

DEFENCE

CHAPTER 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: \$1,151m

Output 2: Navy Capabilities

Price to Government: \$5,797m

Output 3: Army Capabilities

Price to Government: \$5,192m

Output 4: Air Force Capabilities

Price to Government: \$5,477m

Output 5: Strategic Policy

Price to Government: \$176m

Output 6: Intelligence

Price to Government: \$442m

TOTAL PRICE APPROPRIATED FOR OUTPUTS: \$18,235m

OUTPUT ONE: DEFENCE OPERATIONS

Defence conducts joint and combined operations and exercises to achieve the Government's strategic objectives. This includes the conduct of military campaigns, operations and other activities, the provision of emergency and non-emergency support to the Government and the Australian community, overseas deployments and representations, and various joint and combined exercises involving the three Services and allied or regional military forces.

Defence maintains its command capability by developing strategic plans and operational-level guidance to support successful ADF operations. Principally, this is the responsibility of the Commander Australian Theatre.

Planned Performance

The ADF will continue to maintain command capability and force preparedness to provide the Government with response options to meet regional contingencies and national obligations. The need to support the Government response to situations may arise at relatively short notice.

Major ADF operations expected to continue in 2002-03 include:

- a significant contribution to the United States-led coalition operation against international terrorism (*Operation Slipper*);
- the ongoing commitment to the United Nations' assistance to East Timor. Replacing *Operation Tanager*, the ADF contribution under *Operation Citadel* is expected to be up to 1,250 personnel. This commitment will be reviewed during 2002-03 depending on emerging circumstances. In addition, a small training team is assisting in establishing an East Timor defence capability;
- the continued participation in the regional Peace Monitoring Group activities with New Zealand, Fiji and Vanuatu in Bougainville (*Operation Bel Isi II*) with a particular focus on supporting weapons disposal;
- an operation to deter unauthorised boat arrivals, including air and surface patrols across the northern and western maritime approaches to Australia (*Operation Relex II*); and
- an ongoing operation to provide surveillance and law enforcement support to Coastwatch (*Operation Cranberry*). The ADF will provide 1,800 patrol boat days and 250 P-3C flying hours, although priority of effort for P-3C will go to *Operation Relex II* in 2002-03.

Other operations that are expected to continue to be conducted in 2002-03 include:

- support to the Department of Immigration and Multicultural and Indigenous Affairs to manage unauthorised boat arrivals (*Operation Gaberdine*);
- contributions to United Nations and other peacekeeping and humanitarian operations (*Operations Paladin, Mazurka, Osier, Pomelo and Husky*);

- a range of cyclical maritime surveillance operations in Australia's region (*Operations Gateway, Burbage, Osteal and Mellin*, with *Solania* to continue if P-3C assets are available from *Relex II*);
- support to the Australian Fisheries Management Authority, when appropriate, in enforcing Australia's exclusive economic zone in the Southern Ocean (*Operations Mistral, Celesta*); and
- Australian land surveillance and the collection of military geographic information (*Operations Prowler and Beachcomber*).

Additional details of operations that are expected to continue in 2002-03 are listed in tables 2.1-2.3.

Major joint and combined exercises are conducted to train forces and evaluate capability, including interoperability with allies. Scheduled major joint and combined exercises for 2002-03 are listed in tables 2.4-2.8.

Output One includes emergency and non-emergency support to the Government and the Australian community. In 2002-03, this may include, but is not limited to:

- support to Emergency Management Australia;
- assistance to Commonwealth or State/Territory Governments and their civil authorities in law enforcement tasks, where there is the possibility that force may be required;
- emergency assistance, disaster recovery, civil emergency, non-emergency assistance and non-emergency law enforcement, excluding the use of force; and
- support to national search and rescue authorities when and as required.

Key Risks and Limitations

Concurrent Operations

The high level of operational tempo and the use of major Defence capabilities needs to be carefully managed. Utilisation of capabilities in the short term need to be carefully balanced against the requirement to maintain and develop core Defence capabilities over many years or even decades.

Deficient Operational Preparedness

The high level of operational tempo may restrict the military response options available to the Government.

Loss of Skills and Interoperability with Regional Partners

While there are significant training and interoperability benefits to the ADF from the current level of operations, the loss of structured training activities with allies and regional partners risks the degradation of some operational skills and loss of interoperability.

Logistic Support

Logistic support demands from current tempo of operations have reduced inventory levels and it is expected that procurement of new and additional equipment will be necessary to meet the changing operational environment for the ADF.

Geographical Dispersion of Command Elements

Effective command is critical to the conduct of Defence Operations. There is currently a physical dislocation between Headquarters Australian Theatre and its component commanders.

Strategic Initiatives

Concurrent Operations

To mitigate this risk, Defence has instigated more rigorous capability reporting.

Deficient Operational Preparedness

Defence is closely monitoring preparedness through monthly assessments and reviewing current operational commitments to ensure that an appropriate range of options remains available during 2002-03.

Loss of Skills and Interoperability with Regional Partners

To mitigate this risk, critical exercises have been retained in the Program of Major Service Activities for 2002-03.

Logistic Support

Defence is reviewing stockholding of critical items in 2002-03 to determine appropriate procurement measures for future years.

Geographical Dispersion of Command Elements

A decision to collocate the Headquarters and components has been taken and action will continue in 2002-03 to achieve collocation by 2006.

Budgeted Price to the Government

| | |
|---------------------------|----------|
| 2002-03 Budget Estimate: | \$1,151m |
| 2001-02 Projected Result: | \$1,156m |
| Variation: | -\$5m |
| Percentage Variation: | -0.4% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the price of Defence Operations will decrease marginally by \$5m to \$1,151m, representing a decrease of 0.4 per cent from the 2001-02 projected result. This decrease is due to variation on operational requirements in 2002-03. The budgeted 2002-03 price for Defence Operations includes operating costs associated with Defence's contribution to the Government's strategy to strengthen Australia's borders (\$20m), Defence's contribution to the United States-led war against terrorism (\$169m), price and foreign exchange movements, capital use charge 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 resources summary in Chapter One of this document.

AUSTRALIAN DEFENCE FORCE OPERATIONS

Operations are presented in these statements under the following headings:

- ADF Major Operations;
- ADF National Support Operations (no current operations);
- ADF Non-Regional Operations; and
- ADF Surveillance and Regional Operations.

The tables outline the complete ADF operations list.

Table 2.1: ADF Major Operations

| Operation | Objective |
|--|--|
| Slipper/Damask ⁽¹⁾ Commenced 2001 <u>Forces</u> ADF | To contribute to the United States-led operation against international terrorism/to contribute to the Multinational Maritime Interception Force in the Persian Gulf. |
| Citadel ⁽²⁾ Commenced 2002 <u>Forces</u> ADF | ADF contribution to United Nations support to East Timor. |
| Bel Isi II Commenced 1998 <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. |
| Relax II ⁽³⁾ Commenced 2002 <u>Forces</u> ADF | To conduct air and surface patrols across Australia's northern approaches to deter unauthorised boat arrivals. |
| Cranberry Commenced 1997 <u>Forces</u> ADF | To conduct surveillance in northern Australia. |

Notes

1. Operation Damask is subsumed into Operation Slipper for reporting purposes.
2. Operation Citadel will replace Operation Tanager following East Timor independence in May 2002.
3. Operation Relax I ceased and Operation Relax II commenced on 14 March 2002.

Table 2.2: ADF Non-Regional Operations

| Operation | Objective |
|---|---|
| Paladin Commenced 1956 <u>Forces</u> Army | To contribute to the United Nations Truce Supervisory Organisation in the Middle East. This force of unarmed military observers supervises, observes and reports on the various cease-fire arrangements, truces and peace treaties that have been negotiated between Israel and neighbouring Arab nations since 1948. |
| Mazurka Commenced 1992 <u>Forces</u> ADF | To provide personnel to the Multinational Force and Observers to monitor the security arrangements in the Sinai. |
| Osier Commenced 1997 <u>Forces</u> Army | To deploy Army personnel 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. |

| Operation | Objective |
|--|---|
| Pomelo Commenced 2001 <u>Forces</u> Army | To contribute to United Nations peacekeeping efforts in Africa as part of the United Nations Mission in Ethiopia/Eritrea. |
| Husky Commenced 2001 <u>Forces</u> Army | To contribute to nation-building efforts in Sierra Leone. |

Table 2.3: ADF Surveillance and Regional Operations⁽¹⁾

| Operation | Objective |
|---|--|
| Gaberdine Commenced 2001 <u>Forces</u> ADF | To provide support to the Department of Immigration and Multicultural and Indigenous Affairs to manage any increase in unauthorised boat arrivals. |
| Mistral Commenced 1998 <u>Forces</u> Navy and Air Force | To support Australian sovereign rights and fisheries law enforcement in the Southern Ocean by contributing to Southern Ocean fisheries patrols. |
| Celesta Commenced 2001 <u>Forces</u> ADF | To conduct surface fisheries patrols in the Heard Island-McDonald Island Exclusive Economic Zone. |
| Gateway Commenced 1981 <u>Forces</u> Air Force | To conduct northern Indian Ocean and South China Sea maritime surveillance patrols. |
| Solania Commenced 1988 <u>Forces</u> Navy and Air Force | To conduct South West Pacific maritime surveillance patrols. |
| Burbage Commenced 1995 <u>Forces</u> Air Force | To conduct Indian Ocean maritime surveillance patrols. |
| Osteal Commenced 1995 <u>Forces</u> Air Force | To conduct Coral Sea maritime surveillance patrols. |
| Mellin Commenced 1995 <u>Forces</u> Air Force | To contribute to Torres Strait and Timor Gap maritime surveillance patrols. |
| Prowler Commenced 1996 <u>Forces</u> Navy and Army | The collection of military geographic information in northern Australia. |
| Beachcomber <u>Forces</u> Navy and Army | To collect beach information in Australia for operational planning. |

Note

1. Surveillance operations are conducted when required subject to asset availability. The level and type of forces assigned to the various surveillance operations will be adjusted in accordance with national surveillance priorities. The surveillance operations in Australia's north western maritime approaches have been subsumed by Operation Relax for the duration of that activity.

AUSTRALIAN DEFENCE FORCE EXERCISE PROGRAM

Table 2.4: ADF Joint Exercises

| Exercise | Forces | Objective |
|---|-----------------------|---|
| Day Anchor 02 June - July 2002 | Navy, Army | To confirm Special Air Service Regiment capability by practising special recovery operations. |
| Platypus Moon 02 July 2002 | Navy, Army | To practise and develop launch and recovery techniques from submarines by conducting static multi-swimmer release training and developing procedures for Special Force operations from submarines. |
| Oprex Sun 02-2 August 2002 | Navy, Army, Air Force | To evaluate the ADF response arrangements for the provision of Defence Assistance to Civil Authorities and Defence Assistance to the Civil Community under the National Anti-Terrorist Plan by practising procedures in response to a terrorist incident. |
| Red Snake 02 September 2002 | Navy, Army, Air Force | To evaluate commando capabilities by undertaking a strike exercise employing air and sea insertion techniques. |
| Sea Snake 03 February - June 2003 | Army, Air Force | To evaluate the preparedness of high-readiness elements and selected air elements by practising the command and control of joint forces deployed in a simulated offshore environment through the planning and execution of evacuation operations. |
| Vital Launch 03 March 2003 | 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. |
| Squadex 03-1 March 2003 | Navy, Army | To maintain core maritime and land command elements of the amphibious Force Element Group by conducting a basic amphibious work-up, embarkation and disembarkation procedures and practising the control of watercraft and helicopters for basic assault. |
| Vital Prospect 03 April 2003 | Navy, Army, Air Force | To practise the Deployable Joint Force Headquarters staff in the methods, procedures, planning and conduct of joint and combined operations through participation in a command post exercise. |
| Day Bubble 03 May 2003 | Navy, Army | To confirm Special Air Service Regiment capability by conducting multi-swimmer release training with submarines. |
| Minor War Vessel Concentration 03 June 2003 | Navy, Army | To ensure that the patrol boat, hydrographic and amphibious (minor war vessel) Force Element Groups maintain the minimum level of capability by undertaking high-intensity collective harbour and sea training and exercising Special Force insertion techniques. |

Table 2.5: Combined ADF/United States Exercises

| Exercise | Australian Forces | Objective |
|--|-------------------|--|
| Gold Eagle 02 June - July 2002 | Army | To further develop interoperability between the Australian Army and the United States Marine Corps by conducting a field training or amphibious exercise that provides familiarisation training in capabilities, equipment and facilities not available in Australia and to gain a working knowledge of the United States Marine Corps' operational, logistic and administrative procedures. |
| Southern Frontier 2002 June - September 2002 | Air Force | To enhance and maintain a close relationship with the United States Marine Corps by hosting a United States Marine Corps Flying Units training exercise at RAAF Tindal and RAAF Darwin bases. |

| Exercise | Australian Forces | Objective |
|---|-------------------|--|
| Pacific Reserve 02 July 2002 | Army Reserve | To further develop interoperability between the Australian Army Reserve and the United States Army Reserve by conducting a field training exercise that provides familiarisation training in capabilities, equipment and facilities not available in Australia, and to gain a working knowledge of the United States Army Reserve operational, logistic and administrative procedures. |
| Pacific Bond 02 July - August 2002 | Army | To further develop interoperability between the Australian and United States armies by undertaking familiarisation training in capabilities, equipment and facilities not available in Australia, and to gain a working knowledge of United States Army operational, logistic and administrative procedures. |
| Extendex 02-4 July - September 2002 | Air Force | To enhance interoperability between the RAAF and United States Navy by conducting anti-submarine warfare and anti-submarine surveillance training against a United States Navy submarine. |
| Lungfish 02 August 2002 | Navy, Air Force | To practise and develop doctrine and tactics for combined RAN and United States Navy submarine operations by exercising operating procedures within an anti-submarine warfare environment. |
| Red Flag/Green Flag August 2002 | Air Force | To enhance interoperability between Australian and United States forces by conducting a coalition joint air combat exercise in a hostile anti-aircraft environment. |
| Extendex 03-1 October - December 2002 | Air Force | To enhance interoperability between the RAAF and United States Navy by conducting anti-submarine warfare and anti-submarine surveillance training against a United States Navy submarine. |
| Dugong 02 November 2002 | Navy | To maintain Mine Counter Measures Force Element Group proficiency, standards and safety in all core mariner and mine warfare areas by conducting a combined mine countermeasures diving and explosive ordnance disposal procedures exercise. |
| Extendex 03-2 January - March 2003 | Air Force | To enhance interoperability with RAAF and United States Navy by conducting anti-submarine warfare and anti-submarine surveillance training against a United States Navy submarine. |
| Gold Eagle 03 March 2003 | Army | To further develop interoperability between the Australian Army and the United States Marine Corps by conducting a field training or amphibious exercise that provides familiarisation training in capabilities, equipment and facilities not available in Australia, and to gain a working knowledge of United States Marine Corps operational, logistic and administrative procedures. |
| Pacific Reserve 03 April 2003 | Army Reserve | To further develop interoperability between the Australian Army Reserve and the United States Army Reserve by conducting a field training exercise that provides familiarisation in capabilities, equipment and facilities not available in Australia, and to gain a working knowledge of United States Army Reserve operational, logistic and administrative procedures. |
| Star Eagle 03 April - May 2003 | Army | To enhance interoperability between the Australian and United States armies through the commencement of an annual engagement exercise with the 4th Battalion, Royal Australian Regiment and the United States 75th Ranger Regiment. |
| Extendex 03-3 April - June 2003 | Air Force | To enhance interoperability between the RAAF and United States Navy by conducting anti-submarine warfare and anti-submarine surveillance training against a United States Navy submarine. |

Table 2.6: Combined ADF/Five Power Defence Arrangements Exercises

| Exercise | Australian Forces | Participating Countries | Objective |
|---|-------------------|--|--|
| Stardex 02 September 2002 | Navy, Air Force | Malaysia, Singapore, New Zealand, United Kingdom | To exercise maritime, land and air forces from member nations of the Five Power Defence Arrangements (FPDA) in the defence of Peninsula Malaysia and Singapore so as to enhance interoperability among forces. |
| Suman Warrior 2002 September - October 2002 | Army | Malaysia, Singapore, New Zealand, United Kingdom | To develop interoperability and foster better relationships and mutual understanding among the FPDA armies by undertaking combined land operations and practising operational command and staff procedures in combined operations. |
| IADS ADEX 03 April 2003 | Navy, Air Force | Malaysia, Singapore, New Zealand, United Kingdom | To practise and develop operational procedures and tactics with FPDA units in a joint and combined maritime exercise. |
| Flying Fish 03 June - July 2003 | Navy, Air Force | Malaysia, Singapore, New Zealand, United Kingdom | To validate the adequacy and compatibility of FPDA tactical documentation by practising joint procedures for the air and maritime defence of Peninsula Malaysia and Singapore. |

Table 2.7: Combined ADF/New Zealand Exercises

| Exercise | Australian Forces | Objective |
|---|-----------------------|---|
| Tasman Exchange 02 September - October 2002 | Army | To further develop interoperability between the Australian and New Zealand armies and gain a working knowledge of New Zealand's operational, logistic, and administrative procedures at the tactical level by undertaking familiarisation training in capabilities and with equipment not available in Australia. |
| Tasman Link 2002 October 2002 | Navy, Army, Air Force | To enhance relations between Australian and New Zealand forces by conducting a live fire support coordination exercise. |
| Longreach 02 October - November 2002 | Navy, Army, Air Force | To conduct engagement with New Zealand forces and impart Australian operational planning techniques to New Zealand forces with the Deployable Joint Force Headquarters by practising contingency, operational and combined planning procedures in potential humanitarian assistance missions. |
| Night Kiwi 02 November 2002 | Army, Air Force | To maintain interoperability between Australian and New Zealand Special Forces by conducting combined special operations training and a mutual exchange of information relating to developments in special operations techniques and equipment. |
| Ocean Protector February 2003 | Navy, Air Force | To maintain the RAN fleet operational capability as a workup to exercise Tasmanex by demonstrating proficiency in core skills, standards and safety across all facets of maritime warfare and operations. |
| Anzac Series 03 March - May 2003 | Army | To broaden the knowledge and experience of ADF and New Zealand Defence Force personnel with a series of individual exchanges that provide a working knowledge of the host unit's operational, logistic and administrative procedures and exposure to another culture, procedures and equipment. |

Table 2.8: Other Combined Exercises

| Exercise | Australian Forces | Participating Countries | Objective |
|---|-----------------------|---|--|
| Croix Du Sud 2002 May - November 2002 | Navy, Army, Air Force | New Zealand, France | To maintain relations and enhance interoperability between the Australian, New Zealand and French defence forces by conducting a joint and combined exercise practising evacuation operations (Service-assisted and Service-protected evacuation operations) in a non-permissive environment. |
| Rimpac 02 June - July 2002 | Navy, Air Force | United States, Canada, United Kingdom, Japan, South Korea, Chile, Peru and France | To enhance interoperability and the proficiency of participating maritime and air forces by practising coalition arrangements centred on realistic short warning littoral operations. |
| Long Look 02 June - September 2002 | Army | United Kingdom | To broaden the experience and knowledge of personnel and promote continued cooperation between the United Kingdom and Australian forces with a bilateral exchange of individual personnel. |
| Fincastle 02 July 2002 | Air Force | Canada, United Kingdom, New Zealand | To enhance interoperability between RAAF, Canadian, British and New Zealand forces by participating in a multilateral undersea warfare operation and providing training in undersea warfare procedures. |
| Wyvern Sun 02 July 2002 | Army | Thailand | To enhance skills, techniques and tactical knowledge and to improve the standard of the operational skills of Australian and Thai Special Forces through reciprocal and combined training. |
| Night Lion 02 July - August 2002 | Army | Singapore | To develop an understanding of, and limited interoperability with, Singapore Special Forces by deploying a commando force element to undertake the mutual exchange of ideas and developments in special operations techniques and equipment and expand the Australian Special Forces understanding of the language, culture and geography of Singapore. |
| Pitch Black 02 July - August 2002 | Army, Air Force | United Kingdom, Singapore, United States | To enhance interoperability between Australian, United Kingdom, Singaporean and United States forces by conducting an air combat training exercise and practising integrated air defence procedures in large force employment missions including offensive and defensive counter-air missions. |
| Vigilant Blade 02 July - August 2002 | Navy, Army, Air Force | Canada, United Kingdom, United States | 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. The Australian-United States sponsored exercise will practise intelligence operations and force protection in a combined environment and provide an opportunity to evaluate doctrine, procedures and interoperability for intelligence capability and operations with the Australian, United Kingdom, Canadian and United States defence forces. |
| Tamex 02-3 July - September 2002 | Navy, Air Force | United States, New Zealand | To enhance interoperability with New Zealand Defence or United States Navy forces by practising combined anti-submarine warfare and anti-submarine surveillance operations. |

| Exercise | Australian Forces | Participating Countries | Objective |
|--|--------------------------|--------------------------------|---|
| Singas Exchange 02-03 July 2002 - March 2003 | Army | Singapore | To broaden the military knowledge and experience of Australian and Singaporean Army personnel with a reciprocal individual exchange that provides a working knowledge of the host unit's operational, logistic and administrative procedures and promotes continued cooperation through exposure to another culture, procedures, equipment and personnel. |
| Mastex 02 August 2002 | Navy, Air Force | Malaysia | To progress interoperability between the RAN and the Royal Malaysian Navy in aspects of maritime warfare common to both forces by conducting graduated training activities and weapons practices. |
| Night Falcon 02 August 2002 | Army, Air Force | Papua New Guinea | To enhance and maintain Special Force skills by practising the deployment of a Special Air Service Regiment force element and conducting unilateral war-roles training and limited non-Special Forces bilateral training with the Papua New Guinea Defence Force in a challenging location in Papua New Guinea. |
| Helicon Luk 02 August 2002 | Army | Papua New Guinea | To train and qualify aircrew in high-density altitude training operations by conducting long over-water flights, navigating and operating in mountainous terrain and familiarising aircrew with tropical operating conditions. |
| Hunter 02 August 2002 | Navy | Singapore | To progress interoperability in aspects of mine warfare and clearance diving common to the RAN and Singaporean Navy by conducting combined mine counter measures operations. |
| Penguin 02 September 2002 | Navy, Air Force | Brunei | To develop and enhance interoperability between the RAN, RAAF and the Royal Brunei Navy by practising maritime patrol and surveillance procedures. |
| Pirap Jabiru 02 September 2002 | Navy, Army, Air Force | Thailand | To enhance interoperability between the ADF and the Royal Thai Air Force by undertaking a planning exercise to develop procedures for the conduct of combined multinational peace support operations under the auspices of the United Nations. |
| Tricrab 02 September 2002 | Navy, Air Force | United States, Singapore | To coordinate and enhance interoperability between the RAN, United States Navy and the Singaporean Navy by practising airborne insertion methods, enhancing rapid deployment procedures and conducting explosive ordnance disposal and improvised explosive device disposal operations. |
| Goodwill 02 October 2002 | Navy, Air Force | Japan | To further RAN, RAAF and Japanese Maritime Self Defence Force interoperability through the conduct of a sea exercise program. |
| Taa Nok In Sii 02-2 October 2002 | Air Force | Thailand | To develop interoperability between the Royal Thai Navy and the RAAF by conducting surveillance training and developing operating procedures for combined operations. |
| Haringaroo 02-2 October 2002 | Army | Malaysia | To enhance interoperability between the Australian Army and the Malaysian Armed Forces at the tactical level by practising skills and field craft in a tropical environment. |

| Exercise | Australian Forces | Participating Countries | Objective |
|--|-----------------------|--|--|
| Tamex 02-4 October - December 2002 | Navy, Air Force | United States, New Zealand | To enhance interoperability with New Zealand Defence or United States Navy forces by practising combined anti-submarine warfare and anti-submarine surveillance operations. |
| Paradise 02 November 2002 | Navy, Air Force | Papua New Guinea | To enhance interoperability between Australian and Papua New Guinea defence forces by practising bilateral maritime surveillance and Exclusive Economic Zone protection measures and selected facets of maritime skills common to both forces. |
| Night Leopard 02 November 2002 | Army | Brunei | To develop rapport and maintain contact between the Australian and Brunei Special Forces through ongoing war-roles training and practising combined Special Forces insertion techniques, facilitating the development of Australian Special Forces knowledge and familiarity with the language, culture and geography of Brunei. |
| PAC JTFEX 03-1 Phase 1 November 2002 | Air Force | United States, Canada | To provide work-up training in effective undersea warfare operations as part of a combined task force in a realistic littoral scenario in preparation for Phase 2 of the exercise. |
| PAC JTFEX 03-1 Phase 2 November 2002 | Air Force | United States, United Kingdom, Canada | To maintain RAAF interoperability with United States, Canadian and British forces by conducting combined undersea warfare training. |
| Kernel Blitz 03 January - February 2003 | Navy | United States, Canada | To enhance interoperability between the RAN, United States Navy and Canadian Navy by conducting an amphibious operation in a mined environment and integrating carrier, mine counter measures and amphibious forces into an amphibious operation. |
| Tamex 03-1 January - March 2003 | Navy, Air Force | United States, New Zealand | To enhance interoperability with New Zealand Defence or United States Navy forces by practising combined anti-submarine warfare and anti-submarine surveillance operations. |
| Tasmanex 03 February – March 2003 | Navy, Air Force | France, New Zealand | To develop relations between the Australian, New Zealand and French defence forces by conducting maritime surveillance, anti-submarine warfare, maritime interception operations and naval control of shipping procedures. |
| Croix Du Sud 2003 February - May 2003 | Navy, Army, Air Force | France, New Zealand, Tonga | To maintain relations and enhance interoperability between the Australian, New Zealand, French and Tongan defence forces by conducting a joint and combined exercise practising evacuation operations (Services-assisted and Service-protected evacuation operations) in a non-permissive environment. |
| Tricrab 03 April 2003 | Navy, Air Force | United States, Singapore | To coordinate and enhance interoperability between the RAN, United States Navy and the Singaporean Navy by practising airborne insertion methods and enhancing rapid deployment procedures and conducting explosive ordnance disposal and improvised explosive device disposal operations. |
| Western Pacific Naval Symposium MCMX 03 April 2003 | Navy | Malaysia, Singapore, United States, United Kingdom, New Zealand, Thailand, Philippines | To conduct multilateral mine countermeasures operations by practising the clearing of mines in Singapore Straits with divers and mine countermeasures vessels. |

| Exercise | Australian Forces | Participating Countries | Objective |
|--|-----------------------|---|--|
| Wantok Warrior 03 April 2003 | Army | Papua New Guinea | To develop interoperability between the Australian Army and the Papua New Guinea Defence Force (PNGDF) by conducting a combined field activity focusing on military support operations, and a Defence Assistance to the Civil Community civil infrastructure task. This will facilitate a working knowledge of PNGDF operational, logistic and administrative procedures, and culture. |
| Taa Nok In Sii 03-1 April 2003 | Air Force | Thailand | To develop interoperability between the RAAF and the Royal Thai Navy by conducting surveillance training and developing operating procedures for combined operations. |
| Tamex 03-2 April - June 2003 | Navy, Air Force | United States, New Zealand | To enhance interoperability with New Zealand Defence or United States Navy forces by practising combined anti-submarine warfare and anti-submarine surveillance operations. |
| Focused Logistics Wargame 03 April - July 2003 | Navy, Army, Air Force | Canada, United Kingdom, United States | To facilitate Australian input into United States multinational logistics objectives identified in the United States Joint Vision 2010. |
| Dawn Seagull 03 May 2003 | Army | Singapore | To develop closer defence relationships with Singapore through ongoing counter-hijack training that provides knowledge and familiarity with the language and culture of Singapore and assists the Singaporean Special Force elements to develop familiarity with Australian language and culture. |
| Singaroo 03 May 2003 | Navy | Singapore | To improve the interoperability of Australian and Singaporean defence forces by practising combined maritime procedures and tactics in order to undertake effective maritime combined or coalition operations. Both mutual defence and maritime security interests and RAN proficiency, standards, and safety in core mariner and naval warfare areas will be maintained. |
| Bell Buoy 03 May - June 2003 | Navy | Canada, Chile, New Zealand, Republic of Korea, Singapore, United Kingdom, United States | To improve allied interoperability in combined naval control and protection of shipping operating procedures by exercising and developing regional doctrine and procedures. |
| Dawn Panther 03 June 2003 | Army, Air Force | Thailand | To develop closer defence relationships with Thailand through ongoing counter-hijack training with the Thai Special Forces. |
| Flaming Arrow 03 June 2003 | Army | Singapore | To further develop interoperability between Australian and Singaporean defence forces by conducting a field training exercise that provides familiarisation training in capabilities, equipment and facilities not available in Australia and a working knowledge of Singaporean operational, logistic and administrative procedures. |
| Chapel Gold 02 July 2003 | Army | Thailand | To further develop interoperability between the Australian and Royal Thai armies by practising individual skills and fieldcraft in a tropical environment, and to gain a working knowledge of the Royal Thai Army operational, logistic and administrative procedures. |

OUTPUT TWO: NAVY CAPABILITIES

The Navy provides maritime forces that contribute to the defence of Australia, contribute to the security of Australia's immediate region, support wider interests and international engagement, and conduct national tasks. This is achieved by providing maritime patrol and response, interdiction and strategic strike, protection of shipping and offshore territories and resources, collection and evaluation of maritime intelligence, and escort duties. National tasks include maritime surveillance and response within Australia's exclusive economic zone in support of Coastwatch, hydrographic, oceanographic and meteorological support operations, border protection, distribution of humanitarian aid, and maritime search and rescue.

Planned Performance

During 2002-03, the Navy will continue to be a major participant in the ADF's involvement in the United States-led war against terrorism, border protection operations, peace monitoring activities and maritime surveillance.

The Navy has introduced a number of risk management strategies to ensure it is able to meet the Government's expectations efficiently and effectively. Re-prioritisation of funding towards Force Element Groups involved in these operations (surface combatant, patrol boat, amphibious and afloat support, aviation, explosive ordnance disposal and some hydrographic ships) and the continued fast-tracking of two limited capability submarines has been necessary. As a result, the priority for resources to support forces not involved in operations (mine warfare, the remaining submarines and some hydrographic capabilities) has been appropriately reduced.

Continuation of the present high level of operational commitment throughout 2002-03 will present challenges for the Navy to simultaneously maintain an acceptable level of preparedness for other contingencies.

Force Structure

Surface Combatants – The major surface combatant force consists of six guided missile frigates and three Anzac-class frigates. A fourth Anzac-class frigate will be delivered in 2002, with all eight expected to be in service by 2006.

Naval Aviation – The 16 Seahawk helicopters already in service will provide flights for embarkation in guided missile and Anzac frigates. Seven Sea King helicopters will be maintained to undertake maritime utility operations, including troop transport and a range of logistic tasks. A squadron of 13 Squirrel helicopters will be used for pilot conversion, aircrew training and short-term operations at sea. The Navy's aviation capability will be enhanced by the introduction of 11 Super Seasprite helicopters in 2004-05. The long-term plan is for the Seahawks to embark in guided missile frigates and Seasprites to embark in Anzac frigates.

Patrol Boats – The patrol boat force consists of 15 Fremantle-class patrol boats. Replacement patrol boats are expected to be introduced into service over 2004-07.

Submarine – The Navy has six Collins-class submarines (the final submarine is due to be commissioned during 2002-03). Two of the six submarines have been enhanced to provide a higher level of capability. Projects are in place to progressively enhance the combat capability of all six submarines.

Afloat Support – Navy’s afloat operations are supported by an oil tanker and a replenishment ship.

Mine Warfare and Clearance Diving – The Navy has five Huon-class coastal mine hunters, three auxiliary mine sweepers and two clearance diving teams. The sixth and final Huon-class coastal mine hunter is currently scheduled to be delivered in 2002-03.

Amphibious – Amphibious operations are conducted using one heavy lift ship, two amphibious transport ships and six heavy landing craft.

Hydrographic – Navy’s hydrographic, oceanographic and meteorological support operations are conducted using two hydrographic ships, four survey motor launches and a laser depth sounding aircraft.

Key Risks and Limitations

Personnel

Shortages of uniformed personnel, particularly in some primary employment qualifications and categories, represent one of the most significant risks to the delivery of Navy capabilities. On current trends, significant improvement will take longer than desired, although the decline in strength experienced over the last two years appears to have been arrested. Additionally, the effect on retention and recruiting caused by the current high operational tempo and the extended periods that personnel are away from home is yet to become apparent.

Logistic Support

Accumulated logistic shortfalls hinder the Navy’s ability to support the current force structure, operational commitments and preparedness requirements.

Operations and Reconstitution of Forces on Completion

Commitment to a high level of concurrent operations presents a continuing challenge to the Navy. Some individual and collective skills have eroded as a result of commitments to operations during 2001-02.

Air Warfare Capability

The Navy’s ability to conduct air warfare operations is limited with the current force structure. The reduction in fast-jet support to the Navy caused by the withdrawal of the Royal New Zealand Air Force A4 Skyhawk Squadron, based at Nowra, New South Wales, has also affected current warfare skills.

Submarine Capability

Deficiencies in the Collins-class submarines currently limit their operational effectiveness.

Strategic Initiatives

Personnel

The Navy is applying strategies to better attract and retain personnel in order to meet overall workforce requirements. In the short term, priority is being given to crewing the fleet, at the expense of shore-based support organisations, to ensure that operational commitments are met. At the same time, and in line with broader Defence workforce planning, the Navy is reviewing the fundamental concepts and assumptions that underpin its workforce requirement in order to achieve a sustainable workforce. Measures are being implemented to maximise the use of Navy reservists and to substitute civilians for uniformed personnel wherever appropriate and feasible.

Logistic Support

Reinvestment of efficiencies will enable some of the accumulated logistics shortfalls to be addressed. Options to manage the remaining pressures within existing planning parameters are being examined.

Operations and Reconstitution of Forces on Completion

A plan is being developed to reconstitute the full range of Navy capabilities on completion of operations. Force elements returning from operations will undergo a period of reconstitution. This will entail leave (crew rotation in some circumstances), maintenance, reconfiguration, training and work-up. While the cost and duration of reconstitution is still to be determined, initial assessments are that it will take some time before full capability and preparedness is restored.

Air Warfare Capability

The Navy's limited ability to conduct air warfare operations was identified in the Defence White Paper. Upgrades to the guided missile and Anzac frigates during the next decade will deliver an acceptable level of capability until the introduction of the first of at least three air warfare destroyers in 2013.

Submarine Capability

These deficiencies are being mitigated by enhancements that have been made to two of the submarines. A comprehensive combat system enhancement program will upgrade all six submarines in due course.

Budgeted Price to the Government

| | |
|---------------------------|----------|
| 2002-03 Budget Estimate: | \$5,797m |
| 2001-02 Projected Result: | \$5,684m |
| Variation: | \$113m |
| Percentage Variation: | 2.0% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the budgeted price of Navy Capabilities will increase by \$113m to \$5,797m, representing an increase of 2.0 per cent from the 2001-02 projected result. The increase is due to price and foreign exchange movements, capital use charge 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 resources summary in Chapter One of this document.

OUTPUT THREE: ARMY CAPABILITIES

The Army provides land force capabilities that contribute to the defence of Australia and the security of Australia's immediate neighbourhood. The Army also supports wider national interests and assists in peacetime national tasks, including counter-terrorist and chemical, biological, radiological nuclear and explosive incident response operations.

Army capabilities provide the capacity to:

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

Planned Performance

In 2002-03, the Army will significantly increase its counter-terrorist capability and its chemical, biological, radiological nuclear and explosive incident response capability.

The Army will sustain the capability to deploy a brigade group on operations for extended periods and, at the same time, maintain a battalion group available for deployment elsewhere.

The Army will continue to contribute to the ADF's participation in the United States-led war against terrorism, as well as other coalition operations and peace support activities. The current operational tempo limits the availability of some forces for any further operational commitments.

Force Structure

Special Forces – Special forces consist of a Special Air Service Regiment, a high-readiness commando battalion and a Reserve commando battalion.

Mechanised – Mechanised forces are based on the 1st Brigade, consisting of a reconnaissance regiment equipped with Australian light armoured vehicles, a tank regiment, a mechanised infantry battalion, an artillery regiment and engineer and logistic support.

Light Infantry – Light infantry forces are based on the 3rd Brigade, consisting of three infantry battalions, a field artillery regiment, an armoured personnel carrier squadron and engineer and logistics support.

Army Aviation – Army aviation forces are based on two aviation regiments, consisting of rotary-wing Kiowa, Iroquois, Black Hawk and Chinook helicopters, and fixed-wing King Air and Twin Otter aircraft. The Kiowa and Iroquois helicopters will be replaced progressively by armed reconnaissance helicopters.

Ground-Based Air Defence – Ground-based air defence forces consist of RBS70 missile systems and Rapier missile systems. The Rapier missile system is to be replaced in the near future by additional RBS70 missile systems.

Combat Support – Combat support forces enhance freedom of manoeuvre for combat forces based on engineer, signals, intelligence and surveillance units.

Regional Surveillance – Regional surveillance consists of three regional force surveillance units.

Logistic Support – The logistic support force is a brigade-sized logistical support organisation, comprised of Regular and Reserve transport, engineer, signals, medical and electrical mechanical engineer units, able to sustain a brigade deployed on operations for extended periods. It is able to concurrently sustain an independent battalion group.

Motorised Infantry – Motorised forces are based on the 7th Brigade, consisting of a motorised infantry battalion group, a reconnaissance regiment, a field artillery regiment and engineer and logistic support.

Protective Operations – Protective forces consist of a Reserve force designed to sustain, reinforce and, to a lesser degree, rotate personnel and equipment.

Key Risks and Limitations

Counter Terrorism

A significant enhancement of the counter-terrorist capability is being implemented following the Government's recent commitment to the war against terrorism.

Personnel

The Army continues to have personnel shortages in some key trades, including in the Reserves.

New Equipment Acquisitions

There are higher than expected costs for a number of new equipment acquisitions. A number of acquisitions are subject to trade-off considerations between cost and equipment numbers.

Logistics

Due to procurement and technical limitations, there is a risk that some special ammunition stocks may become insufficient to meet the levels required for training and enhanced operational deployment. Significant investment could be required to align ammunition stockholdings with capability and preparedness requirements.

Strategic Initiatives

Counter Terrorism

Additional capability for strengthened domestic security against terrorism is being established. Pending the deployment of that capability, an interim capability is being maintained with existing Army assets.

Personnel

Targeted programs focusing on recruitment and retention continue to redress personnel shortages in the Army. These programs have caused an improvement in the recruitment and retention of personnel. The Army Reserve will continue to be restructured to meet the wider expectations arising from the Defence White Paper and legislation designed to enable the Reserves to contribute to the support and sustainment of operations.

New Equipment Acquisitions

The operating costs of a number of equipment acquisitions are under review within Defence.

Logistics

Studies are under way to review stockholdings of ammunition.

Budgeted Price to the Government

| | |
|---------------------------|----------|
| 2002-03 Budget Estimate: | \$5,192m |
| 2001-02 Projected Result: | \$5,070m |
| Variation: | \$122m |
| Percentage Variation: | 2.4% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the budgeted price of Army Capabilities will increase by \$122m to \$5,192m, representing an increase of 2.4 per cent from the 2001-02 projected result. The increase is due to price and foreign exchange movements, capital use charge and other adjustments proportionately affecting all of Defence's outputs (including enhanced security). A further \$24m has been added to the Army output price for the operating costs associated with the establishment of the Tactical Assault Group (\$8m) and the Incident Response Regiment (\$16m). More information on the prices of Defence's outputs can be found in the resources summary in Chapter One of this document.

OUTPUT FOUR: AIR FORCE CAPABILITIES

Air Force capabilities contribute to Australia's capacity to defend Australia, the security of Australia's immediate neighbourhood, support wider interests and peacetime national tasks.

The Air Force provides the capability for offensive and defensive air combat and airspace control, tactical and strategic airlift (including air-to-air refuelling) and maritime patrol and surveillance (including anti-submarine and anti-surface activities). Its capabilities also include precision strike operations, wide-area surveillance and combat support for air operations. Peacetime activities include maritime surveillance of Australian and regional exclusive economic zones, assistance to the civil community, search and rescue assistance, aeromedical evacuations and VIP transport operations.

Planned Performance

During 2002-03, the Air Force will maintain a substantial contribution to the United States-led war against terrorism and the deterrence and management of unauthorised boat arrivals, as well as other operations. It will also maintain high levels of preparedness for search and rescue, surveillance and airlift operations.

Defence's ability to maintain high-priority Air Force capabilities is challenged by technical issues associated with an ageing fleet, project delays and shortfalls in some key skilled personnel. There is likely to be a cumulative effect on training, support to naval and land forces and the level of sustainability for operations.

Planned upgrades to F/A-18 aircraft, the introduction of airborne early warning and control aircraft, enhanced air-to-air refuelling, the planned improvement of the Jindalee Operational Radar Network, and the introduction of the AP-3C aircraft will increase Defence's capability to protect Australia from air attack and control its air approaches in the coming years.

Force Structure

Air Combat – Tactical fighter forces consist of three operational and three training squadrons equipped with F/A-18s, Hawks and PC-9 forward air control aircraft. An ongoing upgrade program is being undertaken for the F/A-18, which includes a new radar, acquisition of advanced air-to-air missiles, an advanced datalink, structural improvements and electronic warfare self-protection. Air strike/reconnaissance forces consist of two operational squadrons of F/RF-111C and F-111G aircraft. Ongoing upgrades to the electronic warfare self-protection capability and enhanced precision stand-off weapons will improve the survivability and effectiveness of the strike/reconnaissance force. The acquisition of airborne early warning and control, upgrades to the air defence ground environment and enhanced air-to-air refuelling will contribute significantly to the air combat, strike and surveillance capability over the next decade.

Strategic Surveillance – Strategic surveillance forces consist of two command and control units (one fixed site and a mobile unit with limited capability).

Maritime Patrol – Maritime patrol forces consist of P-3C Orion maritime patrol aircraft in two operational squadrons. The AP-3C modification, currently under way, will provide a significant enhancement to the maritime patrol capability.

Airlift - Airlift forces consist of six squadrons made up of C-130, Caribou, B707, and Falcon transport aircraft. HS748 and King Air aircraft also remain in the fleet but are expected to be replaced over the next two years. The VIP fleet will be replaced progressively during 2002-03 by two 737 Boeing Business Jets and three Challenger C604. A major program will be undertaken to improve the electronic warfare self-protection for Air Force transport aircraft from 2004.

Combat Support - Combat support forces consist of five wings capable of providing logistics support, sustainment, and force protection for air operations. The remediation of significant personnel and equipment issues identified during operations in East Timor will improve the Air Force's ability to protect air bases in the future. Planned upgrades to fuel and water distribution, as well as deployable medical services, will enhance Defence's deployable capability.

Key Risks and Limitations

Personnel

Personnel shortages in the key areas of aircrew, engineering, medical and technical work will affect the Air Force's ability to conduct and sustain operations in the medium term.

Ageing Aircraft

Air Force aircraft, apart from the Hawk and C-130J, are ageing and costs to support these platforms are increasing. Aircraft most affected are the F/A-18s and F-111s.

Logistics

While a significant part of the Air Force's current logistics issues can be attributed to ageing aircraft factors, other logistics pressures, including higher than expected costs of operating new platforms, are having a significant impact on capability.

These pressures, combined with some new equipment project delays, are constraining the planned flying rate of effort.

Air Combat Edge

The air combat capabilities of a number of defence forces in the region have grown steadily in recent years and will challenge the combat edge of Defence's F/A-18 aircraft without continuing investment in capability enhancements.

Forward Deployment Capability

Defence's ability to provide combat support and sustainment to air operations concurrently, or for protracted periods, is limited. Additionally, the ability to provide a recognised air picture for deployed operations is limited by ageing system issues associated with the mobile control and reporting capability.

Strategic Initiatives

Personnel

Strategies have been developed to target personnel shortfalls. The focus will be on achieving sustainable activity levels, by attracting and retaining skilled personnel, as well as training to improve Defence's ability to adapt, learn and train force capabilities.

Ageing Aircraft

The Defence Capability Plan provides a long-term program for the replacement or upgrade of Defence's ageing aircraft and systems, although this will require the careful management of existing platforms through to their planned withdrawal in the next decade. Increasing costs can be expected in retaining ageing platforms in service.

Logistics

To maintain current levels of capability, including current ADF operations, training is being reduced in some key roles. Depending on the duration of operations and the ability to generate planned flying hours on completion of these activities, the resumption of normal training cycles may be affected.

Air Combat Edge

The challenge of comparable air combat capability is being addressed by a series of enhancements to fighters and their weapons, both under way and identified in the Defence Capability Plan, and by the acquisition of airborne early warning and control aircraft and new air-to-air refuelling aircraft. Planned enhancements to the Jindalee Operational Radar Network and other surveillance systems will also assist.

Forward Deployment Capability

Remediation action currently being undertaken as a consequence of East Timor operations will address these shortfalls over the next three years.

The ability to provide a recognised air picture for deployed operations will be addressed by system upgrades commencing later this decade.

Budgeted Price to the Government

| | |
|----------------------------------|-----------------|
| 2002-03 Budget Estimate: | \$5,477m |
| 2001-02 Projected Result: | \$5,361m |
| Variation: | \$116m |
| Percentage Variation: | 2.2% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the budgeted price of Air Force Capabilities will increase by \$116m to \$5,477m, representing an increase of 2.2 per cent from the 2001-02 projected result. The increase is due to price and exchange movements, capital use charge 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 resources summary in Chapter One of this document.

OUTPUT FIVE: STRATEGIC POLICY

Defence provides timely and responsive strategic policy advice to the Government to enable it to make sound judgements on, and to respond to, Australia's strategic circumstances, and on specific security issues as they arise. Defence also applies strategic policy guidance to assist the development of recommendations to the Government on force structure, capability development, preparedness of ADF elements, international relationship management, and operational matters as they arise.

Defence also manages the Defence Cooperation Program as an integral part of its approach to international engagement.

Planned Performance

By early 2002-03, Defence will complete the first annual review of Australia's strategic environment, in consultation with other relevant agencies, for consideration by the Government. The review will take into account strategic developments since the Defence White Paper, in particular the terrorism events of 11 September 2001. In this context, it will influence the development of the 2003-13 Defence Management and Finance Plan, including the Defence Capability Plan within it. The strategic review will consider what adjustments will be needed to meet new priorities and pressures emerging in Australia's strategic environment.

In consultation with other departments, Defence will continue to seek ways to reinforce the Government's commitment to support the United States-led operations against international terrorism. Primarily, Defence will achieve this by continuing to develop options for Government consideration to maintain an ADF commitment to the war against terrorism.

Defence will seek to widen, in consultation with the Department of Foreign Affairs and Trade, its channels of influence on United States policy. In particular, as a minimum, Defence will seek to maintain access to United States military technology and intelligence in coming years. As part of this engagement, Defence will progress a top-down strategic review of interoperability between the ADF and United States forces.

In consultation with the Department of Foreign Affairs and Trade, Defence will seek to develop the relationship with Indonesia at a mutually agreed pace. This will focus on high-level visits and dialogue exchanges and a range of individual training. In the immediate term, Defence consultations will continue on opportunities for cooperation, including those arising from the recently signed Memorandum of Understanding on Combating International Terrorism.

Defence's aim is to provide, with others, an appropriate level of support for East Timor as it builds the capabilities and national institutions it will need to ensure its security. The principal avenues for this support will continue to be the Defence Cooperation Program, and the commitment of forces to the United Nations peacekeeping operation in East Timor.

A joint review into interoperability will inform judgements on priorities for Australia's training and exercising program with New Zealand, and will help set future priorities more generally.

Key Risks and Limitations

The principal areas of risk are:

- the prospect of deterioration in Australia's strategic circumstances, both generally and with respect to specific potential crises;
- the need to ensure that Strategic Command Division retains, or has access to, sufficient staff, at times of high operational tempo, to support the Chief of the Defence Force;
- the risk management of infrastructure development projects in regional countries funded under the Defence Cooperation Program; and
- the need to ensure that policy staff have sufficient capacity to handle core priorities at times of increased operational tempo, such as that associated with the war against terrorism.

Strategic Initiatives

To varying degrees, these risks are mitigated by continuous review of the strategic environment to enable the shaping of appropriate policies, the development of project management skills in relevant areas and careful personnel management.

Budgeted Price to the Government

| | |
|----------------------------------|---------------|
| 2002-03 Budget Estimate: | \$176m |
| 2001-02 Projected Result: | \$192m |
| Variation: | -\$16m |
| Percentage Variation: | -8.3% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the budgeted price of Strategic Policy will decrease by \$16m to \$176m, representing a decrease of 8.3 per cent from the 2001-02 projected result. This decrease is mainly due to the completion of a one-off Government assistance package to Papua New Guinea (\$20m) in 2001-02. The budgeted price of Output Five includes price and exchange movements, capital use charge 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 resources summary in Chapter One of this document.

DEFENCE COOPERATION

Overview

The aims and objectives of the Defence Cooperation Program are to support the Government's strategic objectives by:

- contributing to the maintenance of regional security;
- consolidating acceptance of Australia as an obvious and legitimate participant in deliberations on issues that affect regional security;
- encouraging and assisting with the development of the defence self-reliance of regional countries; and
- working with allies, regional partners and others to shape the global and regional environment in a way favourable to Australia and the ADF.

These activities encompass providing assistance to regional security forces in the areas of strategic planning, command and control, infrastructure, communications and logistics support. A key element of the Defence Cooperation Program is the Pacific patrol boat program. This comprises 22 vessels in 13 countries and is designed to help the Pacific island countries become better able to police their maritime zones. The Defence Cooperation Program also supports the conduct of combined exercises to improve the ability of regional countries to contribute to regional security.

The Defence International Engagement Plan is being developed to further articulate the objectives, initiatives and performance measures for Defence's international engagement as set out in the Defence International Engagement Strategic Plan. The international engagement plan will provide a robust policy basis for business planning and management of the Defence Cooperation Program over the next five years.

A breakdown of the \$62.5m allocated to the program in 2002-03 is shown in the following table. The decrease of \$20.4m from the previous year is due mostly to the non-recurrence of \$20m assistance in 2001-02 to support the reform of the Papua New Guinea Defence Force.

Table 2.9: Defence Cooperation Funding

| | 2001-02 Estimated Actual \$m | 2002-03 Budget Estimate \$m |
|----------------------------------|---|--|
| Papua New Guinea | 29.200 | 9.731 |
| South Pacific | | |
| Vanuatu | 1.595 | 1.623 |
| Solomon Islands | 1.094 | 1.214 |
| Tonga | 1.782 | 1.619 |
| Western Samoa | 0.557 | 0.493 |
| Cook Islands | 0.318 | 0.407 |
| Fiji | 1.200 | 1.195 |
| Marshall Islands | 0.764 | 0.760 |
| Federated States of Micronesia | 0.793 | 0.793 |
| Tuvalu | 0.761 | 0.782 |
| Kiribati | 0.782 | 0.836 |
| Palau | 0.561 | 0.740 |
| Multilateral General Assistance | 7.929 | 7.674 |
| Total | 18.136 | 18.136 |
| South-East Asia | | |
| Singapore | 0.422 | 0.530 |
| Philippines | 2.942 | 3.944 |
| Thailand | 4.849 | 5.300 |
| Malaysia | 4.630 | 5.287 |
| Indonesia | 5.300 | 4.745 |
| East Timor | 9.295 | 6.590 |
| Vietnam | 2.254 | 2.447 |
| Cambodia and Laos | 0.805 | 1.000 |
| Brunei | 0.065 | 0.120 |
| Total | 30.562 | 29.963 |
| Other Regional Activities | 4.980 | 4.622 |
| TOTAL | 82.878 | 62.452 |

OUTPUT SIX: INTELLIGENCE

Defence provides intelligence collection and analysis to support the planning and conduct of ADF operations, Defence policy making and planning, capability development, and wider Government decision making.

Planned Performance

Good intelligence remains critical to Australia's strategic posture in a complex and fluid environment. Defence will maintain an intelligence capability to inform Government policy and planning, to support the planning and conduct of ADF operations and to underpin the development of future ADF capability. Defence's intelligence functions will include:

- intelligence capability (including trained and experienced personnel, databases, and collection, production and dissemination systems) able to be activated in times of crisis or conflict;
- diverse products including signals intelligence reports and electronic warfare databases, all-source intelligence assessments and reports and databases, and imagery and geospatial products and databases;
- national communications and information security capability and services;
- a tangible and continuous contribution to allied relationships and to other important defence relationships; and
- an enhanced intelligence focus on counter-terrorism.

Defence maintains intelligence operations and capabilities to provide timely intelligence analysis and products, both for general distribution and tailored to specific requirements.

Key Risks and Limitations

Defence's ability to preserve its capability edge in intelligence collection and analysis is critically dependent on the availability of skilled and experienced personnel to support ongoing operations, on the acquisition and exploitation of new technology, and on maintenance of effective security. Recruitment and retention of skilled people will remain a key challenge.

Recent terrorist events and the increased tempo of ADF operations, combined with heightened government needs for intelligence and information security advice, are placing additional pressure on Defence intelligence resources.

Strategic Initiatives

In 2002-03, in line with the Defence White Paper, Defence will commence a number of significant initiatives to enhance intelligence capabilities across the next decade. These include substantial and sustained investment in enhanced signals intelligence and imagery collection capabilities, enhanced geospatial information systems and improved intelligence processing and dissemination

systems. Recruitment and retention challenges will be addressed by a strong emphasis on graduate and other forms of recruitment, strengthened security awareness and values, and training and development.

Budgeted Price to the Government

| | |
|----------------------------------|---------------|
| 2002-03 Budget Estimate: | \$442m |
| 2001-02 Projected Result: | \$397m |
| Variation: | \$45m |
| Percentage Variation: | 11.3% |

Significant Variations

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

Overall, the budgeted price of Intelligence will increase by \$45m to \$442m, representing an increase of 11.3 per cent from the 2001-02 projected result. The variation of 11.3 per cent relates mainly to the enhancement of intelligence capabilities including the costs associated with previously agreed communications projects (\$44m in 2002-03 representing an increase of \$34m from the 2001-02 funding) and E-Security (\$2m). In addition, the budgeted price includes price and exchange movements, capital use charge 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 resources summary in Chapter One of this document.

