

DEFENCE

SECTION TWO

**RESULTS FOR GOVERNMENT
AS DEFENCE'S CUSTOMER**

PRICE TO GOVERNMENT OF DEFENCE OUTPUTS

OUTPUT 1 DEFENCE OPERATIONS

Australian Defence Force Operations

Australian Defence Force Exercise Program

OUTPUT 2 NAVY CAPABILITIES

OUTPUT 3 ARMY CAPABILITIES

OUTPUT 4 AIR FORCE CAPABILITIES

OUTPUT 5 STRATEGIC POLICY

Defence Cooperation

OUTPUT 6 INTELLIGENCE

PRICE TO GOVERNMENT OF DEFENCE OUTPUTS

Defence Outcome: *The defence of Australia and its national interests.*

Output 1: Defence Operations

Price to Government: \$1,156m

Output 2: Navy Capabilities

Price to Government: \$5,684m

Output 3: Army Capabilities

Price to Government: \$5,070m

Output 4: Air Force Capabilities

Price to Government: \$5,361m

Output 5: Strategic Policy

Price to Government: \$192m

Output 6: Intelligence

Price to Government: \$397m

REVISED TOTAL PRICE FOR OUTPUTS: \$17,859m

OUTPUT ONE: DEFENCE OPERATIONS

Headquarters Australian Theatre in Sydney, headed by a two-star Commander, has the capability to plan, command and control operations through established headquarters, and the conduct of ongoing operations and national support tasks. It exercises operational command for the planning and conduct of Defence operations, activities and campaigns, and for the execution of the program of major service activities. It delivers effective command of operations, conduct of military operations including joint and combined exercises and conducts emergency and non-emergency activities to support the nation. With the maritime, land, air, and special operations component headquarters, Headquarters Australian Theatre is capable of commanding the majority of the ADF's operational forces to defend Australian territory.

PERFORMANCE SUMMARY

The performance summary for Output One is as reported in the *Portfolio Budget Statements 2001-02* except for the amendments indicated below.

Overview

- *[Revised]* Logistics databases are being developed to assist planning for operations. Joint Logistics Command is developing ADF Logistics publications with input from Headquarters Australian Theatre.

Current Operations

- Major operations being conducted concurrently include:
 - *[Revised]* the Peace Monitoring Group of 35 ADF personnel (following a reduction in size) currently in Bougainville, which is an ongoing operational commitment;
 - *[Revised]* an operation in conjunction with the Department of Foreign Affairs and Trade to support the peace initiatives in the Solomon Islands, involving support staff to the International Peace Monitoring Team. The provision of a supporting major fleet unit has been shared with the New Zealand Defence Force;
 - *[Revised]* ADF support to the Queensland Police Service during the forthcoming Commonwealth Heads of Government meetings.
 - [New]* the ADF commitment to the United States-led operation against international terrorism;
 - *[New]* an operation to deter unauthorised boat arrivals, including air and surface patrols across northern approaches to Australia;
 - *[New]* an operation to provide support to the Department of Immigration and Multicultural and Indigenous Affairs to manage an increase in unauthorised boat arrivals.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$947m
2001-02 Revised Estimate:	\$1,156m
Variation:	\$209m
Percentage Variation:	22.1%

Significant Variations

Overall, the price of Defence Operations will increase by \$209m to \$1,156m, representing an increase of 22.1 per cent from the budget figures. The increase relates to the new funding for deployments to deter unauthorised boat arrivals (\$12m) and to fight terrorism (\$180m), continuing peace monitoring activities in Bougainville (\$10m), support to the Commonwealth Heads of Government Meeting (\$8m), as well as general price indexation and other adjustments proportionately affecting all of Defence's outputs (including for enhanced security). More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.



AUSTRALIAN DEFENCE FORCE OPERATIONS

The presentation of current ADF operations has changed since the publication of the *Portfolio Budget Statements 2001-02*.

Operations are presented in these statements under the following headings:

- ADF Major Operations;
- ADF National Support Operations;
- ADF Non-Regional Operations; and
- ADF Surveillance and Regional Operations.

The revised presentation conforms with that contained in the *Defence Annual Report 2000-01* (pages 81-85). It has been designed to assist the reader by presenting information more clearly.

The subsequent tables outline the complete ADF operations list.

Table 2.1: ADF Major Operations

Operation	Objective
Slipper October 2001 – Continuing <u>Forces</u> ADF [<i>New</i>]	To contribute to the United States-led operation against international terrorism.
Damask 1991 – periodic and continuing <u>Forces</u> ADF	To contribute to the Multinational Maritime Interception Force in the Persian Gulf in support of United Nations sanctions against Iraq.
Belisi II April 1998 – Continuing <u>Forces</u> ADF	To support the regional Peace Monitoring Group to monitor and report on the maintenance of the cease-fire on Bougainville by contributing specialist medical, logistic, communications and transport capabilities.
Tanager February 2000 – Continuing <u>Forces</u> ADF	To contribute to the United Nations Transitional Administration in East Timor Security Force in order to assist the achievement of United Nations resolution 1272/99, by contributing equipment and approximately 1,600 ADF personnel.
Trek November 2000 – Continuing <u>Forces</u> ADF	To promote stability in the Solomon Islands by supporting the International Peace Monitoring Team that is deployed to the Solomon Islands in support of the Cease-Fire Agreement.

Note

1. Currently Operation Slipper and Operation Damask are combined.

Table 2.2: ADF National Support Operations

Operation	Performance
Centenary January 2000 – December 2001 <u>Forces</u> ADF	To provide support to and participate in the Centenary of Federation celebrations.
Guardian August 2001 – October 2001 <u>Forces</u> ADF	To provide support to the Commonwealth Heads of Government Meeting that was to be held in Brisbane in October 2001. Due to the postponement of the meeting, Operation Guardian ceased.
Guardian II 2001 – Continuing [<i>New</i>]	To provide support to the Commonwealth Heads of Government meeting in Queensland, 2–5 March 2002.

Table 2.3: ADF Non-Regional Operations

Operation	Performance
Paladin 1956 – Continuing <u>Forces</u> Army	To contribute to the United Nations Truce Supervisory Organisation in the Middle East. This force of unarmed military observers supervise, observe and report on the various cease-fire arrangements, truces and peace treaties that have been negotiated between Israel and neighbouring Arab nations since 1948.
Mazurka 1992 – Continuing <u>Forces</u> ADF	The ADF continues to provide personnel to the Multinational Force and Observers to monitor the security arrangements in the Sinai.
Coracle 1994 – Continuing <u>Forces</u> Army	To support the United Nations Accelerated De-mining Program in Mozambique by contributing 2 Army engineering personnel who provide training to de-mining staff.
Osier March 1997 – Continuing <u>Forces</u> Army	Army personnel are deployed as part of the Stabilisation Force in Bosnia-Herzegovina and Croatia, and Kosovo Force in Kosovo. In both cases, personnel serve as individuals attached to United Kingdom forces.
Pollard 1998 – October 2001 <u>Forces</u> ADF	To contribute to United States-led operations against Iraq.
Pomelo January 2001 – Continuing <u>Forces</u> Army	To contribute effectively to United Nations peacekeeping efforts in Africa as part of the United Nations Mission in Ethiopia/Eritrea.
Husky January 2001 – Continuing <u>Forces</u> Army	To contribute effectively to the nation building efforts in Sierra Leone.

Table 2.4: ADF Surveillance and Regional Operations

Operation	Performance
Relex September 2001 – Continuing <u>Forces</u> ADF [<i>New</i>]	To conduct air and surface patrols across Australia’s northern approaches to deter unauthorised boat arrivals.
Gaberdine August 2001 – Continuing <u>Forces</u> ADF [<i>New</i>]	To provide support to the Department of Immigration and Multicultural Affairs to manage any increase in unauthorised boat arrivals.
Celesta 2001 – Yet to commence [<i>New</i>]	Planning to conduct surface fisheries patrols in the Heard Island-McDonald Island Exclusive Economic Zone.
Beachcomber Dormant <u>Forces</u> Navy and Army	To collect beach information in Australia for operational planning.
Mencari Ceased – November 2001 <u>Forces</u> Navy	To patrol the Timor Gap Zone of Cooperation.
Estes 1980 – Continuing <u>Forces</u> Navy	To conduct surface patrols in Bass Strait.
Gateway 1981 – Continuing <u>Forces</u> Navy and Air Force	To contribute to the northern Indian Ocean and South China Sea patrols.
Mistral 1998 – Continuing <u>Forces</u> Navy and Air Force	To support Australian sovereign rights and fisheries law enforcement in the Southern Ocean by contributing to the Southern Ocean fisheries patrols.
Solania 1988 – Continuing <u>Forces</u> Navy and Air Force	To contribute to South West Pacific patrols.
Burbage 1995 – Continuing <u>Forces</u> Navy and Air Force	To contribute to Indian Ocean patrols.
Osteal 1995 – Continuing <u>Forces</u> Navy and Air Force	To contribute to Coral Sea patrols.
Mellin 1995 – Continuing <u>Forces</u> Navy and Air Force	To contribute to Torres Strait and Timor Gap patrols.

Operation	Performance
Prowler 1996 – Continuing <u>Forces</u> Navy and Army	The collection of military geographic information in northern Australia.
Cranberry 1997 – Continuing <u>Forces</u> ADF	To conduct surveillance in northern Australia.
Concord 1999 – November 2001 <u>Forces</u> ADF	To provide effective logistic support for Australian operations in East Timor.

AUSTRALIAN DEFENCE FORCE EXERCISE PROGRAM

The following combined and joint exercises involving the ADF and the defence forces of other countries are either new, cancelled, postponed, or have a revised date since the publication of the *Portfolio Budget Statements 2001-02*.

New Exercises

The following exercises are new: Night Falcon 01, Haringaroo 02, Northern Trilog, and Joint Warrior Interoperability Demonstrator 02.

Cancelled Exercises

The following exercises have been cancelled: Extendex Series 01 & 02, Tamex Series 01 & 02, Comptutex Series, Highland Pursuit, Lung Fish 01, Marcot 01, Bullseye, Multinational Fleet Concentration Period, Fleetex 02-1, JMSDF Goodwill Visit, Southern Tiger 01, Star Leopard 01, Dugong 01, Paradise 01, Aces North, ASWEX 01, JTFEX 02-1, Ocean Protector 02-1, Tasman Reserve 02, Tasmanex 02, Cassowary 02-1, Squadex 02-1, Sea Eagle 02, and Sea Predator.

Exercises Postponed for 2001-02

The following exercises have been postponed for 2001-02: Tasman Exchange 02, Wantok Warrior 02, Tricrab 02, Helicon Luk 02, and Night Falcon 02.

Exercises with a Revised Date in 2001-02

The following exercises have a revised date: Gold Eagle 02, Pacific Reserve 02, Temple Jade 01, Taa Nok In Sii, Croiz du Sud, Pacific Kukri, Northern Shield 2001, and Tendi Walk 02.

The tables that follow outline the complete ADF exercise program.

Table 2.5: Combined Exercises Involving the ADF and the Defence Forces of Other Countries

Exercise	Forces	Objective
Maple Flag 01 May – July 2001	<u>Australia</u> Air Force <u>Other Countries</u> Canada, United States	<i>[Revised]</i> To participate in a long-range deployment of aircraft to participate in a multi-national large force employment training exercise.
Gold Eagle 01, 02 June – July 2001, June – July 2002 <i>[Revised date]</i>	<u>Australia</u> Army <u>Other Countries</u> United States	<i>[Revised]</i> To further develop interoperability between the Australian Army and the United States Marine Corps in combined operations.
Wyvern Sun June - July 2001	<u>Australia</u> Army <u>Other Countries</u> Thailand	To exercise relevant ADF and other Australian government agencies in special recovery operations in an offshore setting.
Long Look 01, 02 June – September 2001, June – September 2002	<u>Australia</u> Army <u>Other Countries</u> United Kingdom	To broaden the military experience and knowledge of selected personnel and to promote cooperation between the two countries.
Focused Logistics Wargame 01 June – October 2001	<u>Australia</u> Navy, Army, Air Force <u>Other Countries</u> United States, United Kingdom, Canada	To facilitate Australian input into United States multilateral logistics objectives identified in Joint Vision 2010.
Haringaroo 01, 02 July 2001, April 2002 <i>[Revised]</i>	<u>Australia</u> Army <u>Other Countries</u> Malaysia	To practise combined operations requiring interoperability at a tactical level with elements of the Malaysian Army.
Minor War Vessel Fleet Concentration Period July 2001, June 2002	<u>Australia</u> Navy <u>Other Countries</u> France	<i>[Revised]</i> To increase mariner and warfighting skills of the Patrol Boat Force Element Group, while contributing to international relations.
Pacific Reserve 01, 02 July 2001, July 2002 <i>[Revised date]</i>	<u>Australia</u> Army <u>Other Countries</u> United States	To further develop interoperability between the Australian Army Reserve and the United States Army Reserve by undertaking a field training exercise.
Vigilant Shield July 2001	<u>Australia</u> Navy, Army, Air Force <u>Other Countries</u> United States, United Kingdom, Canada	To develop and validate the capability to lead or participate in the conduct of intelligence operations in support of a combined or coalition deployed force.
Kakadu V/01 July – August 2001	<u>Australia</u> Navy, Air Force <u>Other Countries</u> ⁽¹⁾ <i>[Revised]</i> New Zealand, Papua New Guinea, Malaysia, Japan, Republic of Korea, Thailand, Philippines, Singapore, Brunei	Biannual RAN fleet concentration period to allow RAN units to achieve minimum level of capability. RAAF units provide air support and also gain valuable individual and combined training benefit.

Exercise	Forces	Objective
Rifle Company Butterworth July 2001 – June 2002	<u>Australia</u> Army <u>Other Countries</u> Malaysia	The aim of the deployment is to provide an opportunity for training and exercising in Malaysia and to train with elements of the Malaysian Armed Forces and other regional military forces.
Pacific Bond 01 August 2001	<u>Australia</u> Army <u>Other Countries</u> United States	To further enhance interoperability between the Australian Army and the United States Army by conducting a field training exercise.
Churinga 01-2 September 2001	<u>Australia</u> Air Force <u>Other Countries</u> Malaysia, Singapore	Deploy RAAF assets to fulfil Integrated Air Defence System commitments to the defence of peninsula Malaysia.
Day Cougar 01, 02 September 2001, May – June 2002	<u>Australia</u> Army <u>Other Countries</u> United States	<i>[Revised]</i> To develop and maintain interoperability between Australian and United States Special Forces conducting combined special recovery United States operations.
Stardex 01 September 2001	<u>Australia</u> Navy, Army, Air Force <u>Other Countries</u> Malaysia, Singapore, New Zealand, United Kingdom	To practise combined operations requiring interoperability at a tactical level in a Five Power Defence Arrangements Integrated Air Defence System environment.
Temple Jade 01 August – September 2001 <i>[Revised date]</i>	<u>Australia</u> Army <u>Other Countries</u> Thailand	To enhance interoperability between Australian Army and Royal Thai Army sub-units at the tactical level.
Longreach 01 October 2001	<u>Australia</u> Army <u>Other Countries</u> Papua New Guinea	To practise Deployable Joint Force Headquarters in contingency, operational and combined planning procedures in conducting potential humanitarian assistance missions.
Suman Warrior 01 October 2001	<u>Australia</u> Army <u>Other Countries</u> Malaysia, United Kingdom, NZ, Singapore	To exercise the armies of the Five-Power Defence Arrangements in combined operations by conducting a brigade to unit-level command post exercise.
Night Falcon 01 November 2001 <i>[New]</i>	<u>Australia</u> Army <u>Other Countries</u> Papua New Guinea	To practise regional deployment of a Special Air Services Regiment force element and to conduct war-roles training in a challenging regional location.
Taa Nok In Sii December 2001, April 2002 <i>[Revised date]</i>	<u>Australia</u> Air Force <u>Other Countries</u> Thailand	<i>[Revised]</i> To progressively develop Royal Thai Navy maritime air surveillance capability an, at the same time, combined Royal Thai Navy-RAAF surveillance procedures.
Croix du Sud April – May 2002 <i>[Revised date]</i>	<u>Australia</u> Navy, Air Force <u>Other Countries</u> France, New Zealand	To improve interoperability with France and New Zealand in a combined maritime training exercise.
Emu Moon (East) 02 February 2002	<u>Australia</u> Army, Air Force <u>Other Countries</u> United States	To fulfil operational level of capability requirements for commando parachuting and airborne insertion and extraction techniques, and to conduct initial and continuation training for RAAF C130 aircrew.



Exercise	Forces	Objective
Anzac Series 02 February – April 2002	<u>Australia</u> Army <u>Other Countries</u> New Zealand	To broaden the military experience and knowledge of selected personnel and promote cooperation between the two countries.
Emu Moon (West) 02 March 2002	<u>Australia</u> Army, Air Force <u>Other Countries</u> United States	To fulfil operational level of capability requirements for the Special Air Services Regiment parachuting and airborne insertion and extraction techniques, and to conduct initial and continuation training for RAAF C130 aircrew.
Pacific Kukri April – May 2002 <i>[Revised date]</i>	<u>Australia</u> Army <u>Other Countries</u> United Kingdom	<i>[Revised]</i> To enhance regional relations by hosting United Kingdom Gurkha unilateral training at High Range Training Area.
IADS ADEX 02 April 2002	<u>Australia</u> Navy, Air Force <u>Other Countries</u> Malaysia, Singapore, New Zealand, United Kingdom	To practise and develop operational procedures and tactics with Five-Power Defence Arrangements units in a joint/combined maritime and air defence exercise.
Night Kiwi 02 April 2002	<u>Australia</u> Army <u>Other Countries</u> New Zealand	To practise deployment and develop interoperability at a tactical level with elements of the New Zealand Special Forces.
Mallee Bull 02 April – May 2002	<u>Australia</u> Army <u>Other Countries</u> Brunei	To further develop interoperability between the Australian Army and the Royal Brunei Armed Forces.
Joint Warrior Interoperability Demonstrator 02 April – May 2002 <i>[New]</i>	<u>Australia</u> Navy, Army, Air Force <u>Other Countries</u> Nato, Canada, New Zealand, United Kingdom, United States	To provide a forum for Defence and industry to explore new and evolving concepts and demonstrate emerging technologies in a simulated operational environment.
Dawn Caracha 02 June 2002	<u>Australia</u> Army <u>Other Countries</u> Philippines	To conduct counter-hijack training with Philippines Special forces to enhance regional counter-hijack interoperability.
Dawn Panther 02 June 2002	<u>Australia</u> Army <u>Other Countries</u> Thailand	To conduct counter-hijack training with Thai Special Forces to enhance regional counter-hijack interoperability.
Night Panther 02 June 2002	<u>Australia</u> Army <u>Other Countries</u> Thailand	To practise deployment and develop interoperability at a tactical level with elements of the Thai Special Forces.
Rimpac 02 June – July 2002	<u>Australia</u> Navy, Air Force <u>Other Countries</u> United States, Canada, South Korea, Chile, Japan, United Kingdom	To enhance the interoperability and proficiency of maritime and air forces to operate in coalition arrangements centred on realistic short-warning littoral operations.

Note

1. Japan and the Republic of Korea have been invited as observers only.

Table 2.6: Joint Exercises involving at least two of the Navy, Army and Air Force

Exercise	Forces	Objective
Platypus Moon July 2001	Navy, Army	<i>[Revised]</i> To develop submarine insertion, extraction and rendezvous techniques with Special Forces using rubber boats and multi-swimmer release techniques.
Northern Shield 2001 September 2001 <i>[Revised date]</i>	Army, Headquarters Northern Command	To exercise Headquarters Northern Command and the Operational Coordination Committee in the combined planning and conduct of operations within the Northern Command area of operations.
Dusk Series 01 (Includes Pegasus Dusk, Opex Dusk, Flash Dusk) November – December 2001	Army, Air Force	<i>[Revised]</i> To practise state and territory authorities in crisis management procedures involving call-out procedures and coordination arrangements for ADF counter-terrorist units utilising helicopters.
Tendi Walk 02 February 2002 <i>[Revised date]</i>	Navy, Army, Air Force	Command post exercise to practise Headquarters Australian Theatre and component staffs in planning for joint operations in the Australian theatre.
Vital Launch 02 March 2002	Navy, Army, Air Force	To practise Deployable Joint Force Headquarters and component staff in the methods, procedures, planning and conduct of joint and combined operations through participation in the joint military appreciation process.
Vital Prospect April 2002	Navy, Army, Air Force	<i>[Revised]</i> To practise Joint Force and Formation Headquarters' staff in the methods, procedures and conduct of planning operations, offensive support and targeting, information operations and intelligence operations, as a combined staff in a command post exercise.
Northern Trilogy April – May 2002 <i>[New]</i>	Army, Headquarters Northern Command	To practise Headquarters Northern Command in the planning and conduct of operations in northern Australia in a command post exercise.

OUTPUT TWO: NAVY CAPABILITIES

The Navy provides maritime forces that contribute to the ADF's capacity to defeat attacks against Australia, defend regional interests, defend global interests, shape the strategic environment and protect national interests. Navy capabilities provide maritime patrol and response, interdiction and strategic strike, protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, hydrographic and oceanographic operations, combat search and rescue, and escort functionality. Peacetime activities include maritime surveillance and response within the Australian exclusive economic zone in support of Coastwatch, distribution of humanitarian aid and maritime search and rescue.

PERFORMANCE SUMMARY

The performance summary for Output Two is as reported in *the Portfolio Budget Statements 2001-02* except for the amendments below.

Overview

The Navy is a key component of the maritime forces. Naval forces, operating in conjunction with the Air Force, will give Australia the ability to deny an opponent use of our maritime approaches and allow us the freedom to operate at sea. Australia will maintain a capability to detect and attack major surface ships, and to impose substantial constraints on hostile submarine operations, in its extended maritime approaches. Australian surface ships with embarked helicopters will be qualitatively equal to or better than ships in regional navies.

- *[Revised]* To achieve this, the Navy will focus on its core capabilities in air, surface, submarine and mine warfare. These capabilities will enable the Navy to provide support to forces deployed offshore, to contribute to maritime security in Australia's wider region, to protect its ports from sea mines and to support a range of peacetime tasks.
- *[Revised]* Navy submarine and mine warfare forces are superior in capability to their counterparts in regional navies. Planned enhancements will maintain an advantage over the next five years.
- *[Revised]* The patrol boat force will be able to make a sustained contribution to coastal customs, immigration, fisheries and quarantine law enforcement and surveillance operations.

Force Structure

- *[Revised]* A capability for major surface combatant operations consisting of six Adelaide-class guided missile frigates and three Anzac-class frigates, rising to eight.
- *[Revised]* A capability for mine warfare consisting of four Huon-class coastal mine hunters and three auxiliary mine sweepers. A total of six coastal mine hunters will be available in the near future.

Key Risks and Planned Mitigation

There are three key risks to the achievement of planned output performance:

- *[Revised]* **Personnel.** A shortfall of personnel in the permanent naval forces continues to be the most significant risk confronting the Navy. Actions to address this risk show positive indications that the workforce is beginning to increase, following improvements in recruitment. Most of this improvement resides in the Training Force and it will be some time before these newly-recruited personnel are operationally effective. Priority continues to be given to crewing the fleet and, in particular, those units involved in current operations.
- *[Revised]* **Logistics.** Logistic shortfalls in some areas challenge the Navy's ability to support the current force structure and preparedness requirements.
- *[New]* **Operations.** The impact of the Navy's commitments to current operations is placing a high demand on available resources.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$5,652m
2001-02 Revised Estimate:	\$5,684m
Variation:	\$32m
Percentage Variation:	0.6%

Significant Variations

Overall, the price of Navy capabilities will increase by \$32m to \$5,684m, representing an increase of 0.6 per cent from the budget figures. The increase is due to general price indexation and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.

OUTPUT THREE: ARMY CAPABILITIES

The Army contributes to the achievement of the Government's desired outcome through the provision of capabilities for land operations. Army capabilities comprise special force operations, mechanised operations, light infantry operations, army aviation operations, ground-based air defence, combat support operations, regional surveillance, logistic support operations, motorised operations and protective operations.

[Revised] The Army provides land forces that contribute to the maintenance of the priority for the ADF's capability, within a primarily maritime strategy, to defend Australian territory from any credible attack, contribute to the security of our immediate neighbourhood and contribute effectively to international coalitions of forces to meet crises beyond Australia's immediate neighbourhood where Australian interests are engaged. The Army also provides forces for peacetime national tasks, including counter-terrorist and chemical, biological, radiological and explosive incident response operations.

In doing so, Army capabilities provide the capacity to defeat incursions on, or to recapture, Australian territory, to seize or protect forward-operating bases, to conduct surveillance and reconnaissance operations, to conduct special operations, to conduct special recovery, counter-terrorist and combat search and rescue operations, to provide Service-assisted and Service-protected evacuation, to provide command, control, communications and information to support tasks, to provide operational-level sustainment of land-based operations and to provide humanitarian assistance.

PERFORMANCE SUMMARY

The performance summary for Output Three is as reported in the *Portfolio Budget Statements 2001-02* except for the amendment below.

Key Risks and Planned Mitigation

- *[New]* **Resources.** The heightened operational tempo related to the war on terrorism, and the need to enhance domestic security capabilities, has necessitated a requirement for some redirection of focus and associated resourcing.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$5,029m
2001-02 Revised Estimate:	\$5,070m
Variation:	\$41m
Percentage Variation:	0.8%

Significant Variations

Overall, the price of Army capabilities will increase by \$41m to \$5,070m, representing an increase of 0.8 per cent from the budget figures. The increase is largely due to general price indexation and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). A further \$6m has been added for the operating costs associated with an enhanced counter-terrorist capability. More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.

OUTPUT FOUR: AIR FORCE CAPABILITIES

The Air Force provides combat forces that contribute to the ADF's capacity to defeat armed attacks against Australia, defend regional interests, defend global interests, shape the strategic environment and protect national interests. Air Force capabilities provide precision strike operations, offensive and defensive counter-air operations, wide-area surveillance, air defence and airspace control, maritime patrol, anti-submarine and anti-surface warfare activities, tactical and strategic airlift and combat support for air operations. Peacetime activities include maritime surveillance of Australian and regional exclusive economic zones, search and survivor assistance, aeromedical evacuations and VIP transport.

PERFORMANCE SUMMARY

The performance summary for Output Four is as reported in the *Portfolio Budget Statements 2001-02* except for the amendments indicated below.

Overview

- *[New]* Air Force involvement in various operations will impact on planned capability levels and place further demands on personnel and logistics support requirements. While providing some training benefits, these commitments impact on the normal training capacities of units and may result in some underachievement in planned flying rates of effort and reduced aircrew currency in some roles.

Force Structure

- *[Revised]* A capability for maritime operations of two operational squadrons. Maritime operations will be enhanced by the ongoing upgrade of the P-3C, planned enhancements to the electro-optical sensors, which will improve the ability to detect ships, and the acquisition of a lightweight torpedo, which will improve the ability to prosecute submarines. The recent delivery of the first two AP-3C aircraft and the purchase of an interim, enhanced electro-optical capability for the P-3C provide significant enhancements to the maritime patrol capability. Electronic warfare self-protection remains a shortfall.

Key Risks and Planned Mitigation

In the shorter term, there are four key risks to the Air Force's achieving the required capability targets:

- *[Revised]* **Ageing Equipment.** The Air Force is confronted by a range of issues relating to the age of many of its key platforms and equipment. These include a reducing availability and increasing support costs due to life-of-type issues, including fatigue, corrosion and spares availability. While a number of platforms and systems are the subject of upgrade and

replacement projects, there are risks to the readiness status of capabilities due to the unpredictable nature of the effects of ageing equipment. Further evidence is emerging of the increasing logistics costs associated with operating an ageing fleet of aircraft. There is considerable pressure on logistic support for the F/A-18 and F-111.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$5,331m
2001-02 Revised Estimate:	\$5,361m
Variation:	\$30m
Percentage Variation	0.6%

Significant Variations

Overall, the price of Air Force capabilities will increase by \$30m to \$5,361m, representing an increase of 0.6 per cent from the budget figures. The increase is due to general price indexation and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.

OUTPUT FIVE: STRATEGIC POLICY

Defence is to provide timely and responsive policy advice to the Government.

PERFORMANCE SUMMARY

The performance summary for Output Five is as reported in *the Portfolio Budget Statements 2001-02*.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$171m
2001-02 Revised Estimate:	\$192m
Variation:	\$21m
Percentage Variation:	12.3%

Significant Variations

The price of Output 5 will increase by \$21m to \$192m, a variation of 12.3 per cent from the budget figures. The increase relates to general price indexation and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). In addition, costs have increased by \$20m as a result of an Australian Government assistance package to Papua New Guinea. More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.

DEFENCE COOPERATION

The Defence International Engagement Strategic Plan, foreshadowed in the *Portfolio Budget Statements 2001-02*, is now in place. It reflects the Government's policy directions announced in the White Paper. A Defence International Engagement Plan, which will contain relevant and measurable performance guidelines, is being developed.

The revised estimate for the Defence Cooperation Program is \$82.5m, an increase of \$20m. The commencement of a major Papua New Guinea Defence Rebuilding Program, supported by a \$20m Australian Government assistance package, has resulted in a significant increase in funding for Papua New Guinea in 2001-02. The Rebuilding Program includes: providing support to Papua New Guinea Government initiatives to reform and downsize the Papua New Guinea Defence Force; developing an effective personnel management

database; improving financial management practices; and increasing joint Papua New Guinea Defence Force/ADF activities.

Revised estimates for 2001-02 are shown by individual country or activity in the table below.

Table 2.7: Defence Cooperation Funding

	2001-02 Budget Estimate \$m	2001-02 Revised Estimate \$m	Variation \$m
Papua New Guinea	10.000	29.731	19.731
South Pacific			
Vanuatu	1.624	1.623	-0.001
Solomon Islands	1.202	1.214	0.012
Tonga	1.570	1.619	0.049
Western Samoa	0.558	0.641	0.083
Cook Islands	0.404	0.404	0.000
Fiji	1.050	1.050	0.000
Marshall Islands	0.644	0.760	0.116
Federated States of Micronesia	0.793	0.793	0.000
Tuvalu	0.858	0.782	-0.076
Kiribati	0.785	0.878	0.093
Palau	0.705	0.699	-0.006
Multilateral General Assistance	7.674	7.674	0.000
Total	17.867	18.136	0.269
South-East Asia			
Singapore	0.585	0.530	-0.055
Philippines	3.824	3.944	0.120
Thailand	5.729	5.582	-0.147
Malaysia	5.267	5.317	0.050
Indonesia	4.584	4.745	0.161
East Timor	6.590	6.590	0.000
Vietnam	2.093	2.227	0.134
Cambodia and Laos	1.201	0.938	-0.263
Brunei	0.090	0.090	0.000
Total	29.963	29.963	0.000
Other Regional Activities	4.522	4.522	0.000
Facilities for Training in Australia	0.100	0.100	0.000
TOTAL	62.452	82.452	20.000

OUTPUT SIX: INTELLIGENCE

Defence provides intelligence collection, analysis, holistic assessments, formal briefings and military threat assessments for the planning and conduct of military operations, for Defence policy making and planning, for capability development, and for support of wider government decision making. Defence produces current intelligence reports, signals analysis, communications and information security, and imagery and geospatial data.

PERFORMANCE SUMMARY

The performance summary for Output Six is as reported in the *Portfolio Budget Statements 2001-02* except for the amendments below.

Overview

- [New] Recent terrorist events and increased tempo of ADF operations, combined with heightened government needs for intelligence and information security advice, require greater intelligence outputs compared with those expected at budget time.

PRICE TO GOVERNMENT

2001-02 Budget Estimate:	\$385m
2001-02 Revised Estimate:	\$397m
Variation:	\$12m
Percentage Variation:	3.1%

Significant Variations

Overall, the price of Intelligence capabilities will increase by \$12m to \$397m, representing an increase of 3.1 per cent from the budget figures. The increase is due to general price indexation and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). More information on the prices of Defence's outputs can be found in the additional estimates summary in Section One of this document.