



Australian Government

Department of Defence

ANNUAL REPORT 2003-04

DEFENDING AUSTRALIA AND ITS NATIONAL INTERESTS

Guide to the Report

The format and content of this annual report reflects the requirements developed by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit in June 2004 under subsections 63(2) and 70(2) of the *Public Service Act 1999*.

The Defence Annual Report 2003-04 addresses the Department of Defence and the Australian Defence Force (ADF), which are collectively referred to as 'Defence'. The Department of Veterans' Affairs and the Defence Housing Authority, which are parts of the Defence portfolio, have separate annual reports. The Australian Strategic Policy Institute, funded substantially by Defence, is a Government-owned company incorporated under the *Corporations Act 2001* and has a separate annual report.

Annual reports and portfolio budget and additional estimates statements are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio budget statements set out performance targets for departmental outputs. Portfolio additional estimates may contain revised targets and annual reports describe achievement against those targets.

In addition, Defence's annual reports are designed to link performance during the year under review with performance forecasts contained in the portfolio budget statements for the following year.

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ISSN 1323 5036

ISBN 0642296065

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Australian Government
Department of Defence

Senator the Hon Robert Hill
Minister for Defence
Parliament House

1 8 NOV 2004

Dear Minister

We hereby present the annual report of the Department of Defence for the year ended 30 June 2004. This report has been prepared in accordance with Section 63 of the *Public Service Act 1999*.

Subsection 63(1) of the Act requires that our report to you be tabled in the Parliament.

The report summarises the performance of Defence for 2003-04, and includes other mandatory information required by legislation.

In accordance with Section 45 of the *Financial Management and Accountability Act 1997* and pursuant to Regulation 19 of that Act, we are satisfied that Defence has prepared appropriate fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation and reporting procedures and processes that meet the specific needs of Defence and comply with the Commonwealth Fraud Control Guidelines 2002.

Yours sincerely

Handwritten signature of R C Smith in black ink.

R C Smith AO, PSM
Secretary
Department of Defence

Handwritten signature of P J Cosgrove in black ink.

P J Cosgrove AC, MC
General
Chief of the Defence Force

Contents

Guide to the Report	ii
Letter of Transmittal	iii
List of Tables and Charts.....	vi
Corrections to the Defence Annual Report.....	x

Chapter One – Overview

Year in Review	14
Review by the Secretary and the Chief of the Defence Force.....	14
Implementing the White Paper.....	23
Financial Overview.....	37
Program of Administrative Savings.....	57
Accountability Arrangements	61
Corporate Governance.....	61
Organisational Changes	62
Organisational Chart.....	63
Senior Executives.....	64
Changes	64
Remuneration for Period in Office.....	64
Study of Parliamentary Process	65
Defence Governance Framework	66
Senior Committees.....	66

Chapter Two – Outcome Performance

Overview of the Defence Outcomes and Outputs	78
Price to Government of Defence’s Outcomes	80
Outcome One: Command of Operations	83
Australian Defence Force Operations	96
Australian Defence Force Exercises.....	100
Outcome Two: Navy Capabilities	109
Outcome Three: Army Capabilities	127
Outcome Four: Air Force Capabilities	146
Outcome Five: Strategic Policy	158
Defence Cooperation	167
Outcome Six: Intelligence	177
Outcome Seven: Superannuation and Housing Support Services for Current and Retired Defence Personnel	187

Chapter Three – Group Contributions

Vice Chief of the Defence Force Group	192
Defence Science and Technology Organisation	195
Intelligence and Security Group	201
Capability Development Group	204
Corporate Services and Infrastructure Group	207
Office of the Chief Information Officer	209
Defence Materiel Organisation	212
Public Affairs Branch	216

Chapter Four – Capital Budget

Overview	220
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Defence Capability Plan.....	222
Approved Major Capital Equipment Program.....	223
Capital Facilities Projects	240
Other Capital Purchases	255
Capital Receipts.....	256
Chapter Five – People	
Workforce Overview	260
Performance Against People Matter Priorities for 2003-04.....	275
Non-Operational Training	285
Workplace Equity and Diversity	287
Occupational Health and Safety	291
Annual Report on the <i>Administration and Operation of the Defence Force</i> (<i>Home Loans Assistance</i>) Act 1990	296
Chapter Six – Management Reforms and Efficiencies	
Progress on Financial Management Reform.....	302
Defence Materiel Reforms	304
Corporate Services and Infrastructure Reforms.....	308
Commercial Support Program.....	311
Appendices	
Financial Statements.....	315
Purchaser-Provider Arrangements	401
Internal Audit and Risk Management Arrangements	403
Internal Audit.....	403
Ethics Awareness and Fraud Control.....	403
Portfolio Evaluations	404
Enterprise Risk Management.....	405
External Scrutiny	406
Parliamentary Committees.....	406
Auditor-General’s Reports	411
Defence Force Ombudsman	413
Decisions of Courts and Tribunals.....	413
Legal Expenses	414
Inspector-General of the Australian Defence Force.....	416
Responsiveness to the Ministers and the Parliamentary Secretary	420
The Defence Service Charter.....	421
Ecologically Sustainable Development and Environmental Performance	424
Asset Management.....	434
Discretionary Grants	436
ADF Units and Establishments	440
Consultancies	450
Advertising and Market Research	472
Contracts Exempt from Publication in the Purchasing and Disposal Gazette.....	478
Freedom of Information.....	479
Glossary.....	490
Acronyms and Abbreviations	497
Alphabetical Index.....	499

List of Tables and Charts

Chapter One – Overview

Table 1.1:	List of Major Capital Equipment Projects Approved by the Government in 2003-04.....	24
Table 1.2:	Revised White Paper Funding from 2001-02 to 2013-14 (Outturned 2004-05 prices).....	34
Table 1.3:	Current Status of White Paper Funding Allocations (Outturned 2004-05 prices).....	35
Table 1.4:	Total Defence Resourcing 2003-04.....	37
Table 1.5:	Statement of Financial Performance.....	39
Table 1.6:	Statement of Financial Position.....	44
Chart 1.1:	Historical Trends in Defence’s Assets.....	48
Chart 1.2:	Historical Trends in Defence’s Liabilities.....	48
Table 1.7:	Movements in Defence’s Net Worth 2000-01 to 2003-04.....	49
Table 1.8:	Use of Cash by Defence in 2003-04.....	50
Table 1.9:	Current Status of the Appropriation Receivable.....	51
Table 1.10:	Planned Rundown in Cash Levels.....	52
Table 1.11:	Net Additional Cost of Operations.....	53
Table 1.12:	Cost of Operations 2003-04.....	56
Table 1.13:	Program of Administrative Savings Targets.....	57
Table 1.14:	Administrative Savings Programmed.....	57
Table 1.15:	Cost Pressures Offset by Administrative Savings.....	58
Table 1.16:	Revenues and Expenses Administered on Behalf of the Government.....	60
Chart 1.3:	Organisational Chart.....	63
Table 1.17:	Senior Executive Remuneration 2003-04.....	65
Chart 1.4:	Senior Defence Committees Structure.....	67
Table 1.18:	Defence Committee Attendance.....	68
Table 1.19:	Chiefs of Service Committee Attendance.....	69
Table 1.20:	Defence Capability and Investment Committee Attendance.....	70
Table 1.21:	Defence Audit Committee Attendance.....	71
Table 1.22:	Defence Capability Committee Attendance.....	72
Table 1.23:	Defence People Committee Attendance.....	73
Table 1.24:	Defence Information Environment Committee Attendance.....	74
Table 1.25:	Defence Occupational Health and Safety Committee Attendance.....	75

Chapter Two – Outcome Performance

Table 2.1:	Cost of Defence Outputs in 2003-04.....	78
Table 2.2:	Cost to the Government of Departmental Outcomes.....	80
Table 2.3:	Overall Cost to the Government of Defence Outcomes (Departmental and Administered).....	81
Map 2.1:	Major ADF Operations during 2003-04.....	82
Table 2.4:	Outcome One – Command of Operations in Defence of Australia and its Interests.....	89
Table 2.5:	Price Summary of Outputs for Outcome One – Command of Operations in Defence of Australia and its Interests.....	95
Table 2.6:	Operations Contributing to the Security of the Immediate Neighbourhood.....	96
Table 2.7:	Operations Supporting Wider Interests.....	97
Table 2.8:	Operations for Peacetime National Tasks.....	98

Table 2.9:	ADF Joint Exercises	100
Table 2.10:	Combined ADF / United States Exercises	101
Table 2.11:	Combined ADF / Five Power Defence Arrangements Exercises	102
Table 2.12:	Combined ADF / New Zealand Exercises.....	103
Table 2.13:	Other Combined Exercises.....	103
Table 2.14:	Outcome Two – Navy Capability for the Defence of Australia and its Interests.....	120
Table 2.15:	Price Summary of Outputs for Outcome Two – Navy Capability for the Defence of Australia and its Interests	126
Table 2.16:	Outcome Three – Army Capability for the Defence of Australia and its Interests.....	139
Table 2.17:	Price Summary of Outputs for Outcome Three – Army Capability for the Defence of Australia and its Interests	145
Table 2.18:	Outcome Four – Air Force Capability for the Defence of Australia and its Interests.....	151
Table 2.19:	Price Summary of Outputs for Outcome Four – Air Force Capability for the Defence of Australia and its Interests.....	157
Table 2.20:	Outcome Five – Strategic Policy for the Defence of Australia and its Interests.....	162
Table 2.21:	Price Summary of Outputs for Outcome Five – Strategic Policy for the Defence of Australia and its Interests	166
Table 2.22:	Defence Cooperation Summary	167
Table 2.23:	South Pacific Region Summary	169
Table 2.24:	Pacific Patrol Boats by Country.....	171
Table 2.25:	South-East Asia Summary	172
Table 2.26:	Outcome Six – Intelligence for the Defence of Australia and its Interests .	181
Table 2.27:	Price Summary of Output for Outcome Six – Intelligence for the Defence of Australia and its Interests	186
Table 2.28:	Outcome Seven – Superannuation and Housing Support Services for Current and Retired Defence Personnel	188

Chapter Four – Capital Budget

Table 4.1:	Defence Financial Performance for the Capital Program 2003-04	221
Table 4.2:	Top 20 Projects by Actual 2003-04 Expenditure	223
Table 4.3:	Remaining Top 20 Projects by Total Approved Project Cost	234
Table 4.4:	Former Top 20 Projects	237
Table 4.5:	Approved Major Capital Facilities Projects by State and Federal Electorate	241
Table 4.6:	Status of Major Capital Facilities Projects.....	249
Table 4.7:	Approved Medium Capital Facilities by State and Federal Electorate	250
Table 4.8:	Status of Proposed Medium Capital Facilities Projects	254
Table 4.9:	Defence Capital Receipts 2003-04	256

Chapter Five – People

Table 5.1:	ADF Permanent Force Average Funded Strength	260
Table 5.2:	ADF Reserve Funded Strength	260
Table 5.3:	APS Average Funded Strength.....	261
Table 5.4:	Current Approved Professional Service Provider Strength	262
Chart 5.1:	Movements in Actual Civilian Personnel Numbers from Pay 1 2002-03 to Pay 26 2003-04	262
Table 5.5:	Breakdown of Average Funded Strengths by Service and Rank	263

Table 5.6:	Explanation of Variations in Employee Expenses	264
Table 5.7:	Reserves Enhancement Initiatives	266
Chart 5.2:	Defence Workforce Staffing as at 30 June 2004.....	266
Table 5.8:	Defence Personnel Comparison as at 30 June 2003 and 30 June 2004.....	267
Table 5.9:	ADF Permanent and Reserve Forces, and APS Personnel, by Gender and Employment Category.....	268
Table 5.10:	APS Personnel by Gender and Category as at 30 June 2004	269
Table 5.11:	Star-ranked Officers as at 30 June 2004.....	269
Table 5.12:	APS Senior Executive Service staff as at 30 June 2004	270
Table 5.13:	Distribution of Defence Personnel by Employment Location as at 30 June 2004.....	270
Table 5.14:	Distribution of APS Personnel by Employment Location as at 30 June 2004.....	271
Table 5.15:	Permanent Force Enlistments 2002-03 and 2003-04	272
Table 5.16:	ADF Permanent Force Recruiting Activity 2002-03 and 2003-04.....	272
Chart 5.3:	Permanent Force Recruiting Target versus Achievement for 2002-03 and 2003-04.....	273
Table 5.17:	Reserve Force Recruiting Activity for 2002-03 and 2003-04.....	273
Chart 5.4:	Reserve Force Recruiting Target versus Achievement for 2002-03 and 2003-04.....	273
Table 5.18:	ADF Permanent Force Separations 2002-03 and 2003-04.....	274
Table 5.19:	APS Separations 2002-03 and 2003-04.....	274
Table 5.20:	High Priority People Initiatives	284
Table 5.21:	Graduate Intake Figures	285
Table 5.22:	Non-Operational Training	286
Table 5.23:	Diversity of all Defence Personnel as at 30 June 2003 and 30 June 2004 ..	287
Chart 5.5:	Percentage of Reported Unacceptable Behaviour Incidents by Service for 2003-04	289
Chart 5.6:	Comparison of Reported Unacceptable Behaviour Incidents 2003-04	290
Table 5.24:	Incident Reporting.....	293
Table 5.25:	Investigations by Comcare	293
Table 5.26:	Comcare Notices	294
Table 5.27:	Compensation Claims Received from Defence Employees in 2002-03 and 2003-04.....	294
Table 5.28:	Applications for Payment of Subsidy by Type of Assistance	297
Table 5.29:	Comparison of Activities	298

Chapter Six – Management Reforms and Efficiencies

Table 6.1:	Expenditure on Corporate Services and Infrastructure Group-managed Contracts	310
Table 6.2:	Commercial Support Program Progress Summary as at 30 June 2004.....	311
Table 6.3:	Activities in Progress or Under Consideration.....	311
Table 6.4:	Activities Not Proceeding Under the Commercial Support Program.....	312

Appendices

Legal Expenses

Table 7.1:	Estimated Expenditure on Internal and External Legal Services in 2002-03 and 2003-04	414
Table 7.2:	Estimated Cost Breakdown of Internal Legal Expenses.....	414
Table 7.3:	Estimated Cost Breakdown of External Legal Expenses.....	414

Inspector-General of the Australian Defence Force

Table 7.4:	References to the Inspector-General ADF by Method Received.....	417
Table 7.5:	References to the Inspector-General ADF by Outcome	417
Table 7.6:	References to the Inspector-General ADF by Subject Matter	418
Table 7.7:	References to the Inspector-General ADF by Service	418
Table 7.8:	References to the Inspector-General ADF by Gender of Originator	418
Table 7.9:	Closed or Referred References Made to the Inspector-General ADF by Length of Time Before Being Closed or Referred.....	418

The Defence Service Charter

Table 7.10:	Complaints Made to Defence 1999-2000 – 2003-04.....	422
Table 7.11:	Percentage of Department Response Times Against the Standard Requirement of Ten Days	422
Table 7.12:	Accounts Paid by Due Date	423

Ecologically Sustainable Development and Environmental Performance

Table 7.13:	Defence Environment Panel Projects May 2003-June 2004	428
Table 7.14:	Environmental Incidents Reported in 2003-04	430
Table 7.15:	Defence Referrals in 2003-04.....	431

Discretionary Grants

Table 7.16:	Grants Awarded in 2003-04	436
Table 7.17:	Army Military History Research Grants Scheme Expenditure	436
Table 7.18:	Defence Family Support Funding Program Expenditure 2003-04	436

ADF Units and Establishments

Map 7.1:	Significant Australian Defence Bases/Establishments.....	440
Table 7.19:	ADF Units and Establishments	441

Consultancies

Table 7.20:	Use of Consultants by Defence Group.....	450
Table 7.21:	Particulars of Consultancy Contracts in 2003-04	451

Advertising and Market Research

Table 7.22:	Total Advertising and Market Research Expenditure by Type of Agency	472
Table 7.23:	Total Advertising and Market Research Expenditure by Group	472
Table 7.24:	Particulars of Payments by Group for Advertising and Market Research.....	473

Contracts Exempt from Publication

Table 7.25:	Number of Contract/Standing Offer Exemptions from Publication by Group.....	478
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Freedom of Information

Table 7.26:	Requests for Access to Documents	479
Table 7.27:	Time Taken to Answer Requests for Access to Documents	480

Corrections to the Defence Annual Report

External Consultants

The following entries were erroneously omitted due to incorrect coding of payments.

Name	Purpose	Total Amount Paid \$	Justification
2002-03			
Corporate Service and Infrastructure			
Anthony Blunn	Review of Defence Legislation	79,200	1
John S Baker	Review of Defence Legislation	34,000	1
Defence Materiel Organisation			
Anthony Blunn	Review of Departmental Actions Resulting from Complaints by Australian Flight Test Services	52,200	1
2001-02			
Defence Security Authority			
Anthony Blunn	Review of Defence Regional Security Arrangements	48,000	1
2000-01			
Corporate Services and Infrastructure			
Anthony Blunn	Scoping study and review of the Defence security function for its capacity to comply with relevant policy and audit requirements	60,000	1

Therefore, the total expenditure by Defence on consultants in 2000-01 was \$5,966,569; in 2001-02 was \$7,571,075; and in 2002-03 was \$14,700,874.

Key to Particulars of Consultancy Contracts

Justification

1. Specialised skills or service required not available within Defence
2. Specialised skills or service required not available within time frame
3. Technology not available within Defence

Contracts Exempt from Publication in the Purchasing and Disposal Gazette

The correct amount for exemptions made by the Defence Materiel Organisation in 2002-03 was \$143,416,208. This figure was incorrectly reported on p.395 of the *Defence Annual Report 2002-03* as \$12,021,868.

