



Budget

2017-18

Portfolio Budget Statements 2017-18
Budget Related Paper No. 1.4A

Defence Portfolio

Budget Initiatives and Explanations of
Appropriations Specified by Outcomes
and Programs by Entity

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

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2017-18 Budget for the Defence portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in blue ink that reads 'Marise Payne'.

Marise Payne

Abbreviations and Conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	nil
.	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication please contact Assistant Secretary Costing and Coordination, Chief Finance Officer Group, Department of Defence on (02) 6265 7341.

Links to Portfolio Budget Statements (including Portfolio Additional Estimates Statements and Portfolio Supplementary Additional Statements) can be located on the Australian Government Budget website at: www.budget.gov.au.

**USER GUIDE
TO THE
PORTFOLIO BUDGET STATEMENTS**

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USER GUIDE

The purpose of the *2017-18 Portfolio Budget Statements* (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to government outcomes by entities within the portfolio. Entities receive resources from the annual appropriations acts, special appropriations (including standing appropriations and special accounts), and revenue from other sources.

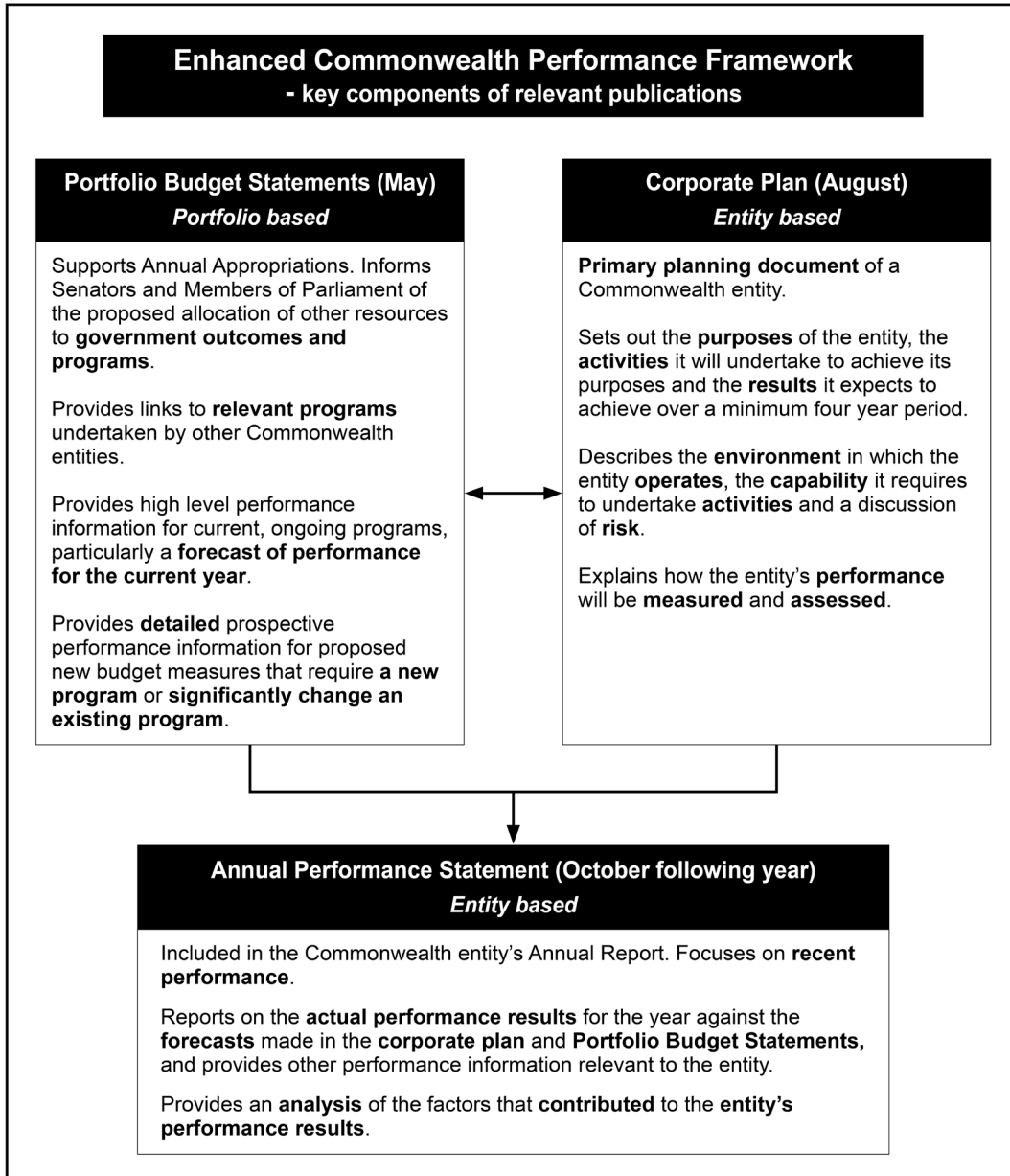
A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills (No. 1 and No. 2) 2017-18 (or Appropriation (Parliamentary Departments) Bill (No. 1) 2017-18 for the parliamentary departments). In this sense, the PB Statements are Budget related papers and are declared by the Appropriation Acts to be 'relevant documents' to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, only entities within the general government sector are included as part of the Commonwealth general government sector fiscal estimates and produce PB Statements where they receive funding (either directly or via portfolio departments) through the annual appropriation acts.

The Enhanced Commonwealth Performance Framework

The following diagram outlines the key components of the enhanced Commonwealth performance framework. The diagram identifies the content of each of the publications and the relationship between them. Links to the publications for each entity within the portfolio can be found in the introduction to Section 2: Outcomes and planned performance.



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PORTFOLIO OVERVIEW

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DEFENCE PORTFOLIO OVERVIEW

The Defence Portfolio consists 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.

Defence's primary role is to protect and advance Australia's strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support for the Australian community and civilian authorities as directed by Government. The Defence budget will grow to two per cent of Australia's Gross Domestic Product by 2020-21, amounting to approximately \$200 billion in investment in Australia's Defence Capability over the coming decade. In fulfilling this mission, Defence has two Purposes:

- 1. Defend Australia and its national interests**
- 2. Protect and advance Australia's strategic interests**

Through implementation of the 2016 Defence White Paper, released by the Prime Minister and Minister for Defence on 25 February 2016, Defence will continue to build and enable capability to support national security interests and promote them in a region that is growing more complex and dynamic. The White Paper sets out the Government's comprehensive long-term plan for Australia's defence, with implementation being managed through a two-year plan designed to maintain alignment of strategy, capability and resources.

Implementation of the Government's First Principles Review, *Creating One Defence*, commenced on July 2015 and requires Defence to become a more integrated organisation, with clear accountabilities and streamlined decision-making processes. Defence is on track to complete the 75 recommendations by 30 June 2017. While the recommendations will have been actioned, work remains to embed the new business processes and to mature the operation of the One Defence Business Model introduced by the Review.

A key focus for 2017-18 is the implementation of the 10-year Defence Strategic Workforce Plan that sets out the skills Defence needs and details how Defence will attract, retain and develop its people. The Strategic Workforce Plan provides workforce priorities, initiatives and resources for

attracting, growing and retaining the people Defence needs.

Defence will continue cultural reform through implementation of the *Pathway to Change* strategy. This will be with a planned and professional workforce built on a foundation of strengthened accountability and an inclusive and diverse culture to meet the direction of the First Principles Review and capabilities required under the 2016 Defence White Paper.

In 2017-18, the focus will remain on delivering health, welfare and family support services to meet the requirements of the Australian Defence Force. Defence will also continue to work with the Department of Veterans' Affairs to enhance the transition process for Members and veterans. Other people priorities in 2017-18 include implementing the new ADF Total Workforce model to provide greater flexible working arrangements for ADF Members and further developing a comprehensive program of professionalisation and development to support careers in the Australian Defence Force and the Australian Public Service.

Defence has one of the largest capital investment programs in the Commonwealth, consisting primarily of acquisition, sustainment and support of Defence materiel. Introduced at the same time as the 2016 Defence White paper, the Integrated Investment Program includes all capital and related investments (such as materiel, estate and facilities, workforce and information and communications technology). The Integrated Investment Program is supported by a contestability function that informs the development of the risk assessment and decision support framework to ensure that acquisitions are aligned with strategy and resources. Upgrading Australian Defence Force bases and logistics systems, including fuel and explosive ordnance facilities in accordance with 2016 Defence White Paper requirements, remains a priority.

In 2017-18 Defence will continue to mature its control functions – financial management, internal audit, inspectors-general and judge advocate – so that they can provide assurance to the Defence senior committees – the Defence Committee, the Enterprise Business Committee and the Investment Committee – that Government-directed outcomes are being delivered in accordance with legislative and policy requirements.

We have strengthened our strategic management capability to set direction for the organisation, monitor and manage the performance of Defence, and provide assurance to Government that Government-directed outcomes are being delivered effectively and efficiently. In 2017-18 the Defence Strategy Framework and Enterprise Performance Management Framework will be implemented, supporting the role of the Defence 'strategic centre' in setting direction for the organisation and in ensuring advice provided to Government has been contested rigorously.

Defence is committed in aligning Australia's defence strategy with capabilities and resourcing, to grow its internal defence partnerships, and invest in the Defence–industry partnership to develop and deliver innovative, cutting-edge capabilities. Key programs to be implemented in 2017-18 and beyond include:

- Implementation of the new force structure and capabilities identified in the White Paper;
- Implementation of the 10-year Defence Strategic Workforce Plan that sets out the skills Defence needs and detail how Defence will attract, retain and develop its people;
- Building on the cultural reform journey started with *Pathway to Change* and embedding the leadership behaviours introduced through the First Principles Review;
- Continuing to deliver health and welfare services and improve transition support to meet the requirements of the Australian Defence Force;

- Upgrading Australian Defence Force bases and logistics systems, including fuel and explosive ordnance facilities in accordance with 2016 Defence White Paper requirements; and
- Implementation of the Integrated Investment Program supported by a contestability function that informs the development of the risk assessment and decision support framework to ensure that acquisitions align with strategy and resources.

Ministers and their Portfolio Responsibilities

CHANGES AFFECTING THE PORTFOLIO

On 19 July 2016, the new ministry was sworn in following the Federal election held on 2 July 2016. Senator the Hon Marise Payne continues as the Minister for Defence. New ministerial appointments were made, with the Hon Christopher Pyne MP sworn in as the Minister for Defence Industry and the Hon Dan Tehan MP was sworn in as the Minister for Defence Personnel. The new appointments replace the roles of the Assistant Minister for Defence, the Hon Michael McCormack MP and the Minister for Defence Materiel, the Hon Dan Tehan MP.

The Ministers and their portfolio responsibilities are as follows:

Senator the Hon Marise Payne, Minister for Defence

- Strategic policy
- ADF Operations
- International Engagement
- Budget
- Defence White Paper implementation
- Force Structure
- Development of capability requirements
- Capability/cost trade off during capability life cycle
- Intelligence and Security
- ICT
- Science and Technology policy and support to operations

The Hon Christopher Pyne MP, Minister for Defence Industry

- Delivery of capability acquisition and sustainment projects
- Development of Australian industry involvement during capability life cycle
- Deliver Defence Industry agenda
- Support and develop Australian Defence Industry
- Encourage Australian Defence Industry involvement in global supply chains
- Implementation of Naval Shipbuilding Plan
- Centre for Defence Industry Capability
- Defence Innovation Hub
- Science and Technology engagement with Australian industry
- Next Generation Technology Fund

The Hon Dan Tehan MP, Minister for Defence Personnel

- Estate
- Garrison and Personnel support
- Estate and equipment disposals
- Military justice
- Honours and Awards
- ADF Cadets
- Reserves
- Parliamentary exchange program

PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence Portfolio Structure and Outcomes

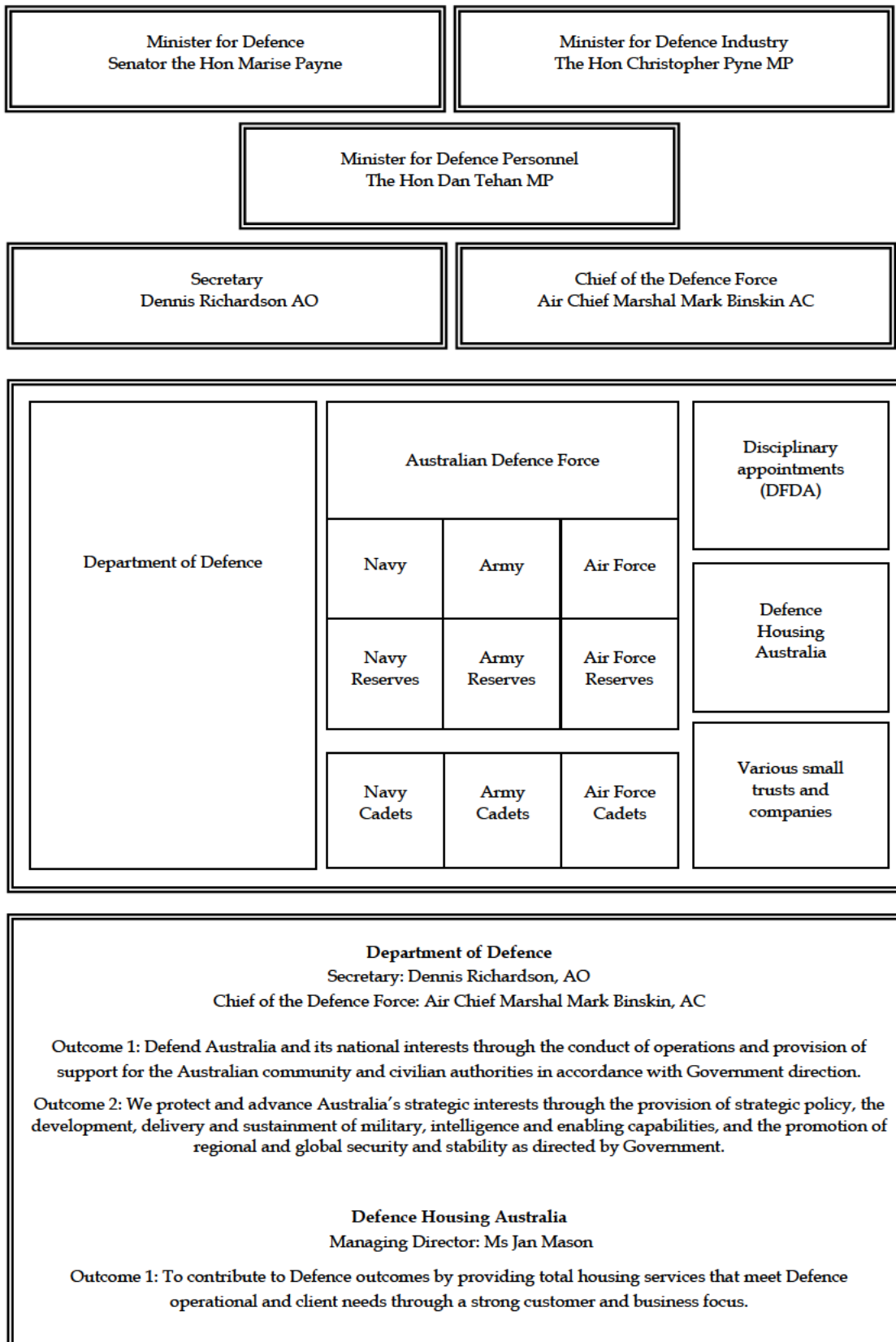
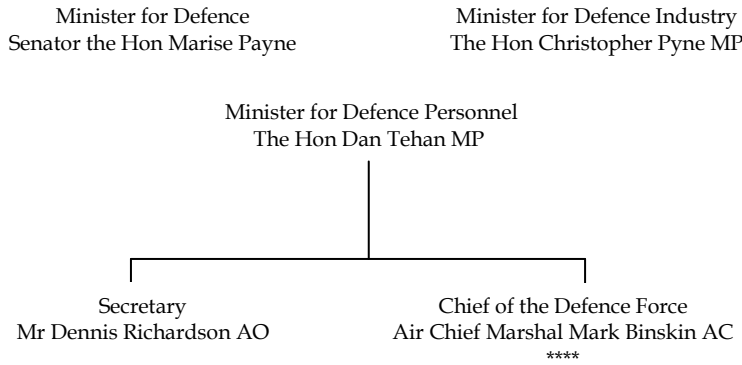


Figure 2: Defence Organisational Chart



Enabling functions

Capability and output managers

<ul style="list-style-type: none"> Associate Secretary Mr Brendan Sargeant <ul style="list-style-type: none"> Chief Information Officer Dr Peter Lawrence Deputy Secretary Defence People Ms Roxanne Kelley Deputy Secretary Estate and Infrastructure Mr Steve Grzeskowiak Chief Finance Officer Mr Phillip Prior Deputy Secretary Strategic Policy and Intelligence Ms Rebecca Skinner Chief Defence Scientist Dr Alex Zelinsky Deputy Secretary Capability Acquisition and Sustainment Mr Kim Gillis 	<ul style="list-style-type: none"> Vice Chief of the Defence Force Vice Admiral Ray Griggs, AO, CSC *** Chief of Navy Vice Admiral Tim Barrett, AO, CSC *** Chief of Army Lieutenant General Angus Campbell, DSC, AM *** Chief of Air Force Air Marshal Leo Davies, AO, CSC *** Chief of Joint Operations Vice Admiral David Johnston, AM ***
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Stars (*) refer to ADF Star Rank

Senior Executive Changes

The following changes have taken place since the *2016-17 Portfolio Additional Estimates Statements* (PAES):

Nil changes.

Organisational Structure

The following changes have taken place since the 2016-17 PAES:

- Full integration of the Hydrography Meteorology and Oceanography branch into the Australian Geospatial-Intelligence Organisation is dependent on Parliament approving amendments to the Intelligence Service Act 2001, which is currently scheduled for the Autumn 2017 sitting of Parliament as part of a Defence Omnibus Bill.

Program Structure

The following changes have taken place since the 2016-17 PAES in order to reflect the roles, organisations structure and accountabilities within Defence:

- Defence's Outcomes and Programs have been updated in order to reflect the strategic intent of the 2016 White Paper, First Principles Review and Corporate Plan Purposes.

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 Peter Daniel

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 (Rtd) D.E. Tindal AM

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 Michael Miko

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 'Mess 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: Lt Gen (Rtd) Ken Gillespie, AC DSC CSM

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 Phillip Tammen

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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