders be responsible only to the CDF and that they be responsive to the Service Chiefs of Staff, and that the directives from CDF to the Joint Force Commanders be amended accordingly [para 8.80]; and

R53. rank parity be established between the Joint Force Commanders and the Service Chiefs of Staff [para 8.80].

#### The Command Structure of the Joint Force Commands

61. The Committee considers that the United States' experience should be kept in mind when examining future options for Australia's operational command arrangements. We believe that the capability and effectiveness of our command structure will be enhanced if the Joint Force Commands are given clear and unambiguous tasks which are organised along functional or joint Service rather than single Service lines, and if there are direct and clear lines of command between the Joint Force Commanders and their subordinate commanders. Component commanders will need to be responsive to the Services and other functional elements of the defence establishment, but they should be responsible only to the Joint Force Commanders.

#### The Future Roles and Functions of the Joint Force Commands

62. For any command structure to be effectively developed and exercised, the operational commander should on a day-to-day

basis control all of those assets which he is most likely to have allocated during a defence emergency: it is only through regular and long-term practice that the necessary high level of command and control skills will be developed, and the problems which have been evident in recent Australian joint operations will be surmounted. In the Committee's view the existing command structure does not give the Joint Force Commanders that opportunity. This is because, notwithstanding the establishment of the 'joint' operational commands, there appears to have been no accompanying functional allocation of assets. Rather, the bulk of naval assets continue to belong to Maritime Command, most air assets are in Air Command, and Land Force Command retains control of nearly all Army assets. This may be appropriate to the roles and functions that have been allocated to these Joint Force Commands, but it leaves the new structure open to the charge that it is simply a single Service command system by another name.

63. The Committee considers that the present three joint commands have inherent limitations which tend to restrict effective operational use of assets of other Services. It recommends that:

R54. the CDF review the existing Joint Force Command structure in order to determine its suitability both now and in the future. The review should consider:

- (i) the most appropriate allocation of operational assets between the existing Joint Force Commands, and
- (ii) whether there is scope to move towards a more functional or role-oriented joint command structure [para 8.96].

#### Rationalising the Single Service Functions

64. Following the formation of the Joint Force Commands, the single Services have largely assumed a support (ie, non-operational) role. It is axiomatic that the more effective the level of support is, the more effective the combat force is likely to be. The Committee believes that the basic logic behind the reorganisation of the ADF's combat commands applies with equal relevance to the support services. It seems wholly appropriate that the three operational commands should be served by similarly functionally grouped support commands and that the ADF should incorporate, at the least, unified Logistics and Training Commands.

65. The Committee recommends that:

R55. HQADF investigate the rationalisation of residual single Service command and support structures along functional, joint service lines [para 8.107].

#### Collective Professional Advice and the COSC

66. The Committee notes that much of the authority attached to the Chiefs of Staff Committee derived from the Chiefs' position in the operational chain of command. As this no longer applies we consider it would be timely to review existing COSC functions and membership, and the means of providing collective military advice to the CDF and the Minister for Defence.

67. The Committee recommends that:

R56. HQADF review the process by which the function of providing collective professional military advice to the Minister is discharged. This review should:

- (i) examine the place of VCDF, the Chiefs of Staff, senior HQADF staff and the Joint Force Commanders in the process, and
- (ii) recognise the Service Chiefs' legitimate role in providing professional military advice in a broad sense, and
- (iii) ensure that a formal mechanism for dissent exists [para 8.114];

R57. the Directives to the single Service Chiefs of Staff be amended to reflect the Chiefs' revised roles as essentially support Commanders [para 8.114]; and

R58. the command provisions relating to the Service Chiefs of Staff contained in the Defence Act be revoked [para 8.114].

#### THE CASE FOR MORE SUBSTANTIAL REFORM (CHAPTER NINE)

68. The main objective of this report has been to enhance the overall efficiency and effectiveness of the defence establishment and its policy process, while still ensuring the primacy of control by the Executive and the Parliament. A secondary objective has been to try to reduce the overall size and complexity of the higher defence establishment and so improve its capacity in times of defence emergency or war. We believe that, if implemented, the recommendations made to date would satisfy those objectives and probably provide scope for considerable savings or at least relocations in defence manpower and other resources. Those recommendations have, however, largely been concerned with improving existing defence arrangements. While the suggested changes involve some realignment of the responsibilities of the principal actors involved in the defence

establishment, the basic organisational framework - in the form of a diarchy operating under the Minister for Defence - would essentially remain unaltered. In view of our concern that many of the deficiencies and weaknesses of the present arrangements stem from the diarchic structure, a valid question is that of whether there is an alternative organisational structure which is less susceptible to civil-military conflict and still provides for efficient and effective policy-making.

#### A Fully Unified Higher Defence Establishment

69. There are two main directions in which the organisation could move: either back towards the confederated structure which existed before the 1973-76 reorganisation; or towards a unified higher defence establishment in which the civilian and military components are fully integrated into a single functional organisation which operates under the control of one individual. The Committee considers that the disadvantages of a differentiated system clearly outweigh any potential advantages, and that the second option appears to offer far more potential.

70. A good example of the fully integrated model exists in the Canadian Department of Defence and its National Defence Headquarters. In our view, notwithstanding the fact that significant differences exist in the size of military forces, scale of defence commitments, governmental systems, and political culture and history, the basic outlines of Canada's postwar evolution in the organisation and management of defence should be applicable to defence management in Australia.

71. The Committee is concerned by the Australian Department of Defence's apparently peremptory attitude towards this matter, as evidenced in its brief statement to this inquiry that 'the organisational arrangements introduced in ... Canada ... could not be applied in Australia, nor is it necessary to do so' [Submission, p S484]. While accepting as a general principle that

the nature of the defence establishment will be influenced by broader strategic and political considerations and that these vary between countries (and times), we find it difficult to see why Australia's own strategic and political circumstances and traditions would necessarily favour a diarchic higher defence structure over a unified one. In our opinion, the importance of the issue warrants a thorough examination of the advantages and disadvantages of various models, making use of overseas experience where this is both possible and appropriate.

72. The Committee concludes that there would be considerable advantages in establishing a fully unified higher defence organisation in Australia. These could include:

- (i) a more efficient and effective approach to defence decision-making,
- (ii) reduction in the size of the higher defence establishment, which would release more resources for operational units and activities, and
- (iii) a more cost-effective use of defence resources[para 9.18].

## CHAPTER ONE

### INTRODUCTION

1.1 The recent publication of the Government's Policy Information Paper, The Defence of Australia 1987, and before that Paul Dibb's 1986 Review of Australia's Defence Capabilities, showed that Australia has made considerable progress towards developing a coherent strategy for the defence of its interests and in articulating a broad plan of action that will enable us to satisfy our basic defence objectives at least over the next decade. While welcoming these important moves, the Committee notes that the debate following the issue of the Defence White Paper has tended to concentrate on the weapons and other military capabilities that are needed to implement Australia's revised strategy. Very little interest has been shown in whether the existing defence establishment is the most suitable for managing Australia's defence in both peace and war. Yet this question is crucial since our future defence efforts depend upon the successful translation of the broad policy prescriptions contained in The Defence of Australia 1987 and other related policy documents into an appropriate organisation and force structure and associated operational and support doctrine. The basic aim of this report is to examine the current higher defence organisation and assess whether it can carry out its present and future role.

1.2 The organisational structure of the defence establishment remains essentially unchanged from that introduced in the 1973-76 reorganisation of the Department of Defence (the so-called Tange reorganisation). As described in the following Chapter, the 1973-76 reorganisation represented a bench-mark in the evolution of the defence establishment in Australia. Prior to 1973 the defence establishment consisted of five separate government departments - Defence, Army, Navy, Air Force and

Supply - each headed by its own minister but operating under the overall policy control of the Minister for Defence. The reorganisation created a single, integrated defence establishment in which all the activities of the three Service departments and a number of the functions of the Department of Supply were amalgamated into an expanded Department of Defence. The new organisation was itself structured as a diarchy with the Minister having two principal advisers - one civilian and one military - who represented the interests of their respective components and had different, albeit overlapping, powers and responsibilities. These basic structural and power-sharing arrangements were unique in terms of the Australian bureaucracy and were intended to provide for more efficient and effective decision-making while at the same time ensuring both adequate military input into the policy process and civilian control of defence matters generally. Although not specifically modelled on an overseas organisation, the new organisation nonetheless reflected similar developments which had occurred in the mid-1960s in the United States, the United Kingdom and Canada.

1.3 While the basic framework of the defence establishment has remained unchanged since 1973, it has nonetheless undergone considerable modification, particularly in the joint Service arena. With the continuing developments in military technologies and modern warfare, it has become clear that most future military conflicts involving Australian forces would include units from two or more of the Services. Under these conditions it is prudent to structure and train our defence forces along joint rather than single Service lines. This was a clear lesson of our experience in Vietnam [see, for example, D.M. Horner, 1986] and was reflected in the recommendations of this Committee's 1984 report The Australian Defence Force : its structure and capabilities. The need to give greater emphasis to joint force structures and capabilities has resulted in the establishment of a Headquarters Australian Defence Force and the creation, in 1986, of a joint operational command structure.

1.4 Over the same period, the defence establishment, or different aspects of it, has also been subject to almost continual review by parliamentary committees, independent committees of inquiry, and by review groups within the defence establishment itself. The most important of the recent external reviews was the Defence Review Committee's 1982 inquiry into the Higher Defence Organisation in Australia (the Utz Report). The findings of the Defence Review Committee and other investigations into Australia's defence establishment are discussed throughout this report. It is notable that while most external reviews have been highly critical of certain aspects of the defence establishment, they have not seriously questioned the existing organisational framework or the broad direction in which Australia's defence establishment has been evolving since the end of the the Second World War.

1.5 In spite of this general consensus another feature of the previous studies into Australia's defence establishment has been the continuance of certain fundamental issues and perceived problems which have never been fully resolved and which continue to be raised in one form or another in subsequent inquiries, including this one. The first issue concerns the ability of the Minister for Defence properly to direct and oversee his department. This concern was first raised in a 1957 inquiry into the defence group of departments (the Morshead inquiry). It was further addressed by the Tange Report, and formed part of the rationale behind the recommendation of the Utz Committee to form a separate Department of Defence Support. Despite this concern, the size and complexity of the Defence Department has continued to expand and must now pose a significant management challenge to any incumbent Minister(s). In the light of the recent changes to the higher organisation of the Department of Defence, similar 'span of responsibility' problems may also now exist for both the Secretary and the CDF. This raises a second area of concern that the defence establishment itself has become increasingly cumbersome and difficult to control, and that its policy process

is overly complex. Contrary to the expectations of the authors of the 1973-76 defence reorganisation, some commentators claim that the creation of a single integrated establishment has neither increased the efficiency or effectiveness of defence decision-making nor improved overall control [see, for example, Babbage, 1980; and O'Connor, 1985].

1.6 The third issue concerns the delegation of authority within the Department of Defence itself: who does and should wield the most power and in what areas? And how is this equation changing? The changes to the defence organisation have been directed towards establishing a single defence establishment operating under the direct authority of the Minister for Defence. This approach was seen to be consistent with the notion of civil-military control in democratic societies and the dictates of organisational efficiency and responsiveness. To date, however, the reforms have not produced a completely unified establishment, at least below the level of the Minister, but rather a diarchic structure with one element operating under the Chief of the Defence Force and the other headed by the Secretary to the Department. To overcome the fundamental conflict of interest inherent in this arrangement, the architects of the new organisation superimposed on the formal power-sharing framework a network of informal arrangements which were designed to foster mutual cooperation and consultation between the military and civilian elements of the diarchy. Collectively referred to as the 'joint process', these arrangements sought to enhance the corporate identity of Defence as a whole and minimise, or at least reduce, civil-military conflict stemming from the different interests and views of the opposing sides.

1.7 These latter practices have not, however, been entirely successful. Both Utz and Dibb have highlighted the continuing 'rivalry' and 'dissension' between the military and civilian elements of the defence bureaucracy. Utz, in particular, recommended a number of changes designed to strengthen the 'joint

process' as well as encouraging civilians and Service personnel to become more aware of its importance and potential benefits. These admonitions are unlikely to have much impact, however, since the continuing dissension stems from a basic disagreement over the division of functions and responsibilities between the Secretary and the CDF. The Services have long held that the 1973 reorganisation resulted in a transfer of power from the military to the civilian elements of defence and that the current decision-making process has been structured to ensure continued civilian predominance over defence policy. This view is rejected by the civilian hierarchy and was not supported by either Utz or Dibb, who both concluded that the jurisdictional framework of the defence organisation is 'sound'. As described in Chapter 2, moves have been made, however, to diffuse the Services' criticisms by increasing the responsiveness of the various civilian Central divisions to the needs of both the CDF and the Service Chiefs of Staff, and by increasing the military authority of the CDF as well as his capacity to contribute to the formation of defence policy.

1.8 These latter changes have been largely achieved at the expense of the individual Services and in so doing, have added a further dimension to the debate over who wields power in the organisation. Does the rise in the authority of the CDF and the enunciation of a unified 'Defence Force' view represent a move to shift the present balance of power to a position more in keeping with the ideals of a unified structure? Does it represent an attempt to break the Services' hold on the equipment procurement process by providing a legitimate means of challenging single Service expertise (divide and rule)? Or will it, as some have suggested, simply increase the power of the Services by providing a more powerful advocate (or ally) within the defence committee system?

1.9 These basic issues also form an important part of this Committee's present considerations, which fall into two parts.

The first and major part of the report deals with the perceived problems and deficiencies of the existing defence establishment and how these may be resolved or at least reduced. The second part of the report discusses the overall implications of the Committee's detailed recommendations and examines whether there is a case to institute more radical changes to the defence establishment generally, and to the current distribution of power between its major participants in particular.

1.10 The report is divided into nine Chapters. The two Chapters immediately following the Introduction describe respectively the evolution of the defence establishment since the end of the Second World War and the important characteristics of the present structure. An understanding of the existing framework and how it has developed is essential in both comprehending and interpreting the changes which are recommended in the subsequent Chapters. Chapters 4 to 8 examine the criticisms that have been made of the current defence organisation and its policy processes. The critique begins, in Chapter 4, with the central issue of the basic division of powers and responsibilities between the Secretary and the CDF. Chapter 5 then looks at the problems associated with managing the defence establishment in peace and war, and addresses:

- a. the perceived inadequacies in political supervision and control of defence policy and activities;
- b. management problems in the integration of defence functions; and
- c. over-staffing and over-ranking within the Department of Defence and the Australian Defence Force.

1.11 Chapters 6 and 7 deal with the defence decision-making process. Chapter 6 examines the current planning, programming and

budgeting system in defence where the major problems and issues addressed include:

- a. the absence of national security planning and policies;
- b. inadequate planning and policy guidance;
- c. deficiencies in the way guidance is developed;
- d. unrealistic fiscal guidance; and
- e. a range of specific problems associated with defence programming and budgeting.

Chapter 7 focuses on equipment acquisition and project management in defence.

1.12 Chapter 8 examines the command and control of the Australian Defence Force and discusses the problems which have been identified under the following topic headings:

- a. continuing weaknesses in the operational chain of command;
- b. the inability of HQADF to support fully the CDF in his role as commander of the Defence Force and principal military adviser to the Minister for Defence;
- c. inadequate involvement of the Joint Force Commanders in the formulation of military policy and the allocation of resources and priorities to Defence Force activities; and
- d. the need for further rationalisation of the remaining single Service command structure.

1.13 Finally, Chapter 9 provides an overview of the implications for the defence establishment as a whole of the recommendations contained in the earlier Chapters, and discusses whether there are grounds for more substantive reforms. In particular, it examines the merits of establishing a fully unified and integrated higher defence organisation.

1.14 Like the inquiries that have preceded it, the basic approach of this report is evolutionary rather than revolutionary, taking the present structure as the starting point and examining whether and how it should be improved. Implicit in this approach is the acceptance of at least the general direction in which the defence establishment in Australia has moved over the past several decades. The Committee supports the need for a single organisation dealing with defence matters in which civilians and military personnel work together under the control of the Minister for Defence. As argued in Chapter 9, it sees no point or value in returning to the kind of differentiated organisational structure that existed prior to 1973.

1.15 This should not be taken to mean that the current defence establishment is perfect or that it cannot be improved. As will be clear from the following Chapters, there are a number of serious problems and deficiencies which need to be addressed if we are to have a fully efficient and effective organisation and policy process. On the other hand, by focusing on these problems the Committee does not wish to convey the impression that all is wrong with the defence establishment or that nothing is being done to improve it. The Committee appreciates that the organisation works well in many areas. It also acknowledges the continuing efforts of the ADF and the Department of Defence and many individuals within it to develop and improve different aspects of their organisation. As noted earlier, and described in some detail in the report, much progress has been made especially in recent years. Moreover, there is an awareness on the part of the present leadership that certain problems continue to exist

and so we can expect further reforms in the future. However, we should also be aware that large organisations by their very nature have an inbuilt resistance to change and so they tend to adjust to changing circumstances very slowly or in ways which protect the interests of certain groups within the organisation but which may not be the most suitable for the defence establishment as a whole.

1.16 In making its considerations, the Committee has been guided by three underlying principles. The first is that the defence establishment and its policy-making processes should be consistent with the notion of civil-military control. In democratic societies like Australia, this means that the formulation and oversight of defence policy should remain firmly in the hands of those who exercise constitutional power within the country, in this case with the Parliament and its elected representatives. The Committee notes that the primacy of civil control is clearly and unquestionably accepted by the armed Services, although there is a view that with the changes that were introduced in the 1973-76 defence reorganisation civil control in Australia now more closely equates to control by the Public Service (or at least its representatives in the Defence Department) than control by elected politicians. The principle of civil-military control does not, or should not, exclude the military from participating in the defence decision-making process. Clearly they must do so if we are to develop defence policy in an informed and comprehensive way. The Services must have a say in the development and acquisition of the force structure and equipments with which they will be required to defend our basic interests in times of emergency or war. Ultimately, however, the final decisions on defence policy and the responsibility for the proper conduct of the defence establishment should rest with the Minister for Defence and his Cabinet and other Ministerial colleagues who in turn are accountable for their actions to the people via Parliament.

1.17 The second guiding principle of this report is the quest for both efficient and effective decision-making in defence matters. Australia devotes a significant portion of its national wealth to defence. More importantly, we need to ensure that our spending choices properly reflect clearly articulated national security objectives and priorities, and that our civilian and military leaders receive the best advice possible in a timely fashion. As noted by the Royal Commission on Australian Government Administration (RCAGA - the Coombs Report), organisational efficiency and effectiveness are interrelated:

Effectiveness is concerned with the relationship between purpose and result. Thus, an action or program is effective if it achieves the purpose for which it was initiated. But efficiency involves additionally a consideration of the resources used in achieving the result. A program is efficient only if its effectiveness is achieved with an economical use of resources. Efficiency is therefore also concerned with the relationship between resources used and the results achieved, between 'input' and 'output'. It comprehends both economy in this sense and effectiveness [RCAGA Report, 1976, pp 31-32].

1.18 The Royal Commission further noted that while effectiveness and efficiency are quantitative concepts, it is not always practicable to measure them. This is especially so in the case of defence which has multiple missions, conflicting viewpoints on how these missions are best carried out, and an inherent level of 'planned inefficiency' (eg, 'surplus capacity' in manpower and/or equipments) in order to cover uncertainties and losses in battle. In spite of difficulties like these it is still possible to identify certain factors and actions that contribute to overall efficiency in administration. Some of these were identified by the Royal Commission and included:

- a. the organisational objectives to which work is to be directed, and the priorities attached to them, [must be] stated clearly. 'Such objectives must be more than general directions for a department or agency as a whole. They must be capable of expression in

sufficient detail to provide a program of work not only for the department or agency, but also for sections and units, functional and geographical, within it';

- b. authority [should be] delegated to lower-level managers who are also given adequate scope to act entrepreneurially;
- c. officers [should be] able to identify themselves with the objectives to which their personal efforts are directed, and with the ways in which these objectives have been determined and the related work organised;
- d. staff involved [must be] appropriately recruited, trained, organised and promoted;
- e. managers at all levels [need] access to both the information upon which their actions should properly depend, and to the appropriate expertise in managerial and related techniques; and
- f. performance at all levels [must be] regularly assessed and those responsible held accountable for it in ways which ensure that the assessment bears upon their rewards, standing and function [RCAGA Report, 1976, p 55].

1.19 The Committee supports these parameters and has used them in its considerations. In particular, it sees as crucial the need to provide for maximum delegation of management authority. An efficient organisation needs to be able to draw a clear distinction between the policy functions which are central to its work and those tasks which should be devolved to managers down the line. It should be noted here that this report is concerned primarily with the mechanisms and efficiency of defence operations, not with the substance of the policies to be executed. The basic objective is to identify the causes of existing deficiencies in the organisational and policy structures, and to recommend changes which would improve the efficiency and effectiveness of the defence establishment as a whole.

1.20 The third and final guiding principle is that whatever organisation is in place in peacetime has to be able to work well in times of defence emergency or war. In the Committee's view, periods of tension or war are not the times for confusion caused by the transition to a different organisation or by the development of ad hoc entities. It is most important that the basic organisational structures and policy processes which would apply in war are essentially in place in peacetime.

1.21 In its considerations, the Committee has noted that the formal nomenclature for Australia's defence establishment involves a number of organisational titles, many of which are used interchangeably even within official documents. These terms include the Defence Organisation, the Ministry of Defence, the Defence Department, the Higher Defence Organisation, and so on. The abundance of titles and their wide usage tends to be confusing, especially for the non-specialist reader. In this report, the term defence establishment is used to describe all the organisational entities which operate under the policy control of the Minister for Defence. It is an all-encompassing description and includes the Department of Defence and the Australian Defence Force (see Chapter 3). The higher defence organisation or structure is that component of the defence establishment which is located in Canberra.

## CHAPTER TWO

### THE EVOLUTION OF THE DEFENCE ESTABLISHMENT 1945-1987

2.1 This Chapter provides a summary of the major changes which have been made to the defence establishment in Australia since the end of the Second World War. The changes are presented against the background of the broader developments in our strategic thinking, which has evolved from the position of strategic dependence and forward defence which characterised our defence policies between 1945 to the mid-1960's, to today's more independent and self-reliant posture. The summary consists of three main parts. The first part deals with the period 1945 to 1972. It describes the initial moves to develop a more centralised defence establishment and the concurrent realignment of Australia's strategic doctrine from forward defence to the defence of Australia and its immediate interests. The second part focuses on the 1973-76 reorganisation of the defence establishment which represented the culmination of earlier moves towards a unified defence establishment, and set in place the basic organisational structure that exists today. The final part describes the changes which have taken place since 1976 - both to the defence establishment and Australia's strategic doctrine - and covers the findings of the 1982 Defence Review Committee, the 1986 Dibb Report and the 1987 Defence White Paper. The Chapter concludes with a brief overview of the principal themes and issues which have marked the evolution of the defence establishment in Australia.

2.2 The evolution of the Department of Defence between 1945 and 1987 has been characterised by two broad trends. First, all of the functions relating to defence have gradually been concentrated under a single portfolio, and the Government, through the Minister for Defence, has assumed increasing formal control over the defence decision-making process. The second, and

related, trend has been the centralisation of military authority under the Chief of the Defence Force (CDF) and his predecessors. These trends have stemmed from the interplay of various strategic, political and bureaucratic influences and interests. The range of interests involved, and the attempts by the architects of organisational change to accommodate them, have given the Department its current shape and character. As such, they underlie many of the criticisms that are levelled at the Department of Defence and its working practices, and which have formed a major component of the successive reviews into the Defence organisation.

#### Collective Security and Forward Defence: 1945-1972

2.3 Immediately prior to the Second World War, the three Services operated within the Department of Defence and under the direct control of its Minister. In 1939, wartime exigencies led to separate Departments of Navy, Army, Air and Supply and Development (which subsequently became the Department of Supply) being established, each headed by its own Minister. The central secretariat of the original Defence Department became the basis of a new Department of Defence Coordination. In April 1942, the term coordination was dropped from the Department's title and its finance functions were allocated to Treasury. In 1951, the Department of Supply's munitions and aircraft production functions were removed to form the basis of a new Department of Defence Production. The administration of the individual Service Departments was carried out by Service Boards whose powers and responsibilities were prescribed under the Defence Act and associated regulations. The powers of the Service Boards were extensive, embracing the administrative and executive control of the complete range of Service activities including force structure, manpower planning, equipment policy and supply and support. The Boards were supported in these tasks by a comprehensive range of departmental committees made up of civilian and military specialists.

2.4 The relatively simple and decentralised structural arrangements for Australia's defence reflected our existing strategic circumstances. In these early post-war years, Australia's defence considerations centred on our possible contribution to the global strategies of our major allies and the forces needed to support this role rather than on local defence. In its 1946 review of Australia's strategic circumstances, the Defence Committee concluded, for example, that

... the basic ingredient of Australia's defence must be Empire Cooperation since the size of this country demands for its defence, armed forces and an industrial potential quite beyond our present capacity... [Australia's military forces] should be so organised and trained that they can fit in as complete units with Empire forces in any theatre, keeping particularly in mind the Pacific Theatre [Department of Defence, Submission, p S303].

2.5 By the early 1950's, while Australia continued to emphasise the doctrine of collective security, the focus of its strategic and defence concerns had narrowed to the South-East Asian region. Australian assessments also began to postulate strategies of 'defence in depth' or 'forward defence' in which Australia's interests would be protected by meeting the threat where it first arose. Under this policy:

Three successive lines of Australian defence were envisaged beginning with support under SEATO arrangements of the defence of the Indo-Chinese mainland. Should this fail contingency plans would be implemented to defend a position on the border of Malaya. Consideration of the immediate defence of the north west approaches to Australia, would depend 'on the probable form and scale of attack at any given time'. It was, however, assessed that Australia would 'have time to build up to meet this threat provided her basic defence structure is sound' [Department of Defence, Submission, p S306].

2.6 The alignment of Australia's defence policy with British and American strategic interests meant that there was little incentive for the Government to examine the country's overall national security structure. Sheltering under the strategic umbrella of its allies, remote from the areas of conflict and enjoying increasing prosperity at home, neither the Australian people nor their elected representatives showed much interest in defence. As T.B. Millar commented in 1968, the period between 1954 and 1960 in particular

... reflected a sense of security (or complacency) stemming from a lack of urgency in the international situation, from the protection afforded by the United States under ANZUS and SEATO and by the British in Malaya and the Indian Ocean, and a lack of pressure either from these 'powerful and willing friends' ... or from the Australian electorate that Australia should contribute or be in a position to contribute more to the common defence. Mr Menzies had promised two divisions in the event of an outbreak of war. At the beginning of 1960, the country would have been hard pressed to find and maintain two battalions [Millar, 1968, p 279].

2.7 Despite the lack of interest being shown in defence matters in general by the Australian population at large, certain misgivings were being expressed about the existing bureaucratic arrangements. The Joint Committee of Public Accounts reported in 1957 that there were deficiencies in coordination within the defence group of departments and that the Department of Defence did not have sufficient control over the expenditures of the Service and other defence departments. These and other perceived weaknesses led the government to review the arrangements for developing and implementing defence policy. A number of structural changes resulted, including the enlargement of the Defence Committee to include the Secretaries of the Prime Minister's Department, the Treasury and the Department of External Affairs; the relocation of the policy planning elements of the defence group of departments from Melbourne to Canberra;

and the requirement for the Chiefs of Staff to meet formally on a regular basis [see Kennedy, 1970, pp 273-77].

#### The Morshead Committee

2.8 The Government announced on 19 September 1957 the establishment of a committee headed by Lieutenant General Sir Leslie Morshead to examine the organisation and the inter-relationship of the existing defence group of departments (Defence, Navy, Army, Air, Supply and Defence Production). The Committee reported in December 1957 and again in February 1958; the second time in response to a number of specific concerns that had been raised by Cabinet. The first report by the Morshead Committee made a number of recommendations including:

- a. amalgamation of the existing Departments of Supply and Defence Production into a single department to be named the Department of Defence Supply;
- b. amalgamation of the existing Departments of Defence, Navy, Army and Air into one Defence Department headed by a single Minister for Defence;
- c. appointment of two associate Ministers to assist the new Minister for Defence; and
- d. examination of the existing Service Boards with a view either to abolishing them or retaining them in another form.

The Morshead Committee stated that the Service Chiefs of Staff supported both the amalgamation of the Service Departments with

the Department of Defence and the abolition of the Service Boards and the transfer of the responsibilities to the respective Chiefs.

2.9 The principal rationale for the Morshead recommendations was that they would facilitate better use of resources and provide the Minister for Defence with more effective control over the formulation and application of defence policy. Consistent with this approach, the Report recommended against transferring the functions of the Department of Defence Supply into the Department of Defence since this would create an excessive workload for the Minister and so would be counter-productive. While recognising that it might be desirable for the Defence Force to be grouped under a single Commander in Chief at some stage in the future, the Committee stated that it did not feel competent to advise firmly on that issue [Department of Defence, Submission, p S268].

2.10 The Government accepted the recommendation to join the Departments of Supply and Defence Production, but rejected the more far-reaching proposal to amalgamate the Service Departments with the Department of Defence on the ground that it would lessen rather than increase the Minister's ability to oversee the development of defence policy. It did, however, introduce a number of measures aimed at streamlining relations between Defence and the Service Departments. These included the issue of an administrative order which established the overall authority of the Minister for Defence and his Department in the determination of national defence policy; and the establishment of the position of Chairman of the Chiefs of Staff Committee. With respect to the latter change, Prime Minister Menzies stated that

... the Chiefs of Staff, though they have much contact, have probably not been called upon

sufficiently to meet as such without civilian intervention ... We have, therefore, decided that the Chiefs of Staff will in future, in addition to sitting on other Committees, meet regularly for the formulation of purely military views ... But we must go further. It is not desirable that the Minister for Defence should receive military advice which represents a form of compromise between able men holding strong Service views without having the assistance of an experienced and comprehensive military view singly and clearly evolved in the light of what the Chiefs of Staff have said and thrashed out in consultation.

We have, therefore, decided that there should be a Chairman of the Chiefs of Staff Committee who is not himself currently one of the Chiefs of Staff. He must, of course, be a military man of eminence and therefore be drawn from one of the Services. But his duty will not be towards his former Service but to the Minister in respect of the overall Defence picture ... [quoted in Department of Defence, Submission, pp S269-70].

The functions of the newly established Chairman, Chiefs of Staff Committee were to convene meetings of the Chiefs of Staff Committee and arrange its business, tender the collective advice of the Committee to the Minister for Defence (with his own independent advice if there was a divergence of views between the Service Chiefs), coordinate the military activities of the Defence Forces through the individual Chiefs of Staff and act as Australia's principal representative on ANZUS and SEATO.

2.11 In spite of these measures, the authority of both the Minister for Defence and the Chairman of the Chiefs of Staff Committee continued to be fundamentally constrained by the existence of separately constituted departments. As Fedor Mediansky has described:

In the earlier years following the directive, Defence had little success in exercising its enhanced authority. In the first place, the Menzies directive did not have the backing of statutory authority; both the Minister and his Department lacked the statutory powers to exercise the central authority outlined by Menzies. The

authority of the Defence Minister remained essentially politically-based and so tended to vary with the individual. Secondly, the powers given to the Minister and his Department impinged on the legal authority of the Service Boards who were legally charged with the control and administration of their respective Services. Furthermore, in the early years after the directive, Defence lacked the capabilities - the analytic resources and the policy formulating bodies - which were required to assert its central authority [Mediansky, 1980, p 42].

The ability of the Chairman of the Chiefs of Staff Committee to exert a cohesive influence over military policy was also limited by the fact that the COSC and the individual Service Chiefs were still able to make separate representations to the Minister for Defence and to Cabinet. In addition, the Chairman was given only a small supporting staff and so had to rely heavily on the Services for technical assistance and advice.

#### From the Fairhall Reforms to the 1970's

2.12 The appreciation that the defence policy-making process continued to suffer from 'the disadvantages of separatism', and the increasing need, in the light of Australia's growing military commitment in South-East Asia, for a more centrally directed and controlled defence policy process, led to further organisational reforms throughout the 1960's [Kennedy, 1970, pp 280-82]. These included the establishment in 1963 of a Cabinet Standing Committee on Defence and Foreign Affairs, changes to both the joint Service and inter-departmental advisory machinery and some rationalisation in the areas of communications and EDP.

2.13 The most important changes occurred in 1968 when the Minister for Defence, Mr Fairhall, announced 'a far-reaching reorganisation of the planning and staff arrangements in the Department of Defence' [Kennedy, 1970, p 282]. Under the Fairhall

reorganisation, the joint Service Committee structure was replaced by a series of permanent joint planning staffs headed by a Director, Joint Staff (of Major General level). The new structure was to deal with long range defence policy, equipment requirements, joint logistics and operations policy and joint communications. The Director and Joint Staff operated under the control of the existing Joint Planning Committee and provided policy support to both the Secretary and the Chiefs of Staff Committee and its Chairman. The new planning staffs comprised both military officers, who were seconded from the Service Departments for three years, and civilian officers drawn from the Departments of Defence and External Affairs. The primary objectives of the Fairhall reforms were

... to provide for a larger defence planning component within the Department of Defence which will bring to planning continuity of application and a welding of service expertise and civilian experience in a wide range of disciplines; to provide a greater capacity for the examination and consideration of longer term planning and policy issues; to achieve greater flexibility and speedier decision-making procedures by substituting full-time staffs for formal committees; to provide more positive arrangements for the full impact of scientific, political, technological, economic and psychological factors etc in military planning [Defence Report 1968, p 7].

2.14 The reforms went a considerable way towards establishing the necessary machinery for developing a joint Service approach to defence issues and they clearly signalled that defence planning 'was not the exclusive prerogative of any one sector of Defence but required the joint participation and contribution of both Service and Civilian staff' [White, 1977, p 18]. While the changes reduced the influence of the individual Service Departments on national defence policy-making [Mediansky, 1980, p 46], the Services were still able to contribute to the plans prepared by the Joint Staff, and Service officers within the Defence Department were given full access 'to the Services

from which they are drawn and Service papers in order to keep up-to-date with Service thinking' [Department of Defence, Press Release 233/68, 1968].

2.15 The size and functions of the Department of Defence continued to be increased between 1968 and 1972, first under Defence Secretary Bland and then his successor Sir Arthur Tange [Wright, 1974, pp 135-37]. The major steps in this process included the introduction into Defence of a systems analysis capability, which was used to assess the cost benefits of competing Service bids, and the initial introduction of the Defence Five Year Rolling Programme. This was followed in 1970 by the formation of a Joint Intelligence Organisation which was headed by a civilian officer and 'took away much of the single Service base for strategic intelligence advice and forced the Services to speak with a "single voice" within JIO' [Mediansky, 1980, p 49]. Other changes included the strengthening of the financial Programming and Budgeting Staff within the Defence Department and the formation of a new Policy Planning Branch which was to examine longer term strategic policy and force structure problems.

2.16 The same period witnessed the beginnings of a fundamental reappraisal of Australia's strategic and defence requirements. By the late 1960's, Australia's strategic guidance papers were downgrading the importance of the strategies of forward defence in favour of the need to develop military capabilities suitable to the independent defence of Australia. Central to this change in perspective was the proposed withdrawal of British forces from Malaysia and Singapore and the declaration by President Nixon, in his 1969 Guam Doctrine, that the United States would henceforth require its Pacific allies to shoulder a far greater responsibility for both regional and local defence. It also reflected an acceptance of the fact that the more proximate South-East Asian states - Indonesia, Malaysia, Singapore and Thailand - were now securely established with independent foreign and security policies.

According to the Department of Defence:

The 1971 Strategic Basis Paper recognised clearly that Australia now needed to pursue her own security interests far more through individual effort than had previously been the case. The possession of an effective defence capability was seen as important to enhancing Australia's political and military influence in the region and for laying the foundations for United States assistance should this be required. While the possibility of overseas operational deployment to support regional security was not ruled out, the 1971 paper proposed that:

'more emphasis than hitherto should be given to the continuing fundamental obligations of continental defence particularly in the sense that all alternatives should be tested thoroughly as to their relevance to the defence of Australia itself'. Without a specific threat against which to plan, strategic guidance took the first tentative steps towards establishing 'the proper balance between expenditure directed to enhance defence potential in the longer term'. The importance of regular re-appraisals of Australia's strategic circumstances was recognised together with 'an orderly progression of decisions so that the capabilities we seek, and which themselves involve substantial lead times, may be continuously related as closely as possible to our evolving concepts of the future'. The newly introduced Five-Year Program was seen as a means by which acquisitions, force levels and activities could be ordered to suit the priorities of self-reliant national defence [Submission, pp S310-11].

2.17 The developing strategic circumstances, increasing defence budgets in the wake of our involvement in Vietnam and the realisation that Australia would henceforth need to pursue a more independent foreign and defence posture led the Department to begin detailed studies into a range of related topics such as air defence, and our defence infrastructural requirements. It also again raised the question of whether the existing organisation was the most appropriate for Australia's revised defence posture. According to Commander W. G. Wright [1974, p 133]:

The Chiefs of Staff Committee had, since 1965, drawn attention to a requirement to review the Higher Defence Machinery to enable the Chiefs of Staff Committee better to discharge its responsibilities for the exercise of executive power and authority of joint operations through designated subordinate commanders ... As a first step it favoured, within the Department of Defence, the creation of an effective Joint Service Executive Staff through which the Chiefs of Staff Committee could implement approved military plans and policy ...

The issue of a centralised command structure was also raised by the Australian Labor Party in its lead-up to the 1972 elections. In addition, many senior bureaucrats within Russell Hill expressed concern over the military's ability to contribute effectively to the higher defence decision-making process. The then Head of the Department of Defence, Sir Henry Bland, for example, stated in 1972 that:

The observer must be left wondering whether the management of concepts of today's world are yet fully comprehended in our services ... and whether highly developed management skills, as distinct from professional military competence, is yet really understood ... You may ask - how is this to be explained? Much may be due to the quasi-monastic life that military men live. Separate military establishments and messes and insulation from many of the every-day problems that plague the civilian contribute to isolation from the broader life of the community and its affairs. The very regimentation of military life, the rigid hierarchical system of promotions where one's future depends so much on one's immediate superior and the rule of unquestioned obedience to orders, are all inhibiting. Amongst other things, they develop loyalty to one's own individual service and equally militate against the development of a real professional attitude whose focus is on national defence in the widest aspects [Bland, 1972, pp 12-13].

2.18 This coincidence of strategic, political and bureaucratic pressures led ultimately to the 1973 defence reorganisation which represented the culmination of the moves

towards imposing greater centralised control over defence decision-making that had begun with the Menzies directive of 1958.

#### The 1973-1976 Defence Reorganisation

2.19 The reorganisation took place in a number of stages, commencing on 19 December 1972 when the Minister for Defence, Mr Barnard, announced that he had 'assumed charge of the Department of Defence and of the four other Departments in the Defence Group', and that the Defence Department would henceforth exercise greater authority over the development and implementation of defence policy. Mr Barnard stated that these moves were preliminary to a second phase in the reorganisation which would provide for 'more direct lines of control over the activities of the Services and of defence production, procurement and defence science'. The Minister's statement also detailed the guiding principles the reorganisation was to follow. These included the requirements that:

- a. there was ultimately to be a single Department of Defence comprehending the staff now in the Defence and Service Departments;
- b. the reorganisation was not to change the separate identities of the Navy, Army and Air Force. In fact 'in the interests of efficiency within each Service, a substantial degree of delegation of financial and other authority for administration, whether to Service or civilian officers, will continue';
- c. the second stage was to 'bring under a central functional control, some aspects of supply, personnel and other policies which have

hitherto been managed by individual Services in three separate organisations'; and

- d. there was to be 'more effective central military control of operations and related military activities'.

2.20 The second stage of the reorganisation involved the preparation and presentation to Parliament of the Report on the Reorganisation of the Defence Group of Departments (the Tange Report). The Report was developed by a specially formed Reorganisation Group which was headed by the Secretary of the Department of Army, Mr Bruce White, and reported directly to the then *Secretary of the Department of Defence, Sir Arthur Tange*. During the preparation of the Report, a number of detailed discussions were held between members of the study group and the Service Boards, the Chairman of the Chiefs of Staff Committee and the Service Chiefs, in which general agreement was said to have been obtained for its principal recommendations [Tange, 1973, p 6]. The consultative process was subsequently criticised by some middle ranking Service officers who variously claimed that the Report was produced in undue haste which precluded normal staffing procedures, and that there was insufficient opportunity for the Chiefs to examine the full Report since only sections of it were considered at each meeting [see Mediansky, 1980, p 52]. The final Report was presented to the Minister for Defence on 28 November 1973.

2.21 The principal recommendations of the Tange Report were:

- a. to combine in a single Department of Defence the whole of the activities at present comprehended by the Departments of Navy, Army, Air and Defence, and certain components of the Department of Supply;

b. to abolish the Service Boards and redistribute their powers primarily to the Minister for Defence;

c. to create a Chief of Defence Force Staff as a statutory officer in the Department of Defence, responsible direct to the Minister for the Command of the Navy, Army and Air Force. The position of CDFS would replace and absorb the functions of the existing appointment of Chairman of the Chiefs of Staff Committee, and would be supported by a joint military planning and operations staff;

d. to redefine the responsibilities and functions of the Service Chiefs of Staff and to form a management committee of staff officers in each Service to advise the Chief of Staff;

e. to distribute the function of defence policy advice, direction and management among five major organisations within the Department, namely those dealing with:

- (i) strategic policy and force development;
- (ii) supply and support;
- (iii) resources and financial programmes;
- (iv) personnel; and
- (v) organisations and management services.

These organisations would be responsible to the Minister for Defence through the Secretary to the Department;

- f. to rationalise a number of specialist organisations covering defence intelligence, scientific research and development, medical, and legal functions;
- g. to revise the Defence Committee system and establish a number of new committees;
- h. to establish certain senior Service appointments within the Department where occupants are 'two-hatted' in that they have an area of responsibility to the Secretary and/or the Chief of Defence Force Staff, and an area of responsibility to their Service Chief of Staff;
- i. to issue appropriate Ministerial directives and duty statements to create the desired relationship between the military staff and the Public Service and other civilian staff in the Department;
- j. to retitle the single Service areas within the integrated department as Department of Defence (Navy); Department of Defence (Army); and Department of Defence (Air); and
- k. to create a series of Defence Regional Offices and/or Sub-Offices to provide the necessary range of decentralised Departmental support to the Service Commands, units and civil establishments in their regions [Tange, 1973, pp 7-12].

2.22 In making his recommendations, Sir Arthur Tange made the assumption 'that the Government would wish three objectives satisfied', namely:

- a. First, we need an organisation that will place control in the hands of a responsible Government;
- b. Second, we need an organisation which provides for command of the Services, again under adequate Ministerial control, and which also effectively deploys the scientific support and civilian advisers and assistants which the Services need for optimum efficiency in performing their current tasks and preparing for the future; and
- c. Third, the organisation should be such as to foster high professional standards in the Navy, Army and Air Force as fighting forces; in the scientific service supporting the Defence Force; and among the civilian and Service analysts and advisers who assist the Government form its defence policies [Tange, 1973, p 18].

He further stated that in order to achieve these objectives, the organisation should be able to marshal good quality analysts, both civilian and military, to deal with such matters as strategic policy, the employment of military power in the protection of Australia's interests, the disciplined analysis of military problems and associated force structure requirements, efficient and economical use of manpower and other resources, and 'effective financial control'.

2.23 Tange noted the potentially conflicting requirements of 'an organisation organised and controlled primarily as a higher military command headquarters for waging war' and for 'controlling resources and advising the government on how best to prepare for future contingencies and employ the Services in a peacetime readiness role' [Tange, 1973, pp 19-20]. He considered, however, that the Government's objectives would be better satisfied by a single organisation 'which integrates single Service military experience and judgement with collective analysis of the total force structure' than by the existing arrangement of separately constituted departments [Tange, 1973, p 28]. The Report accepted that the integrated organisation

'would be extremely large in political responsibilities, in managerial responsibilities, and in the personnel and other resources controlled'. It assumed, however, that the Minister for Defence would 'have Ministerial assistance to enable him to cope with the volume of tasks; and that he will be advised and his policies administered, by statutory military and public service officers with defined powers' [Tange, 1973, p 13].

2.24 The Tange Report further recognised that the abolition of the Service Boards and the transfer of much of their powers to the Secretary of the Defence Department would attract much resentment from within the Services. It considered that the proposed changes were necessary to overcome 'widely acknowledged deficiencies in the present Defence Group System'. These included the potential conflict of interest between the Service Boards and the Defence Department, the absence of a clearly delineated chain of command between the Minister and his subordinate officers, and the fact that the defence policy-making process was based on formal interdepartmental correspondence and negotiation which tended to emphasise adversarial relationships and attitudes [Tange, 1973, pp 27-28]. Moreover, it was considered that once the reorganisation commenced, the Services would begin to recognise the potential benefits of the changes:

... once certain activities of a broad managerial nature (as distinct from operational command) now conducted by senior Service officers in their separate areas are brought into one unified Department of Defence, these officers would be able themselves to participate in the further steps of reorganisation and rationalisation and this should give more Service confidence in further changes. Reorganisation will be a continuing matter for many years [Tange, 1973, p 21. Emphasis added].

2.25 The authors of the Report were also aware that changes affecting civil-military relations at Russell Hill could not be made without the cooperation and support of the military. The

overall approach used to gain this support was to give the military a share in the defence decision-making process at all levels throughout the organisation:

A principal objective of the reorganisation has been to bring the doers closer to defence policy and to become defence policy advisers. The object has been not simply to satisfy a single Service interest; but to give them the responsibility to find collective solutions that involve yielding some single Service objective [Tange, 1975, p 198].

It was also clear that all of the objectives of the reorganisation were not expected to be achieved in one step. A cautious and staged approach to the reorganisation was taken which sought to strike a balance between the need to pursue integration with the need to avoid 'undue disruption in the chain of command and the running of the Services' [Tange, 1973, p 21]. The initial reforms therefore were very much a preliminary exercise designed to instil confidence in the idea of integration, and provide a sound basis for further change.

2.26 On the question of military command and control, the Tange Report noted that the Chairman COSC coordinated the activities of the Defence Force through the single Services but could submit his own advice to the Minister for Defence only where there was a divergence among the Chiefs of Staff. This situation was considered to be unsatisfactory since control of joint military operations - which was expected to be the normal mode of Australia's future military activities - effectively rested with a committee of four. In addition, it was argued that

... the Chairman lacks statutory powers and is acting by consent. Although the directive of 19 December 1972 issued by the Minister strengthened the authority of the Chairman Chiefs of Staff Committee to some extent (by giving him right of access to information), he still does not have clearly stated military authority. A situation can be foreseen in which lack of authority over the three Services could frustrate the aim of more

effective central military control of operations and related military activities, and the exercise of greater influence in the development of the Services towards integrated national defence objectives [Tange, 1973, p 34].

2.27 The Report accordingly recommended that the position of Chief of Defence Force Staff be established with formal power of command over the Chiefs of Staff of the single Services. The CDFS was to be the Principal Military Adviser to the Minister for Defence and, together with the Secretary of the Department of Defence, was to be responsible for providing advice to the Minister on matters in which there are joint responsibilities. He was to command the Defence Force in accordance with the legislation and would be the Chairman of the COSC. The major functions of the CDFS included:

- a. directing the preparation of military plans;
- b. the conduct of joint military operations and the issue of operational directives;
- c. the authorisation, coordination and supervision of joint military training;
- d. developing joint warfare doctrine;
- e. developing requirements for joint operations;
- f. presiding over the Chiefs of Staff Committee, and arranging its business and meetings;
- g. tendering the collective advice of the Chiefs of Staff Committee, including the divergent views upon any matters and his own independent advice on those views;
- h. recommending, jointly with the Secretary of Defence and the Chief of Staff of the relevant Service, two-star Service appointments and one-star appointments as prescribed;
- i. oversight, jointly with the Secretary of Defence where appropriate, Service establishments and their manning;
- j. participating in relevant Committees (the status and the detail of the committees to be filled in when decided); and

k. representing the Government at appropriate international conferences [Tange, 1973, p 36].

2.28 In order to carry out these functions, the CDFS was to be provided with a Military Planning and Operations Staff, headed by a two-star Service officer. In addition it was contemplated that the CDFS would be able to obtain direct support from both civilian and military officers working in Defence Central:

Although it is not contemplated that the military officers located in the Secretary's organisation, apart from those under 'two-hatted' arrangements, would have a line of responsibility to the Chief of Defence Force Staff, the working procedures are intended to make all senior military officers available to the Chief of Defence Force Staff for information and advice in the same way that he may call upon senior civilians [Tange, 1973, p 37].

2.29 Under the new arrangements, the Chief of Staff of each Service would be responsible to the Minister for Defence (through the CDFS) for the operational control and command, fighting efficiency and training of that Service. He would be able to advise the Minister - with right of access to him - on 'matters affecting or pertaining to the Service which he commands'. The Chiefs of Staff Committee would be responsible to the Minister, through the CDFS, for the following functions:

- a. to provide collective professional advice on military operations, including joint military operations and on the military implications of defence policy and activities;
- b. to endorse military plans;
- c. to provide collective advice concerning the control and administration of special forces of a multi-national nature, the responsibility for which is assigned to the Australian Government, subject to such control conforming to the principles and procedure of the established machinery of Government and administration;
- d. to recommend the allocation of resources to designated commanders engaged in joint operations;

e. to endorse the military aspects of policies concerning joint Service units and installations [Tange, 1973, p 41].

2.30 The Tange Report was submitted to the Government in November 1973. Its recommendations were substantially implemented, some through administrative direction, while others provided the basis for the Defence Force Re-organization Act 1975, which was proclaimed on 28 October 1975 and 9 February 1976. Predictably, the reorganisation raised a storm of protest, especially from retired Service officers. One observer labelled the reforms as 'a mistake of unprecedented proportions' [Millar, 1975]. Others argued that the reorganisation provided for public service domination of many traditional military functions, that they were too hastily introduced and that they made the defence decision-making process too complex and unwieldy. Some decried the lack of military involvement in the formulation of strategic and higher defence policy while others argued that the reforms did not go far enough in reducing the influence of the individual Services, particularly in the procurement of major equipment. [For a survey of the major criticisms of the Tange reorganisation, see Brown, 1983, pp 17-42.]

2.31 While the intensity of the criticisms tended to decline over time, they did influence the Government of the day into conducting a number of follow-up inquiries into organisational aspects of the Department. In 1979, the Minister for Defence commissioned two concurrent reviews of the Defence Science and Technology Organisation (DSTO). One was the 'Internal Review into Objectives and Procedures of the Defence Science and Technology Organisation'. The second was an 'Independent External Review into the Quality of the DSTO Work, and Relationships with Research and Development in Industry and Other Areas'. The principal difference between the findings of the two studies was that the external review recommended that the Defence Science and Technology Organisation be established as an autonomous statutory authority

responsible to the Minister for Defence, whereas the internal review argued that DSTO should remain part of the Department of Defence and under the control of the Secretary of the Department. This, and a number of other recommendations affecting organisational arrangements within the Department of Defence were referred by the Government to a newly established review committee, which was charged with examining the higher defence organisation in Australia.

#### The Moves Towards Greater Self-Reliance: 1976-1987

##### The 1976 Defence White Paper and the 'Core Force'

2.32 Australia's strategic thinking during the 1970s continued to move beyond the earlier concepts of forward defence and reliance on regional alliances towards a more independent and self-reliant posture. The Strategic Basis papers of the time were clearly postulated on the assumption that Australia had to assume primary responsibility for its own defence at least against neighbourhood or regional threats. While affirming the continued importance of the ANZUS Treaty to Australia's security, the guidance papers also warned that we could not rely on American military aid under all circumstances. These two basic themes were reflected in the conclusions of the 1976 Defence White Paper:

A primary requirement emerging from our findings is for increased self reliance. In our contemporary circumstances we no longer base our policy on the expectation that Australia's Navy or Army or Air Force will be sent abroad to fight as part of some other nation's force, supported by it. We do not rule out an Australian contribution to operations elsewhere if the requirement arose and we felt that our presence would be effective, and if our forces could be spared from their national tasks. But we believe that any operations are much more likely to be in our own neighbourhood than in some distant or forward theatre, and that our Armed Services would be conducting joint operations together as the Australian Defence Force.

Our alliance with the US gives substantial grounds for confidence that in the event of a fundamental threat to Australia's security, US military support would be forthcoming. However, even though our security may be ultimately dependent upon US support, we owe it to ourselves to be able to mount a national defence effort that would maximise the risks and costs of any aggression.

Short of this major, and improbable, situation, we could face a range of other situations that we should expect to handle more independently. It is not our policy, nor would it be prudent, to rely upon US combat help in all circumstances. Indeed it is possible to envisage a range of situations in which the threshold of direct US combat involvement could be quite high (Australian Defence, 1976, p 10).

2.33 At the force structure level, the need for greater self-reliance gave rise to the 'core force' concept which sought to provide the Australian Defence Force with at least a latent capability to deal with the kind of situations it could be expected to face in the future. As the 1975 Strategic Basis paper proposed

... the core force should be a force able to undertake peacetime tasks, a force sufficiently versatile to deter or cope with a range of low-level contingencies which have sufficient credibility, and a force with relevant skills and equipment capable of timely expansion to deter or meet a developing situation. Capabilities related to the least conceivable contingency of major assault against Australia should command a low priority in the development of force structure, provided the capability for expansion is not prejudiced (quoted in Department of Defence, Submission, p S313).

A number of studies were initiated into likely 'contingencies' and the implication of Australia's physical environment on our defence needs. Principal emphasis was given to short-term contingencies since it was considered that the country's remoteness, together with the difficulties of projecting and

sustaining a significant level of force across the large sea-air gap surrounding Australia, provided considerable security from major threats.

2.34 These basic themes continue to underly Australia's strategic policy. The Department of Defence informed this Committee that the most recent strategic basis paper was endorsed by the Government in 1983. Drawing on an independent assessment of Australia's security outlook, which had been prepared by the intelligence community, the 1983 Strategic Basis Paper argued that our defence policy should have three fundamental objectives. The first objective was the development of military capabilities appropriate to the independent defence of Australia, the second the promotion of regional stability and security, and the last the continued support for the maintenance of the global balance and avoidance of superpower conflict through our alliance with the United States.

2.35 The 1983 Strategic Basis continued to endorse the 'core force' strategy as the basis for force structure planning. It also emphasised that the force-in-being should not be regarded as static but rather as responsive to any strategic change with the potential for weakening Australia's security. According to the Department

... the 1983 Strategic basis accorded priority in terms of equipment acquisition, training and infrastructure development to the requirements of contingencies considered credible in the shorter term 'including deterrence of such escalation as an enemy might be capable of'. The paper also proposed that 'more advantage should be taken of present favourable circumstances to develop and consolidate the supporting infrastructure, systems and services on which any operations in a defence emergency and defence expansion would critically depend' (Department of Defence, Submission, p S317).

#### The 1982 Defence Review

2.36 On 7 May 1981, the Prime Minister and the Minister for Defence jointly announced the establishment of a committee to review the higher defence organisation in Australia. The review had been foreshadowed by the Prime Minister in a speech to Parliament on 30 April 1981 in which he said:

... I wish to announce that there will be a major review of the organisation of the Department of Defence, in the light of the five years of experience since the Defence re-organization in 1976. Generally we believe the amalgamation of the individual service departments into a unified Defence Department has served Australia well, but we think it is now opportune to stand back and consider what further improvements might be made. The review will assess the suitability of the Defence organisation to propose and implement policy for the achievement of Government defence objectives [quoted in Defence Review Committee, (the Utz Report), 1982, p 1].

2.37 The Defence Review Committee was chaired by Mr John Utz, AO, Executive Chairman of Wormald International Ltd; its members were General Sir Arthur MacDonald, KBE, CB; Sir Eric Neal and Sir Frederick Wheeler, AC, CBE. The Committee's terms of reference were:

1. To review the organisation of the higher Defence machinery in the light of experience since the Defence re-organization of 9 February 1976, with particular reference to:
  - (i) the suitability of the organisation to propose and implement policy for the achievement of governmental defence objectives, including development of:
    - capability for independent defence of our national security interests;
    - national defence preparedness;
    - defence cooperation with allies and regional friends;
    - increased self-reliance in the national infrastructure supporting defence;

- (ii) the scope for further rationalisation and economy in managerial arrangements for defence-related activities of the Government now conducted outside the Defence Organisation;
- (iii) the suitability of the organisation for a defence emergency or war;
- (iv) the distribution of responsibilities within the higher Defence machinery as laid down in Defence and other relevant statutes and in the Directives issued by the Minister for Defence;
- (v) the organisation and functions of the senior Defence Committees.

2. To report conclusions and to make recommendations to the Prime Minister and the Minister for Defence in respect of the foregoing in 1982 [Utz, 1982, pp 2-3].

2.38 The Utz Committee presented an interim report in May 1982, recommending the establishment of a separate Minister and Department of Defence Support. The Minister of the new department would act as the Minister assisting the Minister for Defence and would be responsible for defence production, naval dockyard support, defence research and development, defence purchasing, and defence industry development. The Minister for Defence Support would have no independent policy-making role in defence matters and would administer the activities of his department within the overall policy framework established by the Minister for Defence.

2.39 This initial proposal sought to group together those activities relating to defence support which were spread between the Departments of Defence, Industry and Commerce and Administrative Services. The principal rationale for the proposed change was that it would ease the administrative load on the Minister for Defence and improve the level and quality of technological support afforded to the Department and the Defence Force. In support of this view, the Defence Review Committee

stated that there was clear evidence that 'the Defence Force does not have available to it the level of industrial and technological support that it should have' [Utz, 1982, pp 151-52]. It considered that this was due largely to the size of the Department and its functional responsibilities:

Coupled with the responsibility for administering these very considerable human and financial resources, the Defence Organisation has the vital responsibility of providing advice to the Government on the security of the nation. The very diversity and complexity of defence activities, and the dynamic nature of defence, make this a demanding task. An additional complicating factor is the range and speed of technological development bearing on a wide variety of defence activities. All the available indications are that the complexity factor is increasing and will continue to do so [Utz, 1982, p 252].

In the Utz Committee's view, the breadth and complexity of the tasks involved, and the fact that the management of defence support activities 'calls for different skills than those required for the central policy areas of the Department of Defence', places a considerable burden on a single Minister for Defence. Moreover, the Committee concluded that this burden is likely to increase in times of war or a defence emergency [Utz, 1982, p 254].

2.40 The recommendation to establish a separate Department of Defence Support was opposed by the Defence Department which argued, in part, that the Defence Organisation remained modest by international measures of comparison. It was further claimed that size is not a fair index of the burden on top management and that the existing difficulties could be overcome by modifying the higher management structure rather than splitting the Department. Despite these arguments, the Government accepted the Utz Committee's recommendations and the Department of Defence Support was established on 7 May 1982.

2.41 The Department was, however, to have only a very short lifetime. On 13 December 1984, Defence Support was abolished and most of its functions transferred back to the Department of Defence. In announcing the Government's decision, the Prime Minister commented that:

The experience of the Government's first term suggests that the needs of Defence policy making, and of the Defence industries, will be better served if all related responsibilities are brought together within the one portfolio. It has, therefore, been decided to transfer most of the functions of Defence Support into Defence, under the supervision of a very senior officer working to the Minister and the Secretary of Defence. The close working relationship developed by the Minister for Defence Support with the defence industry will be continued under the new arrangements. Responsibility for offsets policy, and administration of non-Defence offsets will be transferred to the Department of Industry, Technology and Commerce (the precise split will be guided by the report of the current inquiry into offsets). All other responsibilities of Defence Support will move to Defence [quoted in Department of Defence, Submission, p S324].

2.42 On 16 December 1984, the Minister for Defence announced that the Government factories and dockyards were to be incorporated into a new Office of Defence Production. The Defence Report 1984-85 also stated that:

Management reforms begun by the Department of Defence Support, including reform of costing, pricing and financial management, consultation with employees and active programs in industrial democracy and occupational health and safety, are continuing. A process of rationalisation of functions performed both within the Office of Defence Production and in other parts of Defence to achieve the most efficient management arrangements has begun. While the primary goal of the integration will be to increase the overall efficiency of all relevant defence related activities, another major objective is for the Office of Defence Production to evolve to the extent practicable towards a more commercially orientated, self-supporting organisation, operating

within overall defence policy, financial and priorities guidelines [Defence Report 1984-85, p 93].

2.43 The Defence Review Committee's final report was presented to the Government on 28 October 1982. Its conclusions and recommendations can be conveniently grouped into the following categories:

- a. those concerning the distribution of responsibilities and influence within the higher defence machinery;
- b. those dealing with the suitability of the organisation to propose and implement policy for the achievement of governmental defence objectives;
- c. those covering the suitability of the higher defence organisation to meet demands imposed under a defence emergency or war; and
- d. those dealing with the establishment and functions of the Department of Defence Support.

#### **The Distribution of Responsibilities and Influence Within the Higher Defence Machinery**

2.44 The Utz Report generally confirmed the existing distribution of formal responsibilities within the defence organisation, arguing that it reflects the tradition of civil-military relations in parliamentary democracies. It further concluded that the 'concepts which formed the basis of the 1973-76 reorganisation have gained general acceptance and senior members of the Department of Defence and the Defence

Force agree that substantial improvements in the development and conduct of defence policy have been achieved as compared to what was available in the previous multi-departmental structure' [Utz, 1982, p xi].

2.45 The Committee recommended against any alteration in the statutory powers of the primary actors in Defence, although it suggested that the existing distribution of formal responsibilities be clarified by issuing new ministerial directives. It also called for some enhancement of the staff resources of the CDFS and proposed that an examination of the requirement for joint staff be conducted at the earliest opportunity. Underlying this latter proposal was the view that Defence suffered from the absence of an overall military perspective of longer-term force development requirements. The Committee considered that it was appropriate for this guidance to be developed by the CDFS.

2.46 The Review argued that the smooth running of the Department also depended on a network of largely informal understandings and work practices which it described collectively as the 'joint process'. This basically involved a mutual obligation and interest on the part of civilians and Servicemen at all levels in the Department to consult and collaborate with each other in the formulation of defence policy. In the Committee's view, the 'joint process' was breaking down, particularly at higher levels. It claimed, for example, that

...too much time and effort is being expended on jurisdictional questions which would add little to the efficient conduct of defence policy even if they were resolved. A number of submissions received from the Department and the Defence Force betray a preoccupation with sometimes fine points of doctrine and logic quite inimical to the efficient execution of the responsibilities entrusted to them. These apparently interminable debates should be set to one side in favour of the concerted development of constructive working

habits, especially between civilians and Servicemen [Utz, 1982, p 43].

2.47 This situation was said to have arisen partly as a result of the sheer size of the organisation and the interests located within it, and partly because many civilians and Servicemen did not appreciate the importance of the 'joint process' and the role that each group plays in it:

Our investigations suggest that there are civilian members in the Defence Organisation who take an unnecessarily narrow view of the contribution which needs to be forthcoming from the arms of the Defence Force if they are not to be the mere executors of defence policy, which we believe would be most undesirable. Moreover, some civilian members show signs of adopting an unnecessarily limited attitude to Service traditions and modes of operations. While these traditions and modes can become barriers to efficiency and reform, they also play a vital part in maintaining the organisational strength of the Services and as such need to be preserved. As has been aptly observed, leadership of a military force in its 'highest form is a combination of will and idea, and not merely a matter of calculations'.

On the other hand, we have noted a certain impatience amongst members of the Defence Force with important elements of the Australian method of government, not least the pervasive requirements for rigorous decision-making as a basis for full accountability for policy and for the management of resources. The capacity to examine proposals which involve a substantial commitment of our national resources is integral to this process of internal scrutiny. The Defence Force should appreciate fully the trust which is placed on the whole defence structure in this respect. The practices of the Central Staff divisions are a crucial element in public assurance that such standards are met and this factor, and the underlying reasons, should be widely understood [Utz, 1982, pp 44-45].

2.48 The Review recommended that greater efforts be made to explain to departmental officers how defence policy is made and administered, with particular emphasis on the potential benefits

of mutual cooperation and consultations. Underlying this approach was the 'need to foster in a positive sense a corporate philosophy shared by all those in positions of authority and responsibility'. It further recommended that the CDFS should have ready access to the Central Staff divisions and that the Department should actively seek to involve the CDFS and the Service Chiefs and their respective staffs in the development of defence policy. It considered that the Secretary and the CDFS should also 'review periodically the workings of the "responsiveness" procedure as it affects the proper working of the joint process'.

#### Suitability of the Organisation to Propose and Implement Policy for the Achievement of Governmental Defence Objectives

2.49 The Review examined each of the major policy areas of the Department in order to determine its general suitability to propose and implement the policy matters for which it had been established. While suggesting a number of minor organisational and procedural changes, the Committee generally endorsed the existing structure of the higher defence establishment and the division of responsibilities between the principal participants.

2.50 The Defence Review Committee supported the view that defence committees should play an advisory rather than an executive role in the decision-making process. It noted that this role was not well understood within the Defence Force in particular and 'may well be a root cause of much of the antagonism to the existing Committee process'. The Defence Review Committee saw little scope for either significantly reducing the number of higher defence committees or changing or rationalising their existing functions. It recognised that the committee structure added to the complexity and slowness of defence decision-making but argued that this was an acceptable consequence of utilising the committee approach. The Utz

Committee found no difficulty with the current balance of membership between the civilians and military, although it did comment on the growth in the numbers of 'invited members' and the impact this has on the civilian/military representation. It considered, for example, that the attendance of three deputy secretaries, the Chief Defence Scientist and the Chief of Supply and Support at a DFDC meeting 'obviously changes the balance', and that rules governing the attendance of such members needed to be developed. Finally, it did not support the view that military input was either ignored or distorted, arguing that

... there is perhaps too much sensitivity shown by Service officers in relation to the questioning of Service proposals on force structure matters. As against this, departmental officers seem on occasions to have shown a distinct lack of sensitivity in their dealings with Service officers on such matters. The result is either real or imagined provocations which lead to working habits and relationships between Service and civilian officers which are not in the defence interest [Utz, 1982, p 151].

#### Suitability of the Organisation for a Defence Emergency or War

2.51 The Defence Review Committee argued that given the difficulties in predicting the character and timing of any future defence emergency, 'it is not practicable to judge the present departmental organisation's suitability for a defence emergency or war in terms of a specific threat'. Rather, it accepted the view put forward by the Department of Defence that the key issue should be the ability of the department to adapt itself to meet any developing circumstances. It further suggested that the changes that it had recommended to improve the present decision-making process 'will also enhance the suitability of the departmental organisation to deal with the emerging requirements of a defence emergency or war'.

2.52 In reviewing the Council of Defence, the Utz Committee noted that 'the circumstances of a defence emergency or war may require the establishment of a top level forum which encompasses Ministerial and departmental interests extending beyond the Defence organisation' [Utz, 1982, p 185]. It highlighted the importance of establishing in advance a broad framework for national administration in an emergency and proposed that responsibility for such planning be given to the Department of the Prime Minister and Cabinet. The Review considered that Department to be

... best placed to direct and coordinate the required wide-ranging national inputs into the planning and consultative process, to resolve any inter-governmental or interdepartmental difficulties which may arise, and to keep the Government regularly informed of progress. We suggest that a prompt review of the contemporary relevance of responsibilities laid down in the Commonwealth War Book should be the starting point for tackling the task and that, flowing from this, planning guidelines suitable to Australia's contemporary circumstances should be developed and promulgated. We stress again that we believe that this is necessary to enhance the nation's defence preparedness and that a continued failure to accord this task priority could constrain Australia's ability to respond quickly to a defence emergency or war [Utz, 1982, p 192].

2.53 The Defence Review Committee noted that there was some disagreement between the Department and the Defence Force over distribution of responsibilities appropriate to circumstances of a defence emergency or war. The Department argued that the present organisation and procedures can be readily adapted to a range of warlike situations, without radical changes to either the Secretary's or the CDFS' existing powers and responsibilities. The Defence Force argued that the CDFS would need to exert far greater control over the defence decision-making process in war and that these changes should be implemented well in advance to enable the military staff to become familiar with, and practised in, its broader

responsibilities. The Report generally supported the former view, although it noted that this support was dependent on the implementation of certain reforms to the existing organisation and practices.

2.54 In summary, the findings of the Defence Review Committee represented a vindication of the existing defence organisation and the reforms that had been introduced by Tange. Apart from the proposal to establish a separate Department of Defence Support, the changes proposed by Utz were largely incremental ones which sought to clarify existing roles and responsibilities, enhance the functional efficiency of the organisational groupings within the Department, and improve current working practices and relationships between civilians and the military. Referring to the criticisms it had received on a number of aspects of the organisation, the Committee concluded that rather than stemming from any structural deficiencies, any weaknesses that did exist

... [stem] from either poor management practices and working habits, or misunderstandings by members of the Department and the Defence Force about their respective roles in the formulation of defence policy. We have accordingly sought remedies in the clearer definition of lines of responsibility and communication between the Central Staff of the Department and the higher levels of the Defence Force and its three Services. We have also made recommendations designed to reduce frictions which currently exist in some areas at working levels between the Department and the Defence Force [Utz, 1982, p xi].

The Defence Review Committee gave principal emphasis to improving informal procedures and understandings within the Department. It argued that the measures that it had proposed, together with those already implemented by the Government 'will do much to ensure that the higher Defence machinery contributes with maximum benefit to the efficient and effective conduct of Australia's

defence and in a manner consistent with the highest standards of accountability to the Government and the Parliament'. It warned, however, that 'the scope for improving working habits and relationships within that machinery, and therefore its efficiency, is considerable and will continue to call for the highest qualities of leadership from the Secretary, Department of Defence, the Chief of Defence Force Staff, and their close subordinates' [Utz, 1982, p xii].

2.55 Guided by the findings and recommendations of the Utz Report, the Government made a number of refinements to the higher defence establishment. In June 1984, a Capital Procurement Organisation which contained those functional areas responsible for procurement, financial programming and budgeting of approved major capital equipment, procurement policy and procedures, and defence industry policy and participation by Australian industry in the supply of equipment, was formed. According to the Defence Report 1985-86, the Organisation 'was established to bring about better management and cost control of the capital equipment program by simplifying the procurement system, giving more authority to the Chiefs of Materiel and their project managers and establishing clearer lines of responsibility'. The Supply and Support Organisation was retitled the Defence Logistics Organisation, and in December 1984 a new Technical Services and Logistic Development Division was raised.

2.56 In the same year, a Headquarters for the Australian Defence Force (HQADF) was established from the then existing joint military staff, and the title of the Chief of Defence Force Staff was changed to the Chief of the Defence Force (CDF). In advising the Minister for Defence of his intention to form the HQADF, the then CDFS stated that:

I consider that the command responsibilities which are emphasised by the new title of CDF should also be reflected by the supporting staff organisation. The changes are simple and essentially of a presentational nature to emphasise both the

command and administrative function of the CDF in relation to the ADF, and the ADF relationships with the Department for military input to strategic and force development policy, Defence facilities, personnel and administration of the Defence Force ... The Office of Chief of Defence Force Staff will be subsumed within the Headquarters Australian Defence Force which will have two major functions: Policy and Operations. The Assistant Chief of the Defence Force Staff (ACDFS) title is to change to Assistant Chief of Defence Force (Policy) (ACPOL) and Chief of Joint Operations and Plans (CJOP) to Assistant Chief of Defence Force (Operations) (ACOPS) [quoted in Department of Defence, Submission, p S281].

New ministerial directives reflecting the division of responsibilities between senior Defence officials were also released.

2.57 The following year saw the establishment of a permanent Maritime Headquarters, which was followed in February 1986 by the formation of a Land Force Headquarters and an Air Headquarters. These changes had not been suggested by the Utz Committee, but were generally consistent with its findings. The commanders of the three new joint force headquarters were made directly responsible to the CDF. The headquarters themselves were staffed by officers from the three single Services and were to 'be allocated units and resources as necessary for joint exercises and training'. The new headquarters were initially formed as cadres within the existing single Service headquarters - Fleet Command, Field Force Command and Operational Command - but this arrangement was effectively reversed in 1987 when the single Service commands were abolished and their functions taken over by the Joint Force Headquarters. Two further important changes which were made in the same period were the removal of the Service Chiefs of Staff from the operational chain of command, and the establishment of a Vice Chief of the Defence Force to understudy the CDF and coordinate the force development planning activities of the three Services (see Chapter 8).

#### The Review of Australia's Defence Capabilities

2.58 In its 1984 report on The Australian Defence Force: its structure and capabilities, this Committee identified the need for a regular, consolidated paper on 'Australia's national interests and objectives, our defence concept, our developing strategic environment, military strategy and Defence Force capabilities'. Following that recommendation, in February 1985 the Government commissioned a Review of Australia's Defence Capabilities (the Dibb Report). The terms of reference of the Review included the requirement

... to undertake a review of the content, priorities and rationale of defence forward planning in the light of the strategic and financial planning guidance endorsed by the Government;

... to advise on whether strategic guidance by Government can be made more explicit for the purposes of future defence forward planning; and

... the appropriateness of existing military command arrangements [Dibb, 1986, p vi].

While not specifically concerned with the structure of the Defence Department and its higher decision-making processes, the Review nonetheless made a number of observations and conclusions which are relevant to the present inquiry.

2.59 On the question of civil-military relations within the Department, the Review considered that the situation had improved since the time of the Utz Committee but that 'there is still a lack of agreement on our defence concepts and priorities'. The most important area in which this divergence of views was seen to occur was that of force structure planning. According to the Review, the current force development process takes account of strategic guidance, credible contingencies and warning and lead-time considerations

... on an essentially ad hoc basis, usually in the context of major equipment proposals. No comprehensive review of defence capabilities has been conducted since the 1981 Defence Force Capabilities paper, which was endorsed by the Defence Force Development Committee (DFDC) only 'as a background document for planning staff'. The 1981 paper was not considered by the Government. Its concluding judgements are highly qualified and provide only limited guidance on the preferred priorities for particular capabilities.

The absence of agreed concepts and guidance in the force planning area leads to difficulties in government consideration of defence issues. Ministers are first asked to endorse the broad principles contained in strategic guidance. They are subsequently asked to approve specific equipment proposals without the opportunity to consider how these proposals relate to an overall defence concept and plan for the development of our force structure. This is an unsatisfactory state of affairs [Dibb, 1986, p 26].

2.60 The Review argued that Australia's force structure planning process has been further constrained by the lack of any comprehensive military strategy or operational concepts for the defence of Australia. In the absence of such basic guidance, the three Services have developed their own planning concepts and policies, which 'are not coordinated with one another, nor do they necessarily follow closely current strategic guidance'. The Review noted that in order to overcome this deficiency, the CDF was developing a series of basic planning documents: The Military Strategy 1985, the ADF Concept of Operations and the Military Basis for Force Development. While these documents were said to suffer from a number of deficiencies, they nonetheless

... represent an important step forward in the development of military planning for the defence of Australia and the ADF ought to give priority to the further development of this work. Two points are important. The first is that the concepts developed must continue to emphasise the development of ADF requirements and not be distorted by single-Service perceptions of need. The second is that the development of ADF thinking in these areas is not an end in itself. Military

planning and other defence planning needs to be integrated at all levels so that Government can be provided with comprehensive advice and policy options [Dibb, 1986, p 28].

2.61 More fundamentally, the Review pointed to a tendency for military and civilian advice on defence matters to be developed separately within the Department. This tendency was evidenced by the existence of separate planning and policy staffs within each of the major areas of Defence - Defence Central, HQADF and the single Services - and the alleged predominance of single Service views in the development of military policy. The existence of 'competing centres of authority' was thought to be contrary to the integrationist philosophy that had been pursued by both Tange and Utz. It was also said to foster an adversarial attitude to defence policy-making among the participants and so tended to delay decisions:

At present, too much energy is directed towards jurisdictional battles involving civilian and military central staffs and single-Service staffs. These conflicts are neither creative nor productive. Key planning documents take excessive time to produce, and some important studies are simply abandoned in the face of institutional intransigence. Too many planning documents represent the lowest common denominator and contain ambiguities and inconsistencies to accommodate entrenched institutional interests. Added to this is an obsession with the meaning of particular words and concepts, which in themselves become a major impediment to agreed Defence views [Dibb, 1986, p 29].

2.62 Like the Utz Report, the Dibb Report considered that the basic organisational structure of the Department of Defence was sound but that there was scope for developing a more streamlined and cooperative approach to defence planning. It gave support to the notion of strengthening the joint process, arguing that 'while the Service offices should retain an advisory role, the centralisation of military planning and policy under the Chief of the Defence Force (CDF), working in close association

with civilian staff under the Secretary, is the only way in which an integrated ADF policy can be developed effectively' [Dibb, 1986, pp 2-3]. To facilitate this process, the Review recommended that the policy staff of ADF Headquarters be increased and that the operational requirements and force structure planning staffs of the single Services be abolished. It further recommended that some form of joint machinery be established to review regularly the capability requirements and force structure priorities for the ADF, and issue appropriate guidance in the form of a single planning document which would take the place of the Defence Capabilities paper.

2.63 On the question of command and control, the Review recognised that there is an increasing overlap between some of the functions of the three Services and that, in most conceivable future circumstances, Australia's military forces would be required to operate on a joint rather than a single Service basis. It therefore supported the continued development of Joint Service doctrine, the inculcation of a joint outlook and the establishment of an embryonic functional command arrangement based on the maritime, land and air environments. The Review considered that the changes to Australia's command arrangements then in prospect - the establishment of a permanent Maritime Headquarters to be collocated with Fleet Headquarters - was a sensible move which could be extended to the other two Services. It further argued that:

There is scope for further development of the Maritime Command and its employment in a greater range of activities. Contingencies in which the maritime environment would play an important, even dominant, part could arise at short notice. Their objective should be to move towards a situation where Maritime Command is responsible for day-to-day defence operations in the maritime environment other than training, trials and work-up activities specific to individual Services. This should include coordination of Defence participation in the civil coastal-surveillance system.

In this process there should be a corresponding reduction in the role of the Fleet Headquarters, but Navy would need to maintain a form of single Service command arrangement [Dibb, 1986, p 41].

2.64 The Review concluded that in the longer term, the ADF may need to consider moving to a more comprehensive functional command arrangement, noting that such a move would necessitate a corresponding assessment of logistic support arrangements. It saw no urgent need to finalise an ADF command structure, however, preferring instead an evolutionary approach which would provide an 'opportunity for experimentation' and so 'allow development of a structure better suited to possible operational needs of the Defence Force'. A specific initiative favoured by the Review was the establishment of a joint force headquarters in the north of Australia which would command the existing and planned assets deployed in the area. According to the Review, the establishment of Northern Command Headquarters (or 'NORCOM')

... might be on an experimental basis at first, and developed further as experience indicated. Its establishment would recognise the importance of credible northern contingencies, and could allow a smoother and more effective transition from peace to hostilities.

As a first step, the Review recommends a thorough examination of this proposal. Such a study would establish the peacetime and potential wartime roles for the headquarters. It would take account of the relationship between a joint force headquarters in the north and the three functional commands now being established. The study would also consider the need for permanently assigned assets, and the relationship, in peacetime, between the three Service commanders currently in Darwin and their respective Chiefs of Staff [Dibb, 1986, p 93].

2.65 On the question of the suitability of our present decision-making structures in times of emergency or war, the Review noted that the recommendations of the Utz Committee have not been pursued other than some preliminary work on revising the

War Book. This was a document which was initially produced before World War 2 and described the coordination of departmental actions on the occurrence of strained relations or the outbreak of war. The War Book has since lapsed as an official policy document and the Department is currently reviewing alternative arrangements [Department of Defence, Submission, p S365]. The Review did not consider high-level coordination and planning for wartime administration to be an urgent requirement:

No specific threat is imminent or obvious that would justify undertaking detailed planning in this area. The kinds of credible contingencies which could arise in short time-scales would not require major adjustment to our machinery of government. Rather, what we need now are some broad guidelines, principally so that relevant authorities are aware of potential defence requirements, and to provide a basis for military planning and exercising.

Some key assumptions that might underpin these guidelines are as follows:

- Military forces would be used within Australia only in a clear situation of external military threat;
- Responsibility for government and civil administration would remain with Federal and State authorities in accordance with constitutional arrangements;
- Every effort would be made to maintain normal administrative procedures and systems, while recognising the need for some streamlined procedures to ensure defence needs were met; and
- Internal security and law and order would remain a civil responsibility [Dibb, 1986, p 94].

It noted that a study is currently in progress within the Defence Department into civil and military responsibilities applying during low-level contingency situations. The Review recommended that when the results of this and other studies being undertaken within Defence are sufficiently advanced

... it would be appropriate for Defence to initiate consultation with other Federal authorities to ensure that they are aware of their

potential responsibilities in time of conflict, and as part of the process of educating other authorities in the nature of credible contingencies. Beyond that, when guidelines are better developed at the Federal level it would be desirable to draw State authorities into the planning process. It is emphasised that this exercise should be related firmly to the potential requirements of credible contingencies, not concepts of national mobilisation to defeat an invasion force [Dibb, 1986, p 95].

2.66 Two related issues of importance which were identified by the Review were the questions of expansion planning and war reserves and stocks. On the former, the Review observed that:

While we have some understanding from exercises of small-scale expansion under peacetime constraints, our practical understanding of expansion for the defence of Australia is lacking. Continuing study and planning is required, especially of the implications for levels of manning, spares and ammunition, and for the possibility of concurrent operations in our area of direct military interest [Dibb, 1986, p 95].

The Review noted that studies were being carried out into the civil infrastructure and assets as well as the coordination of civil maritime and air resources during hostilities. It considered that alternative expansion concepts and approaches needed to be analysed - covering such areas as equipment replacement policies and the role and structure of the reserves - and a conceptual framework developed for mobilisation in wartime. According to the Review, 'our present expansion planning is piecemeal, and has not been considered or endorsed in any comprehensive way by the higher Defence machinery'.

2.67 On the second issue, the Review stated that ...

... efforts since as long ago as 1973 to develop an agreed stockholding policy have failed, in spite of the concern expressed in Defence Force Capabilities 1981 that this was an urgent need, and even when limited to the fairly

straightforward area of ammunition. No policy recommendations on war reserves have been put to Ministers since 'interim' proposals were considered by the Government in 1963...

A more precise and comprehensive approach to the planning of war reserves is required, based upon concepts of credible lower-level conflict and the unique characteristics of the Australian environment. It is unsatisfactory for a situation to arise where Departmental advice provided to this Review acknowledges that 'evidently due to deficiencies in our data base we are not well able to quantify the Defence Force's sustainability' [Dibb, 1986, pp 96-97].

It considered that an appropriate starting point in developing a national war reserves and stock-holding policy 'might be to determine the adequacy or otherwise of existing stocks to sustain military operations for periods of three months and six months in circumstances of intermittent low-level conflict'. The results of these studies would then be extrapolated to higher-level contingencies, taking into account other factors such as reliance on overseas suppliers and turn-around times for key items. The Review concluded, however, that Australia's strategic situation 'does not justify large-scale stockpiling or a substantial diversion of resources to expensive spares and missiles that are needed only for higher levels of conflict'.

#### The 1987 Defence White Paper

2.68 The 1987 Policy Information Paper The Defence of Australia formalised the previously somewhat inchoate commitment to defence self-reliance. The Paper developed the theme of past strategic assessments that Australia's defence posture must be set firmly within the framework of alliances and regional associations, defining the fundamental elements of the Government's approach to defence as:

- a. maintaining and developing capabilities for the independent defence of Australia and its interests;
- b. promoting strategic stability and security in our region; and
- c. as a member of the Western strategic community working for a reduction in the level of tension between superpowers and limiting the spread of influences in our region inimical to Western interests [White Paper, 1987, p 10].

2.69 Applying a coherent methodology not always apparent in previous determinations, the Paper placed particular emphasis on defence strategy and force structure, both of which must be derived logically from Australia's 'unique strategic circumstances'. The assessment of those circumstances led to a basic defence strategy of 'defence in depth', which gives priority to meeting credible levels of threat in Australia's area of direct military interest. Thus self-reliance is defined in 'wide' terms which reject such narrow concepts as continental defence, identifying instead an extensive zone of Australian interest. The detail on force structure which followed reflected that outlook.

2.70 There was no detailed discussion of the management of the Defence higher organisation, but the Paper did note the 'improvements' which have been made to the ADF's command arrangements through the strengthening of Headquarters ADF and the development of the three joint commands, Maritime, Land Force and Air Commands.

#### Overview: Major Trends and Issues

2.71 This Chapter has sought to provide the reader with a basic understanding of how the Australian defence organisation and its higher management structure and procedures have changed since the end of the Second World War. It has also outlined the major recommendations and findings of earlier inquiries into the Defence Department, in particular the 1973 Report on the Reorganisation of the Defence Group of Departments (the Tange Report), the 1982 report of the Defence Review Committee entitled The Higher Defence Organisation in Australia (the Utz Report), and the 1986 Review of Australia's Defence Capabilities (the Dibb Review). This concluding section summarises the major trends and issues which have characterised the evolution of the current defence organisation and which formed the principal considerations of the earlier reports. Most of the issues remain topical and are discussed in some detail in subsequent Chapters.

2.72 The evolution of Australia's defence organisation over the period 1945 to 1987 has been characterised by two clearly identifiable trends. The first and most significant trend has been the concentration of all those functions relating to defence under the authority of the Minister for Defence and his principal advisers, in particular the Secretary to the Department. Prior to 1972, the planning and implementation of defence functions was the prerogative of a number of Ministers and Departments whose activities were coordinated by the Minister for Defence. With the abolition of the separate Service Departments in December 1972, and the integration of most of their functions into the Department of Defence, the Minister assumed direct control of defence as a whole. The Minister's authority was further increased in 1984 when he assumed direct responsibility for a number of functions which had previously resided within the Departments of Supply, Administrative Services and Industry and Commerce. As the defence establishment has grown in both size and complexity a concurrent concern of

politicians and administrators alike has been to improve the efficiency and effectiveness of the new organisation. This has resulted in the introduction of special administrative concepts and tools to aid management - such as the planning, programming and budgeting system and the Five Year Defence Program - and the increasing functional specialisation of the defence establishment itself.

2.73 The second major trend has been the rise of a unified military voice in defence decision-making, principally through the establishment of the position of Chief of the Defence Force and his supporting Joint Staff. Prior to the establishment of the CDF, the Minister for Defence relied on the Chiefs of Staff Committee to provide a combined Service view of defence issues. The COSC had no formal authority over the implementation of defence policy and was made up of the Service Chiefs of Staff who commanded their respective Services. Since the 1973 defence reorganisation, command of the Australian Defence Force has been vested in a single military commander, the supporting staff for the CDF has been expanded, a joint operational command structure has been put in place, and the Service Chiefs of Staff have been removed from the operational chain of command.

2.74 The principal rationale for these changes has been to create a more cost-effective and responsive organisation; and one more in keeping with Australia's developing strategic and operational circumstances. Underlying the changes taking place in Australia's formal defence arrangements was the need to move towards a more independent and self-reliant defence posture. As described in both the 1976 and 1987 Defence White Papers, Australia can no longer afford to rely on the direct military support of its traditional allies particularly against local or regional threats. It has to develop its own strategic, operational and logistics concepts for the defence of its territories and interests. Additionally, in most conceivable future military conflicts, the Australian Defence Force will be

required to operate as a joint force rather than as individual Services. Under those conditions, the development and execution of defence policies needs to be carefully coordinated and controlled by a single central authority. Significantly, there appears to be wide support within the general defence community itself for the changes which have been made to Australia's defence structure and the overall direction in which these changes are taking us. Few would argue for a reversion to the pre-1973 arrangement, with its multiplicity of departments, all competing for influence and thereby constraining centralised policy-making. The broad support for the present centralised concept is reflected in the findings of both the Utz Report and the Dibb Review. Our confidence is further assured by the fact that similar moves have been made by most of Australia's allies.

2.75 In spite of this broad consensus, a number of problems and basic issues associated with the defence establishment remain, and are tending to hinder progress towards developing a more effective and unified system of decision-making. These continuing problems were identified by all of the earlier reviews and have again been highlighted in the submissions to this inquiry. They include perceived deficiencies in the development and oversight of defence policy, an overly complex and time-consuming decision-making process, problems in the distribution of responsibilities between major participants within the defence establishment, and the perennial conflict between military and civilian defence officials. These problems reflect the growing size and complexity of the defence establishment, on the one hand, and the need to integrate civilian and military advice on the other. The imperative for those charged with managing Australia's defence remains that of developing a structure which can accommodate the different perspectives of the various interests while simultaneously providing for efficient and effective decision-making.

### CHAPTER THREE

#### THE DEFENCE ORGANISATION TODAY: STRUCTURE AND DECISION-MAKING PROCESSES

3.1 The previous Chapter examined the way in which the defence establishment in Australia has evolved into its present form and the important themes and issues which have characterised this evolutionary development. The report now turns to the current organisation and reviews its major problems and deficiencies. In order to do this, it is necessary to examine the defence establishment's current organisation and how it conducts its business. This is no simple matter, even for those who have served within the defence establishment for most of their careers.

3.2 Three basic and related aspects are central to an understanding of the defence establishment in Australia. First, we must know who makes up the establishment: what are their roles and functions, how do they fit into the overall scheme of things, and so on. This is best achieved by examining the existing organisational structure of the defence establishment, and identifying the principal participants or power-holders within it. Second, we need to be aware of the defence committee system since it is the arena in which a large proportion of defence business is conducted, in which the different interests present their points of view, and in which the recommendations for policy decisions are reached. Finally, we need to know something about the defence decision-making process. Although it may sometimes appear otherwise, decisions on a range of key defence policy issues are not made in an arbitrary or isolated manner. Rather, they occur as part of an ordered and quite specific program which brings together certain interests at certain times within certain committees to make policy decisions or recommendations. The basic processes for formulating and endorsing policies are the key variables in the defence equation. They provide both the impetus

and broad direction for getting things done, as well as the means of managing the day-to-day activities of the defence establishment itself.

#### The Current Organisation and its Principal Actors

3.3 The current defence organisation is shown in Figure 3.1. It is headed by the Minister for Defence who is responsible to the Parliament for the development and implementation of defence policy. Following the general election in July 1987, the Prime Minister announced revised machinery of government arrangements which abolished the two 'Minister Assisting' appointments within the Defence portfolio. He subsequently announced the appointment of a (junior) Minister responsible for Defence Science and Personnel. In accordance with constitutional requirements the Minister for Defence Science and Personnel will 'formally administer the Department of Defence as a whole and thus [will be] available to assist the Minister for Defence in such other matters across the portfolio as he may determine' [Department of Defence, *Submission*, p S458]. The Minister for Defence is a member of the Cabinet, and within the present administration serves on the Cabinet Committees dealing with Security and Structural Adjustment; while the junior Minister is a member of the General Administrative Committee. The Minister also chairs the Council of Defence which was established to consider, at his discretion, matters relating to the control and administration of the Australian Defence Force.

3.4 Below the level of the Minister, the defence organisation is divided into two broad components: the Department of Defence, whose work is directed by the Secretary to the Department, and the Australian Defence Force (ADF), which is commanded by the Chief of the Defence Force (CDF). It also contains a number of so-called 'outrider organisations' which have responsibilities to both the Secretary and the CDF. The Secretary and the CDF are the Minister's principal advisers.

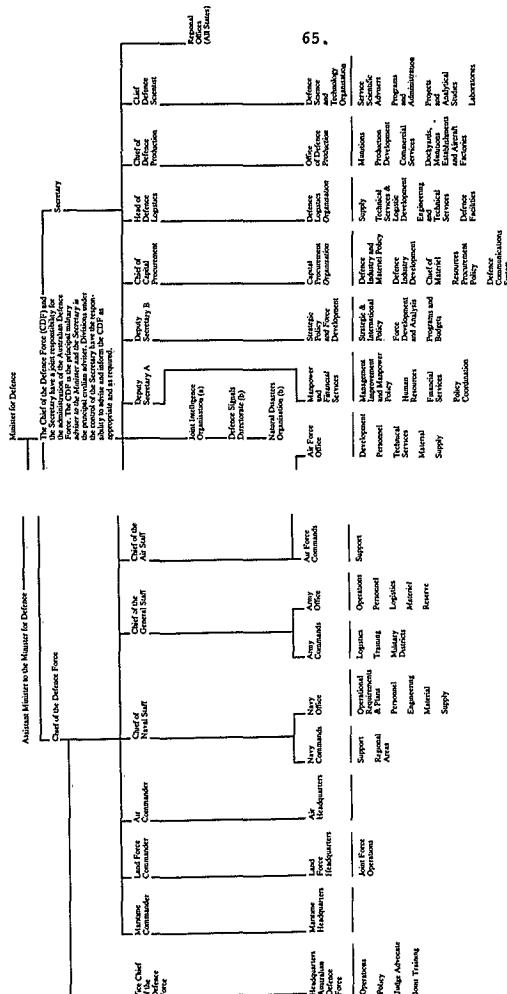


Figure 3.1 Defence higher organisation

Notes:  
 (a) Responsible to both the Secretary and the Chief of the Defence Force.  
 (b) Responsible to the Secretary.  
 Source: *Defence Report 1985-86 (modified)*, Canberra, 1986

Their powers and responsibilities are prescribed by the Defence Act and the Public Service Act and are further elaborated in ministerial directives issued by the Minister for Defence.

#### The Australian Defence Force

3.5 The Australian Defence Force consists of a Headquarters Australian Defence Force (HQADF), three joint Service operational command headquarters - Maritime Headquarters, Land Force Headquarters and Air Headquarters - and the three Services, Navy, Army and Air Force. The Headquarters Australian Defence Force was established in September 1984 from the existing Joint Staff. It is headed by the newly established Vice Chief of the Defence Force who holds the same rank as the Service Chiefs of Staff and is responsible to the CDF for the oversight of centralised military planning and policy. The organisation and functions of HQADF are detailed in Chapter 8. The basic roles of the headquarters are to:

- a. assist the CDF to discharge his command functions as they relate to military operations and plans, training, logistics, intelligence, and communications; and
- b. assist the CDF to advise on the military implications of strategic guidance, force development, defence facilities, science and technology, planning, programming and budgeting, and supply and support [Department of Defence, Submission, pp S280-83].

3.6 The Defence Report 1983-84 shows that 194 Service and 25 civilian personnel were then employed in the Joint Service Staff category (this included headquarters staff and Joint Service units such as the Joint Services Staff College and the

Australian Joint Warfare Establishment). The Defence Report 1986-87 shows that 648 Service personnel and 208 civilians are now employed within either HQADF (124 Service personnel and 208 civilians) or Joint Service Units.

3.7 The evolution and present composition of the three Joint Force Headquarters are also described in detail in Chapter 8. The Maritime Headquarters, located in Sydney, became operational on 1 July 1985, and is responsible for the command and control of designated joint maritime operations and specified activities within allotted Maritime Areas of Operations (MAOs). The Maritime Commander also commands, on behalf of the Chief of the Naval Staff, all Navy operations and training elements not otherwise assigned. Maritime Headquarters has assumed the functions of Navy's Fleet Command Headquarters which has been abolished. Land Force Headquarters, located in Sydney, was established in February 1986 and has replaced Army's Headquarters Field Force Command. The Commander of the Headquarters is responsible to the CDF for the conduct of joint land operations and other specified activities, and to the CGS for single Service operations and activities and administration of the operational elements of the Army. The Air Headquarters, located at Glenbrook NSW, was also established in February 1986. The Air Commander (who was also appointed the National Air Defence Commander) is responsible to the CDF for the conduct of designated joint air operations and other specified activities and to the Chief of the Air Staff (CAS) for the command of air operations and for the training and administration of operational elements of the Air Force. Air Headquarters has assumed the functions of the Air Force's Operational Command Headquarters which was abolished in 1987.

3.8 The three Services are headed by their respective Chiefs of Staff and comprise a central office located in Canberra and a number of administrative and support commands spread throughout Australia. The Chief of Staff is a three-star officer.

He is the professional head of his Service and commands and administers that Service under the authority of the CDF and the Minister for Defence. At present, his command includes the authority and responsibility for effectively using available resources and for training, organising, directing, co-ordinating and controlling military forces for the accomplishment of assigned duties in accordance with stated policies, directions and programs. It also includes responsibility for the welfare, morale, discipline and health of personnel under his command. The Service Chief is supported by his Central Office Staff who are responsible for all aspects of the Service's policy and for the long-term planning and support aspects of the Service.

#### The Department of Defence

3.9 The Department of Defence comprises a Central Office (often described as Defence Central) located in Canberra, and various regional offices within the States. Defence Central is made up of seven major groupings: Manpower and Financial Services, Strategic Policy and Force Development, Policy Co-ordination, Capital Procurement, Defence Logistics, Defence Production, and Defence Science and Technology. The principal role and functions of the different groupings contained in the Central Offices are as follows:

a. **Manpower, Management Improvement and Financial Services.** This element operates under the control of the Deputy Secretary A, who provides advice to the Secretary and the CDF on workforce and financial services. A key component of this group is the Defence Audit Branch, which is the Department's focal point for management improvement activity including the conduct of efficiency scrutiny reviews.

b. **Policy Coordination.** Since the abolition of the position of Deputy Secretary C [Department of Defence, Circular Memorandum No. 66/87, 27 July 1987], DEPSEC A has been responsible for the Policy Coordination Division, which provides advice to the Secretary and the CDF on the development of policies not covered by other functional groups. It also carries out ministerial and parliamentary liaison, intelligence coordination, security advice, administrative review, protocol and visits, the development and oversight of policy relating to public information, access to official records, and civilian and military security.

c. **Strategic Policy and Force Development.** This functional group operates under the supervision of the Deputy Secretary B who provides advice to the Secretary and CDF on strategic and international policy, force structure, and programs and budgetary matters. The DEPSEC B exercises supervisory responsibility on behalf of the Secretary for the Strategic and International Policy Division, the Force Development and Analysis Division and the Programs and Budgets Division, with additional responsibility for the departmental functions of the National Disasters Organisation and the Defence Signals Directorate. According to the Defence Report 1986-87, the Group has 264 Service personnel and 200 civilians serving within it [p 118]. These figures include overseas representation and personnel attached to Defence Cooperation Programs.

The Strategic and International Policy (SIP) Division has two broad roles. The first is to develop strategic policy which should serve as the basic guidance for the development of defence concepts and force structures. The second major function of the Division is to contribute to Australia's international relations and to manage our defence representations abroad. SIP contains a Military Staff Branch which provides military advice to the Division and is responsible for Defence aspects of the law of the sea, conventional weapons, disarmament issues and Australia's maritime boundaries. The Force Development and Analysis Division provides policy advice on the Defence Force as a whole and on the capabilities required for satisfying Australia's defence objectives. It initiates analyses of specific capabilities and alternative means of achieving them. It also examines and advises the Services and other resource managers on proposals for new major equipments or force capabilities. These latter functions are carried out in the context of developing the Department's Five Year Defence Program. The Programs and Budgets Division is responsible for developing and operating the Defence programming and budgeting system. It co-ordinates the development and control of the Five Year Defence Program (FYDP) and is responsible for financial and resources policy aspects of defence requirements, activities and proposals. The Division provides financial and resource management services to the Department, the CDF and the Service Chiefs of Staff. It also prepares the annual obligation program,

the annual and additional estimates and the forward estimates for the defence budget.

d. Capital Procurement. The Capital Procurement Organisation was established in June 1984 and encompasses all those departmental functional areas responsible for procurement, financial programming and budgeting of approved major capital equipment, procurement policy and procedures, defence industry policy, and participation by Australian industry in the supply of equipment. The CPO manages the procurement of capital equipment to the point of introduction into service. It supports the Service Offices in the development of capital equipment proposals prior to government approval, it advises on and implements defence industry policy and capital equipment procurement policy, and co-ordinates resources for approved capital equipment programs. The CPO is directed by the Chief of Capital Procurement who is responsible to the Secretary and responsive to the requests of the CDF and the Service Chiefs of Staff. The CPO is made up of the single Service Materiel Divisions, the Defence Communications System Division, the Defence Industry and Materiel Policy Division, and the Defence Industry Development Division. It has 73 Service personnel and 321 civilians [Defence Report 1986-87, p 118].

e. Defence Logistics. The Defence Logistics Organisation is oversighted and coordinated by the Head of Defence Logistics. The organisation provides advice to the Secretary on logistic resources and facilities necessary to sustain

the Defence Force. Logistic activities include the replacement, repair and maintenance of equipment in service; the management of all items of supply including their cataloguing, warehousing, accounting, distribution and disposal; the provision of quality assurance and transport services; computing policy; and the contribution of engineering and supply expertise to the determination and selection of equipment requirements. Facilities matters involve the evaluation of possible locations for defence facilities with regard to military, economic, social and environmental factors; and the management of capital facilities projects and programs. The Head of Defence Logistics exercises supervisory responsibility on behalf of the Secretary for the Divisions of Supply, Facilities, Technical Services and Logistic Development, and Information Systems Policy; and the Logistics Computer Centre and the Defence Contracting Organisation. He also has responsibility for certain functions of the Chiefs of Naval Engineering and Air Force Technical Services, and the Director General of Electrical and Mechanical Engineering (Army), as well as the heads of the Services' quality assurance branches or directorates.

**f. Defence Production.** The Office of Defence Production is made up of a central office in Canberra which manages twelve production establishments. The ODP's primary objective is to provide an industrial base for the production and maintenance of stores and equipment for the ADF where these are not provided by private industry. The functions

carried out by ODP include the repair, overhaul and adaptation of military equipment; the design, production, supply and marketing of Defence materiel; the development for strategic purposes of designated product and production capacities and capabilities; and maintenance for strategic purposes of designated production capacities and capabilities.

**g. Defence Science and Technology.** The basic purpose of the Defence Science and Technology Organisation is to contribute to the development and implementation of Australian defence policies through the application of science and technology. The objectives of the organisation are to:

- (i) develop and maintain a base of skill and knowledge in defence science and technology and foster scientific and technological expertise in industry and tertiary institutions, concentrating on areas relevant to the Australian strategic and natural environment;
- (ii) provide scientific and technical advice on defence policy matters and in particular advice on the selection and acquisition of new equipment and systems and their suitability for operation in the Australian environment;
- (iii) contribute to the solution of scientific and technological problems of the Australian Defence Force, the Department of Defence, other defence agencies and

- relevant Australian industries, including those arising from the operational use, maintenance, local production and extension of life of equipment and systems;
- (iv) conceive new devices, equipment or systems of potential value to Australian defence and, in accordance with delegated approvals, manage or undertake successive stages of development; and
  - (v) assist appropriate non-Defence bodies where DSTO has skills or facilities not available elsewhere in Australia and where defence priorities permit.

DSTO is headed by the Chief Defence Scientist who is the principal scientific adviser to the Defence Force and the Department of Defence on science and technology matters. The CDS is responsible for the Programs and Administration Division, Projects and Analytical Studies Division, DSTO establishments and the management of defence science representatives overseas. He also has joint responsibility with the CDF for the Australian Ordnance Council which is responsible for advising on the safety and suitability for service of weapons in which explosives are used or with which explosives are associated. In 1987, the DSTO employed 4,353 personnel of which about 1,000 were professional scientists and engineers.

#### Outrider Organisations

3.10 In addition to the organisations located within the ADF and the Department of Defence, there are three specialist outrider organisations contained within the Defence establishment as follows:

- a. **Joint Intelligence Organisation.** The JIO was established in February 1970. It is responsible for the preparation of strategic estimates, commentaries and situation reports, both on an immediate and long-term basis, for use by the Defence Department and the Defence Force. It also monitors international developments - covering economic, scientific, technical, social and military aspects - relevant to Australia's strategic environment.
- b. **Defence Signals Directorate.** DSD has two broad roles: to collect, produce and disseminate foreign signal intelligence; and to advise the Government on all matters pertaining to the security of communications equipments and related activities.
- c. **Natural Disasters Organisation.** The NDO has six basic functions:
  - (i) mitigate the effects of disasters at the request of State and Territory counter-disaster organisations and in conjunction with the Defence Force, and other Government and non-Government Departments and organisations; and support the development of core civil defence structures;

- (ii) develop plans at the national level to mitigate the effects of disasters to cope with civil defence needs;
- (iii) manage limited physical and financial programs in support of State and Territory Emergency Service counter disaster and civil defence roles, ensuring a dual capability for meeting both disaster and civil defence requirements in relation to the training and equipment support programs;
- (iv) co-ordinate Commonwealth Government physical assistance during the emergency or the immediate post-disaster phase of disasters;
- (v) direct the activities of the Australian Counter Disaster College including programs relating to development of policy, training and research; and
- (vi) provide planning and training assistance to countries of the South West Pacific Area, as part of the arrangement with the Australian International Development Assistance Bureau for NDO to co-ordinate the emergency phase of Commonwealth Government overseas relief operations in this area.

#### Higher Defence Committees

3.11 The defence decision-making process makes extensive use of committees to conduct its business. The committee system is

seen by the Department as the principal means of drawing together advice from different interests within the organisation. It thus complements the formal staff process and provides a framework for consultation on and resolution of matters pertaining to defence policy. Contrary to a belief in some quarters, the Defence committees do not have any executive function. As the Department states in its Defence Instructions (General) Admin 22-3:

Committees operating within the framework of the Defence organisation do not have executive authority. They advise or recommend only. The responsibility to take follow-up action or transmit recommendations arising from committee consideration normally resides with the Chairman of the committee concerned. In exercising the responsibility the Chairman shall ensure that the committee's conclusions, including any dissent from them, are reported adequately for the consideration of the relevant higher committee or superior officer [Department of Defence, Submission, p S348].

3.12 There are over 90 committees operating at various levels within the defence organisation. The higher defence committees comprise three types: Senior Defence Committees (Statutory), Senior Defence Committees (Non-Statutory), and Principal Subordinate Committees. The Principal Subordinate Committees are chaired at Deputy Secretary or Service 2-star level. They are associated with the mainstream of defence policy advising and planning issues, and activities which are central to the development of defence capabilities and the Defence Program. The functions and membership of these committees are shown in Appendix 1.

3.13 The senior non-statutory committees comprise the Defence Force Development Committee (DFDC) and the Chiefs of Staff Committee (COSC). They constitute the highest level of formal consultation from which is drawn the basis for advice to the Minister from the Secretary and/or the CDF. The functions and membership of the committees are listed below:

a. Defence Force Development Committee. The functions of the DFDC are:

- (i) to advise the Minister for Defence, in the context of strategic assessments and the most efficient use of resources, on the development of the Australian Defence Force as a whole, and the inclusion in the Five Year Defence Program of major weapons and equipment capabilities and facilities requirements;
- (ii) to initiate and review major studies concerned with the development of the Australian Defence Force;
- (iii) to review the Five Year Defence Program and the annual defence estimates;
- (iv) to review progress in the preparation of proposals and appreciations for submission to the Government; and
- (v) to review other matters of common interest to members, including in relation to defence science, and to exchange views.

The Committee consists of the Secretary to the Department of Defence (Chairman), Chief of the Defence Force, Chief of Naval Staff, Chief of the General Staff, and Chief of the Air Staff.

In addition, the committee may invite senior officers from the defence organisation and representatives of other departments to attend its meetings [Defence Report 1986-87, pp 146-47].

b. Chiefs of Staff Committee. The role of the Chiefs of Staff Committee is to provide advice to the Chief of the Defence Force to assist him in discharging his responsibility for command of the Australian Defence Force. The specific functions of the committee are:

- (i) to provide collective professional advice to the Minister and the Chief of the Defence Force on military aspects of strategy, force development and operations and on the military implications of defence policy and activities;
- (ii) to endorse military plans for approval by the Chief of the Defence Force; and
- (iii) to recommend to the Chief of the Defence Force the allocation of forces and supporting assets to designated commanders engaged in joint or combined operations. The committee comprises the Chief of the Defence Force (Chairman), Chief of Naval Staff, Chief of the General Staff, Chief of the Air Staff, and the Vice Chief of the Defence Force as an invited officer [Defence Report 1986-87, p 147].

3.14 The senior statutory committees which operate within the framework of the Department of Defence are the Council of Defence and the Defence Committee. The Council of Defence provides a formal consultative link between the Minister for Defence and the Minister for Defence Science and Personnel, and senior civilian and Service advisers. Regulation 12 of the Defence Force Regulations requires the Council to consider and discuss matters relating to the control and administration of the Defence Force, and of the respective arms of the Australian Defence Force. The Council's present membership comprises the Minister for Defence (Chairman), the Minister for Defence Science and Personnel, the Secretary to the Department of Defence, the CDF and the Service Chiefs of Staff.

3.15 The Defence Committee is a statutory inter-departmental committee which can be used to advise the Minister for Defence on:

- a. defence policy as a whole;
- b. the co-ordination of military, strategic, economic, financial and external affairs aspects of defence policy;
- c. matters of policy or principle and important questions having a joint service or inter-departmental defence aspect; and
- d. such other matters having a defence aspect as are referred to the Committee by or on behalf of the Minister.

The Defence Committee consists of the Secretary to the Department of Defence (Chairman); Chief of the Defence Force; Chief of Naval Staff; Chief of the General Staff; Chief of the Air Staff; Secretary to the Department of the Prime Minister and

Cabinet; Secretary to the Department of the Treasury; and Secretary to the Department of Foreign Affairs and Trade. Whenever the Committee considers it necessary to do so, the Committee may, with the approval of the Minister, co-opt any person for the consideration of a matter before the Committee. It may also call into consultation representatives of a department or authority concerned in a matter under discussion.

#### Defence Policy-Making Processes

3.16 There are two key policy-making processes within defence which are of major interest to the Joint Committee. The first is the planning, programming and budgeting (PPB) system, and the second the procedure by which major capital equipment items are acquired. These two systems are described and analysed in some detail in Chapters 6 and 7 respectively of this report. The concluding section of this Chapter provides a broad overview of the two processes, describing the principal steps in each process, the major interests and committees involved, and how the two systems relate to each other.

#### Planning, Programming and Budgeting (PPB)

3.17 The planning, programming and budgeting system (or PPBS) is the Department's primary tool for allocating future defence resources. The introduction of a PPB approach sought to instil a higher degree of predictability and control into defence planning and provide for a more rational allocation of resources between the Services. It had been found that planning based on yearly budgets alone was unsatisfactory because most major defence decisions required resources to be committed well into future years.

3.18 The central importance and the basic features of the PPBS and the FYDP were underlined in the Defence Report 1985-86 which stated that:

The Five Year Defence Program provides a framework for bringing together strategic, economic, force structure and other assessments as a basis for decision-making.

The financial processes involved in formulating successive five year programs have three main features:

- the provision by Government of guidance on the level of funding that should be assumed for planning purposes, over the Five Year Defence Program period;
- the development of estimates of the costs (or savings) of program options for major new acquisitions, existing commitments, personnel and continuing operational and administrative activities; and
- the participation of Service and Departmental management in integrated examination of the relative priority (in relation to established policy objectives), soundness and economy of program proposals, for recommendation to the Minister and ultimately to the Government (p 35).

3.19 The current planning, programming and budgeting system is represented schematically in Figure 3.2. It is a cyclical process which each year produces a defence budget and an updated Five Year Defence Program. The system consists of quite distinct planning, programming and budgeting phases, as follows:

- a. The Planning Phase. In September or October each year, the Department of Defence issues basic guidance to the Service Offices and other functional divisions which are used to prepare bids for resources over the coming five years. The guidance is in two forms; financial and force structure. The financial guidance comes

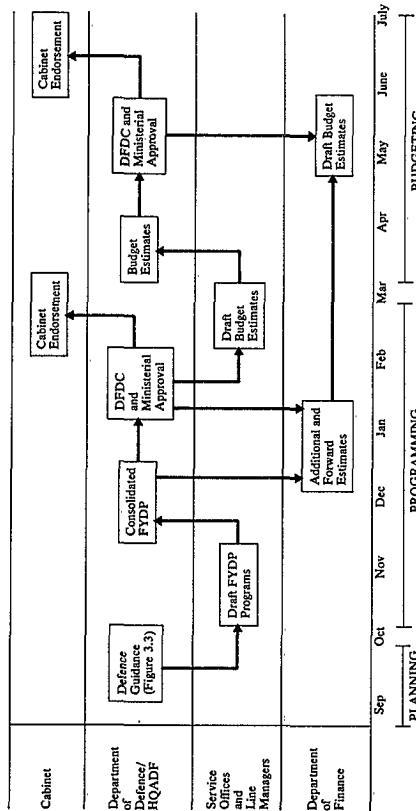


Figure 3.2 Planning, programming and budgeting in Defence

from the Government and sets broad expenditure constraints which are normally expressed in terms of the previously endorsed FYDP. The financial guidance does not constitute a government commitment since the amount of money actually allocated to Defence is set by the forthcoming budget. The force structure guidance is in the form of a Defence Capabilities Paper and a statement of Service objectives and activities for the ensuing five years. (The preparation of the Defence Force Capabilities Paper is described later in this Chapter.)

- b. The Programming Phase. The Services and other resource co-ordinators use this basic guidance to prepare bids for resources to cover both ongoing activities and the acquisition and development of new equipments and facilities over the ensuing five years. These bids are submitted to the Programs and Budget Division which prepares a consolidated program that is considered initially by the Consultative Group and then submitted to the Defence Force Development Committee for endorsement. The final draft FYDP (together with possible alternative programs) is then presented to the Minister for Defence and Cabinet. The programming phase ends when the Minister approves the FYDP as the basis for continuing planning (usually in March or April).
- c. The Budgeting Phase. The budgeting phase starts around January or February each year and continues until the Budget is handed down in August. It involves the preparation of

additional estimates for the current financial year and the development of forward estimates for the first three years of the FYDP. These are submitted for DFDC and Ministerial endorsement in February/March and then passed to the Department of Finance. In May the Department prepares detailed estimates for the forthcoming budget (corresponding to year one of the FYDP). Following DFDC endorsement and Ministerial approval, a submission is then made to Cabinet in June.

3.20 The current procedures for developing strategic policy and defence capabilities guidance were detailed in the 1986 Review of Australia's Defence Capabilities and are shown in Figure 3.3. The key planning document that guides Australian defence policy is the Strategic Basis paper. This paper is produced every three to five years and draws upon intelligence assessments contained in Australia's Security Outlook produced by the Office of National Assessments and endorsed by the National Assessments Board. The initial drafting of the Strategic Basis (or the Australian Strategic Analysis and Defence Policy Objectives - ASADPO - as it became after 1976) is the responsibility of the Strategic and International Policy (SIP) Division within the Department of Defence. After consultation between the Department, the ADF and other interested parties, the final draft is submitted to the Defence Committee. The draft ASADPO is considered in detail by that committee where the Services may make a further input through the CDF and Service Chiefs of Staff before the ASADPO is finalised and recommended to the Minister for Defence. He then normally seeks endorsement of the ASADPO by the Security Committee of Cabinet as a basic guidance for development of defence policies and the planning of defence effort.

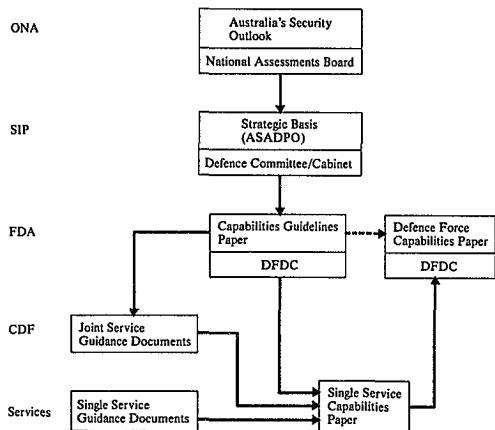


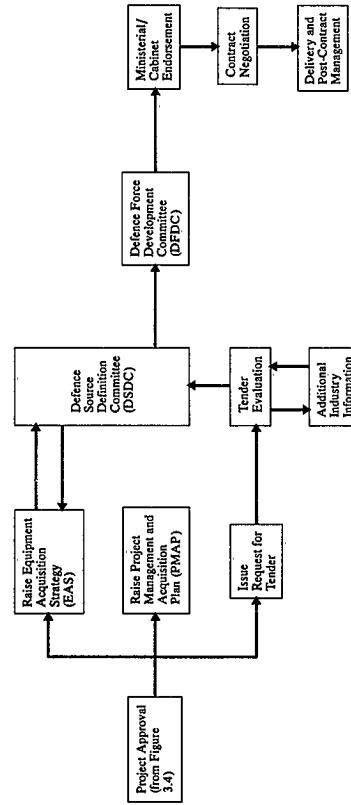
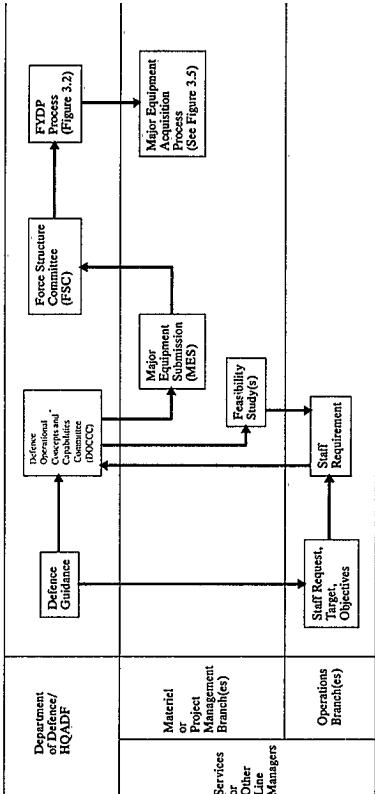
Figure 3.3 Development of Strategic Policy and Capabilities Guidance

3.21 The development of the Defence Capabilities Paper is co-ordinated by the Force Development and Analysis Division in Defence Central. According to the Utz Report, FDA first produces a draft Capabilities Guidelines Paper whose purpose 'is to distil from the Government's broad guidance those judgments and directions most relevant to capabilities matters and so help the Services and other defence planning groups focus on the issues to be addressed as well as to outline the intended scope of the Capabilities Paper' [Utz, 1982, p 51]. The Capabilities Guidelines Paper is submitted to the Defence Force Development Committee for endorsement. The Services and a number of other functional organisations within the Department are then requested to provide an assessment of requirements and priorities in respect of their own area of responsibility. This advice is used by FDA to produce a draft Defence Force Capabilities Paper which is considered by the DFDC and then issued to all resource co-ordinators to be used in the preparation of bids for the Five Year Defence Plan (FYDP) as well as development of major equipment proposals.

#### The Acquisition of Major Capital Equipment

3.22 The decision-making and acquisition processes for major capital equipments are outlined in Figures 3.4 and 3.5. The process commences with the Services preparing a Staff Requirement for a new equipment or capability. The Staff Requirement details the functions, principal features and required performance characteristics of the proposed equipment or capability. It is developed from the same basic guidance documents that are used for the planning, programming and budgeting cycle.

3.23 Following endorsement of the Staff Requirement by the Defence Operational Concepts and Capabilities Committee (DOCCC), the Service raises a Major Equipment Proposal (MEP), seeking



funding for the new capability in the context of the FYDP, which is submitted to the Force Structure Committee through the Force Development and Analysis Division. The FDA Division analyses the proposal against a set of criteria in consultation with the sponsor Service and other areas of the Department. The analysis could involve the commissioning of specific studies into alternative proposals or capabilities. The MEPS which are endorsed by the FSC are then submitted to the DFDC and the Minister for approval as part of the FYDP process.

3.24 Major Equipment Proposals by the Services are required to be submitted and reviewed annually. According to the Utz Report:

There are two separate review periods in each financial year designed to synchronise with the FYDP-Forward Estimates and annual budget cycles respectively. The first occurs during the period July to November and is aimed at evaluating all proposals for their suitability and priority for inclusion in the FYDP. Around November each year, at the end of the first review period, the Force Structure Committee considers a 'Draft Illustrative New Major Equipment Program' produced by the Force Development and Analysis Division. Based on this, the Committee formulates a 'Recommended New Major Equipment Program' for consideration of the DFDC.

The first consideration of the proposed major equipment program as part of the total FYDP takes place in December, when the 'Recommended New Major Equipment Program' is considered along with all other defence expenditure by the Consultative Group. The second review takes place in the period February to April. This review is concerned mainly with proposals in Year 1 of the FYDP which are likely candidates for approval in the coming budget year [Utz, 1982, p 55].

#### Summary

3.25 From the foregoing, it is clear that defence planning and policy-making in Australia revolves around a number of basic and interlocking pressures. These involve:

- a. the development of basic guidance from an assessment of our national interests and whether and how these interests are under threat;
- b. the translation of this broad guidance into a specific program of action for Australia's military forces and the support of 'enabling' components of the defence establishment; and
- c. the staged development, acquisition and testing of new capabilities and force structure within the resources allocated.

3.26 Control of this broad process is exercised first through a number of interlocking committees in which membership and, to some extent, functions, overlap. It can be seen that influence in the Defence Force Development Committee, the Consultative Group and the Force Structure Committee in particular is crucial; indeed, to a large degree, the ability to prevail upon those senior committees can be considered as a necessary condition for success in promoting a program or concept. The second important means of exercising control over the policy process is through Defence Guidance. This provides broad direction to functional managers and is used by the central committees to determine which options and priorities should be followed. Defence Guidance is the means of ensuring that the divergent arms of the policy process link together in a coherent and manageable way. A third crucial factor in the effective development of defence policy is the appropriate

education and training of individual members - both military and civilian - to be able to contribute in their own areas of expertise as well as understand the views and requirements of other participants.

3.27 As outlined in the previous Chapter, these basic features of the defence establishment are a direct consequence of the changes that were introduced by the 1973-76 (Tange) reorganisation. At the time these changes were considered to be the most appropriate means of providing for efficient and effective decision-making in defence matters while simultaneously ensuring adequate military and civilian participation and clear governmental control. Whether this is still the case, and whether and how the existing structural and procedural arrangements can be improved is central to this inquiry.

## CHAPTER FOUR

### THE DIARCHIC STRUCTURE

#### The Current Distribution of Authority and Responsibilities Within the Defence Establishment

##### The Formal Legislative Framework

4.1 The formal functions and responsibilities of the CDF and the Secretary are prescribed in the first instance by the Defence Act and the Public Service Act. Section 9 of the Defence Act states that the CDF shall command the Defence Force and that he shall 'advise the Minister, in such manner as the Minister directs, on matters relating to the command ... of the Defence Force'. Section 9A of the Defence Act further states that the CDF and the Secretary of the Defence Department are jointly responsible for the administration of the defence force except for matters falling within the command of the Defence Force or those specified by the Minister.

4.2 As the Head of the Department of Defence, the Secretary also has certain responsibilities and powers prescribed by the Public Service Act. Section 25 of that Act states that the Secretary to the Department is 'responsible for its general working, and for all the business thereof, and shall advise the Minister in all matters relating to the Department'. It also gives authority to perform all or any of the functions conferred by other Acts that are relevant to his Department (including the Audit Act).

4.3 The responsibilities of the Secretary and the CDF are further detailed in a series of ministerial directives issued by the Minister for Defence. The latest directives were issued in November 1985 by the current Minister, Mr Beazley. They are contained in Appendices 2, 3 and 4. In summary, the provisions of the three directives are as follows:

- a. **Secretary to the Department of Defence.** The Secretary is the principal civilian adviser to the Minister for Defence and is responsible to him for advising on policy, resources and organisation; for financial planning and programming of all elements of the defence outlay; and for financial administration and control of expenditure, including the correct and proper use of public funds. He is responsible for financial control of all building, land and materials acquired for use by or within the Defence Force or Department and for advising on the management of those resources. He is also responsible for ensuring the issue of directions on all matters concerning the receipt, custody or disposal of, or accounting for, public stores. In fulfilling his responsibilities for management of the civilian staff, the Secretary is required to be 'responsive to the Chief of the Defence Force acting within his responsibilities'. Where advice to the Minister would affect the functions and responsibilities of the CDF, the Secretary is expected to prepare joint advice.
- b. **Chief of the Defence Force.** According to the directive, the CDF is the principal military adviser to the Minister for Defence and, subject to the control of the Minister,

commands the Defence Force. He is responsible to the Minister for the arrangements for the exercise of command and control within the Defence Force; the planning and conduct of military operations; and for raising joint forces and joint Service units. Within approved policies and subject to the resources allocated, the CDF is responsible for the preparedness of the Defence Force and the maintenance of standards of health, welfare, morale and discipline. The CDF is also responsible to the Minister for tendering advice on the military implications of strategic developments; on military strategy; and on the military aspects of Defence Force capabilities, development, and disposition. The CDF is required to seek the endorsement of the Minister for Defence for Service promotions to one-star rank. He is the Chairman of the Chiefs of Staff Committee and is responsible for arranging its business and meetings, and tendering the collective advice of the Committee together with the specific views of individuals Chiefs should they differ from the Committee. The CDF is also required to be responsive to the Secretary of the Department of Defence and involve him in the formulation of advice which affects the functions and responsibilities of the Department.

- c. **The Secretary and the CDF jointly.** The Secretary and CDF exercise joint responsibility to the Minister for Defence for the general functioning of the Joint Intelligence Organisation; for recommending, on the advice of the Chief of Staff concerned, promotion to

and posting of officers of major general level (equivalent) and above, for posting of officers of brigadier level (equivalent) to appointments which have more than single Service implications; and for overseeing Service establishments and their staffing. They are also jointly responsible for recommending establishment of Service positions at brigadier level (equivalent) and above. They jointly advise on policy on education of members of the Defence Force and on their conditions of service; on the development and maintenance of facilities required by the Defence Force; and on planning for defence emergency or war. They jointly conduct a continuing review of the adequacy of the organisation and administration of the Defence Force and the Department.

#### The 'Joint Process'

4.4 The formal legislative framework is complemented by a range of informal procedures and mechanisms which are designed to facilitate mutual consultation and reconciliation of views between the civilians and military in defence. These procedures and mechanisms, collectively described by the term 'joint process', include:

- a. placing service personnel within civilian-controlled units and vice versa;
- b. making certain key appointments responsible to both the Secretary and the CDF (so-called 'dual-hatted' positions); and

c. the requirement for organisational elements of each side to be 'responsive' to the views and requests of the other.

4.5 These informal mechanisms are seen as an important component of the overall power structure. In evidence to this Committee, the then Acting Deputy Secretary B, Mr Ross Cottrill, stated that while the Defence Act joins the Secretary and the CDF together by law in responsibility for administering the ADF, 'the co-operation required goes beyond the precepts of the law'. According to Mr Cottrill, 'neither the Department nor the Defence Force can progress business without the other. Co-operation is essential'. He also noted that the joint process does not require each to agree with every judgment or decision of the other:

It is rather a matter of working together, whether in committees or through less formal consultation and in our daily working habits, towards the achievement of objectives determined by Government. There is general recognition that in many matters one or other should properly have central carriage and that there will be consideration for the responsibilities and concerns of the other. This is reflected in the ministerial directives which define both the separate and the joint responsibilities of the CDF and the Secretary [Evidence, 23 April 1987, p 75].

#### Criticisms and Past Considerations

4.6 The existing distribution of authority and responsibilities between the Secretary and the CDF has been criticised on a number of grounds in this and earlier inquiries. The most common criticism is that the current organisational arrangements are structured in favour of civilian bureaucrats and do not give sufficient weight to professional military views when defence strategies and the structure, equipment and capabilities of the Defence Force are receiving consideration.

In making this assertion, most proponents point to the fact that under the present arrangements:

- a. the Secretary to the Department of Defence controls those divisions within Defence Central - specifically SIP and FDA - which play a key role in the development of defence policy and in deciding the allocation of resources;
- b. the development of key planning and guidance documents - especially the Strategic Basis and the Defence Force Capabilities Paper - is the responsibility of the Secretary to the Department;
- c. the majority of the higher defence committees are chaired by civilians; and
- d. the Services have only limited representation in Defence Central and on the major policy advisory committees.

4.7 Critics of the existing structure argue that it gives too much power to the Secretary. In a submission to this inquiry, for example, one retired senior Service officer claimed that the present balance of power within the defence establishment firmly favours the civilian public servants to the extent that the civilian bureaucracy 'dominates and controls virtually all areas of Defence policy'. He claimed that in order

[to] correct this shortcoming and to improve the effectiveness of the Defence organisation the organisation should be revised to adjust the division of power between the Secretary and the Chief of the Defence Force, similar to that which has been recently implemented in the United Kingdom. Under such an arrangement the CDF should have responsibility for both operations, intelligence and policy in its widest sense ... To

achieve this it would be necessary for the CDF to be made Chairman of the Defence Committee and for him or his subordinates to chair the main policy committees - DFDC, FSC, DFPC, etc. Divisions such as Strategic and International Policy Division, and Force Development and Analysis Division would be part of the CDF organisation, along with JIO, and the Defence Logistics Organisation. These Divisions would remain integrated service/civilian organisations, but would be headed up by qualified service officers supported by civilian experts ... the Secretary would have prime responsibility for Defence procurement and production, Finance and Budget issues, and civilian personnel administration [Adams, Submission, pp S39-40].

4.8 A second concern is that the present distribution of authority prevents the CDF from fully carrying out his responsibilities as the commander of the ADF. The Returned Services League of Australia submitted that the 'CDF is inhibited from exercising his command function and from discharging his responsibilities for planning and for effectively using available resources because authority in much of these areas now rests with the Secretary' [RSL, Submission, p S159]. The RSL considered that the CDF should directly control those elements and activities essential to his command responsibilities including logistics, force development, and resource allocation [Evidence, 23 April 1987, pp 13-14]. Underlying this view was the belief that civil-military control in Australia now equated to control by the Public Service rather than by Parliament or the minister responsible to Parliament. In this context, the RSL informed the Committee that

... under the system of civilian control of the military as it has evolved in Australia over many years, the Public Service - the bureaucracy - has assumed the role of the civilian control of the military which we believe the Westminster system of government does not really provide for. I think everyone with an interest in defence, particularly in Australia, would recognise that there must be civilian control of the military. It is a basic tenet of our defence thinking. But to our mind that means parliamentary control of the military, not control by the Public Service. So we have this

conflict of interest, we believe, particularly at the higher levels of defence planning, which results from a belief in certain elements of the Public Service that it is the Public Service that is responsible for controlling the military [Evidence, 23 April 1987, pp 11-12].

4.9 Most of these issues were considered in detail by the Defence Review Committee. In its Final Report, the Committee noted that the then CDFS, Admiral Sir Anthony Synnot, had argued that:

At present I have no authority in the central policy areas of personnel and logistics, which directly relate to my command responsibilities, and I have no authority also in other major policy areas where I have more general responsibilities such as strategic policy, force development, and science and technology [quoted in Utz, 1982, p 29].

Sir Anthony suggested that the distribution of authority between the Secretary and the CDFS should be revised so that the Secretary had primary responsibility for financial control, audit, personnel management of Public Service Act and Naval Defence Act staffs, budgeting and financial programming, and related departmental matters. The CDFS would command the Defence Force, and would be responsible for military strategy, force capabilities, force development and organisation within the Defence Force. Similar views were provided to the Utz Committee by the Chiefs of Staff Committee, the Chief of the General Staff Advisory Committee, and the then CGS, Lieutenant General P.H. Bennett. In organisational and policy-making terms the realignment of responsibilities sought by Admiral Synnot and his colleagues amounted to the CDFS being given line authority over a number of existing Defence Central divisions, in particular the Strategic and International Policy Division and the Force Development and Analysis Division, as well as direct control over the preparation of the Defence Force Capabilities Paper.

4.10 These proposals were not supported by the Department of Defence. In his submission to the Defence Review Committee, the then Secretary argued that the existing balance of responsibilities between the CDF and the Head of the Department was appropriate and should not be changed. He contended that the Department's role was to assist the Minister in determining defence policy as a whole, to provide an alternative source of advice to that provided by the military, and to act 'as advisers and agents in the direction and management of national defence affairs, including the Defence Force, of the Government and Parliament and other authorities of the defence community'. He further stated that the 'existing arrangement worked in practice and that enlargement of the CDFS' role would not essentially confer greater authority than exists at present' [Utz, 1982, p 32].

4.11 The Defence Review Committee supported the position taken by the Secretary. It noted that the 'present structure already requires the CDFS to take the principal responsibility in several of the matters for which Admiral Synnot and his colleagues sought primary responsibility, and that it allows him a leading role in the remainder. The Committee concluded that 'it would be unwise to expand the general jurisdiction of the CDFS for reasons of both principle and practice':

The propositions which have been advanced, particularly by Admiral Sir Anthony Synnot and also by the Chiefs of Staff Committee, are based on a limited concept of the Department's role - a concept which focuses on those aspects of its functions which are mainly concerned with the Defence Force. These aspects form the essence of the Department's work and, in terms of staff deployment, the work of most of its members. However, while most departmental work is in support of the Defence Force, it is also important that the Department's approach to the defence function should be more comprehensive, embracing such matters as the relationship of strategic policy to foreign policy, equipping of the Force in the context of economic and industrial

capacity, and the handling of defence business within the machinery of government as a whole [Utz, 1982, p 34].

In particular, the Defence Review Committee did not support placing either SIP or FDA under the control of the CDFS, arguing that the Services' criticisms of both divisions stemmed from a basic misunderstanding of their role in the force development process.

4.12 On the question of military involvement in committees, the Defence Review Committee found that the composition of the senior defence committees 'does not appear to have an undue weight of civilian representation'. It found that there was an apparent imbalance between military and civilian members within the principal subordinate committees, but considered that this could be adequately explained by the different functions of the individual committees:

One could expect and accept that the membership of the Defence Science Board, the Defence Industry Committee and the Defence Source Definition Committee would be predominantly civilian, just as one accepts a predominance of Service officers on committees such as the Defence Operational Requirements Committee and the Joint Planning Committee [Utz, 1982, p 148].

4.13 The Utz Committee thought it appropriate for the DFDC, FSC and other senior defence committees to be chaired by civilians since they are responsible for the allocation of resources whereas the three Services, either individually or collectively, were seen to be primarily involved as the sponsor of the requirements for which the resources were being sought:

The responsibility of the Chiefs of Staff, including the CDFS, is to identify military needs in relation to strategic circumstances and to actively support and promote the requirement which in their professional judgement is necessary. We do not believe that the best interests of government would be achieved by having a chairman for committees involving resource considerations

who, by virtue of his professional military background or through direct association with a particular arm of the Defence Force, would not always be seen as able to take an objective view of proceedings. The Secretary, or at lower levels of consideration his representative, is well placed to chair committees of this nature [Utz, 1982, p 149].

The Defence Review Committee was unable to say whether or not proper consideration has been given to Service input on all issues and at all times, but considered that there was room for improving the working procedures of the committees and recommended changes in some areas. Most of these were endorsed by the Government, although a number of key proposals relating to the consideration and preparation of defence guidance were not (see Chapter 6, para 6.44).

4.14 The Dibb Report did not specifically examine the higher defence machinery although it reported a number of structural and procedural problems and weaknesses. The two most important were the continuing conflict between civilian and military officers over key policy issues and the absence of centralised military planning. On the latter issue, Dibb concluded that:

There would seem to be scope to develop a more streamlined and co-operative approach to defence planning. At present, too much energy is directed towards jurisdictional battles involving civilian and military central staffs and single-Service staffs. These conflicts are neither creative nor productive. Key planning documents take excessive time to produce, and some important studies are simply abandoned in the face of institutional intransigence. Too many planning documents represent the lowest common denominator and contain ambiguities and inconsistencies to accommodate entrenched institutional interests. Added to this is an obsession with the meaning of particular words and concepts, which in themselves become an impediment to agreed Defence views [Dibb, 1986, p 29].

These kinds of problems notwithstanding, Dibb considered that the basic organisational structure of the defence establishment was 'reasonably sound'. Like Utz before him, Dibb also felt that the problems that did exist could be solved, not through further structural or jurisdictional changes, but by clarifying existing roles and responsibilities and exhorting civilians and military alike to work together for the common cause.

4.15 The importance of the 'joint process' to the smooth and efficient running of the defence establishment has been emphasised by both Utz and Dibb. The Defence Review Committee, for example, concluded that 'the only feasible approach to defence administration at the higher levels is a concerted approach which marries the contributions of the two component parts ... in a collaborative relationship which recognises more positively the vital roles which each plays' [Utz, 1982, p 43]. It found that the process was not working in the way that it should nor was its importance sufficiently appreciated by those within the defence establishment. Utz called for concerted efforts to establish more collaborative working habits between civilians and Service personnel, arguing that the 'example must be set at the highest levels':

It is our firm view that the remedies proposed to particular defects will be of less effect if they are not accompanied by a purposeful effort by those in senior appointments, whether civilian or Service, to recast relations between public servants and members of the Defence Force in a manner which properly recognises the collaborative nature which must characterise a higher defence organisation. The value of an effective civilian presence in the upper echelons, while essential for reasons outlined earlier in this chapter, is sharply diminished if it is at the cost of disharmony, discord and petty quarrels. We do not suggest that this state has yet been reached by any means, but we have no hesitation in saying that the scope for improving working habits and relations is considerable and calls for the highest qualities of leadership from those occupying the offices of Secretary, Department of Defence and CDFS [Utz, 1982, pp 43-44].

4.16 Utz further argued that the joint process would be enhanced if measures were taken to engender a better understanding of how defence policy is made and administered, if more efforts were made to foster a sense of corporate philosophy and identity, and by continually reviewing the basic mechanisms that comprise the process itself. A similar conclusion was reached by Dibb who found that defence decision-making was still characterised by civil-military conflict and misunderstanding by both sides. In looking to overcome these problems, Dibb saw no need to review the present structure of the defence establishment. In his view the central issue was 'more one of getting people with the right attitudes and motivation to perform well within [the existing organisation]' [Dibb, 1986, p 30].

4.17 An important issue affecting the design of the defence establishment in peacetime is its ability to adapt to meet wartime conditions or the exigencies of a defence emergency. It has been suggested to the Committee that the current organisational structure of the defence establishment is not the most appropriate for wartime conditions and that, in times of a defence emergency or war, there would need to be a considerable transfer of administrative services and responsibilities back to the military. Given that such changes are likely to be disruptive, the most sensible approach is to base the peacetime structure of the defence establishment on that likely to be used in war [see RSI, Submission, p S159]. This would simplify the eventual transition and ensure that the military staff was proficient in functions which are critical to the management of defence but to which they are currently not exposed.

4.18 This suggestion was not accepted by the author of the original 1973-76 reorganisation. Tange recognised that there are different requirements between 'an organisation organised and controlled primarily as a higher command headquarters for waging war and an organisation suited for controlling resources and

advising the government on how best to prepare for future contingencies'. He argued, however, that the Department of Defence will always need to be organised as a major department of state under the policy control of its Minister, and that this and the original guiding principles laid down by the former Minister for Defence, Mr Lance Barnard,

... call for a Defence Department organisation which applies informed and analytical judgement to Navy, Army and Air Force bids for men, weapons and support, produces a total defence capability relevant to the strategic outlook, creates an effective command organisation, and preserves the professionalism of the three arms of the Defence Force and their capability to expand at need [Tange, 1973, p 20].

4.19 The question of the suitability of the existing higher defence organisation for a defence emergency or war was addressed by the Defence Review Committee. The Review Committee accepted that such circumstances 'could be expected to necessitate changes in the operations of the Defence Organisation', but argued that the fundamental responsibilities of the Secretary and the CDFS would not change. 'Their basic functions would continue but with much greater emphasis being placed on, and priorities being allocated towards, increasing support of the Defence Force in its operational tasks' [Utz, 1982, p 189]. Underlying the Defence Review Committee's position was the view, advanced by the Department of Defence, that it is neither practical nor cost-effective in peacetime to structure the present organisation fully to meet the requirements of a defence emergency or war. This was essentially because different contingencies were likely to require different organisational structures. It was more important therefore for the peacetime organisation to contain sufficient flexibility to be able to adapt quickly and expand if necessary in response to a variety of possible contingencies. The Department acknowledged, however, that successful expansion was contingent on certain changes occurring to the existing structure including:

- a. strengthening of the CDFS's status vis-a-vis the Service Chiefs of Staff;
- b. strengthening the policy and planning role of the CDFS and the Secretary vis-a-vis the Services; and
- c. rationalising the arrangements for defence production, supply and support and defence purchasing [Utz, 1982, p 190].

4.20 Since the Utz Report, the Department has conducted studies on the role of the Defence Department in times of defence emergency or war, in which to date it has concentrated on low-level and 'credible' contingencies. The overall conclusions reached are largely unchanged from those presented to the Defence Review Committee and include:

- a. There would be the requirement for the continuation of all of the major functions carried out by the Department in peacetime.
- b. The Department's approach and methodology could not remain static (thereby replicating the planning error of the War Books of the past), but would need to have the capability to adjust to changes in policies, priorities and activities.
- c. The changes necessary are unlikely to be radical in low level conflict and the Department has already and often demonstrated its capability to adjust quickly to change by regrouping functional areas that already have established cross links to functionally-related areas within and outside the Department.
- d. The major changes necessary will be in the allocation of additional resources into high priority areas, probably at the expense of those of less relevance to preparation for hostilities; the focussing of activity within functional areas on activity relating to that preparation to the detriment of some of the tasks required of the Department in peacetime; and - probably of prime importance - a speeding up of processes by removing, with Ministerial

agreement, some of the elements of review  
 [Department of Defence, Submission, p S397].

4.21 While generally supporting the continuation of the status quo, the submission did not rule out the possibility of more fundamental organisational changes in some areas once there were 'indications of deteriorating strategic circumstances'. Suggested areas of reform included the management of intelligence, the processes of force development and equipment acquisition, and resources planning and programming. On force development and planning, the Department stated that:

HQ Australian Defence Force could be expected to play a larger role in the process. The present role regarding overall force development and priorities of the Defence Force Development Committee and its supporting committees and departmental and military staffs would probably become increasingly subordinate to the Defence Committee, whose non-Defence members could be expected to become more involved in matters of strategic policy, force development and defence programming as more of the nation's resources were committed.

Simultaneously, the demands of and on Cabinet and the Parliament would greatly increase, bearing on the Chief of the Defence Force, the Secretary and the Defence Committee and possibly requiring establishment of further bodies to service particular requirements or to manage co-ordination between Defence and other areas of Government. Special duties could be laid upon the CDF and the Secretary in relation to the work of the Cabinet. The Secretary would assume the vital role of co-ordinating the provision of resources with other Government departments and agencies. Such developments are well within the potential for adaptation of the present higher defence machinery [Department of Defence, Submission, p S398].

It further acknowledged that existing peacetime procedures would be simplified and rationalised 'so as to minimise the burden on the military task while preserving essential controls and accountability'. These adjustments, however, along with the review of the appropriate delegations of authority to

operational areas 'would be unlikely to significantly affect the organisation'.

4.22 In spite of the general endorsement of the current organisational structure by both Utz and Dibb, there remains a strong perception among a number of Service officers at least, that the existing balance of power within Russell Hill unduly favours the civilian bureaucrats. The basic issue at stake is that the military commander cannot carry out his tasks and responsibilities without control of the appropriate administrative services, including logistics and personnel. This concern has contributed in no small way to the continuing tension between Service personnel and civilians at Russell Hill, which in turn has been instrumental in ensuring that many of the deficiencies of the decision-making process that were described in the original Tange report - slowness in policy-making, functional duplication, inadequate defence guidance, and so on - still exist. The continued existence of these problems raises the question of whether they stem from the basic organisational arrangements that were introduced in 1976 - as many of the critics of the Department suggest - or whether they are an intrinsic and inevitable consequence of an organisation which incorporates military and civilian personnel. A related question is that of why the present structure was chosen and whether there is an alternative approach which provides for more efficient, effective and harmonious decision-making.

#### The Balance of Power Between the Secretary and the CDF

4.23 The concerns which have been expressed over the power-sharing arrangements between the CDF and the Secretary and the role of the military in defence policy-making can be divided into two basic issues as follows:

- a. what is the present distribution of power within the defence establishment and does it favour the civilian hierarchy?; and
- b. is the present balance of power the most appropriate for Australia's current and future defence needs, and if not, how should it be changed?

#### The Current Balance of Power

4.24 At the formal level, power within the defence establishment appears to be shared equally between the Secretary and the CDF. They have equal status, each has access to the Minister, and they exercise formal control over a broad range of separate but related functions. The CDF is responsible to the Minister for the command of the ADF, while the Secretary administers both the Department of Defence and the ADF (the latter jointly with the CDF). While these arrangements appear reasonably straightforward, a number of points are worth mentioning because of their implications for the way in which power is actually exercised within the defence establishment. The first point is that the Secretary alone is responsible for providing policy advice to the Minister. While the CDF is the principal military adviser, he must operate 'within approved policy' and 'subject to the resources allocated'. This predominant role is reflected in the membership of the key policy advisory committees - the Defence Committee, DDFC, FSC and the Consultative Group - which are all chaired either by the Secretary or his representative. Largely because of his policy-advisory role, the Secretary also has greater formal access to the Minister and could, if he chose, effectively control the agenda. While the Secretary would normally consult with the CDF in the preparation of policy advice he is not obliged to do so, and there could exist circumstances under which he would not. The CDF does have the right of access to the Minister but there is no formal mechanism for this to occur.

4.25 A second and related point is that the Act does not define what is meant by 'command' or 'administration' and so it remains unclear which matters fall within the exclusive jurisdiction of the CDF and which are to be shared with the Secretary. This uncertainty is not helped by the current official definitions of 'command' and 'administration'. According to the Australian Joint Services Glossary JSP(AS)101(A), 'command' involves the 'authority and responsibility for effectively using available resources and for planning the employment of, organising, directing, co-ordinating and controlling military forces for the accomplishment of assigned missions'. It is difficult to see how these functions differ from those involved in the general administration of the Defence Force which is defined by JSP(AS)101 as 'the management and execution of all military matters not included in tactics and strategy; primarily in the fields of logistics and personnel'.

4.26 This overlap and confusion in terminology provides for a potential conflict of interest between the military and civilians in Defence and could undermine the ability of the CDF to 'command' the ADF, particularly in times of defence emergency or war. This problem was noted by the Defence Review Committee which considered it to be an intrinsic but acceptable consequence of the joint process:

The difficulty in assigning practical meaning with reasonable clarity to section 9A of the Defence Act is inherent in a situation in which it is necessary to link defence administration generally with Defence Force administration. Many decisions in defence administration by their very nature involve Defence Force administration. Thus developments in, for example, defence science, national transport facilities and the infrastructure of defence-related industries affect, often critically, the resources and capabilities available to the Force, and their availability and use in an emergency or war. Conversely, the requirements and capacity of the Defence Force have a fundamental bearing upon the

tasks of defence administration whether in the provision of advice to the Minister on parliamentary interests in the structure and activities of the Services or in the expeditious working of procurement and logistic systems [Utz, 1982, p 27].

4.27 Utz further considered that the 'joint administration' provisions contained in the relevant ministerial directive constituted 'the formal bridge between these various aspects of defence administration, including Defence Force administration, and between the respective jurisdictions of the Secretary and the CDF's'. In addition, the lack of formal authority over the policy process was seen to be more than compensated for by the informal mechanisms which constitute the 'joint process'. While these provisions may appear to guarantee military involvement and provide for full debate over decisions, there are a number of problems associated with them. First, the impact of the CDF's right of access to the Minister for Defence may be overstated. As we have seen, the Minister is not formally involved in the policy-making process until its very end. He would thus have little opportunity to become acquainted with many areas of dispute, nor would he have the time, or resources, to study contentious issues in depth. As a result there would only be a limited number of issues that could be taken to the Minister for final adjudication. In any case, the Secretary has the same right of access and so can directly appeal against an independent approach by the Services.

4.28 Second, the requirement for the Secretary and his Defence Central Staff to be 'responsive' to the needs and wishes of the military provides no guarantee that these views will be considered or acted upon. Nor is there any means other than recourse to the Minister for the CDF or the Chiefs of Staff to appeal against a policy decision by civilians in Defence Central.

4.29 Third, the reliance on the 'joint process' to provide for adequate military involvement belies the political nature of the defence decision-making process. The defence establishment is not a homogeneous and monolithic organisation. Rather, it is populated by a diversity of interest groups which are responsible for carrying out specific tasks and responsibilities. Each of these interest groups shares a common concern for its country's national security, but because of their different experiences and perspectives, they often manifest this concern in different ways. The Services, for example, tend to emphasise traditional roles and equipments. They plan on the basis of 'worst-case' scenarios and tend to over-insure in advising on the means of meeting them. Because the Services are responsible for implementing defence policy, they also prefer to exert maximum control over the resources needed to perform their roles. Civilian officials, on the other hand, are often concerned with the political and economic dimensions of defence decision-making. They stress the fact that defence is no longer the sole prerogative of the military and see themselves as representing the broader 'public interest'. All the various interest groups within defence seek to increase or maintain their influence over the decision-making process in order to promote their goals or to enhance their resources and capabilities. Under these circumstances, policy-making becomes characterised by bureaucratic competition and bargaining, where success is achieved by controlling the agenda, manipulating information, building alliances with other groups, and so on. General exhortations to work together for the collective good of the organisation may be supported in principle (particularly by those in power) but are ignored in practice.

4.30 Fourthly, this Committee notes that, under the Ministerial Directives, the Secretary shares with the CDF responsibility for certain aspects of Service promotions, postings, establishments, staffing, education and conditions of service; but that the CDF does not have similar authority in

relation to civilian staff. From this it could be inferred that any accommodation needed to make the joint process work will be largely one-way. A system which denies one of its two senior officers a formal voice in the management and the development of a large percentage of the staff would seem at best unbalanced.

4.31 Finally, the provisions tend to treat the military as a discrete entity instead of different organisational interests with their own views and perspectives (this argument also applies to the civilians but with less force). As noted by the Dibb Report, the three Services have their own views on how Australia's defence force should be structured and equipped [Dibb, 1986, pp 27-29]. These views are shaped by each Service's operational experience and are enforced by a system of normative control which aligns the values of the individual with those of his or her parent Service. Faced with these pressures career officers tend to view national policy issues in terms of the organisational interests of the Service to which they belong, and they argue accordingly in the decision-making process. This increases bureaucratic bargaining and conflict and undermines the ability of the CDF to present a collective military view. The response to this situation has been to build up the authority and independent resources of the CDF. But his ability to influence defence policy remains constrained by the continuing presence of single Service representatives on most of the policy-advisory committees, by the fact that most Service officers spend most of their careers in - and are ideologically aligned with - their parent Service, and by the need to rely on the Services for much technical and operational advice.

4.32 Taking all these factors into account, the Committee considers that the present organisational arrangements do tend to favour the civilian hierarchy. The changes that were made in 1976 have provided the Secretary with increased formal and informal powers, some of which have been obtained at the expense of the military. The Secretary is solely responsible to the

Minister for the provision of advice on most matters concerning the development of defence policy, and for the management of defence resources. The Secretary and his senior officers chair most of the senior defence committees, they have privileged access to the Minister and to the information flowing to and from him, and they tend to serve much longer in key policy positions than either their political leaders or their Service counterparts.

4.33 While the CDF has been given equal status to that of the Secretary, his ability to influence defence policy is constrained by a number of factors. These include his relatively small support staff compared with both Defence Central and the Service Offices, the lack of direct control over many administrative and support functions, the absence of any means of appeal against decisions by the Secretary or his staff other than through recourse to the Minister, and the absence of formal means of seeking joint advice other than in the context of committee considerations. The CDF is also constrained by his association with and reliance on the Services for much of his advice and support. As Desmond Ball concluded in his 1979 analysis of the Australian defence establishment, the combination of these factors leaves the Secretary in a dominant position:

... the Permanent Head is clearly the single most powerful individual in Australian defence decision-making. He has extraordinary capability not only to influence the Minister but also to resist his wishes or even his demands. For example, despite requests from Defence Ministers in 1973 and 1975, there is still no official study of the specific defence requirements and actual force structure for defending continental Australia against foreign attack [Ball, 1979, pp 188-89].

### Should the Current Balance of Power be Changed?

4.34 The principal issue, however, is not so much that the Secretary is more powerful, but whether civilian predominance, at least to the extent that it occurs in Australia's defence establishment, is reasonable and appropriate for our developing circumstances. The architects and proponents of the current arrangements argue that they reflect traditional and broadly accepted notions of civil-military control and responsible government within the Westminster system. Under that system, ministers are responsible to the parliament for the affairs of their departments. In order to carry out these responsibilities, ministers rely on their departmental advisers, in particular the Secretary who, under Section 25 of the Public Service Act, is 'responsible for [the department's] general working, and for all business thereof, and shall advise the Minister in all matters relating to the Department'. This view was expressed to the Committee by the Department of Defence which stated that:

The secretary has the responsibility and authority that all heads exercise over their departments. His responsibilities and authority in this role derive from the Public Service Act, the Audit Act and finance regulations.

Governments in Australia traditionally have vested in the civilian arm of the Defence organisation responsibility for the administration of public resources for the defence effort. This is a central and consistent feature of our system of government and administration [Evidence, 23 April 1987, p 76].

4.35 In a separate submission to the inquiry, the Department asserted that the provisions of Section 25(2) of the Public Service Act 'provide an important legislative basis for the span of "principal civilian adviser" being wider than purely "civilian" matters'. Moreover, it was considered that the broader role of the Secretary was both 'well-founded in British Parliamentary history' and consistent with the arrangements that have applied in Australia since Federation:

There is substantial continuity in the responsibilities provided by Ministers in the Defence group of departments. Secretaries to Defence from Federation have had primary responsibility for the economic and financial aspects of administration across the defence field. From 1927 the Secretary was involved by the Government in advice on the politico-strategic basis of defence policy and from at least 1932 the Secretary was the focal point for combining for the Minister the military and the public administration elements of issues for discussion, that is for advice on 'policy' [Department of Defence, Submission, p 8474].

4.36 The Department was careful to state that these views were not a reflection of its own interests or preferences, but had been imposed by successive governments, both through the use of the legislation and by Ministerial decree. It acknowledged, however, that the present arrangements affecting the balance of power between the Secretary and the CDF are not immutable, and that governments are equally able to adjust them to meet changing perceptions or circumstances:

The present arrangements have spanned a range of circumstances in their process of evolution. They are, however, far from immutable, although those stemming from the requirement for Parliamentary control of the nation's military forces and full accountability to Parliament for funds proposed or expended on defence are less likely to be subject to amendment. There is, nevertheless, a wide scope available for governments (and for the CDF and Secretary acting within the scope of directives) to adjust the respective roles of the senior civilian and military officers in the field of defence. As put by Sir Arthur Tange to the CDF Conference in 1986:

'It would be a serious misinterpretation of the intent of these procedures to treat these subordinate instruments as in any way sacrosanct and immune from change, whether to shift authority away from the Chiefs of Staff - or towards them - today or tomorrow.'

'In the event of active hostilities a Secretary who sought to exercise the same oversight over expenditure of money and use of assets in the

fighting zone as Ministers expect in the calm of peace and severe budget restraint would be foolish and quickly brought to reality'  
 [Department of Defence, Submission, p S481].

4.37 A second argument used to support the current arrangements is that the proper functioning of the defence establishment and the development of defence policy involves a much broader range of functions and considerations than those encompassed by the Defence Force or on which military officers are qualified or entitled to speak. These include the relationship between defence and foreign policy, the need for Defence to deal with the machinery of government, and the need to develop policies within the context of Australia's overall economic and industrial capacity. The Defence Department and its civilian officials are said to be more experienced in these matters. Moreover, as noted by the Defence Review Committee, any transfer of these responsibilities to the military would represent a misuse of resources, and could result in defence policy being unduly dominated by operational considerations:

The Department's role lies in consolidating a total view of defence policy, linking the interests and requirements of the Defence Force with those of other authorities which have interlocking or complementary responsibilities. This requirement is reinforced by the sophisticated character of defence technology. A modern defence force is a highly specialist body. Expertise is, therefore, essential to the effective formulation of most decisions critical to defence in the interests of ensuring that they meet the security needs of the nation as well as promoting maximum efficiency and economy in the use of the considerable, but nonetheless limited, resources available for defence purposes. The Defence Force itself must exercise a vigorously self-critical role. It would, however, be unwise to allow the full burden to fall on it if only because its emphasis on operational needs, a legitimately critical component in the process, may inhibit a broader appreciation of the requirement [Utz, 1982, p 26].

A related argument, and one which is more often implied than stated, is that the military cannot be entrusted with large scale managerial functions outside those concerned with the conduct of military operations. This view is based in part on perceived deficiencies in the education, training and personnel management practices of the three Services, and in part on the strong attachment of military officers to the values and traditional customs of their parent Services.

4.38 These arguments may be at odds with the development of a more educated and articulate officer corps, and so their validity should not be accepted without at least further testing of the assumptions on which they are based. They also reflect a traditional view of civil-military relations and control which is becoming less relevant as the relationship between the armed forces and Australian society and the nature of modern warfare change. According to the traditional view, popular control of the military is maintained by limiting the size of the armed forces in peacetime and restricting military powers and responsibilities through constitutional and legal means. This in turn reflects an underlying concern among many leaders of democratic societies over the potential abuses of power by their armed forces. While the focus of this concern may have changed - from a fear of military coup or involvement in foreign wars, to such issues as the evils of militarism and the rise of the 'military-industrial complex' - the basic approach to maintaining civil control of the military has not.

4.39 A problem with this formal legalistic approach is that the boundaries between civilian and soldier within the defence establishment are becoming increasingly blurred, primarily at the lower and middle levels. This applies both in terms of the value systems that each group supports and in their respective roles in the existing or any future defence posture. Civilians are more and more performing tasks that are essentially military in nature, and vice versa. Moreover, the effectiveness of military operations is becoming increasingly dependent on the

effective integration of these skills, and civilian and military staff alike are being enjoined to represent common values and structures. Under these conditions, a civil-military dichotomy is becoming a largely arbitrary construct, and it is now valid to argue that the defence establishment as a whole - not just the military component - needs to be subject to conditions of accountability and control. A further problem is that the military is not a single monolithic group, as inter- and intra-Service differences are often more important than the differences between the military and civilian viewpoints. In addition, the vast majority of the military in Australia accept parliamentary control virtually as an article of faith. Thus, any anxieties about the dangers to Australian society of a military coup are unfounded, and the need to preserve parliamentary control, while important, need not be the prime consideration in the development of further changes to the defence establishment.

4.40 More importantly, this Committee considers that the arguments that have been advanced do not rule out alternative structures which may be more efficient and less susceptible to civil-military conflict than the present arrangement. The organisational arrangements currently in use in Canada and the United Kingdom, for example, would seem to satisfy the basic principles of accountability, responsiveness and control while at the same time providing for much greater involvement and authority of the military in the defence decision-making process. It is instructive to note that the defence establishments of both these nations have evolved from a position which was very similar to Australia's present situation. It is also instructive to note that the changes that were introduced in Australia in the 1973-76 reorganisation were not directly derived from an analysis of overseas experience. According to the Tange Report:

Defence Ministries in many overseas countries have been subject to organisational change during the

past two decades. There has been less change in Australia than in many other countries where there has been a broad movement towards greater consolidation of the command, policy control, and administration of the Armed Services into a single Ministry of Defence. Organisation varies from country to country. It doubtless reflects differences in the place of the Armed Services in the business of government, differences in the structure of national Government and differences in strategic situation. I have not felt that essential wisdom lay with any particular overseas model [Tange, 1973, pp 6-7. Emphasis added].

4.41 As will be clear from the findings of the subsequent Chapter, many of the deficiencies and weaknesses associated with the defence establishment in Australia stem from the diarchic structure of the higher organisation which continues to separate the military and civilian staffs and thereby ensures that defence policy-making proceeds by a process of confrontation and bargaining rather than mutual cooperation and collaboration. This reduces the efficiency of the decision-making process and makes overall management and control of the organisation very difficult. The problems are compounded by the continuing ambiguities and overlap in the respective responsibilities and functions of the key organisational interests within the defence establishment, and the continuing failure of the 'joint process'.

4.42 The Committee has no doubt that the defence establishment in its present form would be able to cope with the added requirements and pressures of a relatively short-lived and low-level defence emergency. Our recent experience in Vietnam showed this, although it should be remembered that we were able to utilise American support in that case. It is also clear that there would need to be significant changes to the existing organisational structure and its decision-making procedures in the event that the situation became protracted or that it escalated into a higher level conflict. Under these circumstances, the military would need to assume a much higher

profile in the administration of the department, the policy process would have to be streamlined, and many of the existing 'checks and balances' in the equipment procurement and resource allocation processes would need to be dispensed with.

4.43 It is not clear, however, whether the transition between these two conditions could be effected in an appropriate and timely manner. The Committee notes, but is not convinced by, the Department's assertion that it has 'already and often demonstrated its capability to adjust quickly to change'. It is true that the organisation and policy processes of the defence establishment have changed, particularly over the past decade. But the period of change has remained relatively long when compared with the warning times likely to be associated with low and even medium-level threat scenarios. Moreover, the growing complexity of the defence establishment and the very strong interests that are located within it are likely to delay and complicate the future adoption of streamlined procedures or the transfer of power between the civilian and military hierarchies. In the Committee's view, it is better to attempt to minimise these potential problems before they occur rather than react to them.

4.44 With these considerations in mind, the Committee believes that it is time to review the basic organisational structure of the defence establishment and the distribution of power within it. There is a need to clarify, and redefine in some areas, the respective roles and functions of the Secretary and the CDF. In the Committee's view, the fundamental role of the defence establishment should be to develop and maintain a defence force which is capable of achieving the Government's objectives within the broad policy and resource constraints that it sets. It considers that the primary responsibility for carrying out this task should rest with the CDF who would be advised by appropriate civilian and military staff. The basic function of the Secretary would be to:

a. assist the Minister for Defence in setting out the overall parameters within which the defence establishment would work; and

b. ensure that the proposals which are put forward by the CDF and his staff are within the resources allocated and are consistent with overall government policy.

4.45 A realignment of responsibilities in this way would involve the CDF being made responsible for the day-to-day management of much of the defence establishment as well as for overseeing the development and implementation of defence policy. It would also require some restructuring of supporting staff, in particular that dealing with the formulation of defence guidance and the preparation of the defence program (see Chapter 6 for more details). The proposed approach is similar to that adopted by the UK Ministry of Defence in 1984, in which a new unified Defence Staff was established under the day-to-day control of the Vice Chief of the Defence Staff and was given 'the corporate duty of finding the best solution to the problems of the day, whether of an operational nature, strategic planning, defence policy or equipment priorities' [The Central Organisation for Defence, 1984, p 4]. The suggested realignment of responsibilities is also consistent with the arrangements and understandings that applied in Australia prior to the Tange reorganisation in which the Secretary had an 'enabling' rather than a 'chief executive' role.

4.46 The Committee acknowledges that there are potential dangers in creating a unified defence staff under the control of a military officer. These can be minimised, however, by:

a. increasing the participation of the Minister for Defence and his Assistant Minister(s);

- b. reserving key programming and analytical appointments for civilians;
- c. retaining a committee system;
- d. maintaining a separate machinery for the development of national security policies and objectives; and
- e. ensuring that financial control of defence is vested in the Secretary to the Department.

The Committee considers that any residual dangers of a unified defence staff are more than offset by the greater efficiency that would be achieved and the elimination of or significant reduction in civil-military conflict within the higher echelons of the defence establishment.

4.47 Australia has an entrenched system of parliamentary control of the military, in which the armed forces are regulated by legislation and responsible ministers of the Crown exercise authority over policy. The primacy of civil control is widely accepted within Australia, especially by the armed forces themselves. As long as this level of acceptance continues, there can be a degree of flexibility in how the defence establishment is organised in peace and war, and, in particular, how the military profession is involved in the higher decision-making process.

4.48 The Committee recommends that:

- a. the existing distribution of power and responsibilities between the Secretary and the CDF be reviewed within the conceptual framework of the ADF as the defence establishment's operational element, and the Department as its enabling element;

- b. consideration be given to making the CDF responsible, within the overall policy and resource constraints set by the Minister, for:
  - (i) the development and implementation of defence policy and guidance (as opposed to national security policy - see Chapter 6),
  - (ii) the preparation of the annual defence program (see Chapter 6), and
  - (iii) the day-to-day management of defence activities; and
- c. the Ministerial Directive to the Secretary and the CDF jointly be amended to give the CDF a role in the management and development of the Department's civilian staff, similar to that exercised by the Secretary in relation to Service staff.

4.49 The Committee further recognises that the proposed realignment of responsibilities between the CDF and the Secretary would require a corresponding restructuring of the existing support staffs. Before looking at possible options, it is necessary to consider in detail some of the major deficiencies and weaknesses of the current structure.

DEFENCE MANAGEMENT AND DECISION-MAKING  
ISSUES

5.1 Within the Australian context at least, the defence establishment has always qualified for the status of a 'superdepartment'. With some 38,000 civilian employees, Defence is the largest single employer in the Australian Public Service. The Minister for Defence is also responsible for over 70,000 permanent and 29,000 part-time uniformed personnel. The Department's annual budget now exceeds \$7.4 billion, which is about 3 per cent of Australia's gross domestic product or nearly 10 per cent of the total Commonwealth budget sector outlay. Finally, the defence establishment has significant holdings of capital facilities and other assets located throughout Australia. These include military bases, dockyards, factories and scientific and research laboratories.

5.2 Australia's defence establishment is not only large in terms of the basic resources which it is required to administer but also from the point of view of the activities it carries out. Our defence concerns no longer relate simply to the training and equipping of military forces to serve alongside our principal allies. They now need to include a range of largely non-military concerns such as research and development, industry participation, strategic assessments, logistic support, and so on. The need to expand the focus of our defence activities, and to control the development and utilisation of these activities, has formed the basic rationale for increasing the size and functions of the defence establishment over recent years. In order to manage these diverse activities, the defence organisation itself has become highly specialised with discrete organisational entities being responsible for different functional tasks.

## Perceived Deficiencies

5.3 The size of the defence establishment, the increasing span of responsibilities which it encompasses and its organisational complexity are said to contribute to a number of problems and perceived deficiencies associated with the management of defence in Australia in peace and war. A number of critics contend that the present structure is too large and unwieldy, that its management structure is top-heavy and over-centralised, and that the decision-making process is over-complicated and tortuous. It is felt that the defence establishment should be far more efficient and effective than it is, particularly in terms of its management procedures, in the utilisation of resources, and in the identification and acquisition of new equipment and capabilities. In the latter context, for example, the Australia Defence Association has compared the number of capital equipments that were acquired by the Department in the 13 years prior to and after the 1973-76 reorganisation and argued that 'the former allegedly inefficient organisation was able to deliver more equipment to the Defence Force than the current organisation' [Australia Defence Association, *Submission*, p S444]. It concluded that an important factor in the perceived inefficiency of the present structure is the bureaucratic complexity which arose from the Tange reorganisation:

Authority and responsibility have become much more diffused while, for various reasons, the delegation of authority to lower echelons has been restricted. The resultant centralisation of authority has resulted in slower decision making not only because high echelons have more decisions to make but because more sections down the ladder have been created and are having a say in more decisions. At the highest level, too many decisions are being reserved for the Minister and for Cabinet [Australia Defence Association, *Submission*, p S445].

5.4 The Association considered that two key issues needed to be addressed if the efficiency of the defence establishment were to be improved: over-centralisation of authority, and over-staffing and over-ranking of the Defence Department. On the question of excessive centralisation of authority, the Association saw that the problem stemmed from unrealistic financial delegations:

Currently, projects which cost more than \$10 million or whose component items cost more than \$250,000 are by definition major projects which are reserved for Cabinet decision. Given that a single torpedo or missile may well cost \$1 million or that total new equipment spending is in excess of \$2000 million, such restrictions on decision making impose an intolerable burden on Cabinet and the Minister ... If government is to operate effectively, especially in the field of making policy, it must be prepared to delegate authority to officers who are paid significant sums to make decisions [Australia Defence Association, Submission, p S446].

While accepting the principle that management and financial authority should be devolved as far as possible downwards within the defence establishment, the Committee does not accept that the evidence put forward by the Australia Defence Association necessarily supports this view. The differences in equipment acquisitions before and after the Tange reorganisation, for example, could also be due to the spending priorities of the different governments, the need to replace outdated or outmoded equipments, and changes in Australia's strategic circumstances.

5.5 On the second issue - over-staffing and over-ranking of the Defence Department - the Association submitted that the present level of staffing 'is excessive, costly in money terms and destructive of both efficiency and morale'. It claimed that between 1964 and 1983, the number of senior officer positions (Colonel equivalent and above) in both the ADF and the Department of Defence increased by between 94 per cent and 213 per cent (see Table 5.1). According to the Association this growth has

TABLE 5.1 TABLE OF SENIOR OFFICER GROWTH 1964 to 1983

	1964	1974*	1983	% growth
Starred officers ie. Brigadier equivalent and above	68	112	142	108.8
Second Division public servants	38	103	119	213.2
Colonel equivalent	170	258	330	94.1
All personnel civil/military	76,730	101,357	97,620	27.2

\* The 1974 figures are for the period after the abolition of the Service Departments and the Department of Supply.

Source: Australia Defence Association, Submission

generated serious imbalances in the structure of the ADF. It was particularly concerned over the ratios of officers and general-ranked officers to other ranks. These were said to be 1:6.8 and approximately 1:500, which were higher than those in the United States (1:9 and 1:1735 - although the Association looked only at the US Army) and much higher than the Association's preferred ratio (one officer to 15 other ranks). In addition to this quantitative analysis, the Australia Defence Association cited two examples to underline its point:

In 1966, the Naval Staff was a body of 22 naval officers consisting of one Rear Admiral, four Captains and 17 more junior officers. It exercised real authority over a growing and innovative navy which was involved in two albeit minor conflicts. By 1986, the Naval Staff had lost its authority to Defence Central, the navy was smaller but the personnel strength had grown to more than 100 with at least three Rear Admirals, four Commodores and innumerable Captains.

The other relates to the senior naval positions in Victoria. For some years until 1986, the Naval Officer Commanding was a Commodore with a Captain in command of the principal training establishment HMAS CERBERUS. In 1986, the two positions were combined under a Commodore (actually reverting to an earlier practice) not for economy reasons but to provide an additional Captain's billet in Canberra [Australia Defence Association, Submission, p S449].

It claimed that the result of these kinds of developments is that 'the field units and formations of the Defence Force are being starved to feed the centre, but the centre has become less efficient' [Australia Defence Association, Submission, p S450]. It recommended inter alia that 'action should be taken to review the rank structure of the personnel of HQADF to reduce the number of senior officer positions to more credible levels' [Australia Defence Association, Submission, p S455].

5.6 Similar concerns were expressed in a submission made by Lieutenant Commander Alan Hinge. Hinge argued that the Defence

Department 'has moved towards an extremely centralised system in order to cope with its ill-defined tasks and the uncertainty which is inherent in the planning for war'. This over-centralisation of the Department in turn is said to have

... led to the imposition of maximum as opposed to adequate levels of control from 'The Top' (The Canberra Central Defence Organisation) and a correlated failure to simplify the defence task. DoD is not delegating decision making authority to lower (regional) levels and generating initiative at the 'lower rungs of the ladder' where, in operations, it will be needed most [Hinge, Submission, p S188].

5.7 According to Hinge, the principal consequences of over-centralisation of control are procedural complexity and loss of output orientation. In the first case, Hinge claims that over-centralisation 'gives rise to excessive layering of authority levels which impedes performance with delays, duplication of effort and inordinately numerous review levels'. This complexity is said to be typified by the 'cumbersome DoD committee system which involves a level of "consensus" based on the lowest common denominator of assent from the numerous parties involved'.

5.8 In the second case, Hinge argues that over-centralisation leads to a concentration on means rather than ends with an inevitable tendency for the top of the Defence department to 'micromanage' its subordinate components:

An overcentralised organisation becomes so inundated with the details of functional management that it begins to lose sight of the purpose for which it was designed. In becoming preoccupied with the enormous amount of data which must be processed in its central offices such an organisation begins to lose perspective relating to what is important and what is not. The central offices then tend to overmanage or 'micromanage' when their function should really be policy declaration and allocation of decision making authority to regional or outstation middle managers. Micromanagement involves succumbing to

the bureaucratic temptation to exercise control over all matters and not delegate authority to those sub units which are perfectly able to do the job with basic policy guidance [Hinge, Submission, p S191].

According to Hinge, this symptom of over-centralisation causes the organisation to lose control over outputs, fail to achieve objectives and lose responsiveness generally.

5.9 The problems of over-centralisation were said to be evidenced by the dramatic increase in the civilian component of the defence establishment from the mid-1970s - which occurred despite the original prediction of the Tange report that the reorganisation would provide for overall reductions in manpower - and the relatively low level of additional capabilities that have been acquired over the same period. Using a comparison with Canada to justify this second claim, and citing the findings of this Committee's report on The Australian Defence Force : its structure and capabilities, Hinge concluded:

It appears therefore that current national security planning and general DOD decision making processes are not 'delivering the goods'. This situation will become further entrenched unless modifications are made to the system. If changes are not made, Parliament will continue to get a much lower level of DOD effectiveness than it expects and ought to receive. This will remain the case despite the Government continuing to dedicate 10 per cent of its annual budget spending on defence and ultimately investing defence funds of the order of \$A60 billion during the 1980-1990 period [Hinge, Submission, p S198].

5.10 Hinge's solution to these perceived problems involved incorporating a decentralisation bias within the defence establishment. Under this revised approach, the central administrative machinery of the department would be limited to policymaking and 'the broadest aspects of management'. Defence regional offices and ADF commands would have enhanced authority, and an independent feedback system would be developed between the

regional offices and Defence Central to 'ensure an independent means of assessing and maintaining DOD "output" quality'. Hinge argued that implementation of these broad policies would simplify the defence task by:

- a. eliminating the need for central defence agencies to 'micromanage' by greatly reducing the amount of minor decision making input data to be assessed. This leads to increased concentration on essentials, flexibility and speed of response;
- b. rationalising the existing system of excessive layering of authority and review levels. This leads to a reduction of duplication, paperwork and delays;
- c. encouraging initiative and developing an improved ability to cope at the 'coalface' where such attributes are most needed; and
- d. maximising independence of Joint Operational Formations (JOP's) by providing them with the highest degree of self-containment in terms of force structure, command authority and logistics support [Hinge, Submission, p S218].

5.11 The Committee recognises that the specific examples of Defence organisational deficiencies presented in the preceding pages are themselves open to question. At the same time, they are representative of a large body of criticism - particularly from the military - which consistently is levelled against the Defence higher organisation: at the least, the Department is perceived by many as being inefficient. Here, we believe it is important to note that in assessing the utility and effectiveness of an organisation, judgments based on such factors as working relationships, individual perceptions, job satisfaction, and hierarchies of and access to power, can be equally as relevant as rigorous analysis.

### Recent Departmental Initiatives

5.12 The Department of Defence does not accept these criticisms, arguing that it has always gone to considerable lengths both to improve the efficiency and effectiveness of the present structure and policy procedures and eliminate associated problems and deficiencies. This was a fundamental objective of both the Tange and Utz inquiries (whose recommendations were largely accepted by the incumbent governments) and, as argued to this Committee by a senior Defence official, it is an objective which continues to be afforded a high priority by the present leadership:

In an organisation as diverse and complex as Defence, the pursuit of improved efficiency and productivity poses a considerable challenge and yet, because of the extent of the community's resources we consume, there are major benefits both to the Defence area itself, and to the community at large, if we can improve our capacity to meet our objectives in a more cost-effective fashion. There is now an even greater need for Defence to achieve the best possible value for expenditure of the Defence dollar. Defence will need to be flexible and innovative in the way in which we maintain our essential activities, while continuing to place high priority on supporting a significant capital investment program at a time when the overall resources available in the Budget will be subject to very considerable restraint  
[Evidence, 23 April 1987, p 85].

5.13 The Department has sought to improve the efficiency of the organisation and its policy-making procedures in a number of ways. First, the Department itself has become more specialised. The broad Management Services and Supply and Support groupings which were originally introduced by the Tange reorganisation have now been replaced by three new organisations dealing with defence production, capital procurement and defence logistics (see Figure 5.1). Second, many of these functional groupings have been subject to review - both by the Department and by external committees - which have resulted in changes to their internal structure as well as to existing work practices and procedures.

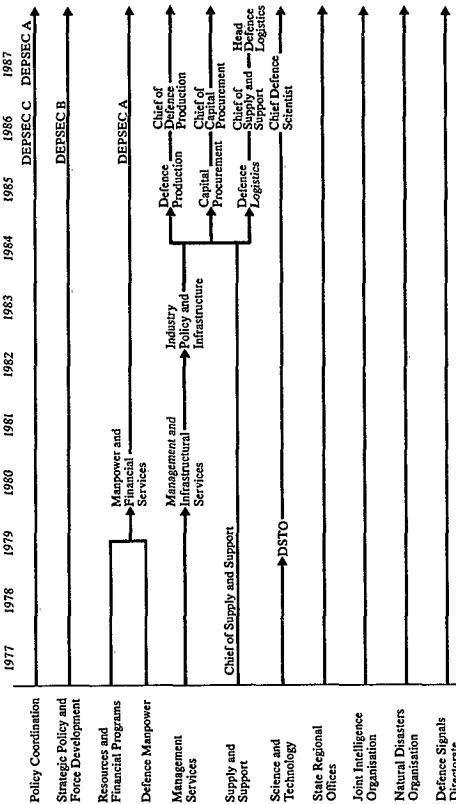


Figure 5.1 Changes in the Organisational Structure of the Department of Defence since 1976

5.14 Some of the major external inquiries have already been described. A recent example of an internal review occurred in 1985-86 when the Department conducted an extensive re-examination of the activities traditionally performed by the Office of Defence Production. As a result of this inquiry, the Department introduced a number of reforms aimed at reducing the operating costs and overheads of government-owned defence industries, increasing their productivity and improving internal management procedures [Defence Report 1985-86, pp 78-79]. The principal change involved the rationalisation and restructure of government factories and dockyards. A number of munitions factories were closed down or otherwise disposed of, while the remainder are being reviewed. Aerospace Technologies of Australia (formerly the Government Aircraft Factory) has been established as a government-owned company. Finally, the total workforce within the Office of Defence Production is being reduced (over 1,000 positions have been identified as surplus to existing and foreseen requirements). The Department has stated that these rationalisation exercises

... are being undertaken in accordance with [the Minister's] desire that we reduce significantly the extent of Government subsidy to Defence production establishments and to direct the funds saved to other areas of Defence endeavour. This will improve the overall efficiency of the establishments and facilitate the development of a more commercial outlook. A range of specific efficiency related issues which will be pursued in these establishments over the next two years include:

- A heightened emphasis on new technologies, including computer aided design and manufacture, to increase productivity.
- Production of systems which will lead to better identification of costs and the acquisition of a more appropriate pricing strategy.
- The identification and either adjustment or elimination of restrictive work practices. The process has started in the larger establishments and discussions will be held

shortly with the ACTU on extension of the exercise to other ODP establishments. This will be tied in with the broader Government initiatives aimed at increasing productivity through elimination of restrictive work practices throughout industry.

- Examination of ways of improving productivity through effective performance incentive arrangements.
- Examination of Government or management requirements which impact adversely on performance, eg,
  - procurement of goods and services;
  - financial and personnel administration;
  - reporting requirements;
  - Central Office guidelines and devolution [Department of Defence, Departmental Management Improvement Plan 1987-88, p 5].

5.15 The Department has also made a number of changes to its Capital Procurement Organisation, largely in response to the findings of the recent Public Accounts Committee's Review of Defence Project Management (this is discussed in detail in Chapter 7 of this report which deals with equipment acquisition and project management). In addition, in the current financial year, the Department intends to:

- a. examine the Defence Logistics Organisation and its ability to achieve rationalisation of logistics management;
- b. continue the establishment of an independent Defence Housing Authority, which will take over the functions of the Defence Housing Branch and incorporate many functions currently carried out within the Service Offices;
- c. establish an Australian Defence Families Information and Liaison Service;

- d. review the reconstituted Computing Services Division; and
- e. examine the feasibility of establishing a government owned company to take commercial advantage of technology developments which arise from research activities initially conducted at the Aeronautical Research Laboratories. If successful this initiative could be extended to other DSTO establishments [Departmental Management Improvement Plan 1987-88, pp 6-7].

5.16 The third basic approach to improving the efficiency of the defence establishment has been to institute better manpower policies and practices both at the organisational and individual levels. In its Departmental Management Improvement Plan 1987-88, Defence stated that while its civilian personnel numbers have been declining steadily over the last decade, 'new demands for manpower are being generated at a time when the department is conscious of the desire of the government to keep tight control over the numbers of personnel in public employment'. While not specifically stated, a consequence of these contrasting pressures is that Service personnel are being increasingly used in positions which would normally be occupied by civilians. This not only costs more - since on average it costs more to train and maintain Service personnel than it does civilians - but it also results in operational units being undermanned. This reduction in operational capacity is currently exacerbated by the relatively high wastage rates being experienced by the Services which means that additional Service personnel have to be diverted from operational units to help recruit and train new entrants.

5.17 In order to overcome these basic problems, the Department is devising a revised approach to manpower planning which will seek to:

- a. maintain the present size of the Defence Force but provide improved flexibility by identifying a training force which can vary with changing wastage rates so as to maintain the trained force at the strength necessary to meet the objectives set by the Government;
- b. meet the Government's 'across the board' efficiency dividend of three per cent reduction of total civilian numbers over the next three years;
- c. continue a vigorous program of rationalisation of the workforce in the Defence dockyards and production establishments;
- d. redeploy the manpower savings achieved in the Office of Defence Production and elsewhere in Defence to enable strengthening of high priority areas requiring additional staffing, eg, to support the major capital acquisition projects such as the new submarines, over-the-horizon-radar, etc;
- e. pursue a program of conversion of some Service posts to civilian ones using some of the civilian savings achieved from elsewhere, so as to free-up Service personnel for employment on higher priority ADF activities; and
- f. further improve the Department's capacity to meet its existing and new commitments by a vigorous program of management improvement based reviews/studies [Departmental Management Improvement Plan 1987-88, pp 3-4].

5.18 The Committee appreciates that considerable efforts have been, and continue to be made to enhance Defence management practices and to improve the organisation's efficiency : we endorse, for example, recent initiatives taken in defence production and logistics. Nevertheless, we remain concerned that the present defence establishment and its management and decision-making processes are deficient in a number of important respects, and that these detract from the efficiency and effectiveness of the organisation as a whole. These deficiencies and some suggested means of overcoming them are the subject of this and the following three Chapters. The remainder of this Chapter examines three issues which have been identified by the Committee and which stem from the increasing size and complexity of the defence establishment. They are:

- a. inadequacies in political supervision and control of defence policy and activities;
- b. the inadequate integration of functions within the defence establishment; and
- c. the problems of over-staffing and over-ranking within the Department of Defence and the Australian Defence Force.

#### Ministerial Supervision and Control of Defence Policy and Activities

5.19 The increase in the size and functions of the defence establishment raises the question of whether the Minister for Defence is able to carry out his functions and responsibilities properly. The feeling among certain commentators is that the defence establishment is now too big and too complex to be controlled satisfactorily by one minister [Australia Defence Association, Submission, p S440] and that politicians in general

are not sufficiently involved in the defence decision-making process, with the result that defence policy is effectively determined by (principally civilian) advisers. A former Service officer submitted to the Committee, for example, that 'the development of defence policy and the decision-making process, must, in the Westminster System, be a balance between the political arm, the professional arm and the bureaucracy - all working together to produce cost-effective, coherent, and logical policies and decisions'. He contended that in Australia the appropriate balance between these three perspectives does not exist largely because of the changes that have been introduced since the 1973-76 reorganisation of the Defence Department:

... although the Council of Defence, instituted in the Killen era has partially redressed this imbalance ... the powerful DFDC and the Defence Committee which have responsibility for developing major proposals for consideration by government have no political participation. Overseas practice especially UK and US is to involve the political arm at this level [Adams, Submission, p S36].

5.20 He further argued that the establishment of ministers assisting has not improved the political involvement in departmental policy-making:

At best this practice relieves administrative pressure from the Minister's office in that much of the routine 'cipher' functions such as that demanded by Treasury/Financial regulations are removed from the Minister's office. At worst some Ministers Assisting have used their position to advance other political pursuits. The centralisation of all defence political responsibility in one portfolio has not been a success, and I believe at least three full time ministers are required [Adams, Submission, p S37].

5.21 Similar arguments have been advanced by Desmond Ball. In an article written in 1979, Ball noted that although the Minister has considerable formal authority over the defence decision-making process, in practice he is subjected to a number

of very powerful constraints which serve to restrict his influence. These were said to include:

- a. the policies and interests of other Ministers;
- b. his dependence on his departmental advisers;
- c. lack of alternative sources of advice;
- d. the complexity of the defence establishment;
- e. the Minister's isolation from the decision-making process; and
- f. the pressure of contending party and political obligations [Ball, 1979, pp 186-87].

Ball noted that some ministers had sought to develop additional mechanisms to help them carry out their responsibilities and provide alternative sources of advice. These included ministers assisting, ministerial advisers, external consultants, committees and commissions of inquiry, and the establishment of independent groups to provide informed critiques of defence issues. The success of these various mechanisms was, however, said to be limited, primarily because they remained dependent on the bureaucracy for detailed information and expertise.

5.22 The need for adequate ministerial supervision and control of defence policy has also been an important theme in past official investigations into the higher defence machinery. In recommending the amalgamation of the three existing Service Departments with the Department of Defence, the Morshead Committee stated, in its first report made in December 1957, that:

The Minister for Defence in charge of a single Department embracing the Services would need

assistance in carrying out heavy additional responsibilities. It might be possible to provide effective assistance through one or two 'Associate' Ministers, who would be given defence responsibility, in addition to their regular Ministerial portfolios. Responsibility so allocated should, in the opinion of the Committee, be on a functional not a 'Services' basis. This question of assistance to the Minister for Defence is a political one on which the Committee would not wish to express any firm opinion. It is mentioned because the Committee feels that Ministerial assistance in some form would be essential for the Minister for Defence if one integrated Department of Defence is established [Morshead, 1957, p 7].

5.23 In its second report to Cabinet the following year, the Morshead Committee envisaged that the Minister for Defence and his Associate Minister or Ministers would form a Ministerial Directorate, with the junior Ministers working to the Minister for Defence and having responsibility for overseeing particular functions such as logistics or personnel:

Once policy has been determined the Committee visualises the 'Associate Ministers' dealing directly with the Chiefs of Staff, Controlling Officers of the Department of Defence, Heads of Service Branches and civilian assistants located in the Service Branches. In the field of logistics, for example, the 'Associate Minister' would consult with the Chiefs of Staff on matters of broad policy as well as with the Quartermaster-General and Master-General of the Ordnance (in Army) and their counterparts in the other two Services [Morshead, 1958, p 7].

5.24 The approach originally suggested by the Morshead Committee is similar to that introduced into the United Kingdom Ministry of Defence in 1981. There, the Secretary of State for Defence (who is equivalent to Australia's Minister for Defence) is supported by two Ministers of State, one responsible for the Armed Forces and the other for defence procurement. The Ministers of State are in turn supported by a Parliamentary Under Secretary of State. This system of supporting Ministers replaced an earlier

arrangement in which three Parliamentary Under Secretaries headed the three Service Departments. According to the 1984 UK Defence White Paper, the revised Ministerial structure was introduced 'to strengthen political direction and to allow Ministers to carry greater functional responsibilities, thus emphasising the defence as against the single-Service responsibilities of the Ministry' (The Central Organisation for Defence, July 1984, p 3). Both Ministers of State sit on the Defence Council. The Minister of State for Defence (Armed Forces) also presides over the Service Boards, which are responsible for running the Service Departments on a day-to-day basis.

5.25 The issue of ministerial participation and control was also considered, albeit briefly, by the Tange and Utz Reports. The 1973 (Tange) Report on the Reorganisation of the Defence Group of Departments was based on the explicit assumption that under the revised organisational arrangements, the Minister for Defence would 'have Ministerial assistance to enable him to cope with the volume of tasks' (Tange, 1973, p 13). The Report, however, did not speculate on what form this assistance should take, although in an article written in 1975, Sir Arthur Tange appeared to rule out the use of independent ministerial advisers (Tange, 1975, p 200). The Defence Review (Utz) Committee's recommendation to establish a separate Department of Defence Support also was based in part on reducing the administrative load on the Minister. In the Committee's view, the revised organisational arrangements

... placed a heavy administrative burden on the Minister for Defence and represented a most complex and demanding management task. An important factor in our consideration of how this complexity might be reduced was the contribution that a different form of organisation would make to the ease of the rearrangements which we believe would be required in a defence emergency or war (Utz, 1982, p 198).

Under the revised arrangements, the standing of the Minister for Defence was protected by requiring the Minister for Defence Support to administer the activities under his control within the overall policies approved by the Minister for Defence. As noted in Chapter 2, the Utz Committee's recommendations on this matter were implemented by the then Government in 1982 but were reversed in 1984 largely on the grounds of efficiency. The issue of adequate ministerial control, however, which had formed a major part of the rationale for the split, was not addressed in the re-amalgamation of the two departments.

5.26 Governments have not been completely indifferent to the problems of ensuring adequate ministerial supervision and control. In the past, successive Governments have sought to lessen the load on the Minister for Defence by designating other ministers as Ministers Assisting the Minister for Defence. The effectiveness of this approach was limited, however, by the fact that the Ministers Assisting the Minister for Defence were each required to administer their own department. Thus while Assistant Ministers could relieve the Minister for Defence of some of his detailed workload, their contribution was in turn limited by their own departmental and external responsibilities and interests. As Michael O'Connor concluded in his book To Live in Peace, the use of Ministers Assisting has not solved the problem of ministerial overload:

As a solution it was not successful. The Minister Assisting had plenty to do himself in his department and his assistance tended to be concentrated in periods when the real Minister was absent from Canberra. The problem of Ministerial overload has still not been solved in 1985 even by Kim Beazley's solution of having two Ministers Assisting (O'Connor, 1985 p 73).

5.27 In July 1987, as part of its general restructure of the Public Service, the Hawke Government established the position of a 'junior' Minister for Defence who is to be responsible to the Minister for Defence for the defence science and personnel

aspects of the portfolio. The Minister for Defence Science and Personnel is not involved in any other department and she has her own support staff. The establishment of the position will clearly relieve the Minister for Defence of a proportion of his workload and so enable him to devote more time to broader policy and administrative issues.

**The Need for Greater Political Participation in Defence Decision-Making**

5.28 Under our current system of government, ministers are responsible to the Parliament, and ultimately the people, for the operation of their departments. While it is generally acknowledged that it is becoming more difficult for ministers to oversee - and therefore legitimately be held responsible for - all the activities of their departments, it remains the case that they can and should play a key role in both the direction and control of their particular portfolios. This is particularly so in the case of Defence which has an annual budget in the order of \$7000m and very large and expensive public assets. Ministerial involvement in defence policy-making is also necessary because of the diarchic structure of the establishment. Under these conditions, the Minister can serve as an independent adjudicator when advice offered by the military and civilian halves of the organisation differs or is in conflict.

5.29 The Committee does not accept the view advanced by some within the bureaucracy that the Minister for Defence should be responsible only for broad policy formulation. It considers that the Minister also needs to be acquainted with the complexities and problems involved in the administration of his Department. In particular he should be aware of how policies are made and should participate more in the debate and consideration of major issues. Having said this, it must also be recognised that the means of political control within Westminster systems must be sufficiently

flexible to take into account both the abilities and the additional interests and duties of the minister(s) as well as the due processes of government. As noted by the Royal Commission on Australian Government Administration:

It would be unrealistic to design a system of administration which, to operate effectively, needed the hour to hour and day to day leadership of the minister. At the same time, the structure should not be such that an energetic and able minister cannot, if he so chooses, play a very active role in departmental operations. Nevertheless, the more usual need seems to be for arrangements by which ministers can be relieved of some of the instant pressures of management so that they can provide general and political leadership and get on with their other jobs - and so that departments on their side are not continually hampered by being unable to proceed for want of authority ... The arrangements must be sufficiently flexible to allow departments to operate effectively both with ministers who, of their own volition or through political or other necessity, become heavily involved in the working of their departments and with ministers who for often equally cogent reasons do not spend a great deal of time with their departments [RCAGA Report, 1976, p 66].

5.30 In the Committee's view, while the Minister for Defence and his Assistant Minister have considerable authority over defence matters they are insufficiently involved in the policy formulation process. Under the present arrangements, the Ministers and their staff are effectively isolated from the machinery of decision-making and so they have little chance to become acquainted with issues as they are developing or are being debated. The Ministers are members of only one defence committee: the Defence Council. While this sits at the pinnacle of the committee structure, its formal involvement in defence policy-making is limited. In the past at least, the Council has met infrequently and only on the direction of the Minister [see Ball, 1980, p 18]. More importantly, the role of the Council is to consider and discuss matters relating to the control and administration of the Defence Force. It thus only looks at one

half of the defence establishment and does not play a decisive role in the decision-making process. A number of submissions have suggested that the role of the Defence Council should be upgraded. The RSL, for example, argued that in order to achieve effective defence of Australia and proper direction of the ADF, the Council should be used to translate security policies emanating from Cabinet into courses of action to be pursued by the ADF and the Department of Defence [RSL, *Submission*, p S161]. Others have stated that the Minister should also chair the Defence Committee arguing that 'in this way many of the important initiatives coming forward would receive political exposure before being introduced to Caucus and Cabinet as appropriate' [Adams, *Submission*, p S41].

5.31 A related concern is that the Minister and his Assistant would normally be presented with a series of fait accomplis which contain very little information either on possible alternatives or divergent views. In the view of at least one former Minister for Defence, the Hon. W.L. Morrison, this situation is far from satisfactory:

Faced with a single recommendation a Minister feels a certain unease. At which stage and for what reasons were differences of opinion submerged and a compromise reached? In short at what cost was unanimity achieved? Even in cases where a choice of recommendations is proffered (apart from the inherent choice of negating the single recommendation) the Minister can never feel fully satisfied that he has been given the full range of choices.

Morrison concluded that:

Some of these concerns can be resolved by improving the quality of the policy submissions. But this does not overcome the very real and intractable problem facing Ministers in the Westminster system. In theory he should be able to examine proposals from a broader perspective than that of the organization proposing them. He is of course well placed and indeed the only one so placed to assess the political consequences - particularly the party political consequences - of

the recommendation. But when it comes to passing judgement on a complicated proposal, for instance on an intricate and expensive weapons system, the technology of which it is fairly safe to assume that he is completely ignorant, the opportunity should be available for an independent source of informed review and analysis [Morrison, 1977, pp 79-80].

5.32 To some extent the limitations on ministers are enhanced by the actions and perceptions of their departments. In their recent book Can Ministers Cope, Patrick Weller and Michelle Grattan found that many senior public servants did not want ministers involved in administration. Rather, they saw that their major role was to represent their department's interests in Cabinet and other forums, and to provide a link between bureaucratic and political worlds:

... while permanent heads assert that they do not want ministers to be captive of their departments, they inevitably expect them to be captive of their job. They must get the paperwork done, provide political direction and interact constructively with their department [Weller and Grattan, 1981, p 100].

They also recognised that these tasks were far from easy:

It is, officials admit, a time-consuming and tremendously hard job. Indeed the job may be too hard. One ironic complaint was that ministers don't talk to each other enough as individuals; they are frequently too busy to meet and settle differences bilaterally [Weller and Grattan, 1981, p 100].

As a consequence of this, some departments may be tempted to streamline their interactions with the minister, or to limit the number of policy options that are presented to him, or to isolate him or her from the administrative and policy-making process altogether.

5.33 The Committee considers that there is a case for reviewing the current organisational arrangements affecting the

relationship between the Minister for Defence and his Department. We further consider that there should be greater political involvement in the defence decision-making process than occurs at present in order that Parliament and the Government are able to exert greater influence in the formulation, oversight and implementation of defence policy. In line with this general principle, the Government should consider introducing measures which:

- a. further reduce the current workload on the Minister for Defence, thereby giving him more time and opportunity to consider longer-term issues;
- b. provide Senators and Members with a much greater understanding of the problems and complexities of the defence establishment and the principal defence issues; and
- c. enable the Minister and Cabinet to exert greater authority and control over defence policy.

5.34 In the Committee's view the basic and most important means of achieving these objectives is through the appointment of junior ministers who can assist the Minister for Defence in the oversight and direction of his Department. The Committee welcomes the appointment of the Minister for Defence Science and Personnel, but considers that, in view of the size and complexity of the defence establishment, there may be need for a further one or more junior ministers. In this context, it favours the basic approach used in the United Kingdom Ministry of Defence. The Committee acknowledges that the approach may be difficult to control and administer. The effectiveness of 'ministerial teams' will also depend on the personalities of the particular incumbents and on the willingness of the Minister for

Defence to share his responsibilities with potential future rivals. A possible alternative approach which would lessen these problems would be for the Government to appoint a Deputy Minister or Ministers from outside the Parliament, as is currently the practice in the United States and Israel. This approach has considerable appeal as it would give the Government access to a wide range of individual skills. The Committee appreciates, however, that it would require constitutional change.

5.35 A second important means of assisting the Minister (especially one interested in reform) is through the establishment of specialist advisers who can provide him with a perspective independent from that of his department. As noted earlier, this approach has been used to various degrees by both the present and former Governments and includes the appointment of ministerial advisers, external consultants, committees of inquiry, and the maintenance of links with external interest groups such as the RSL or the Defence Manufacturers Association. The Committee notes that there continues to be debate over the role and effectiveness of ministerial advisers and other external mechanisms of review. Desmond Ball has concluded that 'the personal staffs of neither the Barnard nor Morrison Ministries were able to act as a "countervailing force" to the bureaucracy' (Ball, 1979, p 188). Weller and Grattan argued that independent experts are needed 'if only to provide the capacity to challenge the assumptions on which advice is based'. Like Ball, however, they accepted that the role of personal advisers is necessarily limited, stating that 'they are not - and never can be - the Minister's alter ego' (Weller and Grattan, 1981, p 207). The Royal Commission on Australian Government Administration was concerned that ministerial advisers should not interrupt the flow of information between the minister, the department and other interest groups. It also felt that ministerial advisers should not be separated from the normal departmental staffing arrangements:

We do not rule out the possibility that a minister may wish to have advisers at more senior levels in his private office although generally we consider it preferable that such advisers, even if appointed for a limited term should be integrated with the staff of the department. If a minister feels he needs additional support in terms of the policy analysis or options submitted to him, or in terms of the administrative issues that come before him, it is preferable that he should take up these needs with his departmental head and arrangements satisfactory to the minister be made to meet them. This course accords with the view the Commission has expressed that ministers can and should be involved in the way the departments work. There will be occasions when an additional officer with special knowledge, experience or capacity will be required to assist the minister, but it will frequently be more helpful to him if the resources of the department are more effectively mobilised or stimulated to be responsive to his needs [RCAGA Report, 1976, p 105].

This debate notwithstanding, the Committee considers that the Minister for Defence and his Assistant Ministers(s) should have sufficient specialist staff to assist them in carrying out their basic responsibilities, to provide an alternative perspective on key issues, to act as a sounding board for new ideas, and to liaise with relevant outside groups and government agencies. Such specialist staff should be kept separate from the Department but could include a mixture of departmental officers and external consultants.

5.36 The third basic means of ensuring greater political participation (and responsibility) in defence is for the Minister for Defence and his junior Ministers to chair key defence policy advisory committees. In our view, this would provide politicians with a greater insight into defence issues and ensure that important options or conflicting points of view that may otherwise be suppressed in defence committee discussions would be heard. It would also help remove the grounds for the assertion that civilian bureaucrats dominate defence decision-making. Formal committee hearings could also be

complemented by regular meetings between the Minister(s) and his Departmental officers. This Committee accepts that Ministers cannot, and probably should not, be involved in defence committee considerations at either too low a level or too early in the policy cycle. It considers, however, that politicians are presently too remote from defence decision-making and there is a need to involve them more in the considerations of higher defence committees.

5.37 The Committee recommends that:

- a. the Government review the organisational arrangements affecting the relationship between the Minister for Defence and his Department. The review should aim to increase the political participation and involvement in the defence decision-making process, and address:
    - (i) the need for additional assistant ministers, without necessarily increasing the size of the ministry,
    - (ii) ministerial and specialist staff support, and
    - (iii) the potential role of ministers in the defence committee system;
  - b. the terms of reference of the Defence Council be amended to consider and discuss matters relating to the defence establishment as a whole, and that it meet on a regular basis; and
  - c. the Minister for Defence or an Assistant Minister chair the Defence Force Development Committee.
- (Note: R36 also relates to the DFDC.)

**Management Problems in the Integration  
of Defence Functions**

5.38 The defence establishment comprises a number of highly specialised, complex organisations, with differing functions, operating modes and characteristics. Given those distinct characteristics, there is a natural tendency for the various organisations to 'pull' in different directions. If national defence strategies are to be implemented - that is, if national defence security objectives are to be fulfilled - it is essential to establish a management system which draws the parts together into a whole. This system must ensure that both the broad application of policy and the nature of operational activities are consistent with the strategic goals of the defence establishment. The Committee notes that because of the complex demands of the various divisions of the defence establishment, the breadth of perspective and authority necessary to achieve that outcome is likely to be found only at the highest levels. It is also apparent that an efficient higher management 'integrating' system would serve as a convenient medium for identifying deficiencies within the existing system.

5.39 The need for management to integrate the functions of the whole organisation, especially in terms of achieving objectives (ie, 'output'), was one of the main issues examined in the 1985 Staff Report to the United States Senate Committee on Armed Services, entitled Defense Organization: the need for change. In the case of the United States Department of Defense, the Senate Staff Report noted that the higher management process suffers from a number of deficiencies. These were said to include the following:

- a. emphasis is placed on the separate components of the defence system (personnel, research and development, installations and logistics, etc) rather than on the desired output of the system;

- b. there is a lack of an overall organisational focus on the strategic goals or major objectives of the defence establishment which in turn tends to inhibit strategic planning;
- c. the single Services exert undue influence over program decisions, which can create an imbalance in military capabilities and an over-emphasis on investment items (major equipment and facilities);
- d. individual Services and other functional groups are reluctant to trade off programs which overlap;
- e. there are limited opportunities for non-traditional contributions to defence objectives to be identified and pursued; and
- f. there is limited identification of the interoperability and coordination requirements of forces from the single Services [Defense Organization: the need for change, 1985, pp 81-82].

5.40  
be:

- a. Inadequate 'force objectives' support for the Secretary of Defense and the JCS Chairman. The Secretary and the JCS Chairman are the only effective managers of the defence establishment's overall objectives (its 'output') since they 'are the only DoD officials in a position to view the total organisation and its major mission efforts'.

The basic causes of this situation were considered to

However, there is no machinery to support them in this role since it is all organised to deal with 'input' functions.

- b. **Predominant influence of the Military Departments.** While the primary mission of the Military Departments is to organise, train and equip forces, they have maintained substantial influence on questions of strategy, policy and broad resource allocation. This influence arises primarily from their dominance of JCS and it counteracts efforts to integrate the US military establishment.
- c. **Limited authority and staff support for the JCS Chairman.** Under current US arrangements, the JCS Chairman has very limited staff support to be able to provide a vigorous and capable integration effort along strategic objectives lines and so balance the influence of the Services.
- d. **Limited input by Unified Commanders.** Given the weaknesses of the JCS system and the relative isolation of the unified commanders from the Secretary of Defense, the unified commanders do not have sufficient influence over the readiness of their assigned forces, their joint training, their ability to sustain themselves in combat, or the future capabilities of their forces that derive from development and procurement decisions [Defense Organization: the need for change, 1985, pp 82-87].

The report considered a range of options for overcoming these perceived weaknesses in the management of strategic objectives

and recommended a number of organisational and procedural changes. These broadly involved the establishment of three 'mission-oriented' - that is, 'output-oriented' - Under-Secretary positions in the Office of the Secretary of Defense and an extension of the role of both the JCS and the Unified Commanders in the policy-making process.

5.41 The Royal Commission on Australian Government Administration made similar observations although it did not express them in the same terms. It argued that in order for departments to become more efficient they must first establish adequate means of defining and reviewing the establishment's overall objectives. In particular, it considered that each department should

... develop for itself a program of administrative review and adjustment that will over a period of time enable it to achieve the objectives according to a determined order of priorities. It would be consistent with our general suggestions for Ministers' involvement in administration of departments if they were to be fully consulted about each program of implementation, and the priorities it implies [RCAGA Report, 1976, pp 70-71].

5.42 The Commission supported the use of departmental boards as means of carrying out this role. Citing a submission by the Department of Urban and Regional Development, the Commission saw that such executive review groups would have a number of additional advantages as follows:

- regular and organised accessibility to the experience and collective wisdom of the department on a wide range of policy and administrative matters;
- improved management of the department because of the common awareness of problems and objectives;
- regular machinery for review of co-ordination and communication;
- exposure of a wide range of staff to executive issues and staff training and development;
- an easy device for delegation;

- machinery for load sharing on a basis cutting across divisional structure;
- the convenience of knowing that once a week at a regular time in an organised way the Executive of the department will be available for whatever problems present themselves [RCAGA Report, 1976, p 71].

5.43 Another means of improving the efficiency and executive overview of departments favoured by the Commission was the use of the position of Chief Officer. According to the Commission, this is a position included in the original Public Service Act primarily to assist in the administration of departments. The Commission considered that the position could be used to relieve the Secretary of some of his day-to-day administrative responsibilities and so free him for the broader functions of policy and organisational overview.

5.44 Many of the arguments raised by the Royal Commission and contained in the US Senate Report can be directed, in principle at least, at the Australian defence establishment which has evolved in a similar manner, and in similar form, to its American counterpart. The Department of Defence has become highly specialised with discrete organisational groupings dealing with the separate functions of personnel and financial services, strategic policy and force development, capital procurement, logistics, defence production, and defence science and technology. The number and scope of these functional organisations has tended to increase. There are now 10 major functional areas (including outrider organisations) that report to the Secretary compared with eight in 1980 (see Figure 5.1). Over the same period, the number of senior officers reporting directly to the CDF has increased to eight. The span of responsibilities at the level of Deputy Secretary or equivalent has also tended to contract and become more specialised. Whereas Deputy Secretaries were previously responsible for overseeing a number of functional organisations, each functional grouping is now headed by a Deputy Secretary or equivalent who is

responsible to the Secretary to the Department for the running of his organisation and the provision of advice on matters relating only to that group's principal functions.

5.45 This has important consequences for the management and oversight of the defence establishment as a whole. As the organisation has become more highly specialised, there are less and less senior officials who have the necessary perspective or breadth of responsibilities to make decisions which provide the greatest benefits in terms of the defence establishment's overall interests or objectives. Under the current arrangements, only the Minister, the Secretary to the Department of Defence and the CDF are in a position to oversee the running of the whole defence establishment and ensure that it is structured and operating in a manner that will meet the establishment's basic goals. All other senior officers are subsumed within their own specialist organisations and would have difficulty looking beyond their relatively closed environment to see 'the big picture'. While the Minister and his principal officers have sufficient authority to carry out this crucial managerial role, they are hampered by:

- Inadequate bureaucratic support. At present, there is no organisation or policy committee charged with the broad oversight of defence policy and planning, although the Defence Committee could be used for this purpose.
- Inadequate guidance on what our basic strategic goals and defence priorities should be. Until there is agreement on Australia's national objectives and the basic strategic defence concepts and postures that are required to satisfy these objectives then there is no way that the basic missions of the defence establishment can be determined and tested.

This issue is taken up in Chapter 6, which deals with planning, programming and budgeting in defence.

c. Inadequate information base. Most of the basic data on defence is expressed in terms of input functions (personnel, major equipments, facilities, and so on) rather than outputs. It is very difficult therefore to demonstrate that the objectives of the defence establishment are being met. This issue is also discussed in detail in Chapter 6.

5.46 Those organisational deficiencies can lead to 'difficulties in government consideration of defence issues', which in turn can place pressures on senior officials to take decisions outside the normal decision-making framework. For example, it has been argued that the Department of Defence's failure or inability to produce a comprehensive review of defence capabilities since the 1981 Defence Capabilities Paper - a key document in the 'output' process - placed ministers in the position where they were 'asked to approve specific equipment proposals without the opportunity to consider how these proposals relate to an overall defence concept and plan for the development of our force structure' [Dibb, 1986, p 26]. Indeed, the fact that the Minister went outside the Department to commission the 1986 Review of Australia's Defence Capabilities could be seen as indicative of the type of fundamental organisational deficiency under discussion.

5.47 The Committee considers that there is an urgent need to strengthen the policy coordinating role of the Minister for Defence and his principal advisers. Proposals which would strengthen the authority and input of the Minister were addressed in the previous section, while an analysis of the ability of the CDF to monitor and influence defence

decision-making is contained in following Chapters. As far as enhancing the bureaucratic support for the Secretary is concerned, there are a number of possible approaches, including:

- a. either direct an existing functional organisation within Defence to carry out the policy/strategic objectives role or establish a new one;
- b. establish a permanent special advisory group or board which works under the direct control of the Secretary and is responsible for reviewing departmental objectives and their means of achievement; and
- c. utilise various supplemental integrating devices such as individual co-ordinators, or specialist task force or inquiry groups which would be required to investigate and report on issues which operate across the whole of the organisation.

5.48 The Committee has received insufficient evidence to enable it to conduct a detailed analysis of these various options. It notes with concern, however, the apparent organisational weaknesses which persist in the higher echelons of the Department of Defence.

5.49 Accordingly, the Committee recommends that the Minister for Defence appoint an external management review body to examine and report publicly upon the management effectiveness and organisational and structural efficiency of the higher levels of the Department of Defence. As a minimum the review should address:

- a. the span of control of the Secretary and his principal officers;

- b. the formulation of departmental objectives and strategies, and the means of assessing whether and how they are achieved; and
- c. the establishment of a position of Under Secretary to the Department of Defence who would assist the Secretary in the administration of his Department.

#### The Distribution and Employment of Defence Personnel

5.50 The current strength and distribution of personnel within the defence establishment have been criticised on a number of grounds. As noted at the beginning of this Chapter, there are those who consider that the present level of staffing is excessive overall and that it is 'top heavy' in that there are more senior officers than is either desirable or necessary. Others believe that there are too many civilians within the defence establishment, or that they dominate the higher echelons of the organisation. Still others argue that too many Service personnel are being placed into non-operational appointments and that this is undermining the capacity of Australia's combat forces. Finally, there are those who are concerned that the operational effectiveness of the ADF is being reduced by the continuing high-level wastage rates of Service officers and senior non-commissioned officers, which is said to be due in part to a requirement to spend much of their careers at Russell Hill. This section attempts to examine these divergent and at times conflicting criticisms and issues by looking at the present staffing levels within the defence establishment and how these have changed over the last decade, and, where possible, comparing Australia's situation with the experience of some of its principal allies, in particular the United States, the United Kingdom and Canada. From the outset, it is important to note that the solutions to many of these criticisms and issues

that have been raised are more matters for judgment than rational analysis.

#### Civilian-Military Ratio

5.51 In June 1987 there were 36,357 full-time civilian staff and 70,761 permanent Service personnel employed by the Department of Defence. Over one third of the civilian staff are employed in the Office of Defence Production, principally within the industrial establishments and dockyards (see Figure 5.2). A further 39 per cent are employed directly by the Australian Defence Force and the individual Service Offices, with a further 11 per cent in DSTO. The remaining 16 per cent are spread between Defence Central (9.5 per cent), regional offices (3.8 per cent) and the Defence outrider organisations (2 per cent). The present distribution of civilian staff within Defence Central is shown in Figure 5.3. The vast proportion of these are involved in administrative and support functions. Only a few hundred have a major policy role; they are located primarily under DEPSEC B within the Strategic and International Policy (SIP) Division, Force Development and Analysis (FDA) Division and the Programs and Budget (PB) Division.

5.52 The functional distribution of Service personnel within the defence establishment is shown in Figure 5.4. The majority serve either in operational or direct logistic support units (around 44 per cent) or in a training role (25 per cent if Reserve cadres are included). A further 14 per cent are employed in command and administrative functions, and the remainder are spread between various support and maintenance roles. A breakdown of the number of Service personnel serving within the Department of Defence is shown in Figure 5.5. (Note: the Department ceased giving Service personnel breakdowns by operational function in 1984.)

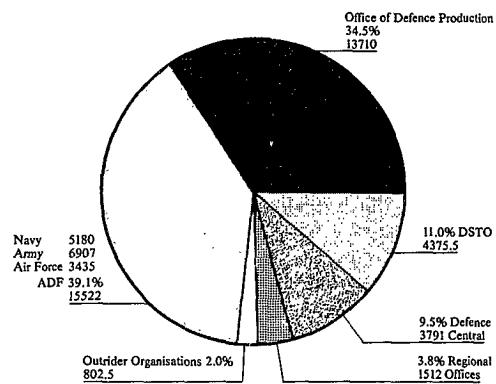


Figure 5.2 Distribution of civilian employees within the Defence Establishment 1986-87

Source: Department of Defence, *Manpower Presentation to the Joint Committee on Foreign Affairs and Defence*, May 1987

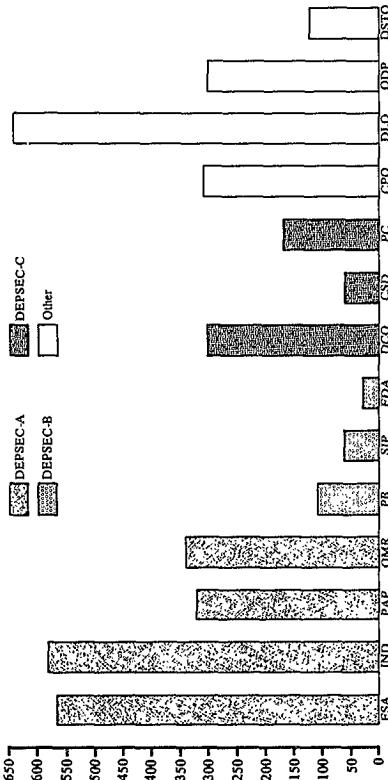


Figure 5.3 Distribution of civilian employees within Defence Central 1986-87

Source: Department of Defence, *Manpower Presentation to the Joint Committee on Foreign Affairs and Defence*, May 1987

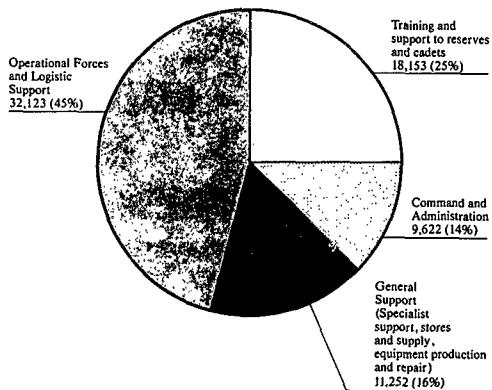


Figure 5.4 A functional distribution of service personnel within the defence establishment 1983-84

Source: Figures extracted from *Defence Report 1983-84*, Canberra, 1984

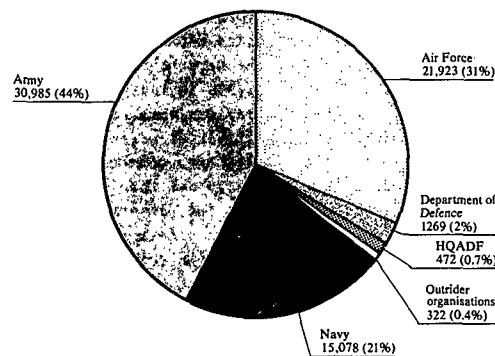


Figure 5.5 Distribution of service personnel within the defence establishment 1985-86

Source: Figures taken from *Defence Report 1985-86*, Canberra, 1986

5.53 Allowing for the movement of civilians involved in defence activities in and out of the Defence Department, the overall strength and functional distribution of civilians and Service personnel has not varied much since the 1973-76 reorganisation. The total number of civilians employed by the Department of Defence over the period 1975-76 to 1986-87 and the total number of civilians involved in defence activities in the same period are shown in Figure 5.6. The number differs initially because many civilians employed on defence matters were actually located in other departments. The number of personnel employed full-time by the Department of Defence declined from 30,538 in 1976 to 19,355 in 1982 and then rose again to around 38,000 (these variations were caused primarily by transfers to and from the Department of Defence Support). The total defence civilians on the other hand showed less variation, declining from 40,000 to around 38,500 and then rising again to around 40,000 before tapering off to the present figure. The recent decline in numbers is largely a result of the continuing rationalisation of staffing levels within government-owned factories. A further overall reduction of around 1300 civilians is expected to be achieved over the coming FYDP.

5.54 Over the same period, the number of permanent Service personnel employed in the defence establishment rose from 68,774 in 1975-76 to 73,185 in 1981-82 and then declined to the present strength of 70,761. The distribution of Service personnel both along functional lines and between the three Services remained relatively constant (see Figures 5.7 and 5.8) although in the former case there has in recent years been a slight increase in the number of Service personnel allocated to the operational forces and to central headquarters and administration. This has largely been at the expense of training and regional commands.

5.55 From Table 5.2 it can be seen that the ratio of civilian to military personnel in defence has remained constant at least over the last decade at around 0.55 or 550 civilians

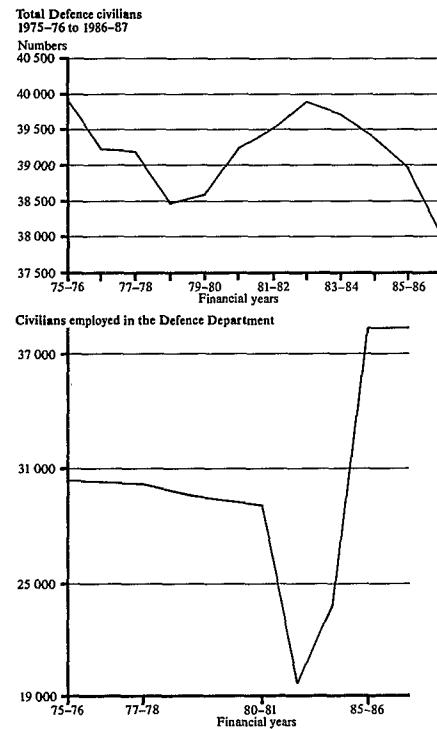


Figure 5.6 Civilians employed in the Department of Defence and involved in defence activities 1975-76 to 1980-87

170.

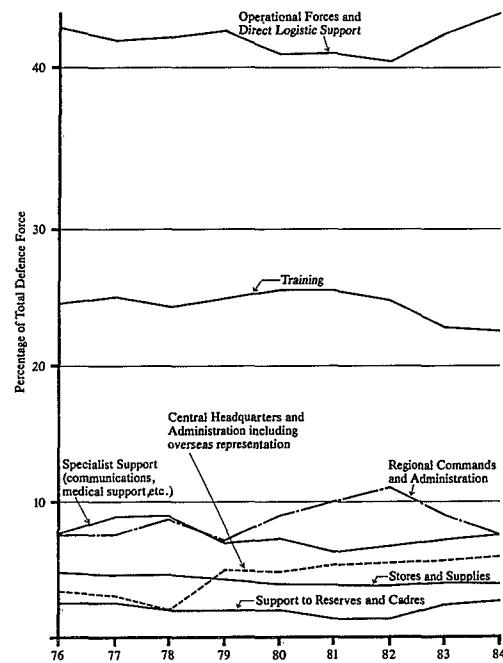


Figure 5.7 Functional Distribution of Defence Force Personnel: 1976-1984

171.

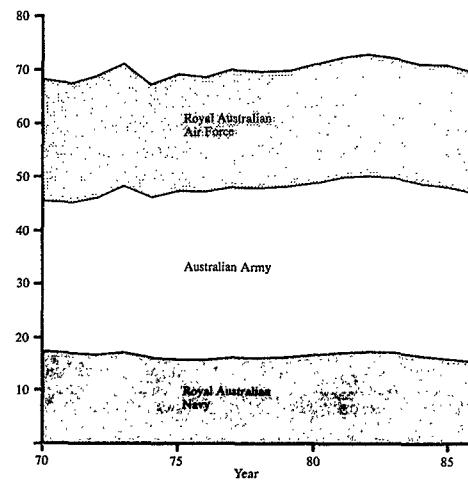


Figure 5.8 Distribution of permanent service personnel by single service

**TABLE 5.2** RATIO OF TOTAL DEFENCE CIVILIANS TO TOTAL DEFENCE FORCE PERMANENT PERSONNEL 1977 TO 1987

<u>Year</u>	<u>Civilians</u>	<u>Service Personnel</u>	<u>Ratio</u>
1977	39250	70081	0.560
1978	39200	69870	0.561
1979	38500	70198	0.548
1980	38550	71531	0.538
1981	39250	72518	0.541
1982	39500	73185	0.539
1983	39900	72782	0.548
1984	39750	71642	0.555
1985	39000	71382	0.546
1986	38102	70049	0.544
1987	39169	70529	0.555

Source: Defence Reports

for every 1000 Service personnel. This ratio is not significantly different from that in the United States, Canada and the United Kingdom (See Table 5.3). Comparisons of the functional distribution of defence personnel are more difficult to make since the different countries report their personnel statistics in different ways, and Australia stopped providing functional breakdowns of its defence manpower from 1983. A comparison of manpower distributions by function for Australia in 1983 and the United Kingdom in 1985 is shown in Table 5.4. While at first sight the figures appear to indicate that the United Kingdom has a significantly greater proportion of both its military and civilian employees allocated to operational units, part of the difference could be due to differences in the organisational structure of the two forces and in how personnel are classified. The principal evidence for this is the much higher proportion of civilians in the British 'Operational Forces' category. By the same token, Australia seems to have a greater proportion of its military workforce located in support functions such as repair and storage and training, while the civilian proportions in those areas are about the same or less as their UK equivalents. This could indicate that in Australia military personnel are being used to complete functions which are carried out by civilians in the UK, although again it could be a result of classifying personnel differently.

5.56 Notwithstanding those (relatively minor) statistical uncertainties, it seems that the assertion that the defence establishment in Australia has too many civilians in it when compared with other Western nations and that the civilian to military ratio is increasing is unjustified. There may be some evidence that Australian military personnel are being used to carry out functions that either could or would normally be carried out by civilians. If it is true, this would represent both a waste of resources - since Service personnel generally cost more to train and maintain than their civilian equivalents - and an unnecessary drain on our operational

TABLE 5.3

## COMPARATIVE PERMANENT CIVILIAN/MILITARY RATIOS FY 1986/87

	Military	Civilians	Civilians/ 1000 Military
Australia	70,529	39,169	555
	70,529	31,069(1)	440
Canada	86,036	41,181	479
United Kingdom	320,900	165,000	514
United States	2,181,000	1,115,000	511

Note (1): Excludes Munitions and Aerospace civilian personnel

Source: Department of Defence, Manpower Presentation to the Joint Committee on Foreign Affairs and Defence, May 1987

Functional Category	United Kingdom (1)		Australia (2)	
	Total Strength Service Personnel	Civilians	Functional Category	% Total Strength Service personnel Civilians
Nuclear Strategic Force	0.6	2.1	Operational Forces and Logistic Support	42.9
Naval General Europe Combat Forces	12.8	6.1	Specialist Support	7.2
European Theatre Front Forces	30.2	12.1		
Other Army Combat Forces	4.4	3.3		
Air Force General Purpose Forces	18.0	4.4		
Air Force General Purpose Forces Sub-Total	66.0	28.0		50.1
Reserve and Auxiliary Formations	0.9	1.6	Support to Reserves and Cadets	2.2
Research and Development	0.4	12.4	Research and development	0.3
Training	19.5	8.0	Training	23.5
Repair and Storage in the UK (dockyards, repair and maintenance, storage and supply, quality assurance)	2.4	28.9	Stores and Supply	3.8(4.9)
Other Support Functions (Whitchall organisation, Local administration, Family Support Services, other Support Services)	10.8	21.1	Equipment Production Repair and Overhaul	4.0
			Dockyards	11.4
			Sub-Total	4.8
			Aerospace production facilities	3.1
			Munition production facilities	15.0
				28.3(36.7)
				16.2

FUNCTIONAL DISTRIBUTION OF SERVICE AND CIVILIAN PERSONNEL IN THE AUSTRALIAN AND UNITED KINGDOM DEFENCE ESTABLISHMENTS

Sources: (1) UK MOD, Statement on the Defence Estimates 1985, Volume 1, London, p34  
(2) Defence Report 1982-83, AGPS, Canberra 1983, p86. Note that subsequent annual reports do not provide functional breakdowns of defence personnel, the civilian figures in brackets denote percentages if personnel involved in aerospace and munitions production are not included.

TABLE 5.4

forces. The Committee notes that the Department of Defence is about to pursue a program of converting some Service posts to civilian ones in order to provide Service personnel for employment on higher priority ADF activities (Departmental Management Improvement Plan 1987-88, p 4). The proposed program appears, however, to relate to projected civilian savings, and so can be expected to yield only relatively small numbers, given that many 'savings' are likely to be taken up by the requirements stemming from new major equipment acquisitions. The Committee considers that there is scope for much greater transfer of responsibilities between Service and civilian personnel within all areas of the defence establishment.

5.57 We recommend that the ADF and the Department of Defence conduct a detailed study into the present utilisation of both its civilian and Service workforce with a view to releasing Service personnel currently located in non-operational posts for duty in operational and direct logistic support forces. The study should take into account the need to provide:

- a. the ADF with the collective expertise and experience necessary to carry out its expanded responsibilities in times of defence emergency or war; and
- b. uniformed personnel serving in operational units with the opportunity to move to non-operational duties on a regular basis.

#### Rank Levels in the Higher Organisation

5.58 On the issue of overranking within the ADF, the Committee notes that the overall proportion of officers within the ADF has slowly increased from 13.6 per cent in 1975 to 14.5

per cent today. This compares with around 14 per cent in the United States (13 per cent if warrant officers are not included), 13 per cent in the UK and 17 per cent in Canada. The current distribution of officers by rank for the armed forces of each country is shown in Table 5.5. The proportion of one-star (Brigadier or equivalent) officers and above in Australia is about the same as in the United Kingdom but it is two to three times greater than in Canada and the United States. In the latter case, this disparity may reflect the difference that exists at the Colonel equivalent level, and so the differences at the higher ranks may not be significant. The Canadian case is more interesting as the rank structure is markedly different to that of the other three nations. This may be due to Canada's close alliance with the United States but it probably also reflects the different organisational structure of the Canadian defence establishment. Whereas Australia, the United States and the United Kingdom maintain three separate Services as well as separate military and civilian elements within their higher defence establishments, the Canadian defence organisation is completely unified and integrated at both the national headquarters level and within the armed forces themselves. The Canadian rank structure could provide an indication of the potential savings or realignment that could be achieved if Australia were to adopt a similar structure. This issue is discussed in more detail in Chapter 9.

5.59 A comparison of the rank distribution of officers in the ADF today with that in 1977 is shown in Table 5.6. It can be seen that there has been an increase in all ranks (both in absolute and percentage terms) except Lieutenant equivalents, who decreased by 206 personnel or 3.4 per cent of the total officer corps. Of the 10,225 officers in the ADF in June 1986, 1947 or 19 per cent were stationed in Canberra. Of these 763 were in the Army, 670 in the Air Force and 514 in the Navy. The number of Service officers stationed in Canberra has gradually increased from 1796 in 1980 to 1947 in mid-1986. These increases

**TABLE 5.5** DISTRIBUTION OF OFFICERS BY RANK IN THE AUSTRALIAN, CANADIAN, UNITED STATES AND UNITED KINGDOM ARMED FORCES

(Note: Figures in brackets denote percentage of total numbers)

Equivalent Rank	Australia (1)	Canada (2)	USA (3)	UK (4)
General	1	1	36	
Lt General	5 (0.44)	9 (0.27)	126 (0.18)	216 (0.54)
Maj. General	38	30	357	
Brigadier	111 (1.11)	86 (0.57)	533 (0.19)	375 (0.94)
Colonel	313 (3.1)	358 (2.4)	14,747 (5.2)	1,437 (3.6)
Lt Colonel	1,226 (12.0)	1,054 (7.0)	33,029 (11.7)	4,407 (11.1)
Major	2,821 (27.6)	3,405 (22.8)	52,962 (18.7)	11,546 (29.0)
Captain	3,697 (36.1)	6,954 (46.5)	102,268 (36.2)	14,076 (35.3)
Lieutenant	2,018 (19.7)	3,060 (20.4)	78,611 (27.8)	7,800 (19.6)
Total	10,230	14,957	282,669	39,857

**Sources:**

1. Department of Defence, August 1987
2. Canadian High Commission, September 1987
3. Defense 85 Almanac, p 27
4. Statement on the Defence Estimates 1985, Volume 2, Defence Statistics, London, 1985, p 27. Note that the figures are for male officers only.

**TABLE 5.6** COMPARISON OF ADF OFFICER DISTRIBUTION BY RANK IN 1977 AND 1987

(Note: Figures in brackets denote percentage of total numbers)

Equivalent Rank	1977 (1)	1987 (2)
General		1
Lieutenant General	133 (1.4)	5 (1.5)
Major General		38
Brigadier		111
Colonel	287 (3.0)	313 (3.1)
Lieutenant Colonel	1,051 (10.9)	1,226 (12.0)
Major	2,516 (26.2)	2,821 (27.6)
Captain	3,410 (35.4)	3,697 (36.1)
Lieutenant	2,224 (23.1)	2,018 (19.7)
Total	9,621	10,230

**Sources:** 1. RODC Study One, The Asset, 1977, Annex B

2. Department of Defence, August 1987

have occurred among Navy and Air Force; the number of Army officers serving in Canberra actually dropped from 832 to 763 (See Figure 5.9). An indication of the changes in the higher rank *structure* of the ADF and the Department of Defence since the 1973-76 defence reorganisation is provided by Table 5.7. This gives an approximate breakdown of the senior military and civilian positions within the defence establishment at Russell Hill in 1972 and 1986. The figures have been extracted from organisational diagrams of the higher defence establishment as it existed at the time. They do not include Service Commands, overseas or non-departmental postings, or, for the 1972 figures, the Department of Supply.

5.60 Even allowing for these omissions, it can be seen that there have been quite significant increases in the numbers of senior military and civilian positions within the defence establishment. On the military side, the number of two-star positions increased from 19 in 1972 to 27 in 1986. The changes involved two additional two-star positions in HQADF, Navy and Air Force, one in Defence Logistics and the head of the National Disasters Organisation. The number of one-star positions increased from 36 to 62. Nine of the 26 new positions are in the Department of Defence; the remainder are spread between HQADF (2 new positions), Navy (6), Army (3) and Air Force (6).

5.61 The overall number of senior civilian posts increased from 80 to 129. The increase reflects both across-the-board-changes and the amalgamation into the Department of Defence of those defence activities that were previously located in other departments. In addition to the increase in the total number of positions, the rank distribution of the senior executive structure has also changed. In 1972, around 19 per cent of all the senior civilian positions were in the Level 3 to Level 6 range. In the current organisation this proportion has increased to around 35 per cent, only one third of which are Level 3 positions.

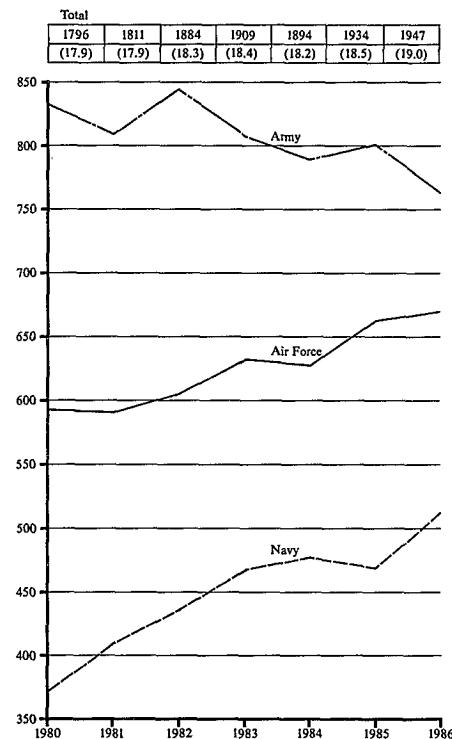


Figure 5.9 Number of Service Officers stationed in Canberra between 30 June 1980 and 30 June 1986

Sources: House of Representatives, *Hansard*, 29 May 1987, p 3663 *Defence Report 1980 to 1985-86*

	1972(1)						1986(2)						1972(1)						Civilian					
	3 Star	2 Star	1 Star	Star	Star	Total	3 Star	2 Star	1 Star	Total	6	5	4	3	2	1	Total	6	5	4	3	2	1	Total
Joint Staff/ RAADF	1	2	3	6	1	4	5	10										1	2	2	5			
Service Depts/ Offices	3	17	31	51	3	21	46	70										11	21	32				
Department of Defence							1	9	10	2	2	10	28	42	7	1	21	11	46	23	109			
Outsider Organisations							2	2	1	2	3	1	2	3	6	2	2	3	7	14				
Total	4	19	36	59	4	27	62	93	2	3	10	13	52	60	7	3	21	14	51	32	128			

TABLE 5.7 COMPARISON OF SENIOR MILITARY AND CIVILIAN POSITIONS IN THE HIGHER DEFENCE ESTABLISHMENT IN 1972 AND 1986

1. Figures extracted from Australian Defense Report on the Reorganisation of the Defence Group of Departments, November 1972, Annexes A to D.
2. Figures extracted from Defence Higher Organisation, Directorate of Departmental Publications, Department of Defence, November 1986.

183.

5.62 While acknowledging the difficulties in making a comparative analysis between the organisational structures that existed in 1972 and 1986, the above figures indicate that:

- a. contrary to the expectations of the original Tange Report, there has been an overall increase in the number of Service and civilian personnel serving within the higher defence establishment in Australia;
- b. the number of military officers serving in Canberra is tending to increase over time;
- c. there has been a significant increase in the number of senior officer positions (both civilian and Service positions) at Russell Hill since the 1973-76 reorganisation; and
- d. the upper rank structure of both the ADF and the Department of Defence is being inflated in favour of higher level positions.

5.63 The Committee accepts that there may be good reasons for these changes, not least the continued amalgamation of defence activities within a single department, and the need to be able to attract and hold the most able personnel into higher management positions. It is concerned, nonetheless, by the apparent growth in the number and relative status of senior military and civilian positions within the higher organisation and the impact this is likely to have on the overall number of personnel at Russell Hill. In the Committee's view, the above trends provide some grounds for the criticism made by the Australia Defence Association and others that the higher defence establishment in Australia has become excessively large and 'top-heavy' and that it draws too many military personnel away from other duties.

5.64 The Committee concludes that the present higher defence establishment is over-ranked and is excessive to Australia's needs. It recommends that:

- a. the overall number of senior military and civilian appointments at Russell Hill be reduced;
- b. the upper rank structure of the defence establishment be 'deflated' by:
  - (i) streamlining the present personnel structure, and
  - (ii) delegating more authority and responsibility to middle-ranking officers and officials; and
- c. the proportion of military to civilian personnel within the higher defence establishment be reduced, keeping in mind a need to retain an adequate military input into the policy process.

#### Service Separation Rates

5.65 An issue of particular concern to the Committee has been the relatively high and continuing separation rates of Service officers and senior non-commissioned officers from the Australian Defence Force. The ADF officer and other rank separation rates - expressed as a percentage of the average annual strength of the ADF - are shown in Figure 5.10. In 1985-86 the overall separation rate for officers was around 9.8 per cent while the rate for other ranks was 12.5 per cent. These rates have been steadily increasing since 1982-83 and the indications are that this upward trend will continue for at least the next two or three years. The rates for certain individual categories of Service personnel, such as combat

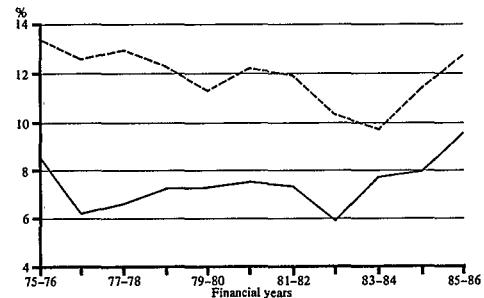


Figure 5.10 ADF officer and other rank separations 1975-76 to 1986-86  
 Source: Department of Defence, *Manpower Presentation to the Joint Committee on Foreign Affairs and Defence*, May 1987

pilots, engineers and specialist technical and operating trades are significantly higher than these averages.

5.66 In addition to creating shortfalls in particular employment categories, the high and increasing separation rates have a number of important implications for the future capability and effectiveness of Australia's armed forces as a whole. The first is that as the separation rate rises, a greater proportion of trained personnel needs to be placed back into the training cycle in order to cater for the growing number of recruits. These personnel are normally diverted from operational units and tend to comprise longer-serving and experienced personnel. As a result, the capability and effectiveness of Australia's operational forces are reduced. Perhaps the most graphic example of this is the resignation rate of RAAF pilots. In the first four months of FY 1987-88 75 pilots either resigned or retired, compared to the long-term annual average of 47; while the annual number of graduates is only 55 to 65 [House of Representatives Hansard, 22 October 1987, p 1313]. A second important consequence is that the overall skill and experience level of the defence force can become diluted over time as the more experienced members of the armed forces leave and are replaced by new and inexperienced recruits. In theory, the present separation rates for officers and other ranks, if maintained, could result in a complete turnover of the officer corps in 10 years and the defence force as a whole in 9 years. For officers, the average time in rank before promotion to Major or its equivalent is around 12 years. Under these circumstances, it is possible that the pressures of continuing high separation rates could result in significant numbers of officers being promoted before they should or are ready to be. This problem is most serious in the case of those personnel who are expensive to train, take considerable time to reach their full potential, and are in short supply outside the defence establishment. It is recognised that high separation rates can provide greater career opportunities for more able and junior officers who deserve to

be promoted ahead of their counterparts. The Committee is concerned, however, that the optimum separation rate for the officer corps may have been passed.

5.67 An important dimension to the problem - and one which the Committee has not been able to explore to its satisfaction - is whether the existing high separation rates are peculiar to the Service component of the defence establishment or whether they also apply to the civilian component and so reflect a broader malaise. According to the Department, the current separation rates for civilians employed within the defence establishment are as follows: male and female clerical administrative staff, eight and eleven per cent respectively; and male and female clerical assistant and keyboard staff, seven and twelve per cent. These figures are less than the equivalent military figures but are nonetheless potentially significant in terms of the dilution of the Department's overall experience. They do not, however, have the same immediate implications for ADF operational capabilities as do the Service separation rates.

5.68 The Committee acknowledges that the issue of military separation is a complex one which is affected by, and needs to take account of, many factors. These include the personnel policies and practices which are in force within the defence establishment, the needs and aspirations of the individual Service man or woman and his or her family, and broader social and economic forces which serve to increase or decrease the attractiveness of Service life relative to other vocations or lifestyles. We also appreciate that the Department of Defence is pursuing a number of means of improving retention rates within the ADF and overcoming or alleviating the consequences described above. These measures include improving the conditions of service for members of the ADF and their families, selective recruiting, increased civilianisation of the defence establishment, and supplementing the training force in order to minimise the need to transfer personnel out of the operational

component of the ADF. While supporting these measures, we are concerned that they may have been applied too late to prevent the dilution of the ADF's skill base in the medium term, and that they do not address the fundamental reasons for the continuing high wastage rates. The ADF can ill-afford the continuation of current separation patterns.

5.69 The Committee recommends that the ADF and the Department conduct an examination into the whole question of officer and other rank separation from the ADF, and give priority to implementing policies which improve retention rates and attract key skills back into the defence force.

5.70 The Committee recognises the importance of this issue and has itself accepted terms of reference to inquire into the matter.

## CHAPTER SIX

### PLANNING, PROGRAMMING AND BUDGETING IN DEFENCE

6.1 As described in Chapter 3, defence planning and policy-making is organised around - but is not totally constrained to - a planning, programming and budgeting (PPB) approach to defence management. This approach, which is based on similar systems operating in the United States and the United Kingdom, was introduced in the early 1970s. The planning, programming and budgeting system (or PPBS) is the Department's means of allocating defence resources over the coming five years. Its basic purpose is to translate Australia's defence objectives and military strategies into a specific program of activities and equipment acquisitions - called the Five Year Defence Program or FYDP - which in turn provides the basis for the Department's annual budget requests.

6.2 While the introduction of the PPB approach into Defence has undoubtedly improved the policy-making process, a number of problems remain. The most serious of these concerns the planning phase and relates to perceived deficiencies in the content and preparation of both strategic and defence guidance. Areas of concern within the programming and budgeting phases include the continuing disparity between financial guidance and defence appropriations; an over-concentration on resource and 'input' considerations in the programming phase; and insufficient attention to the execution of the budget. Underlying these specific concerns is a general feeling that the PPB cycle is too long, unduly complex and potentially unstable. Some of these problems and weaknesses have been recognised by the Department of Defence which has either introduced changes designed to overcome them or is in the process of doing so. Most, however, remain and serve to detract from the efficiency of the defence establishment and its overall policy process.

#### Continuing Limitations in Defence Planning

6.3 Defence planning involves the development, from within the resources that are allocated for defence purposes, of military strategies, force structures and plans of action to protect Australia's interests under a range of possible circumstances which may arise either now or in the future. A logical planning process might involve the following sequential steps [see Collins, 1982, pp 3-8]:

- a. Step 1 - identification of basic purposes and objectives of the defence establishment;
- b. Step 2 - analysis of external conditions and trends affecting defence objectives, including threat and technology assessments;
- c. Step 3 - definition and examination of alternative defence strategies to satisfy defence objectives within the identified constraints; and
- d. Step 4 - reconciliation of required resources with those already available and expected to be made available. This involves establishment of program objectives and priorities, possible revision of strategic concepts and force postures, and assessment of the implications of continuing shortfalls.

6.4 The first three steps in the process relate to what can be defined as strategic issues, that is, issues which affect the operation and organisation of the defence establishment as a whole. This level of planning generally equates to the preparation and release of the Strategic Basis or ASADPO documents by the Department of Defence. The fourth step involves

the elaboration of the preferred defence strategy identified in Step 3 into a detailed plan of action for achieving our defence objectives over both the short and longer terms. It takes place, or should take place, in a number of stages (see Figure 6.1).

6.5 In the first of these stages, the preferred defence strategy needs to be further developed into an appropriate military strategy and concept of operations for the Australian Defence Force. This information, together with a statement of functional objectives, more detailed fiscal and resource guidance, and issues requiring further study, should then be issued to operational commanders and supporting elements within the defence establishment. In essence these first two stages involve the preparation of detailed defence guidance and generally equate to the production of the current Defence Force Capabilities Paper. Third, the Functional Commands and the Services should prepare an assessment of the resources required to meet the objectives laid down in the defence guidance. Finally, these detailed force structure and resource requirements should be developed into a preferred option which would form the basis of the subsequent programming and budgeting phase. This stage could involve a reassessment of objectives and priorities or deferment of decisions pending the outcome of detailed studies.

6.6 Before examining Australia's present planning process, it is worth making a number of cautionary remarks. First, as noted in the Committee's 1984 report, The Australian Defence Force: its structure and capabilities, the actual defence planning process usually falls short of the ideal model in a number of respects. Not all elements of the planning process are present and others are poorly defined. Considerations are often constrained by external factors or by past choices, while the rational development of policy options can be inhibited by the actions or views of strong internal interest groups which have a particular concern with advancing favoured roles and functions.

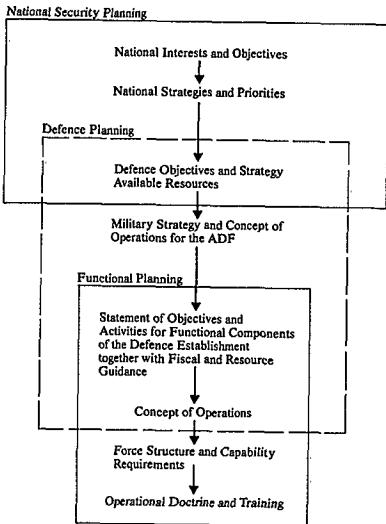


Figure 6.1 A methodology for National Security and Defence Planning

As the Committee's report concluded, while these factors may constrain the operation of the rational planning model, each has its own importance: 'Unless each of these steps is present and structured together in a clear and coherent manner, the structure of the Defence Force is likely to evolve more by accident than by design and the probability of achieving an optimum force posture will be reduced' (The Australian Defence Force: its structure and capabilities, 1984, pp xi-xii).

6.7 It is also important to recognise that defence planning should occur in parallel with, and within the overall parameters established by, a more comprehensive planning process which seeks to identify national interests and goals, determine their relative importance, identify impediments to their accomplishment, allocate the means for their achievement and seek public consensus and support. This process considers national security in its complete context - and so takes into account all aspects of government planning and policy making, not just defence - and can be defined as national security planning. The output of the national security planning process provides the framework for the defence planning process since it identifies our overall defence objectives and the level of resources that will be made available to achieve them.

6.8 While Australia's defence planning process is generally consistent with the rational model just described, it has consistently been criticised on a number of grounds. These criticisms are discussed in the remainder of this section under the following headings:

- a. the absence of national security planning and policies;
- b. inadequate planning and policy guidance;
- c. deficiencies in the way guidance is developed; and

- d. unrealistic fiscal guidance.

#### The Absence of National Security Planning and Policies

6.9 Under the present arrangements Australia's national security policies are largely developed by the Minister for Defence and his Department as part of the preparation of the triennial Strategic Basis or Australian Strategic Analysis and Defence Policy Objectives. Within the Defence Department, the responsibility for drafting the ASADPO rests with the Strategic and International Policy Division which operates under the overall supervision of Deputy Secretary B. The SIP Division is divided into five branches: the Strategic Guidance and Policy Branch; Military Staff Branch; ANZUS and the United Nations Branch; PNG and Defence Cooperation Branch; and Asia Territorial and General Branch.

6.10 The Strategic Guidance and Policy Branch has the primary responsibility for monitoring strategic developments and developing strategic policy. It comprises three sections as follows:

- a. Section 1 - responsible for monitoring strategic developments, conducting strategic studies, contributing to contingency studies, and developing guidance in respect of doctrine for the defence of Australia;
- b. Section 2 - responsible for providing strategic guidance in respect of force structure and defence infrastructure development and planning, and developing and applying strategic guidance to the development of force structure proposals and the FYDP; and

- c. Section 3 - responsible for providing guidance relating to national defence planning, administration and mobilisation for hostilities, and civil defence.

The Military Staff Branch provides advice to the Division and is responsible for defence aspects of the law of the sea, conventional weapons disarmament issues and Australian maritime boundaries.

6.11 The process of producing the Strategic Basis or ASADPO document involves extensive consultation within Defence as well as between Defence and other government departments. The (then) Department of Foreign Affairs, for example, informed the Committee that it has periodically participated with other agencies in reviewing the implications for Australia's security of international developments that could lead to the use of military force against Australia or its interests. These major reviews have generally been entitled 'The Strategic Basis of Australian Defence Policy' and they have been presented to the Government through the Minister for Defence. Foreign Affairs has played a significant role in preparing these reviews, which have been designed to advise ministers on the way threats to Australia might arise and their implications for our security. The reviews have addressed the kinds of policies Australia might adopt, its force posture and its defence relations with other countries, both in Australia's own region and where there could be implications for our security further afield [Department of Foreign Affairs, Submission, p S415].

6.12 The final draft of the ASADPO is submitted to the Defence Committee for endorsement and thence to the Minister for Defence, who usually presents it to the Security Committee of Cabinet for final clearance. After the July 1987 Federal election the membership of this committee consisted of the Prime Minister (Chairman), the Deputy Prime Minister, the Minister for

Transport and Communications, the Minister for Immigration, Local Government and Ethnic Affairs, the Minister for Foreign Affairs and Trade and the Minister for Defence (Department of Prime Minister and Cabinet, Submission, p S380; and Prime Ministerial Press Release, 12 August 1987]. The Security Committee is supported by a Secretaries Committee on Intelligence and Security (SCIS) which is responsible for providing policy recommendations and background information on intelligence and security matters (Department of Foreign Affairs, Submission, p S416). We note that there is no representation from Treasury, Finance, and Industry, Technology and Commerce on the Cabinet Security Committee.

6.13 The following criticisms have been levelled at the current means of preparing the ASADPO or any equivalent basic guidance document:

- a. **Insufficient involvement of Government Ministers and Members of Parliament.** There is no formal involvement of politicians in the development process of Australia's national security goals or policies as defined in the ASADPO.
- b. **Insufficient involvement of other Government Departments and Agencies.** In addition to various Defence Department officials, the Defence Committee includes in its present membership only the Secretary Department of Prime Minister and Cabinet, the Secretary to the Treasury, and the Secretary Department of Foreign Affairs. Representatives of other Departments and Agencies may attend as coopted members or invited officers. Given the all-encompassing nature of national security policy and Australia's increasing need for a

more independent and self-reliant defence posture, there is a strong case to widen the membership, responsibilities and working brief of the Defence Committee in the preparation of strategic guidance.

- c. **Insufficient assessment of other basic factors likely to influence Australia's national security policies.** At present the preparation of Australia's basic strategic guidance draws on intelligence assessments of our developing strategic environment. It is not clear to what extent other factors or studies are taken into account. These include the following:
  - (i) the evaluation of trends in Australian society which may influence our national security policy;
  - (ii) our forecast industrial and economic capacity to support various levels of defence or national security expenditure;
  - (iii) forecast developments in science and technology; and
  - (iv) alternative strategic concepts and defence force structures.
- d. **Insufficient involvement of the CDF and the Joint Staff.** A number of serving and retired military officers, in particular, have suggested that there is insufficient military input into the development of strategic policy. Proposed changes include:

- (i) placing the SIP Division under the control of the CDF;
- (ii) enhancing the role of HQADF in the development of strategic policy; and
- (iii) increasing the size of the Military Staff within SIP Division.

e. **Inadequate staff resources.** The present staff levels and expertise are said to be too limited to develop strategic policy and guidance in a rigorous and analytical way. This results in a tendency to take a selective and largely superficial approach to the task.

6.14 A more fundamental criticism is that the responsibility for detailed national security planning and policy-making should not belong to Defence but should be vested in a higher-order authority which takes into account all aspects of government policy. This criticism is based on the view that Australia's security interests can be threatened not only by military intimidation but by a range of non-military means as well. As noted by the Department of Foreign Affairs, threats can arise from non-military factors such as unregulated population flows, terrorism, narcotics and deteriorating external economic circumstances:

Moreover, security concerns are not exclusively concerned with physical protection of the national territory and assets, they also extend to national values and institutions supporting these values. Thus, in addition to threats to Australian security from military factors, there can also be concern about external political, ideological and religious influences. Security also has an important economic dimension and Australia's economic security is extensively affected by external influences, problems and opportunities [Department of Foreign Affairs, Submission, p 5412].

6.15 There is also a growing recognition that Australia's military capacity will be increasingly dependent on a range of non-military factors. These include the availability of basic resources, Australia's industrial capacity, our ability to mobilise civilian services such as transport and communications, and the establishment of a system of civil defence. The consideration and coordination of such a broad range of concerns is a complex exercise requiring broader capabilities and higher authority than presently exist within the Department of Defence.

6.16 The proposals for overcoming the perceived deficiencies in national security planning and policy-making can be divided into two categories: first, the establishment of some form of higher level coordinating agency responsible for overseeing the development of national security policy and advising Cabinet accordingly; and, second, improvements to the present arrangements. An example of the first category is the Returned Services League of Australia's conclusion that:

- a. there is a requirement for formal top level direction from the Government. To provide this, a National Security Council should be established, chaired by the Prime Minister and with the Ministers for Defence, Foreign Affairs ... and the Treasurer as members; and
- b. a National Security Advisory Committee should also be established to support the National Security Council. This Committee should be chaired by Secretary, Department of Prime Minister and Cabinet and with Secretaries of other Departments represented on the Council, plus Chief of Defence Force, as members [RSI, Submission, in The Australian Defence Force: its structure and capabilities, 1984, p 145].

6.17 A similar approach was suggested by Desmond Ball of the Australian National University's Strategic and Defence Studies Centre. In a paper entitled 'The Machinery for making Australian National Security Policy in the 1980s', Ball argued

that despite the increase in the scope of the (then) Foreign Affairs and Defence Committee of Cabinet, 'it does not provide a capability for the development and promulgation of any coherent and comprehensive national security policy. Nor is there any machinery in Canberra for enabling Ministers to hear personally the views of most senior officials in other related Departments. And there is no adequate secretariat for the higher national security machinery'. Ball recommended that a National Security Committee of Cabinet be formed including both ministers and senior officials among its substantive members. (Ball cited the National Security Resources Board, which was formed by Prime Minister Menzies in 1950, as a precedent for such an approach.) Ball argued that the coverage of the National Security Committee

... must extend beyond the traditional foreign affairs and defence concerns to also include national and international economic responsibilities, an appropriate committee might comprise the following: the Prime Minister (Chairman), the Treasurer, the Minister for Defence, the Minister for Foreign Affairs, the Minister for Trade and Resources, the Minister for Industry and Commerce, the Minister for National Development and Energy, the Permanent Heads of the Department of Prime Minister and Cabinet, the Treasury, Defence, Foreign Affairs, Industry and Commerce, Trade and Resources, and National Development and Energy, the Chief of Defence Force Staff (CDFS), the Director-General of the Office of National Assessments (ONA), and the Director-General of the Natural Disasters Organisation (NDO) [Ball, 1980, p 22].

Ball further argued that:

Whatever the particular details of the National Security Committee itself, it is essential that it have a secretariat that is a strong, permanent repository of expertise, initiative and operational competence, that provides continuity, that has a capability for preparing basic assessment and guidance drafts, and that is able to monitor the implementation of Committee decisions. Such a secretariat would ideally consist of about 30-40 persons, divided into a variety of groups tasked with such particular concerns as (i) military affairs; (ii) political

affairs; (iii) intelligence correlation and assessment; (iv) preparation of the basic strategic guidance drafts; (v) long-term planning, evaluation and priorities review; (vi) international economic matters; (vii) area responsibilities, and most especially Australia's relations with other countries in this region; (viii) mobilisation planning; (ix) monitoring implementation of decisions; and (x) public affairs [Ball, 1980, p 22].

6.18 A further option would be to establish an independent review group or committee. This group would be appointed by the Government to advise on an appropriate national security strategy and policy objectives for Australia. It would remain independent of the existing departmental structures but would use their resources to carry out its task. The Dibb Review is an example of this process. Another example is the approach used by Sweden. In 1984, the Swedish Government authorised the Minister for Defence to appoint a committee - entitled the 1984 Defence Committee - to consider and make proposals, *inter alia*, on the orientation of Sweden's security policy and the further development of its total defence after the year 1986-87. The 1984 Defence Committee included serving and former members of Parliament (from all parties) and was assisted by special advisers and other staff taken from government departments and industry. It issued an initial report, Sweden's Security Policy: Entering the 90s, in May 1985.

6.19 The policy of improving the existing machinery underlies the recommendations of the Defence Review Committee (Utz) and this Committee's earlier findings contained in its 1984 report on the Australian Defence Force: its structure and capabilities. The Defence Review Committee generally endorsed the existing means of preparing strategic guidance and the division of responsibilities between the Secretary and the CDFS in this regard. It noted the view expressed by some Service officers that the military should have a greater role in the

development of such guidance but did not support proposals either to place SIP under the control of the CDFS or increase the size of the military staff located in that Division. On this second proposal, the Utz Committee expressed

... doubts as to whether the best means of improving this participation is by increasing the military staff within the Strategic and International Policy Division through the duplication of existing civilian skills. It may be that the capacity of the Military Staff Branch should be reinforced, and this should be examined. However, even on the question of an improved military contribution to the work of the Division, it is necessary to distinguish between the convenience of readily available military expertise within the Division at the working level and the need for a formal input of Defence Force views. A larger military staff in the Strategic and International Policy Division is not a substitute for the capacity to develop and articulate the overall joint Service view, which should be an important ingredient in the development of strategic policies. Seeking to improve this capacity is in our view more important than developing skills and specialisations in the Services similar to those which already exist in the Division [Utz, 1982, p 65].

6.20 On the broader issue of national security policy-making the Utz Committee acknowledged that matters which go before the Defence Committee for consideration and recommendation to government 'are likely to have far reaching implications extending well beyond the immediate responsibilities of the Department of Defence and the Defence Force' [Utz, 1982, p 158]. It did not draw any conclusions from this observation other than that it was appropriate for the Heads of the senior policy departments of the Commonwealth to be included as members. It further accepted that there would be a need to expand the national planning and policy-making process in the event of a defence emergency or war. Possible changes included broadening the functions and activities of the Defence Council, and increasing the role of the Department of Prime

Minister and Cabinet in national security planning and coordination. On the latter proposal, the Review Committee argued that the Department of Prime Minister and Cabinet 'is best placed to direct and co-ordinate the required wide-ranging national inputs into the planning and consideration process, to resolve any inter-governmental or interdepartmental difficulties which may arise, and to keep the Government regularly informed of progress' [Utz, 1982, p 192]. It also expressed strong support for the concept of preparing a broad framework for national administration in advance of any defence emergency and the regular review and updating of such a framework.

6.21 In its 1984 report this Committee concluded that the current structure for determining national security policy, and guidance on Australia's national security objectives and policies were inadequate. It supported the need to review the machinery and procedures for national administration in the event of a defence emergency or war, and considered that these should be established in peacetime and be reviewed and updated on a regular basis. On that occasion, the Committee was uncertain whether the establishment of a national security council or an expanded secretariat to the (then) National and International Security Committee of Cabinet would be the most suitable approach:

Either body would take time to establish, would attract key staff from other areas and may be seen by Departments and their Ministers as duplicating existing departmental responsibilities. The Committee acknowledges that the requirements for better coordination of the elements of the national security policy, for clearer and more basic strategic guidance and for mobilisation planning will demand an organisational response. At this stage, it may be better to expand the functions and responsibilities of the Defence Committee than to establish a further bureaucratic body with its own interests and views [*The Australian Defence Force: its structure and capabilities*, 1984, p 147].

6.22 In its response to our 1984 report, the Defence Department stated that 'the Report puts forward a number of general principles with which the Government would agree but it fails to advance thinking on how those principles could be put into practical effect'. It continued, however, that the Government 'is mindful of the need to pursue improvements in the quality of administration and decision-making machinery in Defence - as in all matters under its charge' [Ministerial Statement, May 1985, p 40]. Notwithstanding that statement, the Department simply noted the Utz Committee's recommendations concerning 'planning for national administration in the event of a defence emergency or war' [Department of Defence, Submission, p S365]. In its submission on 'The Organisation of the Department of Defence in Time of Defence Emergency or War' the Department did, however, acknowledge that under these conditions

... the demands of and on Cabinet and the Parliament would greatly increase, bearing on the Chief of the Defence Force, the Secretary of the Defence Committee and possibly requiring establishment of further bodies to service particular requirements or to manage co-ordination between Defence and other areas of Government ... Such developments are well within the potential for adaptation of the present higher defence machinery [Department of Defence, Submission, p S398].

6.23 The Committee considers that the present means of developing strategic and national security plans are inadequate and should be improved in at least the following respects:

- a. greater political involvement in the definition of national security objectives and the allocation of resources to defence and other portfolios;
- b. greater involvement of other government and non-government bodies in security policy

analysis and preparation of options for consideration by government; and

- c. greater analysis of technological, economic, social and political factors likely to influence Australia's interests and security objectives.

6.24 As a first step in this process the Committee considers that the existing machinery for developing the Strategic Basis or ASADPO documents should be enhanced. It recommends that:

- a. the Strategic and International Policy (SIP) Division be retitled the National Security and International Policy Division, and its functions and resources be expanded to enable it to:
  - (i) coordinate broader studies into political, economic, technological and social trends likely to affect Australia's national security policies;
  - (ii) oversee the development of national security policy objectives and priorities to be presented to government, and
  - (iii) direct studies aimed at identifying specific threat or crisis scenarios likely to influence or threaten Australia's interests;
- b. the membership and functions of the Defence Committee be expanded to consider and provide advice on national security policy as a whole.

We consider that the scope of the membership should at least equate to that of the Security Committee of Cabinet but that the Service Chiefs of Staff should not be included in considerations of national security policy;

- c. the [N]SIP be placed under the authority of the Defence Committee;
- d. a system of specialist working groups or inter-departmental committees be established under the overall control of the [N]SIP Division to conduct detailed studies into aspects of Australia's national security and report accordingly; and
- e. the Department of Defence confer regularly on matters relating to national security policies with the Parliament through the appropriate committees, namely, the Senate Standing Committee on Foreign Affairs, Defence and Trade and the Joint Committee on Foreign Affairs, Defence and Trade.

6.25 While these recommended changes would improve national security planning and policy-making, it will be noted that they are occupied essentially with enhancing the development of the Strategic Basis. The Committee remains concerned that there is insufficient political participation in the process. In its view, the Department of Defence should not be the prime mover in the preparation of national security policies and objectives since this may result in undue emphasis being given to defence solutions or capabilities. As a general principle, the Committee considers that:

- a. the government of the day should set national security goals and objectives, making determinations on the basis of independent analysis and review of options put forward by participating interests, and that it should be supported in this task by an independent body or agency;
- b. the Parliament should be more involved in debating national security issues; and
- c. the defence establishment should concentrate more on determining the means of achieving the overall goals that are set for it.

6.26 The Committee recommends that the Government inquire into Australia's existing national security planning and policy-making processes with a view to:

- a. identifying alternative structures and procedures; and
- b. recommending the most appropriate approach for Australia both in peacetime and in times of defence emergency or war.

#### Inadequate Policy and Planning Guidance

6.27 As noted earlier, Australia's strategic and defence planning efforts are centred around the preparation of two basic planning documents: the Strategic Basis and the Defence Force Capabilities Paper. A major concern of submissions to this inquiry was that the guidance provided by these two documents is inadequate. One submission, for example, stated that

... within the national defence administration one further difficulty with which defence staff have to contend is the general lack of guidance and the lack of corporate objectives. Internal papers such as the strategic basis and the defence capabilities document are very broad in concept and open to a variety of interpretations - to such a degree that checks and balances inherent in the committee system consume the energies of the department as debate over interpretation of guidance takes place [Adams, Submission, p S44].

6.28 Another submission claimed that the Department of Defence 'tends to make its strategic objectives so general as to be meaningless.' It was particularly critical of the Strategic Basis paper claiming that it

... gives every appearance of a document which is sentence by sentence edited by numerous authorities with the short-sighted objective of gaining the lowest common denominator of assent within the DoD and other departments. Such a document only leads to extreme generality and an increase in uncertainty. This unnecessarily high level of uncertainty merely leads to increased 'infighting' among the services and a tendency to overcentralise so as to maintain maximum control over resources and decision-making authority [Hinge, Submission, p S199].

6.29 These kinds of criticism are not new. This Committee itself reached similar conclusions in its 1984 Report The Australian Defence Force: its structure and capabilities (see especially Chapter 8). A number of other expert commentators have variously charged that the existing guidance is too broadly based to be of much use in deriving detailed force structures and capabilities; that it focuses too much on short-term considerations; and that it too closely reflects changes in governments or government priorities (see for example, Langtry and Ball, 1979; and Babbage, 1980).

6.30 The most recent and authoritative support for the claim that Australia's strategic and defence force guidance is

inadequate is contained in the 1986 Review of Australia's Defence Capabilities (the Dibb Report). In commenting on defence planning and strategic guidance in Australia, the Dibb Report concluded that:

Strategic guidance, military concepts, capabilities analysis, and financial guidance are not drawn together under current arrangements. This leads to inadequate advice being available to Government and also makes it difficult to plan ahead with sufficient clarity ... [Dibb, 1986, p 2].

... the lack of simple procedural clarity and precision in the guidance for determining the priority of core capabilities has tended to frustrate force structure planning.

In practice, the force development processes of the senior Defence Committees ... take account of strategic guidance, credible contingencies and warning-time/lead-time considerations on an essentially *ad hoc* basis, usually in the context of major equipment proposals [Dibb, 1986, p 26].

6.31 Dibb also reported that 'no comprehensive review of defence capabilities has been conducted since the 1981 Defence Force Capabilities paper, which was endorsed by the Defence Force Development Committee (DFDC) only "as a background document for planning staff".' He further noted that the paper has not been endorsed by the Government and that 'its concluding judgements are highly qualified and provide only limited guidance on the preferred priorities for particular capabilities'. He concluded that this situation is unsatisfactory since:

The absence of agreed concepts and guidance in the force planning area leads to difficulties in government consideration of defence issues. Ministers are first asked to endorse the broad principles contained in strategic guidance. They are subsequently asked to approve specific equipment proposals without the opportunity to consider how these proposals relate to an overall defence concept and plan for the development of our force structure [Dibb, 1986, p 26].

6.32 To overcome these perceived deficiencies Dibb recommended that the strategic guidance presented to Cabinet should include a preferred national strategy for the defence of Australia together with the main force structure and resource implications of that strategy. He further recommended that the Defence Department conduct, on a regular basis, a review of Australia's strategic context, capabilities requirements, and force structure priorities and that the result of this review be published in a single document or set of closely associated documents. The approach would be similar to that used in the Dibb Review and would 'place rather more emphasis on the kinds of long-term force structure concerns defined in that Review and somewhat less on assessing detailed variations in our strategic environment'. The document would be the joint responsibility of the Secretary and the CDF and would be submitted to the Minister for Defence for approval.

6.33 The situation has improved with the publication by the Government of its Policy Information Paper entitled The Defence of Australia 1987. This White Paper describes Australia's defence policies for the ensuing decade and the defence strategy that is to be followed to satisfy Australia's security objectives and interests. It also provides some guidance on defence force capabilities and priorities for force development, as well as the supporting and industrial infrastructure. The White Paper has been well received by defence commentators and the media. It clearly represents a significant and timely advance in our approach to defence policy-making in Australia since it provides broad political and strategic direction to our decision-makers. Such direction is long overdue, but it is still insufficient to facilitate the development of the most appropriate defence force structure and the detailed capabilities that are needed to satisfy our basic defence interests and objectives.

6.34 The Committee notes that there has been some progress in the development of the basic planning documents which are necessary to translate Australia's broad strategic guidance into the detailed information required by Australia's military and defence planners. HQADF has begun to prepare a series of joint planning documents, some of which have been submitted to the Chiefs of Staff Committee for endorsement. These were described in the Dibb Report [Dibb, 1986, pp 27-28] and included:

- a. **Military Strategy 85**, which 'attempts to extend strategic guidance by the development of principles for the defence of Australia'. Dibb saw this document as a useful attempt to apply a number of important military principles to the problems of Australian defence but found that it suffered from a number of basic deficiencies. It had been developed largely independently of Defence Central, is too broadly focused, and does not provide an adequate strategic concept for the defence of Australia.
- b. **ADF Concept for Operations**, which 'aims to establish a common basis from which joint-force and single-Service planning can be developed'. Dibb found this paper to be 'a more useful military planning document. It contains a good exposition of important factors in low-level contingencies ... [but] The treatment of higher-level contingencies is more uneven in quality, perhaps reflecting the speculative assumptions that must underpin any planning in this area'. Dibb concluded that the document should concentrate on low-level contingency situations.

c. **Military Basis for Force Development.** This document is the most recent of the joint planning guidance papers and, according to Dibb, 'is intended to establish an agreed list of broad military priorities for capability development'. Dibb supported the need for such a paper stating that 'its value lies in its comprehensive treatment of capability requirements, in which single-Service perceptions and priorities have been largely subsumed in a broader ADF perspective'. He noted, however, that the paper 'does not attempt to develop strategic and force structure principles into judgements on numbers and types of equipment and personnel within capability elements'.

The Dibb Report welcomed these developments but considered that considerable progress was needed before it could be claimed that we have a precise and coherent means of deriving an appropriate defence force structure from a consideration of our strategic environment.

6.35 While acknowledging these initiatives, the Committee considers that there is still a need for a more comprehensive planning document which provides defence planners with detailed guidance on:

- a. the preferred military strategy and concept of operations for the ADF;
- b. the basic tasks and objectives of the Services, the Joint Force Commanders, and other functional and supporting elements within the defence establishment;

- c. the fiscal and other constraints on the development of defence policy; and
- d. any outstanding issues still to be resolved.

Such a document would provide the link between forces and capabilities and overall aims and strategies. It would also provide the means of assessing competing bids and allocating priorities for development. It thus would serve as the principal means of directing and controlling defence policy. Without detailed defence guidance, defence programs and policies run the risk of being incoherent and uneconomic.

6.36 The findings of the Dibb Report clearly indicate that the present Defence Force Capabilities Paper is inadequate and needs to be either expanded into, or replaced by, a more comprehensive document which would serve as an authoritative statement directing defence policy, military strategy, force and resource planning, and fiscal guidance for the development of Service and other bids for resources.

6.37 The Committee recommends that the ADF and the Department of Defence give urgent consideration to the development of a new Defence Capabilities Paper or Defence Guidance document, which provides further guidance on the strategies and defence force capabilities contained in the 1983 ASADPO and the 1987 Government Policy Information Paper.

#### Inadequate Machinery for the Preparation of Defence Guidance

6.38 Given the pivotal role of Defence Guidance in the rational development of Australia's defence force structure and associated capabilities, and the acceptance of this fact by the Department of Defence over many years, the Committee is concerned that guidance documents continue to be inadequate. As

noted earlier, defence guidance is provided by the Defence Capabilities Paper. The development of the Defence Capabilities Paper is presently co-ordinated by the Force Development and Analysis Division in Defence Central. According to the Utz Report, FDA first produces a draft Capabilities Guidelines Paper, the purpose of which 'is to distil from the Government's broad guidance those judgements and directions most relevant to capabilities matters and so help the Services and other defence planning groups focus on the issues to be addressed as well as to outline the intended scope of the Capabilities Paper' (Utz, 1982, p 51). The Capabilities Guidelines Paper is submitted to the Defence Force Development Committee for endorsement. The Services and a number of other functional organisations within the Department are then requested to provide an assessment of requirements and priorities in respect of their own area of responsibility. This advice is used by FDA to produce a draft Defence Force Capabilities Paper which is considered by the DFDC and then issued to all resource co-ordinators to be used in the preparation of bids for the Five Year Defence Plan (FYDP) as well as development of major equipment proposals (see Chapter 7).

6.39 In our opinion, the process of preparing defence guidance is undermined by fundamental organisational weaknesses, the most important of which are:

- a. Defence guidance is not developed in a rational and coherent manner. As noted by the Dibb Report, current joint planning documents are not well advanced and they lack overall direction and authority. There appears to be no attempt to analyse alternative military strategies or force structures or systematically to investigate capability options. The reviews and studies relating to defence force structure which have been

conducted by the Department (these are summarised in a classified document, Indicative List of Reviews and Studies Relating to the Defence Function which was submitted to the inquiry by the Department) do not appear to conform to any overall plan or strategy designed to produce the most appropriate defence force structure. Rather they have probably arisen from ad hoc committee considerations or in reaction to the concerns of individual officers or the government.

- b. Inadequate involvement of the CDF and HQADF. Despite assurances to the contrary, the Committee is concerned that the CDF and the Joint Staff are not sufficiently involved in the preparation of initial defence guidance or in the refinement of that guidance as Service and other functional advice is submitted to Defence Central. Despite constructive moves - which we endorse - to enhance CDF's role by giving him more planning staff and representation on the Services' operational requirements committees (Department of Defence, Submission, p S535), we remain concerned that CDF and his joint staff essentially play only a coordinating role, instead of initiating guidance (see Chapter 8).
- c. The predominant role of the Services. Through their early and continued involvement in the preparation of the Defence Capabilities Paper, the Services are able to ensure that their interests and favoured capabilities are protected. The situation is not helped by the fact that the Services collectively outnumber

their joint colleagues on the various committees and they have developed their own basic guidance documents which set out their preferred strategies and operational concepts, and which are used by their planning staff to prepare advice on the structures and capabilities required for the defence of Australia.

- d. **Inadequate involvement of the Joint Force Commanders.** Despite the fact that the Joint Force Commanders will be responsible for carrying out defence force operations in times of emergency, they appear to have only limited capacity to influence the development of the defence guidance (other than operational doctrine) or the allocation of resources to their commands.

6.40 In the Committee's view these deficiencies have probably been instrumental in preventing the Department from issuing adequate defence guidance in the past, and they are likely to continue to do so in the future.

#### Force Development and Analysis

6.41 The key player in the preparation of defence guidance is the Force Development and Analysis Division. The Division operates under the overall guidance of DEPSEC B and comprises three branches as follows:

- a. **Force Development Branch.** Provides policy advice on the development of the force structure as a whole and on defence capabilities; provides advice on the interactions between various components of the

Defence Program with particular reference to effects on overall defence capability; drafts the new major equipment component of the Defence Program; analyses statements of objectives and activities and prepares data summaries.

- b. **Project Development Branch.** Provides policy advice on proposals to acquire or modernise specific major weapons systems; provides analysis of these proposals, their resource implications and implications for Defence Force structure. Provides the secretariat for the Force Structure Committee.
- c. **Force Analysis Branch.** Initiates analytical studies into major areas of defence capability including the force structure and, in particular, its major equipment and weapons systems; provides policy advice on the implications of analytical studies; undertakes pilot studies of possible major analytical studies of force structure and equipment; participates in analytical studies and undertakes independent analysis.

The Division is also to incorporate the Central Studies Establishment which previously belonged to DSTO and undertakes studies and analyses in the fields of force structure planning, operations analysis, logistics and wargaming. In a statement to the Senate Estimates Committee on 22 October 1987, an official of the Defence Department stated that the decision was made to incorporate CSE into FDA because:

It was felt that the people who had been providing this facility would be better equipped to provide their specialised advice and the conduct of their

studies operating under the closer policy guidance of the policy area of the Department that is concerned with the analysis and conduct of these kinds of studies. The Department has introduced new arrangements which involve the Vice-Chief of the Defence Force and Deputy Secretary B overseeing the work program that is to be conducted by the group of analysts operating not just in the Force Development and Analysis Division. There will also be one position in the headquarters ADF which will provide some capacity for the headquarters also to have its own in-house expertise. The work of those people will be complementary to the work being done in the three service offices, which also have a small group of analysts. The aim of the exercise is to exercise jointly, through the Deputy Secretary B and the Vice-Chief of the Defence Force, a closer oversight of the overall programs that are being conducted by people engaged in operational analysis activities [Senate Hansard, 22 October 1987, p E90].

6.42 The current procedures for developing defence guidance, and in particular FDA's role in the process, have been criticised both in this and earlier inquiries. A former Chief of the Air Staff, Air Marshal S.D. Evans, for example, informed this Committee that:

FDA refuses absolutely to accept professional military advice and indeed even on a matter as fundamental as the training of pilots, will not accept the training philosophy of the Chief of the Air Staff and his specialized Air Staff officers. The same applies to professional advice on weapons effectiveness or the training of a private soldier for the anti-terrorist role. A perusal of any 50 or so files prepared for consideration by the Defence Force Structure Committee (DFSC) will indicate how the agendum prepared by FDA invariably opposed the submission put in by the service offices [Submission, p S72].

Air Marshal Evans considered that the analysts working for FDA should be located within the Service Offices where they would assist in the preparation of staff requirements for new equipments or weapons systems. Others considered that the CDF should be responsible for developing Defence Guidance and that

FDA Division should be placed under his control. They pointed to the present arrangement in the United Kingdom, in which the CDS is responsible for tendering military advice on strategy, forward policy, overall priorities in resource allocation, programs, current commitments and operations. The British Defence Staff (which operates under the overall control of the Vice Chief of the Defence Staff) carries out most of the planning and policy functions that are currently performed by Defence Central in Australia.

6.43 Similar arguments and proposals were presented to the Defence Review Committee by both serving and retired Service personnel including the former Chief of the Defence Force Staff, Admiral Sir Anthony Synnot, and the recently retired CDF, General Sir Phillip Bennett [see Utz, 1982, pp 28-33]. As noted earlier, the Utz Committee supported the existing division of responsibilities between the Secretary and the CDF including the location of FDA Division under the control of DEPSEC B. It further considered that much of the criticism of FDA stemmed from a misunderstanding of the role of that Division in the force development process and from the absence of any coherent joint Service view of the kind of force structure that will be required to satisfy Australia's requirements:

It may be that in the absence of this task being performed by the Chiefs of Staff Committee, the present Force Development and Analysis Division does, or is seen to be performing, it in part as a consequence of having to establish a conceptual framework for the analysis of the major capital equipment proposals of the individual Services. This should not, however, obscure the Division's prime function which is to analyse Service major capital equipment proposals, both individually and in terms of the total FYDP, and to raise for consideration such matters as relative needs, options and priorities. In our view, to the extent to which a broader perspective is required in force development than is brought to bear by the single Services, this should be developed on a sufficiently long term basis under the direction of the CDFS to enable it to influence the Capabilities Guidelines Paper and the single Service capabilities papers ... [Utz, 1982, p 71].

6.44 To overcome these perceived deficiencies, the Utz Committee supported the development of a Defence Force Capabilities Paper under the direction of the CDRS as an additional step in the preparation of defence guidance. This document would be referred to the Department where 'it would ultimately be subsumed in a total paper which could appropriately be titled the Defence Capabilities Paper, and which would take account of departmental views as necessary and incorporate relevant broader aspects such as defence industry, science and technology and defence aid' [Utz, 1982, p 74]. Other recommendations relating to defence guidance and defence force development included the following:

- a. Renaming the Force Development and Analysis Division as the Analysis and Evaluation Division. This would better describe the functions of the Division and reduce the impression that it has a significant initiating role in the development of the overall structure of the Defence Force [Utz, 1982, p 71].
- b. Using the existing independent secretariat organisation established to meet the requirements of senior defence committees to service the Force Structure Committee rather than FDA. 'This would enable separation of the necessarily judgemental role of the Division in the scrutiny of Service proposals from the desirably neutral position which should be taken by a secretariat servicing a committee of such diverse interests and views as the Force Structure Committee' [Utz, 1982, p 75].
- c. The conclusions of the Force Structure Committee, rather than papers drafted

separately by the FDA Division, should provide the basis for DFDC consideration [Utz, 1982, p 75].

6.45 The Department of Defence noted these recommendations but has not proceeded with any of them. In its submission to this inquiry, the Department stated that the 'development of new Capabilities Papers - a guideline paper together with issues papers - was begun but action has been suspended pending the outcome of the Review of Australia's Defence Capability'. The Department further proposed not to rename FDA Division since such a change 'could encourage the perception that it is essentially an analytical study organisation. In reality, the "policy development and advice" role is one of the more important tools of management'. The establishment of an independent secretariat organisation for the Force Structure Committee is not being proceeded with 'but may be subject to further consideration' [Department of Defence, Submission, p S358].

6.46 The Committee is concerned that, in spite of the findings and recommendations on this matter by a number of earlier committees of inquiry, the means of preparing defence guidance - and hence the guidance itself - remain inadequate. The failure of the existing internal process was most clearly demonstrated by the fact that the Government was required in 1986 to task an independent consultant to undertake a review of the content, priorities and rationale of defence forward planning and advise on the present and future force capabilities that were needed by the ADF and the Department. By the Department's own admission, the subsequent findings of this review formed the guidelines for the development of new capabilities for the ADF [Department of Defence, Submission, p S527]. It is also clear that the present process of formulating defence guidance and selecting new weapons and capabilities for inclusion in the FYDP does not have the

complete confidence of the military and that this lack of confidence is a major contributing factor to the strained relations between military staff and civilians within Russell Hill, which in turn adversely affects the efficiency of the central policy process.

6.47 The Committee accepts that many of the basic functions that are presently conducted by FDA Division, in particular the analysis of contending options and the identification of alternative approaches or proposals, are an important part of the process of developing Australia's defence force structure, and they need to be retained. The Committee is concerned, however, that FDA is still being called on, or is seeking to play, a much greater role in the formulation of basic military concepts and the selection of competing military capabilities or weapons systems than it either should be or is capable of doing properly. While the recommendations of the Defence Review Committee, if they were to be implemented, would reduce the influence of FDA in the force development process, and the problems that are currently associated with it, they would not eliminate them. The reality is that FDA has been unable to develop adequate defence guidance, and this in turn has engendered a lack of confidence in the force development process generally.

6.48 As was argued in Chapter 4, we consider that the most logical and effective approach to the force development process would be to group the policy functions relating to the preparation of defence guidance within HQADF under the overall control of the CDF. Such a move, which would be consistent with the proper relationship between the Defence Force and its supporting infrastructure, would necessitate the transfer to the CDF's staff of the functional divisions within Defence Central which are currently responsible for force development and the preparation of the defence program.

6.49 The Committee recommends that the Force Development and Analysis Division and those other elements of Defence Central concerned with the development of Defence Guidance and the preparation of the Defence Program be placed into HQADF under the control of the CDF.

#### **Military Force Development and Requirements Staff**

6.50 As has been noted by numerous commentators, the existing process for developing ADF requirements is often in effect 'back-to-front', as the definition of capabilities starts with the single Services. This procedure fails to ensure the primacy of the overall force needs and can lead to such questionable practices as the 'equipment replacement' syndrome. We consider that the role of the Services in the preparation of basic defence guidance should be reduced in favour of HQADF and the Joint Force Commanders.

6.51 In the first instance, this would necessitate the transfer of some operational requirements and planning policy staff from the Services to HQADF [see also Dibb, 1986, p 29]. The single Services could still be responsible for the preparation of detailed Staff Objectives, Targets and Requirements, but only at the direction of HQADF.

6.52 We recommend that appropriate operational requirements and planning policy staff be transferred from the single Services to HQADF.

#### **The Oversight of Capabilities Guidance**

6.53 As the final step in restructuring a rational system for the development of capabilities guidance, a suitable mechanism for the oversight of the process is necessary.

Consistent with the approach taken thus far, we consider that this function should be performed by a senior committee which would be answerable initially to CDF. Because the development of capabilities guidance is closely linked to detailed assessments of operational requirements, which in turn encompasses the acquisition of major equipments, we believe it would be both logical and efficient to include the examination of that kind of related issue in the committee's functions. We note that this would impact on the major equipment acquisition process, and comment accordingly in Chapter 7.

6.54 We consider that a Defence Guidance and Capabilities Committee (DGCC) should be established, to be responsible for:

- a. directing and coordinating the development of defence capabilities guidance;
- b. considering, reviewing and endorsing operational requirements against approved guidance;
- c. allocating priorities to major equipment acquisition and force structure proposals as part of the preparation of the FYDP; and
- d. providing advice to the Defence Force Development Committee on the defence force structure, major equipment proposals and the FYDP.

The DGCC should be chaired by the VCDF, and would include in its membership senior staff officers from HQADF, the Services, and the Department of Defence. It should also be able to invite representatives from the Joint Force Commands. It would be serviced by an appropriate element from HQADF. Under the revised arrangements the DGCC would assume the current functions of the former Defence Operational Requirements Committee and the Force Structure Committee and so would both simplify and streamline the policy process and provide the potential for greater control.

6.55 We note that the DORC was recently superseded by the Defence Operational Concepts and Capabilities Committee (DOCCC), which is chaired by VCDF and is responsible for directing attention to the early development of force structure proposals by review of:

- a. operational concepts for the defence of Australia; and
- b. Defence Force Capability proposals which derive from the review of operational concepts.

The DOCCC also may initiate concepts and proposals in its own right, or may review concepts and proposals initiated elsewhere [Department of Defence, Submission, p S535].

6.56 At this stage the precise impact of the DOCCC on the broader defence decision-making process is unclear. However, from the information available it would appear essentially to replicate the DORC, but with increased control and direction from HQADF. We believe that wider-ranging changes which fundamentally shift the balance of decision-making are needed, and therefore recommend that:

- a. a Defence Guidance and Capabilities Committee be established, to be:
  - (i) chaired by VCDF and include in its membership senior staff from HQADF, the Department of Defence and the Services, with representatives from the Joint Force Commands to be invited as required, and
  - (ii) responsible for providing advice to the Defence Force Development Committee on force structure, major equipment proposals and the FYDP; and

- b. the Force Structure Committee and Defence Operational Concepts and Capabilities Committee be abolished and their functions transferred to the Defence Guidance and Capabilities Committee.

#### Unrealistic fiscal guidance

6.57 In addition to strategic and defence guidance, the effectiveness of the PPB approach to defence decision-making also crucially depends on realistic fiscal guidance. An over-optimistic assessment of the financial resources available for defence purposes will lead defence planners to develop force structures and overall capabilities which may be unattainable or unrealistic. The resultant planning documents will be largely ignored in the programming and budgeting phases. There will be a mismatch between resources and capabilities and the FYDP will be developed on the basis of short term budgetary considerations rather than those of strategy or force structure.

6.58 Continuing disparities between financial guidance and resultant outlays can also be disruptive to defence planning and wasteful of managerial effort and resources. This is because expenditures for major equipments and facilities, which are contracted for on the basis of long-term financial guidance, are generally fixed with payments due each year of the FYDP and beyond. If the defence appropriations for any subsequent year fall short of the expected outlay, the requisite savings have to be found from some other area of the defence budget. The usual approach of defence managers is to implement one or a combination of the following measures:

- a. cut personnel outlays by reducing numbers within the Services or the civilian elements of the Defence establishment, or by reducing or capping pay and allowances;

- b. cut funding for training and exercises (ammunition, fuel, transportation, training areas and facilities), maintenance (parts, facilities, training of maintenance personnel), and operational and war stocks (ammunition, fuel, spare parts); and
- c. postpone or cancel new equipment or facilities contracts or programs.

Reductions in the first two areas can erode the combat-readiness and sustainability of the defence forces since they reduce the ability to conduct regular and realistic exercises, or to engage in unit and formation-level training, while the third approach can delay the introduction of new equipments and capabilities and so undermine or constrain the capabilities of the defence force as a whole.

6.59 The overall consequences of continuing budget shortfalls, are, then:

- a. exposure of short-term consumption sectors of the defence budget to continuing cuts;
- b. reduction of programming flexibility and policy discretion as the program struggles to meet even existing commitments;
- c. increasing trade-offs between readiness and modernisation; and
- d. a significant and increasing imbalance between defence objectives and existing and projected defence capabilities.

6.60 These consequences can in turn have much broader political and strategic impacts. As Paul Dibb argued, over time, they contribute

... to a community perception, fostered by predictable media over-reaction, that our Defence Force is lacking critical items of equipment and is ill-prepared. Over time, these measures accumulate. Priorities become distorted and inefficiencies in the use of public funds become more likely.

Not only is there managerial waste in developing programs that are later forced to be repeatedly deferred or abandoned, but there is a resulting preoccupation with the details of marginal adjustments and variations hastily put forward. This can be only at the expense of the time and effort that is required to keep longer-term development and needs in a proper perspective [Dibb, 1986, p 161].

These broader consequences led Dibb to conclude that 'a firm basis for financial planning is critical to this long-term perspective. It follows that financial guidance should be as realistic as possible about likely future outlays. Governments acting responsibly should not succumb to short-term attractions of making over-optimistic financial predictions' [Dibb, 1986, p 161].

6.61 The above pressures have been operating in Australia for some years. A comparison of financial guidance, budget allocations and achieved outlays in Australia's defence expenditure over the last decade is shown in Figure 6.2. It can be seen that budget allocations fell short of anticipated expenditure in the period 1976 to 1979 and since 1982. This accords with the Dibb Report's findings that 'over the last decade, financial guidance has provided for an average annual real growth in outlays of 5.3 per cent, yet actual real growth has averaged about 2.5 per cent' [Dibb, 1986, p 161]. The same period witnessed a major increase in the proportion of defence expenditure which is devoted to capital equipment. Spending on

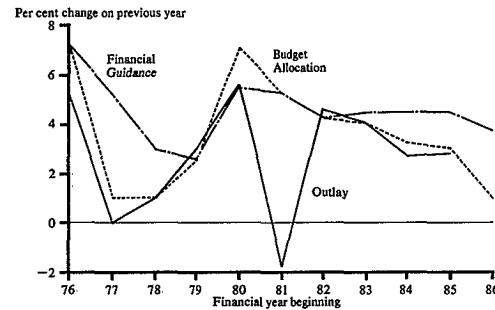


Figure 6.2 Financial guidance, budgets and achievements

Source. Department of Defence, Five Year Defence program briefing to the Joint Committee on Foreign Affairs and Defence, November 1986

capital equipment increased from around six per cent of defence expenditure in 1974-75 to 27 per cent planned for Budget Year 1986-87. This high emphasis on the capital equipment vote is expected to continue at least over the coming years, with the proportion expected to reach 31 per cent of the total defence budget by 1990-91.

6.62 The increase in expenditure on equipment has been achieved through a small real increase in defence spending over the period and through constraints on personnel and operating costs. Operating costs have been reduced from 30 per cent of expenditure in 1974-75 to 26 per cent this financial year. Personnel costs have dropped from 58 to 41 per cent. Figure 6.3 shows the projected defence expenditure for the period 1986-87 to 1991-92 by major categories. The capital equipment vote is divided into two components: programs which have been approved by the Government; and programs or phases of programs which have yet to be submitted to the Government for approval. Some 40 per cent of the total funds programmed for major capital equipment over the coming five years is for approved projects. Most of this is concentrated in the first three years of the FYDP. Operating costs are expected to be increased slightly, while personnel costs will be reduced to around 38 per cent of the total.

6.63 The Government has recognised the importance of using realistic financial guidance in its planning process. In the policy information paper The Defence of Australia 1987 the Government stated that it

... recognises that considerable waste and inefficiency in defence planning is inevitable when unrealistic guidance is given as a planning basis for defence spending. The Government is committed to more realistic financial guidance for defence planning, although some adjustments will still need to be made when settling annual Budgets [White Paper, 1987, p 103].

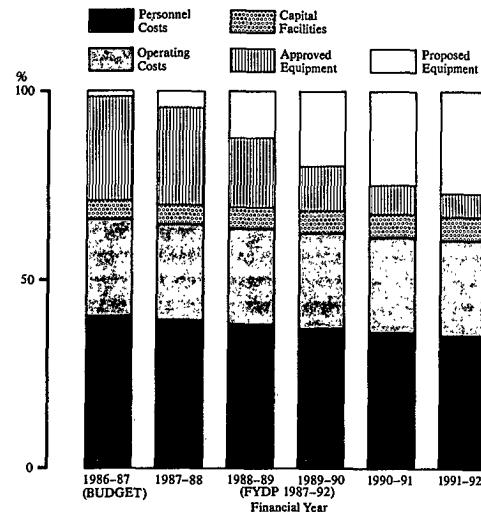


Figure 6.3 Projected Defence expenditure by major category as a percentage  
Source: *The Defence of Australia 1987*, Canberra, 1987, p 106

6.64 Despite this assurance, the Committee remains concerned by the disparities between financial guidance and budget allocations that have continued to occur since 1982, and by the steadily increasing proportion of defence expenditure that is being devoted to capital equipment programs. The Committee notes that the Department of Defence is developing its programs for the current FYDP on the basis of annual real growths of expenditure of 3.75 per cent, 3.1 per cent and 2.5 per cent, where the middle option is being developed in detail. The Defence White Paper gave no indication of what the level of defence expenditure would be. The Committee recognises that the provision of realistic financial guidance is made difficult by the facts that, first, defence planners tend to assume that significant funds will always be available in the latter part of the FYDP and, second, that the political and economic circumstances in which a forecast is made can drastically change. Nonetheless, we consider that there are considerable planning benefits to be gained by making the fiscal guidance as realistic and as stable as possible. The Committee recommends that:

- a. the Government provide the Department of Defence with a firm basis for financial planning for the FYDP;
- b. all basic planning documents issued by CDF/HQADF reflect those financial constraints; and
- c. the Government give consideration to establishing a biennial (or triennial) budget for defence.

#### Deficiencies in Defence Programming and Budgeting

6.65 The programming and budgeting cycles of the PPB system are also deficient in a number of respects which detracts from the efficiency of the overall process. Problems that have been identified by the Committee include:

- a. Overall complexity and time-consuming nature of the programming and budgeting cycles. The centralised system of control used by Defence leads to overly-specific guidance being given to line managers and requests for large amounts of data to be collated and sent back to Defence Central. This can lead to voluminous program documents and a disproportionate number of issues which need to be considered and resolved in the program review phase. This in turn extends committee consideration and takes up too much of the time of the key staff. The problem is compounded by the fact that the present system revisits decisions too many times. Debate over the same issue can be repeated at each subsequent committee level or at the beginning of subsequent review periods even though approval for the project may have already been given.
- b. Undue focus on the 'front-end' of the FYDP. Partly because of the complexity of the process, the program review tends to concentrate on the forthcoming budget year, rather than the full five-year term. This can result in the early years of the program simply being 'filled-in', with little thought for the implications of these decisions; or policy decisions being driven by budgetary or programming considerations.

c. Failure to emphasise the output side of the defence program. The basic purpose of the PPB system is to help managers translate Australia's defence objectives and strategies into an effective program of activities and acquisitions, while at the same time making the most efficient use of available resources. The PPB system should also provide the means for managers to assess whether defence objectives have been achieved and what additional changes still have to be made. At present the PPB system does not facilitate this kind of overall assessment since it is structured largely around 'input' functions - personnel levels, procurement decisions, budget deadlines, etc - rather than 'outputs' (operational readiness, integrated force capabilities, crisis management preparations, and so on).

A further problem is the requirement for Defence to provide its budgetary estimates in a range of different formats. This demands considerable time for the translation and justification of different votes for different forums. The need to explain costs in appropriation categories can also lead to very large and complex budget documents which have little relevance to defence planning but take up considerable time of the planning staff.

d. Insufficient involvement of HQADF and the Joint Force Commands in programming reviews. At present the CDF and the Joint Force Commanders are not sufficiently involved in, or in the case of HQADF are unable to contribute to, the review of Service and other inputs into the

FYDP. This problem will be reduced if the recommendations contained in Chapters 6 and 8 are accepted.

e. Inadequate oversight of the implementation of budget decisions. The PPB system tends to focus on meeting future activities at the expense of adequately monitoring the execution of the program and budget decisions in order to provide for:

- (i) feedback into the decision-making approach;
- (ii) better financial control; and
- (iii) more informed revision of the program and budgeting process itself.

f. Poor cost data. Cost estimates for new capital equipment and facilities tend to be understated due to poor costing techniques and strong incentives on the part of project managers to underestimate their costs in order to ensure that their projects remain in the FYDP. This leads to the latter years of the program containing more items than can, in fact, be supported. This 'over-programming' leads to severe budget cutting problems in the subsequent budget years and a tendency either to cutback in the quantity of items that are ultimately purchased or extend the project beyond the FYDP. This is wasteful and limits the flexibility of the PPB system.

6.66 In the Committee's view, there is a need to streamline the present programming and budgeting cycles of the PPB system and reduce the associated workload on senior management so they can concentrate on both major and longer-term issues. The first and most important step in this process is to implement a basic management formula of centralised policymaking and decentralised operational responsibility and authority. Under such an approach the central authority would issue only broad policy guidance to line managers and restrict the amount and detail of the data required to be submitted. The formal consideration of the FYDP should also be restricted to the Defence Force Development Committee with the Consultative Group and the proposed Defence Guidance and Capabilities Committee playing subordinate advisory roles.

6.67 Other possible initiatives favoured by the Committee include:

- a. combining the programming and budgeting cycles into one integrated cycle which would reduce the number of times the same issues would be considered and provide more time for the all-important planning cycle;
- b. introducing a biennial program review cycle or a biennial budget for Defence - this would increase the time available for PPBS as a whole and remove the present tendency to focus on shorter-term issues and requirements;
- c. reducing the amount of documentation required for the early years of the FYDP;
- d. extending the purview of the present FYDP documentation to ten years in order to provide a better indication of the longer-term implications of current year decisions; and

e. improving cost presentation and cost assessment techniques (the latter issue is discussed in more detail in the following Chapter) and reserving an element of the FYDP to cover future cost growth.

6.68 The Committee is particularly concerned that in the fifteen years since it first introduced the PPB system into the department, Defence has not conducted a detailed and integrated analysis of the process(es) which make up the system. This is despite the fact that successive inquiries into the defence establishment have identified significant and consistent weaknesses and deficiencies associated with the process.

6.69 The Committee recommends that the planning, programming and budgeting system used by the defence establishment be reviewed by the Department with a view to making it more efficient, less complex, and more cost-effective.

## CHAPTER SEVEN

## EQUIPMENT ACQUISITION AND PROJECT MANAGEMENT

## The Equipment Acquisition Process

7.1 The defence procurement or equipment acquisition process is a principal component of defence policy-making since it is the means of translating articulated military requirements into specific hardware. The acquisition process is no less elaborate than the planning and programming system. It involves four distinct phases covering:

- a. the definition of the requirement;
- b. organising the means to achieve the stated requirement;
- c. contracting for the purchase of new equipments and weapons systems; and
- d. post-contract administration.

Each stage of the procurement process makes extensive use of advisory committees and is characterised by a range of complex procedures and multi-decision points.

7.2 The whole process is also a very expensive part of defence decision-making. The total outlay on major defence equipments in 1986-87 was \$2055 million which represented 27.1 per cent of the total defence budget. By contrast, the proportion of defence expenditure devoted to capital equipment in 1973-74 was around 11 per cent. The current proportion is likely to be maintained at least until the end of the present FYDP. Partly because of the high costs involved, the related

areas of defence procurement, equipment acquisition and project management have continued to attract considerable public interest. Both media attention and political debate on defence in Australia have tended to focus on new major weapon systems and equipments. Finally, Australia's defence capabilities - and those of its potential adversaries - are normally measured in terms of the major equipment inventories of its armed forces.

7.3 The high cost and visibility of the acquisition process makes it extremely important in both economic and political terms. An inefficient or ineffective acquisition process can result in the poor utilisation of existing resources, or significant additional costs to the Commonwealth, or even failure to purchase the most suitable kinds of weapons systems and equipments. All of these consequences detract from Australia's defence capabilities and need to be avoided. As noted in preceding Chapters, Australia's capital procurement and defence purchasing arrangements have undergone considerable refinements which have sought to simplify the acquisition process and establish better management and cost control of the capital equipment program. Despite these changes, the defence procurement process has continued to be the subject of criticism both in this inquiry and during earlier reviews.

## Criticisms of the Defence Acquisition Process

7.4 A common concern expressed to this Committee was that the procurement process is unduly complex and difficult to control. One submission, for example, argued that changes to the procurement process have 'complicated defence purchases to the extent that over 100 major steps are often required to make a decision to acquire a major piece of equipment'. While acknowledging that major equipment purchases require a high degree of consideration and scrutiny, the same author stated that

... the DOD has taken the process to overcautious extremes and, in the matter of equipment acquisition, one wonders whether the whole process could be substituted for a system of Australian Operational Adequacy Assessments (AOAA). Such a system would merely involve a team of Australian experts going overseas to put proposed equipments under rigorous operational examinations to see whether the equipment was appropriate to Australian needs. If Australian production were desired, prototypes could be produced by private enterprise management groups who could be contracted to co-ordinate production between Australian and foreign facilities. The prototype would be tested in accordance with AOAA's and, if successful, full production would follow. This way, the DOD will be simplifying its acquisition program, saving money, reducing lead time and allowing private enterprise to take many of the risks [Hinge, Submission, pp S189-90].

The submission suggested that the major reasons for the increased complexity and inefficiency of Australia's equipment acquisition process are a lack of high level defence management experience, a tendency for overcentralisation of control, and the continuing single Service autonomy over project management. The submission did not take into account the recent establishment of the Capital Procurement Organisation, however, and the effect that this may have had on the perceived deficiencies.

7.5 Such criticisms are not new. Aspects of defence procurement and project management have been adversely reported on by a number of inquiries over the past decade. In its 1979 report on Australian Defence Procurement, this Committee concluded that the system of procurement from Australian sources was excessively cumbersome and complex, and that equipment acquisition lead-times often exceeded the usual strategic warning periods. It further found that the existing administrative arrangements divided responsibility between too many departments and agencies, and that existing practices tended to erode our defence industrial base. The report

recommended that Defence adopt a more unified and coherent approach to equipment procurement with earlier and greater involvement of local industry.

7.6 The findings of the Joint Committee were supported by the 1982 Report of the Defence Review Committee on the Higher Defence Organisation in Australia (the Utz Report). Utz recommended that the existing procedures and delegations relating to capital equipment procurement be reviewed, that the Defence purchasing function be vested in a new Department of Defence Support, and that Defence procurement functions be restructured around a central procurement organisation.

7.7 The September 1983 Report of the Auditor-General included the findings of a general review of Defence's management of a number of major equipment acquisition projects. The Report found that the Department's management practices were deficient in all major aspects of project management, and that these deficiencies contributed to:

- a. significant additional costs to the Commonwealth (incurred and prospective);
- b. the need for scarce resources to be engaged in rectifying project problems; and
- c. diminution of the Defence capability through untimely delivery of equipment and facilities and through equipment and facilities not meeting technical performance objectives.

The Report stated that the problems which were identified were 'of a kind which skilled project management should be able to avoid'. It concluded that 'urgent action is needed so that all issues within the control of the Department are fully recognised and appropriate measures taken to contain lead times, ensure

adherence to specified service requirements and minimise cost escalation' [Report of the Auditor-General, September 1983, p 38].

7.8 The most comprehensive and trenchant criticisms of Defence's project management procedures were made by the Joint Committee of Public Accounts in its Review of Defence Project Management (volumes 1 and 2) which were tabled in February 1986. In an examination of sixteen major equipment projects covering all three Services and ranging from small arms to the F/A18 Tactical Fighter (see Table 7.1), the Public Accounts Committee found that in eleven cases the projects 'have failed or may fail to be completed on time, to budget or to technical requirements'. Of the five remaining projects, three were still at an early stage of development. Four projects were found to 'qualify as especially unsuccessful having incurred significant cost and/or schedule overruns or persistent technical problems' [Review of Defence Project Management, Volume 1, 1986, p 13].

7.9 The Public Accounts Committee's inquiry focused on decision-making processes, organisational arrangements, resource management, and management information systems relating to defence acquisition. It examined in detail each discrete phase in the equipment acquisition process, and made observations and recommendations on a range of issues relating to them. Because they are relevant to this Committee's considerations, the conclusions and principal recommendation of the Public Accounts Committee's inquiry are summarised in Appendix 5.

7.10 The majority of the recommendations and proposals of the Public Accounts Committee Review have been accepted by the Department of Defence (although many of these are on an in-principle basis only). In a covering letter to his response, the Minister for Defence commented that a number of recommendations would require substantial changes to the existing organisation of his Department. Because the current

Project	Current estimated total project cost (a) \$m	Project time (Commencement date — Current estimated or actual completion date)				
		1970	1980	1985	1990	
AIR FORCE:						
1. Tactical Air Defence System (TADS)	21.68		Oct/73	Apr/85		
2. Jindalee (Stages A & B)	40.94	Oct/69		1983/86	Late 1980s	
3. C-130H Simulator	8.80		Mar/76	Aug/83	Phase 2B	
4. F-111A Attrition Aircraft	60.03		Jul/80	Jan/84	Mid 1991	
5. Basic Trainer (Phases 1 & 2)	99.10	Oct/78		Apr/87	Phase 4	
6. P3C Orion	411.99	Oct/79	Nov/86			
7. F/A-18 Tactical Fighter	3396.03 <sup>(b)</sup>	May/75		May/90		
ARMY:			Dec/85			
8. Small arms (Phases 1,3)	6.10		Sept/82		Phases 2,4,5,1997	
9. Rapier Air Defence	95.80	Aug/70	Nov/81	Aug/83	Phase 3	
10. Hipport/Medport	31.32		Oct/78	Sep/86	End 1988	
11. Medium trucks	215.90		Apr/76		1986/87	
12. Hamel light gun (Phases 1, 2 & 3)	56.11	Dec/74		1988+ 1991+		
NAVY		Jan/74		Gun Ammunition		
13. HMAS Success	208.92			Feb/86		
14. Minchunter Catamarans (Phases 1 & 2)	91.13	Sep/74			1987	Phase 3
15. US-built Frigates (FFGs 01-04)	1015.56					
16. Australian Frigates (FFGs 05-06)	859.06 <sup>(b)</sup>	Aug/73		Sep/85		
<b>TOTAL:</b>	<b>6618.47</b>		Aug/76	1991	1993	
					FFG05	FFG06

Table 7.1 Summary of major capital equipment projects considered by the Joint Committee of Public Accounts

Notes: (a) Approved phases only

(b) Latest approved total project cost (F/A-18, December 1982; Australian Frigates, December 1983)

(c) ----- = Not yet approved phase

Source: *Review of Defence Project Management Volume 1 — Report*, Canberra, 1986, p 10

arrangements for capital procurement and purchasing have only been in place for a relatively short period of time, the Minister considered that it would not be appropriate to consider varying these arrangements at this time. The Public Accounts Committee noted this view but argued that most of the changes that had been made by the Department to date fell short of its own original conception of a centrally controlled and simplified procurement process [see Joint Committee of Public Accounts, Response to Review of Defence Project Management Report, 1987]. In addition to the findings of these various official reports, criticisms have also occurred within the media and elsewhere of the tender evaluation and procurement processes associated with specific major new equipments or weapons systems.

#### The Need for Further Reform of the Defence Acquisition Process

7.11 The findings of the Joint Committee of Public Accounts in particular indicate that Australia's current capital procurement and defence purchasing arrangements remain deficient in a number of very important respects and that further changes are needed if we are to have a truly efficient and effective approach to equipment acquisition. In our view, the most significant weaknesses in the current arrangements are:

- a. lack of effective oversight of the defence acquisition process, and inadequate control over equipment and project costs;
- b. inadequate definition of requirements and insufficient connection between those requirements and Australia's defence strategy;
- c. inadequate resources devoted to project management and limited expertise especially among the Services;

- d. the existence of overlapping or ambiguous responsibilities and a potential conflict of interests between sponsors and project managers; and
- e. inadequate involvement of local industry and a declining indigenous industrial base.

Taken together these deficiencies are contributing to excessive delays in the development and deployment of new weapons systems, unnecessary 'cost overruns' on individual programs, increasing pressures to spend more on the capital equipment vote in order to maintain existing force levels and capabilities, and an increasing concern over whether Australia is buying the right systems for its evolving defence strategy.

7.12 In our view, it is paramount that the defence acquisition process be made as efficient and effective as possible, where equipment outputs properly mirror Australia's strategic requirements and the costs of procuring new capabilities are strictly controlled. We generally support the recommendations contained in the Joint Committee of Public Accounts' Review of Defence Project Management and note that Defence is instituting a number of these changes. We also note, however, that the Public Accounts report concerned itself primarily with procedural and management reforms which would be made within the existing institutional framework. The report did not seriously question the current organisational structure or the division of responsibilities between the principal participants in the acquisition process. The following discussion concentrates on these broader issues and presents this Committee's recommendations relating to the following areas of concern:

- a. the management and oversight of the acquisition of new equipments and weapons;

- b. the definition and selection of new equipments and weapons systems; and
- c. the control of the cost of the major capital equipment vote.

**The Management and Oversight of the Defence Acquisition Process**

7.13 The principal participants in the defence acquisition process are the Capital Procurement Organisation (CPO) and the Service Offices. The CPO came into operation on 24 July 1984. It is directed by the Chief of Capital Procurement who is responsible to the Secretary for:

- a. supporting the Service Offices in the development of capital equipment proposals prior to government approval;
- b. managing the procurement of approved capital equipment - and the funds appropriated for that purpose - to the point of introduction into service;
- c. advising on and implementing defence industry policy and capital equipment procurement policy; and
- d. coordinating the resources for approved capital equipment programs.

According to the Department of Defence, the basic objectives of the Capital Procurement Organisation are 'to provide the equipment approved for the Services on time, at the required level of quality and to obtain value for the money spent' [Submission, p S372].

7.14 The CPO incorporates the three Service Materiel Divisions which are responsible to the Chief of Capital Procurement (CCP) for managing the implementation of approved capital equipment projects assigned to the CPO by the Chiefs of Staff, and other projects as appropriate, from the point of project approval to the introduction into service. These responsibilities cover the preparation of specifications, tendering, evaluation, source selection, and contract negotiation and management.

7.15 The Chiefs of Materiel are 'dual-hatted' positions with responsibilities to their respective Service Chiefs of Staff. Their duties include supporting the work of the Service Offices in developing operational and staff requirements; coordinating the work of the Service Offices in the development of equipment proposals to meet requirements; and ensuring that equipment supplied is satisfactory for introduction into service.

7.16 In addition to the three Service Materiel Divisions, the CPO includes the Defence Communications System Division, the Defence Industry and Materiel Policy Division, the Defence Industry Development Division, and a Special Adviser Resources Procurement. The Special Adviser provides the Chief of Capital Procurement with high level financial advice and the financial services necessary for the effective financial management and progressing of procurement projects. He is also responsible for drafting the approved capital equipment component of the FYDP and the budget estimates, resource coordination of capital equipment votes, providing advice on financial aspects of contracts and other agreements, and overseeing the work of financial policy advisers located within the other divisions of the CPO.

7.17 The Service Offices are responsible for the project definition phase of the acquisition process. The requirements

for new major equipments and weapons systems are normally prepared by the Service Operational Requirements Branches or Divisions. Generally, responsibility for a project transfers to the Service Materiel Division at the time of Departmental endorsement of the Staff Requirement, although there is consultation between the two components well before this.

7.18 The recent changes which have been made to the procurement organisation within Defence have sought to enhance the concept of centralised control and decentralised execution of the defence acquisition functions, with the policy control vested in the CPO and the individual Services managing the procurement of new equipments and weapons systems. The approach is very similar to that introduced into the United Kingdom Ministry of Defence in 1972. The Committee supports the basic concept but has some reservations about how it is presently being achieved. These concerns relate to the continuing role and responsibilities of the Services' Materiel Divisions, and the structure of the CPO itself.

#### The Role and Responsibilities of the Chiefs of Materiel

7.19 As noted above, the CPO's management functions are largely carried out by the three Service Materiel Divisions, each headed by its respective Chief of Materiel. These divisions are located within the Service Offices, they are staffed largely by officers and other ranks from the individual armed Services, and under the present 'dual-hatted' arrangements are formally responsible to the Service Chiefs of Staff for certain functions relating to defence procurement.

7.20 This arrangement was considered by both the Defence Review Committee and the Public Accounts Committee. In its original proposal to the Defence Review Committee on the establishment of a central procurement organisation, the

Department of Defence advocated an approach in which the Chiefs of Materiel 'would cease to be "two-hatted" as they are at present and would become directly responsible to the senior executive [of the CPO] but responsive to the appropriate Service Chief of Staff for satisfaction of his approved Service needs in terms of capital equipment procurement' [Utz, 1982, p 108].

7.21 The Department's position was not supported by Utz on the grounds that it would be unlikely to contribute to an overall improvement in the procurement process, and that it would change the role of the Chiefs of Materiel and their relationship to the Service. In this latter respect, the Defence Review Committee argued that the primary function of the Chiefs of Materiel

... would be to manage the departmental processes involved in the procurement with no responsibility, or at best a much diminished responsibility in the form of 'responsiveness', to the sponsor Service. This could easily encourage the Services to turn to another single Service position for assurance and information on the progress of major equipment projects sponsored by them, which would be duplicative and also counter productive to the intentions of the proposals [Utz, 1982, p 112].

7.22 The Joint Committee of Public Accounts sided with the Department of Defence. It considered that the CPO should be operated as a single procurement organisation with a common policy, and that there should be a clear distinction between the sponsor organisation (single Service) and the procurement agency (project director). In its view, such a separation is likely to be more effective in controlling costs and schedules, and Service interests could still be protected through a contractual agreement between the sponsor and the CPO [Review of Defence Project Management, 1986, p 100].

7.23 In a submission to this inquiry, the Department of Defence reversed its earlier stand and supported the 'dual

'responsibility' arrangement, stating that the connection with the CPO gave the Project Manager the necessary increased authority to manage projects, while at the same time a suitable relationship was preserved with the Service Sponsors [Department of Defence, Submission, pp S531-32].

7.24 This Committee supports the original position taken by the Department, and that of the Joint Committee of Public Accounts. In our view, while the 'dual-hatted' arrangement may offer some administrative convenience, it suffers from serious organisational weaknesses:

- a. it subjects the Chiefs of Materiel to potential conflicts of interest in their dual roles as project manager and adviser to the Service Chiefs of Staff;
- b. it complicates the chain of command, particularly in the event of disagreement between a Service Chief of Staff and the Chief of Capital Procurement; and
- c. it facilitates a diversity of approaches towards project management and a potential duplication of functions and resources between the Services.

7.25 Contrary to the view of the Utz Report, we consider that the primary role of the Services Materiel Divisions is to manage the procurement of approved new major equipments and weapons systems in accordance with the procedures and policies laid down by the CPO. Service interests are protected through their control of the project definition phase, and by the continued participation of Service personnel in the project teams. Those interests could be further promoted by establishing a contractual

relationship between the sponsor and CPO, by involving the Services in the tender evaluation and contract negotiation stages of the procurement process and by establishing an organisational element within the CPO itself which is charged with protecting Service interests.

7.26 The Committee recommends that:

- a. the present 'dual-hatted' arrangements affecting the Chiefs of Materiel and the three Services be abolished and that the Materiel Divisions be made solely responsible to the Chief of Capital Procurement;
- b. Materiel Divisions be grouped with the remainder of the CPO in a single location; and
- c. the position of Chief of Capital Procurement be open to civilian and Service officers.

#### The Structure of the Capital Procurement Organisation

7.27 The current organisational structure of the CPO is shown in Figure 7.1. As noted earlier, it comprises a mixture of policy and executive divisions, headed by the Chief of Capital Procurement who is supported by a Special Adviser Resources Procurement. The Defence Report 1986-87 shows that there were 73 Service personnel and 324 civilians employed within the CPO as at 30 June 1987. The Committee considers that there are a number of issues relating to the current structure of the CPO which need further consideration. These are:

- a. possible rationalisation of the Service Materiel Divisions;

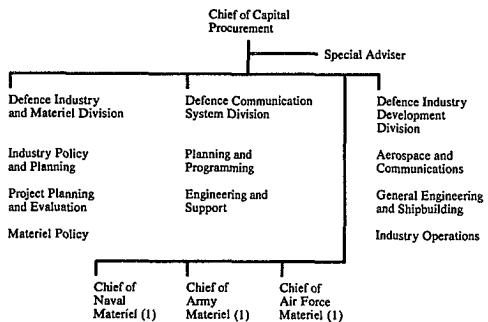


Figure 7.1 The Capital Procurement Organisation

Note: 1. Also responsible to their respective Chiefs of Staff.

- b. incorporation of other specialist organisations and activities which have responsibilities relating to capital procurement into the CPO; and
- c. span of control problems facing the Chief of Capital Procurement.

#### Rationalisation of the Materiel Divisions Within the CPO

7.28 The Public Accounts Committee's Review of Defence Project Management noted that while there remained some important differences among the Services in project organisation, there were nonetheless many similarities, particularly with the increasing adoption of dedicated teams to carry out the procurement and project management functions. The Public Accounts Committee also concluded that:

- a. similar managerial skills are required for major Defence projects as for major equipment projects elsewhere in the public sector and in private industry;
- b. project management skills are clearly distinguishable from the general management training received by military officers; and
- c. personnel with extensive project management skills appear to be relatively scarce in Defence.

7.29 In light of these factors, the Committee considers that the three Service Materiel Divisions within the CPO should be rationalised into a single organisation responsible for managing both minor and major defence procurement projects. The advantages of a rationalised structure are:

- a. it would facilitate centralised policy control of the procurement process as well as the adoption and utilisation of common procedures and support services (computer-based management information and control systems for example);
- b. it would provide for greater flexibility in staffing arrangements and a probable reduction in staffing resources overall; and
- c. it would provide for greater career opportunities for both civilian and Service personnel who elect to specialise in project management.

Possible disadvantages are that it could further weaken Service involvement and influence over the procurement of military equipments and systems, and it could operate against the concept of central policy direction and decentralised execution.

7.30 The Committee considers that the advantages of rationalisation outweigh any potential disadvantages. Moreover, the concept of centralised direction and decentralised execution can be maintained by providing project directors with complete authority over their project. It is recognised that while rationalisation would provide for a more efficient and coherent structure, it will not by itself solve the underlying problem identified by the Joint Committee of Public Accounts of the lack of suitably trained project managers and support personnel. The Committee notes that the Department is taking steps to rectify this problem, but considers that greater efforts are needed especially in preparing military officers for work in project management and equipment acquisition-related areas.

7.31 The Committee recommends that:

- a. the Department of Defence rationalise the three Service Materiel Divisions into a single Project Management Division responsible for managing minor and major equipment projects sponsored by the Services; and
- b. the Services continue to pursue the introduction of specialist career paths for staff within the area of materiel acquisition and management.

Location of other Functional Groupings involved in Defence Procurement within the CPO

7.32 In its review of Defence Project management, the public Accounts Committee noted that for most major projects, responsibility for project implementation was shared between the project director and other functional directorates responsible for design, quality assurance, production control, and so on. It concluded that despite routine coordination and liaison between the various groups, there is a 'danger that technical decisions will be taken without due attention to their effect on project time and cost objectives' [Review of Defence Project Management, 1986, p 97].

7.33 The Public Accounts Committee considered that project managers should be given responsibility for all technical aspects of the project and that appropriate staff should be either transferred or seconded from the technical divisions to facilitate this responsibility. It noted that such a move was opposed by the Chiefs of Materiel who advised that the allocation of technical responsibility to project directors was limited by:

- a. scarce specialist technical resources; and
- b. the functional relationship of the technical services Chiefs to their Chief of Staff to enforce and maintain technical performance standards.

7.34 The Public Accounts Committee did not entirely accept this view, arguing that 'the source of the difficulty over the reallocation of functional responsibilities appears to lie in the desire by Service sponsors to retain for as long as possible an area of discretionary controls over procurement' [Review of Defence Project Management, 1986, p 98]. It accordingly recommended that the project directors of large and complex projects be assisted by their own technical staff who are either transferred on a permanent basis to the CPO or seconded temporarily. In its response to the Review, the Department stated that 'The project director already has this authority'.

7.35 The issue was touched on only briefly by the Utz Committee. Utz noted that one of the difficulties with capital procurement is that it draws on support from many specialist functional activities within the Defence organisation, although in most cases it does not use these services exclusively. It further noted that despite some superficial similarities between the technical services of the three Services, they are

... in many respects quite different in their organisation of functions and specialisations and many of these differences stem from important differences in roles. It is obviously not possible to have the Central Staff structure conform with each of the three Services if they in turn continue to remain different in their organisational arrangements from each other. There is also a problem that, with a function such as procurement which uses, but not exclusively, a wide range of services, a balance has to be struck on what should be regarded as primarily related to the procurement function [Utz, 1982, p 111].

7.36 Utz nonetheless gave in-principle support to the establishment within the procurement organisation of the common functional services necessary to support each Chief of Materiel in the management of his projects. Examples of these services were resource co-ordination, financial services, legal services, technical services, supply, personnel planning and purchasing staffs. The Review Committee noted 'that the Department indicated the need for a detailed study to determine more precisely the extent of activities that would benefit from being made organic to the procurement organisation' and endorsed 'the need for that examination to be conducted as a necessary prerequisite' [Utz, 1982, p 111].

7.37 The Committee supports the need for an examination of the role of the various technical activities and services relating to defence procurement, and a rationalisation of these services. It considers that the current dispersion of responsibilities between the Services and the division of authority over the technical services is inconsistent with the efficient management of the defence procurement function. As a general principle, the Committee considers that all related services should be located within the CPO and be subject to the control of the Chief of Capital Procurement.

7.38 Noting that its conclusion has implications which extend beyond defence procurement, the Committee recommends that the Department of Defence conduct a further study into the rationalisation of technical services supporting the defence acquisition process with a view to concentrating them under the control of the CCP.

#### The Higher Management of the Capital Procurement Organisation

7.39 The current organisation of the CPO comprises a mixture of policy and executive divisions, all directly

responsible to the Chief of Capital Procurement (CCP). While the number of personnel within the CPO is relatively small, the scope of its responsibilities is very broad. It would be extended further if other technical specialisations relating to capital procurement (quality assurance, legal services, management information systems, etc) were rationalised and placed under the control of the CCP.

7.40 The existing and potential span of responsibilities of the CPO, together with the very high cost of defence procurement, make it essential that the organisation be effectively managed. Even allowing for the principle of centralised control and decentralised execution of defence procurement to be followed, the Committee considers that the span of control affecting the CCP is excessive and that he should be given additional support in carrying out his responsibilities. A number of options could be considered including:

- a. the division of the CPO into two parts, one responsible for policy formulation and the other for project management. Each part could be headed by a senior officer who would report to the CCP; or
- b. the formation of a separate Office of the CCP which would include the Special Adviser on Capital Procurement and other specialist support staff as necessary. The Office could be headed by an Assistant CCP who would act as the Chief of Staff or Executive Officer to the CCP.

7.41 The Committee recommends that the Department of Defence examine the existing arrangements for the higher level management and oversight of the defence procurement process, with a view to:

- a. improving the means of reviewing the organisation's ongoing activities, and the achievement of its objectives;
- b. reducing the present span of control of the CCP, without prejudicing the organising principle of centralised control and decentralised execution of the defence procurement functions; and
- c. ensuring that Service needs expressed in their requirements documents are being satisfied.

#### The Definition and Selection of New Equipments and Weapons Systems

7.42 Under current arrangements, the individual Services are responsible for developing operational requirements for new major equipments or weapons systems. The process involves the preparation of staff objectives, targets and requirements which describe, in progressively greater detail, the required functions, major features and performance of the new system, and the broad time frame for its introduction. These basic documents are normally prepared by operations staff within the Service Offices and are subject to scrutiny by single Service committees.

7.43 The Services' Staff Requirements are submitted to the Defence Operational Concepts and Capabilities Committee (DOCCC) for consideration and endorsement. The DOCCC is chaired by the Vice Chief of the Defence Force and has as its members the Assistant Chief of the Defence Force (Policy), the Chief of Naval Operational Requirements and Plans, Chief of Operations-Army, Chief of Air Force Development, Controller, External Relations Projects and Analytical Studies, First

Assistant Secretary Force Development and Analysis, First Assistant Secretary Strategic and International Policy, First Assistant Secretary Programs and Budgets, and First Assistant Secretary Defence Industry and Materiel Policy.

7.44 Following endorsement by the DOCCC, the Services raise a Major Equipment Proposal (MEP) which seeks funding for the new weapons system or equipment within the context of the FYDP. The MEP is submitted to the Force Structure Committee (FSC) through the Force Development and Analysis Division. FDA analyses the proposal in consultation with the sponsor Service and other areas of the Department. Major issues arising in these considerations could lead to the commissioning of studies or working groups to investigate alternative approaches to satisfying the requirement. FDA also prepares an agendum paper for consideration by the FSC. The agendum paper includes a statement of alternative views on, and options for satisfying each proposal. The FSC is chaired by Deputy Secretary B and has essentially the same membership as the DOCCC.

7.45 The Major Equipment Proposals are required to be submitted and reviewed annually. There are two separate review periods in each financial year. The first occurs between July and November and evaluates all proposals for their suitability and priority for inclusion in the FYDP. Around November each year, at the end of the first review period, the FSC considers a 'Draft Illustrative New Major Equipment Program' produced by FDA. Based on this, the Committee formulates a 'Recommended New Major Equipment Program'. The recommended program is submitted to the Consultative Group as part of the FYDP for initial consideration. The Consultative Group is chaired by Deputy Secretary B and has as its members Deputy Secretary A, Chief of Capital Procurement, Chief of Defence Production, Chief of Supply and Support, Assistant Chief of Defence Force (Policy), Deputy Chief of Naval Staff, Deputy Chief of the General Staff, Deputy Chief of Air Staff, Deputy Chief Scientist, First

Assistant Secretary Force Development and Analysis, and First Assistant Secretary Programs and Budgets.

7.46 Once endorsed by the Consultative Group, the recommended draft FYDP then goes to the DFDC for final endorsement. The DFDC is chaired by the Secretary Department of Defence and has as its members the Chief of the Defence Force, the Chief of Naval Staff, the Chief of the General Staff and the Chief of the Air Staff. The DFDC may also invite other senior officers from the defence organisation and representatives of other departments appropriate to the matter under discussion to attend its meetings. Such invited officers attend to assist the Committee. The FYDP is then submitted to the Government for final approval.

7.47 In this Committee's view, these current arrangements suffer from a number of deficiencies. These include:

- a. an absence of assured connection between basic defence guidance and operational requirements;
- b. inadequate involvement of the CDF and the Joint Staff in the preparation and selection of requirements for new weapons systems and major equipments; and
- c. the procedures for the preparation and endorsement of operational requirements are far too complex.

Absence of an Assured Connection between Basic Defence Guidance and Operational Requirements

7.48 As described in the previous Chapter, Australia's defence force requirements should be logically derived from an

assessment of our national security interests and the basic strategy needed to be followed to protect these interests. At present, our basic guidance is too broadly stated to facilitate rational force structure planning. In the absence of central guidance, the Services have developed their own planning documents which are used to develop proposals for and to justify new equipment and weapons systems. As noted by the Dibb Report, the various single Service guidance papers have been developed independently and lack both coherence and central endorsement.

7.49 This situation raises the question of whether the requirements being put forward by the Services are in keeping with our national security objectives and policies. Service interests and views do not always accord with each other. A particular Service is influenced by its own values and traditions, and it may envision its role in various operational scenarios differently than the role contemplated for the Service in the overall national military strategy. In addition, as noted by the Utz Committee, the absence of basic guidance – against which new proposals can be judged – also contributes to the perception among many Service officers that the civilian elements of the Department (in particular FDA) have undue influence over the development and selection of military capabilities and equipments [Utz, 1982, pp 74-75].

7.50 The Committee considers that it is imperative that the requirements for new equipments and weapons systems are developed from, and judged in terms of, official defence guidance.

#### Inadequate Involvement of the CDF and the Joint Staff

7.51 The current arrangements are dominated by single Service and civilian perspectives, with inadequate input from either HQADF or the Joint Force Commands. The Services are

responsible for developing Staff Requirements and Major Equipment Proposals, while the Secretary of the Department and his civilian officials coordinate these proposals and staff them through the project definition and approval stages. The CDF's role is limited to committee considerations, and the Joint Force Commanders appear to have no formal say in the matter in spite of the fact that they will be the operational commanders of Australia's defence forces in times of hostility.

7.52 In the Committee's view, this basic division of responsibilities is not in keeping with Australia's evolving operational circumstances. Since the Services will be operating together in most future scenarios, we should be establishing new weapons or equipment requirements on a joint basis rather than the present approach where the Services advance proposals reflecting their individual requirements and interests. As well as failing to ensure that requirements match our national defence strategy, the current approach also provides no guarantee that requirements which fall outside the traditional (or favoured) responsibilities of the Services will be raised or developed. Furthermore, since the Services tend to develop systems which are uniquely tailored to their own needs, there will inevitably be areas of redundancy or duplication between Service inventories. This overlap in function and capabilities represents a potential misuse of resources.

7.53 The Committee believes that the CDF and his joint staff should be responsible for selecting and overseeing the development of, and initial allocation of priorities to, operational requirements for new equipments and weapons systems. Under this approach HQADF would be responsible for:

- a. evaluating the military requirements and determining whether they are consistent with strategic and joint operational plans;

- b. sponsoring studies by specialist organisations into alternative approaches or options for satisfying the proposed requirements;
- c. indentifying areas of commonality or duplication between single Service requirements;
- d. initiating the development of staff requirements for joint Service programs and capabilities; and
- e. preparing a consolidated New Major Equipment Program for consideration in the context of the forthcoming FYDP.

The Committee notes that many of these responsibilities currently rest with the Force Development and Analysis Division in the Department of Defence. As discussed in Chapter 6, it considers that the transfer of these functions from the Department to HQADF would be appropriate since the task of developing military requirements - provided it is subject to the overall policy constraints set by the Minister - is more properly one belonging to the military.

7.54 The Committee further recognises that the expansion of the functions and responsibilities of HQADF in the way suggested would require additional staff resources to be located within the Headquarters as well as amendments to the current staffing procedures relating to the development and selection of operational requirements.

#### Undue Complexity in the Definition and Selection Process

7.55 In the Committee's view, the process of consultation of major equipment proposals is too repetitive and protracted.

The same proposals are subject to consideration by four separate committees - the Defence Operational Concepts and Capabilities Committee, the Force Structure Committee, the Consultative Group, and the Defence Force Development Committee - which have broadly similar memberships and responsibilities. Such an approach is not conducive to the efficient processing of new requirements since it affords numerous opportunities for the advocates of a particular view to present alternative solutions or seek to have earlier decisions revoked at the next level of committee hearings. This leads to inordinate amounts of time being devoted to consideration of the same weapon systems or equipments, bureaucratic bargaining between the interests involved, and deferment of decisions on which no agreement can be reached.

7.56 The Committee acknowledges that there is a need for full consideration of issues and extensive consultation between the parties involved in the defence acquisition process. It considers, however, that the present approach needs to be both simplified and streamlined. The basic objectives of any changes to the decision-making process should be to reduce the number of times each proposal is considered and to reduce the number of participants in the policy process through each progression to a higher level, while ensuring that proposed operational requirements reflect strategic guidance and joint military priorities.

#### An Alternative Process

7.57 In our view, the framework of a conceptually and structurally logical equipment definition and selection process would be in place if a number of the recommendations made in preceding Chapters of this report were effected, namely:

- a. the establishment of a DGCC (R21); and

b. the transfer of some operational requirements and planning staff from the Services to HQADF (R35).

7.58 We consider that the responsibility for the total project definition stage of the process should be delegated to CDF, who should be responsible for preparing, in accordance with broad guidelines and policy and resource constraints laid down by the Minister, a consolidated list of operational requirements and major equipment proposals as part of the defence guidance for the forthcoming FYDP. As was noted in Chapter 6, the single Services and other functional groupings in Defence would still be responsible for the preparation of detailed Staff Objectives, Targets and Requirements, and major equipment proposals, but only at the direction of HQADF. In the Committee's view, the proposed change in responsibilities should be able to be achieved with only minimal changes to overall staff numbers within HQADF.

7.59 The progress of proposals and programs through the defence committee system would be facilitated by the abolition of the FSC and the DOCCC (see R22), whose essential functions would be concentrated in one committee, namely, the DGCC. The committee review process would retain its rigour, as the recommended New Major Equipment Program would still be examined by the Consultative Group following the DGCC's deliberations and before being presented to the DFDC.

7.60 Finally, we believe that the DFDC - the senior non-statutory committee involved in the equipment definition and selection process - should be restructured to comply with the objectives of instituting a logical decision-making hierarchy, streamlining the process, and increasing political participation in defence decision-making (see Chapter 5). We consider that the membership of the DFDC should be restricted to the highest levels of Defence management, and that it should be chaired by the Minister for Defence or his Assistant (see Chapter 5).

7.61 The Committee therefore recommends that:

- a. subject to the overall guidance and policy constraints laid down by the Minister for Defence, the CDF be responsible for preparing a consolidated list of operational requirements and major equipment proposals for inclusion in the FYDP; and
- b. the Defence Force Development Committee membership be restricted to the Minister for Defence (or Minister Assisting) as Chairman (see R5), CDF, and the Secretary to the Department of Defence and his principal financial adviser.

#### Controlling the Costs of the Major Capital Equipment Vote

7.62 The third area of concern to the Committee is the increasing cost of procuring major equipments and weapons systems. As noted at the beginning of this section, this cost, expressed in terms of the proportion of total defence expenditure, has tripled over the last decade. The high level of spending on capital assets is likely to continue over the current FYDP and probably beyond as new major commitments are entered into. These include the new submarines, mine countermeasure vehicles, more helicopters, and the over-the-horizon radar system.

7.63 The growing expenditure on capital equipment items reflects in part the commitment of recent governments to a major upgrading of the equipment inventory of the Australian Defence Force. In addition to government commitments, there are a number of other factors which have contributed to the rising capital

equipment vote. The first, and most critical, is the relatively high and increasing cost of individual systems. We have reached the point where the cost of an individual ship can be measured in the billions of dollars, an individual combat aircraft in the hundreds of millions, and an armoured fighting vehicle in the millions.

7.64 The increasing unit cost of traditional weapons systems is due to a number of factors, including the need to provide protection against an increasing array of new generation weapons and the increasing complexity of modern warfare. While the new systems generally provide for improved performance, overall budgetary restraints mean that they will normally have to be purchased in smaller numbers. It is a matter of some debate whether this quantitative reduction in the military arsenal will continue to be offset by qualitative improvements. We are likely to reach a stage - if we are not there already - where we will have to accept lower technology equipments or weapons systems in order to maintain existing capabilities.

7.65 A third factor contributing to higher capital equipment costs is the nature of the procurement process and the operation of the interests which inhabit it. From an examination of the findings of the Review of Defence Project Management and other public evidence [see, for example, Payne, 1987], the main internal causes of higher costs include:

a. **Poor cost estimating.** The Public Accounts Committee found that many defence projects cost more than was originally estimated by the sponsor Service, or budgeted for within the FYDP, or contracted for by the preferred tenderer. The increase in cost estimates, especially later in the project's history, places greater pressure on the capital vote and increases equipment lead-times (and often

costs) as projects are deferred into the later years of the FYDP or beyond in order to accommodate overall programming and budgetary constraints. The poor cost estimating is due to limited in-house experience, inadequate scrutiny of cost estimates, the tendency of project managers to underestimate initial costs in order to facilitate project approval, and a tendency to upgrade technical requirements during or after contract negotiation.

b. **Overspecification of requirements.** There is a tendency among the Services to design or specify weapons and support systems that are more sophisticated technologically than they need to be for the tasks they are required to meet. An important factor in this is the ready use of overseas technical specifications which are designed to meet the highly exacting circumstances of a war between NATO and Warsaw Pact forces in Europe. The situation is exacerbated by the fact that Australia can only buy small numbers of equipment items, which adds to the costs of overheads. The tendency to overspecify requirements is due to limited expertise of the specifying staff, the tendency of representatives to push already-available overseas items, and the preferences of the individual Services for high performance equipments and weapons. At the same time, we acknowledge that there will be some cases where optimum specifications will need to be used.

c. **Poor control over cost variables in the project management process.** The Joint Committee of Public Accounts noted a number of weaknesses in

the contract and contract administration phases of the acquisition process which have led or could lead to higher project costs. These included:

- (i) failure to complete tender evaluation within the prescribed validation date and the subsequent need to re-issue tenders;
- (ii) failure to contract provisions to fully protect the Commonwealth's interest in the event of inexcusable delay or the provision of unacceptable materiel;
- (iii) insufficient auditing of quality control procedures or standards; and
- (iv) inadequate contract change procedures.

7.66 The Committee is concerned over the continuing high level of expenditure on capital assets and its potential longer-term consequences on other areas of the defence program. The financial resources allocated to capital assets need to be controlled so that hardware needs do not swamp other defence activities and priorities such as manpower and operational readiness. There is already concern within Australia that the high and continuing levels of capital expenditure have led to a rundown in our response capacity and a dilution in combat and combat support skills among members of the Defence Force [see The Australian Defence Force: its structure and capabilities, 1984, p 77]. The Government has argued that the continuing emphasis on major equipment procurement is acceptable given Australia's relatively benign strategic circumstances and the need to replace much of the existing equipment inventory. It has, however, recognised the potential problems of an expanding

capital equipment vote and is seeking to at least stabilise the distribution of funds around the present level. The task of restricting the expenditure on capital assets is made difficult by a number of general factors including:

- a. the increasing cost of major weapons systems together with the growing complexity (and cost) of support systems needed to maintain them;
- b. the strong lobbies within the Defence establishment and outside it that grow around major equipment items, especially compared with those who have a vested interest in logistics or operational readiness; and
- c. the tendency, in the past at least, for the Services to maintain equipment projects, even where they are not directly relevant to strategic needs.

7.67 It is also important to retain a degree of flexibility in the spending program in order to satisfy operational, personnel or support requirements which may arise in the short-term. With the expansion of the capital equipment program, the scope for budgetary flexibility is being reduced.

7.68 The Committee considers that there remains considerable scope for improving the efficiency of the defence procurement process and thereby either reducing the total cost of acquiring capital defence assets, or getting improved value for money. It considers that the institutional and procedural changes recommended both in this Chapter and by the Joint Committee of Public Accounts in its Review of Defence Project Management, if implemented, would provide for greater efficiency. It needs to be recognised, however, that improvements in the utilisation of resources will continue to be

hampered by the kinds of problems discussed in the previous Chapter, in particular:

- a. the absence of an agreed national defence concept and military strategy for satisfying our national security objectives in both the short and long-terms;
- b. the continuing gap between financial expectations and the budgetary appropriations for defence; and
- c. the tendency for programming and resource information to be presented and considered in terms of 'input' rather than 'output' functions.

7.69 In addition to changes in these areas, the Committee considers that greater consideration needs to be given to using lower-technology items to satisfy our basic force requirements. This would provide for lower unit costs and a corresponding increase in military capability through increased numbers. At present, the Services have no incentive to make trade-offs between quality and quantity. If such an incentive were introduced - by allowing the Services to relocate savings achieved in one project to purchase additional resources or requirements in another area for example - it would not only reduce the trend towards higher cost weapons platforms, but could add significantly to our force posture.

7.70 The Committee recommends that the Defence Department examine techniques and incentives for lowering the unit costs of future equipments and weapons systems. Such considerations should include where appropriate:

- a. the use of lower-technology items to satisfy Australia's basic force requirements;
- b. greater use of commercial equipments or standards in new equipments or support systems; and
- c. greater freedom of discretion in the selection of contending equipments or weapons systems.

## CHAPTER EIGHT

THE COMMAND AND CONTROL OF THE  
AUSTRALIAN DEFENCE FORCE

8.1 As described in Chapter 2, the organisational structure and system of command and control of the Australian Defence Force have undergone considerable changes in recent years. The broad direction of these changes has been to give greater emphasis to joint force planning and operations, to establish a centralised and more efficient system of command, and to improve the capacity of the Chief of the Defence Force to contribute to and influence defence policy generally. The feeling among most commentators and defence officials is that the changes which have taken place have resulted in a more effective and professional military force and one more suited to meeting Australia's evolving strategic circumstances.

8.2 While this is undoubtedly true, the Committee has identified a number of basic problems and deficiencies with the present command structure. Essentially, these fall into four major categories, as follows:

- a. continuing weaknesses in the operational chain of command;
- b. deficiencies in the capacity of the HQADF fully to support the CDF in his current roles as commander of the Defence Force and principal military adviser to the Minister for Defence;
- c. an inadequate involvement of the Joint Force Commanders in the formulation of military policy and the allocation of resources and priorities to Defence Force activities; and

d. the need for further rationalisation of the remaining single Service command structure.

8.3 These problems do not mean that the present system does not work; clearly, it does. What they indicate is that it falls short of its full potential in a number of important areas, and that there is scope for improvement in the existing arrangements and for further change overall. In both respects, the key issue is the continuing relationship between the single Services and the joint Service organisation headed by the CDF.

8.4 A central and underlying theme of this report then is to seek to establish an appropriate balance of power between the joint and single Service elements of the Defence Force. As we shall see, this requires a clearer delineation of the basic functions and responsibilities of the two groups as well as changes to the present organisational structure of the ADF and to the values and perspectives of its inhabitants.

Command and Control of the  
Australian Defence Force

8.5 Before examining the ADF command structure in detail, some definitions may be useful:

- a. **Command.** The authority which a commander in a military Service lawfully exercises over his subordinates by virtue of rank or assignment. Command includes the authority and responsibility for effectively using available resources and for planning, organising, directing, co-ordinating and controlling military forces for the accomplishment of assigned missions. It also includes responsibility for the health, morale and discipline of assigned personnel.

- b. **Operational Command.** The authority granted to a commander to assign missions or tasks to subordinate commanders, to deploy units, to re-assign forces and to retain or delegate operational and/or tactical control as may be deemed necessary. It does not of itself include responsibility for administration or logistics.
- c. **Operational Control.** The authority granted to a commander to accomplish specific missions or tasks which are usually limited by function, time or location; to deploy units concerned, and to retain or assign tactical control of those units. It does not include authority to assign separate employment of components of the units concerned. Neither does it of itself include administrative or logistic control.
- d. **Support.** This is a general term used to refer to the action of a force, or portion thereof, which aids, protects, complements or sustains any other force.
- e. **Direct Support.** The support provided by a unit or formation not attached or under command of the supported unit or formation, but required to give priority to the support required by the unit or formation.

8.6 It is important to note that there are significant differences between the concepts of operational command and operational control. Operational command allows the commander to re-assign forces away from his own force, to specify missions and tasks as he sees fit, and to assign separate employment of components of assigned units. Operational control is more limited in that it does not include authority to assign separate

employment of components or units concerned. Thus operational control places significant limitations on how forces can be used whereas the concept of operational command provides the force commander with considerable flexibility over how and where such forces would be employed.

#### The Recent Evolution of the ADF Command System

8.7 The formal command responsibilities within the Australian Defence Force are prescribed by the Defence Act and by a series of directives issued under the authority of the Defence Act by the Minister for Defence and the Chief of the Defence Force. Since the Committee issued its report The Australian Defence Force: its structure and capabilities in 1984, the ADF command system has undergone, and is continuing to undergo, considerable change.

8.8 The command arrangements which operated in 1984 are shown in Figure 8.1. As described in the Committee's earlier report, operational command of the ADF was exercised as follows:

- a. Command of single Service forces operating virtually in isolation from the other Services would remain with the single Service Chief of Staff concerned, who would be responsible to CDFS for conduct of the operation.
- b. Command of a joint operation where circumstances or reasons existed for the CDFS to exercise command direct to the commander would be effected by the appointment of a Joint Force Commander.
- c. Other joint operations would be commanded by a commander responsible to the CDFS through a designated Chief of Staff.

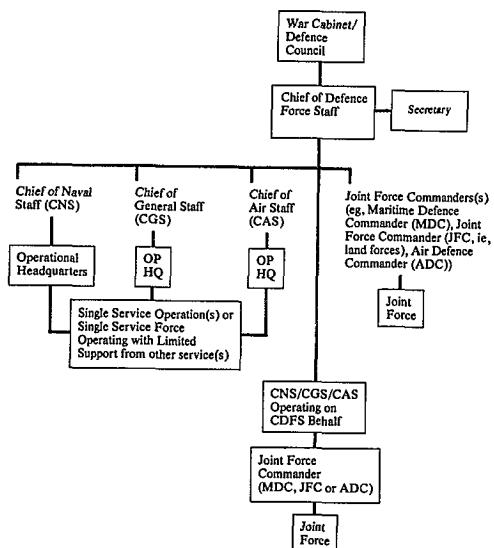


Figure 8.1 ADF Command Arrangements in 1984

Note: Command Directives would limit the level of command of assigned forces — ie, operational command, operational control, or "in support" — thus providing great flexibility to CDFS.

Source: The Australian Defence Force: its structure and capabilities, Canberra, 1984

8.9 Thus, while overall command of the Defence Force was vested in the CDFS, in peacetime this authority was exercised via the Service Chiefs of Staff through the single Service chains of command. During operations, the command arrangements could take two forms. In the case where the operational force comes from one Service or is predominantly single Service oriented (so-called 'joint operations'), command continued to be exercised via the appropriate Service Chief of Staff. Where significant elements of two or more Services were required (so-called 'joint force operations'), the CDFS would group them under a designated Joint Force Headquarters. In this case the Joint Force Commander would be responsible only to the CDFS and would have no command links to the Service Chiefs of Staff.

8.10 The Joint Force Headquarters were to be established as the need arose and, in accordance with directions issued by the CDFS, operational forces or assets would be assigned from the Services to the Joint Force Headquarters either to carry out specific tasks or for the duration of the operation. Once the mission or joint exercise was accomplished, the Joint Force Headquarters would be disbanded and the command arrangements would revert to the single Service structure.

8.11 As argued in this Committee's 1984 report, this approach suffered from a number of deficiencies, including:

- a. an inadequate basis for meeting future operational requirements (the Committee doubted whether a suitable headquarters could be raised in time to meet certain low-level contingencies);
- b. an inadequate preparation of Service officers for either wartime command or future staff appointments on joint force headquarters; and

c. inadequate provisions for the continuing and effective development and testing of joint operational structures and doctrines.

8.12 Partly as a result of these criticisms, the ADF established three permanent Joint Force Headquarters: Maritime Headquarters in 1985 and Land Force and Air Headquarters in 1986. The ADF command system became that shown in Figure 8.2. In a directive issued by the CDF, the Joint Force Commanders were made directly responsible for conducting joint operations and other specified activities within assigned areas of operations. The Joint Force Commanders, who were also the commanders of the related single Service operational commands, were required to establish and maintain a permanent joint force headquarters based on a cadre of permanent officers and supplemented by shadow-posting (that is, nominally filling a post which does not warrant fulltime staffing with an officer held against another position, but who will staff the 'shadow' post on an 'as required' basis) other officers from the Service headquarters against joint staff positions.

8.13 Under these revised arrangements, the Joint Force/Operational Commander was responsible to the CDF for the conduct of joint operations, and to his respective Chief of Staff for all other activities including single Service operations. Operational forces and assets continued to be located under the Service Headquarters but could be assigned by the CDF to the Joint Force Commander to be used in joint operations.

8.14 Like its immediate predecessor, this revised arrangement continued to exhibit a number of deficiencies. First, the ADF chain of command remained diffused and subject to potential conflicts of interest at a number of levels. Below the level of the CDF there were two lines of command, one running through the Service Chiefs of Staff and the other to the Joint

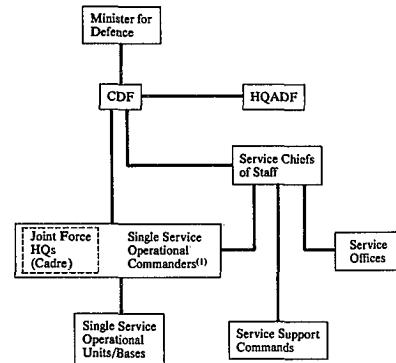


Figure 8.2 ADF Command Arrangements in 1985

Note: 1. Service Operational Commanders were also the designated Joint Force Commanders

Force Commanders. The Joint Force Commanders were responsible for exercising, on behalf of the CDF, operational command of the ADF, but all the operational forces and assets belonging to the ADF were located within the Service operational commands which were responsible to the Service Chiefs of Staff. The Chiefs of Staff were statutorily responsible for the command of these forces which, in accordance with the directive issued by the Minister for Defence, included the planning and conduct of military operations. Thus the command responsibilities of the Chiefs of Staff and the Joint Force Commanders overlapped and may have conflicted under certain circumstances. This confusion and potential conflict of interests was exacerbated by the fact that the Joint Force Commanders were also the Commanders of the single Service operational commands.

8.15 Second, because the Joint Force Headquarters were very much embryo organisations located within, and dependent upon, the single Service command structure, they could be subject to the kinds of criticism that were levelled at the previous command structure, namely:

- a. the opportunity to build up a concerted body of joint Service experience and doctrine would remain limited because the planning and conduct of joint operations would continue to occur on a part-time basis; and
- b. the revised arrangements continued to restrict the opportunity for service officers to gain experience in joint planning and in the conduct of joint operations since only a small number of personnel would be posted through the Joint Force Headquarters.

8.16 These problems and weaknesses were recognised by the Dibb Report which suggested that the Joint Force Headquarters

should play a more prominent role in planning and controlling operational activities in both peace and war. In the case of Maritime Command, Dibb concluded that:

There is scope for further development of the Maritime Command and its employment in a greater range of activities. Contingencies in which the maritime environment would play an important, even dominant, part could arise at short notice. The objective should be to move towards a situation where Maritime Command is responsible for day-to-day defence operations in the maritime environment other than training, trials and work-up activities specific to individual Services. This should include co-ordination of Defence participation in the civil coastal-surveillance system.

In this process there should be a corresponding reduction in the role of the Fleet Headquarters, but Navy would need to maintain a form of single-Service command arrangement. The alternative of designating the Fleet Headquarters as the Maritime Headquarters would move a large element of the Chief of Naval Staff's current command responsibility direct to the CDF and create problems in the peacetime use of Navy assets. The option of having the Maritime Commander reporting through the Chief of Naval Staff rather than direct to the CDF would be cumbersome, and ignore the joint nature of command [Dibb, 1986, p 91].

A similar approach was advocated for Land Force and Air Headquarters:

This Review supports the designation of Headquarters Field Force Command as the basis of a Joint Force Headquarters for land operations, and Headquarters Operational Command to be prepared to operate as an Air Command.

This should allow development of a structure better suited to possible operational needs of the Defence Force. Procedures and doctrine can be developed, and staff inculcated with a Joint Service outlook. Recognition should be given to the need for regular exercises with assigned assets. We should then have in place a structure

which could respond readily to any likely contingency at short notice. It should enhance the development of unified and cohesive strategic doctrine, joint administrative systems, and training policies. There are minimal manpower and resource implications [Dibb, 1986, p 92].

8.17 In March 1987 the CDF issued a further policy directive ordering the Service Chiefs of Staff to integrate their Service operational headquarters into the collocated Joint Force Headquarters. Under the revised approach the single Service emphasis which had characterised the previous arrangements has been reversed (see Figure 8.3). The Joint Force/Operational Headquarters have been reorganised into single Headquarters structured along joint Service lines while remaining capable of carrying out the functions of the existing single Service Headquarters and conducting the training and administration of single Service elements. The operational forces and assets which had been located under the single Service operational commanders are now under the Joint Force Commanders. However, the Joint Force Commanders' responsibilities remain divided. On the one hand they are responsible to the CDF for the conduct of joint and specified operations and activities (the forces for which purposes need to be specifically assigned by the CDF, presumably either from within the assets located within the Joint Force Command or from another command); while on the other hand, they are responsible to the appropriate Service Chief of Staff for the conduct of single Service operations, and for the training and administration of the Service assets under their command.

8.18 While welcoming the general direction and intent of these changes, the Committee continues to have some reservations about the latest command arrangements, particularly the division of responsibilities between the Chiefs of Staff and the CDF. Before examining these concerns in some detail, it is necessary to describe more fully the current command arrangements for the ADF.

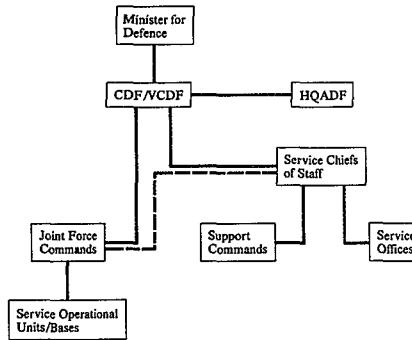


Figure 8.3 ADF Command Arrangements in 1987

Current Arrangements for the Command of the ADF

8.19 Under Section 9 of the Defence Act, the Chief of the Defence Force (CDF) commands the Defence Force subject only to the overall direction of the Minister for Defence. The CDF is supported in this role by the Headquarters Australian Defence Force (HQADF). The CDF's command responsibilities are further elaborated in a ministerial directive (last issued in November 1985) which states that he is responsible to the Minister for Defence for, inter alia,

- a. the arrangements for the exercise of command and control within the Defence Force;
- b. the planning and conduct of military operations; and
- c. the raising of joint forces and joint Service units [Department of Defence, Submission, p S342].

8.20 The CDF exercises his command responsibilities through the Service Chiefs of Staff and the Commanders of the three Joint Force Headquarters: Maritime Headquarters, Land Force Headquarters and Air Headquarters. The command authority of the Service Chiefs of Staff is provided by Section 9 of the Defence Act and by directives issued by the Minister for Defence. These latter documents (issued in October 1976) state, inter alia, that:

- 1. You are the professional head of the [relevant Service].
- 2. You are responsible to the Minister for Defence through the Chief of Defence Force Staff for:
  - a. command of the [relevant Service] under the authority of the Chief of Defence Force Staff and subject to the provisions of the

relevant Acts and Regulations, and to specific Ministerial directions. Your command includes the authority and responsibility for effectively using available resources and for training, organising, directing, co-ordinating and controlling military forces for the accomplishment of assigned duties in accordance with stated policies, directions and programmes ...;

- d. the issue of single Service orders and the planning for, and conduct of, single Service operations; and
- e. the provision of forces from your Service for assignment to joint operations [Australian Defence Force: its structure and capabilities, 1984, p 123].

8.21 The Chiefs of Staff presently exercise their command responsibilities through a system of single Service subordinate commands. In the case of the Royal Australian Navy these comprise Naval Support Command and a number of Naval Area Commands. For Army, the principal subordinate commands are Logistics Command, Training Command, and the Military District Headquarters. For Air Force it is Support Command. The functions of the single Service commands are described in the Defence Report 1986-87, which continues to include Fleet, Field Force and Operational Commands [FOI Section 8 Statement]. As described earlier, the headquarters of the Service operational commands have now been integrated into the collocated Joint Force Headquarters.

8.22 The command of the ADF in operations is exercised primarily through the Joint Force Commanders, although according to the latest CDF directives the Services are still able to command single Service operations and they retain some residual joint operational responsibilities outside designated areas of operations (rear area security for example). Under certain circumstances, the CDF may also elect to have his field

commanders bypass the appropriate Joint Force Headquarters and report directly to the ADF Command Centre in Canberra. In discharging his operational command function, the CDF issues directives to his subordinate commanders detailing their missions and tasks, area of operations, assigned forces and the command and control arrangements affecting those forces. The current missions and tasks of the Joint Force Commanders are as follows:

a. Maritime Commander is responsible for the conduct of joint and specified maritime operations and activities. The Commander is to establish a Maritime Headquarters to facilitate command of all assigned ADF elements. He is to plan and conduct joint and specified operations and activities as directed by the CDF anywhere in the Australian Sub-area (as defined by the Radford-Collins agreement). He is to command, on behalf of the Chief of Naval Staff, all Navy operational and operational training elements not otherwise assigned. Maritime Headquarters is to be capable of commanding forces assigned from any Service and for conducting joint operations and activities as well as conducting training and administration for all other Navy elements assigned to the headquarters. It is to be capable of the developing and testing of doctrine and procedures and of controlling maritime operations including surveillance and reconnaissance, maritime strike, interdiction, strategic strike, seaward defence of ports and anchorages, military sea transport, control and protection of ships, and search and rescue.

b. Land Force Commander is responsible to the CDF for the conduct of joint land operations and other specified activities, and to the CGS for single Service operations and activities and administration of the operational elements of the Army. The commander is to establish a Land Force Headquarters which is to be structured and trained as a joint force headquarters, capable of deploying and controlling in operations a joint force of one division, a logistic support force and assigned naval and air assets. It is also to be capable of developing and testing its own operational doctrine and procedures, and of planning and conducting joint land activities anywhere on the Australian Mainland, the Australian Sovereign Territories or other specified areas. The Land Force Headquarters is also to be capable of commanding, on behalf of the CGS, all Army operational and operational training elements not otherwise assigned, and to schedule, plan and conduct exercises as appropriate.

c. Air Commander is responsible to the CDF for the conduct of designated joint air operations and other specified activities, and to the CAS for the command of air operations and the training and administration of operational elements of the Air Force. He is to establish an Air Headquarters which is to be structured and trained as a joint force headquarters, capable of controlling air operations involving air and sea surveillance, reconnaissance, air defence, offensive air support, counter-air, strike (strategic and maritime), air transport

support, strategic air transport, aerial mining and anti-submarine warfare, search and rescue, or a combination of these functions. These responsibilities are to be carried out within an area of operations encompassing the Australian mainland and its territorial waters, and other areas within our region of primary strategic interest.

8.23 At this stage the organisation of the Joint Force Headquarters themselves and the arrangements of forces which will be allocated to them are uncertain, and are the subject of studies being conducted by HQADF. Existing doctrine suggests, however, that the Joint Forces may be made up of discrete Service components, each headed by a 'component commander' who would act as the senior Service adviser to the Joint Force Commander. While component commanders may be subject to the operational control of the Joint Force Commander, they will often have administrative and logistic responsibilities to their Service Chiefs of Staff.

**Problems and Issues Concerning the Command and Control of the ADF**

8.24 In line with the objective of establishing in peacetime a command structure appropriate to wartime requirements, the Committee acknowledges the formation of permanent Joint Force Commands and the integration of the Service operational headquarters into the Joint Force Headquarters. These changes have also provided for a more direct line of command between the CDF and his commanders in the field. They have removed some of the earlier potential for functional duplication and conflicts of interest between the single and joint service command structures. Additionally, they give clear priority to joint rather than single Service command functions.

As a result they will provide for more effective development and testing of joint structures and doctrine, as well as enhanced opportunities for Service officers to prepare themselves for future command or joint staff appointments.

8.25 These positive developments notwithstanding, the Committee is concerned that the present arrangements are still not as clear as they should be, and that they still allow for potential conflicts of interest in the exercise of operational command and in the training and deployment of operational forces. We are aware that CDF recently directed an urgent, far reaching and fundamental study of the ADF command structure, the aim of which was to recommend further development of ADF command arrangements to meet likely requirements into the 21st century for both low and high levels of conflict; consideration of the report was due in November 1987. The observations, conclusions and recommendations which follow in the rest of this Chapter may be affected by whatever action results from that study. In the Committee's view, the major areas of concern associated with the current command structure are as follows:

- a. A diffused chain of command. Under the current arrangements, there are two lines of command between the CDF and his operational commanders: one direct and one indirect via the relevant Service Chief of Staff. The Committee believes that there should be a single and unambiguous chain of command running from the CDF to his operational commanders.
- b. Uncertainty over how operational command is to be exercised. The Joint Force Commanders are directly responsible to the CDF for the conduct of 'joint and specified operations and activities'. For all other operations and

activities, command is to be exercised through the relevant Service Chief of Staff. The Committee is concerned by the ambiguity in these command arrangements. Joint operations can include single Service operations, a single Service operation can change into a joint operation, and it remains unclear who has overall responsibility in the case where there are concurrent joint and single Service operations and activities.

c. Uncertainty over training responsibilities. The Service Chiefs of Staff are responsible, through the Joint Force Headquarters where necessary, for preparing their operational elements for employment in operations and activities. At the same time, the Joint Force Commanders are responsible to the Service Chiefs for the training of the operational elements which are assigned to the Joint Commands, as well as for conducting joint Service training and exercises. It appears that the responsibilities of the Services and the Joint Force Commands overlap, and that the Service Chiefs are able to exert influence on how the Joint Force Commander should conduct operational training.

8.26 While acknowledging the practical problems of devising a command structure which covers the exigencies of both war and peace, the Committee is nonetheless concerned that the present arrangement is unduly confusing to the players and subject to conflicts of interest and loyalty. More importantly, it continues to give emphasis to single Service interests and activities. The Joint Force Commanders at all levels are constrained by their formal relationship with, and dependence on

their parent Services. At the heart of the problem is the failure clearly to delineate the respective functions and responsibilities of the single and joint Service components of the ADF. The confusion is compounded by the fact that the Service Chiefs of Staff have statutory powers of command assigned to them by the Defence Act.

8.27 In the Committee's view, the ADF chain of command needs to be further refined so that there is a clear delineation between operational command and administrative command. It considers that the ADF should be divided into two basic and discrete elements: an employing or operational element - comprising HQADF and the Joint Force Commands - and a maintaining or administrative element made up of the three Services. The Services should be responsible for the administrative side of ADF activities, while operational command should be vested solely in the CDF and his Joint Force Commanders. Under this approach, the Services would be responsible for providing combat ready personnel and basic force elements for the Joint Force Commands, and for raising, training, supplying and maintaining these assets. In making this recommendation the Committee recognises that a degree of overlap between the operational and administrative elements is inevitable - as it indeed will be regardless of the organisation. It should be a routine responsibility for HQADF to monitor this matter and exercise its authority if necessary.

8.28 The Committee recognises that many existing peacetime activities in which the ADF is involved are largely single Service oriented. It sees no reason why these cannot be tasked to a Joint Force Headquarters. Under the current approach the functional headquarters carry out both joint operational functions and single Service training, with priority given to the latter. Under the Committee's proposal, these priorities would be reversed and so would accord more with Australia's evolving strategic and operational circumstances. In any case,

many of the tasks that are currently allotted to the Services, such as maritime surveillance and low-level air defence, involve, or should involve more than one Service.

8.29 The Committee does not accept the argument that the establishment of a completely separate joint force command structure could reduce the operational flexibility of the ADF. The assignment of forces or assets to tasks would still be determined by the CDF in consultation with his principal advisers. Assets would not need to be allocated on a permanent basis or even under the operational control of the Joint Force Commanders. Certain strategic or multi-role assets may not be assigned to the Joint Force Commanders but might be retained within the Services' command structure, where they would continue to undergo training as required. In the Committee's view the key issue is that the CDF and his Joint Staff - not the Services - should determine whether and how operational forces are deployed.

8.30 In summary, the Committee recommends that:

- a. the Australian Defence Force be divided into two discrete elements as follows:
  - (i) an employing or operational element comprising HQADF and appropriate Joint Force Commands. This element would be responsible for planning and conducting all Defence Force operations and operational training activities in peace and war, and for providing joint military advice and support to the CDF and Minister for Defence; and
  - (ii) a maintaining or administrative element made up of the three single Services.

This element would be responsible for providing combat-ready personnel and assets to the Joint Force Commanders, and for raising, training, supplying and maintaining these basic assets in accordance with directions issued by the CDF and the Secretary of the Department of Defence.

#### The Role and Functions of the Headquarters Australian Defence Force

##### Current Organisation and Functions

8.31 In September 1984 the existing joint military staffs supporting the Chief of the Defence Force were reorganised to create the Headquarters, Australian Defence Force (HQADF). The establishment of the HQADF coincided with a change of title of the Chief of the Defence Force Staff to the Chief of the Defence Force. The basic functions of the HQADF are to:

- a. assist the CDF to discharge his command functions as they relate to military operations and plans, training, logistics, intelligence, and communications; and
- b. assist the CDF to advise on the military implications of strategic guidance, force development, defence facilities, science and technology, planning, programming and budgeting, and supply and support.

8.32 The current organisational structure of HQADF is shown in Figure 8.4. It is headed by the Vice Chief of the Defence

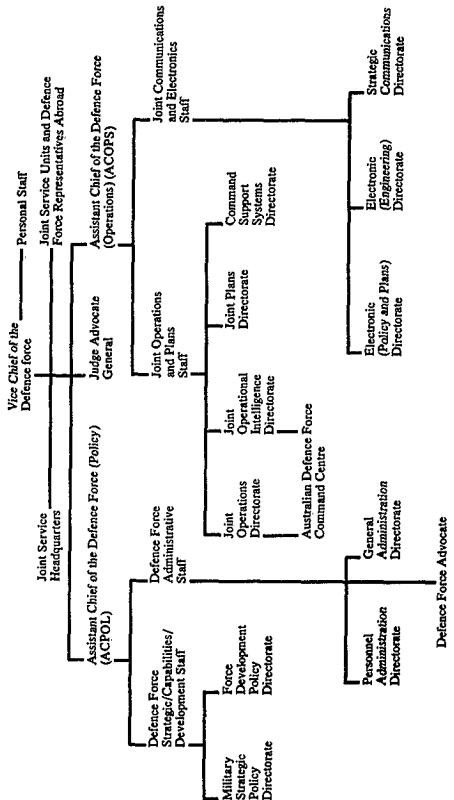


Figure 8.4 The organisation of Headquarters Australian Defence Force

Force (VCDP) who holds the same rank as the Service Chiefs of Staff and is responsible to the CDF for the oversight of centralised military planning and policy-making, and for the development of the joint military input into the force development process. While the VCDP is largely involved in the administrative and force development aspects of the headquarters functions, he can also be expected to command joint operations in the event of the absence of the CDF.

8.33 Underneath the VCDF are the Assistant Chief of the Defence Force (Policy) - ACPOL - and the Assistant Chief of the Defence Force (Operations) - ACOPS. ACPOL's responsibilities cover three broad functional areas, each headed by a one star officer, as follows:

- a. Director General Defence Force Development. DGDFD is responsible for military aspects of strategic guidance and resources programming. He also prepares staff assessments and advice to ACPOL and the VCDF in relation to matters for consideration by higher level committees, including Cabinet and Parliamentary Committees. His staff work closely with the Strategic and International Policy Division, providing military input to strategic policy and the planning of defence cooperation. Additionally, DGDFD coordinates the single Service concepts of operations and monitors Service materiel and force structure planning to ensure it accords with central guidance. He is assisted in this role by the Services' directorates of combat development.
  - b. Director General Force Development Planning. DGDFP supports CDF, through ACPOL, in the development of the military aspects of ADP

capabilities planning. He has a staff of three Colonel-equivalents.

c. Director General Defence Force Administrative Policy. DGDFAP assists the CDF in the administration of the Defence Force and covers such areas as financial policy, administrative computing, defence facilities, redresses and ombudsman complaints, and rationalisation of training. He is also responsible for overseeing the Defence Force Academy and the Joint Services Staff College.

8.34 The Assistant Chief of Defence Force (Operations) assists the VCDF and the CDF in the exercise of military operations and planning. There are presently two branches under the control of ACOPS as follows:

a. Joint Operations and Plans, which assists the CDF to discharge his command functions as they relate to military operations and plans, training and logistics, command and control and intelligence. The Branch has four directorates:

(i) The Joint Operations Directorate runs the ADF Command Centre which is the vehicle through which the CDF exercises command and control of military operations. It is also involved in aid to the civil community and counter-terrorist activities.

(ii) The Joint Planning Directorate handles both exercise and contingency planning (the latter covering contingencies ranging from the deployment of the ODF

to extraction of Australian nationals from overseas).

- (iii) The Directorate of Intelligence is responsible for providing operational intelligence support to the ADF. In doing so, it works closely with JIO and the single Service intelligence agencies.
- (iv) The Directorate of Command and Control Systems is responsible for the development of policy and doctrine for the command and control of joint operations and exercises.

b. Joint Communications-Electronics. This branch coordinates communications-electronics policy, plans, doctrine, procedures and standards, and manages joint communications-electronics projects. The Branch has three directorates:

- (i) Policy and Plans is concerned with communications-electronics policy, doctrine, procedures and standards with particular emphasis on national and international interoperability.
- (ii) The Directorate of Strategic Communications Operations controls the Defence Communications Network and coordinates strategic communications requirements.
- (iii) The Engineering Directorate is concerned with interoperability standards,

frequency spectrum management and communications-electronic engineering support to the ADF in general.

8.35 Also answering to VCDF is the Director General Defence Force Logistics (DGDFL), head of the Joint Logistics Branch. DGDFL'S main task is the coordination and cooperative development of ADF policies relating to joint operational logistics. In his daily activities he works closely with ACPOL and DGDFD.

#### Major Problems and their Causes

8.36 In reviewing the Headquarters Australian Defence Force, the Committee has sought to determine whether it adequately supports the CDF in his roles as commander of the Defence Force and principal military adviser to the Minister for Defence. It has found that despite the considerable advances in recent years, there is still room for improvement in the type and timeliness of advice that is developed and in the number and quality of resources contained within the headquarters. The Committee has identified four major problem areas associated with the development of joint Service advice and the effectiveness of the headquarters. These are:

- a. inadequate strategic and force structure planning;
- b. continued predominance of single Service views and interests over joint policy;
- c. inadequate joint involvement in and influence over the programming and budgeting processes; and

d. poorly developed joint doctrines and plans.

#### Inadequate Strategic and Force Structure Planning

8.37 One of the basic functions of HQADF is to conduct centralised military planning and to provide advice on military strategy and force development. As part of this function, it would be expected that the headquarters would conduct studies into the possibility and nature of potential military threats to Australia, analyse alternative military strategies and force structures, and develop a preferred military strategy and defence posture for satisfying Australia's strategic objectives. At present, it seems that some of these activities are conducted on a largely ad hoc and superficial basis.

8.38 The inadequacy of centralised military advice, and its implications, were initially noted by the Defence Review Committee which concluded in 1982 that

... the major deficiency in the current process is the absence of an overall Defence Force perspective of force development requirements on a long term basis. The present CDFS pointed out to us that the CDFS is not well placed to provide guidance and direction to the Services on force development aspects because the central joint Service staff necessary to support such a function is lacking [Utz, 1982, p 130].

The Review supported an increase in the joint Service staff functioning under the CDFS and proposed that an examination of the detailed requirement be conducted at the earliest opportunity. The Department of Defence stated that this requirement had been satisfied with the creation of HQADF, incorporating the Director General Defence Force Administrative Policy and supporting staff [Department of Defence, Submission, p S360].

8.39 These changes did not seem to resolve the problem. In 1986, the Dibb Report concluded that deficiencies in force structure planning in Australia were 'compounded by the lack of a comprehensive military strategy and operational concepts for the defence of Australia' and that 'there is no joint machinery which regularly reviews the strategic context, capabilities requirements and force structure priorities in the one document or even in closely related documents'. It further noted that in the absence of centralised guidance, the three Services have developed their own basic planning documents which 'are not coordinated with one another, nor do they necessarily follow closely current strategic guidance'. Dibb noted that HQADF has prepared a series of planning documents including Military Strategy 85, ADF Concept for Operations, and Military Basis for Force Development. While arguing that the documents are deficient in a number of important respects, Dibb nonetheless concluded that:

These three papers represent an important step forward in the development of military planning for the defence of Australia and the ADF ought to give priority to the further development of this work. Two points are important. The first is that the concepts developed must continue to emphasise the development of ADF requirements and not be distorted by single-Service perceptions of need. The second is that the development of ADF thinking in these areas is not an end in itself. Military planning and other defence planning needs to be integrated at all levels so that Government can be provided with comprehensive advice and policy options [Dibb, 1986, p 28].

#### Predominance of Single Service Views and Interests in Joint Service Planning and Policy-making

8.40 Dibb further noted that under the arrangements obtaining at the time of his review, the single Services held a predominant position in the military planning and policy-making process. He concluded that

... the centralisation of military planning for force structure matters under the CDF is the only way in which an integrated ADF policy can be effectively developed. It is recommended that consideration be given to increasing the size of the Headquarters ADF policy staff and abolishing the relevant single-Service operational requirements and force structure policy staffs. Headquarters ADF has already initiated consolidation of operational intelligence and is now examining the important area of logistics. The next step should be the centralisation of military operational requirements staffs within Headquarters ADF. These staffs would still be responsive to the Chiefs, but would be required to develop an ADF approach to force structure proposals. The Service Chiefs of Staff would continue to provide professional advice to the CDF and be responsible for single-Service doctrine, training and management of personnel, and the acquisition and maintenance of equipment and stores [Dibb, 1986, p 29].

8.41 In addition, the present arrangements for developing operational policy and operational requirements do not seem to take sufficient account of the views of the Joint Force Commanders, through whom the CDF exercises his command of joint operations in both peace and war.

#### Inadequate Involvement in the Programming and Budgeting Phases of the PPB cycle

8.42 One of the functions of the Director General Defence Force Development within HQADF is to contribute to the development of the FYDP and assist with the programming of defence resources generally. And yet HQADF has no comprehensive staff element to deal with the complex, detailed programming and budget issues across the board. Its capacity formally to consider Service inputs into the FYDP and oversee the preparation of operational requirements (which provide the rationale for new equipments and weapons systems) appears limited (although the latter has improved with the recent

formation of the DOCCC). As a result, the CDF can enter into programming and budget discussions on a selective basis, limited to influencing programs only about which he had prior knowledge and well-developed views or which the Service Chiefs of Staff had persuaded him to support. Thus neither the CDF nor HQADF exerts sufficient influence in determining how defence resources are to be allocated. The joint military perspective on warfare and operational requirements that HQADF should be uniquely qualified to offer is unlikely to receive serious consideration in the programming and budgeting phases of the PPB system.

#### Poorly developed Joint Doctrine and Plans

8.43 It has been suggested to the Committee that, in spite of the establishment of HQADF and the growing emphasis on joint structures and operations, the supporting joint doctrines and operating procedures are not well advanced. One witness claimed, for example, that while 'much lipservice has been paid to the Joint or "Purple suited" philosophy by uniformed and civilian members of the DoD ... no substantial Joint operational infrastructure exists and no determined effort is being made to institute a serious approach to Joint Operations'. The following examples were cited to support this view:

- a. No comprehensive and independent form of Joint Operational Readiness Assessment seems to exist. Consequently, DoD has no effective gauge of joint performances 'output' other than post-exercise debriefs, which are frequently unreliable as they depend on a high level of honest self-criticism to be of any value; and
- b. The Exercise Planning section of the Directorate of Joint Planning (DJP) consists of only two officers. This section is responsible for the planning of joint exercises and production of a Joint Program of Service Activities. It also produces among other things a Joint Training Report and CDF Joint Training Directives. Assistance would probably be gained from the other section in DJP (Contingency

Planning Section) but this section consists of only six officers [Hinge, Submission, pp S201-02].

8.44 A second issue involves the preparation and oversight of operational and contingency plans. This is the responsibility of the Contingency Planning Section within the Joint Planning Directorate. To date the planning section has prepared some 20 plans, most of which relate to low-level contingencies. Insufficient work has been done on planning for higher-levels of conflict. The Dibb Report noted that planning for an expansion or mobilisation of the Defence Force occurs only on a piecemeal basis, and has not been considered or endorsed in any comprehensive way by the higher defence machinery [Dibb, 1986, p 96].

8.45 On the question of stockholding policies and war reserves, Dibb found that:

Considerable work has been done in recent years in specific areas such as fuels and lubricants and stocks for the Army's Operational Deployment Force (ODF). But efforts since as long ago as 1973 to develop an agreed stockholding policy have failed, in spite of the concern expressed in Defence Force Capabilities 1981 that this was an urgent need, even when limited to the fairly straightforward area of ammunition. No policy recommendations on war reserves have been put to Ministers since 'interim' proposals were considered by the Government in 1963.

This institutional stalemate reflects the differences between the policies of the individual Services, and a lack of agreement over the appropriate contingencies against which stocks should be held. There is also no agreement on the formulae to be applied across the range of consumable items. Piecemeal policies reflecting differing single-Service philosophies seem to have been the result [Dibb, 1986, pp 96-97].

The Committee considers that the absence of centrally developed and agreed policies on these kinds of issues represents a

serious deficiency which serves to undermine the combat effectiveness and sustainability of the ADF and could have serious implications in the event of a defence emergency or war.

#### Recent Initiatives

8.46 These four major problem areas indicate that, at least up until the time of the Dibb Report, the staff support for the CDF and the quality and timeliness of the advice prepared had been inadequate in a number of important respects.

8.47 Responding to Dibb's recommendation to abolish the single Service operational requirements and force structure policy staffs and centralise the function under the CDF, HQADF has stated that the apparent advantages of such a course appear to be outweighed by the disadvantages [Submission, p S526]. It was seen as undesirable to increase the size of HQADF, while a need was perceived to 'retain large elements of the single Service Staffs to support the single Service Chiefs of Staff in their responsibilities for the training, organisation and equipment of forces'. Other steps therefore were taken to achieve the centralisation of military planning and policy under the CDF, as follows:

- a. the appointment in 1986 of a Vice Chief of the Defence Force, with specific responsibilities to CDF for long term planning and to coordinate ADF force development planning;
- b. ensuring the representation of HQADF and Departmental staff on the single Service operational requirement and force structure policy committees;

c. making the single Service Chiefs of Force Development directly responsible to CDF (through VCDF) for aspects of ADF force development; and

d. establishing in May 1987 the one-star position of Director General Force Development Planning (DGFDP) under ACPO1 to increase the support for CDF in the development of the military aspects of ADF capabilities planning [Department of Defence, Submission, p S526].

8.48 Notwithstanding those initiatives, we remain concerned that HQADF still is not in a sufficiently strong position to lead and direct the development of operational requirements and military planning. The organisation now in place appears more suited to playing a reactive and coordinating role, rather than initiating events. Further, in our view, as long as large separate policy and planning staffs continue to proliferate throughout the Department of Defence and the Service Offices, HQADF will find it difficult to develop and promulgate a unified Service view. These staffs often perform functions which are either similar to those of HQADF, or could be more properly located there; while they are not always subject to overall coordination and control. The areas of potential duplication and conflict include:

- a. the Military Staff Branch located in the Strategic and International Policy Division of the Department of Defence. This Branch is formally responsible for providing military advice to the Division on strategic and international policy issues as well as for defence aspects of the law of the sea, conventional weapons disarmament issues and Australian maritime boundaries;

- b. elements of the Strategic Guidance and Policy Branch of the Strategic and International Policy Division which are responsible for developing guidance on doctrine for the defence of Australia, defence infrastructure development, developing and applying strategic guidance to the development of force structure proposals, and guidance relating to national defence planning, administration and mobilisation for hostilities and civil defence;
- c. the Force Development and Analysis Division which provides advice on the Defence Force as a whole on the capabilities required, including the nature of the forces, their support and activities;
- d. elements of the Naval Operational Requirements and Plans Division of Navy Office which plan and develop naval capabilities and force structure to meet defence objectives and strategic concepts;
- e. those elements of the Operations Branch of Army Office which deal with operations and plans, Army development, combat development and operational requirements; and
- f. elements of Operations and Plans Division of Air Force Office responsible for coordinating RAAF operations, developing single Service and joint Service policy and plans, and formulating and coordinating development objectives and future operational concepts for the RAAF.

As noted by the Dibb Report, the proliferation of planning and operational staffs not only provides for unnecessary duplication

but also encourages vested interests and institutional rigidity which undermines attempts to develop fully integrated and unified advice [Dibb, 1986, p 29].

8.49 This Committee has already identified a need to transfer 'some operational requirements and planning policy staff from the Services [to] HQADF' in the context of the PPP system (see Chapter 6). We consider that the preceding discussion lends further weight to that recommendation. Sufficient staff should be transferred to HQADF to allow CDF to assume the dominant role in the key operational guidance and requirements function, leaving other Defence groups with only those personnel necessary to effect their subordinate and largely 'enabling' activities.

#### Joint Experience

8.50 Finally, attention should be drawn to the experience of HQADF staff. Given that the permanent joint force command structure has only been in place since 1984, many of the officers serving within the Headquarters have no or only very limited experience in joint staff appointments, and very little education or training in joint staff procedures. As a result, many officers posted to HQADF have to learn 'on the job' how to analyse major political-military issues and oversee the preparation of joint military policy and plans. The combination of lack of staff experience, lack of practical knowledge of joint activities and lack of formal preparation, together with relatively short postings, makes it very difficult for staff officers, no matter how capable, to deal effectively with their new responsibilities and functions. This results in the CDF and his senior staff officers not being provided with the support they need to fulfil their roles.

8.51 The lack of experience is due primarily to the fact that the Defence Force in peacetime is organised along single Service lines and so officers spend the bulk of their careers in single Service appointments. Even with the establishment of the Joint Force Headquarters, the opportunities to serve in joint Service appointments remain extremely limited. The problem is compounded by the fact that most Service officers do not want to be posted to joint Service (or Defence Central) appointments, which are seen to be unrelated to their normal career paths and as such may reduce their promotion prospects [Jans, Submission, pp 598-599]. This view is encouraged by the Services, who prefer to retain their best officers for single Service appointments. The result is that officers remain committed to their parent Services and are reluctant, for both ideological and pragmatic reasons, to suggest policies or options which would adversely affect them. All too often, then, the development of 'joint' military policy reduces to a search for compromise and consensus and the protection of favoured capabilities and weapons systems.

#### Enhancing the Joint Structure

##### Headquarters Australian Defence Force

8.52 The Committee concludes that as presently manned and structured, the HQADF does not provide adequate support to the CDF in his roles as commander of the Defence Force and principal military adviser to the Minister for Defence. In the Committee's view, the resources of the headquarters and the scope of its activities need to be enhanced to include:

- a. a capacity to engage in long-term strategic and defence planning, including the conduct and oversight of studies into alternative defence strategies and force structures, contingency planning, and war gaming;

- b. the formulation of operational concepts, and the determination, review and sponsorship of operational requirements for new major equipments and weapons systems; and
- c. the formal review and oversight of the defence program, including Service inputs into the FYDP and the major equipment acquisition process, and the allocation of resources between defence functions.

8.53 The Committee is not in a position, nor does it wish to propose a revised organisational structure for HQADF. It considers, however, that an appropriate model for consideration is the current arrangement for the Defence Staff in the United Kingdom Ministry of Defence (see Figure 8.5). Under the changes introduced by Defence Minister Heseltine in 1984, day-to-day direction of the Defence Staff is undertaken by a Vice Chief of the Defence Staff. The Defence Staff itself is divided into four basic groupings as follows:

- a. A Strategy and Policy grouping, headed by a Deputy Secretary, consisting of both military and civilian staffs. It is organised to provide an enhanced capability for long-term thinking covering strategic, policy and operational aspects of both conventional and nuclear deterrence;
- b. A Programmes and Personnel grouping, headed by a Service Deputy Chief of the Defence Staff (DCDS) at 3-star level. This grouping is charged with determining military priorities in the allocation of resources and includes both a central capability to address programmes on a defence-wide basis and single Service

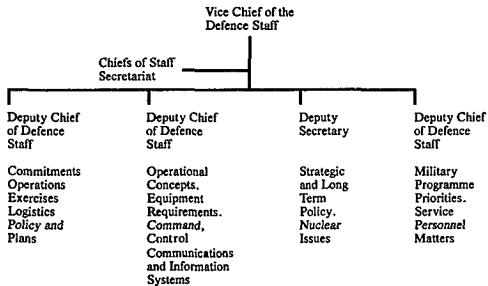


Figure 8.5 The organisation of the Defence Staff in the United Kingdom Ministry of Defence

Source: *The Central Organisation for Defence*, London, July 1984

Directorates. It provides central co-ordination of Service personnel matters, including the medical services;

c. A Systems grouping, headed by a DCDS at 3-star level, responsible for the formulation of operational concepts, the determination and sponsorship of operational requirements for equipment, and setting the aims of the military research programme. This grouping brings together all the staffs of the Service operational requirements organisations, and those in the present central staffs, together with integral scientific support. It also deals with Command, Control, Communications and Information Systems on a defence-wide basis; and

d. A Commitments grouping, headed by a DCDS at 3-star level and organised on a geographical basis. This grouping formulates policy for defence commitments, including joint and single Service plans for operational deployments and transition to war, and issues directives for operations and major exercises. It includes a strengthened capability for central logistics and movement planning. The grouping brings together the central military and secretarial staffs concerned with these matters.

8.54 The Committee notes that if such a structure were adopted it would require a degree of rationalisation of existing functions between HQADF and other areas within the higher defence establishment. We believe it is significant that the following proposed rationalisation is consistent with the recommendations made to date in other contexts in this inquiry:

- a. Operations staff. In the Committee's view, the existence of operations staffs within the three Service Offices is inconsistent with a centralised chain of command based on the establishment of Joint Force Commands.
- b. Strategic and overall defence planning. Many of the functions presently carried out by the Military Staff Branch and the Strategic Guidance and Policy Branch of the Strategic and International Policy Division of the Department of Defence are now covered by day-to-day contact between HQADF and SIP. Others, including provision of overall guidance in respect of force structure and defence infrastructure development and planning, force expansion, defence mobilisation and civil defence, should be subject to the overall control by the CDF.
- c. Force Development and Analysis. The Committee considers that most of the functions and responsibilities presently carried out by the Force Development and Analysis Division should be performed by the CDF.

8.55

The Committee recommends that:

- a. the CDF, in consultation with the Secretary and the Service Chiefs of Staff, reviews the present organisation and staffing of HQADF, using the UK Defence Staff as a basic model; and
- b. the Military Staff Branch of SIP Division and those elements of the Strategic Guidance and

*Policy Branch dealing with defence planning and wartime administration be abolished and their functions transferred to HQADF.*

#### **The Joint Staff**

8.56 While the organisational changes just described are important, the development of a better informed and more influential joint military view will ultimately depend on the calibre and expertise of the Joint Staff.

8.57 In the first instance, an increased joint service emphasis can be achieved by adopting policies specifically aimed at increasing the joint experience of incumbent staff officers and providing the incentives for Service officers to seek joint appointments. In this context, the Committee recommends that:

- a. joint duty should be a prerequisite for promotion to two-star appointments;
- b. the CDF and his Joint Staff should be increasingly involved in the appointment of staff officers to HQADF; and
- c. the number of inter-Service postings should be increased in order to promote understanding of the capabilities, doctrines and tactics of the other Services.

8.58 The Committee considers, however, that the creation of a strong, confident and motivated Joint Staff ultimately requires the establishment of a viable career pattern for officers in the joint arena. To become comfortable with, and expert at thinking in joint terms, Service officers must have recurrent tours of joint duty. Officers specialising in joint

appointments may periodically return to their parent Services in order to keep current with Service doctrine and practice, but they should spend the major part of their careers developing a joint outlook and proficiency. The means of providing for a joint career stream is already in place with the establishment of the tri-Service Australian Defence Force Academy and the adoption of a permanent joint Service command structure. In the Committee's view this basic framework needs to be enhanced by providing additional joint Service training and education. Here the Committee recommends the ADF give consideration to:

- a. including a substantial element of mandatory 'joint' subjects in single Service staff development programs and courses such as promotion exams, Service staff courses, etc;
- b. establishing greater opportunities for officers destined for senior joint staff appointments to undergo education in joint matters at the political-strategic level. This could be achieved by increasing the number of postings to overseas institutions, or by establishing a National War College or its equivalent in Australia;
- c. requiring officers appointed to joint staff positions in HQADF or the Joint Force Headquarters to undergo specific familiarisation courses aimed at minimising the amount of 'on-the-job' training;
- d. requiring the Services to establish a career stream for officers electing to specialise in joint Service appointments; and

- e. increasing the role of the CDF and his Joint Staff in career management.

It is also important that civilians serving within the defence establishment become more conversant with Service structures, procedures and doctrines. This can be achieved partly through the present practice of including civilians on military courses, although the Committee feels that the current number of civilian students should be increased for it to be more effective. An additional approach would be to establish, at the Australian Defence Force Academy and other relevant institutions, under-graduate and post-graduate courses in defence management for intending or current civilian members of the Defence bureaucracy.

8.59 In addition, we believe that the operational effectiveness of the ADF would be enhanced by providing its members with more frequent opportunities to practise joint operations. This could be achieved in a number of ways. One way would be to allocate a mix of operational assets to the existing Joint Force Commands and task them with peacetime missions that ensure the use of these assets. A second approach could be to establish one or more intermediate-level headquarters which would be required to carry out some or all of the functions of the parent headquarters either for a specific period or within an assigned area of operations. These latter headquarters could be either joint or single Service. An example of the second approach would be to establish a permanent theatre joint force headquarters in the north of Australia and place it under the Joint Force Headquarters on a rotational basis in order to practise the respective Commanders in the exercise of air, land and maritime command as appropriate and to develop and test the doctrine and procedures that relate to those roles. The Committee considers that there is merit in both approaches and recommends that CDF:

- a. adjusts the peacetime missions and tasks of the Joint Force Commanders to ensure that they involve units and assets from two and preferably three Services and assigns these forces accordingly; and
- b. investigates the establishment of a permanent 'theatre' joint force headquarters in the North or North-West of Australia which could serve under each of the Joint Force Commands on a rotational basis and would be used by them to practise command of joint air, land or maritime operations as appropriate, and to develop and test joint doctrine.

#### The Role and Functions of the Joint Commanders

8.60 The formation of the joint operational command structure based on three permanent Joint Force Headquarters - Maritime Headquarters, Land Force Headquarters and Air Headquarters - raises the issue of the roles and functions of the Joint Force Commanders. The Committee acknowledges that the present command structure is still evolving. The organisation of each headquarters and its subordinate command structure has not been finally determined, while joint force doctrine has still to be developed in many areas. Both these subjects are to be studied in detail by HQADF and the Services over the next two or three years. In the meantime, HQADF has advised that 'the Joint Force Commanders have an operational, not a policy or planning role' [Department of Defence, Submission, p 5522].

8.61 The Committee wishes to raise two issues which it considers should be born in mind as the joint organisation and new procedures and doctrines are being investigated and developed. These are:

- a. the role of the Joint Force Commanders in the development and oversight of defence policy; and
- b. the arguments for the establishment of a joint Service command structure below the level of the Joint Force Headquarters.

8.62 It should be noted here that the Committee has received very little evidence on these issues. However, there has been considerable debate on the subject in the United States. The system of operational command currently employed by the United States is similar to that towards which Australia is moving (although there are some important differences). The United States operational chain of command runs from the President, who is the Commander in Chief of the armed forces, through the Secretary of Defense to unified and specified commanders who, under the amended National Security Act of 1947, are 'responsible to the President and the Secretary of Defense for such military missions as may be assigned to them by the Secretary of Defense with the approval of the President'.

8.63 The US Joint Chiefs of Staff (JCS), comprising a Chairman and the Service Chiefs of Staff, are the principal military advisers to both the Secretary and the President. While not formally in the operational chain of command, the JCS can issue orders and directives to the operational commanders on behalf of the Secretary and President. Some argue that this effectively places them in the chain of command. The situation is further clouded by the fact that different departmental directives either remove the Secretary from the chain of command or place the Joint Chiefs specifically within it.

8.64 Unified commands consist of components of two or more Services. They include the European Command, Pacific Command, Atlantic Command, Southern Command, and Central Command. In

addition, the President has approved the establishment of a new unified command for Space. Specified commands are usually composed of forces from one Service, but may include units and have representation from other Services. They include the Aerospace Defense Command, Strategic Air Command and Military Airlift Command.

8.65 Given the similarities between the operational command systems in Australia and the United States, it is worth examining the American experience in some detail. The following discussion tends to draw on past and present American experience and the public comments of its senior military officers. It should be noted that the conclusions and recommendations reached here regarding the ADF would apply regardless of whether the Committee's earlier recommendations on the ADF command structure were accepted.

**The Involvement of the Joint Force Commanders in the Development of Military Policy**

8.66 A principal concern of the defence reform movement in the United States is that there is insufficient involvement of operational commanders and their staffs in the higher defence decision-making process. The Staff Report to the Senate Committee on Armed Services in the United States, for example, argued that the unified commanders have limited ability to influence the allocation of resources either to their commands or within their commands:

From the perspective of the unified commanders, the resource allocation process is essentially executed by the Services. The unified commander must plan to accomplish his mission with resources provided by the Services through a process defended and executed by the Services [Defense Organization: the need for reform, 1985, pp 309-10].

8.67 The report considered that the existing imbalance between the responsibilities and influence of the unified commanders stemmed in part from their geographic separation from the central policymaking area within the US Department of Defense. This makes them dependent upon other officials to represent their views. To date they have not been adequately represented. In recognition of the problem, the Reagan Administration provided for formal participation by the CINCs in the PPBS process by appearing twice a year before the Defense Resources Board (the US equivalent to the DFDC). The US Defense Department has also directed that the following actions be followed to enhance the CINC's role in PPBS:

- a. operational commanders are authorised to submit details of their priority needs, prioritised across Service and functional lines;
- b. direct communications between the operational commanders and the Military Departments are permitted to resolve problems and concerns during the development of Service inputs into the Defense program (the inputs are entitled Program Objective Memoranda - POMs);
- c. Military Departments are tasked to prepare a separate annex for each POM which clearly identifies the requirements of the operational commanders as submitted, and which states whether they were met in the POM with supporting rationale where such needs were not met; and
- d. operational commanders are authorised independently to raise issues during the Program Review Process of the Defense Resources Board [Defense Organization: the need for reform, 1985, pp 311-12].

8.68 The Staff Report to the Senate Committee concluded that there was a need to increase the influence and role of the unified commanders and that this could be achieved by:

- a. making them more senior in order of rank than the Service Chiefs of Staff;
- b. strengthening the capabilities of the Joint Staff to conduct resource analysis and so more effectively develop and represent joint military views;
- c. requiring officials within the Office of the Secretary of Defense to represent the unified commanders on policy and resource allocation issues; and
- d. providing a CINC Readiness Fund which provides the unified commanders with a source of funds 'to meet unanticipated, unprogrammed, urgent near-term readiness and war-fighting requirements' [Defense Organization: the need for reform, 1985, pp 329-31].

8.69 A similar view was advanced by a former Chairman of the United States' Joint Chiefs of Staff, General David C. Jones, who stated in 1984 that:

Although the combat commanders now brief the Defense Resources Board and have every opportunity to communicate with the Secretary of Defense and the Chiefs, virtually their only power is that of persuasion. The Services control most of the money and the personnel assignments and promotions of their people wherever assigned, including in the Office of the Secretary of Defense, the Joint Staff, and the United Command Staffs. Officers who perform duty outside their own Services generally do less well than those assigned to duty in their Service, especially when it comes to promotion to General or Admiral. The Chiefs of Staff of the

Services almost always have had duty on service staffs in Washington but almost never on the Joint Staff. Few incentives exist for an officer assigned to joint duty to do more than punch his or her ticket and then get back into a Service assignment. I cannot stress this point too strongly: He who controls dollars, promotions and assignments controls the organization - and the Services so control, especially with regard to personnel actions [Jones, 1984, p 282].

General Jones argued that in order to eliminate the Service domination of military advice to the Secretary and the President, the Chairman of the Joint Chiefs of Staff alone should represent the operational side of the command system. The Chairman would receive advice both from the Service Chiefs and the operational commanders in preparing his recommendations to the Secretary.

8.70 This proposition has been supported by another former Chairman of the JCS, General Edward C. Meyer [Jones, Meyer and Hanson, 1985, pp 333-38] and by the findings of the Report of the Chairman, Joint Chiefs of Staff by the Chairmans' Special Study Group, April 1982 (often referred to as the Brehm Report). The Brehm Report concluded that 'A major deficiency in the existing joint process is the lack of an effective mechanism through which the CINCs of the unified commands can participate in the DoD programming and resource allocation processes, contribute to the development of joint military advice concerning military strategy and other operational matters, and interact more thoroughly with the joint staff' [Brehm Report, 1982, p 283].

8.71 Many of the criticisms which have been made in the United States apply with equal force in Australia. It has become clear during this inquiry that there is insufficient joint involvement or influence in most key areas of defence policy-making including:

- a. the preparation of defence guidance;
- b. the formulation of operational requirements;
- c. the overview and assessment of single Service bids for the FYDP; and
- d. the allocation of resources between the Services.

8.72 The principal thrust of the Committee's proposal to correct this basic problem has been to strengthen the role of the CDF and his Joint Staff in the planning and policy process. But equally important, at least as far as operational matters are concerned, is the role of the Joint Force Commanders and their staffs.

8.73 At this stage it appears that the involvement of the Joint Commanders in the preparation of joint military advice will be limited. The tasks and functions with which the Joint Force Commanders are currently charged relate primarily to the running of their commands, as follows:

- a. plan and conduct joint and specified operations and activities as directed by the CDF;
- b. schedule, plan and conduct joint exercises in accordance with the Joint Program of Service Activities; and
- c. develop and test joint doctrine and procedures relating to the organisation and conduct of the Joint Force Headquarters and forces under command.

8.74 In the Committee's view, the Joint Force Commanders should do more than react to or implement policy decisions. They should also be able to participate in those policy matters which affect their capacity to carry out their assigned tasks and functions. These matters include decisions on:

- a. operational readiness and combat sustainability of the defence forces;
- b. operational requirements and the future capabilities of assigned or earmarked forces;
- c. the allocation of resources between commands and priorities for the overall development and employment of the defence forces;
- d. basic training of operational forces and the overall joint training program; and
- e. operational and contingency planning.

8.75 Provided that the Joint Force Commander has been tasked properly and understands precisely what he is required to accomplish, he is the person best placed to know what is feasible within the resources which have been allocated to him, and where the major shortfalls lie in both existing and projected operational capabilities. The Joint Force Commanders and their staffs are also likely to be familiar with the problems of planning and conducting joint operations and so should be able to provide a more immediate and relevant perspective to contingency planning.

8.76 The Committee recognises that the Joint Force Commanders will not have a comprehensive, defence force-wide perspective, and so their recommendations will not always be followed. They do, however, warrant a hearing, not least because

they will carry the prime responsibility of ensuring success in war or times of defence emergency. The principal focus of the Joint Force Commander and his staff should be on immediate requirements and shortcomings which relate to their assigned tasks and responsibilities. They would not require large research and development or analytical staffs. The determination of new capability requirements and the analysis of alternative concepts and weapons systems would continue to be undertaken primarily by specialist organisations located preferably within HQADF (as opposed to the single Services). The Joint Commands should, however, have a formal input into those determinations.

8.77 Other advantages of allowing the Joint Force Commanders to participate more actively in the formulation and oversight of defence policy include the following:

- a. they can represent operational and maintenance issues and so would offset the present emphasis on equipment procurement and modernisation;
- b. through their understanding of and involvement in the 'output' side of the defence program they can provide feedback on the effectiveness and timeliness of the policy-making process; and
- c. staff officers within the Joint Force Headquarters would acquire a more appropriate background and awareness for future postings to HQADF, which in turn would facilitate career specialisation in joint matters.

8.78 A potential constraint to increasing the authority of the Joint Force Commanders is their relationship with the Chiefs of Staff. Under the present arrangements, the Joint Force Commanders are of lesser rank than the Service Chiefs of Staff

and are directly responsible to them for certain tasks and functions. It can be argued that this arrangement contributes to Service domination of the resource allocation process and to de facto influence over operational matters. If the Joint Force Commanders were independent from the Services and of a rank equal to or more senior than the Chiefs of Staff, their influence over defence policy could increase. The Services would continue to play an important role in rationalising and meeting the demands of various Joint Force Commanders, but the focus would shift from single Service priorities to the operational needs of the combatant commands. A potential problem with increasing the stature and role of the Joint Force Commanders is that it would increase the number of interests involved in the decision-making process and so add to its complexity. Against this, however, is the fact that inclusion of the Joint Force Commanders in policy-making would add a new and important view: that of the consumer.

8.79 The Committee believes that the logical way to redress the imbalance of authority between the Joint Force Commanders and the Service Chiefs of Staff is to establish rank parity between the positions.

8.80 The Committee recommends that:

- a. the CDF examine the future role of the Joint Force Commanders in relation to the formulation and oversight of joint Service and defence policy, and representation on higher level joint planning and defence advisory committees;
- b. the Joint Force Commanders be responsible only to the CDF and that they be responsive to the Service Chiefs of Staff, and that the directives from the CDF to the Joint Force Commanders be amended accordingly; and

c. rank parity be established between the Joint Force Commanders and the Service Chiefs of Staff.

**The Command Structure of the Joint Force Commands**

8.81 It is unclear at this stage how the Joint Force Commands are to be structured, and in particular whether they will be fully unified commands or organised into discrete single Service 'components'. HQADF has stated that 'in periods of heightened tension or higher levels of conflict, it is possible that the joint and single Service functions of these [Joint Force] headquarters may have to be separated so that each can be directed efficiently' [Submission, p S520].

8.82 In the United States both approaches are used, although the primary emphasis is on utilising component commands. In four of the six commands, the CINC deals only with Service component commands. In the case of US Atlantic Command and US Pacific Command, the unified commander deals both with Service component commanders and commanders of subordinate unified commands. CINCPAC, for example has under him two sub-unified commands - US Forces Japan and US Forces Korea - and three Service Component Commands - CINCPACFLT, CINCPACAF and CDRWESTCOM.

8.83 Operational forces assigned to the unified commands are usually placed under component commanders. The unified commander exercises operational command through the component commanders. He thus has the authority to assign missions or tasks to his subordinate commanders, to deploy units, to reassess forces and to retain or delegate operational and/or tactical control as may be deemed necessary. However, on non-operational matters like supply, equipping, maintenance, administration and discipline, the component commanders receive

supervisory direction from, and report to, the Military Department(s) to which they and their assigned forces belong.

8.84 These arrangements, which were devised largely to ensure the continuance of single Service integrity and interests, have been criticised on a number of grounds. The fact that the logistical chain of command by-passes the unified commander is said greatly to weaken his authority over his Service component commands. The situation is compounded by the Service components' dependence on their parent Services for the provision of resources and personnel. In addition, future promotions and postings of the component commanders and their staff are determined by the Services rather than the unified commanders.

8.85 Thus while unified commanders have the primary responsibility for promoting joint philosophies and capabilities, they are squeezed between powerful structures which encourage single Service perspectives. As a result, the authority of the unified commanders is eroded and single Service views tend to prevail. This was a major finding of the 1970 Report of the Blue Ribbon Defense Panel which noted that:

Despite the establishment of the unified command concept in the Defence Reorganization Act of 1958 ... the relative authority between the Unified Commander and the component commander and his Military Department, remain substantially unchanged.

The net result is an organisational structure in which 'unification' of either command or of the forces is more cosmetic than substantive. The resultant organizational structure is also layered with large headquarters and headquarters staffs [Report of the Blue Ribbon Defense Panel, 1970, p 50].

8.86 The Report concluded that the unified commanders should be given unfragmented command authority for their commands, and the commanders of the component commands should be

redesignated as deputies to the commander of the appropriate unified command. In the panel's view, this would 'make it unmistakably clear that the combatant forces are in the chain of command which runs exclusively through the unified commander' [Report of the Blue Ribbon Defense Panel, 1970, p 50].

8.87 Former staff member of the US House of Representatives Armed Services Committee, Archie Barrett, made similar criticisms in an article published in 1982. Barrett argued that

... the component commands are too independent of the unified commanders. These commands have dual designations as major service commands. This latter identity is far more influential than the joint, or unified nature of their assignment. The Services train and equip as well as control 'the flow of men, money, and material to the CINCs' components. The Services (and the components) thus have the major influence on both the structure and readiness of the forces for which the CINC is responsible'. The configuration of each component in a theater as a self-sufficient fighting force with a full range of support possibly results in costly redundancies in areas such as supply, maintenance, administration and discipline. Consolidating some functions deserves serious consideration, particularly in the logistics areas where control of the theater commander could possible increase warfighting capability as well as save dollars [Barrett, 1982, p 117].

8.88 A retired unified commander, General William Y. Smith, went even further when he stated that:

The unified commander has scant control and limited influence over the day-to-day activities of his component commands. That responsibility rests with the military departments. The Reorganization Act of 1958 removed the departments from the operational chain of command but charged them with responsibility to organize, train, equip, and administer service forces so that they become combatant forces to be assigned to a unified or specified command. The broad, service oriented charter of the military departments means that U.S. present and future military capabilities are developed predominantly on a unilateral services basis. The bulk of the operational

doctrine for its forces is, likewise, decided by each individual service. Similarly, the nature and extent of the training necessary to make service forces combatant, that is, the readiness of the forces, is a service responsibility [Smith, 1985, p 295].

Smith concluded that the CINCs should have more influence and control over their component commands. In consultation with the component commanders, they should establish the overall priorities for their command, and the component commanders should then follow those priorities in their deliberations with their respective military departments. Smith also considered that the CINCs should have a larger voice in the training of the forces assigned to their component commands.

8.89 The 1985 Staff Report to the US Senate Committee on Armed Services argued that the absence of unification at levels below the unified commander and his staff was a problem

... because it substantially impedes efforts to prepare for and conduct effective, joint military operations in times of war. In other words, the absence of unification has resulted in limited mission integration at the operational level of DOD. More specifically, the single-Service status of the organizations subordinate to the unified commanders results in the following deficiencies: it does not (1) provide for unity of command during crises; (2) promote joint thinking, planning, and coordination; and (3) facilitate efforts to improve the interoperability of forces from different Services [Defense organization: the need for change, 1985, p 313].

The Staff Report noted that the unified commands had developed numerous informal mechanisms for improving cooperation between forces of different services. It argued, however, that while these worked well in exercises which were planned well in advance they have failed to be effective in unforeseen circumstances. Citing the slow reaction of US forces in the Western Pacific during the seizure of the USS Pueblo, the report concluded that 'the United States does not have a major

combatant command that can provide effective unified action across the spectrum of military missions' (Defense Reorganization: the need for change, 1985, p 314).

8.90 The report further concluded that the absence of unification at subordinate levels of unified command was a much more troubling problem now than in the immediate post-war period. This was because, first, the strategic environment has become far more complex and unified commanders today are likely to be confronted by a broader array of problems and missions than their predecessors, and, second, there is an increasing tendency for operations to be directed from the Pentagon or the White House, thereby circumventing the unified commander and his staff. Single Service commanders are unlikely to be sufficiently schooled in, or familiar with joint doctrines and capabilities. The Report further considered that the insufficient unification within the joint commands was due to the Services' intransigence, and the absence of agreement on appropriate command relationships, especially the need for unity of command. It recommended that:

- a. the JCS publication 'Unified Action Armed Forces' (UNAAF) be revised to lessen the restrictions on the authority of the unified commanders;
- b. the unified commander be authorised to select and replace his service component commanders; and
- c. the Service component commands communicate with their Service headquarters on critical resource issues through their unified commanders.

8.91 The Committee considers that the United States' experience should be kept in mind when examining future options

for Australia's operational command arrangements. In its view, the capability and effectiveness of our command structure will be enhanced if the Joint Force Commands are given clear and unambiguous tasks which are organised along functional or joint Service rather than single Service lines, and if there are direct and clear lines of command between the Joint Force Commanders and their subordinates commanders. Component Commanders will need to be responsive to the Services and other functional elements of the defence establishment, but they should be responsible only to the Joint Force Commanders. Any fragmentation or dilution of command authority provides the potential for confusion, especially in crisis situations, and undermines the efficiency and effectiveness of command.

#### The Future Roles and Functions of the Joint Force Commands

8.92 For any command structure to be effectively developed and exercised, the operational commander should on a day-to-day basis control all of those assets which he is most likely to have allocated during a defence emergency: it is only through regular and long-term practice that the necessary high level of command and control skills will be developed, and the problems which have been evident in recent Australian joint operations will be surmounted [see The Australian Defence Force: its structure and capabilities, 1984, pp 128-32; and Horner, 1986]. In the Committee's view the existing command system does not give the Joint Force Commanders that opportunity. This is because, notwithstanding the establishment of the 'joint' operational commands, there appears to have been no accompanying functional allocation of assets. Rather, the bulk of naval assets continue to belong to Maritime Command, most air assets are in Air Command, and Land Force Command retains control of nearly all Army assets. This may be appropriate to the roles and

functions that have been allocated to these Joint Force Commands, but it leaves the new structure open to the charge that it is simply a single Service command system by another name.

8.93 It was partly to avoid the fundamental weakness of the ADF's current operational structure that this Committee in its 1984 report proposed a command organisation in which operational assets were clearly linked to functions, rather than to parent Services through an 'environment' command. Two major commands were recommended, with each being given the assets necessary to meet its functional responsibilities, as follows:

- a. Ready Reaction Command, comprising all of those land, sea and air elements required to meet Australia's deterrence strategy and to meet low level threats; and
- b. Home Defence Command, comprising those elements required for the defence of Australia and its interests should deterrence fail [The Australian Defence Force: its structure and capabilities, 1984, p 139].

A possible composition of such a command structure is outlined at Table 8.1.

8.94 The Committee recognises that the reallocation of operational assets between commands could have serious implications for the status and professional development and hence the capabilities of the individual Services. This applies to all three Services. The Committee recognises and accepts that the three individual Services will continue to exist. The evidence does not support the abolition of the three Services and their replacement by a unitary ADF. The question, rather, is how is the unification of the ADF to be managed so that it is a single, cohesive, efficient fighting force. That requires the development of joint doctrines and plans and changes to the command structure as have been discussed. It also requires

TABLE 8.1 AN ILLUSTRATIVE ADF FUNCTIONAL COMMAND SYSTEM

Command	Responsibilities	Principal Capabilities/Forces
Ready Reaction Command	Deter attack or threat of attack against Australia and its interests and counter low level aggression within Australia's Area of Principal Defence Interest	Surveillance and Early Warning (P3 Orion, Patrol Boats) Strategic Strike and Interdiction Force (F-111, F/A-18, Oberon) Ready Reaction Force (ODF, Patrol Boats, Tactical Air Transport) Vanguard Defence Force (1st Australian Division, Strategic Air Transport, Amphibious Squadron)
Home Defence Command	Defence of Australia's land, sea, and air space against intermediate and high level threats	Maritime and Coastal Defence (Destroyer Squadrons, Mine Warfare Force) Home Defence Air Defence

Source: The Australian Defence Force: its structure and capabilities, 1984, p 140

recognition of the fact that some developments in capabilities of the ADF will only grow out of the specialised skills inherent in the single Service base.

8.95 The Committee considers that the present three joint commands have inherent limitations which tend to restrict effective operational use of assets of other Services. The Committee recommends that the CDF reviews the present joint command structure with a view to determining whether a more functional command structure, as for example the proposed Ready Reaction Command and Home Defence Command, would be more advantageous to developing the capabilities of the ADF. A Ready Reaction Command would require the full support of all three Services to be effective; it would provide command experience for capable officers irrespective of Service; and it would possess the great virtue of being flexible and able to accommodate changes in circumstances be they military, political or technical.

8.96 The Committee considers that there are grounds for further adjustment of the roles and functions of the existing Joint Force Commands, and a more appropriate allocation of operational assets between commands. It recommends that the CDF review the existing Joint Force Command structure in order to determine its suitability both now and in the future. The review should consider:

- a. the most appropriate allocation of operational assets between the existing Joint Force Commands; and
- b. whether there is scope to move towards a more functional or role-oriented joint command structure.

The Single Service Command Structure and the Role of the Chiefs of Staff Committee

8.97 The establishment of the three functional commands within the ADF is an acknowledgement of the fact that military operations will normally require elements of more than one Service, and that the unified commands should facilitate the control of joint and specified operations and activities and the development of joint doctrine and procedures. In recommending the re-organisation in its 1984 Report on the ADF's structure and capabilities, this Committee noted that the formation of functional headquarters for the conduct of joint operations would impact on the roles and responsibilities of the Single Service Commands [The Australian Defence Force: its structure and capabilities, 1984, pp 131-33]. We now believe that, having addressed the fundamental issue of operational command, it may be timely for the ADF to examine, first, the support functions with which the single Services are tasked, and, second, the consequences of the unified commands for the authority and functions of the Chiefs of Staff Committee (COSC).

Rationalising the Single Service Functions

8.98 One of the most significant changes to the ADF's command structure with the implementation of the new organisational structure is that 'the single Service Chiefs of Staff are unlikely to be in the chain of command for operations' [Department of Defence, Submission, p S282]. Even though the Chiefs are still tasked with advising the CDF on operational matters relating to their Service, their prime task has become that of supporting the joint force commands through their responsibility to CDF for 'raising, training, supplying and maintaining combat-ready forces' [White Paper, 1987, p 60].

8.99 It is axiomatic that the more effective the level of support is, the more effective the combat force is likely to be. The Committee believes that the basic logic behind the reorganisation of the ADF's combat commands therefore applies with equal relevance to the support services. Decisions concerning the provision of infrastructure and logistic support have direct and major significance for military operations, affecting the manner in which they can be conducted and even the strategy practicable at the time. Accordingly, while notable examples of rationalised support services exist within the ADF, particularly in relation to training establishments, the fact that support to the joint commands overwhelmingly is provided on a single Service basis warrants attention.

8.100 The case for rationalising support services along joint lines is manifest in the list of common roles (for the single Services) ascribed by the Department of Defence to the ADF as a whole. The common roles of the Defence Force are to:

- a. prepare forces and maintain reserves of equipment and supplies for the effective discharge of the common functions;
- b. organise, train and equip forces for joint operations;
- c. develop and maintain reserve forces to supplement or expand the Regular Force;
- d. assist each other in fulfilling their single Service roles;
- e. develop the requirement for, and establish, manage and operate bases, facilities and installations;

- f. provide joint and single Service communications;
- g. provide intelligence for the national intelligence organisation and operational intelligence for the Services;
- h. provide assistance and training for the military forces of designated nations;
- i. provide aid to the civil power as directed;
- j. provide assistance to civil authorities and organisations as authorised; and
- k. conduct research, and develop tactics, techniques and organisations for the fulfilment of their roles.

Clearly, there is scope within those roles for considerable inter-Service cooperation and amalgamation of resources.

8.101 One of the most important components of support provided to the operational commanders is that of logistics. As the White Paper recognised:

Operations [will] usually be joint, and their conduct may require naval, air and land forces to deploy at short notice for sustained operations at a considerable distance from their main bases. ADF operations can be expected to be conducted concurrently over widely dispersed geographic areas.

[The] separation of our main support bases in the south of Australia from the likely operational areas in the north, the likely dispersal of forces across a number of areas, and the limited northern industrial and transport infrastructure, would place heavy demands in a contingency on military transport, supply and maintenance [White Paper, 1987, pp 25 & 65].

8.102 Any rationalisation of the logistic systems of the various elements of the ADF would have to remain responsive to the needs of its users. In this context, it is recognised that routine commercial cost-saving measures such as more centralised services, smaller inventories and minimal redundancies may not be acceptable in a military organisation. Within that constraint, we endorse the Government's intention to 'extend the use of common logistic support' and eliminate 'unnecessary duplication between elements of the ADF and also between Defence and the civil community' [White Paper, 1987, p 68]. The decision announced in July 1987 to reorganise the logistics and support areas of the Department of Defence to create a 'more efficient structure' is a constructive beginning to this process [Department of Defence, Circular Memorandum No 66/87, 27 July 1987]. In particular, the establishment of a Logistics Review Group, tasked with reviewing the logistics and support roles of the department with the aim of rationalising and improving existing arrangements, should assist a corporate approach. Additionally, the appointment to HQADF staff of a Director General Defence Force Logistics (DGDFL), whose main task is the coordination and cooperative development of ADF policies relating to joint operational logistics, should help to place priority on joint - rather than single Service - needs. However, given the scope of the task and the potential benefits to the ADF, the Committee considers that this issue should be subject to further detailed review [see also Hinge, Submission, pp S202-03].

8.103 The other major support function vested in the single Services is that of training. Notwithstanding the success of organisations such as JSSC, AJWE, AJMWC and ADFA, the fact remains that there are relatively few standing joint Service training establishments. In particular, the scope for increased joint basic training - such as the common ab initio course for ADF pilots to No. 1 Flying Training School, Point Cook - appears to be substantial. The Committee considers that the rationale

behind the joint basic flying training should apply to other basic training for joint functions, such as, for example, communications, electronics, weapons, mechanical systems, medical services and catering.

8.104 Rationalisation of the single Service support responsibilities has been discussed thus far primarily in terms of structural efficiency, that is, that the rational grouping of activities by function should lead to greater force effectiveness and economies of scale and organisation. An additional advantage would be the reduction of inter-Service rivalries. In his Review of Australia's Defence Capabilities, Paul Dibb touched on the persistent problem of adversarial attitudes at various levels within the Department of Defence, the ADF and the single Services. Submissions to this inquiry similarly identified this disturbing and counter-productive phenomenon. Defence's approach to resolving the problem appears essentially to have relied on the passage of time and the promotion of goodwill between protagonists, rather than by addressing the 'institutional flaws which arguably aggravate [the] relationships'.

8.105 Adversarial attitudes exist in two distinct areas: between military and civilian personnel in the ADF and the Department; and between the single Services. Institutional changes which we believe could improve the civil/military relationship are discussed in other sections of this report. As far as inter-Service rivalries are concerned, we believe that the prime need is to promote the notion of a corporate ADF identity, as exemplified by ADFA.

8.106 It seems wholly appropriate that the three operational commands should be served by similarly functionally grouped support commands and that the ADF should incorporate, at the least, unified Logistics and Training Commands. The Committee's conclusion is that the existing single Service

support roles should be rationalised on a functional - i.e., joint - basis, to the maximum extent commensurate with operational imperatives.

8.107 The Committee recommends that that HQADF investigate the rationalisation of residual single Service command and support structures along functional, joint service lines.

#### Collective Professional Advice and the COSC

8.108 Even though CDF Directives state that for some (nominally single Service) operations and activities command will be exercised through the respective Service Chief, the Committee believes that it would almost always be preferable to exercise the functional structure by assigning such operations to the appropriate functional (operational) commander. The reality now is that the Services should ultimately be seen as 'feeder entities' or simply reservoirs of strength for the operational commands. Consequently doubts must arise regarding the relevance of the current role and functions of the COSC. Adding to those doubts, particularly in view of the new organisation, is the often-raised criticism that the COSC's collective utility may be unduly affected by conflicts of interest: one submission to this inquiry, for example, spoke of '... a bid by Army to take over the helicopter role - a blatant bid for power ... [which led to] a divisive and unnecessary study' while another referred to the 'individual Chiefs deliberately making [the Strategic Basis] vague and woolly' in order to justify the selection of preferred single Service equipments [see Evans, Submission p S175; and Hinge, Submission, p S199]. A former CDFS, Admiral Sir Anthony Synnot, has observed that the assistance and advice he was able to obtain from the single Services was subject to 'inherent parochial limitations' [quoted in Utz, 1982, p 29]. To some extent this sort of conflict is inevitable in a system in which career satisfaction

- promotion, assignments, the provision of personal support services and the like - has rested on single Service foundations. The perspectives shaped by those foundations should not, however, be allowed to impinge on the now-paramount status and requirements of the Joint Force Commands. We consider it would be timely to review existing COSC functions with the intention of placing operational authority firmly within the unified ambit.

8.109 The present functions of the COSC are to:

- a. provide collective professional advice to the Minister and the CDF on the military aspects of strategy, force development and operations, and on the military implications of defence policy and activities, noting that under the Defence Act Section 9(3) each member is required to advise the Minister in his own right on matters relating to his command as reflected in relevant Ministerial Directives;
- b. endorse military plans for approval for the CDF; and
- c. recommend to the CDF the allocation of forces and supporting assets to designated commanders engaged in joint or combined operations [Department of Defence, Senior Defence Committees (DRB 4), 1986, p 7].

8.110 Most of the functions detailed in sub-paragraphs a. and b. derive logically from the Chiefs' previous position in the operational line of command. As this position substantially no longer exists, then, equally logically, neither should those functions. It could also be the case that, if the Joint Force Commanders are given equal status with the Chiefs of Staff (see

R53), advice regarding the allocation of forces and supporting assets should come from the operational commander who will be employing those elements. At the same time, we recognise that the Chiefs of Staff represent the highest level of professional military advice, and that their position and experience gives them a legitimate role in providing professional advice in a broad sense. We also believe that any advisory process must formally permit the Chiefs, as role specialists, to put a case to the CDF and make a dissent if necessary.

8.111 Regardless of future command developments within the ADF, the Committee believes that the existing process for providing collective professional advice to the Minister is inconsistent with the functional command structure. In our view, informed assessments on 'military aspects of strategy ... operations and ... military plans' in the joint context should originate from sources unencumbered by single Service perspectives. The senior military committee might therefore consist of CDF and the Joint Force Commanders, plus the VCDF as the specialist for matters relating to force development and the military implications of defence policy and activities. Single Service representations to the committee might be made individually by the Chiefs of Staff through VCDF. Consideration could also be given to including other senior staff from HQADF in a new senior military committee, particularly as the key military policy functions are consolidated within that headquarters. We note that this proposal may have implications for rank levels within HQADF.

8.112 The Committee believes it is particularly important to allow the operational commanders an opportunity formally to influence the policy-making level of the Department of Defence. As was pointed out above, the geographic separation of the US unified commanders from the policy-making level severely impairs their ability to influence the allocation of resources, and determinations of policy, affecting their commands. This

shortcoming has been recognised and the operational commanders have been brought into the formal Planning, Programming and Budgeting process, albeit on a limited basis.

8.113 Clearly, other options should be developed to ensure that the senior professional military advice to the Minister originates from a consultative process which is representative of, and responsive to the ADF's *operational* organisation. Whatever options may be proposed, the key elements must remain those of being 'representative' and 'responsive'.

8.114 The Committee accordingly recommends that:

a. HQADF review the process by which the function of providing collective professional military advice to the Minister is discharged. This review should:

- (i) examine the place of VCDF, the Chiefs of Staff, senior HQADF staff and the Joint Force Commanders in the process;
- (ii) recognise the Service Chiefs' legitimate role in providing professional military advice in a broad sense, and
- (iii) ensure that a formal mechanism for dissents exists;

b. the Directives to the single Service Chiefs of Staff be amended to reflect the Chiefs' revised roles as essentially support Commanders; and

c. the command provisions relating to the Service Chiefs of Staff contained in the Defence Act be revoked.

## CHAPTER NINE

## THE CASE FOR MORE SUBSTANTIAL CHANGE

9.1 Chapters 4 to 8 of the report addressed specific aspects of the current defence establishment and its higher management structure. This Chapter reviews the findings and recommendations contained in those earlier Chapters and their implications for the organisation as a whole.

## Recommendations and their Implications

9.2 In the light of its findings, the Committee has made a number of recommendations to help overcome or eliminate the major problems and deficiencies associated with the defence establishment and its policy process. It has also identified a number of problem areas in which further study is required either by Defence itself or by an appropriate external review body. These latter issues include:

- a. the basic structure of the higher defence establishment and the current distribution of powers and responsibilities between its major actors;
- b. the organisational arrangements affecting the relationship between the Minister for Defence (and his Assistant Minister) and the defence establishment;
- c. the means of reviewing the structure and performance of the organisation as a whole;
- d. the utilisation and current distribution of the civilian and Service workforce especially within the higher defence organisation;

- e. officer and other rank separation from the ADF;
- f. the means of formulating Australia's national security policies;
- g. the defence planning, programming and budgeting system;
- h. the means of lowering the unit costs of future equipments and weapons systems;
- i. the present organisation and staffing of HQADFE;
- j. the role of the Joint Force Commanders in the formulation and oversight of joint Service and defence policy;
- k. the rationalisation of single Service administrative and support structures; and
- l. the current means of providing collective military advice to the CDF and the Minister for Defence.

9.3 The recommended changes have sought to improve the present arrangements affecting the defence establishment rather than implement radical or far-reaching changes. As described in the Introduction, the primary objective of the report has been to enhance the overall efficiency and effectiveness of the organisation and its policy process, while still ensuring the primacy of control of the executive and the Parliament. A secondary objective was to reduce the overall size and complexity of the higher defence establishment and so improve its capacity in times of defence emergency or war.

9.4 In seeking to satisfy these objectives, the Committee has first sought to clarify and redefine in a number of areas the

basic roles and functions of the principal organisational interests within the defence establishment. The basic aims here were, first, to eliminate or at least reduce the ambiguities and potential conflicts of interest that characterise the current arrangements and contribute to its reduced efficiency; and, second, to give greater emphasis and authority to joint Service operational structures and perspectives. The suggested changes affect the relationship between the CDF and the Secretary, and the respective roles and functions of the Joint Staff and the Services. In the first case, the Committee has proposed that the CDF be given prime responsibility for developing and issuing detailed defence guidance, reviewing policy options, setting priorities for the implementation of defence policy, and preparing the annual defence program. This proposed realignment of responsibilities entails the transfer of the Force Development and Analysis Division and those other elements of Defence Central and the Service Offices concerned with the development and overview of the defence program into HQADP. At the same time, proposals have been made which would strengthen the present process for preparing the broad strategic framework within which Defence must work, namely, through expanding the functions and roles of the Defence Committee and the Strategic and International Policy (SIP) Division, and retitling the latter accordingly. Both of these elements would remain under the control of the Secretary, although some of the present functions of SIP Division would be transferred to HQADP.

9.5 In the second case, the current roles and responsibilities of the Services and their respective Chiefs of Staff would be further downgraded in favour of the CDF and the Joint Force Commanders. This has been done by proposing that the ADF be divided, in conceptual terms at least, into two discrete elements: an employing or operational element and a maintaining or administrative element. The first element would be purely joint Service and would be responsible for planning and conducting all Defence Force operations and operational training

activities in peace and war. The second element would be made up of the three Services and would be responsible for providing combat-ready personnel and assets to the Joint Force Commanders, and for raising, training, supplying and maintaining these basic assets in accordance with directions issued by the CDF and the Secretary. Under this approach, the Services would play a purely enabling role with no operational responsibilities at all. The Service Chiefs of Staff would become in effect chief executives of their Services, with responsibilities not unlike those of the current heads of the other functional organisations within the Department of Defence.

9.6 The present means of providing collective military advice to the CDF and the Minister would be changed to incorporate the views of the Joint Force Commanders as well as the Service Chiefs. The Committee has further suggested that there is scope to rationalise the maintaining element of the ADF either along functional or joint Service lines or both, which would result in some personnel and financial savings.

9.7 In addition to these changes, the Committee has also sought to:

- a. increase the first-hand involvement of the Minister for Defence (and his Assistant Minister) in Departmental and ADF matters;
- b. ease the workload of top-level management and provide additional mechanisms for reviewing the structure and performance of the organisation as a whole;
- c. provide for further rationalisation between and within existing functional areas within the establishment; and

- d. simplify the current policy process by eliminating some committees and decreasing the number of interests involved in decision-making, especially at the top.

These changes, if implemented, would satisfy the objectives of the report and probably provide scope for considerable savings in defence personnel and other resources.

#### A Fully Unified Higher Defence Establishment

9.8 As mentioned above, the findings and recommendations of this report have been concerned with improving the existing defence arrangements. While the suggested changes involve some realignment of the responsibilities of the principal actors involved in the defence establishment, the basic organisational framework - in the form of a diarchy operating under the Minister for Defence - would remain largely unaltered. In view of our concern that many of the deficiencies and weaknesses of the present arrangements stem from the diarchic structure, a valid question is that of whether there is an alternative organisational structure which is less susceptible to civil-military conflict and still provides for efficient and effective policy-making.

9.9 There are two directions in which we could move. The first is back towards the kind of organisational structure that existed prior to the 1973-76 reorganisation. The principal advantages of a confederated approach in which separately constituted departments operate under the control of a central coordinating agency are:

- a. it gives institutional form to the principle of centralised direction and decentralised execution; and

- b. it ensures that the major institutional interests (represented in this case by their departments) have equal opportunity to present their case.

The disadvantages are those described by the earlier reports on Australia's higher defence organisation: inefficient, difficult to control effectively, subject to bureaucratic wrangling, inappropriate for our evolving military and strategic circumstances, and so on. The Committee considers that the disadvantages of a differentiated system clearly outweigh any potential advantages, and that there is no point or value in returning to the kind of organisational arrangements that existed prior to 1973.

9.10 The second and more profitable direction in which we could move is towards a unified higher defence establishment in which the civilian and military components are fully integrated into a single functional organisation which operates under the control of one individual. The best example of this kind of structure is the Canadian Department of National Defence and its National Defence Headquarters (shown in Figure 9.1).

9.11 The National Defence Headquarters is a single, functionally organised headquarters. It is directed jointly by the Deputy Minister (who is equivalent to our Secretary of the Department of Defence) and the Chief of the Defence Staff, assisted by the Vice Chief of the Defence Staff, the Deputy Chief of the Defence Staff, four Assistant Deputy Ministers and other specialists. The Deputy Minister is the senior civilian adviser to the Minister for National Defence. He is responsible for ensuring that all policy direction emanating from the government is reflected in the management of the Department of National Defence. The Chief of the Defence Staff is the senior military adviser to the Minister, and is responsible for:

- a. the control and administration of the Canadian armed forces;

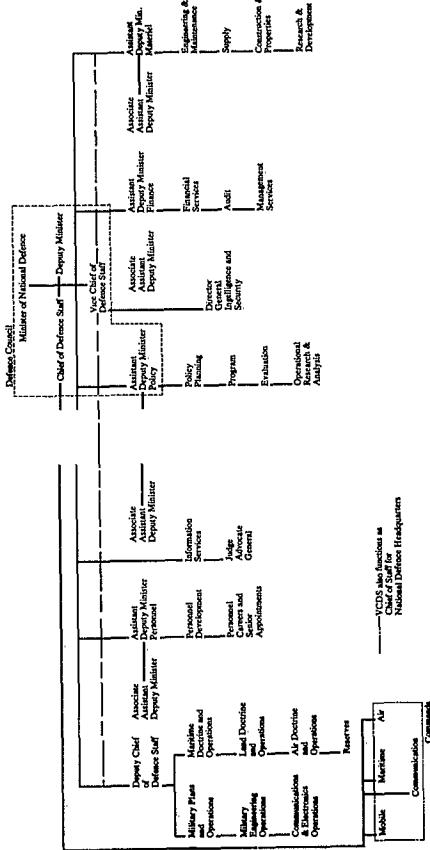


Figure 51 The organization of the Canadian National Defence Headquarters  
Source: Task Force on Review of Unification of the Canadian Forces, 1980

- b. the effective conduct of military operations; and
- c. the readiness of the Canadian Forces to meet the commitments assigned by the Government [Defence 84, p 3].

9.12 The Vice Chief of the Defence Staff is responsible to the Deputy Minister and the Chief of the Defence Staff. He acts as the Chief of Staff of the National Defence Headquarters in coordinating both the activities of the headquarters and the assignment of resources. The activities of the Department of National Defence are directed by five group principals whose primary functional responsibilities are as follows:

- a. Assistant Deputy Minister (Policy): recommends defence objectives and policy options and directs development planning. In the absence of the Deputy Minister, he is Acting Deputy Minister.
- b. Deputy Chief of the Defence Staff: is responsible for effective and efficient performance of the operations of the forces. He is the source of operational information for planning and programming.
- c. Assistant Deputy Minister (Personnel): develops and implements military and civilian personnel policies, career management, recruiting, individual training, educational programs and personnel support services.
- c. Assistant Deputy Minister (Materiel): directs engineering and maintenance, logistics (supply, transportation, procurement, ammunition), construction and properties, research and development. He commands, through his military associate, the Canadian Forces depots and test establishments.
- e. Assistant Deputy Minister (Finance): directs audit, financial services and management Services [Task Force on Review of Unification of the Canadian Forces, Final Report, p 33].

9.13 The revised organisation was established in 1972 on the recommendation of a Management Review Group which had been appointed to investigate problems associated with defence procurement, research, command and control, logistics and acquisition policies, cost and performance objectives, and relationships with other government departments. It followed an earlier reorganisation, in 1964, in which the Canadian armed forces were unified. While some Canadian commentators are concerned that the reform of the higher defence establishment may have given the military too great a say in defence issues, others have hailed it as a significant step in providing for better co-ordination and management of defence. As one observer commented in 1985 in relating Canadian and American experiences:

... the current national defense headquarters organization and the management system for defense in Canada reflect substantial progress towards achieving the central objectives of greater efficiency, coordination and control. In this sense, the Canadian experience over the past twenty years should be instructive for those analysts in the United States who are concerned with the management of U.S. defense. Although Canada seems to have travelled much further along the road of a functional, as opposed to a service-oriented, approach to the problems of defense management, and although there are significant differences in size of military forces, scale of defence commitments, and governmental systems, political culture and history, nevertheless, the basic outlines of Canada's postwar evolution in the organization and management of defense should be applicable to defense management in other Western countries [Critchley, 1985, p 148].

9.14 The view that the Canadian (or any other national) experience may have application for other western countries, including Australia, is not shared by officials from our own department. While noting that the general direction of the changes in the higher defence management structure in Britain, Canada and the United States since the late 1950s has been in the same direction as the changes in Australia in the same period, the Department has argued that:

Detailed comparisons between Australia and other countries, including one on the distribution of powers, are not of much value for Australian defence planning. Countries develop national defence organisations that are intimately related to their individual history, traditions, and defence commitments ...

For the reasons encapsulated above, the organisational arrangements introduced in Britain, Canada and the US could not be applied in Australia, nor is it necessary to do so.

Australia has developed its own solutions which have led through convergent evolution to an amalgamation of a number of elements in the defence organisations of the countries reviewed [Submission, p S484].

9.15 In the case of Canada, the Department further suggested that the unification of the National Defence Headquarters only occurred because of the earlier unification of its armed forces, and as such is not an option for Australia:

Australia has always had a separate Navy, Army and Air Force and there has never been serious consideration of an amalgamation of the Arms of the Defence Force and the removal of the single Service Chiefs of Staff. Consequently, the Defence reorganisation in 1973 divided the powers of the Service Boards between the Minister, Chiefs of Staff and Secretary. This does not suggest a difference in degree of efficiency in organisation between Australia and Canada, but rather a difference in appropriateness of organisations for achieving the respective Governments' national defence goals [Submission, p S486].

9.16 The Committee is not convinced by these arguments. It accepts that as a general principle, the nature of the defence establishment will be influenced by broader strategic and political considerations and that these vary between countries (and times). It is difficult to see, however, why Australia's own political and strategic circumstances and traditions would necessarily favour a diarchic higher defence structure over a unified one. The Committee is concerned by the Department's apparently peremptory treatment of this major managerial issue.

9.17 In our opinion, the importance of the issue warrants a thorough examination of the advantages and disadvantages of various models, making use of overseas experience where this is both possible and appropriate. The findings of this report indicate that there are clear and serious problems and deficiencies associated with the diarchic structure. Some of these can be resolved by adopting the measures recommended by the Committee, others, notably the continuation of civil-military conflict and the inefficiency of a decision-making process based on bargaining, will not. The Committee considers that a more unified higher defence structure, similar to that of Canada, offers the possibility of significantly reducing these problems while reducing the overall size of the organisation and making it more efficient and effective. Such a possibility should not be lightly dismissed.

9.18 The Committee concludes that there would be considerable advantages in establishing a fully unified higher defence organisation in Australia. These could include:

- a. a more efficient and effective approach to defence decision-making;
- b. a reduction in the size of the higher defence establishment, which would release more resources for operational units and activities; and
- c. a more cost-effective use of defence resources.

## APPENDIX 1

MEMBERSHIP AND FUNCTIONS OF THE  
DEFENCE PRINCIPAL SUBORDINATE COMMITTEES

## Consultative Group (CG)

Chairman:	Deputy Secretary B (or other appropriate Deputy Secretary)
Members:	Deputy Secretary A Chief of Capital Procurement Chief of Defence Production Chief of Supply and Support Assistant Chief of the Defence Force (Policy) Deputy Chief of Naval Staff Deputy Chief of the General Staff Deputy Chief of the Air Staff Deputy Chief Defence Scientist First Assistant Secretary Force Development and Analysis First Assistant Secretary Programs and Budgets
Secretary:	Senior Executive Officer Committee Secretariat (assisted by officers from the functional areas appropriate to the agenda items)

## FUNCTIONS:

To review the draft Five Year Defence Program and annual draft Defence estimates proposals and to make recommendations to the Defence Force Development Committee.

(G.N. Bilney, MP)  
Chairman

## Force Structure Committee (FSC)

**Chairman:** Deputy Secretary B

**Members:**

- Assistant Chief of the Defence Force (Policy)
- Chief of Naval Operational Requirements and Plans
- Chief of Operations - Army
- Chief of Air Force Development
- Deputy Chief Defence Scientist
- First Assistant Secretary Force Development and Analysis
- First Assistant Secretary Programs and Budgets
- First Assistant Secretary Defence Industry and Materiel Policy
- First Assistant Secretary Strategic and International Policy
- First Assistant Secretary Defence and Government Division Department of Finance

**Invited Member:** The appropriate Chief of Materiel is invited to attend when matters affecting his functional responsibilities are discussed. The Chairman may invite representation from other areas of the Department or the Defence Force as necessary.

**Secretary:** Assistant Secretary Project Development Branch

## FUNCTIONS:

To provide advice to the Defence Force Development Committee and to participate in decision making on the development of the force structure, Five Year Defence Program and major equipment proposals and to keep these matters under review.

## Defence Source Definition Committee (DSDC)

**Chairman:** \*First Assistant Secretary Defence Industry and Materiel Policy

**Members:**

- Appropriate Chief of Materiel
- First Assistant Secretary Technical Services and Logistic Development
- Superintendent Major Projects - External Relations, Projects and Analytical Studies Division
- Assistant Secretary Resources Policy
- Assistant Secretary Project Development
- Assistant Secretary Purchasing (Major Contracts)

**Executive Member:** Assistant Secretary Project Planning and Evaluation

**Invited Officers:** First Assistant Secretary Defence Industry Development  
A representative of Chief of Defence Production  
Senior Assistant Secretary, (Contracts) - Attorney-General's Department

**Secretary:** Principal Executive Officer Project Support

\* As appropriate the Committee is augmented and is chaired by the Chief of Capital Procurement. In such cases First Assistant Secretary Defence Industry and Materiel Policy attends as a member.

## FUNCTIONS:

Formulate recommendations to the Defence Force Development Committee (DFDC) or to the Minister, as appropriate, on the preferred source of supply of items of major and selected minor equipment to be acquired by the Department of Defence.

Provide the focus in the Departmental acquisition process for the identification of the range of contractual, policy, technical and other factors which need to be taken into account in planning for the effective, proper and orderly procurement of items of capital equipment.

Endorse, for all major and selected minor projects, formal Equipment Acquisition Strategies to provide authority, direction and coordination to the range of procurement-related actions necessary to complete a timely acquisition.

## Defence Industry Policy Committee (DIPC)

Chairman: Chief of Capital Procurement

Members: First Assistant Secretary Defence Industry and Materiel Policy  
 Assistant Chief of the Defence Force (Policy)  
 Controller External Relations, Projects and Analytical Studies  
 First Assistant Secretary Technical Services and Logistic Development  
 First Assistant Secretary Force Development and Analysis  
 First Assistant Secretary Programs and Budgets  
 First Assistant Secretary Defence Facilities  
 First Assistant Secretary Defence Industry Development  
 First Assistant Secretary Production Development

Invited Officers: Deputy Chiefs of Staff or most appropriate Service 2 Star Officer (when the subject matter requires)

Advisers: When specific items of business require attendance by Departmental or Defence Force officers, the Chairman may agree to their participation in the capacity of advisers to the Committee on those matters falling within their functional responsibilities.

Exec. Secretary: Assistant Secretary Industry Policy and Planning

## FUNCTIONS:

To assist in the formulation of Defence requirements for industrial support.

To assist in the formulation of policies for the establishment, maintenance, rationalisation and coordination of industrial capabilities to meet the Defence requirement.

To review the implications for industrial capacity and activity of Defence procurement projects.

To examine proposals for changes to defence production and industry support capabilities, consider priorities and develop an integrated program having regard to the resources available and the volume, timing and suitability of Defence workload.

To assist in coordinating the review of proposals for resources allocation for the development, maintenance and operation of the defence industry capabilities in the private sector, including examination, and advice on bids for inclusion in the Five Year Defence Program and the annual budgets.

## Defence Facilities Policy Committee (DFPC)

Chairman: Chief of Supply and Support

Members: Assistant Chief of the Defence Force (Policy)  
 Deputy Chief of Naval Staff  
 Chief of Logistics - Army  
 Chief of Air Force Development  
 First Assistant Secretary Strategic and International Policy  
 First Assistant Secretary Force Development and Analysis  
 First Assistant Secretary Programs and Budgets  
 Superintendent, Science Programs and Administration  
 First Assistant Secretary Defence Facilities  
 First Assistant Secretary Commercial Services

Secretary: Senior Executive Officer (Coordination)  
 Defence Facilities Policy

## FUNCTIONS:

To advise on policies, programs and resources for the development, location, use and maintenance of Defence facilities, having regard to Defence policies, objectives and priorities.

To initiate and report on studies of aspects of Defence facilities, including:

- a. longer term planning of facilities;
- b. review of the location of facilities;
- c. methods of determining requirements for, or disposal of, facilities;
- d. significant facilities proposals; and
- e. the relationship between defence and civil infrastructures.

## Defence Science and Technology Committee (DESTEC)

Chairman: Chief Defence Scientist

Members: Deputy Chief Defence Scientist  
 Assistant Chief of the Defence Force (Policy)  
 Chief of Naval Operational Requirements and Plans  
 Deputy Chief of the General Staff  
 Deputy Chief of the Air Staff  
 Controller, External Relations, Projects and Analytical Studies  
 \*Director of a major Defence Science and Technology Organisation (DSTO) Laboratory  
 First Assistant Secretary Force Development and Analysis  
 First Assistant Secretary Programs and Budgets  
 First Assistant Secretary Production Development

\* Term appointment - Chosen by CDS

Invited Members: The Committee may call for other officers to attend.

Secretary: To be provided by Defence Science and Technology Organisation, assisted by an officer from Committee Secretariat.

## FUNCTIONS:

Determine the broad deployment of DSTO resources in accordance with defence policy objectives and advise the Secretary Department of Defence, Chief of the Defence Force, Chief Defence Scientist and other higher authorities. Advise on the DSTO's policy guidance, statement of objectives and activities, draft estimates and other policy and planning matters as they arise.

NOTE: The membership of this committee is currently under review, and is likely to change in late 1987.

## Computing Services Policy Committee (CSPC)

**Chairman:** Previously Deputy Secretary C

**Members:**

- Deputy Secretary A
- Chief of Defence Production
- \*Chief of Capital Procurement
- Deputy Chief Defence Scientist
- Chief of Supply and Support
- Assistant Chief of the Defence Force (Policy)
- Deputy Chief of Naval Staff
- Deputy Chief of the General Staff
- Deputy Chief of the Air Staff

**Executive Member:** First Assistant Secretary Computing Services

**Invited Officers:** First Assistant Secretary Programs and Budgets, Chief of Supply and other Division Heads attend as appropriate.

**Joint Secretaries:** Senior Executive Officer Committee Secretariat and Group Leader, Project Coordination, Computing Services Division.

\* Chief of Capital Procurement participates in CSPC business affecting the interests of the Capital Procurement Organisation.

## FUNCTIONS:

To consider and recommend policy relating to administrative computing resources.

To coordinate Defence requirements for administrative computing resources and allocate priorities.

To review as appropriate performance of administrative computing systems and services.

To review at appropriate stages the development and implementation of administrative computing systems, including GO/NO-GO decisions at each stage.

**NOTE:** This committee was scheduled to merge with the DCSUC in late 1987, into a new committee 'Information Systems and Policy Committee', to be chaired by a Level 4 FAS.

## Defence Communications System User Committee (DCSUC)

**Chairman:** Assistant Chief of the Defence Force (Operations)

**Members:**

- Chief of Naval Operational Requirements and Plans
- Chief of Operations - Army
- Chief of Air Force Development
- First Assistant Secretary Programs and Budgets
- First Assistant Secretary Industrial

**Executive Member:** General Manager Defence Communications System

**Joint Secretaries:** Senior Executive Officer Committee Secretariat and an appropriate officer of the Defence Communications System Division.

## FUNCTIONS:

To provide a forum for consultation on strategic communications policy and related issues which may be referred to it by other committees, Defence Central staffs or the Services. Specifically, the DCSUC is to:

- a. advise GMDCS and others as required on the planning, programming and development of strategic communication systems including their interface with tactical networks;
- b. review and endorse Joint Staff Objectives, Targets and Requirements for strategic communications at appropriate stages of progression;
- c. consider major submissions on strategic communication equipments and systems before reference to the Force Structure Committee and consider and endorse Defence Central Minor Capital communication equipment items;
- d. examine FYDP and annual estimates bids for strategic communications and make programming recommendations to the Consultative Group; and
- e. consider and endorse DISCON user requirements as the basis for the ongoing planning, programming and implementation of DISCON by GMDCS.

**NOTE:** This committee was scheduled to merge with the CSPC in late 1987, into a new committee, 'Information Systems and Policy Committee', to be chaired by a Level 4 FAS.

## Information Systems and Policy Committee (ISPC)

## DRAFT FUNCTIONS AND COMPOSITION OF THE ISPC

The ISPC is to:

- a. provide information systems policy guidance to the Defence organisation;
- b. provide information systems policy advice to DFDC, COSC, and other senior committees;
- c. endorse the annual five-year Defence Information Systems Master Plan and subsequent changes to it;
- c. approve the statements of requirement for centrally provided communication systems and higher level corporate information systems;
- e. review the effectiveness of and adherence to the management arrangements for Defence information systems, including DESINE policy;
- f. as appropriate, in the context of the Master Plan, consider progress reports on major information systems projects; and
- g. establish appropriate sub committees, if necessary, to complement the above arrangements.

The composition of the ISPC is to be:

- a. FASISP - Chairman
- b. One two-star officer from HQADF and each Service.
- c. One FAS level representative from each of DEPSEC A, DEPSEC B, HDI and CCP.

Representatives from DSTO and ODP are to be invited where appropriate.

## Defence Operational Concepts and Capabilities Committee (DOCCC)

Chairman: Vice Chief of the Defence Force

Members: Assistant Chief of the Defence Force (Policy)  
Chief of Naval Development  
Chief of Operations - Army  
Chief of Air Force Development  
Assistant Chief Defence Scientist (Policy)  
First Assistant Secretary, Force Development and Analysis  
First Assistant Secretary, Strategic and International Policy

Invited Officers: Officers, such as First Assistant Secretary, Facilities or the Assistant Chief of the Defence Force (Operations), may be invited to attend when matters affecting their responsibilities are to be discussed.

Joint Secretaries: Senior Executive Officer Committee Secretariat and Staff Officer Vice Chief of the Defence Force

## FUNCTIONS:

To consider the military basis for ADF capabilities including the development of operational concepts and other matters related to longer term force development. To coordinate, integrate and rationalise where necessary Defence Force Capability Proposals including those related to major capital equipment, facilities, restructuring, disposition and readiness of elements of the Defence Force.

## Joint Planning Committee (JPC)

Chairman: Assistant Chief of the Defence Force (Operations)

Members: Director General, Naval Plans and Policy  
Director General, Operations and Plans - Army  
Director General, Policy and Plans - Air Force  
Assistant Secretary, Strategic Guidance and Policy representing First Assistant Secretary Strategic and International Policy  
Representative of Chief Defence Scientist (optional)  
Assistant Secretary Defence Policy Branch, Department of Foreign Affairs (optional)

Invited Members: The JPC may also invite other officers (military or civilian) to attend and, as appropriate, invite other Departments to send a representative.

Joint Secretaries: Senior Executive Officer Committee Secretariat and an appropriate staff officer from Joint Military Operations and Plans Division.

## FUNCTIONS:

To advise the Defence Committee and/or Chief of Defence Force Staff/Chiefs of Staff Committee on:

- a. operational Aspects of Defence planning; and
- b. appreciations and plans for combined and joint operations.

Coordination of joint Services and joint Service training.

## Service Personnel Policy Committee (SPPC)

Chairman: Chairmanship rotates annually between the Service members of the Committee

Members: Chief of Naval Personnel  
Chief of Personnel - Army  
Chief of Air Force Personnel  
First Assistant Secretary Personnel Administration and Policy

Secretary: Provided by Service Personnel Policy Branch (PS-2)

FUNCTIONS:

To develop proposals and provide advice to the Chiefs of Staff Committee on matters of Service personnel policy other than rates of pay and financial conditions of service.

To consider such other matters as may be referred by the Chiefs of Staff Committee.

## Defence Conditions of Service Committee (DCSC)

Chairman: Deputy Secretary A

Members: Chief of Naval Personnel  
 Chief of Personnel - Army  
 Chief of Air Force Personnel  
 First Assistant Secretary Industrial  
 First Assistant Secretary Education and  
 Employment Division Department of Finance

Secretary: Staff Officer Secretariat Industrial Division

## FUNCTIONS:

To consider major issues concerning rates of pay and financial conditions of service for personnel of the Defence Force as a basis for recommendations to the Minister for Defence.

## APPENDIX 2



## COMMONWEALTH OF AUSTRALIA

MINISTER FOR DEFENCE  
 PARLIAMENT HOUSE  
 CANBERRA A.C.T. 2600

MINISTERIAL DIRECTIVE TO THE SECRETARY TO  
 THE DEPARTMENT OF DEFENCE

I, KIM CHRISTIAN BEAZLEY, Minister of State for Defence, hereby issue the following directive to the Secretary to the Department of Defence:

1. As the Secretary to the Department of Defence you are the principal civilian adviser to the Minister for Defence. In addition to functions conferred by the Defence Act and other legislation, you are responsible to the Minister for Defence for:
  - a. advising on policy, resources and organisation;
  - b. financial planning and programming of all elements of the defence outlay and for advising on these matters;
  - c. financial administration and control of expenditure - this is to be interpreted as meaning not only financial order and regularity of accounts but also the correct and proper use of public funds in all fields of defence expenditure;
  - d. financial control of all buildings, land and materials acquired for use by or within the Defence Force or the Department of Defence and advising on the management of those resources in respect of these responsibilities; and
  - e. ensuring the issue in accordance with Finance Regulations of directions on all matters concerning the receipt, custody, or disposal of, or accounting for, public stores, and for the preparation of rules for observance by persons employed in connection with the accounting for and the management and control of stores.
2. In fulfilling your responsibilities for management of civilian staff, you are to ensure that, in keeping with the joint process, staff functioning under your authority are responsive to the Chief of the Defence Force acting within his responsibilities.

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3. Together with the Chief of the Defence Force, you are to provide advice to the Minister for Defence on matters of joint responsibility. Where advice to the Minister for Defence would affect the functions and responsibilities of the Chief of the Defence Force, it is expected that joint advice will be prepared.

DATED THIS FIRST DAY OF NOVEMBER 1985

  
(KIM C. BEAZLEY)  
MINISTER FOR DEFENCE



## COMMONWEALTH OF AUSTRALIA

MINISTER FOR DEFENCE  
PARLIAMENT HOUSE  
CANBERRA A.C.T. 2600

MINISTERIAL DIRECTIVE TO THE CHIEF OF  
THE DEFENCE FORCE

I, KIM CHRISTIAN BEAZLEY, Minister of State for Defence, hereby issue the following directive to the Chief of the Defence Force:

1. You are the principal military adviser to the Minister for Defence and, in accordance with the Defence Act and subject to the control of the Minister, you are to command the Defence Force.
2. You are responsible to the Minister for Defence for:
  - a. the arrangements for the exercise of command and control within the Defence Force in accordance with the provisions of the Defence Act, and within approved policies;
  - b. the planning and conduct of military operations;
  - c. within approved policies and subject to the resources allocated, the preparedness of the Defence Force including its organisation, manning, training and logistic support;
  - d. the raising of joint forces and joint Service units; and
  - e. the maintenance of standards of health, welfare, morale and discipline.
3. As principal military adviser, and taking into account the views of the Service Chiefs of Staff, you are responsible to the Minister for Defence for advising on:
  - a. the military implications of strategic developments;
  - b. military strategy;
  - c. military aspects of Defence Force capabilities necessary to meet approved defence policy objectives;
  - d. military aspects of Defence Force development including the size of the Defence Force and the balance within it, and supporting infrastructure; and

- e. military aspects of the disposition of the components of the Defence Force.
4. You are to seek the endorsement of the Minister for Defence for Service promotions you make to one-star rank.
5. You are to be Chairman of the Chiefs of Staff Committee, arrange its business and meetings and tender the collective advice of the Committee to the Minister for Defence together with the specific views of any Service Chief of Staff if he so requests.
6. In fulfilling your responsibilities for command of the Defence Force you are to ensure that, in keeping with the joint process, staff functioning under your authority are responsive to the Secretary to the Department of Defence acting within his responsibilities.
7. Together with the Secretary to the Department of Defence, you are to provide advice to the Minister for Defence on matters of joint responsibility. Where advice to the Minister for Defence would affect the functions and responsibilities of the Secretary to the Department of Defence, it is expected that joint advice will be prepared.
8. You are to represent the Government or the Defence Force at appropriate international conferences.

DATED THIS FIRST DAY OF NOVEMBER 1985

  
(KIM C. BEAZLEY)  
MINISTER FOR DEFENCE



## COMMONWEALTH OF AUSTRALIA

MINISTER FOR DEFENCE  
PARLIAMENT HOUSE  
CANBERRA A.C.T. 2600

MINISTERIAL DIRECTIVE TO THE CHIEF OF THE DEFENCE FORCE AND THE SECRETARY TO THE DEPARTMENT OF DEFENCE

I, KIM CHRISTIAN BEAZLEY, Minister of State for Defence, hereby issue the following directive to the Chief of the Defence Force and the Secretary to the Department of Defence:

1. Further to the references concerning joint responsibility contained in the Directives to the Chief of the Defence Force and the Secretary to the Department of Defence, you are jointly responsible to the Minister for Defence for:
  - a. general functioning of the Joint Intelligence Organisation in the pursuance of objectives approved by the Government;
  - b. recommending, on the advice of the Service Chief of Staff concerned:
    - (1) promotion to and posting of two star officers and above;
    - (2) posting of one star officers to appointments which have more than single Service implications;
  - c. oversight of Service establishments and of related Service manning policies;
  - d. recommending establishment of Service positions at one-star level and above;
  - e. advising on manpower policy objectives including conditions of service and education of members of the Defence Force;
  - f. the development and maintenance of facilities required by the Defence Force;
  - g. planning for defence emergency or war including advice on infrastructure support to the Defence Force;

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- h. promoting the efficient and economical use of resources within the Defence Force; and
  - i. continuing review of the adequacy of the organisation and administration of the Department of Defence and of the Defence Force.

**DATED THIS** **FIRST** **DAY OF** **NOVEMBER** **1985**

(KIM C. BEAZLEY)  
MINISTER FOR DEFENCE

## APPENDIX 5

SUMMARY OF THE FINDINGS AND RECOMMENDATIONS OF THE  
JOINT COMMITTEE OF PUBLIC ACCOUNTS' REVIEW OF  
DEFENCE PROJECT MANAGEMENT

## Project Definition

1. Project definition refers to the initial phase of the procurement process in which the capability requirement is identified and a proposed course of action is presented to the Government for endorsement. It involves a complicated series of steps and considerations by various defence committees. The Public Accounts Committee identified a number of problem areas within the project definition stage where the following were considered to be significant:

- a. Difficulties in reaching agreement on capability requirements. The Report noted that there were differences of opinion between the major interests over the most appropriate equipments or weapons systems required to satisfy Australia's defence objectives, which tended to delay the decision-making process. The problem of deciding on which capabilities to procure was compounded by the absence of overall force structure guidance against which competing demands or views could be judged.
  - b. Incomplete scrutiny of proposals. The Report concluded that insufficient attention was given to resource and cost considerations, that project feasibility studies have not always

been adequate, and that there was insufficient consideration of alternative solutions.

c. **Poor cost estimating procedures.** The Report found that project costs were frequently underestimated due to inadequate guidance, limited 'in-house' costing expertise, inadequate scrutiny of cost estimates supplied by industry, and the tendency of the project managers to underestimate costs in order to facilitate project approval. As a result, equipment decisions tend to be based on financial programming criteria rather than accurate costing estimates. The Joint Public Accounts Committee recommended that:

- (i) the Defence Costing Manual be revised to more adequately deal with costing;
- (ii) project and CPO staff be better trained in costing procedures; and
- (iii) consideration be given to establishing a Project Costing Unit within the CPO.

d. **Inappropriate management organisation and inadequate management resources.** The Report noted that project management organisation varies between Services. It concluded that overall, full-time project management commences too late or without the resources to satisfactorily complete the project definition tasks.

#### Project Planning

2. Project planning involves organising the means to achieve the desired outcomes of the project. Planning documents define the structures by which the project is to be managed and planning targets become the baselines against which the performance of project management can be measured. The responsibility for project planning in Defence rests with the Chiefs of Materiel and centres on the development, issue and endorsement of two major documents, the Equipment Acquisition Strategy (EAS) and the Project Management and Acquisition Plan (PMAP). The Joint Public Accounts Committee found that all the projects it investigated displayed some shortcomings in planning. The difficulties largely stemmed from the following sources:

- a. **EAS and PMAP procedures and documentation.** The Report found that while the EAS and PMAP system was sound, the procedures incorporated in them were not always followed. It recommended that the two documents should be compiled for all major projects and that they should be required to be endorsed by relevant committees.
- b. **Staff resources.** The Report found that many project planning shortcomings derive from the shortage of dedicated project personnel in the initial period of project. It recommended that at the outset of each project, an adequate planning team including appropriate technical and industrial expertise be established. Where internal expertise is unavailable, specialist planning expertise should be contracted from outside the public sector.

## Contracting

3. This phase of the acquisition process covers the period from project approval to when the contract is signed with the supplier. It involves the refinement of the technical specifications, issue of the request for tender, tender evaluation, and contract negotiations. The first three actions are normally carried out by the Chiefs of Materiel of the Service or on their behalf by Project Officers. Contract negotiations in Australia are undertaken by the Purchasing Division within the Department of Defence. The Report found that serious problems arose in the contracting phase of several projects, primarily in the following areas:

a. **Specification of requirements.** The Report found that a number of specifications for new major equipments were unsatisfactory due to:

- (i) the limited technical knowledge of the specifying staff;
- (ii) staff shortages and turnover; and
- (iii) unsatisfactory project definition and planning procedures.

It recommended that the project directors be given sufficient and expert staff, who should be obtained from outside Defence where necessary. Greater use could also be made of project definition studies to obtain tender-quality specifications.

b. **Tender evaluation.** Shortcomings were found to be evident in the areas of technical evaluation, treatment of tenderers (some

tenderers were allowed to clarify tender information while others were not consulted) and evaluation times. In the last case some evaluations failed to be completed within the tender validation date, requiring either a request for re-validation to be issued or new tenders to be called. The Public Accounts Committee felt that these problems could be overcome by issuing a single set of comprehensive guidelines for Defence tendering.

c. **Contract provisions.** The Report found that in some cases, contracts contained specifications which did not fully meet client requirements, and that the contractual terms and conditions did not sufficiently protect the Commonwealth's interests, particularly in the areas of pricing, delivery, quality and excusable delay. It also found that several aspects of Foreign Military Sales (FMS) arrangements were unsatisfactory and recommended that, where possible, use be made of commercial contracts rather than FMS arrangements for US-sponsored major equipment items.

## Contract Administration

4. The contract administration phase of the equipment acquisition process extends from the contract to the handover of equipment. It comprises those activities designed to ensure the completion of contracted tasks on time, to cost, and to the specified requirements. It includes the activities of cost and schedule monitoring, quality assurance, and contract change procedures.

5. The report found that there were deficiencies in all three areas which detracted from effective and efficient management. It supported the continued introduction of computer-based management information and control systems into Defence such as the U.S.-developed Cost Schedule Control System, more rigorous definition and auditing of quality control standards and practices, and greater control over contract change proposals, with the sponsor being required to bear the additional costs of any proposed changes.

#### Organisational Issues

6. The Joint Committee of Public Accounts identified a number of organisational problems which were said to affect the success of the projects examined. These were:

- a. relatively late establishment of project offices;
- b. poor coordination of the inputs of functional areas;
- c. the existence of overlapping, ambiguous or unassigned responsibilities;
- d. long or complex lines of communication and control; and
- e. inadequate liaison arrangements with contractors.

7. The principal issues and the Report's recommendations on these were as follows:

- a. Responsibility for carriage of the initial project phase. The report found that many projects were poorly managed in the project definition and planning phases. It recommended that the CPO should be responsible, in liaison with the sponsor Service, for managing the project definition studies. For major projects, where responsibility for the definition studies rests with a specially established project director, a dedicated project team sufficient to conduct or supervise the studies should be assembled.
- b. Responsibility for technical aspects. The report found that for most projects, responsibility for project implementation was shared between the project director and the functional directorates responsible for the design, quality assurance, production control and so on. It considered that this distribution of responsibilities delayed the project and was not amenable to efficient management. It recommended that the endorsed Staff Requirement establish the basis for all technical requirements and that the project director and his staff (either permanent or seconded staff) then carry sole responsibility for the remainder of the project.
- c. Authority of the project director. The evidence examined by the Committee indicated that the managerial authority of project directors remains relatively limited. It considered that this situation needed to be improved with the project director being given full authority over all aspects of project management, and the staff resources needed to carry out the task.

d. **Autonomy of the procurement function.** The Committee expressed concern over the 'dual-hatted' arrangements affecting the Service Chiefs of Materiel. It considered that the CPO should be operated as a single procurement organisation with a common policy. 'An "arms length" separation between the client (Service sponsor) and the procurement organisation (project director) seems to have particular advantages in controlling the key aspects of cost and time. Service interests can be protected just as well by a contractual type relationship with the CPO' [Review of Defence Project Management, 1986, p 100].

#### Resource Management

8. On the question of personnel required for project teams, the Public Accounts Committee concluded that:

- a. similar managerial skills are required for major defence projects as for major equipment projects elsewhere;
- b. it is essential for project directors to have appropriate and adequate management skills and background;
- c. project management skills must be clearly distinguished from general management training received by military officers; and
- d. personnel with extensive project management experience are relatively scarce in Defence.

It recommended that both project directors and other senior project personnel should be experienced in project management. Where experienced personnel are not available within Defence, they should be recruited from outside with minimum delay. Consideration should also be given to maintaining a pool of project management staff within the CPO.

9. The report also found that the effort devoted to developing and providing for project management training was inadequate. It recommended that suitable training venues and courses be established at Australian universities and other tertiary institutions including ADFA. It further argued that the turnover of specialist (especially military) staff was too high even given the lead-times of some projects. It recommended that continuity of key project staff be improved by developing specialist career paths in project management for both civilian and Service personnel.

10. In the case of financial management, the report noted that current procedures provide for considerable financial delegation to project managers, although this does not extend to control over the administrative components of the procurement function. Some weaknesses in monitoring and reporting price and cost increases were noted. It also recommended that the Department examine the feasibility of introducing a comprehensive resource costing system throughout the Department and particularly within the CPO.

#### Accountability

11. The report identified several shortcomings in the quality of advice being offered to government on major equipment projects especially in the project approval stage. These were

- a. alternative options have not always been identified and/or adequately addressed;
- b. conflicting views within Defence have not always been made explicit; and
- c. proposals have not been supported by reliable data, especially cost estimates.

It also considered as inadequate the Parliamentary scrutiny of Defence capital equipment, and recommended that the Department submit an annual report to Parliament on its major capital equipment program.

## APPENDIX 6

## WRITTEN SUBMISSIONS

Sub. No.	Author	Page	Date Authorised for Publication
1	Mr Paul Varma	S 2	17 February 87
2	W.A. Government, Office of Defence Liaison	S 5	17 February 87
3	Mr William A. Stoate	S 12	17 February 87
4	Concord, Burwood & District Peace Group	S 19	17 February 87
5	Mr Lew Bretz	S 26	17 February 87
6	Commodore H.J.P. Adams, AM, RANEM	S 31	17 February 87
7	Mackay Peace Committee	S 46	17 February 87
8	Inner City People for Nuclear Disarmament	S 51	17 February 87
9	J. Alford	S 53	17 February 87
10	Mr M. Powell	S 54	17 February 87
11	Northside Peace Group	S 57	17 February 87
12	Dr P.H. Springell	S 62	17 February 87
13	Air Marshal S.D. Evans, AC, DSO, AFC, RAAF(Retd)	S 70	17 February 87
14	Captive Nations' Freedom Council of W.A.	S 77	17 February 87
15	Mr A. Paul Pearson, MBE	S 81	17 February 87
16	Dr N.A. Jans	S 92	17 February 87
17	Mr Roger P. Stevens	S105	17 February 87
18	Messrs P. Garrett, J. Duigan and A. Carey	S109	17 February 87
19	RSL of Australia	S156	17 February 87
20	Mr N. McLaren	S163	17 February 87
21	Mr Peter Hale	S175	17 February 87
22	Lieutenant Commander Alan Hinge, RAN	S184	27 May 86
23	Women's Electoral Lobby (NSW)	S227	17 February 87
24	Office of the Special Minister of State	S242	17 February 87
25	Senator Jo Valentine	S258	17 February 87
26	Department of Defence	S264	17 February 87
27	Department of Defence	S300	17 February 87
28	Department of Defence	S319	17 February 87
29	Department of the Prime Minister and Cabinet	S380	17 February 87
30	Department of Defence	S387	17 February 87
31	Swedish Embassy	S400	17 February 87
32	Department of Foreign Affairs & Trade	S411	23 April 87
33	Attorney-General's Department Supplementary Submission	S423	24 March 87
34	Australia Defence Association	S431	28 April 87
35	Department of Defence	S458	4 November 87

## APPENDIX 7

## WITNESSES WHO APPEARED AT HEARINGS

	Date	Place
<b>Australian Defence Force</b>		
Air Marshal R.G. Funnell, AO, Vice Chief of the Defence Force	23 April 87	Canberra
Lieutenant Commander A.J. Hinge, RAN	23 April 87	Canberra
<b>Department of Defence</b>		
Mr R.N. McLeod, Deputy Secretary A	23 April 87	Canberra
Mr R. Cottrell, Acting Deputy Secretary B	23 April 87	Canberra
Mr M. Ives, First Assistant Secretary, Programs and Budgets Division	23 April 87	Canberra
Mr I.H. Maggs, Acting Chief of Capital Procurement	23 April 87	Canberra
Mr D.N. Biddle, Assistant Secretary, Materiel Policy, Capital Procurement Organisation	23 April 87	Canberra
Dr R.G. Brabin-Smith, First Assistant Secretary, Force Development and Analysis Division	23 April 87	Canberra
<b>Department of Foreign Affairs and Trade</b>		
Mr D.M. Sadleir, Deputy Secretary	23 April 87	Canberra
Mr G.R. Bentley, Assistant Secretary, Intelligence and Defence Branch	23 April 87	Canberra
Mr R.A. Walker, Acting First Assistant Secretary, Defence, Disarmament and Nuclear Division	23 April 87	Canberra
<b>Returned Services League of Australia</b>		
Sir William Keys, OBE, MC, National President	23 April 87	Canberra
Air Vice Marshal R. Frost, RAAF (Retd), Member, National Defence Committee	23 April 87	Canberra
Commodore H.J.P. Adams, AM, RANEM, Member, National Defence Committee	23 April 87	Canberra
Mr I.J. Gollings, National Secretary	23 April 87	Canberra
Miss N.J. Csorba, Secretary, National Defence Committee	23 April 87	Canberra

## APPENDIX 8

## ADF SENIOR RANKS

'STAR'		<u>EQUIVALENT</u>	<u>NAVY</u>	<u>ARMY</u>	<u>AIR FORCE</u>
Four-star		Admiral		General	Air Chief Marshal
Three-star		Vice Admiral		Lieutenant General	Air Marshal
Two-star		Rear Admiral		Major General	Air Vice Marshal
One-star		Commodore		Brigadier	Air Commodore

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