

Accountability the elephant in the room

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MOST defence ministers suffer a serious scandal during their tenure. But Stephen Smith hadn't been in the job for six months before he was on the receiving end of two monumental stuff-ups. In February, the navy's entire amphibious transport fleet fell in a heap on the eve of a cyclone hitting north Queensland. And last month the so-called Skype sex scandal at ADFA threw a spotlight on the culture of the defence force.

So what makes the defence portfolio so accident-prone? To some extent, it's a reflection of the fact that Defence is an enormous and complex organisation. It has more than 90,000 employees spread across the country, and 3000 deployed on operations.

Defence routinely attempts tasks that are more difficult than anything else undertaken in the public sector.

Indeed, with other government departments botching relatively mundane tasks such as putting ceiling insulation in houses, it's hardly surprising that things go wrong in Defence. And, critically, when it comes to operational deployments the defence force usually does a great job.

But that doesn't justify complacency. The public has a right to

demand that Defence's performance is as good as it can be. Apart from the massive sums of money involved — presently amounting to 1.8 per cent of GDP — the nation's security is at stake.

Successive governments have initiated a seemingly endless stream of reviews, reports and reform programs to try to improve Defence's performance.

Few areas of government are so routinely poked and prodded by clipboard-carrying consultants. Today there are multiple reviews underway, probing the defence force culture, the impact of social media, and the management of the amphibious transport fleet among others. But these are relatively limited exercises compared with the 2008 audit of the defence budget. For more than seven months, a team of consultants from the McKinsey firm peered into every nook and cranny of the Defence organisation. The result was the strategic reform program.

Under way since mid-2009, the SRP aims to make Defence more efficient and effective. The goal is to generate savings of more than \$20 billion over the decade to 2018. The plan is for the money to be reinvested in equipment, helping to cover the cost of Force 2030, the larger and better equipped defence force envisaged by the 2009 whitepaper.

Two years into the program, there are encouraging signs that substantial savings are being delivered. This is being achieved both by taking a more cost-conscious approach to contracting in general and by working closely with industry to find innovative ways to deliver military capability less expensively.

But while progress is being made, it's doubtful the massive savings being claimed are real. Increasingly it looks as though some of the "savings" come from Defence simply handing back money that it doesn't need. This financial year alone, Defence will surrender \$1.5bn of unspent money, and that's after spending an extra \$400 million or so at the last moment on a new C-17 and a second-hand amphibious ship from the UK. But while exaggerated claims are disappointing, they should not distract from the worthwhile reforms under way.

A parallel effort is under way to improve long-standing chronic problems with defence procurement. From the F-111 back in the 1960s through to the Seaspire helicopters, the challenges of multi-billion dollar defence acquisitions have haunted defence ministers. External reviews in 2003 and 2008 led to major changes to the way defence projects are planned and overseen. The most dramatic change was

the introduction of a two-pass process which requires the government to consider every important proposal at least twice before approval.

Further reforms were announced by the government just prior to this year's federal budget. These include more regular reporting to government, greater discipline in the process for changing the scope of projects, and the use of cost-benefit analysis to compare developmental and off-the-shelf equipment options.

This is undoubtedly for the better, but it's necessary to be realistic about what can be achieved. There are practical limits to how far intrinsically complex defence projects can be de-risked. Unless the government is willing to buy all its military equipment off-the-shelf from established production lines — and that shouldn't be lightly dismissed — there will be technical hitches and embarrassing delays. Such is the nature of developmental defence projects.

In any case, there's still more reform on the way. The most recent changes are only "the first set of further accountability and procurement reform" that the government has planned. Stephen Smith has promised to respond to the report on accountability in Defence by independent consultant Rufus Black that his predecessor commissioned.

This has the potential for profound changes.

Accountability is the elephant in the room when it comes to the Defence Department. Time after time things go wrong, sometimes very wrong, and yet there are never any consequences.

Consider the Collins-class submarines. We've spent more than \$10bn on the submarine fleet over the past two decades, yet their availability is so dismal that it's been made a national secret out of embarrassment. Nobody has been held to account for this ongoing dollar fiasco.

As with most things in Defence, accountability is dispersed among so many players that it's impossible to say who's in charge. The same story applies to the recent debacle with the amphibious transport fleet.

Imposing a regime of genuine accountability on Defence will be difficult. But of all the many reforms attempted over the years, it is the most important.

Until the government can hold senior public servants and military officers to account for what happens in Defence, the job of the defence minister will continue to be one of immense frustration.

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