

# **PORTFOLIO OVERVIEW**



## PORTFOLIO OVERVIEW

The Defence portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The three most significant bodies are:

- the Department of Defence – a department of state, headed by the Secretary of the Department of Defence
- the Australian Defence Force (ADF) – which consists of the three Services, Navy, Army and the Air Force (including Reserves) commanded by the Chief of the Defence Force (CDF). Each Service Chief also administers their respective Cadet service, although the Cadet service is not a component of the parent Service
- the Defence Materiel Organisation (DMO) – a prescribed agency within the Department of Defence, headed by its Chief Executive Officer (CEO) DMO.

In practice, these bodies have to work together closely and are broadly regarded as one organisation known simply as Defence (or the Australian Defence Organisation).

The portfolio also contains some smaller entities, including a number of statutory offices created by the *Defence Force Discipline Act, 1982* which are independent but reside administratively within Defence and various trusts and companies such as Defence Housing Australia (DHA) and the Australian Strategic Policy Institute.

DHA's main function is to provide adequate and suitable housing for members of the ADF. DHA is an enterprise within the Defence portfolio and has two shareholder Ministers: the Minister for Defence, the Hon Stephen Smith MP; and the Minister for Finance and Deregulation, Senator the Hon Penny Wong.

DHA is required by legislation to perform its functions in accordance with the policies of the Australian Government and in accordance with sound commercial practice. This means that DHA has a targeted rate of return and a requirement to make annual dividends and income tax payments.

The Minister for Defence's portfolio also contains the Department of Veterans' Affairs and associated bodies, as it is designated as part of the Defence portfolio in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately to Defence.

## MINISTERS AND THEIR PORTFOLIO RESPONSIBILITIES

### Changes Affecting the Portfolio

Since publication of the Defence *Portfolio Additional Estimates Statements 2010-11*, Defence ministerial responsibilities have not changed. The Ministers and their portfolio responsibilities are as follows:

#### **THE HON STEPHEN SMITH MP – MINISTER FOR DEFENCE**

- General
  - oversight of all aspects of the Defence portfolio
  - lead on all Cabinet submissions
- Strategic Policy
- Operations and Intelligence
- International Policy
- Force Structure
- Strategic Reform Program
- Budget and Finance
- Defence estate policy and major projects
- Military Justice System
- Defence Export Controls

Strategic aspects of:

- Defence estate policy and major projects
- Project SEA 1000
- New Air Combat Capability

Capability Responsibilities:

- Development of the Defence Capability Plan (DCP)
- DCP programming and budgeting
- Processing of unapproved projects up to and including Second-Pass stage

## **THE HON WARREN SNOWDON MP – MINISTER FOR DEFENCE SCIENCE AND PERSONNEL**

Specific responsibilities allocated to Mr Snowdon are:

- Science and technology policy including:
  - strategic direction
  - external engagement
  - support to operations
  - support to the force-in-being
  - enabling research
- Personnel policy including:
  - workforce planning
  - recruitment and retention
  - pay and superannuation
  - equity and diversity
  - personnel support
  - Defence families and community organisations
  - housing policy
  - health (including Occupational Health and Safety)

## **THE HON JASON CLARE MP – MINISTER FOR DEFENCE MATERIEL**

Specific responsibilities allocated to Mr Clare are:

- Defence materiel acquisition
- Sustainment issues
- Tendering and contracting for materiel acquisition
- Industry capacity, structure, policy and engagement
- Skills policy
- Equipment disposal
- Science and technology matters as they relate to capability development materiel acquisition and sustainment

Capability Responsibilities:

- Acquisition strategy throughout the capability approval process

Assist the Minister for Defence on:

- Development of the DCP
- DCP programming and budgeting
- Processing of unapproved projects up to and including Second-Pass stage

## **SENATOR DAVID FEENEY – PARLIAMENTARY SECRETARY FOR DEFENCE**

Specific responsibilities allocated to Senator Feeney are:

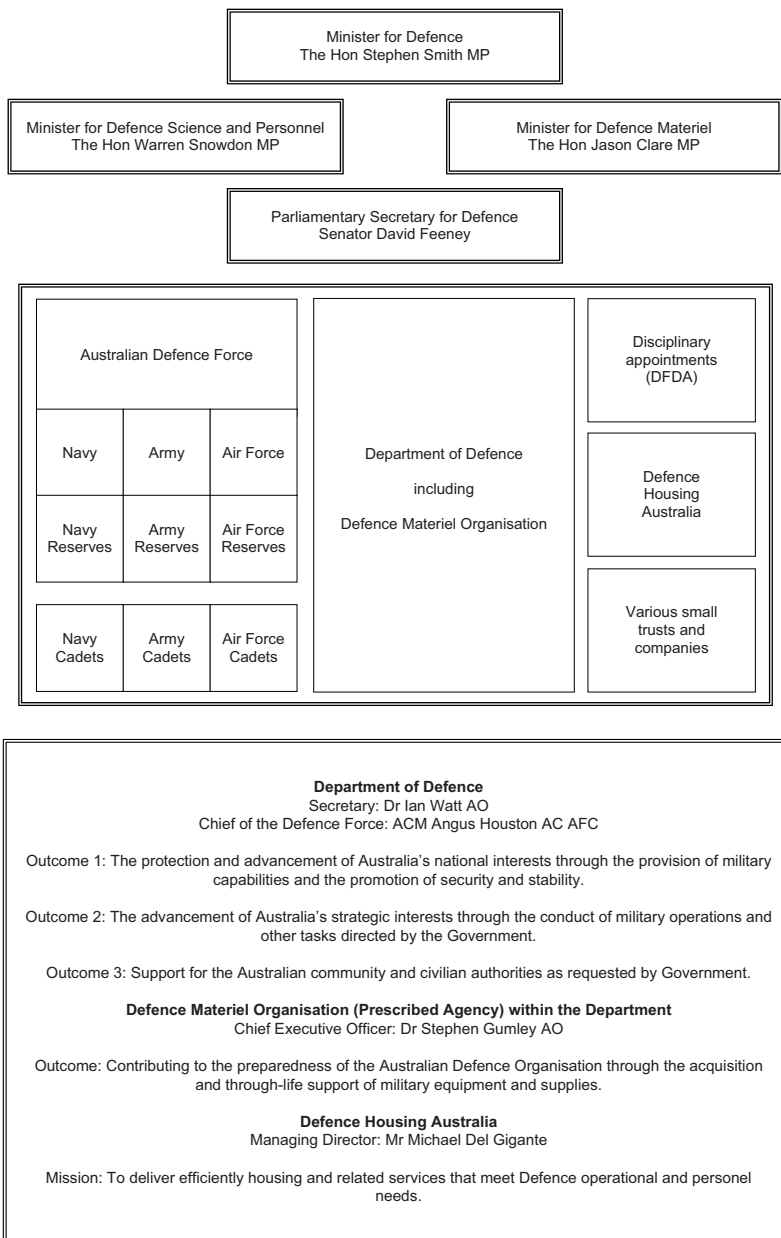
- Garrison services and administration of Defence estate policy
- Facilities, infrastructure and property
- Reserves policy
- Cadets
- Asia-Pacific Civil Military Centre of Excellence (APCM-COE)
- Asia-Pacific Centre for Military Law
- Honours and Awards
- Nature of Service Review
- ADF Parliamentary exchange program
- Aircraft noise and abatement
- Assist the Minister for Defence on information communications technology matters
- Education and training <sup>[1]</sup>

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1. The Parliamentary Secretary for Defence has prime carriage of education and training, but he will consult the Minister for Defence Science and Personnel on matters in relation to overall personnel policy.

# PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence portfolio structure and outcomes



## **DEFENCE PORTFOLIO BODIES**

None of the portfolio bodies described below receives direct appropriations from the Commonwealth.

### **Army and Air Force Canteen Service**

Chairman: Mr Edward (Ted) Moore

The Army and Air Force Canteen Service (trading as Frontline Defence Services) is a Commonwealth authority, established under the *Army and Air Force Canteen Service Regulations 1959* and supplies goods, facilities and services to, or for the entertainment and recreation of, members of the Army and the Air Force including persons employed in, or in connection with, Army or Air Force installations and dependants of those members or persons, visitors to such installations and members of the Australian Army or Air Force Cadets.

Their role is to enhance the living conditions and social environment of the Australian Defence Force by providing canteen services, comprising food beverages and convenience items; wholesale supply of alcohol and other requirements to messes and clubs; vending; dry-cleaning services; postal services; fuel and mechanical workshops; and Army Shop - the online supplier of Brand Army merchandise and Military and adventure-wear stores.

### **Australian Military Forces Relief Trust Fund**

Chairman: Brigadier Gerard Fogarty AM

The Australian Military Forces Relief Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits to members of the Australian Defence Force who have served in, or in association with, the Army and to the dependants of such members.

### **Royal Australian Air Force Veterans' Residences Trust Fund**

Chairman: Vacant as at 1 April 2011

The Royal Australian Air Force Veterans' Residences Trust Fund is a Commonwealth authority which provides a residence or residences in which eligible former members, including dependants, of the Royal Australian Air Force, Royal Australian Air Force Nursing Service and Women's Auxiliary Australian Air Force who are in necessitous circumstances and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

### **Royal Australian Air Force Welfare Trust Fund**

Chairman: Chaplain (Air Commodore) Murray Earl

The Royal Australian Air Force Welfare Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits for members of the Defence Force who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

### **Royal Australian Navy Central Canteens Board**

Chairman: Rear Admiral Peter Marshall

The Royal Australian Navy Central Canteens Board is a Commonwealth authority established under the *Navy (Canteens) Regulations 1954* and administers the Royal Australian Navy Central Canteens Fund (RANCCF) which provides grants and loans to canteens, clubs, cinemas or other institutions or facilities for the welfare or entertainment of the members of the Navy and to make grants to the Royal Australian Navy Relief Trust Fund.

The RANCCF also operates holiday parks, accommodation and amenities which provide discounted holiday accommodation to Naval and Defence members; a theatre and entertainment ticketing agency which provides discounted theatre tickets to Naval and Defence members; a retail e-Commerce facility called SALT which sells Navy memorabilia; a raffle for Navy members; a retail operation at the Fleet Air Arm Museum in Nowra; mobile coffee services and wholesale supply services to canteens, messes and clubs.

### **Royal Australian Navy Relief Trust Fund**

Chairman: Commodore Paul Kinghorne

The Royal Australian Navy Relief Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits for members of the Defence Force who have served in, or in association with, the Navy and to the dependants of such members.

### **AAF Company**

President: Brigadier Gerard Fogarty AM

The AAF Company is a Commonwealth company that undertakes the management and trusteeship of the unincorporated funds known as the 'Army Amenities Fund' and the 'Messes Trust Fund'. The AAF Company promotes and supports the objects of the Army Amenities Fund which provides amenities for members of the Australian Army.

### **Australian Strategic Policy Institute Limited**

Chairman: Mr Stephen Loosley

The Australian Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

### **Royal Australian Air Force Welfare Recreational Company**

Chairman: Air Commodore Robert Rodgers CSM

The Royal Australian Air Force Welfare Recreational Company is a Commonwealth company that provides access to discounted recreational accommodation and manages and promotes the Royal Australian Air Force Central Welfare Trust Fund-owned recreational facilities for the Royal Australian Air Force members, their families and other eligible persons. It also provides financial support to, and assists in the provision of, recreational facilities and services to the Royal Australian Air Force members.

# Portfolio Resource Statement

Table 1: Portfolio Resources<sup>[1]</sup>

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation <sup>[3]</sup>	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items <sup>[4]</sup>	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Department of Defence</b>								
Administered appropriations	-	-	-1,292.1	3,928.9	2,636.8	1,264.0	28.1	3,928.9
Departmental appropriations <sup>[1]</sup>	22,648.8	2,909.3	-51.6	-	25,506.5	1,053.3	-	26,559.8
<b>Total Department of Defence</b>	<b>22,648.8</b>	<b>2,909.3</b>	<b>-1,343.7</b>	<b>3,928.9</b>	<b>28,143.3</b>	<b>2,317.3</b>	<b>28.1</b>	<b>30,488.7</b>
<b>Defence Materiel Organisation</b>								
Administered appropriations	-	-	-1.5	-	-1.5	1.5	-	-
Departmental appropriations <sup>[2]</sup>	929.2	-	-	-	929.2	10,155.5	-	11,084.7
<b>Total Defence Materiel Organisation</b>	<b>929.2</b>	<b>-</b>	<b>-1.5</b>	<b>-</b>	<b>927.7</b>	<b>10,157.0</b>	<b>-</b>	<b>11,084.7</b>
<b>Defence Housing Australia</b>								
Administered appropriations	-	-	-	-	-	-	-	-
Departmental appropriations <sup>[2]</sup>	-	-	-	-	-	833.1	-	833.1
<b>Total Defence Housing Australia</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>833.1</b>	<b>-</b>	<b>833.1</b>
<b>Total Portfolio<sup>[5]</sup></b>	<b>23,578.0</b>	<b>2,909.3</b>	<b>-1,345.2</b>	<b>3,928.9</b>	<b>29,071.0</b>			

## Notes

- Note that Defence Departmental Appropriation includes planned payments to DMO of \$10,099.5m and to DHA of \$513.5m.
- Note that DMO and DHA includes planned revenue from Defence.
- The special appropriation of \$3,928.9m represents gross administered expenses, special appropriation net of Revenue is \$3,802.6m.
- Value of interest administered by Defence for Defence Housing Authority loans taken out prior to the 30th June 2008.
- The Total Appropriation (\$29,071.0m) in this table is different to Table 2 - Total Cash Available (\$27,242.7m). This is due to the Administered Special Appropriation (\$3,928.9m) being reported on accrual basis in this table, while Table 1 reports the amount on a cash basis (\$2,100.6m), giving a difference of \$1,828.3m (\$29,071.0m - \$1,828.3m = \$27,242.7m).

**Table 2: Total Departmental and Administered consolidation cash budget for the Department of Defence (including DMO)<sup>[1]</sup>**

	<b>2011-12 Estimate \$m</b>
<b>APPROPRIATIONS AND CAPITAL</b>	
Appropriation (Bill 1) <sup>[2]</sup>	23,578.0
Appropriation - contributed equity (Bill 2)	2,909.3
Appropriations for military superannuation <sup>[3]</sup>	2,100.6
/ess Returns to the OPA	-1,345.2
<b>Total Cash Available</b>	<b>27,242.7</b>
<b>OPERATING ACTIVITIES</b>	
<b>Cash received</b>	
Goods and services	405.7
Interest and licence fees	16.6
Other cash received including GST	1,462.6
<b>Total cash received</b>	<b>1,884.9</b>
<b>Cash used</b>	
Employees	8,939.4
Suppliers	8,796.9
Subsidies and grants	190.8
Administered military benefits	1,987.1
Other cash used including GST	1,270.3
<b>Total cash used</b>	<b>21,184.4</b>
<b>Net cash from or (used by) operating activities</b>	<b>-19,299.5</b>
<b>INVESTING ACTIVITIES</b>	
<b>Cash received</b>	
Proceeds from sales of land and buildings, infrastructure, plant and equipment	117.8
Dividends	47.6
<b>Total cash received</b>	<b>165.4</b>
<b>Cash used</b>	
Purchase of land and buildings, infrastructure, plant and equipment	1,443.6
Purchase of specialist military equipment	5,193.7
Purchase of inventory	1,253.5
Purchase of intangibles	31.4
Loans	-
Other	101.4
<b>Total cash used</b>	<b>8,023.7</b>
<b>Net cash from or (used by) investing activities</b>	<b>-7,858.3</b>
<b>FINANCING ACTIVITIES</b>	
<b>Cash received</b>	
<b>Cash used</b>	
Repayment of debt	76.9
<b>Total cash used</b>	<b>76.9</b>
<b>Net cash from or (used by) financing activities</b>	<b>-76.9</b>
<b>Net increase or (decrease) in cash and cash equivalents held</b>	<b>8.0</b>
Cash and cash equivalents at beginning of the reporting period	136.7
Effect of exchange rate movements on cash and cash equivalents	-
<b>Cash and cash equivalents at end of the reporting period</b>	<b>144.7</b>

**Note**

- Figures shown eliminate interagency transactions and transactions flowing between Departmental and Administered funding.
- Includes \$8.0m of Prior Year Appropriation for 2010-11 relating to Operations
- Cross reference with Table 79 Consolidated Administered Statement of Cash Flows for the Department of Defence (including DMO)

## Portfolio Workforce

The Australian Defence Force (ADF) workforce will continue to exceed its planned growth path in 2011-12 and 2012-13. This is largely a result of the lowest separation rates for military personnel in the last twenty years, caused in turn by the combined effects of successful recruitment and retention initiatives undertaken by Defence since 2006 and the impact of the Global Financial Crisis. Defence will mitigate the effects of this overachievement through a range of measures designed to return the military workforce to guidance by the end of 2012-13.

The Australian Public Service (APS) workforce will increase from an estimated 20,656 in 2010-11 to 21,648 in 2011-12. The major drivers of growth in the APS workforce include investment associated with Force 2030 capability development initiatives, and Strategic Reform Program (SRP) Workforce and Shared Services Reform-related civilianisation of non-combat related military positions and conversions from contractors to less costly APS positions. In parallel with these growth factors, reductions to the net APS workforce will result from measures such as the introduction of a first phase of Shared Services reform in Defence, and improvements in sustainment and logistics.

A further reduction of 1,000 to the forecast growth in the Defence APS workforce will be implemented over the next three years. This will be achieved through a broader implementation of Shared Services across Defence, bringing forward existing SRP initiatives where possible, and seeking further efficiencies throughout the Defence Organisation. Care will be taken in these reforms not to reduce standards of service in support of operations or capability development.

**Table 3: Defence and DMO Consolidated Workforce Table**

	2010-11 Projected Result	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
<b>ADF</b>					
ADF Permanent Force <sup>[1]</sup>	59,023	59,053	58,928	58,872	59,546
Reserves <sup>[2]</sup>	21,850	22,350	22,850	23,290	23,290
<b>1 Total ADF Workforce</b>	<b>80,873</b>	<b>81,403</b>	<b>81,778</b>	<b>82,162</b>	<b>82,836</b>
<b>APS</b>					
Defence APS	15,146	16,001	16,114	15,972	15,611
DMO APS	5,510	5,647	5,744	5,874	6,096
<b>2 Total APS</b>	<b>20,656</b>	<b>21,648</b>	<b>21,858</b>	<b>21,846</b>	<b>21,707</b>
<b>Contractor<sup>[3]</sup></b>					
Defence Contractor	651	593	488	450	447
DMO Contractor	24	51	48	48	48
<b>3 Total Contractor</b>	<b>675</b>	<b>644</b>	<b>536</b>	<b>498</b>	<b>495</b>
<b>Total Workforce Strength (1+2+3)</b>	<b>102,204</b>	<b>103,695</b>	<b>104,172</b>	<b>104,506</b>	<b>105,038</b>

**Notes**

1. Numbers for ADF Permanent Force include ADF members in the DMO, and Reservists on Continuous Full Time Service.
2. Numbers for Reserves include Active and High Readiness Reserve members.
3. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.