

PART 1

CORPORATE
PERFORMANCE

DEFENCE MISSION

Australia's strategic and defence planning must take account of the complexity and uncertainty of the international situation, as well as a range of other domestic and international factors such as technological advances and the changing nature of warfare; economic and industry developments; and political and diplomatic changes.

The most fundamental responsibility of the Government is to provide for the security of Australia, its people and its interests. This responsibility is reflected in the Defence mission:

To prevent or defeat the use of armed aggression against Australia and its interests

This statement of the enduring reason for the existence of the Defence organisation guides the development of defence policy, planning, programs and activities, and represents the ultimate benchmark against which its performance will be measured. The core defence business is to ensure that the Australian Defence Force is able to operate effectively in conflict, should that be necessary, and to contribute to managing Australia's national security interests in such a way that conflict does not occur. The mission involves, therefore, two key dimensions: the development and maintenance of the capacity to defeat any use or threat of armed aggression against Australia and its interests; and the promotion of a regional and global security environment which enhances Australia's security by reducing the likelihood of armed attack against Australia or its interests. The Government's aim is to ensure that Australia is, and remains, a secure country in a secure region.

Australia is faced with numerous political, economic and social challenges, stemming both from changes in the Australian community and economy, and from changes in the international strategic, political and economic environments. The Defence organisation is currently going through a period of major change. In part, this is in response to the changing strategic environment in the Asia-Pacific region following the end of the Cold War. Notwithstanding recent economic events in the region, Australia will face a challenge in maintaining its relative strategic standing.

THE YEAR IN REVIEW

OVERVIEW

Within this challenging environment, the Government has provided the Defence organisation with strategic guidance and policy:

- to refocus, through *Australia's Strategic Policy*, Defence activities into a rigorous and detailed set of priorities for defence capabilities and operational activities;
- to enhance the performance-oriented culture, through the Defence Reform Program and the introduction of output management, and to seek efficiencies within Defence in order to reinvest savings in capabilities and operational activities; and
- to enhance Defence's partnership with the Australian community and industry to ensure that the Australian Defence Force (ADF) acquires and maintains vital capabilities in a nationally efficient way.

This provides the framework of outcomes and priorities within which Defence will maintain both the ability to influence our security environment and confidence in our capacity for national defence.

During 1997-98, Defence continued to position itself to meet Government policy and performance expectations. Work began on giving effect to Government policy enunciated in *Australia's Strategic Policy*, announced in December 1997, and the *Defence and Industry – Strategic Policy Statement*, which was released in June 1998 after extensive development and consultation with stakeholders in industry and government and was well received throughout Defence and industry.

Defence has continued its extensive and ambitious program of major management change, principally under the Defence Reform Program but also including developments in strategic policy and planning, performance management and the introduction of accrual-based output management.

While these initiatives involve major organisational change and the achievement of large-scale efficiency gains, they are fundamentally about changing the way the Defence organisation is managed and operates. A more corporate approach to planning and decision making, including more effective long-term planning, is being implemented. Common support organisations for education and training, logistics, personnel management, information systems and corporate support have been created and these support functions will be rationalised, with many of them to be market tested by 2001-02.

STRATEGIC POLICY AND PLANNING

Australia's Strategic Policy, released in December 1997, establishes the direction for Australian defence planning into the 21st century. The strategic review builds on the Government's White Paper on Foreign and Trade Policy, *In the National Interest*, to outline the modern, relevant military force required to undertake successfully the range of challenging tasks that could be required of the ADF in the years ahead.

Australia's Strategic Policy identifies two major factors shaping Australia's strategic environment - namely economic growth in East Asia, and particularly its implications for

regional arms modernisation programs, and the changing strategic relativities between the region's major powers.

The review does not identify any particular threat, nor does it attempt to predict circumstances in which Australia might be threatened or would need to commit the ADF. Rather, *Australia's Strategic Policy* builds on our understanding of the enduring fundamentals of Australia's strategic environment and the key long-term trends that are likely to affect those fundamentals.

The review identifies Australia's key strategic interests as:

- helping to avoid destabilising strategic competition between the region's major powers;
- helping to prevent the emergence in the Asia-Pacific region of a security environment dominated by any power or powers whose interests would likely be inimical to those of Australia;
- helping to maintain a benign security environment in Southeast Asia - especially in maritime Southeast Asia - which safeguards the territorial integrity of all countries in the region;
- helping to prevent the positioning in neighbouring states by any foreign power of military forces which might be used to attack Australia; and
- helping to prevent the proliferation of weapons of mass destruction in our region.

In light of these priorities, the review considers that there are three basic tasks which the ADF could be required to perform:

- defeating attacks on Australia;
- defending our regional interests; and
- supporting a global security environment which discourages interstate aggression.

The Government has made clear that having the capabilities to defeat attacks on Australia is the highest priority. However, the defence of Australia does not begin at Australia's shoreline. Australia's strategic geography dictates that we should plan on more proactive operations which focus on defeating attacks in our maritime and air approaches, before they reach Australian territory.

Moreover, Australia's future security and prosperity is increasingly dependent on that of the wider Asia-Pacific region. To that end, Australia will work hard to promote regional stability through bilateral and multilateral dialogue and diplomacy, and regional defence cooperation.

In addition, no Government can rule out the possibility that circumstances might arise in which Australia would want to make a significant contribution to a future conflict in which our interests were vitally engaged. That means being prepared to contribute actively to the maintenance of broader regional stability and our objective of 'a secure Australia in a secure

The review outlines four priority areas for the future development of ADF capabilities. These are:

- the knowledge edge - that is, the effective exploitation of information technologies to allow Australia to use our relatively small forces to maximum effectiveness;
- developing military capabilities to defeat any future threats in our maritime and air approaches;
- maintaining an effective ADF strike capability - that is, the ability to operate proactively against hostile forces in the defence of Australia and our interests; and
- developing capabilities to defeat threats on Australian territory.

Work has started on the annual strategic assessments to update the guidance provided in *Australia's Strategic Policy*. The next assessment is planned to be ready for consideration by the Minister for Defence before the end of 1998. Further progress has been made in enunciating the implications of the policy for Defence planning, particularly in relation to the development of military strategies in support of the Defence outcome and the development of military response options. A scenario planning technique is being used as one means to improve Defence's strategic planning. A range of Asia-Pacific scenarios, looking at potential plausible futures, has been developed.

A new Corporate Plan is being produced to communicate Defence's strategic direction and instil a corporate focus into subordinate planning and decision-making processes.

DEFENCE OUTCOME AND OUTPUTS

In response to the Government's accrual-based outcomes and outputs framework, Defence has developed the following outcome, which is closely based on the Defence mission, as the intended consequence of the delivery of its outputs:

The prevention or defeat of armed aggression against Australia and its interests.

Defence provides four principal deliverables to Government. These are:

- Combat capability;
- Effective international defence relationships and contribution to international activities;
- Effective contribution to national support tasks; and
- Strategic command and policy.

Combat Capability

Defence seeks to provide a national capacity to defeat any use of armed force against Australia, without the assistance of combat forces from other countries. It is very difficult to disaggregate combat capability into measurable, comprehensive and mutually-exclusive components. Defence Force elements, platforms and personnel can be applied flexibly to a wide range of defence tasks. Nevertheless, for management purposes, Defence has broken down the combat capability deliverable into capability outputs afforded by force elements in the nineteen broad areas described below.

Operational Command Systems

The full potential of the ADF's combat capability can be realised only through an effective and efficient command and control structure, supported by a C³I system that maximises the knowledge edge. Command and control of the ADF is based on a three-tiered system in which command is exercised at the strategic, operational and tactical levels.

Strategic Intelligence

The intelligence capability within Defence provides tactical through to strategic intelligence to ADF commanders, decision and policy makers, and external customers. The intelligence capability includes: signals intelligence collection and processing; tactical through to strategic analysis based on a variety of intelligence sources; and a range of dissemination and distribution techniques in support of customer requirements.

Capability for Major Surface Combatant Operations

With long range, good endurance and the ability to contribute to all forms of maritime warfare, surface combatants are well suited for operations in Australia's maritime approaches and the maritime environment of the region and beyond. They are a significant component of the ADF's capability to control the maritime approaches to Australia and are ready to respond at short notice to a range of tasks.

Capability for Patrol Boat Operations

The patrol boat force is capable of effectively conducting a wide range of peacetime tasks at little or no notice. Many of the skills required for peacetime operations are compatible with their wartime role.

Capability for Submarine Operations

The submarine force contributes to controlling the maritime approaches to Australia by providing covert surveillance and a viable deterrent to hostile ships and submarines. The Oberon class and the Collins class submarines which will replace them are capable of undertaking long range, covert patrol and strike operations.

Military Geographic Information

Military geographic information in the form of paper maps and charts, digital survey data, and supporting products, is fundamental in the planning and conduct of military operations and is a key element of the 'knowledge edge' sought by Defence.

Capability for Afloat Support

The afloat support capability is critical to the effectiveness of the surface combatant force by providing the sustainment necessary for surface combatant task groups to operate in the expansive waters of the region.

Capability for Mine Countermeasures and Defensive Mining

Protection against mining requires a range of specialist capabilities. The mine countermeasures force is undergoing significant redevelopment to provide a balanced and flexible minehunting, minesweeping and diving capability for countering the full spectrum of maritime mines which can be deployed in the region.

Capability for Amphibious Lift

Amphibious lift is a vital capability for the ADF to operate effectively in the region given long coastlines, sparse infrastructure and dispersed archipelagic and regional island nations. The amphibious lift force is also capable of participating in a range of operations other than war including logistic support to land operations, Defence aid to the civil community tasks and foreign assistance.

Capability for Special Forces Operations

The ADF's special operations capability comprises specially-trained, organised and equipped forces capable of achieving objectives beyond the scope of conventional forces.

Capability for Land Task Forces Operations

The ADF capability for land force operations is designed to perform a variety of missions across the full spectrum of conflict, including protecting population and infrastructure, detecting and defeating incursions, securing Australia's offshore territories, service-protected evacuation, contributing to coalition operations and the defence of regional interests.

Capability for Logistics Support of Land Operations

Sustainment of land-based operations is dependent upon an effective and efficient logistic support system which extends seamlessly from the strategic to the tactical level.

Capability for Air Strike/Reconnaissance

The Air Force's F-111 aircraft provide a long-range strategic and tactical strike and reconnaissance capability. This capability can be delivered during day or night, regardless of weather, to provide strike and interdiction in the maritime and land environments, offensive air support and limited air defence.

Capability for Tactical Fighter Operations

The principal role of the F/A-18 aircraft is air defence, including both offensive and defensive counter air. Due to its multi-role capability, this aircraft also provides maritime and land strike and interdiction, and offensive air support to ground forces.

Capability for Ground-Based Air Defence

Ground-based air defence is an integral component of the ADF's air defence concept, providing 24-hour all-weather protection against a range of air threats to population centres, manoeuvre forces, vital assets and power projection bases in northern Australia and the critical early warning and command and control elements of the ADF air defence system.

Capability for Strategic Surveillance

This capability provides wide-area surveillance, air defence, airspace management and air traffic control for the ADF using an integrated network of sensors, communications and weapons systems. Equipment operated includes ground-based air defence and air traffic control microwave radars and the Jindalee over-the-horizon radar.

Capability for Maritime Patrol Aircraft Operations

The P-3C provides long-range maritime patrol capabilities. Its roles include intelligence, maritime surveillance, anti-submarine warfare, anti-surface warfare, mining, maritime strike and search and survivor supply.

Capability for Airlift

A variety of aircraft provide tactical and strategic airlift capabilities, VIP air transport for government, air-to-air refuelling for the ADF as well as navigational training. The geographical extent of Australia, the limited size of our forces and the need for military responsiveness ensure that air mobility will remain critical for the ADF in most operations.

Capability for Operational Support of Air Operations

The capability for operational support of air operations provides for deployable tactical air base support. It encompasses base activation, navigation aid and tactical communications, air movement, airfield defence, and combat logistics capabilities. The provision of secure airfields and combat support arrangements for the deployment of air assets will continue to be critical to the support of ADF operations.

Effective International Defence Relationships and Contribution to International Activities

Australia's strategic policy has always placed high priority on the alliances and regional defence relationships through which our strategic environment can be influenced and the likelihood of conflict is diminished. Australia's alliances with the United States and New Zealand, and our network of bilateral and multilateral defence relationships throughout the Asia-Pacific region, are among our most important strategic assets.

Effective Contribution to National Support Tasks

This capability encompasses activities undertaken to support the nation. It includes roles and responsibilities in the areas of Defence emergency and non-emergency assistance to the civil community and the provision of ADF aid to supplement law enforcement measures taken by the Commonwealth and/or state governments. Specific activities include counter terrorism, civil search and rescue and ADF support to civil surveillance in the form of maritime surface patrol and aerial surveillance.

Strategic Command and Policy

This capability refers to strategic support for military operations and activities, and Defence input to government on defence and security issues.

CAPABILITY MANAGEMENT

The Government looks to Defence to provide the widest range of effective military options in any situation that might arise. The Defence organisation's most important priority therefore is to maintain military capability ready for operations, including, if necessary, for combat. That priority is reflected in Defence's output structure, which identifies the elements of current combat capability as the key products provided to the Government.

The current capability of the ADF is measured primarily in terms of posture and preparedness. In our current circumstances, preparedness levels are determined primarily by the requirements of regional operations and deployments in support of global interests, as well as by some non-combat functions such as surveillance. The required levels are reflected in the Chief of the Defence Force Preparedness Directive which was issued in early 1998. Further work is under way to enhance preparedness planning to take account of the strategic guidance in *Australia's Strategic Policy*. A set of military strategies and response options are being developed to provide a basis for a new preparedness directive which is planned to be finalised in early 1999.

A major review of logistics funding needed to support current capabilities was undertaken during the year. As a consequence, an allocation of additional funding was provided to address urgent and priority requirements.¹ In addition, funding was provided to enhance the Navy's amphibious-lift capability by the retention of HMAS *Tobruk*, which was to be decommissioned. Of concern, though, is the tragic fire on HMAS *Westralia* and the resultant damage which will result in the ship remaining out of service until early 2000.

Expanding the operational effect that can be achieved with current assets is one of the principal aims of the Defence Reform Program. To realise the potential capability of the ADF will require improvements and innovations to many areas including training, personnel planning, facilities, logistics, stockholding, maintenance and minor equipment.

As well as providing today's force, Defence is also responsible for developing the capabilities that will defend Australia many years from now. The demands of the present need to be balanced with those of the future. Australia's strategic circumstances could become a lot more demanding than they are today. Defence needs to take advantage of technological and other trends to ensure that it lays the foundations for the forces Australia will need in the future.

The substantial enhancement of Defence capabilities continued in 1997-98. Government approval was given for some \$7,000m in new major equipment, including an airborne early warning and control system, a number of light armoured vehicle projects and major upgrades of the Hornet fighters, the guided-missile frigates and the M113 armoured vehicle. Development activity continued on some 230 approved major capital equipment projects, including a number approved in previous years but not yet to contract. Approved projects total \$41,000m of which \$25,000m has already been spent, including the \$2,300m spent in 1997-98. Problems were experienced with some major projects, mostly due to delays from contractor/sub-contractor performance, including the C-130J aircraft, hydrographic ships, the Jindalee over-the-horizon radar and the Collins class submarines. Defence is committed to ensuring that any problems with these projects will be rectified and that fully-capable platforms will be brought into service.

¹ Details can be found in the Defence Reform Program reinvestment section on pages 17-19.

All Defence facilities projects were delivered or proceeded within cost, on time and to specified quality standards during the year. Construction of infrastructure to allow the environmentally-sustainable use of the Bradshaw Field Training Area in the Northern Territory has been delayed due to consideration of how best to respond to a Native Title claim over the property. Redevelopment of the Russell Offices continues on schedule and within budget, with the occupation of building R1, and the construction of building R2 and the refurbishment of three other buildings to be completed and fully occupied by April 1999.

The long-term planning process is being improved and strengthened. The development of Capability Assessment Reports for each of the 22 direct Defence outputs has provided a useful mechanism for gaining a better understanding of the effectiveness of current capabilities. However, there is still room for further improvement, particularly in developing better, more comprehensive capability-effectiveness measures.

A good deal of progress has been made in developing a much more robust infrastructure to support resource-priority setting and resource-allocation decision making in the short, medium and longer term. A system has been developed and tested to support the costing of outputs. A number of deficiencies remain in the ability of our current corporate systems and processes which will need to be overcome if the quality of output costs is to be improved.

A need for further improvements in the capability development process has been identified. A particular area of concern is the length of time being taken to get equipment into service and progress has been slow in injecting whole-of-capability and whole-of-life considerations into the decision-making process. A dedicated team has been established to explore options and make recommendations for improving capability management. The team is due to report in sufficient time to allow full implementation of its recommendations by 1 July 1999.

Despite the achievement and reinvestment of Defence Reform Program savings, they fall short of satisfying the range of funding pressures that Defence faces over the next ten to fifteen years, including:

- additional preparedness demands arising out of *Australia's Strategic Policy*;
- additional requirements in the new investment program, including addressing the block obsolescence around 2010 of major weapons platforms such as the F/A-18 tactical fighter and the guided missile frigates, and expected increases in the real cost of capability due to the impact of technological improvements;
- real increases in capability-related logistics, personnel and operating costs; and
- operating costs of the expanded combat force which will increase from about 24,000 pre-Defence Reform Program to 32,000 in 2001.

One of the key recommendations of the Report of the MacGibbon Inquiry into the level of Defence funding, which was tabled on 12 May 1998, was for a real increase in the level of funding. A Government response to the report is in preparation.

OPERATIONS, EXERCISES AND ASSISTANCE

In terms of operational activities, Defence responded successfully to all Government requirements during the year in review. In addition to its normal training tasks and operational readiness preparations, the ADF undertook a wide range of unforeseen operational and assistance tasks that rigorously tested capability and readiness. The scope and scale of these operations also provided a thorough test for support arrangements under the new organisational structure.

- RAAF C130 aircraft evacuated 450 people from Phnom Penh, Cambodia to Malaysia in six sorties on 11 July 1997.
- In October 1997 and again in February 1998, RAN units operated in the Heard and McDonald Island area to apprehend foreign fishing vessels which were alleged to be fishing illegally.
- Army and RAAF aircraft and personnel assisted in drought relief in Papua New Guinea from October 1997 to April 1998 and in Irian Jaya from April 1998.
- The ADF has been active in supporting the Bougainville peace process since September 1997, with transport and logistics support, and from November 1997 through participation in the Truce Monitoring Group, which from 1 May 1998 came under Australian leadership as the Peace Monitoring Group.
- In February 1998, Army and RAAF elements deployed to the Gulf as part of the Coalition force to pressure Iraq to comply with UN resolutions relating to the dismantling of Iraq's weapons of mass destruction.
- Elements of the ADF have been active in assisting local communities in combating natural disasters including bushfires in Victoria and New South Wales and major flooding in South Australia, north and central Queensland and the Northern Territory.

Some bilateral training activities with regional countries had to be scaled down or cancelled because of the Asian economic crisis. These will not have any adverse long-term impact on our bi-lateral defence relationships. Steps were taken to minimise the adverse consequences and to explore new opportunities for Australia to promote regional defence engagement. Australia hosted a major Regional Forum on Higher Defence Management, with high-level representation from South-East Asian countries, to discuss approaches to defence planning and management in constrained budgetary environments. In particular, Defence has sustained contacts with the Indonesian Armed Forces' leadership to maintain high-level dialogue and the momentum of the defence relationship.

Continued access to and use of the Butterworth base by the Australian Defence Force was agreed at Ministerial level with Malaysia. In addition, the suspension of the cost-sharing arrangement with Malaysia has allowed it to continue its program of visits and exchanges despite the country's budget crisis.

The relationship with Thailand has developed further this year, particularly through that country's participation in the Regional Forum on Higher Defence Management. The momentum generated from the forum has led to numerous other initiatives, including a strategic planning and defence reform seminar to be held in-country in September 1998. Despite a significant economic downturn, Army-to-Army training and exercises have continued, although both Navy and Air Force exercises have been deferred.

Defence contributed to a strong Australian response to the threatened breakdown of nuclear non-proliferation norms by India and Pakistan, along with ongoing support for international arms control, peacekeeping and humanitarian initiatives. India's nuclear tests, along with Pakistan's response, required the suspension of Defence relations with these countries.

More detailed information on ADF force elements and units, ship and aircraft availability, peacekeeping and other operations, the ADF exercise program and Defence Cooperation activities can be found in *Appendices D* and *E* respectively at the end of Part One of this report.

DEFENCE REFORM PROGRAM

In October 1996, the Government announced the establishment of the Defence Efficiency Review to examine Defence management, eliminate unnecessary administrative practices and duplication, and ensure that the Defence organisation focused on core functions. In April 1997, the Minister for Defence released the report of the review, *Future Directions for the Management of Australia's Defence*, and announced the Defence Reform Program.

The key principles of the Defence Reform Program are that the Defence organisation is to be structured for war and adapted for peace, and that the reforms are to act as a catalyst for substantial cultural change, away from a preoccupation with current activities, cash and inputs, and towards management which addresses future requirements, priorities and outputs.

The purpose of the Defence Reform Program is to refocus the Defence organisation on its primary task – to maintain and develop combat capability – and to free-up financial resources for reinvestment in combat capabilities - equipment, training, operations and readiness and associated personnel costs.

Revised higher-management arrangements and organisational structures were implemented on 1 July 1997. These include an organisational structure better suited to meeting the Defence mission with clearer client-provider relationships and responsibilities for savings.²

Defence Reform Program Savings

The Defence Reform Program will provide mature recurring annual savings of at least \$900m and one-off savings in excess of \$500m. There will be a reduction of approximately 3,800 military and 1,800 civilian positions, and the market testing of up to a further 11,200 military and 5,300 civilian positions.

Defence Reform Program savings will be re-invested in building combat capability. A central part of this is to increase the proportion of the Defence Force in combat and combat-related positions – from 42% in early 1996 to around 65% in a few years' time.

Defence achieved approximately \$97m in net savings in 1997-98 including reductions to the civilian and military workforce and reductions to administrative expenses and to the Defence Industry Development Program. These ongoing savings are expected to increase to \$250m in FY1998-99.

² See *Organisational Structure* section on pages 38-41.

Progress in the implementation of the Defence Reform Program is being measured and reported against the following major categories of reform, which include some 150 individual initiatives. The figures in brackets represent the current mature savings target.

Defence Command and Management Arrangements (Target: \$34m)

These initiatives clarify the functioning of senior commanders and executives within Defence and their roles and responsibilities, and refine the command and management processes. There has been a saving of about \$4m in 1997-98 mainly by the elimination of duplication through the collocation and integration of staff at the strategic level, the streamlining of the command arrangements; and the rationalisation of headquarters elements.

Intelligence (Target: \$1m)

These involve small-scale changes to the management, administration and support of intelligence functions. Most savings are expected to be available by the end of FY1998-99.

Capability Development (Target: \$1m)

The savings arise from civilianisation proposals related to the capability development process, as well as efficiencies arising from proposed amalgamations of functions.

Acquisition and Industry Policy (Target: \$34m)

The key initiatives involve more efficient procurement of major capital equipment and industry involvement in the procurement process. Savings relate to the rationalisation of the former Industry Involvement and Contracting Division, and the consolidation of industry, export, contracting and acquisition management to support the Defence capital acquisition program. The rationalisation and civilianisation initiatives have resulted in savings of approximately \$23m in 1997-98.

Science and Technology (Target: \$4m)

These initiatives relate to the enhancement of the role of the Defence Science and Technology Organisation, with savings related principally to the rationalisation of the test and evaluation functions within the Service Programs.

Facilities and Longer Term Force Disposition (Target: \$57m)

The Defence Reform Program seeks to maximise efficiencies in the management of the Defence estate by creating an organisation responsible for all building-owner activities, with a series of one-off savings of around \$400m from the rationalisations and consolidation of the Defence estate, and associated reductions in the need for base support. Initial savings will be derived largely through the rationalisation of facilities operations management. Defence forecast \$30m in savings in the 1997-98 Budget through the sale of RAAF Fairbairn. The receipt for this sale will be recorded in FY1998-99.

Logistics (Target: \$321m)

Savings will be achieved through the rationalisation of logistics processes and the adoption of best commercial practice for inventory management and purchasing, as well as one-off savings of unnecessary inventory and more efficient use of warehouse space. Initial savings of \$23m in 1997-98 resulted largely from market testing of a series of discrete logistics support units or authorities.

Personnel Planning (Target: \$184m)

A range of initiatives is being undertaken to rationalise the management of conditions of service for ADF members and implement more streamlined administration of Defence personnel. A \$12m saving was achieved in 1997-98 principally due to staff rationalisation. Future savings will come from rationalisation in the areas of personnel planning and administrative support.

Education and Training (Target: \$87m)

These initiatives relate principally to the development, where appropriate, of common joint training for all Service personnel and related rationalisation of schools and the integration of senior staff education and training. In 1997-98, a saving of \$11m was achieved principally due to staff rationalisation. The majority of savings in 1998-99 will relate to management and administrative positions and the attendance of fewer students on senior-level courses.

Administrative Support (Target: \$338m)

These initiatives relate to the rationalisation and market testing of garrison and administrative services across Defence bases throughout Australia, and a number of corporate functions including travel, publishing and libraries. It also covers the rationalisation of legal and public information services. Initial savings of \$26m in 1997-98 were derived largely from the rationalisation of existing administrative support services.

Information Management (Target: \$42m)

Information management initiatives include the development of a single provider of corporate services and the rationalisation of support organisations. Initial savings of \$1m were achieved in 1997-98 through the rationalisation of information technology support functions.

Defence Cooperation (\$16m)

The Defence Efficiency Review recommended a greater emphasis on engagement activities within the region where costs could be shared and direct assistance activities scaled back. As Defence Cooperation savings were not listed in a specific category of reform under the Defence Reform Program, they are listed separately. These savings were not identified at the time of the Budget 1998-99 and were unallocated. The initial savings of \$7m in 1997-98 are associated with those efficiencies.

Unallocated Savings (\$56m)

These savings relate to a range of initiatives which have not yet been allocated to a major category of savings initiatives or to Programs. Unallocated savings will be identified progressively during FY1998-99

The table below details the financial and personnel savings achieved in 1997-98 under the Defence Reform Program. A detailed reconciliation of Defence Reform Program savings and reinvestment by Program and by initiative is at *Appendix H* to Part One of this report.

Table 1: Defence Reform Program Resource Savings in 1997-98 by Major Category of Savings Initiative ⁽¹⁾

	\$m	Personnel Numbers ^{(2) (3)}	
		ADF	APS
Defence Reform Program Savings Category:			
Defence Command and Management Arrangements	5	63	125
Intelligence		0	5
Capability Development		0	1
Acquisition and Industry	23	0	107
Science and Technology			
Facilities and Long Term Force Disposition ⁽⁴⁾		0	31
Logistics	23	138	632
Personnel Planning	12	80	97
Education and Training	11	151	51
Administrative Support	26	75	397
Information Management	1	0	31
Defence Cooperation	7		
One-off savings	9		
Total Gross Defence Reform Program Savings	117	507	1,477
Provision for contractor support ⁽⁵⁾	-20		
Total Net Defence Reform Program Savings	97	507	1,477

Notes:

1. The figures in the table include minor implementation and transition costs being borne by Programs – major transition/implementation costs are not included and are funded from a separate Portfolio provision. Transition costs in 1997-98 totalled \$87m.
2. These reductions represent actual numbers of personnel rather than Average Strength.
3. These figures do not include the impact of the reinvestment of Defence Reform Program savings in ADF personnel (see Table 2).
4. One-off saving associated with the sale of Tresco, a Defence heritage house in Sydney. The difference between this table and that which appears in the 1998-99 Portfolio Budget Statements relates principally to the exclusion of the receipt for the sale of RAAF Fairbairn, as Defence's share of the proceeds has not been finalised with the Department of Finance and Administration.
5. The planned savings listed in the table are the gross savings achieved, including the salary and operating costs of support areas market-tested. This line represents the cost of the contracts for services delivered by external providers.

Defence Reform Program Reinvestment

Savings from the Defence Reform Program are being reinvested to enhance Defence capabilities in the four priority areas outlined in *Australia's Strategic Policy*. Capability is much broader than simply the provision of military equipment through the new investment program. There are different elements of capability, including trained personnel, force structure (equipment and infrastructure), preparedness and logistics support. The reinvestment strategy being adopted under the Defence Reform Program addresses all of these elements of capability to ensure that the ADF can undertake its assigned tasks.

During 1997-98, Defence was able to make further savings beyond those identified by the Defence Reform Program. This resulted in more reinvestment in 1997-98 than funds harvested

under the program, with \$87m used to meet the program's transition costs such as voluntary redundancies. Details of Defence Reform Program reinvestment in 1997-98 are summarised in Table 2 below.

Table 2: Reinvestment of Defence Reform Program Savings

<i>Initiative</i>	1997-98	1998-99	1999-00	2000-01	2001-02
	\$m	\$m	\$m	\$m	\$m
New Capital Investment			83	165	135
Amphibious Capabilities	5	32	25	17	24
Capability - Related Logistics Costs	106	107	116	164	73
New Capabilities - Net Personnel & Operating Costs	15	66	67	95	82
Defence Science - Capability Projects		15	15	22	22
Army Program Reinvestment		43			
Provision for 50,000 ADF		11	46	161	346
Pilot Training		4	5	4	4
Transition Costs	87	60	60	60	60
Total Allocation	212	338	417	688	746

Note:

Figures may not add due to rounding

Details of the reinvestment decisions are outlined below, although, as indicated in Table 2, some of the activities did not commence in 1997-98.

New Capital Investment

In accordance with the capability priorities set out in *Australia's Strategic Policy*, additional funding has been provided for new equipment to commence in 1999-2000, which is the earliest that expenditure can be achieved through the capability development and acquisition process.

Amphibious Capabilities

The Navy's amphibious lift capability is to be enhanced by the retention of HMAS *Tobruk*, which was to be decommissioned, until 2010 and raising HMA Ships *Manoora* and *Kanimbla* to required operational levels.

Capability-Related Logistics Costs

A major review of the logistics funding needed for current capabilities to meet operational requirements revealed a significant shortfall. An allocation of funding has been provided to the Commander Support Australia to meet urgent and priority requirements including:

- FFG vertical launcher refurbishment and hull, machinery and plant repairs;
- Mk48 torpedo spares and support for the Harpoon missile;
- upgrades to the Fremantle Patrol Boats;
- spares for increased rates of effort for Seahawk and Sea King helicopter;
- ammunition, combat rations, clothing and Army truck, Leopard tank and M113 maintenance; and

- F/A-18, P3C, C130, Caribou and B707 maintenance.

New Capabilities - Net Personnel and Operating Costs

Funding has been allocated for the through-life personnel and operating costs of new capabilities being introduced into service. These include Anzac ship and Collins submarine in-service support, Anzac ship helicopters, minehunter coastal, hydrographic ship, Bradshaw Field Training Area, lead-in fighter and the high frequency modernisation projects.

Defence Science – Capability Projects

Additional projects will be undertaken supporting land operations, command and control, information warfare, weapons systems, the new submarine fleet, surveillance and the durability of ADF weapons platforms to ensure that our capabilities are used in the most efficient and effective manner possible.

Army Program Reinvestment

Consistent with the objectives of the *Restructuring the Army* initiative, the Army has been funded for the movement of over 900 personnel into the combat force. Over half of these personnel are being placed into infantry units, with additional personnel being placed into other elements of the combat force including special forces, signals, engineer, intelligence and headquarters elements.

Provision for 50,000 ADF

A Defence force of 50,000 personnel is considered to be the minimum sustainable size for the permanent ADF in the current strategic, resource and technology settings. Maintaining the force at this level complements the objectives of both the Defence Reform Program and the *Restructuring the Army* initiative by moving Service personnel from the enabling force to the combat force, and only employing members of the ADF where combat skills are required. Funding has been allocated to maintain permanent ADF personnel numbers at 50,000.

Pilot Training

Additional funding has been provided for contracted basic-pilot training and pre-recruitment flight screening to ensure that there are sufficient pilots to meet future aviation tasks.

Transition Costs (\$87m in 1997-98)

Defence is reducing its workforce in line with the Defence Reform Program recommendations and this has necessitated voluntary redundancies. The bulk of transition costs paid in 1997-98 relate to voluntary redundancies. Other transition costs relate to one-off payments for market-testing activities including legal, printing, travel and other costs incurred during the market-testing process.

DEFENCE AND INDUSTRY POLICY

To maximise Australia's military capabilities, Defence needs to develop, support and operate forces as cost effectively as possible. Many functions can be performed better by organisations outside Defence itself. Enhancing that national support for our capabilities is central to maximising those capabilities now and in the future.

Defence no longer manufactures equipment and it is increasingly seeking maintenance and other support from industry. This trend will continue where specialised skills and services are available more cheaply from outside Defence. Defence is seeking ways to promote development of the skills and capacities it needs from the civil sector. It looks to identify specific new areas of national support and implement effective arrangements, rather than undertake generalised mobilisation planning.

A strong focus by Defence on its core functions will see a corresponding increase in reliance on industry for support across the spectrum of defence business. Increasingly, Defence will engage companies which supply such services as training, facilities management, base support, logistics and maintenance in addition to its traditional equipment manufacturers. Companies will deliver a much greater share of Australia's military capabilities in peace and in war as manufacturers, service providers, and suppliers and maintainers of defence systems.

Defence is the single largest Commonwealth purchaser and, therefore, an active player in the implementation of national industry and purchasing policy. It is, and will remain, a monopoly purchaser in some sectors. This situation poses special challenges to achieving sustainable defence industries.

A new strategic defence and industry policy, which will see industry accepted and recognised as an integral part of Australia's national security, was released in June 1998. The policy, developed in close consultation with business, is based on commercial realities as well as strategic considerations. The aim of the policy is to ensure a technologically-advanced Australian Defence Force supported by a close partnership with efficient, innovative and sustainable firms.

Defence will work with industry to implement six key strategies:

- integrating industry into capability development:
 - *industry will be more involved early in the capability development process, and there will be a greater flow of information to and from companies;*
- enhancing industry's contribution to the nation's capability edge:
 - *Defence will provide greater incentives for industry to do more research and development;*
- reforming procurement:
 - *the Defence procurement process will become more flexible, responsive and efficient;*
- establishing new ways to involve Australian industry in Defence business:
 - *Defence will use the widest possible range of industrial support in peace because that is what will be needed in war;*
- increasing Australian exports and materiel cooperation; and
- committing to cultural change and better communication.

DEFENCE MANAGEMENT

The Defence Executive was established in July 1998 as the organisation's highest decision-making body, and aims to be a more effective and efficient decision-making forum that focuses on key strategic issues for the organisation. Its establishment signified senior management's

commitment to corporate governance, leadership and accountability, and now considers all key policy, management and resource issues.³

A priority for Defence is to use the skills and knowledge of our people to expand military capability. Achieving this goal involves every aspect of the way Defence works with its people, both military and civilian; how they are recruited, educated and trained, what tasks they are given and the rewards offered to them. As the nature of the work changes, the workforce will need to become better educated, more adaptable and more innovative. Developing its workforce to meet these demands is one of Defence's central priorities.

Two major workplace agreements were concluded during the year: the ADF Productivity-Based Remuneration Arrangement 1997-99 and the civilian Defence Employees Industrial Agreement 1998-99.⁴ These agreements were developed in parallel, providing for a consistent level of reform and comparable outcomes across the organisation. Broadly, the agreements delivered a 6% wage rise for staff over 18 months while achieving commitment to the Defence Reform Program and its objectives.

In April 1997, the Government decided to implement an accrual-based outcomes and outputs framework for the Commonwealth from 1999-2000. This initiative forms part of a broader reform agenda to develop a more output-focused, performance-oriented culture within the public sector.

In response, Defence is developing a new resource management framework that meets the Government's requirements, and also builds on and integrates a number of current reforms and initiatives in Defence management. The new framework is designed to position Defence to conduct its business better in the future, including through more integrated planning, budgeting, evaluation and reporting processes, better quality data for strategic planning and decision-making purposes, and planning based on Government-endorsed outputs and agreed performance levels.

As a significant element of the new resource framework, work is progressing to support the development of the 1999-2003 Five Year Defence Program in an accrual and output format. While Defence has been preparing accrual-based annual Financial Statements for a number of years, accrual-based budget development presents a number of challenges for Defence.

Defence has the most extensive balance sheet of all general government sector agencies. Assets are currently valued at some \$37,300m, much of this comprising specialised military equipment and the associated facilities and inventory required to deliver combat capability. Liabilities are running at about \$2,600m, of which \$2,000m relates to accrued leave entitlements and military workers compensation. Defence also has the most extensive capital investment program, which has implications for the funding of replacement and new capabilities. To ensure a successful transition to accrual-based output budgeting and management, work is focused on developing appropriate resource management policies, business processes and rules, supporting systems, awareness, education and training, and change management.

³ See page 38 for more detail.

⁴ See *Workplace Relations* in Part Three for further details.

While expecting to be ready by 1 July 1999 to meet necessary whole-of-government and Defence requirements, the size of the task and the time required to put replacement and upgraded corporate systems in place will result unavoidably in a stepped approach to the new framework. This is consistent with the approach being developed by the Department of Finance and Administration whereby the full requirements of the new accrual-based output management framework will not be introduced until 2000-2001 or later.

Defence information management rules of governance were issued during the year. These rules describe the principles underpinning Defence information management and provide guidelines for progressing information management business. The aim is to produce a common operating environment with greater accessibility for users through the development of corporate information systems, and provide efficiencies in the procurement, use and maintenance of Defence information systems. A significant milestone was the migration of over 2,230 users to the new Canberra region information system project coinciding with the occupation of the new Russell 1 building between May and July 1998.

Substantial progress has been made on two key corporate information systems. *Personnel Management Key Solution*, or PMKEYS, is a project to select and implement a single personnel management information system throughout the organisation. The selected system is currently being implemented progressively across the organisation. A project to select and implement a new financial management information system is also under way. Source selection is planned for October 1998 with progressive rollout from 1 July 1999.

A new performance management framework is being developed to provide a comprehensive performance management environment and culture across the Defence organisation. This follows the findings of the Defence Performance Information Review in July 1997 which identified many deficiencies in Defence performance information. The full performance framework is planned to be implemented by 1 July 1999, to fit in with the introduction of accrual-based output budgeting, accounting and reporting.⁵

The Defence Portfolio Evaluation Strategy was endorsed by the Defence Audit and Program Evaluation Committee in December 1997 and is designed to enhance evaluation as an integral part of the Defence performance management framework. It flows directly from the Government's performance management principles and complements continuous performance monitoring by ensuring the targeted utilisation of evaluation as a more precise tool to assist in effective management.⁶

⁵ See page 32 for more detail.

⁶ See page 33 for more details of 1998-99 portfolio evaluations.

FINANCIAL RESOURCES

SUMMARY OF 1997-98 OUTLAYS

The actual 1997-98 Defence Function outlay of \$10,415.4m was \$16.4m lower than the 1997-98 Revised Estimate of \$10,431.8m and was within \$1.0m of the final adjusted 1997-98 allocation of \$10,414.4m. In line with current Defence budgetary arrangements, this slight overspend will be repaid in the 1998-99 Defence Additional Estimates. It should be noted that Defence manages and presents its resources on an outlay basis and that 1997-98 outlays comprised expenditure of \$10,910.4m and receipts of \$495.0m.

Defence outlays are estimated to be \$10,945.5m in 1998-99 and are planned to be maintained in real terms from 1998-99 onwards. As a proportion of Gross Domestic Product, Defence outlays were 1.9% in 1997-98, the same level as in 1996-97, and are estimated to be 1.9% in 1998-99. Defence outlays were 8.6% of 1997-98 Commonwealth outlays, compared with 7.8% in 1996-97 and an estimated 8.7% in 1998-99.

In accordance with a decision made in the context of the 1993-94 Budget, Defence outlays were reduced by 0.75% in 1993-94, 0.5% in each of the years 1994-95, 1995-96 and 1996-97, and 0% in 1997-98. The outcome in 1997-98 therefore incorporated a cumulative real reduction of approximately \$230m compared to 1992-93 funding levels.

The following table provides a summary of the actual and estimated total Defence Function outlays over the period 1996-97 to 2001-2002, and Defence Function outlays as a percentage of both total Commonwealth outlays and Gross Domestic Product. The difference between the nominal change from the previous year and the real growth for the previous year is due to movements in below-the-line items, which do not form part of the real growth calculation. Below-the-line items relate to specific activities whose funding is included in total Defence outlays but for which Defence is supplemented on a 'no win-no loss' basis.

Table 3: Summary of Defence Budgets

	96-97 Actual \$m	97-98 Actual \$m ⁽¹⁾	98-99 (est) \$m ⁽²⁾	99-00 (est) \$m ⁽²⁾	00-01 (est) \$m ⁽²⁾	01-02 (est) \$m ⁽²⁾
Appropriations	10,611	10,902	11,526	11,524	11,757	12,015
Receipts and Trust Accounts	-612	-486	-580	-514	-559	-578
Defence Function Outlay	9,999	10,415	10,946	11,010	11,198	11,437
	%	%	%	%	%	%
Nominal Change(previous year)	-0.1	4.2	5.1	0.6	1.7	2.1
Real Growth - previous year	-0.5	0	0	0	0	0
Outlay as a proportion of:						
- Total Commonwealth Outlay	7.8	8.6	8.7	8.6	8.1	7.3
- Gross Domestic Product	1.9	1.9	1.9	1.8	1.7	1.7

Notes:

1. The actual 1997-98 Defence Function outlay of \$10,415m compares to the previous forecast outcome for 1997-98 of \$10,356m that was presented in the 1998-99 Defence Portfolio Budget Statements. Tables may not add due to rounding.
2. An explanation of the year on year variations in Defence outlays across the Forward Estimates period can be found in Table 5 on pages 26-27 of the 1998-99 Defence Portfolio Budget Statements.

The following tables provide a summary of achievement by Program for both outlays and staffing in 1997-98 and a comparison with the 1997-98 budget and revised estimates. More detail and explanations for the variation between the 1997-98 actual outcome and the 1997-98 revised estimate can be found in the individual Program sections in Part Two of this report. Due to the very significant changes made to the Program structure from 1 July 1997 as a consequence of the Defence Reform Program, no comparison with the 1996-97 actual outlays by Program is provided.

Table 4: Defence Function Outlays by Program ⁽¹⁾

<i>Program</i>	<i>1997-98</i>	<i>1997-98</i>	<i>1997-98</i>	<i>Variation</i>	
	<i>Budget</i>	<i>Revised</i>	<i>Actual</i>	<i>(97-98 Actual less</i>	
	<i>Estimate</i>	<i>Estimate</i>		<i>Revised Estimate)</i>	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Defence Headquarters	174.8	153.5	149.1	-4.4	-2.9
Navy	717.7	710.5	719.5	9.0	1.3
Army	1,279.7	1,233.0	1,268.3	35.3	2.9
Air Force	778.4	713.7	695.0	-18.7	-2.6
Intelligence	137.0	124.4	140.9	16.4	13.2
Support Command	2,176.4	1,999.9	2,057.2	57.3	2.9
Joint Education and Training	102.3	94.2	98.8	4.5	4.8
Defence Personnel Executive	1,104.1	1,114.8	977.2	-137.6	-12.3
Acquisition	2,428.5	2,477.9	2,424.7	-53.2	-2.1
Science and Technology	230.3	219.7	212.1	-7.6	-3.5
Defence Estate	644.3	669.4	728.8	59.3	8.9
Corporate Information	69.6	213.3	225.2	11.9	5.6
Corporate Support	510.9	656.9	668.0	11.0	1.7
Finance and Inspector-General	51.0	50.3	50.7	0.3	0.7
Total Defence Function Outlay	10,404.8	10,431.8	10,415.4	-16.4	-0.2

Note:

1. Table may not add due to rounding.

Table 5: Program Staffing ^{(1) (2)}

<i>Program</i>	<i>1997-98 Budget Estimate</i>	<i>1997-98 Revised Estimate</i>	<i>1997-98 Actual</i>	<i>Variation (97-98 Actual less Revised Estimate)</i>	
Defence Headquarters	1,076	1,106	1,239	133	12.0
Navy	11,440	11,929	11,655	-274	-2.3
Army	44,118	42,988	41,537	-1,451	-3.4
Air Force	13,385	11,293	11,354	61	0.5
Intelligence	1,491	1,453	1,437	-16	-1.1
Support Command	15,664	11,963	11,611	-352	-2.9
Joint Education and Training	1,335	1,349	1,407	58	4.3
Defence Personnel Executive	5,276	7,358	6,283	-1,075	-14.6
Acquisition	2,298	2,304	2,133	-171	-7.4
Science and Technology	2,406	2,150	2,085	-65	-3.0
Defence Estate	507	761	693	-68	-8.9
Corporate Information	413	1,252	1,276	24	1.9
Corporate Support	4,387	7,770	7,355	-415	-5.3
Finance and Inspector-General	408	413	369	-44	-10.7
Total Program Staffing	104,204	104,089	100,434	-3,655	-3.5

Notes:

- For further information see *Appendix J* to Part One.
- Staffing numbers are average funded strengths. The figures for reserves represent the average number of personnel funded, rather than full-time staff-year equivalents.

Table 6: Portfolio Staffing ⁽¹⁾

<i>Personnel</i>	<i>1997-98 Budget Estimate</i>	<i>1997-98 Revised Estimate</i>	<i>1997-98 Actual</i>	<i>Variation (97-98 Actual less Revised Estimate)</i>	
Civilian	19,047	18,917	17,664	-1,253	-6.6
Permanent Forces:					
- Navy	14,116	14,250	14,206	-44	-0.3
- Army	25,315	25,286	25,196	-90	-0.4
- Air Force	16,579	16,588	16,172	-416	-2.5
Total Permanent Forces	56,010	56,124	55,574	-550	-1.0
General Reserves: ⁽²⁾					
- Navy	2,039	1,940	1,804	-136	-7.0
- Army	25,348	25,348	23,329	-2,019	-8.0
- Air Force	1,760	1,760	2,063	303	17.2
Total General Reserves	29,147	29,048	27,196	-1,852	-6.4
Total Staffing	104,204	104,089	100,434	-3,655	-3.5
Trust Account Staff (T/A)	104	99	92	-7	-7.1
Total Staffing (including T/A)	104,308	104,188	100,526	-3,662	-3.5

Notes:

- Personnel numbers reflect average funded strengths.
- Reserve figures represent the average number of personnel funded, rather than full-time staff-year equivalents.

The following table provides, for each appropriation item and outlay category, the variation between the 1997-98 actual outcome and the 1997-98 revised estimate, and a comparison with the 1996-97 actual outlay and the 1998-99 budget estimate. It also provides a reconciliation between the Defence Function outlay and the Defence Portfolio outlay. As noted above, Defence manages its resources to a Defence Function outlay total and it is at this level that the Defence Budget is presented. An explanation of the difference between Function and Portfolio outlays is provided in the notes to the table.

Table 7: Summary of Defence Appropriations ^{(1) (2) (3)}

<i>Division/Appropriation Item</i>	<i>(A) 1996-97 Actual Outcome \$'000</i>	<i>(B) 1997-98 Revised Estimate \$'000</i>	<i>(C) 1997-98 Actual \$'000</i>	<i>(C)-(B) Variation \$'000</i>	<i>1998-99 Budget Estimate \$'000</i>
180 ADMINISTRATIVE					
180-01 RUNNING COSTS					
Permanent and Reserve Force (incl. Super.)	3,198,806	3,264,832	3,239,603	-25,229	3,237,873
Civilian Salaries (incl. Super.)	916,587	876,869	883,426	6,557	891,642
Administrative Expenses	1,143,359	1,224,328	1,176,784	-47,544	1,176,394
Facilities Operations ⁽⁴⁾ (185-02)	0	232,044	235,867	3,823	230,505
Sub-Total Division 180-01	5,258,752	5,598,073	5,535,680	-62,393	5,536,414
180-02 OTHER SERVICES					
Payment for ASTA Ltd	9,268	4,355	2,610	-1,745	1,580
Payment for Defence Science Research	673	615	565	-50	632
Payments under section 34(A)1 of the Audit Act	141	108	79	-29	117
Emergency Management Australia	6,631	6,829	6,827	-2	6,785
Woomera Village - Operating Expenses	7,759	7,378	7,378	0	7,499
Voyager Compensation	872	2,500	2,420	-80	1,000
Compensation and Legal Services	137,544	137,571	121,836	-15,735	127,030
Payment to UNSW for ADFA	34,325	34,535	34,535	0	35,256
Grants to Independent Organisations and Individuals	415	1,701	1,528	-173	1,558
Compensation for Detriment	194	350	89	-261	350
Ex-Gratia Payments	1,272	6,200	4,539	-1,661	2,200

<i>Division/Appropriation Item</i>		<i>(A)</i> <i>1996-97</i> <i>Actual</i> <i>Outcome</i> <i>\$'000</i>	<i>(B)</i> <i>1997-98</i> <i>Revised</i> <i>Estimate</i> <i>\$'000</i>	<i>(C)</i> <i>1997-98</i> <i>Actual</i> <i>\$'000</i>	<i>(C)-(B)</i> <i>Variation</i> <i>\$'000</i>	<i>1998-99</i> <i>Budget</i> <i>Estimate</i> <i>\$'000</i>
	Young Endeavour	1,786	1,809	1,808	-1	1,818
	ASTA	0	0	0	0	0
	Sub-Total Division 180-02	200,880	203,951	184,214	-19,737	185,825
181	EQUIPMENT & STORES	4,093,075	4,339,513	4,337,088	-2,425	4,964,650
182	DEFENCE COOPERATION	68,496	71,853	63,436	-8,417	67,403
183	DEFENCE PRODUCTION	22,138	17,849	17,739	-110	17,887
184	PAYMENTS TO AUSTRALIAN DEFENCE INDUSTRIES LTD	730	1,167	0	1,167	50
185-01	CAPITAL FACILITIES	524,717	490,170	502,340	12,170	500,299
	FACILITIES OPERATIONS ⁽⁴⁾	222,040	0	0	0	0
186	DEFENCE HOUSING	183,934	0	0	0	0
187	AVALON AIRPORT GEELONG LTD	17,000	253,590	253,590	0	233,248
	(A) Sub-Total	10,591,76 2	10,976,16 6	10,894,087	-82,079	11,505,77 6
	SPECIAL APPROPRIATIONS					
	MSBS – Retention Benefit	17,316	20,867	15,201	-5,666	16,043
	Housing Loan Assistance Scheme	2,048	3,740	2,921	-819	5,500
	DEETYA Subsidies	552	1,000	0	-1000	100
	DFRDB Payments	894,768	970,332	952,315	-18,017	1,071,511
	MSBS Payments	148,873	151,995	177,765	25,770	167,115
	(B) Sub-Total	1,063,557	1,147,934	1,148,202	268	1,260,269
	(C) Total Defence Portfolio Appropriations (A+B)	11,655,31 9	12,124,10 0	12,042,289	-81,811	12,766,04 5
	(D) Total Defence Portfolio Receipts (Offset Within Outlays)	-688,758	-652,130	-578,257	73,873	-656,336
	(E) Total Defence Portfolio Outlay (C)+(D)	10,966,56 1	11,471,97 0	11,464,032	-7,938	12,109,70 9

<i>Division/Appropriation Item</i>	(A) 1996-97 Actual Outcome \$'000	(B) 1997-98 Revised Estimate \$'000	(C) 1997-98 Actual \$'000	(C)-(B) Variation \$'000	1998-99 Budget Estimate \$'000
Less Non-Defence Appropriations					
180-02-09 Young Endeavour	1,786	1,809	1,808	-1	1,818
DFRDB Payments	864,768	970,332	952,315	-18,017	1,071,511
MSBS Payments	148,873	151,995	177,765	25,770	167,115
(F) Sub Total	1,045,427	1,124,136	1,131,888	7,752	1,240,444
Less Non-Defence Function Receipts					
DFRDB Contributions	-48,026	-48,227	-45,541	2,686	-42,192
MSBS Contributions	-29,872	-38,167	-39,834	-1,667	-36,494
Sale of AAG	-1,500	120	120	0	0
(G) Sub Total	-79,398	-86,274	-85,255	1,019	-78,686
Add Other Portfolio Appropriations					
Department of Administrative Services – Overseas Property Services	868	0	0	0	0
(H) Sub Total	868	0	0	0	0
Add Other Portfolio Receipts					
Department of Finance – Advance to States under Commonwealth-State Housing Agreement	-2,217	-2,351	-2,029	322	-2,494
(I) Sub Total	-2,217	-2,351	-2,029	322	-2,494
Total Defence Function Outlays (E-F-G+H+I)					
	9,999,183	10,431,757	10,415,370	-16,387	10,945,457

Notes:

- Defence Portfolio appropriations are composed of funds listed within Appropriation Bills No. 1 and 3 and the Statement of Savings, as appropriated to the Department of Defence. They include special appropriations for Defence Force Retirement and Death Benefits (DFRDB), the Military Superannuation and Benefits Scheme (MSBS) and the Home Loan Assistance Scheme; and a proportion of Department of Employment, Education and Training and Youth Affairs funds for employment subsidies for trainees.
- Defence Portfolio receipts shown in the table represent only those Department of Defence receipts which are offset within outlays. Other receipts (eg. Defence Housing Authority and Australian Defence Industries dividends to the Commonwealth) are not included as they are credited to the Consolidated Revenue Fund and are not offset within Defence outlays.
- The non-Defence Function appropriations and receipts are composed of ADF superannuation payments and contributions (DFRDB and MSBS) and the Young Endeavour Youth Scheme. While these outlays lie within the Defence Portfolio, they are not classified as part of the Defence Function.
- Facilities Operations was reclassified from Division 185-02 in 1996-97 to Division 180-01 Running Costs in 1997-98.

Defence Outlay by Major Item

The following table provides a more detailed breakdown of the expenditure of Defence outlays.

Table 8: Summary of Defence Expenditure by Major Item ⁽¹⁾

<i>Defence Expenditure by Major Item</i>		<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>
		<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>
Capital Equipment	%	23.1	22.5	22.7	23.0	26.2
	\$m	2,388.2	2,382.7	2,405.5	2,504.9	3,023.8
Capital Facilities	%	5.5	5.4	5.0	4.6	4.3
	\$m	563.9	567.9	524.7	502.3	500.3
Service Salaries and Superannuation	%	28.4	29.1	30.1	29.7	28.1
	\$m	2,935.0	3,083.2	3,198.8	3,239.6	3,237.9
Civilian Salaries and Superannuation	%	8.3	8.5	8.6	8.1	7.7
	\$m	860.3	906.0	916.6	883.4	891.6
Administrative Expenses	%	11.9	12.9	12.7	12.5	11.8
	\$m	1,234.9	1,364.1	1,342.5	1,359.2	1,360.4
Maintenance and Stores	%	15.1	15.2	15.9	16.8	16.8
	\$m	1,564.9	1,610.6	1,687.6	1,832.2	1,940.8
Facilities Operations	%	2.8	2.7	2.1	2.2	2.0
	\$m	293.3	286.2	222.0	235.9	230.5
Housing	%	3.3	2.5	1.7	2.3	2.0
	\$m	342.2	268.6	183.9	253.6	233.2
Defence Cooperation	%	0.8	0.7	0.6	0.6	0.6
	\$m	77.9	76.4	68.5	63.4	67.4
Other Services	%	0.8	0.6	0.6	0.3	0.3
	\$m	77.8	58.7	60.7	35.9	39.6
Total	%	100.00	100.00	100.00	100.00	100.00
	\$m	10,338.3	10,604.6	10,610.8	10,910.4	11,525.6
Receipts	\$m	-607.3	-594.0	-611.6	-495.0	-580.1
Defence Function Outlay		9,731.1	10,010.6	9,999.2	10,415.4	10,945.5

Note:

1. This table may not add due to rounding.

Capital Equipment

In 1997-98, development activity continued on some 230 approved major capital equipment projects/phases, including a number approved in previous years but not yet to contract. Total approved funding for these projects is \$41,000m, of which \$25,000m has already been spent, including the \$2,300m spent in 1997-98. Major project developments and outcomes are detailed in Part Two in the Acquisition Program.

Capital Facilities

Significant progress on a range of capital facilities projects was achieved in 1997-98 with overall expenditure of \$12.2m or 2.5% greater than the revised estimate. Significant project outcomes and property sales are detailed in Part Two in the Defence Estate Program.

Personnel

As detailed in Table 6, the average permanent ADF strength for 1997-98 was 550 lower than the 1997-98 revised estimate, an outcome which reflected higher separation rates in the Navy and Air Force than those forecast at Additional Estimates and strength reductions due to Defence Reform Program initiatives, especially in the Army. This led to an overall reduction in Service salaries and superannuation of \$25.2m. The Defence Force strength at 30 June 1998 was 54,126.

Administrative Expenses

Outlays on administrative expenses were \$47.5m lower than the revised estimate, due to lower than anticipated expenditure in travel and subsistence, utilities and freight. These variations are detailed in the individual Program sections in Part Two.

Maintenance and Stores

Actual outlays in 1997-98 were \$44.6m higher than the 1997-98 revised estimate. This was primarily due to an increase in Commercial Support Program contracts and, to a lesser extent, to increased expenditure on weapons, armaments and ammunition.

Facilities Operations

Expenditure on facilities operations was \$3.8m or 1.6% more than the 1997-98 revised estimate. This is due primarily to the early achievement of project milestones and increased activity on facilities' maintenance to comply with occupational health and safety, security and environmental standards.

Housing

In 1997-98, the Defence Housing Authority provided 85% of the Defence housing requirement for married members at a cost of \$253.6m. This amount was offset by member rent contributions of \$99.8m. The balance of the housing requirement for married members was met by the private rental market at a cost to Defence in 1997-98 of \$27.8m. Defence also incurred a fringe benefits liability for married members totalling \$86.9m.

Defence Cooperation

Expenditure for Defence Cooperation in 1997-98 is outlined in *Appendix E* to Part One. The 1997-98 outcome was \$8.4m below the 1997-98 revised estimate, due mainly to the suspension of Defence Cooperation activities with Cambodia in July 1997, lower-than-expected levels of training in South East Asia and lower-than-anticipated project activity in the South Pacific.

Peacekeeping and Other Operations

Defence outlays for peacekeeping and other operations during 1997-98 were \$22.7m as outlined in *Appendix C* to Part One. Major activities in 1997-98 included Defence involvement in Bougainville truce monitoring operations, fisheries surveillance and enforcement in the Southern Ocean and provision of drought relief assistance in Papua New Guinea and Indonesia.

Receipts

Defence Portfolio receipts in 1997-98 were \$493.0m which was \$72.9m lower than the revised estimate of \$565.9m. Significant receipts in 1997-98 were for rental of married quarters (\$99.8m), rations and quarters (\$37.7m), Anzac ship project – recoveries (\$54.8m), Defence property disposals (\$44.7m), operating and administrative recoveries (\$190.8m) and a Defence Housing Authority repayment of advance (\$50.0m).

\$125m Administrative Savings

The Budget allocation of \$251m was reduced by \$67m at the Additional Estimates, with total expenditure for 1997-98 being \$160.5m. Major expenditure activities included personnel retention initiatives, *Restructuring the Army* activities and other combat capability initiatives. Further details can be found in *Appendix I* to Part One.

SUMMARY OF THE 1997-98 FINANCIAL STATEMENTS

This is the fourth year in which Defence has prepared a set of accrual financial statements, in accordance with Australian Accounting Standards and the Finance Minister's Orders under the *Financial Management and Accountability Act 1997* and audited by the Auditor-General. The 1997-98 Financial Statements are set out in *Appendix F* to Part One. As the 1997-98 Defence Budget was developed and managed on a cash basis, the resultant accrual financial statements are not fully accrual. This will change with the introduction from 1999-2000 of accrual-based output budgeting and accounting. The 1997-98 Financial Statements reflect a further firming up of underlying figures, a continuing review of accounting policies and the transition of Defence towards accrual budgeting and accounting.

The statement of revenues and expenses, or operating statement, indicates that the net cost of services in 1997-98 was \$11,070m. This includes accrual expense items such as depreciation and write down of assets, and revenue items such as contributions for rations and quarters. Revenues from Government of \$10,411m represent the cash outlay result adjusted for resources received from other Commonwealth agencies free of charge. The consequent operating deficit for 1997-98 is \$658m. This, together with a \$1,149m reduction as a result of changes in accounting policy which relate primarily to a decision to exclude from the statements the value of certain intangible assets (in particular, the hydrographic database and in-house developed software) which cannot be reliably measured, resulted in a reduction in accumulated results (which represents the accumulation of operating results for the current and previous years) from \$35,211m at 30 June 1997 to \$33,404m at 30 June 1998.

The operating result includes two substantial abnormal items, \$849m resulting from an accounting policy change to the asset recognition threshold and \$549m for an increased provision for inventory obsolescence, that otherwise would have resulted in an operating surplus of some \$760m. These abnormal items are, by definition, unlikely to be repeated but are an important element in preparing the organisation for accrual budgeting and accounting.

The statement of assets and liabilities, or balance sheet, includes a number of significant changes which are the result of efforts to improve the underlying quality of our reporting and to position Defence for accrual budgeting and accounting. Total assets at 30 June 1998 are \$37,326m, a reduction of \$1,030m from the previous year, largely resulting from the exclusion of intangible assets. Provisions for employees increased by \$345m, largely comprising an additional \$275m for military compensation (based on an updated actuarial analysis) and an additional \$73m for military annual and long-service leave. The value of land and buildings increased by \$202m, while the values of infrastructure, plant and equipment reduced by \$316m, inventories reduced by \$507m and intangibles reduced by \$1,227m. The gross value of additions to infrastructure, plant and equipment was \$2.7m, offset by the asset capitalisation policy change and a number of other adjustments. The total value of inventories increased by \$42m, offset by the increased provision for inventory obsolescence.

HUMAN RESOURCES

STAFFING OVERVIEW

The actual strength of the permanent component of the ADF as at 30 June 1998 was 55,174. Enlistments for the twelve months to June 1998 were 4,083 made up of 3,356 men and 727 women. This is 1,017 (20%) less than the same period last year. Navy enlistments decreased by 396 (24%), Army enlistments decreased by 789 (32%) and Air Force enlistments increased by 169 (17%) when compared with the figures for the same period last year.

Separations for the twelve months to 30 June 1998 were 5,937. This is 111 (2%) more than the same period in 1996-97. Navy separations decreased by 88 (5%), Army separations increased by 68 (3%) and Air Force separations increased by 121 (8%) compared with the same period in 1996-97.

Since June 1997, the number of reserves with training obligations has decreased by 2% from 28,196 to 27,701. The Navy decreased by 71 (5%) to 1,296, the Army decreased by 43 (0.2%) to 24,837 and the Air Force has decreased by 381 (20%) to 1,568.

As at 30 June 1998 there were 17,943 Defence civilian personnel made up of 15,854 staff employed on a continuing basis and 1,089 other staff employed primarily as short-term temporary staff, a reduction of 1,172 since 30 June 1997. Civilian numbers include part-time, paid, unpaid, operative and inoperative personnel.

More detailed information on personnel statistics can be found in *Appendix J* to Part One.

OVERVIEW OF SOCIAL JUSTICE AND EQUITY

The Defence Equity Organisation was established on 1 July 1997 as an initiative of the Defence Reform Program to draw together responsibility for management of civilian and military equity issues. During the year, the organisation developed a unified reporting system of unacceptable behaviour across Defence; developed the Defence Equity and Diversity Plan; and conducted a review into sexual harassment at the Australian Defence Force Academy, following a number of media reports dealing with the inadequate handling of cases of sexual assault and harassment there. Further details on social justice and equity issues are contained in *Appendix K* to Part One of this report.

Non-Operational Training and Development

In 1997-98, Defence spent a total of \$32.8m on non-operational training and development activities. This included expenditure on professional service providers for delivery of training courses, and on activities such as attendance at conferences and seminars, external training courses, information technology training and attendance for both Service and civilian members at university for an approved course of study.

The restructuring of the Defence organisation as a result of the Defence Reform Program had a significant effect on the ability of the Department to track the attendance of Defence personnel attending non-military training courses. This has resulted in some statistics being unavailable for 1997-98. It is expected that Defence will have a system in place by 1 July 1999 that will enable reporting in greater detail on non-military training activities. Further details on Defence training activities and expenditure are available upon request from the contact officer listed in the front of this report.

PERFORMANCE MANAGEMENT AND EVALUATION

INTERNAL SCRUTINY

Following Cabinet consideration of a *Review of Reporting Requirements* in September 1997, the requirements of the Government's evaluation strategy, including Portfolio Evaluation Plans and the systematic evaluation of all programs every three to five years, have been discontinued. In future, performance management and evaluation will be guided by a set of *good practice principles* issued and updated from time to time by the Minister for Finance and Administration. These principles will form a key part of the Government's performance management framework as it develops over time.

The intent is to provide a framework which accommodates the wide range of Commonwealth business, offers flexibility in performance reporting and provides consistent information to the Parliament and the community on the use of public resources. Agencies are required to report on their performance management and evaluation in the Portfolio Budget Statements and the Annual Report.

Performance Information Review

The Defence Performance Information Review was conducted jointly with the Department of Finance in 1996-97 and a joint report, endorsed by both departments, was presented to the Ministers for Defence and Finance in July 1997.⁷ It identified many deficiencies in Defence performance information, and has led to the initiatives described below.

Performance Management Framework

A new performance management framework is being developed to provide a comprehensive and planned performance management environment and culture in which the contribution each element of the Defence organisation makes to higher-level objectives and outputs is identified, performance information is collected and aggregated to inform decision making and managers are held accountable.

Program Managers now report biannually, in March and September, on their Program's performance to the Defence Executive. This internal reporting is tied to the budget process and is designed to inform Defence's external reporting in the Portfolio Budget Statements, the Additional Estimates Statements and the Annual Report.

A Capability Assessment Report has been developed for each Defence output. The reports will describe the current level of capability of the output - readiness, sustainability and effectiveness for various roles - as well as identifying approved and proposed options for varying the capability. They are intended to inform long-term planning and, subsequently, the Five Year Defence Program and the budget.

The full performance framework is planned to be implemented by 1 July 1999, to fit in with a number of other related initiatives including accrual-based output budgeting, accounting and reporting.

⁷ See pages 31-32 of the *1996-97 Defence Annual Report* for more information.

Portfolio Evaluation Strategy

The Defence Portfolio Evaluation Strategy, endorsed by the Defence Audit and Program Evaluation Committee in December 1997, is designed to enhance evaluation as an integral part of the Defence performance management framework. Under the strategy, there are two tiers of evaluation activity in Defence. Tier 1, comprising internal Program evaluation activity, focuses on problems identified during continuous monitoring to enable adjustment of task resource allocations or of the level, quality or timeliness of outputs. Tier 2, comprising Portfolio-level evaluation activity, focuses primarily on examining higher-level outcomes in terms of effectiveness and/or continued appropriateness of planned outcomes, outputs or activities against changes in Government policy. Tier 2 evaluations may be led by any designated Program. They include those formal evaluations that the Secretary or the Chief of the Defence Force may direct the Inspector-General to undertake.

Portfolio Schedule of Evaluations for 1998-99

Portfolio evaluations for FY1998-99, endorsed by the then Defence Management Committee in April 1998, are Minor Capital Equipment Procurement; Operation of the Defence Community Organisation; Use of Legal Reserve Panels in Defence (subject to staff availability); Processes for Accounting for Uniformed Personnel and Management of Service Salaries; Interaction between Strategic Workforce and Capability Planning; and Financial Management Skills within Defence. Outcomes of the evaluations will be reported in next year's Annual Report.

EXTERNAL SCRUTINY

Parliamentary Committees

This section reports on the status of inquiries or other action by parliamentary committees in relation to the Defence organisation in 1997-98. Significant issues are detailed here and further information can be found in *Appendix M* to Part One of this report.

Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into Military Justice Procedures

On 25 November 1997, the Senate referred to the committee for inquiry and report the adequacy and appropriateness of the existing legislative framework and procedures for the conduct of military boards of inquiry, military courts of inquiry and Defence Force discipline, giving consideration to:

- the needs of the Australian Defence Force in peace and in the conduct of operations within Australia and overseas;
- the constitutional and legislative framework within Australia, and particularly precedents established by the decisions of the High Court of Australia;
- the Judge Advocate General's annual reports; and
- other reports including, but not limited to, reports of the Parliament, the Commonwealth and Defence Force Ombudsman's Annual Report for the 1996-97 financial year and from reports relevant to overseas jurisdictions.

The Defence submission was submitted on 2 March 1998. Defence witnesses appeared before the Defence Sub-Committee and the Director General, Defence Legal Office provided a legal briefing on 11 May 1998.

Background information on the establishment, appointment and functions of the Judge Advocate General and the Deputy Judge Advocates General of the ADF was supplied to the sub-committee on 1 June 1998. Following a request, Defence provided a specialised legal practitioner with an understanding of the military legal system to assist the sub-committee.

Inquiry into the Level of Funding Required for the Australian Defence Force

Defence witnesses appeared before the committee on 4 and 6 August and 31 October 1997. Defence responded to a number of questions asked by the committee on 27 February 1998. The report of the inquiry was tabled on 12 May 1998 and the department is preparing the Government response.

Joint Committee of Public Accounts and Audit

Report 357 - The Jindalee Operational Radar Network Project - Issued March 1998

The committee held a public hearing on the ANAO Audit Report No. 28 of 1995-96, *Jindalee Operational Radar Network Project, Department of Defence*. The committee found that there were deficiencies in almost all aspects of the project, encompassing prime contractor selection and supervision, project management by the prime contractor and performance by a leading sub-contractor. The committee believed that Defence should establish proper project management and major procurement career structures internally.

Defence responded to the public hearing by advising that, while it agreed that the network could have been managed better, the report did not take into account the initiatives made by Acquisition Program to improve management of large and complex projects, and that much had been done in terms of project restructure, risk minimisation and relationship building with the relevant parties that was not acknowledged by the committee.

Senate Foreign Affairs, Defence and Trade Legislation Committee

During the year Defence witnesses appeared before the Senate Foreign Affairs, Defence and Trade Legislation Committee on five occasions. Each appearance related to the organisation's ongoing performance and external reports, such as the 1996-97 Defence Annual Report or the 1997-98 Portfolio Budget Statements. Fifty-eight Defence witnesses spent approximately 50 hours giving evidence at parliamentary hearings and a total of 244 questions were taken on notice and responses provided.

The committee also produced a report examining the 1996-97 Defence Annual Report. Defence was criticised for unevenness of performance assessment across Programs and for a general lack of cohesiveness in the report. Defence has attempted to address these criticisms in this year's report with tighter reporting of performance against forecasts and a more corporate focus to the report.

Auditor-General's Reports

Four Auditor-General's reports relating specifically to Defence were tabled during the year. The agreed findings and recommendations of each report have been referred to the relevant Program Managers for implementation. Biannual updates are provided to the Minister for Finance and Administration on the status of the implementation of the agreed recommendations contained in those Auditor-General's reports which the Department of Finance and Administration has identified for further reporting.

Audit Report No. 5, 17 October 1997 - Performance Audit - Management of Defence Inventory

The objective of the audit was to ascertain whether Defence performance management strategies and practices contributed to the effective and efficient management of the supply chain. In particular, it examined the extent to which they demonstrated those practices identified as world-class.

The ANAO found that, despite increased focus in this area in recent years, performance management practices used in regard to the Defence supply chain did not reflect best practice. As a result, managers were not provided with adequate information or incentives to ensure decisions were based upon consideration of the efficiency and effectiveness of the total supply chain.

Defence agreed to all of the 22 recommendations made in the audit report and commented that the report reinforced and expanded the Defence Efficiency Review findings and that these findings were being implemented in the context of the Defence Reform Program. In addition, Defence responded that, as part of the Defence Reform Program:

- Strategic Logistics Division (since renamed National Support Division) had been raised to develop policy and plans for national support;
- Support Command Australia had been raised and tasked with provision of integrated distribution and joint material support to the ADF; and
- implementation of reforms in Defence logistics in general, and the management of the supply chain in particular, was being undertaken.

Audit Report No. 5, 17 October 1997 - Preliminary Survey - Defence Quality Assurance

The ANAO conducted a preliminary survey of Defence quality assurance to assist in deciding whether a full performance audit should be undertaken. The preliminary survey concluded that, because of the Defence Reform Program, a performance audit would not be undertaken at that time. The survey made observations for consideration in implementing the Defence Reform Program. These included that cost visibility could improve relations further between the quality assurance function and its customers, that no comprehensive quality policy statement existed and that customer services could be improved.

Defence responded that it had no significant disagreements with the preliminary survey's contents and that a review had been carried out to consider the various approaches to quality assurance identified in the Addendum to the Defence Efficiency Review Report. The focus of this review was on identifying changes to optimise cost-effective provision of the quality assurance function. Key recommendations were to be assessed by senior management within Acquisition Program, with the outcomes to be implemented as part of the Defence Reform Program.

Audit Report No. 34, 24 March 1998 - Performance Audit - New Submarine Project

The audit's objective was to assess project management by Defence's new submarine project office in the light of accepted better-practice project-management techniques. The audit followed a 1992 audit of the project by the ANAO and a review by the Joint Committee of Public Accounts in 1995.

The overall conclusions of the audit were that the submarines appeared to have the potential to achieve the capability specified in the contract but it was not possible to be conclusive on that question at the time. Moreover, the audit noted that actual achievement may not occur before 1999, by which time almost all the project's budget would have been spent. The audit stated that the submarines had unresolved problems relating to design and system reliability which, in part, may be expected with a large and complex 'first of class' submarine. Some problems also resulted from a combination of Defence's lack of contractual leverage and the project office's lack of a determined commercially-focused follow-up of project risks identified early in the design and construction phase.

The audit report made 12 recommendations, Defence agreed to five, and agreed-in-principle to a further three recommendations. Defence's general response to the issues in the report were that the project risk continued to be a highly significant issue. However, the risk was well documented and had government consideration prior to project approval and contract signature. As a result of having one vessel commissioned and two others in sea trials, the risk had lessened considerably since project commencement. As a result of the complexities of the project, external assistance was obtained to manage complex and technical issues. Additionally, an extensive quality system continued to be used. As a result of the new submarine project being the most complex project undertaken by Defence and Australian industry, new and adapted procedures had had to be implemented. The Acquisition Program was improving the skills of project staff, including the level of procurement and competency standards needed by project managers.

Audit Report No. 43, 12 May 1998 - Performance Audit - Life-Cycle Costing in the Department of Defence

The audit's objective was to report on whether Defence applied life-cycle costing appropriately in support of decisions throughout the acquisition and management of its capital assets and to make recommendations for any improvement.

The overall conclusions of the audit were that there were many cases where Defence used life-cycle costing to support decisions, mostly in relation to tender selection. In general, though, life-cycle costing was not used at other stages in the acquisition life cycle, such as the early concept-development and the in-service stages. There were also few incentives for middle managers to adopt life-cycle costing principles by making investments sooner to save operating costs later.

Defence agreed, or agreed with qualification, to all but part of one of the nine recommendations made. Defence responded to the report by advising that the recommendations were not new and did not present fresh approaches to assist in managing life-cycle costing. In addition, in many instances, implementation, or progress towards implementation, of the recommendations was already progressing.

Defence Force Ombudsman

There were no formal reports issued to the Chief of the Defence Force pursuant to Section 15 of the *Ombudsman Act 1976*, nor were any reports raised under Sections 16, 17 or 19 of the Act relating to the operations of the ADF during the period under report. However, following a request from the Chief of the Defence Force, the Ombudsman conducted an 'Own Motion' investigation into how the ADF responded to allegations of serious offences.

The Ombudsman identified a number of systematic issues relating to the way the ADF handled such incidents and made a number of recommendations. An Ombudsman Implementation Team has been working on these recommendations which were released jointly by the Ombudsman and the Vice Chief of the Defence Force in January 1998. A new manual entitled *Administrative Inquiries and Investigations in the ADF* has been drafted with the purpose of implementing the investigation's recommendations. It is currently awaiting Defence Legal Office clearance to ready it for presentation to Parliament.

Decisions of Courts and Tribunals

A number of decisions were made during the year relating to compensation claims, including HMAS *Voyager* litigation, and alleged discrimination in the Defence organisation. Details of these decisions are available upon request.⁸

DEFENCE SERVICE CHARTER

In March 1997, the Government announced the decision to introduce service charters across the Commonwealth Public Service, with the aim of improving the quality of service to the community by creating a more open and responsive culture in the Public Service. Initially, Defence agreed to five charters, comprising a general charter covering the provision of capabilities for the defence of Australia, its people and its interests and specific charters on industry, local community liaison, the environment and Defence assistance to civil authorities in times of emergency. The central policy function of Defence was not included in the charter development process.

Following further consideration, it was decided to develop a single Defence-wide charter covering those areas in which there was a clear, direct relationship between Defence and the community, such as emergency assistance to civil authorities, environmental management, local community liaison and tendering and contracting.

The charter includes statements of principles, policies and standards, sets out communication and complaint mechanisms for members of the public in their dealings with Defence and incorporates, as far as possible, existing consultative and other arrangements. A full version of the charter is provided at *Appendix L* to Part One. Further information on the *Defence Service Charter* can be found on the Department of Defence web page (www.defence.gov.au) and additional copies can be obtained from the contact officer listed in the front of this report.

⁸ See *Information Available on Request* in the Index to this report.

1997-98 ORGANISATIONAL STRUCTURE

PERSONNEL AND ORGANISATIONAL MANAGEMENT CHANGES

Over the past year, there has been significant movement at the senior levels of the Defence organisation, including new appointments as Chief of the Defence Force, Secretary, Vice Chief of the Defence Force and Service Chiefs.

On 5 February 1998, Mr Paul Barratt took over from Mr Tony Ayers as Secretary to the Department of Defence. Mr Barratt had previously been the Secretary of the Department of Primary Industries and Energy. In July 1998, Vice Admiral Chris Barrie replaced General John Baker as the Chief of the Defence Force. At the same time, Lieutenant General Frank Hickling and Air Marshal Errol McCormack took up the posts of Chief of Army and Chief of Air Force respectively. Air Marshal Doug Riding also took up the post of Vice Chief of the Defence Force.

Defence has also streamlined its major committees, establishing the Defence Executive as the most senior Defence decision-making body. The Defence Executive includes the Secretary and the Chief of Defence Force as well as the Chiefs of Staff, Deputy Secretaries, the Commander Support Australia and two external participating members.

The Chief of Staffs Committee is chaired by the Chief of the Defence Force and comprises the three single-Service Chiefs and the Vice Chief of the Defence Force. Its function is to provide advice to the Chief of the Defence Force on the discharge of his responsibilities for command of the ADF and for providing military advice to the Minister.

The Defence Audit and Program Evaluation Committee, chaired by the Deputy Secretary, Corporate, oversees all program evaluation and audit activities, reviews the departmental financial statements, and monitors and reviews reports from external agencies such as the Australian National Audit Office and the Joint Committee on Public Accounts and Audit.

The Defence Capability Committee, chaired by the Deputy Secretary, Strategy and Intelligence, determines capability priorities and activities, and provides advice to the Defence Executive on key capability issues and major equipment and facilities acquisitions.

PROGRAM STRUCTURE CHANGES

The Defence Program structure is the basis on which resources are distributed to enable the achievement of agreed objectives and outcomes.

The most significant changes that took effect during the year were the creation on 1 July 1997 of a number of new Programs as part of the implementation of the Defence Reform Program. The structure of the department moved from eight to 14 Programs. The nature of the changes under the Defence Reform Program do not allow for simple 'one-for-one' linkages between the old and new Program structures. The entire organisation was reshaped to be directed towards core business activities and to identify areas where efficiencies could be achieved by unifying related functional areas. The organisation chart at the end of this section contains details of the 14-Program structure.

During the year, there were a number of changes within Programs. These changes are detailed below.

Support Command

The 1997-98 Portfolio Budget Statements advised that a new Sub-Program 6.2 would be created, entitled Joint Logistics. During the year, this was amended and the joint logistics function was established under a new Joint Logistics Systems Agency, under Sub-Program 6.1, and officially came into operation on 1 February 1998.

Defence Personnel Executive

Following publication of the 1997-98 Portfolio Additional Estimates Statements, the Program reviewed its structure and activities. The five sub-Programs were reduced to four - Personnel Executive, Personnel Policy, Personnel Management and Defence Health Services, with effect from 1 January 1998.

Defence Estate

Following the creation of the Defence Estate Program on 1 July 1997, there were four sub-Programs entitled Estate Plans and Programs, Capital Works, Estate Services and Regional Operations. These were later retitled Resources and Policy, Project Delivery, Property Management and Estate Operations and Planning respectively to reflect better the changing nature of the management of the Defence estate.

Corporate Information

With the creation of the Corporate Information Program on 1 July 1997, there were two sub-Programs entitled Information Management and Information Systems. These were later retitled Corporate Information Policy and Plans and Information Management Services. Two further sub-Programs were created during the year. In December 1997, the Year 2000 Project Office was established to deal with the millennium-bug issue and, in January 1998, the Information Infrastructure Branch was formed.

Defence Corporate Support

Sub-Program 13.1 called Defence Support Coordination was later retitled Corporate Support to reflect more accurately the changing nature of its activities.

Finance & Inspector-General

Sub-Program 14.1 has been retitled Resources and Financial Programs.

DEFENCE PROGRAM STRUCTURE 1997-98

1 DEFENCE HEADQUARTERS	2 NAVY	3 ARMY	4 AIR FORCE	5 INTELLIGENCE	6 SUPPORT COMMAND	7 JOINT EDUCATION & TRAINING
Strategic Policy & Plans	Combat Forces	Combat Forces	Combat Forces	Defence Intelligence Organisation	Executive	Education & Training Policy
International Policy	Executive	Executive	Executive	Defence Signals Directorate	Logistics Operations - Navy	Joint Officer Education
Capability Program & Resources Planning	Training	Training	Training		Logistics Operations - Army	
Capability Development					Logistics Operations - Air Force	
National Support					Emergency Management Australia	
Strategic Command						
Australian Theatre						

DEFENCE PROGRAM STRUCTURE 1997-98

8 DEFENCE PERSONNEL EXECUTIVE	9 ACQUISITION	10 SCIENCE & TECHNOLOGY	11 DEFENCE ESTATE	12 CORPORATE INFORMATION	13 DEFENCE CORPORATE SUPPORT	14 FINANCE & INSPECTOR- GENERAL
Personnel Executive	Capital Equipment	Aeronautical & Maritime Research	Resources & Policy	Information Policy & Plans	Corporate Support	Resources & Financial Programs
Personnel Policy	Industry Procurement & Infrastructure	Electronics & Surveillance Research	Project Delivery	Information Management Services	Base Support	Inspector-General
Personnel Management		Executive & Support	Property Management	Information Infrastructure	Public Information	
Defence Health Services			Estate Operations & Planning	Year 2000 Project Office	Legal	

APPENDICES TO PART ONE

- A Australian Defence Force Units and Establishments
- B Ship and Aircraft Availability
- C Peacekeeping and Other Operations
- D Australian Defence Force Exercise Program
- E Defence Cooperation
- F 1997-98 Financial Statements
- G Financial Statistics
- H Reconciliation of Defence Reform Program Savings and Reinvestment by Program
- I \$125m Administrative Savings Initiatives
- J Personnel Statistics
- K Social Justice and Equity
- L Defence Service Charter
- M Parliamentary Scrutiny

APPENDIX A: AUSTRALIAN DEFENCE FORCE UNITS AND ESTABLISHMENTS

(As at 30 June 1998)

AUSTRALIAN DEFENCE HEADQUARTERS

Joint Service units and organisations responsible directly to Australian Defence Headquarters are:

Headquarters Australian Theatre	Sydney, NSW
Australian Defence Force Warfare Centre	Williamstown, NSW
Headquarters Northern Command	Darwin, NT

ROYAL AUSTRALIAN NAVY

Department of Defence (Navy Headquarters) - Canberra, ACT

Maritime Command - Sydney, NSW

Type of Vessel	Name	Base
3 guided missile destroyers (DDG)	HMAS <i>Perth</i>	Sydney, NSW
	HMAS <i>Hobart</i>	Sydney, NSW
	HMAS <i>Brisbane</i>	Sydney, NSW
6 guided missile frigates (FFG)	HMAS <i>Adelaide</i>	Garden Island, WA
	HMAS <i>Canberra</i>	Garden Island, WA
	HMAS <i>Sydney</i>	Sydney, NSW
	HMAS <i>Darwin</i>	Garden Island, WA
	HMAS <i>Melbourne</i>	Sydney, NSW
	HMAS <i>Newcastle</i>	Sydney, NSW
1 Anzac class frigate (FFH)	HMAS <i>Anzac</i>	Garden Island, WA
2 Collins class submarines (SSG)	HMAS <i>Collins</i>	Garden Island, WA
	HMAS <i>Farncomb</i>	Garden Island, WA
2 Oberon class submarines (SSG)	HMAS <i>Onslow</i>	Sydney, NSW
	HMAS <i>Otama</i>	Sydney, NSW
2 inshore minehunters (MHI)	HMAS <i>Rushcutter</i>	Sydney, NSW
	HMAS <i>Shoalwater</i>	Sydney, NSW
1 amphibious heavy lift ship (LSH)	HMAS <i>Tobruk</i>	Sydney, NSW
5 heavy landing craft (LCH)	HMAS <i>Balikpapan</i>	Darwin, NT
	HMAS <i>Tarakan</i>	Cairns, Qld
	HMAS <i>Labuan</i>	Cairns, Qld
	HMAS <i>Betano</i>	Sydney, NSW
	HMAS <i>Brunei</i>	Sydney, NSW
15 Fremantle-class patrol boats (FCPB)	HMAS <i>Fremantle</i>	Sydney, NSW
	HMAS <i>Wollongong</i>	Darwin, NT
	HMAS <i>Dubbo</i>	Darwin, NT
	HMAS <i>Geraldton</i>	Garden Island, WA
	HMAS <i>Bunbury</i>	Garden Island, WA
	HMAS <i>Ipswich</i>	Cairns, Qld
	HMAS <i>Townsville</i>	Cairns, Qld

	HMAS <i>Bendigo</i>	Cairns, Qld
	HMAS <i>Whyalla</i>	Cairns, Qld
	HMAS <i>Gladstone</i>	Cairns, Qld
	HMAS <i>Warrnambool</i>	Sydney, NSW
	HMAS <i>Cessnock</i>	Darwin, NT
	HMAS <i>Launceston</i>	Darwin, NT
	HMAS <i>Gawler</i>	Darwin, NT
	HMAS <i>Geelong</i>	Darwin, NT
2 landing platforms amphibious (LPA)	HMAS <i>Kanimbla</i>	Newcastle, NSW
	HMAS <i>Manoora</i>	Newcastle, NSW
1 fleet oiler (AOR)	HMAS <i>Success</i>	Sydney, NSW
1 auxiliary tanker (AO)	HMAS <i>Westralia</i>	Garden Island, WA
1 hydrographic survey ships (AGS)	HMAS <i>Flinders</i>	Cairns, Qld
4 survey motor launches (SML)	HMAS <i>Paluma</i>	Cairns, Qld
	HMAS <i>Mermaid</i>	Cairns, Qld
	HMAS <i>Shepparton</i>	Cairns, Qld
	HMAS <i>Benalla</i>	Cairns, Qld
1 general purpose vessel (GPV)	GPV <i>Ardent</i>	Sydney, NSW
3 minesweepers auxiliary (MSA[S])	AM <i>Koraaga</i>	Sydney, NSW
	AM <i>Brolga</i>	Sydney, NSW
	AM <i>Bermagui</i>	Sydney, NSW
2 minesweepers - auxiliary large (MSA[L])	AM <i>Bandicoot</i>	Sydney, NSW
	AM <i>Wallaroo</i>	Sydney, NSW
1 patrol boat (diving launch)	PB <i>Malu-Baizam</i>	Thursday Is, Qld
2 torpedo recovery vessels	TRV <i>Tuna</i>	Sydney, NSW
	TRV <i>Trevally</i>	Jervis Bay, NSW
1 youth sail training ship (STS)	STS <i>Young Endeavour</i>	Sydney, NSW
2 dive launches	DL <i>Seal</i>	Sydney, NSW
	DL <i>Shark</i>	Garden Island, WA

Fleet Air Arm

Squadron	Aircraft	Location
HS 816 anti-submarine helicopter squadron	S-70B-2 Seahawk	Nowra, NSW
HS 817 operational fleet utility support helicopter squadron	Sea King Mk 50A/B	Nowra, NSW
HC 723 helicopter training, electronic warfare and utility squadron	AS 350B Squirrel Bell 206B1 HS-748	Nowra, NSW

Commissioned Establishments

Description	Name	Location
Headquarters/area administration	HMAS Kuttabul	Sydney, NSW
Naval air station	HMAS Albatross	Nowra, NSW
Submarine base	HMAS Platypus	Sydney, NSW
Ship and submarine base	HMAS Stirling	Garden Island, WA

Patrol boat base	HMAS Cairns	Cairns, Qld
Patrol boat base and communications station	HMAS Coonawarra	Darwin, NT
Mine warfare and patrol boat base	HMAS Waterhen	Sydney, NSW
Training establishments	HMAS Cerberus	Crib Point, Vic
	HMAS Creswell	Jervis Bay, ACT
	HMAS Penguin	Middle Head, NSW
	HMAS Watson	Watsons Bay, NSW
Communications station/area administration	HMAS Harman	Canberra, ACT

Non-Commissioned Establishments

Facility		Location
Jervis Bay Range Facility		Jervis Bay, ACT
Naval Armament Depots		Kingswood, NSW Somerton, Vic
Naval Armament and Equipment Depot		Garden Island, WA
RAN Missile Maintenance Establishment		Kingswood, NSW
Torpedo Maintenance Facility		Garden Island, WA
RAN Training Establishment		Salisbury, SA
Naval Communication Stations		Canberra, ACT Exmouth, WA Darwin, NT
Naval Communications Area Master Station Australia		Canberra, ACT
Naval Communications Area Local Stations	Cairns, Qld	Sydney, NSW
Naval Headquarters Southern Queensland		Fremantle, WA
Naval Headquarters South Australia		Brisbane, Qld
Naval Headquarters Tasmania		Adelaide, SA Hobart, Tas

AUSTRALIAN ARMY

Department of Defence (Army Headquarters) - Canberra, ACT

Army Executive

Formation/Unit	Designation	Location
1 Army Headquarters	AHQ	Canberra, ACT
1 Directorate of Reserves	DRes-A	Canberra, ACT
1 Aviation Support Group Headquarters	HQ Avn Spt Gp	Oakey, Qld
1 Aviation Support Group Workshop	Avn Spt Gp Wksp	Oakey, Qld

Combat Forces

Formation/Unit	Designation	Location
1 Land Headquarters	LHQ	Paddington, NSW
1 Deployable Joint Force Headquarters (Integrated)	DJFHQ	Enoggera, Qld
1 Divisional Headquarters (General Reserve)	HQ 2 Div	Randwick, NSW
1 Task Force Headquarters (Integrated)	HQ 7 TF	Enoggera, Qld

8 Brigade Headquarters ⁽⁹⁾ (6 General Reserve)	HQ 1 Bde HQ 3 Bde HQ 4 Bde HQ 5 Bde HQ 8 Bde HQ 9 Bde HQ 11 Bde HQ 13 Bde	Palmerston, NT Townsville, Qld Macleod, Vic Liverpool, NSW Mosman, NSW Keswick, SA Townsville, Qld Karrakatta, WA
1 Special Operations Headquarters	HQ SO	Sydney, NSW
1 Commando Signal Squadron (Integrated)	126 Cdo Sig Sqn	Macleod, Vic
2 Commando Battalions (1 General Reserve, 1 Integrated)	1 Cdo Regt 4 RAR (Cdo)	Randwick, NSW Holsworthy, NSW
1 Special Air Service Regiment	SASR	Swanbourne, WA
1 Logistic Support Force Headquarters (Integrated)	HQ LSF	Randwick, NSW
1 Logistic Support Group Headquarters	HQ 1 LSG (ODF)	Randwick, NSW
1 Logistic Support Force Engineers Vic Headquarters (General Reserve)	HQ LSF Engr	Oakleigh South,
1 Ground Liaison Group (Integrated)	1 GL GP	Glenbrook, NSW
1 Battle School	LCBS	Townsville, Qld
1 Armoured Regiment (Integrated) <i>Leopard Tank</i>	1 Armd Regt (Tank)	Palmerston, NT
4 Reconnaissance Regiments (2 General Reserve, 1 Integrated) <i>ASLAV 25/M113A1</i>	2 Cav Regt (Recon) 1/15 RNSWL (Recon) 4/19 PWLH (Recon) 2/14 LHR (QMI) (Recon)	Palmerston, NT Parramatta, NSW Macleod, Vic Enoggera, Qld
1 Armoured Personnel Carrier Regiment (General Reserve) <i>M113A1</i>	12/16 HRL (APC)	Tamworth, NSW
1 Independent Reconnaissance Squadron (General Reserve) <i>M113A1</i>	A Sqn 10 LH (Recon)	Karrakatta, WA
2 Independent Armoured Personnel Carrier Squadrons (1 Integrated) <i>M113A1</i>	B Sqn 3/4 Cav Regt (APC) 3/9 LH (SAMR) (APC)	Townsville, Qld Smithfield, SA
2 Medium Artillery Regiments (1 General Reserve) <i>155 mm Howitzer</i>	8/12 Mdm Regt 2/10 Mdm Regt	Holsworthy, NSW East St Kilda, Vic
5 Field Artillery Regiments (3 General Reserve, 1 Integrated) <i>105 mm Howitzer</i>	1 Fd Regt 4 Fd Regt 6/13 Fd Regt	Enoggera, Qld Townsville, Qld Keswick, SA and Hobart, Tas

⁹ Unless stated, all units are Regular Army

	7 Fd Regt	Pymble, NSW
	23 Fd Regt	Kogarah, NSW
1 Air Defence Regiment (Integrated) <i>Rapier SAM and RBS-70 SAM</i>	16 AD Regt	Woodside, SA
1 Independent Field Artillery Battery (General Reserve) <i>105 mm Howitzer</i>	7 Fd Bty 3 Fd Regt	Karrakatta, WA
1 Locating Battery (Integrated)	131 Loc Bty	Enoggera, Qld
6 Combat Engineer Regiments (3 General Reserve, 1 Integrated)	1 CER	Holsworthy, NSW
	2 CER	Enoggera, Qld
	3 CER	Townsville, Qld
	4 CER	Ringwood East, Vic
	5 CER	Penrith, NSW
	8 CER	Adamstown, NSW
2 Construction Regiments (2 General Reserve) Vic	21 Const Regt	Haberfield, NSW
	22 Const Regt	Oakleigh South,
3 Field Engineer Squadrons - Combat Engineer Regiments (3 General Reserve)	3 Fd Sqn - 9 CER	Warradale, SA
	13 Fd Sqn - 13 CER	Karrakatta, WA
	35 Fd Sqn - 11 CER	Mount Isa, Qld
2 Construction Squadrons	17 Const Sqn	Holsworthy, NSW
	21 Const Sqn	Enoggera, Qld
2 Chief Engineer Works (1 Integrated)	19 CE Wks	Randwick, NSW
	12 CE Wks	Mendi, PNG
1 Topographic Survey Squadron (Integrated)	1 Topo Svy Sqn	Enoggera, Qld
2 Command Support Units (1 Integrated)	1 CSU	Palmerston, NT
	7 CSU	Enoggera, Qld
1 Joint Support Unit (Integrated)	1 JSU	Enoggera, Qld
2 Signal Regiments (1 General Reserve)	7 Sig Regt (EW)	Cabarlah, Qld
	8 Sig Regt	Randwick, NSW
8 Independent Signal Squadrons (5 General Reserve)	103 Sig Sqn	Townsville, Qld
	108 Sig Sqn	Macleod, Vic
	109 Sig Sqn	Karrakatta, WA
	110 Sig Sqn	Paddington, NSW
	141 Sig Sqn	Townsville, Qld
	142 Sig Sqn	Liverpool, NSW
	144 Sig Sqn	Keswick, SA
	145 Sig Sqn	Liverpool, NSW
19 Infantry Battalions (13 General Reserve, 2 Integrated)	1 RAR	Townsville, Qld
	2 RAR	Townsville, Qld
	3 RAR	Holsworthy, NSW
	5/7 RAR	Holsworthy, NSW
	6 RAR	Enoggera, Qld
	9 RQR	Kelvin Grove, Qld
	25/49 RQR	Enoggera, Qld
	31 RQR	Townsville, Qld

	42 RQR	Rockhampton, Qld
	1/19 RNSWR	Orange, NSW
	2/17 RNSWR	Pymble, NSW
	4/3 RNSWR	Ingleburn, NSW
	41 RNSWR	Lismore, NSW
	5/6 RVR	Hawthorn, Vic
	8/7 RVR	Ballarat, Vic
	10/27 RSAR	Adelaide, SA
	11/28 RWAR	Karrakatta, WA
	16 RWAR	Karrakatta, WA
	12/40 RTR	Glenorchy, Tas
3 Regional Force Surveillance Units (3 General Reserve)	Norforce	Darwin, NT
	Pilbara Regt	Karratha, WA
	51 FNQR	Cairns, Qld
2 Aviation Regiments <i>Iroquois, Kiowa, Chinook, Black Hawk</i>	1 Avn Regt	Oakey, Qld
	5 Avn Regt	Townsville, Qld
2 Intelligence Companies (1 General Reserve, 1 Integrated)	1 Int Coy	Enoggera, Qld
	2 Div Int Coy	Randwick, NSW
2 Combat Service Support Battalions (2 Integrated)	1 CSS Bn	Darwin, NT
	7 CSS Bn	Enoggera, Qld
7 Brigade Administrative Support Battalions (1 General Reserve, 3 Integrated) Vic	3 BASB	Townsville, Qld
	4 BASB	Oakleigh South,
	5 BASB	Banksmeadow, NSW
	8 BASB	Homebush, NSW
	9 BASB	Warradale, SA
	11 BASB	Townsville, Qld
	13 BASB	Karrakatta, WA
3 Force Support Battalions (2 Integrated)	2 FSB	Glenorchy, Tas
	9 FSB	Randwick, NSW
	10 FSB	Townsville, Qld
2 Transport Squadrons (2 General Reserve)	15 Tpt Sqn	Bendigo, Vic
	44 Tpt Sqn	Devonport, Tas
1 Transport Squadron Headquarters	HQ 26 Tpt Sqn	Puckapunyal, Vic
3 Transport Troops	85 Tpt Tp	Moorebank, NSW
	86 Tpt Tp	Puckapunyal, Vic
	158 Tpt Tp	Puckapunyal, Vic
1 Air Dispatch Squadron	176 AD Sqn	Richmond, NSW
1 Ships Army Detachment	SAD HMAS <i>Tobruk</i>	Sydney, NSW
1 Forward General Hospital (General Reserve)	3 Fwd Gen Hosp	Keswick, SA
2 Field Hospitals (1 General Reserve)	1 Fd Hosp	Holsworthy, NSW
	2 Fd Hosp	Enoggera, Qld
1 Parachute Surgical Team (Integrated)	1 PST	Holsworthy, NSW
1 Field Ambulance (General Reserve)	10 Fd Amb	Glenorchy, Tas
3 Preventative Medicine Companies	2 Pvnt Med Coy	Holsworthy, NSW

(3 General Reserve)	3 Pvnt Med Coy 4 Pvnt Med Coy	Brighton East, Vic Kelvin Grove, Qld
1 Petroleum Company (General Reserve) Vic	1 Pet Coy	Oakleigh South,
1 Logistic Support Force Workshop (General Reserve)	LSF Wksp	Glenorchy, Tas
1 Recovery Company (General Reserve)	3 Recov Coy	Korumburra, Vic
1 Logistic Support Force Finance Service Unit (Integrated)	1 LSF Fin Svc Unit	Enoggera, Qld
3 Military Police Companies (Integrated)	2 MP Coy 3 MP Coy 4 MP Coy	Liverpool, NSW Paddington, NSW Randwick, NSW
1 Psychology Unit	1 Psych Unit	Millers Point, NSW
1 Deployed Forces Support Unit (Integrated)	DFSU	Randwick, NSW

Individual Training

Formation/Unit	Designation	Location
Headquarters Training Command NSW	HQ Trg Comd	Georges Heights,
Command and Staff College	C & SC	Queenscliff, Vic
Royal Military College	RMC	Duntroon, ACT
1st Recruit Training Battalion	1 RTB	Kapooka, NSW
Army Logistic Training Centre	ALTC	Bonegilla, Vic
Army Financial Services Unit	AFSU	Canberra, ACT
Army History Unit	AHU	Canberra, ACT
Land Warfare Studies Centre	LWSC	Duntroon, ACT
Land Warfare Centre	LWC	Canungra, Qld
Army Adventurous Training Centre	AATC	Kapooka, NSW
Parachute Training School	PTS	Nowra, NSW
School of Armour	School of Armour	Puckapunyal, Vic
School of Artillery	School of Arty	Puckapunyal, Vic
School of Military Engineering	SME	Liverpool, NSW
School of Signals	School of Sigs	Macleod, Vic
School of Infantry	School of Inf	Singleton, NSW
Combined Arms Training Centre	CATC	Puckapunyal, Vic
Australian Defence Force Helicopter School	ADF Helo School	Fairbairn, ACT
School of Army Aviation	School of Army Avn	Oakey, Qld
Defence Intelligence Training Centre	DINTTC	Canungra, Qld
Royal Australian Electrical and Mechanical Engineers Aircraft Maintenance School	RAEME Acft Maint School	Oakey, Qld
School of Army Education	SAE	Enoggera, Qld
Military Police Training Centre	MPTC	Liverpool, NSW
Defence Force School of Music	DFS of Music	Macleod, Vic
Australian Technical Staff Officer Course	ATSOC	Canberra, ACT
Joint Telecommunications School	JTS	Cabarlah, Qld
8 General Reserve Training Groups	1 Trg Gp	Wacol, Qld

	2 Trg Gp	Ingleburn, NSW
	3 Trg Gp	Macleod, Vic
	4 Trg Gp	Greenacres, SA
	5 Trg Gp	East Fremantle,
WA		
	6 Trg Gp	Brighton, Tas
	7 Trg Gp	Darwin, NT
	11 Trg Gp	Townsville, Qld
7 General Reserve Tertiary Institution Training Units	QUR	St Lucia, Qld
	SUR	Darlington, NSW
	UNSWR	Kensington, NSW
	MON UR	Mt Waverley, Vic
	MUR	Carlton, Vic
	AUR	Adelaide, SA
	WAUR	Fremantle, WA
12 Army Bands (6 General Reserve)	AAB (A)	Warradale, SA
	AAB (B)	Kelvin Grove, Qld
	AAB (K)	Kapooka, NSW
	AAB (M)	Melbourne, Vic
	AAB (N)	Adamstown, NSW
	AAB (D)	Darwin, NT
	AAB (P)	Karrakatta, WA
	AAB (S)	Paddington, NSW
	AAB (T)	Hobart, Tas
	ARes Pipes & Drums	Karrakatta, NSW
	RACT Pipes & Drums	Adamstown, NSW
	RMC Band	Duntroon, ACT

ROYAL AUSTRALIAN AIR FORCE

Department of Defence (Air Force Headquarters) - Canberra, ACT

Air Force Headquarters	AFHQ	Canberra, ACT
Directorate of Flying Safety – ADF	DFS-ADF	Canberra, ACT
Air Power Studies Centre	APSC	Fairbairn, ACT
Airworthiness Coordination and Policy Agency	ACPA-AF	Canberra, ACT
Aeronautical Information Services Agency	AIS-AF	Melbourne, Vic
Air Force Police and Security Agency	AFPSA	Queanbeyan, NSW
No. 1 Joint Communications Unit	1JCU	Woomera, SA
Defence International Training Centre	DITC	Laverton, Vic

Air Command - Glenbrook, NSW

Formation/Unit	Designation	Location
Headquarters Air Command	HQAC	Glenbrook, NSW
Australian Joint Acoustic Analysis Centre	AJAAC	Nowra, NSW
Headquarters Strike Reconnaissance Group	HQSRG	Amberley, Qld
No 82 Wing HQ	HQ82WG	Amberley, Qld

Part One

2 strike and reconnaissance squadrons (<i>F-111C, RF-111C</i>)	1 Sqn	Amberley, Qld
(<i>F-111C, F-111G</i>)	6 Sqn	Amberley, Qld
Headquarters Tactical Fighter Group	HQTFG	Williamtown, NSW
No. 81 Wing Headquarters	HQ81WG	Williamtown, NSW
3 tactical fighter squadrons (including 1 forward air control training flight)		
(<i>F/A-18</i>)	3 Sqn	Williamtown, NSW
(<i>F/A-18, PC9/A</i>)	77 Sqn	Williamtown, NSW
(<i>F/A-18</i>)	75 Sqn	Tindal, NT
1 lead-in fighter training squadron (<i>Macchi MB326</i>)	76 Sqn	Williamtown, NSW
1 tactical fighter operational conversion unit (<i>F/A-18</i>)	20CU	Williamtown, NSW
1 conversion training squadron (<i>Macchi MB326</i>)	79 Sqn	Pearce, WA
1 maintenance wing headquarters	HQ402WG	Williamtown, NSW
1 maintenance squadron	481 Sqn	Williamtown, NSW
No 41 Wing Headquarters	HQ41WG	Williamtown, NSW
1 software development unit	ADGE SDU	Williamtown, NSW
2 air defence radar units	2 CRU	Darwin, NT
	3 CRU	Williamtown, NSW
1 mobile air defence radar unit	114 MCRU	Tindal, NT
1 radar surveillance unit (<i>Over the Horizon Radar</i>)	1 RSU	Alice Springs, NT
11 air traffic control flights	ATCFLT AMB	Amberley, Qld
	ATCFLT DAR	Darwin, NT
	ATCFLT ESL	East Sale, Vic
	ATCFLT EDN	Edinburgh, SA
	ATCFLT NOWRA	Nowra, NSW
	ATCFLT OAK	Oakey, Qld
	ATCFLT PEA	Pearce, WA
	ATCFLT RIC	Richmond, NSW
	ATCFLT TDL	Tindal, NT
	ATCFLT TVL	Townsville, Qld
	ATCFLT WLM	Williamtown, NSW
Headquarters Maritime Patrol Group	HQMPPG	Edinburgh, SA
No. 92 Wing Headquarters	HQ92WG	Edinburgh, SA
2 maritime patrol squadrons (<i>P3C Orion</i>)	10 Sqn	Edinburgh, SA
(<i>P3C Orion</i>)	11 Sqn	Edinburgh, SA
1 operational conversion squadron (<i>TAP-3 Orion</i>)	292 Sqn	Edinburgh, SA
1 maintenance squadron	492 Sqn	Edinburgh, SA
Headquarters Air Lift Group	HQALG	Richmond, NSW

No. 86 Wing Headquarters	HQ86WG	Richmond, NSW
2 medium range transport squadrons (<i>C-130H Hercules</i>)	36 Sqn	Richmond, NSW
(<i>C-130E Hercules</i>)	37 Sqn	Richmond, NSW
2 tactical transport squadrons (<i>DHC-4 Caribou</i>)	35 Sqn	Townsville, Qld
(<i>DHC-4 Caribou</i>)	38 Sqn	Amberley, Qld
2 search and rescue flights (<i>DHC-4 Caribou</i>)	35 Sqn Det A	Darwin, NT
(<i>DHC-4 Caribou</i>)	38 Sqn Det A	Pearce, WA
1 air movements training and development unit	AMTDU	Richmond, NSW
1 maintenance squadron	486 Sqn	Richmond, NSW
No. 84 Wing Headquarters	HQ84WG	Richmond, NSW
1 long-range transport squadron (including air-to-air refuelling) (<i>Boeing 707</i>)	33 Sqn	Richmond, NSW
2 special transport squadrons (<i>Falcon 900</i>)	34 Sqn	Fairbairn, ACT
(<i>HS 748</i>)	32 Sqn	East Sale, Vic
Headquarters Combat Support Group	HQCSG	Glenbrook, NSW
No. 322 Combat Support Wing Headquarters	HQ322CSW	Tindal, NT
1 combat support squadron	322CSS	Tindal, NT
No. 395 Combat Support Wing Headquarters	HQ395CSW	Townsville, Qld
6 combat support squadrons	321CSS (321ABW)	Darwin, NT
	323CSS (323ABW)	Townsville, Qld
	324CSS (RAAFSUBUT)	Butterworth,
Malaysia	381CSS (302ABW)	Williamstown, NSW
	382CSS (301ABW)	Amberley, Qld
	386CSS (303ABW)	Richmond, NSW
1 air base wing	304ABW	Edinburgh, SA
1 combat logistics squadron	1 CLS (1 OSU)	Townsville, Qld
1 combat communications squadron	1 CCS (ATTU)	Richmond, NSW
1 mobile air terminal unit	MATU	Richmond, NSW
Headquarters Airfield Defence Wing	HQAFDW	Amberley, Qld
3 airfield defence squadrons	1 AFDS	Tindal, NT
	2 AFDS	Amberley, Qld
	3 AFDS	Amberley, Qld
Headquarters Combat Reserve Wing	HQCRESW	Glenbrook, NSW
9 reserve squadrons	13 Sqn	Darwin, NT
	21 Sqn	Laverton, Vic
	22 Sqn	Richmond, NSW
	23 Sqn	Amberley, Qld

	24 Sqn	Edinburgh, SA
	25 Sqn	Pearce, WA
	26 Sqn	Williamstown, NSW
	27 Sqn	Townsville, Qld
	28 Sqn	Fairbairn, ACT
1 hospital	3 Hosp	Richmond, NSW
1 combined telecommunications and support unit	CSUG	Glenbrook, NSW
3 military airfields (bare bases)	RAAF Learmonth RAAF Curtin RAAF Scherger	Learmonth, WA Curtin, WA Scherger, Qld
Aircraft Research and Development Unit (F/A-18, PC9/A, MB326, C47)	ARDU	Edinburgh, SA

Training Command – Laverton, Vic

Formation/Unit	Designation	Location
Headquarters Training Command	HQTC	Point Cook, Vic
4 air training schools and units		
No 2 Flying Training School (PC-9/A)	2FTS	Pearce, WA
Central Flying School (PC-9/A)	CFS	East Sale, Vic
School of Air Navigation	SAN	East Sale, Vic
School of Air Traffic Control	SATC	East Sale, Vic
9 ground training schools and units		
RAAF College	RAAFCOL	Point Cook, Vic
RAAF Staff College	RAAFSC	Fairbairn, ACT
Combat Survival Training School	CSTS	Townsville, Qld
Photographic School	PHOTS	East Sale, Vic
School of Technical Training	RAAFSTT	Wagga Wagga, NSW
School of Management and Training Technology	RAAFSMTT	Wagga Wagga, NSW
Security and Fire School	RAAFSFS	Amberley, Qld
ADF Language School	ADFLANGS	Point Cook, Vic
Recruit Training Unit	1 RTU	Edinburgh, SA
1 hospital	6 Hosp	Laverton, Vic
Institute of Aviation Medicine	AVMED	Edinburgh, SA
Central Photographic Establishment	CPE	Laverton, Vic
3 air base wings	305ABW 306ABW 307ABW	East Sale, Vic Pearce, WA Fairbairn, ACT
2 support units	RAAFSUWIL RAAFSUWAG	Laverton, Vic Wagga Wagga, NSW
1 band	RAAFBAND	Laverton, Vic
1 museum	RAAF Museum	Point Cook, Vic

APPENDIX B: SHIP AND AIRCRAFT AVAILABILITY

Table B.1: Naval Aviation Flying Hour Program - 1997-98

<i>Aircraft Type</i>	<i>Inventory</i>	<i>Planned Flying Hours</i>	<i>Achieved Flying Hours</i>	<i>Variation</i>
Bell 206B	3	962	1,083	121
AS350BA ⁽¹⁾		1,896	696	
SK50/50A	7		1,546	33
	2	896		-24
S-70B-2		3,596	2,963	
Jindivik ⁽²⁾		80	82	

Note:

1. Aircraft grounded November 1997 - March 1998 with hydraulic problems.
2. Represents planned Jindivik flights not flying hours.

Table B.2: Availability and Activity of Maritime Forces - 1997-98

<i>Combat Force (Force Element Group)</i>	<i>Inventory</i>	<i>Predicted Availability⁽¹⁾⁽²⁾</i>	<i>Achieved Availability</i>
Surface Combatant ⁽³⁾	12	10	9.1
Patrol Boat ⁽⁴⁾	15	13	13.7
Submarine ⁽⁵⁾	4	3	1.9
Afloat Support ⁽⁶⁾	2	2	2.4
Mine Counter Measure ⁽⁷⁾	7	7	6.6
Amphibious ⁽⁸⁾	8	4	4.6
Marine Science ⁽⁹⁾	6	4	5.1

Notes:

1. Predicted Availability is the average number of fleet units available at any time during the financial year that are not undergoing scheduled depot level maintenance.
2. Each available fleet unit is programmed for up to 150 sea days per year depending on training and operational commitments.
3. The Surface Combatant FEG comprises HMA Ships *Perth*, *Hobart*, *Brisbane*, *Adelaide*, *Canberra*, *Sydney*, *Darwin*, *Melbourne*, *Newcastle*, *Torrens*, *Anzac* and *Arunta* (due to be commissioned in October 1998).
4. The Patrol Boat FEG comprises HMA Ships *Fremantle*, *Bendigo*, *Bunbury*, *Cessnock*, *Gawler*, *Dubbo*, *Geelong*, *Geraldton*, *Gladstone*, *Ipswich*, *Launceston*, *Townsville*, *Warmambool*, *Whyalla* and *Wollongong*.
5. The Submarine FEG comprises HMA Ships *Onslow*, *Otama*, *Collins* and *Farncomb* (delivered in December 1997).
6. The Afloat Support FEG comprises HMA Ships *Success*, *Westralia*, and *Protector* (decommissioned in December 1997).
7. The Mine Warfare FEG comprises HMA Ships *Rushcutter* and *Shoalwater*, MSA(L)s *Walleroo* and *Bandicoot* and MSA(S)s *Brolga*, *Koraaga* and *Bermagui*.
8. The Amphibious FEG comprises HMA Ships *Tobruk*, *Kanimbla*, *Manoora*, *Labuan*, *Balikpapan*, *Brunei*, *Betano* and *Tarakan*. A life of type extension program for the LCHs commenced during the period.
9. The Marine Science FEG comprises HMA Ships *Moresby*, *Flinders*, *Mermaid*, *Shepparton*, *Paluma* and *Benalla*. HMAS *Moresby* decommissioned in November 1997. The FEG also includes the LADS aircraft.

Table B.3: Army Aviation Flying Hour Program - 1997-98

<i>Aircraft</i>	<i>Inventory</i>	<i>Planned Flying Hours</i>	<i>Achieved Flying Hours</i>	<i>Variation</i>
Black Hawk	36	8,050	7,469	-581
Iroquois	25	5,010	6,551	1,541
Kiowa	38	8,311	9,090	779 ⁽¹⁾
Squirrel	18	8,078	3,722	-4,356 ⁽²⁾
Chinook	4	1,000	844	-156 ⁽³⁾
King Air	3	1,800	2,213	413 ⁽⁴⁾
Twin Otter	1	1,400	1,252	-148
Total		33,649	31,141	-2,508

Notes:

1. The hours flown above the planned rate of effort were a result of the Kiowa being used for instructor training and to cater for increased pilot trainee throughput.
2. The reduction in the rate of effort for the Squirrel was due to a major restriction in operations as a result of two incidents in 1997.
3. Fleet operations were limited towards the end of the year due to occupational health and safety concerns regarding noise impacts on crew and the safety of maintenance platforms that are being addressed through equipment solutions.
4. The rate of effort for fixed-wing aircraft relates to the hours for which the aircraft are leased.

Table B.4: Tactical Fighter Group Flying Hours – 1997-98

	<i>F/A-18</i>		<i>MACCHI</i>	
	<i>Planned</i>	<i>Achieved</i>	<i>Planned</i>	<i>Achieved</i>
Training	9,100	9,740	5,670	6,400
National Support	0	0	0	2
Program of Major Service Activities	1,280	988	350	0
Defence Support	788	527	80	190
Navy Support	825	559	150	310
Army Support	100	77	0	274
RAAF Support	135	117	0	23
Total	12,000 ⁽¹⁾	12,008	6,900 ⁽¹⁾	7,200 ⁽²⁾

Notes:

1. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The Flying Hour Program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
2. Hours were increased during the year to accommodate increasing numbers of pilots being accepted into the Chief of Air Force-directed Fighter Pilot Recovery Program.

Table B.5: Tactical Fighter Group (PC9/A) Flying Hours – 1997-98

	<i>Planned</i>	<i>Achieved</i>
Training	1,200	1,158
Program of Major Service Activities	70	56
Defence Support	195	60
Navy Support	0	0
Army Support	200	156
RAAF Support		197
Total	1,500⁽¹⁾	1,625⁽²⁾

Notes:

1. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The flying hour program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
2. Planned hours were increased by 150 following the 1997-98 Additional Estimates to accommodate increased Aircraft Research and Development Unit requirements (Aircraft Research and Development Unit hours total 750).

Table B.6: Strike Reconnaissance Group (F-111) Flying Hours

	<i>Planned</i>	<i>Achieved</i>
Training	2,893	2,949
Program of Major Service Activities	750	746
Defence Support	417	189
RAAF Support	0	46
Navy Support	250	366
Army Support	90	99
Total	4,400	4,395

Table B.7: Maritime Patrol Group (P3C) Flying Hours

	<i>Planned</i>	<i>Achieved</i>
Training	3,410	3,796
National Support	0	43
Program of Major Service Activities	1,445	1159
Defence Support	2,238	2,093
Navy Support	850	985
Army Support	0	0
RAAF Support	350	586
VIP	0	2
Total	8,200⁽¹⁾	8,664⁽²⁾

Notes:

1. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The flying hour program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
2. The normal rate of effort for the P3C aircraft is 8,700 hours. However, for 1997-98 this figure was reduced to 8,200 hours based on projections of aircraft availability during the aircraft update project. Actual availability was better than expected, allowing close to the normal rate of effort to be flown.

Table B.8: Air Lift Group Flying Hours– 1997-98

	<i>C-130</i>		<i>B-707</i>	
	<i>Planned</i>	<i>Achieved</i>	<i>Planned</i>	<i>Achieved</i>
Training	4,085	3,854	1,310	1,073
National Support	250	229	10	0
PMSA	4,800	3,116	450	349
Defence Support	1,846	4,278	311	871
Navy Support	622	424	20	15
Army Support	1,900	1,905	75	102
RAAF Support	800	689	45	132
Scheduled Services	2,571	1,713	535	62
VIP	0	18	0	18
Total	16,872	16,226⁽¹⁾	2,602⁽²⁾	2,622⁽³⁾

Notes:

1. The C-130 platform underflew its allocation by 556 hours because of the heavy involvement of aircraft in, and on standby for, a number of contingency operations during the year, which caused other tasking to be cancelled.
2. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The flying hour program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
3. The B-707 was heavily committed to a number of contingency operations during the year.

Table B.9: Air Lift Group Flying Hours – 1997-98

	<i>HS748</i>		<i>FALCON 900</i>	
	<i>Planned</i>	<i>Achieved</i>	<i>Planned</i>	<i>Achieved</i>
Training	640	641	876	921
Course Support	2,690	1,998	0	0
Defence Support	170	162	299	365
Navy Support	0	6	0	0
Army Support	0	5	0	0
RAAF Support	0	11	0	0
VIP	0	0	2,800	1733
Total	3,500	2,823⁽¹⁾	3,975	3,019⁽²⁾

Notes:

1. The HS 748 was unable completely to satisfy commitments for 1997-98 because of aircraft maintenance and availability problems throughout the year. This resulted in a number of navigator and observer courses being extended. The aircraft is to be withdrawn from service as soon as a suitable replacement can be identified, modified and brought into service.
2. Not all F900 hours available for VIP tasking were called upon by the Government.

Table B.10: Air Lift Group Flying Hours – 1997-98

	<i>CARIBOU</i>		<i>DAKOTA</i>	
	<i>Planned</i>	<i>Achieved</i>	<i>Planned</i>	<i>Achieved</i>
Training	2,369	2,279	420	153
National Support	50	5	0	0
PMSA	580	221	0	0
Defence Support	577	1,870	263	57
Navy Support		20	0	0
Army Support	1,550	663	205	223
RAAF Support	130	62	112	239
VIP	40	20	0	0
Total	5,000⁽¹⁾	5,140⁽²⁾	1,000	672⁽³⁾

Notes:

1. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The flying hour program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
2. An increase in Caribou hours was required due to the heavy commitment of aircraft and hours to drought relief operations in Papua New Guinea and Irian Jaya.
3. The Dakota was unable to completely satisfy commitments for 1997-98 because of aircraft maintenance and availability problems throughout the year. The aircraft is to be withdrawn from service as soon as a suitable replacement can be identified, modified and brought into service.

Table B.11: Training Command (PC9/A) Flying Hours – 1997- 98

	<i>Planned</i>	<i>Achieved</i>
Training	9,493	8,393
Defence Support	465	591
RAAF Support	155	52
Course Support	14,776	13,834
Roulettes	1,500	1,666
Total	26,100⁽¹⁾⁽²⁾	24,536⁽³⁾⁽⁴⁾

Notes:

1. Individual planned hour allocations may not sum to the total allocation. Any differences allow for efficiencies to be achieved through concurrent tasking. The flying hour program is updated regularly to take account of changed circumstances, such as revised tasking and aircraft and crew availability.
2. Training Command also lease civilian aircraft for components of navigator and observer training and pilot flight screening.
3. 150 hours was transferred to the Air Command PC9/A allocation because of an increased requirement from the Aircraft Research and Development Unit.
4. The 5% underfly was a result of fewer trainee student pilots than expected, a number of suspensions from pilots courses and fewer students on central flying school courses.

Table B.12: Estimated Air Force Program Cost of Flying Hour Program by Force Element Group

<i>Force Element Group</i>	<i>Personnel Costs</i>	<i>Non-Personnel Costs</i>	<i>Total Budget Estimate ⁽¹⁾</i>	<i>Total Budget Estimate ⁽²⁾</i>	<i>Achieved Outcome</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Strike/Reconnaissance	137.2	68.6	205.8	197.8	197.6
Tactical Fighter	192.1	80.7	272.8	310.0	313.0
Air Lift ⁽³⁾	158.1	103.4	261.5	305.4	293.8
Maritime Patrol	96.0	50.3	146.3	154.6	163.4
Training	68.7	11.8	80.5	52.9	49.7
Total ⁽⁴⁾	652.1	314.8	966.9	1,020.7	1,017.5

Notes:

1. Costs calculations based on 1996-97 flying hour cost recovery rates.
2. Costs calculations based on 1997-98 flying hour cost recovery rates.
3. Air Lift does not include Falcon costs or associated revenue.
4. Personnel costs component of flying hour rate includes costs of crew, maintenance and other support personnel (eg. air traffic control).

APPENDIX C: PEACEKEEPING AND OTHER OPERATIONS

AUSTRALIAN DEFENCE FORCE OPERATIONS

During the year, the ADF undertook a number of operations following Government tasking.

Table C.1: Government-Directed Activities

<i>Operation</i>	<i>Date</i>	<i>Forces</i>
Australian EEZ Patrol	Continuing	RAN and RAAF
Outcome: To conduct maritime surveillance of the Australian Exclusive Economic Zone. Several vessels engaged in illegal activities were detected and detained.		
Operation Ausindo Jaya	May – July 1998	RAAF and Army
Outcome: The ADF provided support for drought relief operations in Irian Jaya during the period May to July 1998 and effectively deployed 88 personnel, and logistic assets. A total of 440 tonnes of aid, comprising food, seeds, and medical supplies was delivered.		
Operation Banner	1993 – continuing	ARA
Outcome: The objective is to assist the Cambodian Government by undertaking mine clearance and providing signals assistance. Australian Army Engineers are attached to Cambodian Government elements to assist with this process.		
Operation Belisi	November 1997 – continuing	RAN, ARA and RAAF
Outcome: Australia led the regional Peace Monitoring Group to monitor and report on the maintenance of the ceasefire on Bougainville. The RAAF provided air transport support for the deployment and sustainment of personnel allocated to the peace monitoring group in Bougainville, while HMAS <i>Tobruk</i> and <i>Success</i> also provided support at various times.		
Operation Blazer	1991 – continuing	ARA
Outcome: The objective is to identify, inspect and destroy Iraq's weapons of mass destruction. During the year, Australia provided personnel to assist in this activity.		
Operation Brancard	May 1998	RAN, ARA and RAAF,
Outcome: RAAF aircraft were on standby at Darwin to provide airlift support to evacuate Australian nationals from Jakarta in May 1998.		
Operation Coracle	1994 – continuing	ARA
Outcome: The objective of this exercise is to assist the Mozambique Government with the training of de-mining staff as part of the UN force in Mozambique. Engineering personnel were provided as part of this commitment.		

<i>Operation</i>	<i>Date</i>	<i>Forces</i>
Operation Dirk	October – November 1997	RAN
Outcome: This goal of the operation was to apprehend vessels fishing illegally in the Southern Ocean around Heard Island and Macdonald Islands, two islands within Australia's Exclusive Economic Zone. Two vessels were apprehended and returned to Fremantle, WA.		
Operation Gateway	Continuing	RAAF and Malaysian Forces
Outcome: To conduct regular maritime surveillance of the high seas in cooperation with Malaysia. All objectives were achieved.		
Operation in Kuwait	February – June 1998	RAAF and ARA
Outcome: Between February and June 1998, the ADF provided support to an international coalition in anticipation of the need to take military action against Iraq for breaches of UN Security Council Resolutions. Personnel from the Special Air Service and the RAAF were stationed in Kuwait. The RAAF operated two B-707 tanker aircraft in Kuwait to provide just under 400 hours of air-to-air refuelling for coalition forces stationed there. All Australian forces returned in June 1998 with the exception of a liaison officer.		
Operation Osier	March 1997 – June/July 1998	ARA
Outcome: Army personnel were provided to support the UK Armed Force's commitment to the Stabilisation Force in Bosnia.		
Operation Paladin	1995 – continuing	ARA
Outcome: Army personnel have been in place to act as part of a UN force to supervise, observe and report on the various cease-fire agreements, truces and peace treaties that have been negotiated since 1948 between Israel and Arab nations.		
Operation Ples Draï	September 1997 – May 1998	RAAF and Army
Outcome: This was a combined ADF / PNGDF operation to support drought relief operations in PNG during the period September 1997 to May 1998.		
Operation Solania	Continuing	RAAF and SW Pacific nations
Outcome: To conduct regular surveillance of exclusive economic zones and high seas surrounding Pacific Islands in the Pacific, as mutually agreed. All objectives were achieved.		
Operation Stanhope	February – March 1998	RAN
Outcome: The goal of the operation was to apprehend vessels fishing illegally in the Southern Ocean around Heard Island and Macdonald Islands. One vessel was apprehended carrying over 90 tonnes of patagonian toothfish.		

<i>Operation</i>	<i>Date</i>	<i>Forces</i>
Operation Usherette	January 1998	RAAF
Outcome:		
The RAAF provided aircraft to transport delegates to the Bougainville peace conference in Christchurch, New Zealand.		

EXPENDITURE ON PEACEKEEPING AND HUMANITARIAN ASSISTANCE

Outlay for peacekeeping and humanitarian assistance during 1997-98, after recoveries and supplementation, was \$22.7m. This outcome reflected our changing focus towards regional defence cooperation in the form of individual, expert assistance to promote regional security and stability by developing the capacity to work with regional countries to confront future security challenges. The regional cooperation focus also extended to providing assistance in humanitarian operations. Major regional activities in 1997-98 included Defence involvement in the Bougainville Truce Monitoring Group and provision of drought relief assistance in Papua New Guinea and in Irian Jaya - Indonesia.

The following table summarises the financial impact on the 1997-98 Defence budget of peacekeeping and humanitarian assistance. Elements used to determine this impact include the gross additional cost, the level of recoveries to Defence, the level of supplementation received by Defence, and the net additional cost. These estimates exclude personnel-related costs, which are already provided for in the Defence budget. The extent of supplementation provided to Defence for peacekeeping and regional cooperation tasks is determined by government case-by-case. Defence has tended not to seek supplementation for smaller-scale activities.

Table C.2: Expenditure on Peacekeeping and Humanitarian Assistance

<i>Deployment</i>		<i>1997-98 Revised Forecast \$m</i>	<i>1997-98 Actual Achievement \$m</i>	<i>Variation \$m</i>
Persian Gulf Deployment - Iraq	Gross Cost	7.2	9.4	2.3
	Recoveries	-	-	-
	Supplementation	-	-	-
	Net Cost	7.2	9.4	2.3
Multinational Force and Observers – Sinai	Gross Cost	1.8	0.8	-1.0
	Recoveries	-1.4	-1.4	-
	Supplementation	0.1	0.1	-
	Net Cost	0.5	-0.5	-1.0
United Nations Peacekeeping Force – Mozambique (Demining Advisers) (Operation Coracle)	Gross Cost	0.2	0.1	-0.05
	Recoveries	-	-	-
	Supplementation	-	-	-
	Net Cost	0.2	0.1	-0.05
United Nations Operations – Bosnia (Operation Osier)	Gross Cost	0.4	0.3	-0.1
	Recoveries	-	-	-
	Supplementation	-	-	-
	Net Cost	0.4	0.3	-0.1

Deployment		1997-98 Revised Forecast \$m	1997-98 Actual Achievement \$m	Variation \$m
United Nations Special Commission – Iraq	Gross Cost	0.2	0.2	0.0
	Recoveries	-	-	
	Supplementation	-	-	
	Net Cost	0.2	0.2	0.0
United Nations Truce Supervisory Organisation – Middle East	Gross Cost	2.2	2.2	-0.0
	Recoveries	-	-	
	Supplementation	-	-	
	Net Cost	2.2	2.2	-0.0
Bougainville Truce Monitoring Group	Gross Cost	8.5	8.2	-0.3
	Recoveries	-0.2	-	0.2
	Supplementation	-	-	
	Net Cost	8.3	8.2	-0.1
Drought Relief Assistance to Papua New Guinea (Operation Ples Drai)	Gross Cost	12.1	12.9	0.8
	Recoveries	-12.0	-12.0	-
	Supplementation	-	-	-
	Net Cost	0.1	0.9	0.8
Drought Relief Assistance to Irian Jaya, Indonesia (Operation Ausindo Jaya)	Gross Cost	-	1.9	1.9
	Recoveries	-	-	-
	Supplementation	-	-	-
	Net Cost	-	1.9	1.9
TOTAL	Gross Cost	32.5	36.0	3.5
	Recoveries	-13.6	-13.4	0.2
	Supplementation	0.1	0.1	-
	Net Cost	19.1	22.7	3.7

Note:

1. Recoveries may relate to previous years' expenditure and therefore may result in a negative cost in a particular year.

ARMY ATSIC COMMUNITY ASSISTANCE PROJECT

Assistance continued to be provided in support of the project. The Army is making a valuable contribution in providing environmental health-related services to remote indigenous communities while deriving excellent training benefits from realistic work. The project has done much to build confidence and trust between the Army and the indigenous community. Table C.3 below provides details of specific activities under the project and further information is available in the *Army Program* performance report in Part Two of the report.

Table C.3: Army ATSIC Community Assistance Project

Location	Scope	Current Status
Bulla - NT	Construction of sewerage system, housing, and rubbish tip.	Work commenced on 1 September 1997 with the Army component expected to be complete in mid-December 1998. A community building team under Army management is constructing a final house.
Oak Valley - SA	Stage Two: upgrade to airstrip, house and road construction and dust mitigation.	The Army component of Stage 2 was completed in the period 19 April -17 July 1998. The airstrip was made fully operational for servicing regular Royal Flying Doctor Service visits.
Kaltukatjara (Docker River - NT)	Construction of sewerage system, drainage and refurbishment to airstrip.	Work on the Army component of this task will commence in July 1998 and is due for completion in mid-December 1998.
Marthakal Outstations (Elcho Is)	Housing construction, water, power and sewerage reticulation.	Work on the Army component of this task will commence in July 1998 and is due for completion in early November 1998.
Milyakburra (Bickerton Is - NT)	Construction of sewerage system, repair of roads and barge landing.	Work commenced on 14 May 1998 and is due for completion in mid-September 1998.
Jumbun – Qld	Construction of sewerage system, upgrade to water supplies and house renovations.	The Army was engaged as the project manager with works due to be completed in August 1998. Some emergency works to alleviate flood damage within the community was completed.
Bidunggu - Qld	Water and power provision.	This task was withdrawn due to Queensland State Government initiatives.

APPENDIX D: AUSTRALIAN DEFENCE FORCE EXERCISE PROGRAM

During the year, the ADF undertook a program of exercises and operations designed to enhance operational effectiveness and maintain or improve existing capability levels. The following tables indicate the exercises undertaken by each of the individual services.

A number of exercises were cancelled or postponed due to unforeseen operational requirements and the Asian economic crisis: Austhai 98, Day Seal and Day Shark, Extendex 97-4, Gold Eagle 98, Kakoa Tiger, Kookaburra, Matilda, Maritime Guard, Night Cougar, Night Kiwi, Night Lion, Night Tiger, Night Leopard, Night Komodo, Night Fox and Night Falcon, Squadex 98, Ocean Protector, Platypus Moon 98, Seagull, Sea Snake, Tamex 97-3, 97-4, 97-5 and 98-2, Tasman Exchange 98, Tropic Lightning 97, Tropic Prelude 98, Western Moon and Wyvern.

Exercises that were not forecast in the 1997-98 Budget or Additional Estimates include: Cope Jabiru 98-1, Matakiri, Churinga 98-1, Willoh 98-1 and Valiant Usher 98.

Table D.1: Joint Exercises Involving At Least Two of the RAN, ARA and RAAF

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i> ¹⁰
Beachcomber 97	To continue assessment, survey and validation of potential landing sites on the Northern Australia coastline for amphibious landings.	RAN, ARA and RAAF
Outcome: Participants were able to add to databases on obstacles, demolition tasks and general information on potential landing sites along the northern Australia coast.		
Initial Landing 98	To train participating forces in amphibious operational planning, embarkation drills, basic tactical lodgement procedures and Logistics Over The Sea operations in an exercise scenario.	RAN and ARA
Outcome: Due to the redeployment of HMAS <i>Tobruk</i> during the planned exercise period, a reduced activity was conducted with elements of 3 Brigade and two LCHs in support of amphibious beach operations training. It significantly improved the general level of amphibious operational experience.		
Prowler 98	To gather intelligence in the Northern Area of Operations.	RAN, ARA and RAAF
Outcome: Participants were able to add geographic and hydrographic information to existing Northern Command databases.		
Transitex 97	To maintain proficiency in maritime warfare roles through a serialised transit of RAN units.	RAN and RAAF
Outcome: Participating RAAF maritime patrol aircraft crews and RAN units gained valuable training in joint maritime warfare roles.		

¹⁰ Acronyms contained in this column are explained in the *Glossary* to the Index of this report.

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i> ¹⁰
Swift Canopy 98	To practise the Parachute Battalion Group in airborne force operations.	ARA and RAAF
Outcome: The exercise confirmed the maintenance of a parachute insertion capability for a company sized group. Exercise changes due to re-tasking of support aircraft and poor weather conditions modified the insertion technique for the remainder of the battalion.		
Vital Prospect 98-1	To practice raising a Joint Task Force Headquarters.	RAN, ARA and RAAF
Outcome: RAAF, RAN and ARA operations planning staffs tested and developed procedures for raising a Joint Task Force Headquarters.		

Table D.2: Combined Exercises Involving the ADF and the Defence Forces of Other Countries

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Albatros Ausindo 97-2, 98-3	To conduct combined air maritime surveillance with Indonesian Air Force B-737.	RAAF and TNI-AU
Outcome: Combined maritime air surveillance procedures and interoperability were improved between RAAF and Indonesian Air Force crews.		
Axolotl 98	To improve interoperability between RAN and Royal Singapore Navy clearance diving units.	RAN and RSN
Outcome: The exercise further developed and evaluated RAN/RSN interoperability in diving and explosive ordnance disposal operations. Combined training was conducted in mine counter-measures, diving, explosive ordnance disposal, and basic demolitions.		
Cassowary 97-2, 98-1	To exercise RAN/Indonesian Minor War Vessels in maritime procedures, to enhance proficiency and exchange experience in combined operations.	RAN, RAAF and TNI-AL
Outcome: This is a series of combined patrol boat exercises between the RAN and the Indonesian Navy. Interoperability between the ADF and Indonesian maritime forces in the areas of maritime surveillance, patrol and reporting procedures was enhanced.		
Churinga 98-1	To improve interoperability between Five Power Defence Arrangement forces.	RAAF, RAF, RNZAF, RMAF and RSAF
Outcome: Increased interoperability between forces of the Five Power Defence Arrangements forces was gained.		
Cope Jabiru 98-1	To conduct refresher and continuation training with high-explosive weapons, to practise electronic warfare operations and to conduct joint fighter and strike operations.	RAAF and USMC
Outcome: F/A 18 and F-111 aircraft conducted joint tactics for entry into, and bombing of, targets in a hostile air defence environment. Current procedures were validated by the exercise.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Cope Thunder 97	To test strike and reconnaissance tactics in a realistic threat scenario.	RAAF, RAF, and USN
Outcome: The RAAF participated in combined training with USN and RAF units, but full achievement of objectives was not always possible due to airspace restrictions and weapons range limitations.		
Dugong/ Shortscope 97	To test and evaluate RAN/USN interoperability in diving and explosive ordnance disposal operations.	RAN and USN
Outcome: The objectives of this exercise were the practice of integrated and combined mine counter-measures, mining and explosive ordnance demolition. All methods of mine counter-measures were utilised with the exception of mechanical sweeping operations. A number of naval units were able to achieve and maintain a Minimum Level of Capability (MLOC).		
Elang Ausindo	To conduct airman-to-airman discussions and basic air defence training with Indonesian forces.	RAAF and TNI-AU
Outcome: Relations between the RAAF and the Indonesian Air Force were fostered and interoperability training successfully carried out.		
Extendex 97-3, 98-1, 98-2,	To maintain proficiency and interoperability with USN anti-submarine warfare operations.	RAAF, USN and ROKN
Outcome: Valuable anti-submarine warfare training and maintenance of interoperability with USN forces were achieved.		
Kakadu III/97	To maintain Fleet units at Minimum Level of Capability and improve the interoperability of ADF and regional maritime and air forces in combined maritime procedures and tactics.	RAN, RAAF, RNZN, RNZAF, RSN, RSAF, RMN, RMAF, RTN, TNI-AL, RBAF
Outcome: A high level of interoperability was achieved between the respective forces. This was a very successful combined maritime exercise period which continued to improve regional interoperability and maritime warfare skills in all environments.		
Fincastle 97	To maintain proficiency and interoperability for anti submarine warfare operations with the UK, NZ and Canadian Air Forces	RAAF, RAF, CF(Air), RNZAF
Outcome: RAAF maritime patrol aircraft crews achieved advanced anti-submarine warfare training and increased interoperability with Canadian, UK and NZ forces.		
Gun Runner 98	To practise land strike, weapons effect planning and tactical reconnaissance with RNZAF forces.	RAAF and RNZAF
Outcome: This exercise was incorporated into Exercise Matakiri.		
Haringaroo 97/98	To exercise Rifle Company Butterworth to battalion level through operational training with the Malaysian Army.	ARA and RMA

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Outcome: Interoperability between the armies of Australia and Malaysia was successfully practised by the conduct of four unit level combined field training exercises.		
Hunter 98	To develop and evaluate RAN/RSN interoperability in mine warfare operations.	RAN and RSN
Outcome: This exercise was designed to allow Australian mine counter-measure forces to become familiar with operating in an Australian priority port. All facets of mine counter-measures were conducted, including minehunting, both mechanical and influence minesweeping, and clearance diving, and participating elements were able to maintain MLOC.		
IADS 97-4, 98-2	To contribute to the maintenance of Five Power Defence Arrangements (FPDA) maritime and air defence capabilities and further defence relations with FPDA members.	RAN, ARA, RAAF, RAF, RN, RNZN, RNZAF, RMN, RMAF and RSN and RSAF
Outcome: This was a successful exercise with the RAN acting as the Maritime Component Commander and a full flying program achieved. FPDA commitments were met, with interoperability between participating forces validated and enhanced.		
Lungfish 97 Lungfish 98	To practise joint and combined anti-submarine warfare cooperation and prosecution procedures.	RAN, RAAF, RN and USN
Outcome: All objectives of the exercises were achieved, with the RAN and RAAF developing their anti-submarine warfare skills and doctrine. Joint anti-submarine warfare and air-submarine cooperation and prosecution procedures were tested and enhanced.		
Marcot 97	To conduct combined maritime warfare training with Canadian Forces, USN and RAF.	RAAF, RAF, CF(Air & Navy), USN and Chilean Navy
Outcome: RAAF crews achieved high quality training in maritime warfare roles, working within a complex multi-national task force environment. Interoperability with allied maritime patrol aircraft and naval forces was also increased.		
Matakiri	To practise land strike, weapons effect planning and tactical reconnaissance with RNZAF forces.	RAAF and RNZAF
Outcome: Training and interoperability with RNZAF forces were enhanced.		
New Horizon 98	To enhance interoperability with the Indonesian Navy in patrol and fleet cooperation procedures.	RAN, RAAF, USMC, USN and TNI-AL
Outcome: The exercise enhanced mutual cooperation and proficiency of forces from both countries in conducting combined maritime operations at sea. Interoperability and connectivity between forces was tested and proven. Interoperability skills were developed with the Indonesian Navy in patrol and harbour activities.		
Pacific Bond 97	To develop Australian interoperability with the US Army at battalion level.	ARA and US Army
Outcome: The conduct of a sub-unit exchange allowed interoperability training to be conducted by infantry battalions of the Australian 6th Brigade and the US 25th Infantry Division. The Australian company deployed to the National Training Center at Fort Irwin California.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Pacific Reserve 97	To further develop the interoperability between the Australian General Reserve and US, Hawaii Army National Guard.	ARA and US Army
Outcome: 55 personnel were exchanged between the Australian and US Army Reserves. Army personnel successfully gained an understanding of the tactical procedures and methods of another country.		
Paradise 97	To improve RAN/PNGDF interoperability.	RAN and PNGDF
Outcome: This is an annual exercise with PNGDF maritime units designed to improve basic mariner and surveillance skills and involves a short harbour training period followed by a period at sea to develop practical skills. It achieved the exercise aims and continued to develop the relationship with the PNGDF.		
Penguin 97	To improve interoperability with the Royal Brunei Armed Forces for combined operations.	RAN, RAAF and RBAF
Outcome: This is a patrol boat and maritime surveillance exercise which aims to develop advanced warfare skills. It successfully enhanced interoperability between the RAN, RAAF and the defence forces of Brunei. All exercise aims were achieved.		
Pitch Black 97	To provide training opportunities for foreign forces and to enhance interoperability and regional cooperation.	RAAF and RSAF
Outcome: National Air Defence System successfully exercised in a limited scenario. Combined strike operations successfully carried out by RAAF and RSAF elements.		
Rajawali Ausindo 97	To improve interoperability between the RAAF and Indonesian C-130 forces.	RAAF and TNI-AU
Outcome: Interoperability was increased between RAAF and Indonesian Air Force tactical transport crews.		
Silent Pearl	To practise combined maritime operations to enhance interoperability and crew training with the USN.	RAAF and USN
Outcome: The level of expertise was maintained in complex maritime warfare scenarios with major USN fleet units and enhanced interoperability with US forces.		
Southern Tiger 97	To conduct combined training in a tactical field environment with the Malaysian Armed Forces.	ARA and RMA
Outcome: A Malaysian infantry company deployed to Townsville to conduct unilateral and combined training, including live firing and air mobile training, in a tactical field environment supported by 2 RAR.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Suman Warrior 8/97	To exercise elements of the Five Power Defence Arrangement in combined operations.	ARA, RNZA, RMA, RSA
Outcome: Australia participated in a New Zealand-hosted, FPDA brigade to unit level command post exercise. Brigade to unit command and control procedures were practised successfully and enhanced understanding of foreign nations' command processes in a combined setting.		
Tamex 98-1	To maintain proficiency in anti-submarine warfare operations.	RAN, RAAF and USN
Outcome: Valuable anti-submarine warfare training and maintenance of interoperability with USN forces were achieved.		
Tasman Eagle 97	To test the Ready Deployment Force and logistic support with New Zealand forces.	RAN, ARA, RAAF and RNZDF
Outcome: This was the first in a new series of combined exercises involving ADF/NZDF forces and was designed to evaluate capabilities and processes, and enhance Australian and New Zealand interoperability. Considerable value was achieved in managing lift requirements and successfully exercised the Ready Deployment Force in a wide variety of operations.		
Tasman Link 98	To practise and evaluate Service procedures for the provision and coordination of offensive fire power and airspace control.	RAN, ARA, RAAF, RNZN and RNZA
Outcome: This was a joint/combined offensive fire support exercise conducted with Australian and New Zealand forces. It was reduced in scope due to logistics support being provided to various operational commitments in Papua New Guinea, which resulted in elements of 3 Brigade being unable to attend and enhance their skill levels in coordination of joint offensive fire support. The exercise achieved the majority of its objectives and provided the opportunity for 7 Task Force to practise the provision and coordination of offensive support.		
Tasmanex 98	To improve Joint/Combined Maritime tactical interoperability with NZ, France and other regional forces in the SW Pacific.	RAN, RAAF, RNZAF and RNZN
Outcome: This is a RNZN sponsored exercise which was cancelled due to higher priority tasking of the RNZN. However, 2 RAN vessels deployed to NZ and conducted a series of exercises with deployed RAAF and NZ air and maritime forces.		
Temple Jade 97	To further develop interoperability between the Australian and Thai Armies.	ARA and RTA
Outcome: The Army successfully practised sub-unit level interoperability training with the Royal Thai Army (RTA) by exchanging companies and conducting unit level field training exercises in both Australia and Thailand.		
Thai Boomerang	To conduct Dissimilar Air Combat Training with the Royal Thai Air Force.	RAAF and RTAF
Outcome: Training was carried out successfully between RAAF and RTAF fighter squadrons.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Tricrab 98	To test and evaluate RAN/USN/RSN interoperability in Diving and Explosive Ordnance disposal operations.	RAN, USN and RSN
Outcome: This is a USN sponsored exercise conducted in Guam and consists of both structured and free play serials. This exercise was used by RAN clearance diving element to achieve and maintain MLOC in shipborne and tactical explosive ordnance device handling.		
Valiant Usher 98	To support the USS <i>Belleau Wood</i> amphibious readiness group, and conduct maritime strike and close air support training.	RAN, RAAF, USN and USMC
Outcome: Valuable training was gained in maritime strike and weapon delivery. Interoperability skills were also enhanced.		
Willoh 97-2, 98-1	To conduct combined air-air/ground and interoperability training with the RNZAF.	RAAF and RNZAF
Outcome: Interoperability between RAAF and RNZAF elements was enhanced and RAAF training objectives were met.		

Table D.3: Exercises Involving Australian Special Forces Elements

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Day Anchor	To practise special recovery techniques involving ships at anchor.	SASR
Outcome: Special recovery techniques and capabilities were enhanced through the successful conduct of EX DAY ANCHOR involving ships alongside and at anchor.		
Day Bubble	To exercise procedures for the insertion and extraction of Special Forces by submarine.	SASR
Outcome: Procedures for insertion and extraction by submarine were practised by a Special Forces troop.		
Day Bubble 98	To exercise ADF ground and naval elements in the protection of offshore installations.	RAN and SASR
Outcome: Exercise Day Bubble consolidated Special Forces/submarine operations.		
Day Caracha	To provide training to develop the Philippines National Police counter hijack capability.	SASR
Outcome: Funded through the Defence Cooperation Program, the Army successfully trained and developed the Philippines National Police counter hijack capability.		
Day Cougar	To exercise SASR and US Special Operations Forces in special recovery techniques.	SASR and USMC
Outcome: The successful conduct of special recovery techniques between Australian and US Special Forces confirmed and enhanced interoperability between the forces.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Day Flash	To conduct a special recovery exercise in an airport environment.	SASR
Outcome: The exercise successfully provided the means to further develop techniques for an SAS Squadron in a hostage-rescue environment.		
Day Panther	To conduct training to develop the Thai Counter Terrorist Operations Command counter hijack capability.	SASR and RTA
Outcome: Training was successfully conducted in Thailand to develop the Thai Counter Terrorist Operations Command counter hijack capability.		
Day Rotor 97	To exercise air assault techniques.	SASR
Outcome: Exercise Day Rotor 97 successfully practised air assault techniques and contributed significantly to improving the standard of training and restoring the capability shortfall following limitations imposed on airmobile training.		
Day Scholar	To exercise special recovery headquarters procedures in the conduct of special recovery operations.	Special Operations Command and Control Element
Outcome: The exercise successfully practised the Special Operations Command and Control Element in the conduct of operations that use Special Forces soldiers.		
Day Seal	To exercise Special Operations techniques in Bass Strait.	SASR
Outcome: The exercise successfully maintained the skill and experience base of an SAS Troop in counter terrorist operations, conducted to recover hostages and equipment/facilities located in Bass Strait.		
Day Shark	To familiarise personnel with Special Operations techniques in the North-West Shelf.	SASR
Outcome: The exercise successfully maintained the skill and experience base of an SAS Troop in counter terrorist operations, conducted to recover hostages and equipment/facilities located in the NW Shelf.		
Day Tiger	To conduct training to develop of the Malaysian Special Forces counter hijack capability.	SASR
Outcome: An SASR training assistance team successfully conducted training to develop the Malaysian Special Forces counter hijack capability.		
Dusk Series	To exercise the incoming Special Recovery Squadron at the completion of handover training.	SASR
Outcome: The successful conduct of the exercise confirmed that special recovery techniques and skills were maintained by the incoming Special Recovery Squadron at the completion of handover training.		

<i>Exercise</i>	<i>Exercise Objective</i>	<i>Forces</i>
Natex	To exercise the provision of Defence Force Aid to the Civil Power at the national level.	SASR
Outcome: The exercise practised successfully a SAS Squadron in providing military combat-related support to civilian organisations. This exercise considered a scenario with objectives that practised military procedures at the national level.		
Night Crocodile	To conduct combined Commando operations at platoon level with the Royal Thai Army.	Commando Regiment and RTA
Outcome: Combined operations were conducted and provided a realistic training environment and contact with forces with operational reconnaissance patrolling experience.		
Night Panther	To develop interoperability with Thai Rangers and Special Forces in a jungle environment.	SASR and RTA
Outcome: This exercise developed successfully interoperability with Special Forces from Thailand in a jungle environment.		
Oprex Oprex Sun	To exercise at the operational level the provision of Defence Force Aid to the Civil Power.	SASR
Outcome: The exercise practised successfully SAS Regiment assistance in providing military combat related support to civilian organisations. The exercise considered a scenario with objectives that practised military procedures at the operational level.		
Pegasus Moon	To maintain Special Forces parachute capability.	SASR
Outcome: This exercise involved two phases; the first phase was successfully completed, while the second phase was cancelled due to aircraft unavailability. Cancellation of the second phase resulted in a degradation of the parachuting capability.		
Platypus Moon 98	To practise Special Air Service Regiment Operations and RAN personnel in Special Operations submarine techniques.	RAN and SASR
Outcome: This exercise provided the opportunity to develop new operating procedures for the Collins Class submarine in support of special forces. This exercise maintained the SAS Regiment's skill base in the conduct of insertion at sea, well beyond sight of land, by parachuting small craft and personnel from medium range transport aircraft.		
Wallaby Moon	To exercise the Special Operations Headquarters procedures for the command and control of an offshore special recovery.	Special Operations Command and Control Element
Outcome: Exercise Wallaby Moon conducted in Lord Howe Island confirmed the Special Operations Headquarters procedures for the command and control of an offshore special recovery.		
Western Moon	To practise Special Operations techniques.	SASR
Outcome: The exercise successfully practised the Special Operations Command and Control Element and SAS patrols in pathfinder roles critical to the operation of the Parachute Battalion Group.		

APPENDIX E: DEFENCE COOPERATION

Expenditure for Defence Cooperation in 1997-98 was \$63.4m. Key activities in 1997-98 included assistance with the refurbishment of a PNG Defence Force (PNGDF) Landing Craft Heavy; provision of rations support to PNGDF messes; the conduct of combined activities with elements of the Indonesian, Malaysian, Singaporean and Thai armed forces; provision of additional movement support to Indonesia, Malaysia and Thailand to enable their continued participation in high-priority training and personnel exchange programs; assistance to the Solomon Islands in the conduct of a national strategic review; and continuation of the program of half-life refits for South Pacific patrol boats.

The 1997-98 outcome was \$8.4m below the 1997-98 revised estimate, due mainly to the suspension of Defence Cooperation activities with Cambodia in July 1997, lower than expected levels of training in South East Asia and the South Pacific, and lower than expected levels of project activity and personnel assistance in South East Asia.

Table E.1: Defence Cooperation Summary – 1997-98

	<i>1997-98 Revised Estimate (\$m)</i>	<i>1997-98 Actual (\$m)</i>	<i>Variation (\$m)</i>
Papua New Guinea	18.9	19.6	0.7
South Pacific	24.1	22.3	-1.7
ASEAN Countries	26.3	19.8	-6.5
Other Regional Activities	2.5	1.6	-0.9
Facilities for Training	0.1	0.1	0.0
Total	71.9	63.4	-8.4

The 1997-98 increase for PNG (\$0.678m) was for a new major project initiative, the refurbishment of two PNGDF Landing Craft Heavy, which was not forecast in the revised estimates. This increase was offset in part by reduced expenditure on personnel and training activities, resulting from lower than expected in-country administrative support costs and the inability of the PNGDF to field candidates for all training places offered.

Table E.2: 1997-98 Defence Cooperation by Country and Activity

<i>Country/Activity</i>	<i>1997-98 Revised Estimate (\$m)</i>	<i>1997-98 Actual (\$m)</i>	<i>Variation (\$m)</i>
PAPUA NEW GUINEA			
Personnel	7.8	5.8	-2.0
Projects	6.2	10.8	4.6
Training and Study Visits	4.9	2.9	-2.0
Total	18.9	19.6	0.7
TOTAL PAPUA NEW GUINEA	18.9	19.6	0.7

South Pacific

The 1997-98 variation in funding for the South Pacific (-\$1.748m) was due mainly to lower than planned levels of training assistance.

<i>Country/Activity</i>	<i>1997-98 Revised Estimate (\$m)</i>	<i>1997-98 Actual (\$m)</i>	<i>Variation (\$m)</i>
SOUTH PACIFIC			
VANUATU			
Personnel	1.1	1.0	-0.1
Projects	0.3	0.9	0.5
Training and Study Visits	0.3	0.2	-0.1
Total	1.7	2.0	0.3
SOLOMON ISLANDS			
Personnel	0.4	0.4	-0.0
Projects	0.5	0.5	-0.0
Training and Study Visits	0.0	0.1	0.0
Total	1.0	1.0	0.0
TONGA			
Personnel	0.6	0.7	0.1
Projects	1.1	1.1	-0.0
Training and Study Visits	0.4	0.4	0.0
Total	2.1	2.2	0.1
SAMOA			
Personnel	0.4	0.4	-0.0
Projects	0.1	0.1	-0.0
Training and Study Visits	0.1	0.0	-0.0
Total	0.6	0.5	-0.1
KIRIBATI			
Personnel	0.5	0.4	-0.1
Projects	0.2	0.2	-0.1
Training and Study Visits	0.1	0.1	-0.0
Total	0.8	0.6	-0.1
COOK ISLANDS			
Personnel	0.3	0.3	0.0
Projects	0.0	0.1	0.1
Training and Study Visits	0.1	0.0	-0.1
Total	0.4	0.4	0.0

<i>Country/Activity</i>	<i>1997-98 Revised Estimate (\$m)</i>	<i>1997-98 Actual (\$m)</i>	<i>Variation (\$m)</i>
FIJI			
Personnel	0.9	1.0	0.1
Projects	0.2	0.2	0.1
Training and Study Visits	2.2	1.7	-0.6
Total	3.3	2.9	-0.4
MARSHALL ISLANDS			
Personnel	0.4	0.4	-0.1
Projects	0.0	0.0	-0.0
Training and Study Visits	0.0	0.0	0.0
Total	0.5	0.4	-0.1
FEDERATED STATES OF MICRONESIA			
Personnel	0.7	0.6	-0.1
Projects	0.0	0.0	-0.0
Training and Study Visits	0.1	0.1	-0.0
Total	0.8	0.6	-0.1
TUVALU			
Personnel	0.4	0.4	0.0
Projects	0.6	0.4	-0.3
Training and Study Visits	0.0	0.0	-0.0
Total	1.0	0.8	-0.3
PALAU			
Personnel	0.5	0.5	0.0
Projects	0.0	0.0	-0.0
Training and Study Visits	0.0	0.0	0.0
Total	0.5	0.5	-0.0
MULTILATERAL PROGRAM - SOUTH PACIFIC			
Personnel	0.3	0.2	-0.0
Projects	7.9	7.8	-0.1
Training and Study Visits	3.3	2.4	-0.9
Total	11.5	10.4	-1.1
TOTAL SOUTH PACIFIC	24.1	22.3	-1.7

South East Asia

The 1997-98 reduction in funding of \$6.494m was due to the suspension of cooperative activities with Cambodia in July 1997, lower than expected levels of project activity and personnel assistance and a decline in training numbers across most South East Asian countries, as a consequence of restrictions on the military budgets of our regional neighbours imposed by the Asian economic crisis.

<i>Country/Activity</i>	<i>1997-98 Revised Estimate \$m</i>	<i>1997-98 Actual \$m</i>	<i>Variation \$m</i>
SOUTH EAST ASIA REGION			
MALAYSIA			
Personnel	3.0	2.5	-0.5
Projects	0.5	0.1	-0.4
Training and Study Visits	3.2	3.1	-0.1
	6.7	5.7	-1.0
THAILAND			
Personnel	0.2	0.2	-0.0
Projects	0.3	0.2	-0.1
Training and Study Visits	3.8	3.2	-0.6
	4.3	3.5	-0.8
SINGAPORE			
Training and Study Visits	1.1	0.8	-0.3
	1.1	0.8	-0.3
PHILIPPINES			
Personnel	0.3	0.3	-0.1
Projects	0.2	0.0	-0.2
Training and Study Visits	4.2	4.0	-0.2
	4.8	4.3	-0.5
INDONESIA			
Personnel	1.3	1.0	-0.2
Projects	0.6	0.2	-0.4
Training and Study Visits	5.5	4.1	-1.3
	7.4	5.3	-2.0
BILATERAL COOPERATIVE ACTIVITIES WITH CAMBODIA			
Personnel	0.1	0.0	-0.0
Projects	1.9	0.1	-1.8
Training and Study Visits	0.2	0.1	-0.1
	2.1	0.2	-1.9

<i>Country/Activity</i>	<i>1997-98 Revised Estimate \$m</i>	<i>1997-98 Actual \$m</i>	<i>Variation \$m</i>
TOTAL ASEAN COUNTRIES	26.3	19.8	-6.5

Other Regional Activities

The 1997-98 reduction in funding of \$0.083m resulted from the slippage of new training and other regional cooperation initiatives with Vietnam and other Asian countries.

<i>Country/Activity</i>	<i>1997-98 Revised Estimate \$m</i>	<i>1997-98 Actual \$m</i>	<i>Variation \$m</i>
OTHER REGIONAL ACTIVITIES			
Training and Study Visits	1.8	1.4	-0.4
Defence Regional Engagement	0.7	0.2	-0.5
Total	2.5	1.6	-0.9
TOTAL OTHER REGIONAL ACTIVITIES	2.5	1.6	-0.9
FACILITIES FOR TRAINING			
Training Support Equipment	0.1	0.1	0.0
Total	0.1	0.1	0.0
TOTAL FACILITIES FOR TRAINING	0.1	0.1	0.0

APPENDIX F: SECTION 49 FINANCIAL STATEMENTS

APPENDIX G: FINANCIAL STATISTICS FOR 1997-98

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Table G.1: Defence Function Outlay as a Percentage of Budget Outlays and Gross Domestic Product 1981-82 to 1997-98 ⁽¹⁾

	<i>Expenditure</i>	<i>Less Receipts</i>	<i>Outlays</i>	<i>% of Budget Sector Outlays</i>	<i>% of Gross Domestic Product</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>		
1981-82 ⁽²⁾	4,019	129	3,886	9.4	2.5
1982-83 ⁽²⁾	4,663	160	4,501	9.1	2.6
1983-84 ⁽²⁾	5,215	158	5,056	8.8	2.6
1984-85 ⁽²⁾	5,863	206	5,657	8.7	2.6
1985-86 ⁽²⁾	6,551	217	6,333	8.9	2.6
1986-87 ⁽²⁾	7,095	273	6,823	9.0	2.6
1987-88 ⁽²⁾	7,196	230	6,967	8.8	2.3
1988-89 ⁽²⁾	7,576	282	7,295	8.8	2.1
1989-90 ⁽²⁾	8,234	320	7,913	9.0	2.1
1990-91 ⁽²⁾	8,809	328	8,480	8.8	2.2
1991-92 ⁽²⁾	9,080	348	8,731	8.5	2.3
1992-93 ⁽²⁾	10,088	930	9,158	8.9	2.4
1993-94	10,314	568	9,746	8.5	2.3
1994-95	10,338	607	9,731	8.0	2.1
1995-96	10,605	594	10,011	7.9	2.0
1996-97	10,611	612	9,999	7.8	1.9
1997-98	10,910	495	10,415	8.6	1.9

Notes:

1. This table may not add due to rounding.
2. Figures from 1981-82 to 1992-93 have been adjusted to remove superannuation contributions/refunds to make them consistent with 1993-94 Defence Function outlay.

Table G.2: 1997-98 Defence Function Expenditure and Receipts by Program and Major Category ⁽¹⁾

Category	Programs														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	\$m	\$m		\$m	\$m		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Service Salaries and Superannuation	50.5	573.8	1,098.4	535.5	34.2	319.3	44.0	237.6	49.3	1.6	16.8	42.9	233.8	1.9	3,239.6
Civilian Salaries and Superannuation	15.8	25.1	48.1	16.3	48.1	237.1	8.1	71.5	82.2	140.6	20.4	31.0	117.5	21.5	883.4
Administrative Expenses ⁽²⁾	16.2	58.4	81.6	50.5	19.7	68.1	41.8	588.9	28.8	41.8	6.3	129.2	184.7	43.3	1,359.2
Capital Equipment	1.9	3.6	5.8		25.8	126.5	0.1	1.1	2,310.0	16.9	0.2	9.8	1.1	2.1	2,504.9
Maintenance and Stores	2.1	64.6	44.9	117.2	12.5	1,405.9	8.3	2.5	3.8	13.3	1.7	12.4	143.0		1,832.2
Defence Cooperation	63.4														63.4
Production Costs									17.6					0.2	17.7
Capital Facilities											502.3				502.3
Facilities Operations					1.0					0.8	234.1				235.9
Housing								253.6							253.6
Other ⁽³⁾								18.1							18.1
Total Defence Appropriations	149.9	725.5	1,278.9	719.5	141.4	2,156.9	102.2	1,173.3	2,491.6	215.0	781.8	225.3	680.1	68.9	10,910.4
Receipts and Trust Accounts	-0.9	-5.9	-10.6	-24.4	-0.5	-99.6	-3.5	-196.0	-66.9	-3.0	-53.1	-0.1	-12.3	-18.2	-495.0
Total Defence Function Outlay	149.1	719.5	1,268.3	695.0	140.9	2,057.2	98.8	977.2	2,424.7	212.1	728.8	225.2	668.0	50.7	10,415.4

Notes:

1. Table may not add due to rounding.
2. Includes Division 180-02: Other Services.
3. Other includes MSBS Retention Benefit, Australian Trainee Scheme/Career Start Traineeships and Housing Loan Subsidies.

Table G.3: Defence Function Outlay: 1996-97 and 1997-98 ⁽¹⁾

Category	1996-97				1997-98			
	Revised Estimate	Total	Actual	Total	Revised Estimate	Total	Actual	Total
	\$m	%	\$m	%	\$m	%	\$m	%
Service Salaries and Superannuation	3,212.4	30.1	3,198.8	30.1	3,264.8	29.7	3,239.6	29.7
Civilian Salaries and Superannuation	913.3	8.5	916.6	8.6	879.0	8.0	883.4	8.1
Administrative Expenses ⁽²⁾	1,383.6	12.9	1,342.5	12.7	1,424.4	12.9	1,359.2	12.5
Capital Equipment	2,397.5	22.4	2,405.5	22.7	2,552.0	23.2	2,504.9	23.0
Maintenance and Stores	1,699.1	15.9	1,687.6	15.9	1,787.6	16.3	1,832.2	16.8
Defence Cooperation	71.7	0.7	68.5	0.6	71.9	0.7	63.4	0.6
Defence Production	22.1	0.2	22.1	0.2	17.8	0.2	17.7	0.2
Australian Defence Industries	0.8	0.0	0.7	0.0	1.2	0.0	0	
Capital Facilities	515.3	4.8	524.7	4.9	490.2	4.5	502.3	4.6
Facilities Operations	243.8	2.3	222.0	2.1	232.0	2.1	235.9	2.2
Defence Housing	183.9	1.7	183.9	1.7	253.6	2.3	253.6	2.3
Avalon Airport	17.0	0.2	17.0	0.2	0		0	
Other ⁽³⁾	25.6	0.2	20.8	0.2	25.6	0.2	18.1	0.2
Total Expenditure	10,686.2	100.0	10,610.8	100.0	11,000.0	100.0	10,910.4	100.0
Receipts	-631.2		-611.6		-568.2		-495.0	
Total Defence Function Outlay	10,055.1		9,999.2		10,431.8		10,415.4	

Notes:

1. Table may not add due to rounding.
2. Includes Division 180-02: Other Services.
3. Other includes MSBS Retention Benefit, Australian Trainee Scheme/Career Start Traineeships and Housing Loan Subsidies.

Table G.4: Expenditure in Australia on Defence Function 1996-97 and 1997-98 ⁽¹⁾

Category	1996-97				1997-98			
	Revised Estimate		Actual		Revised Estimate		Actual	
	\$m	%	\$m	%	\$m	%	\$m	%
Service Salaries and Superannuation	3,205.1	99.8	3,148.8	98.4	3,256.8	99.8	3,185.3	98.3
Civilian Salaries and Superannuation	912.9	100.0	910.7	99.4	879.0	100.0	876.5	99.2
Administrative Expenses ⁽²⁾	1,353.5	97.8	1,297.4	96.6	1,400.1	98.3	1,301.6	95.8
Capital Equipment	1,407.4	58.7	1,303.8	54.2	1,406.1	55.1	1,163.0	46.4
Maintenance and Stores	1,402.1	82.5	1,347.3	79.8	1,454.4	81.4	1,393.5	76.1
Defence Cooperation	58.9	82.1	58.1	84.8	55.7	77.5	49.9	78.7
Production Costs	22.1	100.0	22.1	100.0	17.8	100.0	17.7	100.0
Australian Defence Industries	0.8	100.0	0.7	100.0	1.2	100.0	0	
Capital Facilities	514.9	99.9	520.9	99.3	490.2	100.0	499.6	99.5
Facilities Operations	239.2	98.1	221.1	99.6	232.0	100.0	234.7	99.5
Housing	183.9	100.0	183.9	100.0	253.6	100.0	253.6	100.0
Avalon Airport	17.0	100.0	17.0	100.0	0		0	
Other ⁽³⁾	25.6	100.0	19.9	95.8	25.6	100.0	18.1	100.0
Total Expenditure	9,343.5	87.4	9,051.8	85.3	9,472.4	86.1	8,993.5	82.4

Notes:

1. Table may not add due to rounding.
2. Includes Division 180-02: Other Services.
3. Other includes MSBS Retention Benefit, Australian Trainee Scheme/Career Start Traineeships and Housing Loan Subsidies.

Table G.5: Expenditure Overseas on Defence Function 1996-97 and 1997-98 ⁽¹⁾

Category	1996-97				1997-98			
	Revised Estimate		Actual		Revised Estimate		Actual	
	\$m	%	\$m	%	\$m	%	\$m	%
Service Salaries and Superannuation	7.3	0.2	50.0	1.6	8.0	0.2	54.3	1.7
Civilian Salaries and Superannuation	0.4	0.0	5.9	0.6	0		7.0	0.8
Administrative Expenses ⁽³⁾	30.1	2.2	45.0	3.4	24.3	1.7	57.6	4.2
Capital Equipment	990.1	41.3	1,101.7	45.8	1,145.9	44.9	1,341.9	53.6
Maintenance and Stores	297.0	17.5	340.3	20.2	333.2	18.6	438.7	23.9
Defence Cooperation	12.8	17.9	10.4	15.2	16.2	22.5	13.5	21.3
Production Costs	0		0		0		0	
Australian Defence Industries	0		0		0		0	
Capital Facilities	0.4	0.1	3.8	0.7	0		2.7	0.5
Facilities Operations	4.6	1.9	0.9	0.4	0		1.2	0.5
Housing	0		0		0		0	
Avalon Airport Geelong	0		0		0		0	
Other	0		0.9	4.2	0		0	
Total Expenditure	1,342.8	12.6	1,558.9	14.7	1,527.5	13.9	1,916.9	17.6

Notes:

1. Table may not add due to rounding.
2. Includes Division 180-02: Other Services.
3. Other includes MSBS Retention Benefit, Australian Trainee Scheme/Career Start Traineeships and Housing Loan Subsidies.

Table G.6: Defence Function Receipts and Trust Account Movements

Sources	1996-97	1997-98	1997-98	Variation	
	Actual	Revised Estimate	Actual	1997-98 Actual less Revised Estimate	
	\$m	\$m	\$m	\$m	%
Department of Defence					
Rental of Married Quarters	-96.6	-100.9	-99.8	1.1	-1.1
Rental of other Defence Properties	-7.7	-6.0	-5.6	0.4	-6.4
Rations and Quarters	-39.8	-41.2	-37.7	3.4	-8.4
Recoveries Science and Technology	0	0	0	0	
Science and Technology Commercial Activities	-1.3	-1.0	-0.9	0	-4.2
DHA Repayment of Advances	-70.0	-50.0	-50.0	0	
ASTA Repayment	0	0	0	0	
Anzac Ship Recoveries	-92.3	-79.6	-54.8	24.9	-31.2
DEETYA Employment Subsidies	-0.6	-1.0	-0.6	0.4	-37.8
Defence Property Disposals	-69.2	-79.0	-44.7	34.3	-43.4
UN Operations and Peacekeeping	-1.0	-1.3	-1.4	-0.1	5.6
Operating and Administrative Recoveries	-230.9	-205.9	-190.8	15.0	-7.3
DFRDB Contributions	-48.0	-48.2	-45.5	2.7	-5.6
MSBS Contributions	-29.9	-38.2	-39.8	-1.7	4.4
Sale of AAG	-1.5	0.1	0.1	0	
Defence Trust Accounts Movements	0	0	-6.6	-6.6	
Total Portfolio Receipts ⁽¹⁾	-688.8	-652.1	-578.3	73.9	-11.3
Less Non-Defence Function Receipts:					
DFRDB Contributions	-48.0	-48.2	-45.5	2.7	-5.6
MSBS Contributions	-29.9	-38.2	-39.8	-1.7	4.4
Sale of AAG	-1.5	0.1	0.1	0	
Add Other Department Receipts:					
HSG Servicemen - Principal	-1.2	-1.3	-0.9	0.3	-25.5
DHA - Principal	-1.0	-1.1	-1.1	0	
Total Receipts and Trust Accounts	-611.6	-568.2	-495.0	73.2	-12.9

Note:

1. Figures in this table may differ to those in Note 26 in the *Notes to the Financial Statements in Appendix F* to Part One of this report. The reasons for this difference is that the Department of Defence collects a number of receipts on behalf of the Commonwealth which are paid into the Consolidated Revenue Fund and are not available to be offset against Defence outlays. These receipts are: Australian Defence Industries interest, Defence Housing Authority interest and the government business enterprises dividend. While these receipts are reported through the Defence Portfolio, the receipt accrues to the Government's general revenue collection.

Table G.7: Defence Function Outlay as a Percentage Of Commonwealth Budget Outlays

<i>Year ending 30 June</i>	<i>Defence</i>	<i>Education</i>	<i>Health</i>	<i>Social Security</i>	<i>Public Debt Interest</i>
1987	9.0	6.8	12.0	27.2	10.3
1988	8.8	7.1	12.6	28.6	9.9
1989	8.8	7.3	13.0	28.9	8.9
1990	9.0	7.5	13.5	30.0	8.3
1991	8.8	7.8	13.5	31.9	6.3
1992	8.5	8.1	13.5	34.5	5.5
1993	8.9	8.3	13.5	35.2	4.8
1994	8.5	8.5	14.1	36.7	5.7
1995	8.0	8.3	14.0	35.7	6.6
1996	7.9	8.4	14.7	36.9	7.2
1997	7.8	8.4	14.9	38.6	7.3
1998	8.6	9.2	16.9	41.1	6.7
1999 (est)	8.7	8.1	17.7	42.6	6.2
2000 (est)	8.6	7.9	18.3	43.3	5.1
2001 (est)	8.1	7.3	17.8	41.3	4.0
2002 (est)	7.3	6.6	16.5	37.9	2.6

Table G.8: Defence Expenditure as a Percentage Of Gross Domestic Product

<i>Year ending 30 June</i>	<i>Aust</i>	<i>US</i>	<i>UK</i>	<i>Thai</i>	<i>Sing</i>	<i>Indon</i>	<i>Malay</i>	<i>NZ</i>	<i>Can</i>	<i>Japan</i>
1990	2.1	5.1	3.9	2.5	5.1	1.5	2.6		1.8	1.0
1991	2.2	5.0	4.0	2.4	4.9	1.5	3.3	1.6	1.9	1.0
1992	2.3	4.6	3.8	2.5	5.1	1.4	3.0	1.4	1.8	1.0
1993	2.4	4.6	3.6	2.5	4.6	1.3	3.0	1.2	1.7	1.0
1994	2.3	3.8	3.4	2.4	4.3	1.3	2.8	1.1	1.6	1.0
1995	2.1	3.7	3.1	2.2	4.6	1.3	2.7	1.2	1.4	1.0
1996	2.0	3.5	3.0	2.2	4.3	1.3	2.6	1.1	1.3	1.0
1997	1.9	3.3	2.9	2.5	4.5	1.4	2.3	1.1	1.2	1.0
1998	1.9	3.1	2.8	1.6	4.9	1.0	1.6	1.0	1.1	1.0
1999 (est)	1.9	3.0	2.7	1.3				1.0		1.0

Table G.9: Capital Equipment Expenditure By Major Project

	<i>FFG/DDG</i>	<i>Helos</i>	<i>F/A18</i>	<i>Subs</i>	<i>Anzac</i>	<i>JORN</i>	<i>C-130J</i>	<i>LIF</i>	<i>Other</i>	<i>Total</i>
	\$m									
1986	272	53	753						764	1,842
1987	180	202	756	132					786	2,056
1988	191	179	363	260					741	1,734
1989	96	170	387	373	10				742	1,778
1990	219	144	213	460	201				680	1,917
1991	258	93	122	591	282	33			767	2,146
1992	157	43	167	688	309	101			472	1,937
1993	9	41	93	704	432	123			694	2,096
1994	19	29	28	511	588	104			736	2,016
1995	6	15	18	353	552	194			913	2,051
1996	5	44	19	234	612	148	243		1,079	2,140
1997	1	106	31	192	414	29	249		1,399	2,173
1998	10	217	35	120	395	37	39	148	1,480	2,293

Notes:

FFG/DDG	FFG/DDG Upgrade / Modernisation Project	Anzac	Anzac Ship Project
Helos	Includes Chinooks & Anzacs	JORN	Jindalee Over-the-Horizon Radar
F/A18	F/A18 Hornet Upgrade	C-130J	Hercules Aircraft Replacement
Subs	Collins Class Submarines	LIF	Lead-in Fighter Replacement

Table G.10: Capital Equipment Expenditure in Australia and Overseas

	<i>Expenditure in Australia</i> \$m (1997-98 prices)	<i>Expenditure Overseas</i> \$m (1997-98 prices)
1985-86	761	1,848
1986-87	994	1,931
1987-88	1,210	1,231
1988-89	1,280	1,044
1989-90	1,499	899
1990-91	1,582	1,006
1991-92	1,547	1,041
1992-93	1,488	1,086
1993-94	1,596	975
1994-95	1,647	871
1995-96	1,494	1,096
1996-97	1,312	1,293
1997-98	1,163	1,342

APPENDIX H: RECONCILIATION OF DEFENCE REFORM PROGRAM SAVINGS AND REINVESTMENT BY PROGRAM

Table H.I: Defence Reform Program Savings 1997-98

Category	Programs ⁽¹⁾														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m	
Defence Command & Arrangements			3.3												
Acquisition & Facilities & Long-Disposition									23.1						
Personnel Planning			0.5					0.2					7.8		
Education & Training				6.7			0.3							0.9	
Support Information												0.6			
Defence Cooperation											9.3				
Total Gross	6.7		7.0			14.0		9.2			10.1		33.5	116.9	
Contractor Support													-10.5		
Total Net Savings		1.3		8.7			1.8		23.1				0.6	0.9	

Note:

1. For Program names see pages 40-41.

Table H.2: Defence Reform Program Service & Civilian Personnel Savings 1997-98

Category	Programs														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Defence Command and Management Arrangements		18	45												63
Logistics						88							50		138
Personnel Planning								80							80
Education and Training			72	75			4								151
Administrative Support													75		75
Total ADF Personnel		18	117	75		88	4	80					125		507
Defence Command and Management Arrangements		47	78												125
Intelligence					5										5
Capability Development	1														1
Acquisition and Industry									107						107
Facilities and Long-Term Force Disposition											31				31
Logistics						632									632
Personnel Planning								68						29	97
Education and Training			31	14			6								51
Administrative Support													397		397
Information Management												31			31

Total Civilian Personnel	1	47	109	14	5	632	6	68	107		31	31	397	29	1,477
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Table H.3: Defence Reform Program Reinvestment 1997-98

Category	Programs														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
New Capital Investment															
Amphibious Capabilities		0.5				4.1									4.6
Capability – Related Logistics Costs			1.2			104.5									105.7
Net Personnel and Operating Costs of New Capabilities						14.7									14.7
Defence Science – Capability Projects															
Army Program Reinvestment															
Provision for 50,000 ADF															
Pilot Training															
DRP Transition Costs	0.1	4.8	27.9	10.4	0.1	25.1		3.1	5.6		1.6	1.3	4.8	1.7	86.6
Total	0.1	5.3	29.1	10.4	0.1	148.4		3.1	5.6		1.6	1.3	4.8	1.7	211.6

Note:

Figures may not add due to rounding.

APPENDIX I: SUMMARY OF INITIATIVES FUNDED BY THE REDIRECTION OF \$125M ADMINISTRATIVE SAVINGS ⁽¹⁾

<i>Initiatives</i>	<i>Actual 1996-97</i>	<i>Revised Estimate 1997-98</i>	<i>Actual 1997-98</i>	<i>Budget Estimate 1998-99</i>	<i>Proposed 1999-00</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Personnel					
Child Care - funding for ADF childcare facilities and extended hours of operation. Additional funding for the construction of six new childcare centres is being provided through the Capital Facilities Program.	0.6	1.0	0.9	1.5	1.4
Family Support - the maximum level of grants available under the Family Support funding program from \$20,000 to \$50,000.	0.3	0.3	0.3	0.3	0.3
Spouse Employment - an enhanced Spouse Employment Assistance Program, particularly targeting remote localities, and the development of a spouse employment database.	0.2	0.5	0.2	0.5	1.0
Recruitment - Advertising initiatives to meet increased recruitment targets for the ADF, particularly for people in the 17-24 year age bracket.	3.1	3.1	2.8	3.2	3.2
Personnel Management System - Improved automated personnel system, streamlining personnel management.	0.6	0.6	0.8	0.6	0.0
Retention Initiatives - Retention initiatives for specialists in critically short supply.	25.1	10.7	17.9	11.0	7.9
Extension of Home Owner Loan Scheme to Reserves - Extends the enhanced ADF HomeOwner Scheme (subsidised home loans) to Reserve personnel.	0.5	2.0	1.0	1.1	3.1
Navy					
Anti Submarine Warfare Sonobuoys - more flexible Sonobuoys for improved training and weapons system qualifications.	4.0	7.6	7.5	6.6	3.4
Army					
Restructuring the Army - Covering Restructuring the Force, General Reserve enhancement and acquisition of critical equipment to support restructuring, Project Pintail.	20.3	12.9	9.1	-28.9	0.0

<i>Initiatives</i>	<i>Actual</i>	<i>Revised</i>	<i>Actual</i>	<i>Budget</i>	<i>Proposed</i>
	<i>1996-97</i>	<i>Estimate</i>	<i>1997-98</i>	<i>Estimate</i>	<i>1999-00</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
ARA Transfers - Transfer of a number of Ready Reserve personnel into the Australian Regular Army (ARA).	4.1	8.0	8.0	0.0	0.0
Special Forces - a new predominantly full time Commando Regiment with new equipment.	0.0	2.0	2.2	5.2	0.0
Special Forces Wide Area Network and Special Recovery Command Support System - Provides for wide area connectivity for classified networks for special forces and an improved capability to support special recovery operations.	0.2	0.2	0.0	0.2	0.0
Weapon Training Simulation System - Laser simulation for modified small arms which can be used in an indoor range.	0.0	2.4	0.0	15.5	0.0
Tactical Engagement Simulation System - Increase in provisioning to support and enhance General Reserve and full time personnel training.	0.0	0.5	0.3	3.1	0.0
Air Force					
F-111 Commonality – Partial upgrade to the F-111G contributing to increasing commonality with the F-111C and improving fleet management and operational flexibility.	1.3	2.8	2.1	3.1	3.8
F-111 'R5' Servicing - Establishment of a second major servicing line for either the F 111Cs, Gs, or RFs.	0.0	2.7	2.7	0.0	2.8
F/A-18 Operational Capability – Enhancement of the current capabilities through the provision of engine parts for the 'Hot End' and afterburners.	5.9	12.2	12.7	0.0	0.0
F-111 Support - Spares Acquisition – Expenditure in support of repairable items, Pave Tack pods and bonded panels.	30.8	0.0	0.0	0.0	0.0
GBU-24 (Glide Bomb Units) – Acquisition of extended capability laser guided bomb.	11.5	0.5	0.2	0.0	0.0
Army Aviation - Funding for the Black Hawk repairable item pool and Black Hawk and other Army aviation maintenance.	11.9	14.1	13.7	7.5	0.0
F-111 Electronic Warfare Upgrade – Enhancement of F-111 electronic warfare capability.	0.0	2.5	1.6	1.0	0.0

<i>Initiatives</i>	<i>Actual</i>	<i>Revised</i>	<i>Actual</i>	<i>Budget</i>	<i>Proposed</i>
	<i>1996-97</i>	<i>Estimate</i>	<i>1997-98</i>	<i>Estimate</i>	<i>1999-00</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Intelligence Proposals	11.0	9.1	3.8	1.5	1.5
White Book					
Acquisition of US Navy Military Satellite Communications equipment for Anzac and Collins ships.	0.0	3.1	1.4	3.4	10.2
Night Fighting Equipment for land force units.	0.0	13.8	21.5	44.8	20.4
Global Positioning System for land force units.	0.0	3.4	0.0	24.5	4.3
Specialised surveillance wheeled light armoured vehicles for 2nd Cavalry Regiment.	0.0	0.0	0.0	20.5	21.7
F/A-18 Omni 15C - Upgrade of Operational Flight Program system software.	1.6	2.7	3.6	3.7	5.8
Conversion of an unserviceable Black Hawk airframe for use as a maintenance training unit, releasing a serviceable Black Hawk for operational tasking.	0.0	0.2	0.1	1.9	2.0
Purchase of additional CH-47 Helicopters.	0.0	42.2	37.0	12.6	0.5
Acquisition of additional Harpoon missiles.	2.1	7.1	7.7	30.1	20.4
Project Giralong - A research and development project aiming to produce data fusion technology for the ADF.	0.0	1.2	0.0	1.2	0.0
An engineering change to incorporate an on-line 'Block 1C' Harpoon missile capability into the P3C.	0.8	3.5	0.0	1.3	0.0
Air-to-air weapons capability - Acquisition of additional missiles.	0.0	0.0	0.0	0.0	0.0
Air-to-surface weapons capability - Acquisition of additional missiles.	0.0	9.6	0.0	3.6	0.0
Science and Technology					
Image Targeting - Weapons image and sensor signal processing research facility.	0.6	0.0	0.0	0.0	0.0
Capability analysis studies	0.9	0.0	0.0	0.0	0.0
Anti Ballistic Missile/Ballistic Missile Defence Organisation – Purchase of missiles and equipment for research purposes.	0.6	1.0	1.0	1.0	1.0
Science and Technology Research and Development activities to support capability development.	7.1	0.5	0.5	0.0	0.0

<i>Initiatives</i>	<i>Actual</i>	<i>Revised</i>	<i>Actual</i>	<i>Budget</i>	<i>Proposed</i>
	<i>1996-97</i>	<i>Estimate</i>	<i>1997-98</i>	<i>Estimate</i>	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Intelligence Research – equipment to support research into advanced signal processing.	0.7	0.0	0.0	0.0	0.0
TOTAL PACKAGE	145.7	184.2	160.8	181.5	114.9

Note:

- As the table indicates, the above initiatives have projected expenditure in excess of the savings to be achieved. This over-programming has been adopted because of uncertainty over the lead times and achievable expenditure of some of the major spares and equipment acquisition initiatives, and will ensure that overall expenditure on the package is in excess of \$125m per annum. Decisions have yet to be taken on the additional initiatives to be funded from 1999-2000 onwards.

APPENDIX J: PERSONNEL STATISTICS 1997-98

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Table J.1: Australian Defence Force and Civilian Personnel Achieved Average Strength – 1997-98

<i>Program</i> ⁽¹⁾	<i>Permanent Forces</i> ⁽²⁾	<i>Reserves</i> ⁽³⁾	<i>Ready Reserve (PT)</i> ⁽⁴⁾	<i>Civilians</i> ⁽⁵⁾	<i>Total</i>
1	863	135		241	1,239
2	10,110	953	126	466	11,655
3	18,700	21,671		1,166	41,537
4	8,931	2,020	43	360	11,354
5	619	3		815	1,437
6	5,673	654		5,284	11,611
7	1,239	1		167	1,407
8	3,276	1,418		1,589	6,283
9	767			1,366	2,133
10	23			2,062	2,085
11	275			418	693
12	771	1		504	1,276
13	4,299	171		2,885	7,355
14	28			341	369
Total	55,574	27,027	169	17,664	100,434

Notes:

- For Program names see pages 40-41.
- The average funded strength by Service was Navy 14,206, Army 25,196; Air Force 16,172.
- Reserve numbers exclude 2,274 Officers and Instructors of Cadets (Navy (403), Army (1,065) & Air Force (809).
- Full-Time Equivalents:

	Reserves	Ready Reserve (P/T)
DHQ	13	
Navy	107	29
Army	3,158	
Air Force	155	14
Intelligence	1	
Support Command	80	
Personnel Executive	162	
Corporate Information	1	
Corporate Support	24	
- Figures exclude 92 Defence Support Centre Woomera achieved average strength.

Table J.2: Distribution of Civilian Personnel by Classification Group and Location of Employment, as at 30 June 1998 ⁽¹⁾

<i>Occupational Group</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>NT</i>	<i>ACT</i>	<i>O/S⁽²⁾</i>	<i>Total</i>
SES, COD	0	5	0	9	0	0	0	86	2	102
SO & SITO	88	113	13	34	10	1	7	989	2	1,257
ASO, ITO & Equivalent	1,719	1,940	725	495	262	57	147	3,067	6	8,418
Trade/Physical	1,306	483	881	182	257	45	246	160	0	3,560
Professional	227	718	59	793	32	12	15	495	2	2,353
Technical	593	696	99	355	63	4	13	354	2	2,179
Miscellaneous	19	15	4	2	1	0	1	32	0	74
Total	3,952	3,971	1,781	1,870	625	119	429	5,183	13	17,943

Notes:

1. Figures in this table actual show staff numbers as at 30 June 1998, and are not average funded strengths.
2. Overseas figures represent personnel posted for long-term duty. Personnel on short-term duty overseas are included against the state or territory in which they are normally employed.

Table J.3: Distribution of Australian Defence Force, Reserve and Civilian Personnel by Location of Employment as at 30 June 1998 ⁽¹⁾

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>NT</i>	<i>ACT</i> ⁽²⁾	<i>O/S</i> ⁽³⁾	<i>Total</i>
Permanent Forces ^{(4) (5)}										
Navy ⁽⁶⁾	7,058	2,021	543	44	2,059	25	594	1,760	146	14,250
Army	6,538	3,345	9,201	654	1,044	136	1,938	2,006	78	24,940
Air Force	5,308	1,914	2,894	1,970	621	12	1,224	1,947	94	15,984
Sub Total	18,904	7,280	12,638	2,668	3,724	173	3,756	5,713	318	55,174
Civilian (by Program):										
1	27	0	0	0	0	0	2	210	1	240
2	307	65	3	0	18	0	10	70	0	473
3	443	236	443	17	63	4	19	59	0	1,284
4	72	121	15	90	6	0	7	62	1	374
5	0	0	0	0	55	0	0	808	3	866
6	1,905	1,806	502	111	177	32	36	343	2	4,914
7	0	0	0	0	0	0	0	174	0	174
8	244	424	181	63	64	21	47	684	1	1,729
9	45	83	11	32	1	0	0	1,108	3	1,283
10	68	660	6	1,182	0	18	3	125	2	2,064
11	109	67	49	29	27	0	25	116	0	422
12	48	67	33	6	0	0	5	434	0	593
13	673	433	526	338	210	44	273	686	0	3,183
14	11	9	12	2	4	0	2	304	0	344
Sub Total	3,952	3,971	1,781	1,870	625	119	429	5,183	13	17,943
Total	22,856	11,251	14,419	4,538	4,349	292	4,185	10,896	331	73,117
Reserves ⁽⁷⁾										
Navy	532	96	123	48	163	42	24	268	0	1,296
Army	7,341	4,532	6,404	2,124	2,450	955	602	429	0	24,837
Air Force	364	220	415	226	157	0	66	119	1	1,568
Sub Total	8,237	4,848	6,942	2,398	2,770	997	692	816	1	27,701
Grand Total	31,093	16,099	21,361	6,936	7,119	1,289	4,877	11,712	332	100,818

Notes:

1. Figures in this table show actual staff numbers as at 30 June 1998 and are not average funded strengths.
2. ACT includes personnel located at Jervis Bay, HMAS Harman, RAAF Fairbairn and other Defence units within the legally defined boundaries of the Australian Capital Territory.
3. Overseas figures represent personnel posted for long-term duty. Personnel on short-term duty overseas are included against the state or territory in which they are normally employed.
4. Permanent Forces figures include all paid and unpaid members.
5. Personnel are shown in the location they are administered from.
6. Personnel serving in ships are included against the state or territory in which the ship is home-ported.
7. Figures are Reserves with training obligations.

Table J.4: Permanent Service and Civilian Personnel by Employment Category and Gender ⁽¹⁾

	<i>Men</i>	<i>%</i>	<i>Women</i>	<i>%</i>	<i>Men</i>	<i>%</i>	<i>Women</i>	<i>%</i>
	As at 30 June 1997				As at 30 June 1998			
Navy								
Trained Force								
Officers	2,365	16.1	481	3.3	2,262	15.9	467	3.3
Other Ranks	8,755	59.6	1,519	10.3	8,617	60.5	1,455	10.2
Training Force								
Officers	252	1.7	85	0.6	282	2.0	98	0.7
Other Ranks	1,080	7.3	164	1.1	925	6.5	144	1.0
Apprentices	0	0.0	0	0.0	0	0.0	0	0.0
Total	12,452	84.7	2,249	15.3	12,086	84.8	2,164	15.2
Army								
Trained Force								
Officers	3,927	15.2	531	2.0	3,904	15.7	534	2.1
Other Ranks	17,498	67.6	1,961	7.6	16,833	67.5	1,929	7.7
Training Force								
Officers	599	2.3	145	0.6	601	2.4	165	0.7
Other Ranks	1,078	4.1	146	0.6	898	3.6	76	0.3
Apprentices	0	0.0	0	0.0	0	0.0	0	0.0
Total	23,102	89.2	2,783	10.8	22,236	89.2	2,704	10.8
Air Force								
Trained Force								
Officers	3,108	18.7	510	3.1	3,135	19.6	535	3.3
Other Ranks	10,318	62.0	2,012	12.1	9,531	59.6	1,894	11.8
Training Force								
Officers	497	3.0	84	0.5	521	3.3	85	0.5
Other Ranks	62	0.4	39	0.2	247	1.5	36	0.2
Apprentices	0	0.0	0	0.0	0	0.0	0	0.0
Total	13,985	84.1	2,645	15.9	13,434	84.0	2,550	16.0

Table J.4: (Continued)

	<i>Men</i>	<i>%</i>	<i>Women</i>	<i>%</i>	<i>Men</i>	<i>%</i>	<i>Women</i>	<i>%</i>
	As at 30 June 1997				As at 30 June 1998			
Total ADF								
Trained Force								
Officers	9,400	16.4	1,522	2.7	9,301	16.9	1,536	2.8
Other Ranks	36,571	63.9	5,492	9.6	34,981	63.4	5,278	9.6
Training Force								
Officers	1,348	2.4	314	0.5	1,404	2.5	348	0.6
Other Ranks	2,220	3.9	349	0.6	2,070	3.8	256	0.5
Apprentices	0	0.0	0	0.0	0	0.0	0	0.0
Total	49,539	86.6	7,677	13.4	47,756	86.6	7,418	13.4
Civilians ⁽²⁾								
SES	97	0.5	10	0.1	95	0.5	7	0.0
Other Staff	12,821	67.1	6,187	32.3	11,923	66.5	5,918	33.0
Total	12,918	67.6	6,197	32.4	12,018	67.0	5,925	33.0
Reserves ⁽³⁾								
Navy	1,170	4.1	197	0.7	1,090	3.9	206	0.7
Army	20,459	72.6	4,421	15.7	20,388	73.6	4,449	16.1
Air Force	1,630	5.8	319	1.1	1,280	4.6	288	1.0
Total	23,259	82.5	4,937	17.5	22,758	82.2	4,943	17.8
Ready Reserves								
Navy	257	7.0	21	0.6				
Army	2,968	81.1	148	4.0				
Air Force	265	7.3	0	0				
Total	3,490	95.4	169	4.6				

Notes:

1. Figures in this table are actual staff numbers as at 30 June 1997 and 1998 and are not average funded strengths.
2. Figures exclude casual staff and locally-engaged civilians overseas.
3. Figures are reserves with training obligations.

Table J.5: Civilian Personnel as at 30 June 1998 ^{(1) (2) (3)}

<i>Category</i>		<i>Full Time</i>	<i>Part Time</i>	<i>Total</i>
Continuing Staff:				
Permanent	Male	10,897	33	10,930
	Female	4,700	237	4,937
Temp (Temporary)	Male	399	26	425
	Female	288	22	310
Temp (Fixed Term)	Male	32	1	33
	Female	26	1	27
Temp (Short Term)	Male	512	43	555
	Female	487	47	534
Naval Defence Act	Male	2	0	2
	Female	0	0	0
National Training Guarantee	Male	0	0	0
	Female	1	0	1
Camp/Casual	Male	73	0	73
	Female	115	1	116
Total	Male	11,915	103	12,018
	Female	5,617	308	5,925
Total		17,532	411	17,943

Notes:

1. Figures in this table show actual staff numbers as at 30 June 1998 and are not average funded strengths.
2. Figures exclude casual staff and locally-engaged civilians overseas.
3. Apart from 2 Naval Defence Act personnel, all other staff are employed under the Public Service Act.

Table J.6: Australian Defence Force - Separations 1996-97 and 1997-98 ^{(1) (2)}

	<i>Voluntary</i>	<i>Involuntary</i> ⁽³⁾	<i>Age Retirement</i>	<i>(Cadets and Trainees)</i>	<i>Total</i>
1996-97					
Navy					
Officers	174	1	12	41	228
Other Ranks	1 120	158	4	147	1 429
Army					
Officers	311	6	18	61	396
Other Ranks	1 598	291	15	372	2 276
Air Force					
Officers	253	10	9	34	306
Other Ranks	1 017	93	31	50	1 191
Total ADF					
Officers	738	17	39	136	930
Other Ranks	3 735	542	50	569	4 896
1997-98					
Navy					
Officers	173	18	11	58	260
Other Ranks	993	178	5	143	1 319
Army					
Officers	281	78	19	64	442
Other Ranks	1 542	586	9	161	2 298
Air Force					
Officers	264	16	39	49	368
Other Ranks	1 047	94	34	75	1 250
Total ADF					
Officers	718	112	69	171	1 070
Other Ranks	3 582	858	48	379	4 867

Notes:

1. Figures in this table show actual staff and are not average funded strengths.
2. Non-effective personnel (ie. personnel on maternity leave and leave without pay) and reserves completing periods of full-time duty are not included.
3. Involuntary includes personnel taking redundancy packages.

Table J.7: Australian Defence Force - Enlistments 1996-97 and 1997-98 ^{(1) (2) (3)}

	<i>Navy</i>		<i>Army</i>		<i>Air Force</i>		<i>ADF</i>	
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>
1996-97								
Trained Force								
Officers	32	6	72 ⁽⁴⁾	0	⁽⁵⁾	⁽⁵⁾	104	6
Other Ranks	100	9	301	0	⁽⁵⁾	⁽⁵⁾	701	9
Training Force								
Officers	151	69	266	63	434	98	851	230
Other Ranks	1,068	218	1,136	292	367	117	2,571	627
Apprentices	0	0	0	0	0	0	0	0
Total	1,351	302	2,075	355	801	215	4,227	872
1997-98								
Trained Force								
Officers	24	0	27	9	⁽⁵⁾	⁽⁵⁾	51	9
Other Ranks	83	9	210	40	⁽⁵⁾	⁽⁵⁾	293	49
Training Force								
Officers	156	56	237	66	352	91	745	213
Other Ranks	765	164	924	128	578	164	2,267	456
Apprentices	0	0	0	0	0	0	0	0
Total	1,028	229	1,398	243	930	255	3,356	727

Notes:

1. Figures in this table show actual staff and are not average funded strengths.
2. Enlistments exclude Reserves commencing periods of full-time duty and Ready Reserves.
3. Include inter and intra-Service transfers processed by the Service Offices and, therefore, do not correlate with the total number of enlistments shown in Table I.8.
4. A breakdown by gender of Trained Force enlistments for Army is not available for 1996-97.
5. All Air Force recruits are enlisted into the Training Force.

Table J.8: Permanent ADF Recruiting Activity 1996-97 and 1997-98

	<i>Navy</i>	<i>Army</i>	<i>Air Force</i>	<i>ADF</i>
1996-97				
Total Enquiries	25 593	34 562	32 444	92 599
Formal Applications	5 866	11 363	7 025	24 254
Applicants Enlisted	1 560	1 848	1 004	4 412
1997-98				
Total Enquiries ⁽¹⁾	16 815	29 515	23 325	69 655
Formal Applications	4 716	8 024	5 802	18 542
Applicants Enlisted	1 201	1 400	808	3 409

Note:

1. The definition of what constitutes a genuine enquiry was tightened during 1996-97, which may account for the lower total enquiry rate in 1997-98.

Table J.9: Australian Defence Force - General Reserve/Air Force Active Reserve Enlistments 1995-96, 1996-97 & 1997-98

	<i>Navy</i>	<i>Army</i>	<i>Air Force</i>	<i>ADF</i>
1995-96	106	4 172	229	4 507
1996-97	39	4 754	370	5 163
1997-98	58	4 671	83	4 812

Table J.10: Senior Executive Staff as at 30 June 1998 ^{(1) (2) (3)}

	<i>Total SES</i>			<i>1997-98 Gains ⁽³⁾</i>			<i>1997-98 Losses ⁽³⁾</i>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Senior Executive Band 1	53	6	59	7	1	8	4	2	6
Senior Executive Band 2	15	1	16	0	0	0	2	1	3
Senior Executive Band 3	5	0	5	0	0	0	0	0	0
Chief of Division Grade 2	12	0	12	0	0	0	0	0	0
Chief of Division Grade 3	2	0	2	0	0	0	0	0	0
Total	87	7	94	7	1	8	6	3	9

Notes:

1. Figures in this table show actual staff numbers as at 30 June 1998 and are not average funded strengths.
2. Numbers reflect officers at their substantive level and officers on higher duties pending permanent filling action. Officers backfilling positions during the temporary absence of the permanent occupant are excluded.
3. Gains and losses do not reflect movements of officers between levels in each of the SES and Chief of Division streams.

APPENDIX K: SOCIAL JUSTICE AND EQUITY

Diversity Employment Strategy

A Diversity Employment Strategy was prepared during the year and was awaiting formal endorsement at 30 June 1998.¹¹ The strategy aims to ensure there are no impediments to Australians of all backgrounds joining and serving in Defence. Existing policies and procedures are being reviewed and new procedures developed which will assist the Defence organisation to meet specific objectives in recruitment, selection testing, conditions of service, training and support, diversity training, reserves and cadets.

Workplace Equity and Diversity Plan

Following the Government's rejection of the Senate's amendments to the draft Public Service Bill 1997, the Public Service and Merit Protection Commission issued guidelines to agencies to enable them to proceed with the promotion of workplace diversity programs. As a result, all Commonwealth agencies are required to maintain the basic principles of the equal employment opportunities provisions of the current Act and, in addition, develop and implement workplace diversity measures.

The Defence Equity Organisation has prepared a Workplace Equity and Diversity Plan to meet this requirement, and has consulted widely with staff on its content. The plan has also been written to replace the *1993-96 Defence EEO Corporate Strategy* by providing objectives and strategies to achieve equity and diversity in the workplace. The plan will be released in August 1998 and will be made available to staff. A booklet is also being prepared, outlining Defence's commitment to a diverse workplace and providing practical guidance for all staff.

The objectives of the Workplace Equity and Diversity Plan are to ensure that:

- Defence capability is optimised by recruiting people from the broadest possible range of backgrounds;
- equity and diversity principles are embedded in workplace practices;
- a culture of workplace equity and diversity is promoted and fostered through committed leadership and management; and
- opportunities are optimised for all personnel to participate in the formulation of personnel policies and practices, and to access information and services appropriate to them.

Principles of Public Service in a Culturally-Diverse Society

Defence is not involved primarily in the delivery of specific programs to the community in the way that many other agencies are. The applicability to Defence of the Charter of Public Service for a Culturally-Diverse Society is therefore limited. However, as a major employer, Defence is able to implement the principles through its employment practices. Defence has worked to remove, wherever possible, any institutionalised discrimination experienced in the recruitment process, or by personnel when accessing training and development.

¹¹ The strategy received formal endorsement from Head, Defence Personnel Executive in August 1998.

The principles of the charter were upheld through the following activities:

- a. The ADF Aboriginal and Torres Strait Islander Recruitment and Career Development Strategy continued to be implemented with the aim of improving employment equity and opportunities for indigenous personnel. The strategy focuses on recruitment, selection testing procedures, conditions of service, training and support and cross-cultural awareness training. The number of Aboriginal and Torres Strait Islander personnel employed within the Department of Defence has declined from 211 in 1996-97 to 132 in 1997-98.
- b. The ADF Recruitment Unit in Melbourne has taken several pro-active steps in increasing the visibility of the ADF within non-English speaking background and indigenous communities. The unit is involved regularly in Koori careers fairs and with various festivals held by ethnic groups. Attendance at these events, where possible, is by recruiters with the appropriate cultural backgrounds.
- c. Representatives of units have met with ethnic and indigenous community leaders in an attempt to gain the support of these important groups. One such event was held at Puckapunyal, where ethnic community leaders were taken on a tour of the establishment and were given the opportunity to speak with Defence members from their particular cultures.
- d. The ADF Recruitment Unit in Sydney has undertaken planning for a program to enhance cultural awareness of ADF career opportunities amongst culturally-diverse community groups in the Sydney area. It is likely that the trial of this activity will concentrate on the Vietnamese and Mandarin Chinese communities.

Discrimination-Free Work Environment

A harassment and discrimination-free work environment is a primary goal for the Defence organisation and strategies are in place to meet this goal.

Training to overcome harassment and discrimination continued to take a high priority during the year. In particular, the Services made significant progress with the incorporation of formal equity and diversity training in initial-entrant training courses, promotion courses and higher-command courses.

The establishment and encouragement of formal equity and diversity contact networks has continued at ADF workplaces. Defence has in place across all Programs a reporting process to provide statistics in respect of all incidents of harassment, discrimination and unacceptable behaviour.

Equity Booklet

A booklet titled *Equity in Defence – Guiding Principles and Defence Equity Standards* was released in January 1998, with the aim of providing practical guidance on equity issues for commanders and managers in their day-to-day work. The booklet provided the background information necessary to support a proactive approach to the pursuit of equity in Defence. Some 12,000 copies of the booklet have been distributed within the organisation.

Review of Training

Two reviews to examine the efficiency and effectiveness of equity training throughout the organisation have been conducted by consultancy companies. A number of changes to equity training were proposed, and a training management plan is being prepared to address the recommendations of the reviews.

Review into Policies and Practices to Deal with Sexual Harassment and Sexual Offences at the Australian Defence Force Academy

In October 1997, the Minister for Defence Industry, Science and Personnel announced a review into the handling of cases of sexual assault and harassment at the Australian Defence Force Academy. The review was to examine:

- the relationships and culture in regard to equity in the Corps of Officer Cadets and between cadets and military staff and counsellors;
- handling of complaints of sexual assault, harassment and discrimination; and
- cadet and staff training and education with regard to ethics, personal development and unacceptable behaviour.

The report of the review was released publicly in June 1998 and included 100 recommendations. The recommendations addressed issues relating to policy on unacceptable behaviour, selection of military staff, improvements in the management of complaints and fundamental issues relating to the induction and training of cadets as well as training of staff. Recommendations are currently being implemented in three phases in accordance with the implementation plan. The first phase will be completed in December 1998, with the final phase being implemented in January 2000.

Status of Women

Action continues to implement the recommendations of the *Women in the Australian Defence Force* report. A Review of the Employment of Women in the ADF was undertaken which examined the current ADF policy and recommended a number of changes. The report of that review will be considered by the Chiefs of Staff Committee in August 1998.

As at 28 May 1998, 13% of the permanent ADF staff were women. The individual Service breakdown was as follows:

Navy	15%
Army	11%
Air Force	16%

Women make up 33% of Defence's civilian workforce, representing 7% of the SES, 20% of the Senior Officer and equivalent group and 51% of the ASO and equivalent group.

APPENDIX L: DEFENCE SERVICE CHARTER

Reprinted below is a full version of the *Defence Service Charter*. Details on the purpose of the charter can be found on page 37 of this report and a copy of the Charter can be obtained from the contact officer listed at the front of the report.

Defence Service Charter

Defence is committed to being honest, open and fair in its dealings with the Australian community and with all Australians who come into contact with the organisation.

We take our obligations to the community seriously and are keen to ensure that high standards of service are reached and maintained.

We commend this Charter to you and welcome your comments.

P H Barratt
Secretary
Department of Defence

C A Barrie AO RAN
Admiral
Chief of the Defence Force

The Defence organisation ...

- exists to ensure the security of Australia, its people and its interests;
- serves all Australians; and
- is accountable to the Commonwealth Parliament, on behalf of the Australian people, for the efficiency and effectiveness with which it carries out the Government's defence policy.

This Charter ...

- is our promise to you that we will maintain the highest possible standards of service when you are dealing with us; and
- details the options available to you in the event that you are not satisfied with our performance.

When you contact us, you can expect that ...

- your dealings with us will be handled in a professional manner with courtesy and cooperation;
- privacy and confidentiality will be observed;
- Our response to any questions or complaints will be open and accurate;
- all telephone inquiries will be answered promptly during normal business hours. We can also be contacted by fax;
- over the telephone we will identify ourselves to you by name and/or section;
- we will listen to what you have to say and strive to use language which is clear to you;

- if we are unable to answer your query immediately, we will take your contact details and ensure that you get a response within two working days;
- if you write to us we will respond to you, in writing, within 15 working days and any letters we send will contain a contact name and telephone number; and
- if we do not meet these standards we will explain what has happened and try to put things right. We will not hesitate to apologise if we are wrong.

Help us to help you ...

- by treating our staff with courtesy;
- by giving us sufficient and accurate information to enable us to assist you properly; and
- by providing feedback and comments on the standard of our performance.

Particular areas where we can help you ...

Certain areas of the Defence organisation deal with the Australian community directly. These areas include:

Emergency assistance to civil authorities

State and territory governments may request assistance from Defence during natural or human-caused disasters. Defence provides support, through Emergency Management Australia, to civil emergency services in situations where local resources may prove inadequate for the task at hand.

Effective provision of Defence emergency assistance to civil authorities is based on good communication. A close working relationship exists between Emergency Management Australia and state and territory emergency management authorities. If the support provided by us is not considered satisfactory, or if you need information and advice, do not hesitate to contact us.

Environmental management

Defence occupies many bases and training areas throughout Australia and makes use of both public and private land. Defence needs continuous training to maintain its combat capabilities, so managing the environment in which we operate makes good sense. We also recognise our responsibility as custodians of the land we use to ensure that environmental values are maintained and, where possible, enhanced. Large numbers of Defence personnel are located in the north of Australia and may operate on land used by indigenous Australians. We will ensure that Defence personnel respect the cultural diversity and traditions of these peoples and that our personnel are aware of their obligations when using this land.

We are in the process of developing Environmental Management Plans for all bases and training areas. These plans will, for areas of environmental significance, include the formation of specific Environmental Advisory Committees made up of local organisations and interested parties, as well as representatives of state and commonwealth regulatory authorities. This will ensure that all environmental and cultural impacts of Defence activities are visible and subject to public scrutiny, and that the community has a formal mechanism for providing advice to the Department.

Australian Defence Force recruiting and family support services

Each year, we recruit around 10,000 full-time and part-time Australian Defence Force personnel. Defence Force Recruiting Organisation staff have regular contact with the public through visiting schools, colleges and universities, holding recruiting displays and conducting media campaigns advising people about careers available in the Australian Defence Force.

Every inquiry and application is treated with due care and the recruiting process is open and fair. There are avenues of review available to unsuccessful applicants.

We recognise that the families of serving ADF members face particular pressures. They can be moved at very short notice and can suffer the stress of their loved ones being deployed on exercises and combat operations. The Defence Community Organisation provides family support services such as child care, education assistance, spouse employment assistance, access to social workers, and information and counselling. It also has procedures in place to provide swift and effective support to the relatives of serving personnel who may be injured or killed.

Last year, the Family Information Network for Defence telephone information service, operated by the Defence Community Organisation, handled over 10,000 Enquiries. A free-call number for this service can be found in local telephone directories. There is also an established consultative forum for Service spouses.

Local community liaison

Defence people are drawn from the community, serve the community and remain part of the community. Defence bases are located throughout the country and form an important part of the community in many areas. Our aim is to be a 'good neighbour' through close involvement and regular consultation with local residents.

We have established a number of formal consultative arrangements with state and territory governments to allow for the exchange of information and to provide forums for consultation on planning and development issues. In addition, many of our bases have well-established forums with local interest groups through which contact can be maintained and issues of concern addressed on a regular basis.

Tendering and contracting

Defence spends up to \$6 billion a year on a vast range of goods and services from thousands of suppliers. Defence signs more than 50,000 contracts for purchases of over \$2,000 each year, with the organisation's total number of purchases being well in excess of one million.

Defence uses open and effective competition in purchasing in order to obtain best value for money. Defence purchasing officers must follow set purchasing policies and principles to ensure the integrity of the procurement process.

To ensure that we provide the best possible service ...

- We will monitor all feedback to see where and how our dealings with the community need to be improved; and
- we will report to the Minister for Defence on the extent to which we are meeting the standards set out in this Charter.

Our Annual Report to Parliament will include information on our performance measured against the standards in this Charter and by the feedback we receive from you;

- procedures are in place which require Defence officials to answer to Parliament on a regular basis regarding the organisation's performance and any material contained within the Annual Report.

Defence will review the Charter every twelve months;

- we will incorporate your comments and suggestions on improvements to our performance standards; and
- we will consult with you via focus groups and market surveys in order to confirm that your expectations of customer service are being met.

We will commission an independent external review of the Charter within three years of the first issue.

Feedback on our performance ...

- If you have any concerns or questions, wish to make a complaint or provide feedback on our performance, please feel free to contact us via the channels listed on the back of this brochure;
- if you are in any way dissatisfied with the standard of our performance, please raise this with the area concerned and every effort will be made to resolve your concerns immediately;
- if this does not rectify the situation, then ask to speak with the supervisor, who will attempt to find a solution;
- if you are still not satisfied, please put your concerns in writing to the supervisor;
- you also have the option of writing to the Minister for Defence or contacting your local Member of Parliament or Senator; or
- if you are still not completely satisfied, you have the right to contact the Commonwealth and Defence Force Ombudsman who may be able to assist in the resolution of the problem. Their toll-free telephone number is 1 800 133 057.

If you want to know more ...

Please contact the Defence Public Affairs Organisation whose details listed on the back page of this charter.

How you can contact us ...

Further information on the Defence Service Charter can be found on the Defence organisation web page at <http://www.defence.gov.au/charters>.

This site also provides information on the Defence organisation, careers in the Australian Defence Force and links to other Defence-related sites, including the areas mentioned in this brochure.

Part One

You can also write to us c/- Director-General, Defence Public Affairs Organisation,
Department of Defence, Canberra ACT 2600, or you can call your local office of the Defence
Public Affairs Organisation.

Australian Capital Territory

Phone: (02) 6265 2999
Fax: (02) 6265 1099

Victoria/Tasmania

Phone: (03) 9282 6226
Fax: (03) 9282 6106

Western Australia

Phone: (08) 9311 2510
Fax: (08) 9311 2507

Northern Territory

Phone: (08) 8935 8474
Fax: (08) 8935 8321

New South Wales

Phone: (02) 9563 1111
Fax: (02) 9563 1411

Queensland

Phone: (07) 3233 4527
Fax: (07) 3236 1478

South Australia

Phone: (08) 8305 6305
Fax: (08) 8305 6529

APPENDIX M: PARLIAMENTARY SCRUTINY

Defence officials appeared before a number of Parliamentary committees over the course of the year. Descriptions of the more important hearings are listed at pages 33-34, while listed below are other hearings and inquiries before which Defence officials appeared.

Joint Standing Committee on Foreign Affairs, Defence and Trade

Visit of the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to Sydney Harbour Foreshores Defence Properties 14 November 1997

The report on the Defence Sub-Committee's visit to Defence properties on Sydney Harbour foreshores was tabled in Parliament on 23 March 1998. Defence is preparing a Government response.

Inquiry into the circumstances of the sinking of HMAS Sydney off the coast of Western Australia in November 1941

Defence submissions to this inquiry were submitted to the Defence Sub-Committee on 8 December 1997 and 23 March 1998. Defence witnesses appeared before the sub-committee on 27 March 1998.

Inquiry into the Bougainville Peace Process and Prospects for the Future

The Defence submission to this inquiry was submitted to the Foreign Affairs Sub-Committee on 30 June 1998.

Inquiry into the Regional Dialogue on Human Rights

The Defence submission to this inquiry was submitted to the Human Rights Sub-Committee on 12 August 1997 and Defence witnesses appeared as witnesses before the sub-committee on 16 April 1998.

Joint Committee of Public Accounts and Audit

Report 352 - Review of Auditor General's Reports Second Quarter 1996/97 - Issued August 1997

The committee inquired into two ANAO reports relating to Defence. The reports were:

- *ANAO Audit Report No. 15, Management of Food Provisioning in the Australian Defence Force, Department of Defence; and*
- *ANAO Audit Report No. 17, Workforce Planning in the Australian Defence Force, Department of Defence*

The main concern of the first report related to the difficulty in obtaining complete and accurate figures on the total cost of rationing, making the job of managing rationing difficult, and raising questions about accountability in this area.

The most significant finding by the committee's inquiry into the *Review of Workforce Planning in the ADF* was that greater devolution of management responsibilities would assist in overcoming some inflexibilities in the current environment and would also assist in obtaining efficiencies.

Defence responded to the public hearing by advising that, with regard to the review of ANAO Audit Report No 15, progress to output-based accrual budgeting and accounting systems was expected to provide more accurate information on the costs of its activities, such as food provisioning; and that, with regard to the review of ANAO Audit Report No 17, due to the Defence Reform Program, it was not currently appropriate to devolve further responsibility.

Report 358 - Review of Auditor General's Reports - Third Quarter 1996/97 - Issued March 1998

The committee held a public hearing on the *ANAO Audit Report No. 27 of 1996/97 Army Presence in the North, Department of Defence*. The Committee found that while the issue of Army's management of the removal of 1 Brigade over the period 1992-2001 from New South Wales and Victoria to Darwin was a greatly complex one, deficiencies existed in the estimation of operating costs and tracking of expenditure.

The committee was also concerned about the issues of training arrangements and facilities, especially in relation to Leopard tank crew occupational health and safety and vehicle operational effectiveness exist in the adverse climatic conditions.

Defence responded to the public hearing by advising that four training areas in the Northern Territory were continuing to be developed and that the Army had engaged contractors to assist in developing a Leopard tank air-conditioning system. In addition, the Army's Technology and Engineering Agency was investigating other heat reduction alternatives.

Report 359 - Review of Auditor General's Reports - Fourth Quarter 1996/97 - Issued March 1998

The committee held a public hearing on the *ANAO Audit Report No. 34 of 1996-97, Australian Defence Force Health Service, Department of Defence*. The committee found that little information was available on ADF health costs and was unable to make a fully-informed decision on the efficiency of health care delivery.

Some concerns noted by the committee were that the ADF required a large number of dental personnel at high cost and that ADF was slow in recognising the high costs of injuries to personnel.

Defence responded to the public hearing by advising that key reforms had been largely initiated, thus allowing for better tracking of costs; a review of ADF Dental Services had been completed, resulting in a reduction of uniformed personnel; and that a number of strategies had been introduced to reduce injury rates in ADF personnel.

Report 361 - Review of Auditor General's Reports First Quarter FY1997/98 - Issued June 1998

The committee held a public hearing on the *ANAO Audit Report No. 5 of 1997-98, Performance Management of Defence Inventory*. The committee focused on the issues of best practice in supply-chain performance management, inventory management, increasing the use of performance targets, the provision of Defence logistics information systems to support integrated and effective management, the impact of performance management on current culture, benchmarking as a performance enhancement tool and the retention of inventory-management expertise within the Department.

While the committee welcomed Defence's acceptance of all the recommendations of the review, it was concerned that the issues raised had been brought up in previous audits and had not been acted upon. However, the committee acknowledged that the integration of the three former separate logistics organisations into a single Support Command Australia should help to address these problems. Defence is preparing a Government response.

Joint Standing Committee on the National Capital and External Territories

Inquiry into communications to and within Australia's External Territories

The Defence submission to this inquiry was provided to the committee on 1 June 1998.

Senate Environment, Recreation, Communication and the Arts Legislation Committee

Inquiry into the National Environment Protection Measures (Implementation) Bill 1997

The Defence submission to this inquiry was provided to the committee on 9 January 1998. The report was tabled on 12 March 1998.

Inquiry into Commonwealth Environment Powers

Defence did not provide a formal submission to the inquiry, but on 6 August 1997 informed the committee about the Department's participation in Commonwealth environmental initiatives through various inter-departmental committee processes.

Senate Foreign Affairs, Defence and Trade References Committee

Inquiry into India's Nuclear Tests

A Defence submission was being prepared in consultation with the Department of Foreign Affairs and Trade on 30 June 1998.

Australia-China Relations

Defence contributed to the final Government response which was tabled on 13 May 1998.

Inquiry into the crash of RAAF Nomad aircraft A18-401 on 12 March 1990

The Government response, accepting the Committee's recommendation, was tabled on 23 September 1997.

House of Representatives Standing Committee on Industry, Science and Technology

Inquiry into the Effects of Research and Development (R&D) in the Past Decade

Defence presented a submission to this inquiry on 23 January 1998.