



Notes:

- 1 Australian Defence Headquarters is managed jointly by the Vice Chief of the Defence Force and the Deputy Secretary Strategy and Intelligence.
- 2 Commander Australian Theatre is directly responsible to the Chief of the Defence Force.
- 3 Maritime, Land and Air Component Commanders are also responsible as Maritime, Land and Air Commanders to their respective Chief of Service.

Effective at 30 June 1999

GROUP 1: DEFENCE HEADQUARTERS

OBJECTIVE

To achieve Defence objectives and the production of related outputs through:

- developing strategic policies, force structures and warfighting strategies which enable the ADF to achieve its mission;
- providing strategic and operational level command capabilities for more effective and efficient command of ADF operations;
- shaping Australia's long-term strategic environment to reduce the likelihood of threats to Australia and its interests, and increase opportunities to work with others to deal with any threats;
- shaping Australia's national support base to ensure the ADF is supported as cost effectively as possible;
- providing strategic policy advice to government;
- developing a strategic planning and management framework to provide better decision-making and organisational effectiveness in long-term planning and short to medium-term resource decisions; and
- attracting, developing, and retaining highly-skilled, educated and motivated people as part of an integrated Defence Headquarters.

DESCRIPTION

The Group is jointly managed by the Vice Chief of the Defence Force and Deputy Secretary Strategy and Intelligence. The Group comprises seven areas; Strategic Policy and Plans, International Policy, Capability Program, Capability Development, National Support Division, Strategic Command, and Australian Theatre.

PERFORMANCE OUTCOMES FOR 1998-99

Advice on strategic policies provided to government is accurate, timely, responsive and innovative, and offers practical and cost-effective approaches to fulfil the Government's defence responsibilities

The Australian Military Strategy, with its framework of five subordinate strategies, has been approved by the Chiefs of Staff Committee for planning and development purposes. The strategy provides military response options to government and military strategic planning guidance to Defence.

Defence resources are efficiently matched to strategic priorities to ensure that the ADF develops the maximum appropriate capability for each dollar spent

Senior Defence committees considered a range of capability proposals to ensure that the allocation of Defence resources matched strategic priorities. The subsequent recommendations to the Government reflected levels of investment consistent with strategic priorities, as well as the primacy of value-for-money principles. Major achievements included the preparation of the new major investment section of the November 1998 and the 1999-2000 budget submissions to Cabinet, which agreed all major investment proposals, and Government approval of interim minimum operational capability for the Collins-class submarine.

Part Two

Long-term planning is improved to allow better and earlier decisions to be taken to achieve major strategic objectives

The Office of the Revolution in Military Affairs has been established and commenced its task of monitoring and identifying emerging technologies to enhance ADF combat capabilities. The development of the long-term planning process continued to inform decision making in Defence Headquarters and subsequent advice to government.

Force development decisions are made quickly and rigorously taking full account of strategic, technical, operational and industrial factors

As a major priority, a revised capability development process is being implemented as a consequence of the recommendations of the capability management improvement team being endorsed by the Defence Executive. The aim is to develop a more iterative and rigorous approach to seeking information on capability proposals, and to develop a better appreciation of whole-of-capability and strategic resource issues. Internal feedback indicates that ongoing effort is required to promote a better understanding of these processes throughout Defence.

Clear direction is provided to other parts of the Defence organisation on priorities for all aspects of capability development including equipment, training, support and doctrine

The Defence Headquarters provided guidance to the Defence organisation on capability development matters through support to the Defence Capability Committee. This committee made recommendations to the Government on a range of capability proposals including the 1999-2000 budget submission and the production and distribution of guidance documentation for Defence major capital equipment proposals.

A new unclassified 'Pink Book', the primary guide to Defence major capital equipment proposals, was produced in conjunction with Industry Procurement Infrastructure Division. The document included expanded project descriptions to provide assistance to industry undertaking Defence contracts. There was an increased participation in acquisition source-selection activities through input to equipment acquisition strategies, requests for proposal, tender evaluations and project review boards, interpreting and advising on endorsed capability priorities and ensuring that post-approval considerations were consistent with guidance.

Australia's strategic interests are served by the development of defence relationships and international cooperation, especially in regard to the maintenance of peace and stability in the Asia-Pacific region

Details on the achievement of this measure are contained under *Performance against Forecasts* section in this Group report.

New strategic and operational headquarters provide effective command for ADF operations at reasonable cost

Headquarters Australian Theatre has brought together the maritime, land, air, and special operations headquarters under the Commander Australian Theatre. This has enhanced the effective planning and execution of ADF operations and the development of military responses options for possible regional contingencies.

National support policies are developed which provide better support for the ADF to conduct operations more cost effectively

The endorsed National Support Agenda has established a basis for a coordinated approach to developing national support capability. Revisions to the long-term agreement for the supply of ammunition have been structured to allow Australian industry to work with the ADF to meet its changing requirements. The ADF capability for movement at strategic and operational

levels was enhanced by a better understanding with Australia's civil airlines and by the ADF's operational requirements being recognised in national road transport reform. Work continues on removing or reducing constraints on contractor deployment to give the ADF access to a broader range of more responsive and reliable contractor support. A revised acquisition and cross-servicing agreement facilitates combined operations with the United States forces by providing access to operational-level logistic support on a reciprocal basis.

The ADF is able to respond in a timely and effective manner to operational contingencies

Key outcomes have included continued strategic-level management and coordination of contingencies and crises, with production of appropriate Military Strategic Planning Guidance and operational parameters for Defence. The command centre was able to deal effectively with contingencies arising in the period. Closer working relationships were achieved within Defence, with other government departments and with allies.

PERFORMANCE AGAINST FORECAST FOR 1998-99

The achievements for the Defence Headquarters in 1998-99 include:

Operational Command

- *Developing warfighting concepts and doctrine for the Australian theatre*

Partially Achieved as Forecast An interim edition of *Australian Warfighting Concepts to Guide Campaign Planning* has been promulgated and continues to influence the suite of ADF doctrines. During the period, the focus on doctrine has been limited to developing and ensuring the currency of doctrine needed specifically to support operations. The formal validation of the many volumes of current operational doctrine was a major objective of Exercise Crocodile 99. Its conduct has provided an abundance of practical lessons that mark a maturing in the management of joint and combined operations and a divergence from published doctrinal practice. Lessons captured from the exercise will be evaluated and integrated into doctrine at a faster rate, which will overcome recent limitations.

- *Developing military contingency and campaign plans for the Australian theatre*

Partially Achieved as Forecast The development of campaign planning continues, subject to the finalisation of the Australian military strategy and its framework of five subordinate strategies. Until these strategies are finalised, Headquarters Australian Theatre will focus on improving internal processes associated with campaign and operational planning. It is anticipated that relevant campaign concepts will be completed by the end of 1999-2000. Experience derived from operations and exercises throughout the year contributed to a more robust and mature process at the operational level. Relevant campaign concepts will be further developed by the end of 1999-2000. Similarly, development of associated contingency and operational plans will be facilitated by approval of the military response options being developed for the Operational Preparedness Directive 1999 in conjunction with the Chief of the Defence Force's Preparedness Directive 1999.

- *Conducting joint and combined operations*

Achieved as Forecast Headquarters Australian Theatre completed a number of major operations during the reporting period. All of the completed operations satisfied their respective strategic military objectives. Further details on operations and exercises are available in *Appendices C and D* to Part 1 of this report.

Effective International Defence Relationships and Contribution to International Activities

- *Further development of international defence relationships consistent with Australia's strategic policy*

Partially Achieved as Forecast The dramatic unfolding of events in East Timor, and the subsequent passing of a United Nations Security Council mandate inviting Australia to lead a multinational force in East Timor, has recast the context in which the bilateral defence relationship with Indonesia was being conducted. Military exercises and skills training have been suspended. Further progress on achieving the earlier strategic objectives will be subject to meeting the Government's priorities in East Timor.

Defence has managed the impact on the Five Power Defence Arrangements of complex developments in the bilateral relationship between Singapore and Malaysia. A cooperative defence relationship with Vietnam has been established and a Defence Attaché position created in Hanoi.

The Defence Headquarters coordinated an expanded Australia/New Zealand personnel exchange program, as agreed in the *Joint Ministerial Statement of Future Directions in Closer Defence Relationships*, and prepared for significant changes in the modalities of the intelligence relationship with the United States.

The Group contributed to the whole-of-government approach to defence relations in South Africa and the management of the defence aspects of the Government's response to nuclear tests by India and Pakistan. Defence Headquarters provided policy advice to government on the legislative implementation of Australian obligations under the *Ottawa Treaty on Anti-Personnel Landmines* leading to Australian ratification of the treaty on 17 December 1998. The Group participated in the international diplomatic conference that saw the establishment of the Statute of the International Criminal Court in July 1998, and contributed to Defence advice on the whole-of-government position on the international control of small arms as well as the use of child soldiers.

Consideration was given to options for ADF basing in the Gulf, in the event that the international coalition against Iraq is reformed, and reinforcing defence relations with Gulf states through the provision of ADF training courses.

- *Enhancement of alliance relationships through activities such as Ausmin 98, political/military talks, defence and strategic dialogue and bilateral regional discussions*

Achieved as Forecast Key outcomes that contributed to the enhancement of relationships included the CDF/PANGAB forum, which was designed to assist the Indonesian Armed Forces to adjust constructively to the wider changes in the Indonesian state. This promising development has subsequently been overtaken by events in East Timor and the further development of this process must await the future realignment of defence relations with Indonesia.

High-level seminars with Thailand have sought to influence the approach to reform of the Royal Thai Armed Forces. Strategic dialogue discussions were held with the People Republic of China in August 1998. Defence gave support to the regional security and disarmament talks in December 1998.

Defence participated in annual high level dialogue with the United States through ministerial meetings (Ausmin 98) and meetings of high-level military representatives (Milreps 98). Dialogue was conducted with Japan through the Asia Pacific Forum for policy officers and the Asia-Pacific Defence Authorities Forum. The first political/military talks were held with Russia in November 1998. Defence also supported the political/military and military/military talks with the Republic of Korea in September 1998.

- *Organising and conducting, on behalf of both Defence and Foreign Affairs, a regional seminar conducted under the auspices of the Association of South East Asian Nations Regional Forum, on the production of defence policy documents*

Achieved as Forecast

- *Developing and instituting enabling arrangements for logistic support to and from friends and allies*

Achieved as Forecast Key outcomes included the initiation of negotiation of a memorandum of understanding on defence logistic support with the Republic of Korea and participation in bilateral logistics working groups and multilateral forums. The completion of a revised Australian/United States acquisition and cross-servicing agreement, signed in December 1998, and continued development of improved mutual logistics support arrangements with the United Kingdom, Canada, New Zealand, Singapore, Thailand and France were further outcomes.

Strategic Command and Policy

- *Developing and introducing new strategic planning processes including long-term planning, the Australian Military Strategy and its five subordinate strategies and improved preparedness planning*

Partially Achieved as Forecast The framework of military strategies, including *Defeating Attacks against Australia; Defence of Regional Interests, Defence of Global Interests, Protection of National Interests, and Shaping the Strategic Environment* was completed. Work continues on the overarching Australian military strategy.

The proposed production of a Defence future directions paper by November 1998 was revised. The Chief of the Defence Force and the Secretary to the Department decided that assuring the proposed process was more important than forcing consideration within the November time-frame. The process will be refined through 1999.

Other key outcomes have included production of the Defence corporate plan *Defence Our Priorities*. The Defence Executive reviewed capability assessment reports and endorsed the Defence capability planning system in December 1998. Attribution rules to support the translation of Group-based budgets to the first output/accrual five year Defence program were developed.

- *Improving the mechanisms for coordination and management to deal with crises*

Achieved as Forecast Key outcomes have included the continued effective strategic-level management and coordination of contingencies and crises. Appropriate military strategic planning guidance and operational parameters for Defence have been produced and a responsive and capable command centre to deal with contingencies has been established. The ADF contribution to the national crisis management machinery has been improved. Close working relationships, agreed doctrine and communications interoperability have been developed with client organisations including other government departments, allies and potential coalition partners.

- *Ensuring a more strategic capability focus in 'whole of Defence' resource decision making and management*

Achieved as Forecast A number of capability analysis studies have been completed into integrated surveillance, bulk liquids distribution, the Jindalee operational radar network development path, ADF afloat support, littoral operations, and nuclear, biological and chemical weapons defence. The study into integrated surveillance resulted in several proposals concerning the management of the capability being accepted and the study into bulk liquids distribution

identified a number of innovative low-cost, high-return options, and initiated a number of important capability enhancements.

A conceptual framework for describing the 'knowledge edge' as a key capability priority is being prepared. This will be published to enable informed public considerations of this complex issue. Numerous ad-hoc cost/capability analyses were conducted, including the scrutiny of the British Aerospace data on the Euro Fighter 2000, the business case on the future of the HS748 aircraft, the possible utility of small satellites and commercial remote-sensing data and the possible utility of high-speed patrol vessels. A commercial high-resolution remote sensing systems has moved from the study phase to a project for early progression.

- *Improving the capability development process with particular focus on 'whole of capability'*

Achieved as Forecast The revised capability development process has been implemented. The new process will facilitate a more iterative approach to seeking information on capability proposals prior to their entry into the future investment program or consideration by committee. The earlier engagement of stakeholders will provide more rigorous analysis and robust information on whole-of-capability issues, including personnel, training and logistic support.

The new process will also enable examination of capability proposals in the context of Defence outputs to develop a better appreciation of whole-of-capability and resource issues. It will also provide stakeholders with better information about the resource environment and more timely consideration of issues relating to real cost increases.

- *Providing advice to government on Defence capabilities and force structure priorities through the development and review of all proposals for major equipment and facilities which are planned for Government approval during 1998-99 and in the 1999-2000 Budget*

Partially Achieved as Forecast The Government approved the November 1998 investment submission. Recommendations were made to extend the life of patrol boats but decision on the acquisition of new vessels, acquiring new infantry mobility vehicles, rescoping the approach to electronic self-protection for ADF aircraft and installing the countermeasures system on the F-111 aircraft were deferred.

The Government approved the 1999-2000 budget submission including acquiring reconnaissance and aerial fire support helicopters, acquiring additional air-to-air missiles for the F/A-18 aircraft, further developing the joint command support system and the joint intelligence support system, providing F-111 aircraft with electronic countermeasures and acquiring an enhanced air combat training system. In addition, the Government approved, in June 1999, the interim minimum operational capability for Collins-class submarine.

Rigorous analysis of all capability proposals was undertaken prior to their consideration for 1998-99 and 1999-2000 funding.

- *Developing concepts, high-level strategies and policies and establishing agreements and other arrangements which will enable the engagement of national support capabilities*

Achieved as Forecast The Defence Executive endorsed a whole-of-Defence strategic-level agenda under which the Government's policy for national support (announced in the *1998 Defence and Industry Strategic Policy Statement*) will be pursued. Determination of the ADF's strategic-level requirements for national support (including critical infrastructure) was initiated using defence futures concepts, the suite of military response options and associated strategic guidance. Arrangements at both the federal and state/territory government level were made to

identify and influence relevant infrastructure and legislative developments. ADF strategic and operational requirements for industry support were included in such commercial developments as the sale of Australian Defence Industries limited, the revision of the ammunition supply agreement with Australian Defence Industries and support for Navy ships in Western Australia.

- *Developing and implementing arrangements for early and effective industry engagement in capability planning and development*

Achieved as Forecast Industry engagement in capability planning and development has been enhanced in 1998-99 with the establishment of the Capability Development Advisory Forum and the subordinate environmental working groups. The aim of these bodies is to expose Defence's capability proposals to industry at an early stage in development and to invite industry interaction and feedback. An initial meeting with industry representatives was held in December 1998 and the first forum meeting for 1999 was held in April. The full effect of these changes is currently being assessed.

RESOURCES

Table 1.1: Defence Function Outlays Summary

Sub-Group	1998-99	1998-99	1998-99 Actual Outcome \$m	Variation (98-99 Actual less Revised Estimate)	
	Budget Estimate \$m	Revised Estimate \$m		\$m	%
1.1 Strategic Policy and Plans	5.3	5.6	5.6	0	0.3
1.2 International Policy	81.5	82.3	78.1	-4.2	-5.0
1.3 Capability Program and Resources Planning	58.1	17.7	8.1	-9.6	-54.4
1.4 Capability Development	12.1	11.1	10.9	-0.3	-2.5
1.5 National Support	4.8	3.9	4.0	0.1	3.0
1.6 Strategic Command	6.7	4.5	5.2	0.7	14.5
1.7 Australian Theatre	33.2	46.0	47.3	1.2	2.7
Group Total	201.7	171.1	159.1	-12.0	-7.0

Table 1.2: Staffing Summary

Sub-Group	1998-99	1998-99	1998-99 Actual Outcome	Variation (98-99 Actual less Revised Estimate)	
	Budget Estimate	Revised Estimate		No	%
	Personnel Numbers				
1.1 Strategic Policy and Plans	64	63	64	1	1.6
1.2 International Policy	221	222	221	-1	-0.5
1.3 Capability Program and Resources Planning	71	74	70	-4	-5.4
1.4 Capability Development	132	124	128	4	3.2
1.5 National Support	57	38	42	4	10.5
1.6 Strategic Command	80	51	51	0	0
1.7 Australian Theatre	686	837	740	-97	-11.6
Group Total	1,311	1,409	1,316	-93	-6.6

Table 1.3: Staffing Profile

<i>Personnel</i>		<i>Sub-Group</i>							<i>Total</i>
		1.1	1.2	1.3	1.4	1.5	1.6	1.7	
Permanent Force	98-99 Budget	21	155	7	121	38	71	449	862
	98-99 Revised	22	157	11	112	19	42	602	965
	98-99 Actual	22	157	11	112	19	42	602	965
Civilian	98-99 Budget	43	66	64	11	19	9	28	240
	98-99 Revised	41	65	63	12	19	9	26	235
	98-99 Actual	42	64	59	16	18	9	26	234
Reserves	98-99 Budget	0	0	0	0	0	0	209	209
	98-99 Revised	0	0	0	0	0	0	209	209
	98-99 Actual	0	0	0	0	5	0	112	117
Total Personnel	98-99 Budget	64	221	71	132	57	80	686	1,311
	98-99 Revised	63	222	74	124	38	51	837	1,409
	98-99 Actual	64	221	70	128	42	51	740	1,316

1998-99 Defence Reform Program Progress

The Defence Reform Program gains in 1998-99 related primarily to across-the-board efficiencies generated in administrative expenses. In the area of capability development, gains from the rationalisation of the former Forces Executive and Strategy & Intelligence Programs were used to almost completely offset the Defence Reform Program-endorsed initiative to provide additional strategic guidance within Defence Headquarters. The one-off Defence Cooperation savings of \$5.7m reflected a general scaling back of assistance activities in line with a more strategic approach to Defence Cooperation funding.

Table 1.4: 1998-99 Defence Reform Program Resources Available for Reinvestment

<i>Sub-Group</i>	<i>1998-99 Budget Estimate</i>	<i>1998-99 Revised Estimate</i>	<i>1998-99 Actual Outcome</i>	<i>Variation (98-99 Actual less Revised Estimate)</i>	
	\$m	\$m	\$m	\$m	%
Capability Development	0	0	-0.1	-0.1	0
Science and Technology	0	0	0.1	0.1	0
Administrative Support	0.4	0.4	0.4	0	0
Defence Cooperation One-Off Gains	0	5.1	5.7	0.6	11.8
Total	0.4	5.5	6.1	0.6	10.9

Table 1.5: 1998-99 Defence Reform Program Personnel Reductions - ADF

<i>Category</i>	<i>1998-99 Budget Estimate</i>	<i>1998-99 Revised Estimate</i>	<i>1998-99 Actual Outcome</i>	<i>Variation (98-99 Actual less Revised Estimate)</i>	
	Personnel Numbers			No	%
Capability Development	0	0	-1	-1	-
Science and Technology	0	0	1	1	-
Total Personnel Reductions	0	0	0	0	0

Table 1.6: 1998-99 Defence Reform Program Reinvestment

<i>Category</i>	<i>1998-99 Budget Estimate</i>	<i>1998-99 Revised Estimate</i>	<i>1998-99 Actual Outcome</i>	<i>Variation (98-99 Actual less Revised Estimate)</i>	
	\$m	\$m	\$m	\$m	%
DRP Transition Costs	0	0	0.3	0.3	-
Total	0	0	0.3	0.3	-

Table 1.7: Reconciliation of Appropriations for the Australian Defence Headquarters

Category	1998-99	1998-99	1998-99	Variation	
	Budget Estimate \$m	Revised Estimate \$m	Actual Outcome \$m	(98-99 Actual less Revised Estimate) \$m	%
180-01 Running Costs					
Service Personnel	51.1	58	58.5	0.5	0.9
Civilian Personnel	14.4	14.6	15.4	0.8	5.4
Administrative Expenses	15.3	20.6	20.0	-0.6	-3.0
Facility Operations	0	0	0	0	0
180-02 Other Services	0.1	0.1	0.1	0	0
181 Equipment & Stores	54.5	13	3.7	-9.3	-71.5
182 Defence Cooperation	67.4	65.7	62.7	-3.0	-4.5
Total Defence Function Appropriations (A)	202.8	172.0	160.5	-11.6	-6.7
Total Defence Function Receipts (Offset within Outlays) (B)	-1.1	-0.9	-1.4	-0.5	53.3
Total Defence Function Outlays (C) = (A+B)	201.7	171.1	159.1	-12.0	-7.0

Full accrual information for this Group is available in the 1998-1999 Financial Statements in Appendix F to Part One of this document.

Table 1.8: Major Variations between 1998-99 Revised Estimate and 1998-99 Actual Outcome

Appropriation	\$m
180-01 RUNNING COSTS	
Service Personnel (\$0.5m)	
Miscellaneous minor variations	0.5
Civilian Personnel (\$0.8m)	
Miscellaneous minor variations	0.4
Net Group transfers	0.1
Defence Reform Program Reinvestment	
Defence Reform Program related redundancies	0.3
Administrative Expenses (-\$0.6m)	
Net Group transfers	0.1
Miscellaneous minor variations	-0.2
Lower than anticipated requirement for studies related to new capital equipment projects	-0.5
181 EQUIPMENT & STORES (-\$9.3m)	
Miscellaneous minor variations	0.4
Net Group transfers, primarily associated with the new major investment program	-9.7
182 DEFENCE COOPERATION (-\$3.0m)	
General reduction in activities primarily associated with PNG and ASEAN including reduced training activities and the deferment and cancellation of projects.	-2.4
Defence Reform Program Gains	
Related to one-off gains	-0.6
DEFENCE PORTFOLIO RECEIPTS (-\$0.5m)	
Miscellaneous minor variations	-0.5