

## **FIRST PRINCIPLES REVIEW OF DEFENCE**

The current structure within the Defence portfolio is outdated and overly bureaucratic resulting in a department that is dysfunctional; one that is less capable in both developing and contributing to national security, and has resulted in a less efficient defence force. A significant review of the Defence portfolio has not occurred since the Tange Review of the 1970s. The Defence Reform Program of the 1990s together with the Strategic Reform Program (of 2010) did not achieve their aims and only served to fatten the Defence bureaucracy. The department is not a cohesive entity working collegiately in the national interest, but 10 groups stove-piped to protect and grow their own interests. Major structural change is required to ensure Australia has the necessary tools in the form of a department of state that can contribute to national and defence security, an effective defence force that is well equipped, sustained and fit-for-purpose and a body to oversee the development of the nation's defence strategy.

### **The Diarchy**

The diarchy is an outdated concept that has arguably been less effective in the development of the nation's defence interests and the Australian Defence Force than more traditional models. While very much dependent upon the incumbents, the diarchy has resulted in the bureaucratisation of the ADF to the detriment of the effective cohesion of our military units and structures. The ADF and the Department of Defence should become separate entities under legislation with the Chief of Defence Force responsible for the ADF and a Secretary responsible for the Department of Defence. A close but loose relationship should remain without the Secretary of Defence having any formal responsibility for the administrative arrangements within the ADF.

### **The Australian Defence Force**

The ADF would consist of the CDF and VCDF, the Navy, Army and Air Force together with joint forces including operations, logistics and health. The statutory authorities such as the IGADF and CJA should also transfer to the ADF. The ADF would assume responsibility for their establishments, bases and depots – specifically the current base accountabilities model should be dismantled (and recognised as a failed experiment). The ADF would assume responsibility for the sustainment of its capabilities (i.e. ships, tanks and aircraft and support elements) drawing upon the services of defence industry and the national industrial support base. The ADF would also assume responsibility for their finances, IT and corporate governance. It would regain control of its people, including those civilians working with the services and the joint commands.

### **The Department**

The Department would be responsible for capability development and acquisition of capabilities to meet the strategic direction set by the National Security Commission (see below). Intelligence and security at the national level would remain with the Department as would science and technology. It would retain responsibility for its finances, IT and corporate governance, but not insofar as they relate to the ADF. It would acquire capabilities for the ADF and work with the ADF in the sustainment of capabilities, but would not have control of capabilities in-service.

## **National Security Commission**

Establishment of a National Security Commission, answerable to the Commonwealth Parliament, is recommended to develop and set the strategic direction for national defence. This same body, established by an Act of Parliament, could also set the nation's strategic policy settings on national security more broadly. The Commission would develop for approval by the Parliament the Defence White Paper, the Defence Capability Plan and associated strategic level documents such as a strategic plan for defence industry along with the national security strategy and its sub-plans. The strategic capabilities outlined in these documents would be fully funded as a part of their development and approval process. The Department of Defence and the ADF would develop their policies, programs and if needs be, their structure, to meet the intent of and deliver against these strategic documents.

The Commission should be comprised of key individuals including the Minister for Defence, CDF and Secretary of Defence. The National Security Adviser could become the Commissioner. The strategic policy functions that currently reside within Defence's Strategic Policy Division should be transferred to become the administrative nucleus to support the Commission (thereafter this function would no longer be the responsibility of the Department of Defence).

Such a structure would go a long way in ensuring an element of independence in the development of the nation's strategic policy relating to Defence. It would plan the national security aspects of Defence out thirty years, rather than the shallow three year view employed by Federal Governments in recent times. It would reduce or possibly stop the ability of the government of the day interfering with the approved Defence Capability Plan to meet budgetary or other politically motivated whims. An appropriate strategic assessment would be used to underpin the nation's strategic policy relating to defence together with the force structure, disposition and capabilities of the ADF and Department of Defence. Stakeholders or advisers to the Commission should include (but not be limited to) the State and Territory governments, defence industry and those industries that comprise the broader national industrial support base.

## **Capability Acquisition**

The Department of Defence would acquire the capabilities required by the ADF to meet the strategic assessment established by the National Security Commission and outlined in the Defence White Paper. Defence industry should take a greater role in delivering the approved capabilities for the ADF including full project management, procurement and transition into service with the ADF of low to medium risk capability acquisition projects. The Department should retain in-house those projects that are assessed as being highly complex or high risk noting that the Commonwealth cannot absolve itself of the risk in the acquisition of Defence and ADF capabilities. The Department and the ADF should retain sufficient skills and knowledge to be an informed customer for those capabilities being project managed by defence industry. In essence, the Department would become more of a contract management authority for low to medium risk and less complex projects. Arguably, defence industry is better placed to manage and deliver these capabilities than the current arrangements in the Defence Materiel Organisation. Notwithstanding, a true partnering arrangement needs to be established between the DMO and defence industry to overcome the adversarial relationship that appears to currently exist.

Consideration should also be given to transferring certain corporate industry related functions and programs currently with the DMO to the Commonwealth Department of Industry, with Defence retaining those programs that are specific to its unique needs. There are efficiencies to be gained by having the Department of Industry deliver industry related programs that incorporate a defence industry requirement rather than duplicating the program in the DMO.

Any changes to the DMO should be taken with due care. The organisation was not created overnight nor is it possible to dismantle it quickly without doing untold damage to the current and future capabilities of the ADF and Defence. It should be absorbed back into the Department of Defence and not remain a prescribed entity. The current structure unnecessarily duplicates corporate governance policies and procedures.

### **Personnel Management**

The ADF would be expected to seconde key personnel to the Department to ensure the requirements of the end-user remain a considered factor for those aspects that the Department would have carriage of. In particular this relates to capability acquisition (currently Capability Development Group) but could also include intelligence and security along with liaison officers in the science and technology area; indeed any area/function where it is assessed that the incumbent requires a military/operational background or where the interests of the ADF are best served by having a uniform presence present.

### **Undergraduate education in the ADF**

The Australian Defence Force Academy has arguably not delivered to the services the quality product expected (with no disrespect to individual graduates). It is an out-dated model that was made worse through the 1996 *Grey Review*. For extended periods the services have continually failed to provide adequate staff to mentor, train and supervise the cadet body. With ADF numbers likely to be stretched, it is unlikely that required personnel will be available to provide adequate services to the student body. That aside, the three services all but fail to recognise the common military training provided at the Defence Academy despite their colleagues delivering it (turf wars). Successive years have shown that the weighted average mark across the student body is low; low when considering that the military cadets are paid to attend classes, the student/teacher ratio is comparatively high and the facilities on offer are second to none. Value for money is not evident under the current arrangements when considering the investment of public money required to operate the institution. A new model for the recruitment and education of commissioned officers is needed; one that delivers a quality product to the services, is more cost effective (to Defence and the taxpayer) and representative of the youth of today; and has regard to the exorbitant cost associated with maintaining the current structure of the Defence Academy.

Australia has numerous tertiary institutions that can and do, deliver quality undergraduate programs that would be suitable for or exceed the requirements of the ADF. An alternative to the current model is for the respective service to sponsor prospective candidates at existing universities based on the candidates results in their first year of undergraduate studies (the existing undergraduate schemes of the Navy and Air Force already provide a model). The service should provide guidance in the type of degree being pursued with specific quotas for specialists such as engineering, law, science, health (medicine, nursing, dentistry & psychology). On completion of the undergraduate degree, officers undertake

basic training at the respective Service College (RANC HMAS CRESWELL, RMC Duntroon and OTS RAAF Base Sale).

The current Defence Academy site could be retained as a Commonwealth Government post-graduate tertiary institution focusing on national security, defence and intelligence, emergency management etc. Defence industry related courses could also be offered through the Defence Academy (which should be recommissioned as the National Defence University with the military Commandant a recently retired two-star officer on a five year contract). The National Security and Emergency Management Colleges could be located at the Campbell site.

Thank you for the opportunity to contribute.

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I am happy for this submission to be published.