

# Portfolio Overview

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## DEFENCE PORTFOLIO OVERVIEW

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

- the Department of Defence: a department of state headed by the Secretary of the Department of Defence; and
- the Australian Defence Force (ADF): commanded by the Chief of the Defence Force and consisting of the three Services, which are commanded by Service Chiefs.

In practice, these bodies work together closely and are broadly regarded as one organisation known simply as Defence.

The portfolio contains some smaller entities, including a number of statutory offices, trusts and companies created by *the Public Governance, Performance and Accountability Act 2013*, *Defence Force Discipline Act 1982*, *Defence Act 1903*, *Naval Defence Act 2010* and *Air Force Act 1923*, which are independent but reside administratively within Defence. These include, amongst others, Defence Housing Australia (DHA) and the Australian Strategic Policy Institute (ASPI).

The portfolio also contains the Department of Veterans' Affairs and associated bodies, as designated in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately to Defence and information related to the Department can be found in the Department of Veterans' Affairs portfolio budget and portfolio additional estimate statements.

The 2016 Defence White Paper, released by the Prime Minister and Minister for Defence on 25 February 2016, sets out the Government's comprehensive long-term plan for Australia's defence. The Defence budget will grow to two per cent of Australia's Gross Domestic Product by 2020-21, amounting to an investment of approximately \$195 billion in Australia's Defence Capability over 10 years. This includes significant investment in the ADF's ability to operate as a joint force and in critical enabling capabilities. The Integrated Investment Program released with the Defence White Paper, brings together all capability-related investments, including: platforms and systems; Defence estate, facilities and training areas; information and communications technology; science and technology; and workforce elements. The Defence Industry Policy Statement, also released with the Defence White Paper, recognises the fundamental contribution that Australian industry and science and technology research organisations provide to Defence capability. The Defence Industry Policy Statement refocuses Defence's relationship with Australian industry to support the plans in the Defence White Paper.

Delivering on the objectives of the White Paper requires successful implementation of the recommendations from the First Principles Review which are focused on ensuring that Defence is appropriately structured and organised and has the right business practices in place to support the Australian Defence Force in the 21st Century.

The two year implementation of the First Principles Review commenced on 1 July 2015. A strong governance regime has been implemented with weekly reports to the Implementation Committee which is the decision-making body chaired by the Secretary. The five work streams (behaviours, strategic centre, capability life cycle, enablers and workforce) are all led by members of the Defence Committee. The Oversight Board, comprised of members of the Review team reports directly to the Minister for Defence and is meeting regularly and monitoring progress. An Implementation Office coordinates the work stream activity and reports directly to the Implementation Committee and Oversight Board with a focus on providing assurance that implementation is meeting the intent of the Review.

After nine months of implementation, 30 of the 75 agreed recommendations have been implemented. The first six months of implementation focussed on the straight-forward structural and process changes which have laid the foundations for the broader changes that are required to ensure Defence becomes a

more professional organisation. There was also a focus on planning and designing the more complex changes to ensure that the Review's intent for establishing an end-to-end capability life cycle and Defence becoming a smart buyer, were realised.

The focus in early 2016 has transitioned to implementing the changes. An important element in making these changes is strengthening accountability and ensuring decision-making meets the needs of Defence as a whole and delivers on Government objectives. Strengthening accountability has focused on the Senior Leadership Group taking responsibility and being held accountable for what they do and how they do it.

As part of strengthening decision-making, the Strategic Policy and Intelligence Group was established on 8 February 2016. This Group consolidates the policy and intelligence functions across Defence and includes the recently established Contestability Division and Industry Policy Division. The reason for creating this Group is to improve the quality of our advice and ensure it is aligned with strategy, plans and resource allocations.

Strengthening decision-making has also involved significant changes to our senior committees. This has included a reduction in the number of senior committees and clarity about the role and function of the three senior committees. The Defence Committee has a smaller membership and continues to be the primary decision-making body in Defence. It is now supported by the Enterprise Business Committee which monitors in-year performance of the organisation and the Investment Committee which manages future investments and is responsible for maintaining the integrity of the Integrated Investment Program released with the White Paper.

The redesign of the capability development process is an important change in ensuring Defence delivers on Government requirements. Transition to the new end-to-end model commenced on 1 April 2016. From April 2016 to July 2016 there will be a gradual transition of projects and processes into the new model, and from July 2016 onwards the focus will be on embedding the new model and consolidating it as business as usual. There are five key changes in the new model:

- Strategy led decision-making with stronger governance mechanisms;
- Arms-length contestability to improve the quality of decision-making;
- An enduring centre-led force design process to ensure future force design is in accordance with Government direction;
- Comprehensive management of the Integrated Investment Program to reinforce the focus on joint, whole-of-Defence planning and to optimise use of resources; and
- Becoming a smart buyer in developing tailored approval process and project management, acquisition and sustainment strategies based on a thorough analysis of project risk.

Over 2016-17, changes will continue to be implemented that are focused on:

- A stronger and more strategic centre which sets direction for Defence, ensures that Government is provided with the best possible advice and monitors the organisation's performance;
- A capability development process where investment approvals are informed, contested and timely and where value for money is delivered through efficient and effective procurement, sustainment and disposal of Defence capabilities;
- Enabling services that are customer-centric, integrated and focused on Defence outcomes; and
- A planned and professional workforce where people take responsibility and are held accountable for what they do and how they do it.

## Ministers and their Portfolio Responsibilities

### CHANGES AFFECTING THE PORTFOLIO

Following the Prime Minister's announcement of changes to the ministry on 20 September 2015, on 21 September 2015 Senator the Hon Marise Payne was sworn in as the Minister for Defence replacing the Hon Kevin Andrews MP and the Hon Mal Brough MP was sworn in as the Minister for Defence Materiel and Science replacing the Hon Stuart Robert MP. On 18 February 2016, the Hon Dan Tehan MP was sworn in as the Minister for Defence Materiel replacing the Hon Mal Brough MP, and the Hon Michael McCormack MP was sworn in as the Assistant Minister for Defence replacing the Hon Darren Chester MP.

The Ministers and their portfolio responsibilities are as follows:

#### **Senator the Hon Marise Payne – Minister for Defence**

Oversight of all aspects of the Defence portfolio and lead on all Cabinet and National Security Committee submissions, with specific responsibility for:

- Strategic policy, including the Defence White Paper
- Operations
- Intelligence and security
- International policy
- Force structure
- Portfolio management, finances and reform
- Science and technology policy
- Defence export controls
- Implementation of First Principles Review
- Capability responsibilities
- The Integrated Investment Program
- Naval Shipbuilding Plan
- Major Defence Materiel projects including:
  - Future Frigates
  - Offshore Patrol Vessels
  - Future Submarine Program
  - Collins Class submarines
  - Land 400
  - Next Generation desktop
  - JP2047 Terrestrial communications.

**The Hon Dan Tehan MP – Minister for Defence Materiel**

Assist the Minister for Defence on:

- Defence materiel acquisition and sustainment projects except for major projects listed with Minister for Defence
- Equipment disposal
- Monitor Projects of Concern
- Defence skilling programs to support industry
- Industry capacity, structure, policy and engagement
- Implementation of the Naval Shipbuilding Plan
- ICT elements of the Integrated Investment Program
- Responsibility for implementation of the Centre for Defence Industry Capability
- Engaging with Defence industry on the Defence Industry Policy Statement.

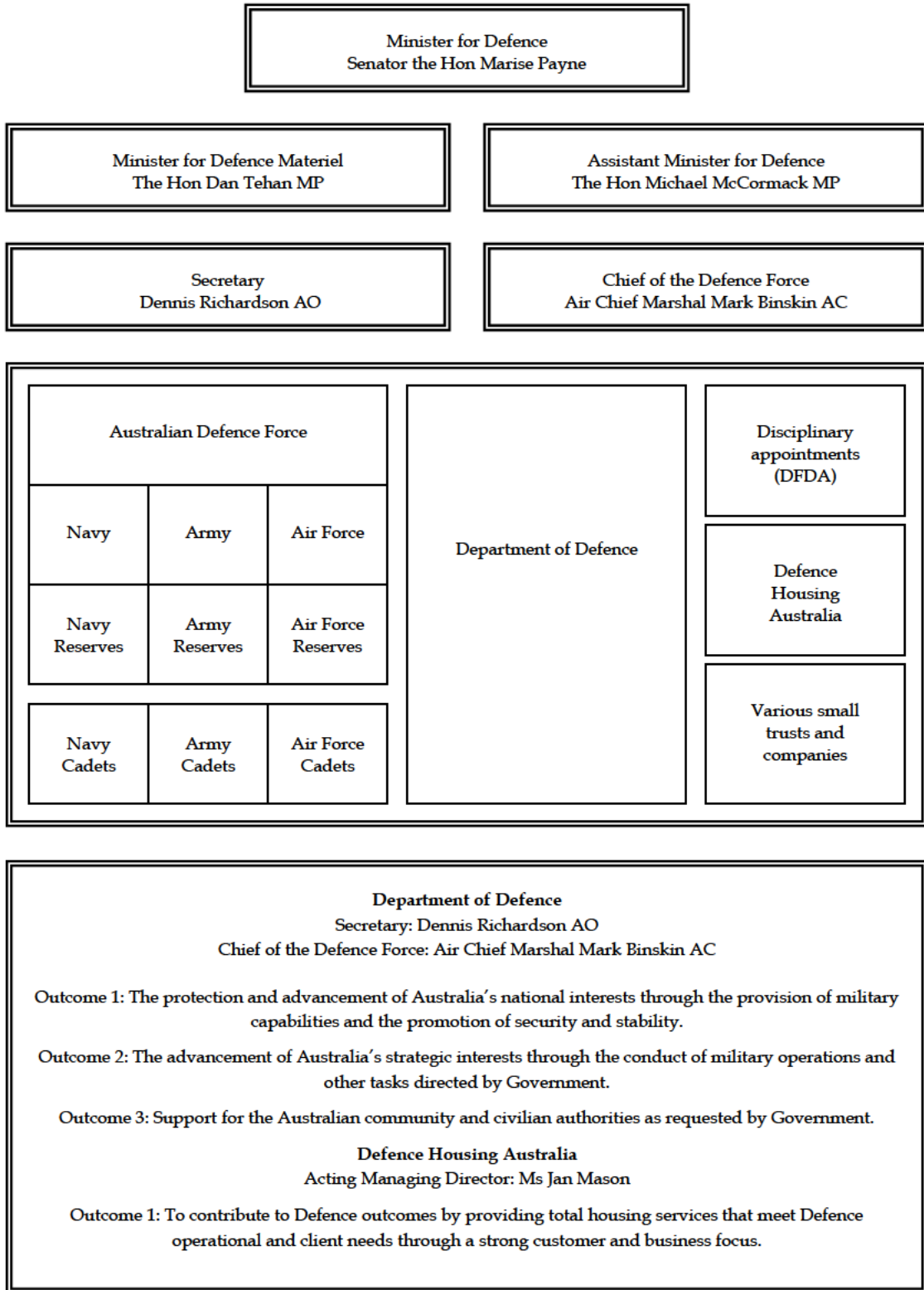
**The Hon Michael McCormack – Assistant Minister for Defence**

Assist the Minister for Defence on:

- Defence estate policy and major projects
- Defence Housing Australia
- Estate disposal
- Garrison support
- Personnel policy, specifically:
  - Workforce planning
  - Recruitment and retention
  - Reserves
  - Pay and superannuation
  - Equity and Diversity
  - Defence families and community organisations
- Military justice
- Medals and awards
- Parliamentary Exchange Program
- Navy, Army and Air Force Cadets
- Young Endeavour Youth Scheme
- Commonwealth corporate entities, for the purposes of the *Public Governance, Performance and Accountability Act 2013*, other than those that are the responsibility of the Minister for Defence.

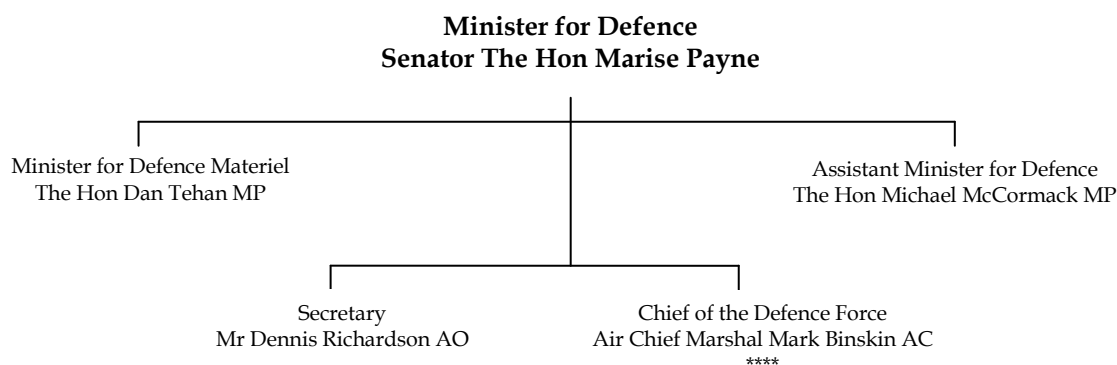
**PORTFOLIO STRUCTURE AND OUTCOMES**

**Figure 1: Defence Portfolio Structure and Outcomes**





**Figure 2: Defence Organisational Chart**



Enabling functions	Capability and output managers	Defence Outputs
Associate Secretary Mr Brendan Sargeant	Vice Chief of the Defence Force Vice Admiral Ray Griggs ***	Chief of Joint Operations Vice Admiral David Johnston ***
Chief Information Officer Dr Peter Lawrence	Chief of Navy Vice Admiral Tim Barrett ***	
Deputy Secretary Defence People Ms Rebecca Skinner	Chief of Army Lieutenant General Angus Campbell ***	
Deputy Secretary Estate and Infrastructure Mr Steve Grzeskowiak	Chief of Air Force Air Marshal Leo Davies ***	
Chief Finance Officer Mr Phillip Prior	Deputy Secretary Strategic Policy and Intelligence Mr Peter Baxter	
Deputy Secretary Strategic Policy and Intelligence Mr Peter Baxter		
Chief Defence Scientist Dr Alex Zelinsky		
Deputy Secretary Capability Acquisition and Sustainment Mr Kim Gillis		

Stars (\*) refer to ADF Star Rank  
As at 7 April 2016

<p><b>Defence delivers five principal outputs to Government</b></p> <p><b>The Joint Force-in-Being</b></p> <p>The standing, prepared force that provides options to Government for future joint force operations.</p> <p><b>Joint Force Operations</b></p> <p>The coordinated use of the Joint Force-in-Being, often with other instruments of national power, to meet national strategic objectives.</p> <p><b>National intelligence products</b></p> <p>All-source intelligence assessments and other products to support Defence and national-level decision making and the planning and conduct of ADF and other operations.</p> <p><b>Engagement and advice to Government</b></p> <p>The suite of relationships between Defence and the Government and Parliament, with other agencies of Government, other governments and defence forces, Australian industry and the wider Australian community, as well as the provision of advice to Government on all aspects of Defence's activities.</p> <p><b>Obligations to Government</b></p> <p>The breadth of obligations and compliance requirements that form the basis of Defence's relationship with Government and the Australian community.</p>
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## Senior Executive Changes

The following changes have taken place since the *2015-16 Portfolio Additional Estimates Statements (PAES)*:

- On 5 February 2016, Mr Stephen Meekin ceased duties in his position as Deputy Secretary Intelligence and Security.
- On 8 February 2016, Mr Peter Baxter became Deputy Secretary Strategic Policy & Intelligence.
- On 8 February 2016, Mr Stephen Meekin became Deputy Secretary Geospatial Enterprise Review.
- On 1 April 2016, Air Vice-Marshal M.E.G. Hupfeld AO, DSC ceased performing the role of Acting Chief of Capability Development Group, following Capability Development Group's disbandment, and has commenced his new appointment as Head Force Design.

## Organisational Structure

The following changes have taken place since the 2015-16 PAES:

- Strategic Policy and Intelligence (SP&I) Group started on 8 February 2016 in accordance with recommendations 1.9 and 1.11 of the First Principles Review (FPR). The Group is led by Deputy Secretary Strategic Policy and Intelligence and consists of five divisions - International Policy, Strategic Policy, Defence Industry Policy, Contestability and Ministerial and Executive Coordination and Communication. It also comprises of three defence intelligence agencies - Australian Geospatial-Intelligence Organisation, Australian Signals Directorate and Defence Intelligence Organisation. Two new Divisions have been established - the Defence Industry Policy Division was established on 14 December 2015 and the Contestability Division was established on 1 February 2016.
- Ministerial and Executive Coordination and Communication transferred from Program 1.9 Estate and Infrastructure to Program 1.1 Strategic Policy and Intelligence, and Program 1.8 Defence Executive Support.
- In accordance with First Principles Review Recommendation 2.1, Capability Development Group (CDG) was disbanded effective from 1 April 2016 and all CDG responsibilities have been transitioned to the services, Vice Chief of the Defence Force Group (VCDF), Strategic Policy and Intelligence (SP&I) Group and Capability Acquisition and Sustainment Group (CASG).
- A new division within CFO Group has been created to manage CASG, VCDF and the Service Groups' financial services.
- With effect 1 April 2016, Force Design and Joint Capability Management and Integration Divisions were established as part of the implementation of the First Principles Review. Joint Capability Command has been absorbed within these Divisions.

## **Program Structure**

The following changes have taken place since the 2015-16 PAES in order to better reflect the roles, organisation structure and accountabilities within Defence:

- Program 1.1 was renamed to Strategic Policy and Intelligence to reflect the combination of policy and intelligence functions under a Deputy Secretary Strategic Policy and Intelligence.
- Program 1.6 Intelligence Capabilities was removed.
- Program 1.14 Capability Development was removed to reflect disbandment of the Capability Development Group (CDG), effective 1 April 2016.

## **Defence Portfolio Bodies**

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

Chairman: Mr Andrew Tregaskis

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

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

Chairman: Brigadier Leigh Wilton

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

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

Chairman: Air Commodore D.E. Tindal AM (Retd.)

The Royal Australian Air Force Veterans' Residences Trust, a Commonwealth authority established by the Royal Australian Air Force Veterans' Residences Act 1953, provides residences in which eligible former members, including dependants, of the Royal Australian Air Force, Royal Australian Air Force Nursing Service and Women's Auxiliary Australian Air Force who are in necessitous circumstances and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

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

Chairman: Chaplain (Air Commodore) Kevin Russell

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

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

Chairman: Commodore Ian Murray

The Royal Australian Navy Central Canteens Board (RANCCB), a corporate Commonwealth entity established under the Navy (Canteens) Regulations 1954, administers the Royal Australian Navy Central Canteens Fund. The principal activities of the RANCCB are to provide welfare and lifestyle related benefits and services to Navy members and their families.

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

Chairman: RADM Brett Wolski

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

### **AAF Company**

President: Brigadier Leigh Wilton

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

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

Chairman: Vacant (as at 21 April 2016)

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

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

Chairman: Air Commodore Andrew Elfverson

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

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