SPECIAL REPORT

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ASPI AUSTRALIAN STRATEGIC POLICY INSTITUTE

2008–09 mid-year Defence budget update

by Mark Thomson

Overview

This ASPI *Special Report* examines defence funding as of late 2008 taking account of the government's mid-year budget revisions, the latest Defence Annual Report, and the Global Financial Crisis.

For eight years now, Australia has been pursuing its largest military build-up since the Vietnam conflict. Underpinned by 3% real growth in funding guaranteed to 2017, the poorly prepared and equipped defence force of the 1990s is being modernised and expanded for the 21st century. So far, results have been mixed. While the exemplary performance of the defence force in maintaining far flung concurrent deployments attests to some progress, challenges remain.

To start with, the modernisation of the force has been slower than planned because of mounting delays to the delivery of new equipment and the approval of new projects. Over the past two years around $7.4 billion of investment has been delayed including $1.9 billion in the past eight months.

Delays have also arisen in the expansion of the military workforce. There are critical shortages across a number of key areas including the submarine force where only three out of six boats can be routinely crewed. Overall, however, the picture is improving—the last couple of years have seen the strength of the ADF increase and retention hit a fifteen-year high. Consistent with this, plans are now in place to grow the force by more than 3,500 to achieve a target of 58,300 a decade hence.

Key statistics 2008–09			
Defence budget:	$22.4 billion	Strength of permanent Navy:	13,231
Increase on prior year:	$2.4 billion	Strength of permanent Army:	27,463
Year-on-year real growth:	10%	Strength of permanent Air Force:	14,054
Year-on-year nominal growth:	2%	Total Permanent Force:	54,748
Percentage of GDP:	1.8%	Total Reserve Force:	19,915
Capital investment:	$6.1 billion	Civilian personnel:	20,205

Real year-on-year growth calculated using implicit non-farm GDP deflator. Budget figures take account of internal tranfers between Defence and its acquisition agency the Defence Materiel Organisation and include the use of funds appropriated in previous years.

Defence financial management also remains a work in progress. While Defence's accounts were certified without qualification last year for the first time since 2000, the organisation's ability to plan and execute a budget remains highly questionable, as last financial year's more than billion dollar underspend demonstrated.

It is against this background, and amidst a once-in-a-generation global financial crisis, that the government must decide how much money to spend on defence as part of the White Paper due in the first half of this year.

Impact of the Global Financial Crisis

In the seven months since the May budget, the economic landscape has changed profoundly. What has come to be known as the Global Financial Crisis is retarding economic growth around the world and casting a pall of uncertainty over prospects for the medium-term. The question naturally arises; what impact will this have on defence spending here in Australia?

For the moment, there is no sign of the government reneging on its promise of 3% annual real growth in the Defence budget for the next decade. Nor should there be. Despite slowing growth and a shrinking surplus, official projections are that Australia will avoid both a recession and a fiscal deficit. And even if the economy were to slip into recession, the argument for reduced defence spending would be weak. Despite major capital acquisitions from overseas, the bulk of defence spending stays in Australia. In the event of a recession, it would make little sense to withdraw the stimulus of defence spending. Rather, and as the government has already foreshadowed, the composition of defence expenditure could be usefully rescheduled to accelerate planned spending in areas like facilities construction that can quickly inject money into the economy.

As things stand, the principal danger to the Defence budget—and to other areas of government spending—comes not from macroeconomic imperatives but from the continuing political fixation on budget surpluses. The dogmatic assertion that budget deficits equal economic mismanagement carries remarkable sway in the Australian political debate. The danger is that long-term defence plans (not to mention prudent economic management) will be sacrificed for the sake of short-term appearances. The fact that defence spending did not fall during the last two major recessions in the early eighties and nineties gives some encouragement that such an error can be avoided.

Irrespective of whether changed economic circumstances erode the government's appetite for defence spending, the financial crisis has already had a direct impact on defence spending. To start with, the depreciation of the Australian dollar is forcing up the cost of imported equipment. Between May and December last year, the value of the Australian dollar fell by 29% relative to its US counterpart. Assuming that the Defence budget includes around US$3 billion of purchases from the United States, another $1.3 billion will now be needed per annum to make good on those purchases. And while Defence is technically insulated from currency fluctuations through its funding arrangements, the government still has to find the additional funds.

Another direct impact comes through the indexation of the Defence budget. In an attempt to maintain its buying power, the defence budget is indexed against the 'implicit non-farm GDP deflator'. This is unfortunate; not only is this arcane index a poor proxy for how defence costs change, but it is decidedly volatile. In last May's budget, high commodity prices boosted the index and gifted Defence an additional $11.6 billion over the decade, most of which was arguably beyond any real shift in buying power. Since then, a change in Australia's terms of trade has seen the deflator revised downward resulting in $4.3 billion being cut from the Defence budget across the decade. If there was ever any doubt that the implicit non-farm GDP deflator is an inappropriate index for defence funding, this should have settled the matter. The sooner that a weighted basket of deflators is employed to maintain the value of the defence dollar the better.

Of course, if the current financial crisis leads to an uncharacteristically long and deep economic downturn, the government will eventually be forced to reconsider the priority of defence spending. But despite breathless media commentary likening present circumstances to the Great Depression (which saw national income decline by 30% and unemployment reach 29%), there is no sign of anything like that on the horizon. In fact, governments have acted quickly to redress the very problems that were left to fester in the 1930s. Instead, it looks as though we are headed for a global recession of the scale typical of the post-war era: output will contract by a couple of per cent for a couple of years.

But that might be bad enough. What will make this recession different is that it will be the first major international economic downturn since globalisation took hold in the closing decade of last century. Given that we have never been in such a situation before, it's worth asking what the geopolitical impact might be on our now closely interconnected world.

Some things are already clear. It is now taken as given that the larger developing nations will have a greater say in global financial institutions like the World Bank and International Monetary Fund. This means that the influence of countries like China and India will grow at the expense of longstanding arrangements that shared power across the Atlantic—the Asian century is moving forward apace.

Other questions are yet to be resolved. For example, while most countries have renounced a return to protectionism, it remains to be seen how attractive free trade will be if unemployment reaches double figures. More critically, we are also yet to see how the developing countries that benefited most from the past fifteen years of globalised growth manage a global recession. Take China for example. What happens if the half trillion dollar Chinese economic stimulus package doesn't work? And how will China use its massive foreign reserve holdings in the days ahead? We may indeed live in interesting times.

Strategic resource allocation

The government requires the ADF to prepare for and conduct operations to:

- assist domestic authorities with counter-terrorism in Australia through intelligence and response capabilities
- counter state weakness in our immediate region as has become necessary in East Timor and Solomon Islands
- contribute to coalition operations such as in Iraq and Afghanistan to support broader national interests and fulfill alliance commitments
- support our interests in the broader Asia Pacific, play a lead role in regional security and, if necessary, defend Australia.

Although ADF support to domestic security has received around $2 billion over ten years since 9/11, it remains a limited role for the ADF. Of the remaining three missions, the immediate region and coalition commitments principally draw on land capabilities supported by air- and sea-lift capabilities (mobility), while the fourth mainly demands advanced air and naval capabilities.

Accordingly, for the purpose of analysis, the demarcation between land and mobility capabilities on the one hand, and air and naval combat (exclusive of mobility) on the other, is a more useful distinction than that of Army/Navy/Air Force. Land and mobility capabilities account for 42% of recurrent spending compared with 49% for air and naval combat and 9% for command, control and intelligence capabilities. In contrast, air and naval capabilities account for 67% of recent and planned investment, land and mobility 25% and the remainder 8%.

As of late 2008 around 3,000 ADF personnel were deployed on operations including roughly 1,000 in the immediate region and 2,000 split between Afghanistan and Iraq. This level of deployment equates to roughly 5% of the 54,748 strong permanent force. As a result, the ADF is under some pressure though it is not yet overstretched. (In comparison, the United States has around 18% of their force deployed.) Nonetheless, the present pattern of deployments unavoidably leaves a reduced capacity to respond to contingencies especially those demanding land forces.

The scale of ADF deployments is reflected in the fact that supplementation for operations in 2008–09 only amounts to 5% of the total budget compared with 68% for other recurrent spending and 27% for capital investment.

Defence funding

Through the late 1980s and 1990s, baseline defence funding was more or less constrained to no real growth. As a result, defence spending as a percentage of GDP fell from 2.5% in 1985 to 1.9% in 1999. Despite efficiency reforms during that period, the failure to meet the rising real cost of maintaining a modern defence force saw the ADF abandon capability, defer modernisation and reduce preparedness.

Acknowledging the need to rebuild the force—and encouraged by the lessons of East Timor in 1999—the government committed to a decade of 3% real growth in the 2000 Defence White Paper. Since then, the commitment has been extended to 2017. Still further money has been made available including $6 billion for military deployments, $11.5 billion to expand the Army and more than $10 billion for previously unplanned Air Force acquisitions. In addition, baseline defence logistics funding has increased by

Strategic priorities as reflected in resource allocations

Operational deployments	Duration	Total cost
East Timor	10 years	$1.9 b
Iraq	7 years	$2.5 b
Afghanistan	6 years	$2.0 b
Solomon Islands	6 years	$199 m

Personnel employment	
Deployed	5%
Non-deployed	95%

Capability spending	Investment	Recurrent
land and mobility	25%	42%
air and naval	67%	49%
other capabilities	8%	9%

Budget	
general recurrent spending	$15.1 b (68%)
capital Investment	$6.1 b (27%)
operational deployments	$1.2 b (5%)

Source: Defence Budget Papers, 2007–08 Annual Report and 2006 Defence Capability Plan

$660 million per annum and more than $3.1 billion has been allocated for personnel initiatives across the forthcoming decade. Taken together, this constitutes Australia's largest and most costly military build-up since Vietnam.

In 2008–09 defence funding will be just over $22.4 billion, equivalent to 1.8% of GDP and $2.4 billion higher than the previous year. A measure of the real growth in defence funding can be calculated using the Australian Bureau of Statistics Consumer Price Index. On that basis, the Defence budget has grown by 44% in real terms since the 2000 White Paper, equivalent to compounding annual growth of 4.7%.

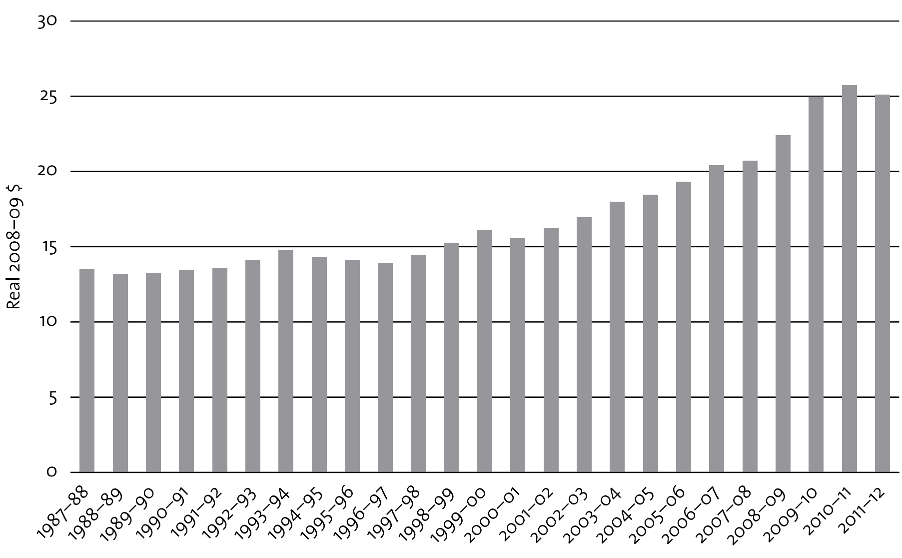
The largest share of the budget goes to general operating expenses (38%) followed by personnel (35%) and capital investment (27%). In terms of the three services, Army accounts for 35% of the recurrent budget followed by Navy 24%, Air Force 28%, military operations 7%, intelligence 4% and strategic policy 2%.

At 1.8% of GDP, defence spending is not anomalously high compared with historical levels (4.1% in 1968, 2.5% in 1985) or contemporary foreign benchmarks (United States 4.5%, United Kingdom 2.5%).

Recent Defence funding initiatives

This financial year's budget was preceded by a number of mid-year commitments. In late 2007 the second stage of the Enhanced Land Force was approved and $4.4 billion was committed over ten years to deliver the second of two planned additional infantry battalions. Other mid-year adjustments included a 2% efficiency dividend on civilian and non-operational areas of Defence as part of the broader efficiency program promised in last year's federal election. This aims to save $490.5 million over ten years. A further $28 million will be saved over four years by increasing an existing efficiency dividend from 1% to 1.25%. Operational supplementation of $102 million was also provided including $12.4 million for

Real defence funding 1987–2011



All figures converted to 2008–09 dollars using Consumer Price Index (assumed to be 2.5% post 2008–09)

Iraq, $20 million for Solomon Islands and $70 million for enhanced protection in Iraq and Afghanistan. A further $38 million was provided to adjust for 2006–07 operational costs. In addition, major capital investment funding of $522 million was deferred due to delays in acquisition projects. A further reprogramming of $440 million occurred within DMO that is not reflected in Defence's figures. Finally, $15.5 million was provided in 2007–08 for Defence's role in the Northern Territory emergency response.

The final pre-budget initiative occurred in early 2008 when the government directed Defence to find $10 billion of savings across the decade to meet emerging funding pressures—roughly equal to average savings of 4% a year. This was a tangible recognition of the fact the extensive plans for expanding and re-equipping the defence force were underfunded.

Having told Defence to tighten its belt, the government was then faced with an unexpected situation when it came time to prepare the 2008–09 budget. To start with, any suggestion of near-term financial pressure was swept away when Defence revealed a projected underspend for last financial year of $812 million on top of $440 million of capital investment that was deferred back in February 2008.

At the same time, the arcane economic parameter used to maintain the buying power of the Defence budget—the implicit non-farm GDP deflator—spiked to 6.25% and delivered an additional $11.6 billion to Defence across the forthcoming decade, including $939 million for 2008–09. Given that there is no reason to think that the cost of delivering defence capability had risen as precipitously as the index, Defence had received a massive windfall.

The government now faced a tricky problem. Irrespective of whether the chronic longer-term funding situation was fixed or not; unless something was done immediately, Defence would have an acute case of overfunding this financial year. The radical surgery set out in the budget was as follows; Defence has to cover the $1 billion cost of operational deployments from within its own resources, deliver $77 million worth of unfunded new initiatives and defer $191 million of spending until next decade. In addition, due to mounting delays in major acquisition projects, $2.3 billion of planned investment was deferred into the future from the next four years, including $1 billion that was planned for 2008–09. The net result was that Defence contributed more than $2 billion to the government's prospective surplus as a result of deferred spending and absorbed costs announced in the 2008–09 budget. In the longer term, however, Defence benefited in the budget from the government extending its commitment to 3% real growth out to 2017–18.

As a result of the additions and subtractions, Defence had to find $477 million worth of savings to cover absorbed costs and deferrals

Major budget initiatives	
Extension of 3% real growth to 2017–18	$2.8 billion
Operational supplementation for 2008–09 (cost absorbed by Defence)	$1.0 billion
Non-operational measures for 2008–09 (cost absorbed by Defence)	$77 million
Internal efficiencies for 2008–09	–$196 million
Deferred spending for 2008–09	–$191 million
Cuts in spending for 2008–09	–$91 million

in 2008–09. Of this, $191 million represents deferred purchases. Of the remainder, around $196 million reflects improved efficiency and $91 million comes from cuts in areas like minor acquisitions, IT projects, capital facilities and sustainment. Once the unspent funds and generous indexation were taken into account, it looked as though Defence would not be under too much duress as a result of decisions taken last May.

A number of changes have arisen since the May budget that were disclosed in the Portfolio Additional Estimates Statements. As already mentioned, the revision of the implicit non-farm GDP deflator will reduce nominal Defence funding by $4.3 billion across the decade. And, continuing a pattern of recent years, a further $1.9 billion of major capital equipment projects have been deferred. An extra $307 million has been provided to bring forward expenses from future years and $277 mllion of funds have been deferred due to delays in the Enhanced Land Force Initiative. At the same time, further operational supplementation of $92.3 million has been provided for Iraq along with $3 million to support NATO helicopters in Afghanistan minus $5.1 million surplus from Timor Leste. In addition, Defence will absorb $76.2 million over two years for electronic countermeasures to protect ADF personnel in Afghanistan and Iraq, $1.7 million for a survey and negotiation team to investigate the relocation of ADF personnel supporting operations in Iraq and Afghanistan, and $2.8 million of funding for the Australian Strategic Policy Institute.

Capital investment

In the 2000 White Paper the government set out a decade-long program of capital investment that was detailed in the 2001 Defence Capability Plan (DCP) which listed 165 project phases with a total value of more than $50 billion. Since then, the DCP has been updated in 2002 and comprehensively revised in 2004 and 2006. The present DCP covers the period 2006 to 2016 and lists 100 project phases valued at around $51 billion in total.

More than $40 billion worth of planned DCP projects have been approved since 2000. Over the same period, more than $6.0 billion of non-DCP projects have been approved and granted extraordinary funding. As impressive as these figures are, the present plans to acquire and bring into service a new generation of military capabilities are far from assured.

Several problems have emerged. To start with, the cost of many individual projects has grown thereby reducing what can be accommodated within the DCP funding envelope. For example, the 2004 version of the DCP saw a 20% increase in the average cost of projects which resulted in an average one year delay. Since then, costs have continued to escalate. The Air Warfare Destroyer project was initially estimated at $3.5 to $4.5 billion but ended up with a $7.5 billion price tag, and the Amphibious Vessel project went from an initial estimate of $1.5 to $2 billion to a final bill for the taxpayer of $3 billion. The inevitable consequence of

Major post-budget initiatives	
Deferral of major capital equipment projects	–$1.9 billion
Additional expenses	$307 million
Delays to Enhanced Land Forces	-$277 million
Operational supplementation	$90 million
Absorbed measures	$81 million

these rising costs is that other projects have to be cancelled or delayed to free up money.

To make matters worse, even the reduced package of projects has proven to be undeliverable. Over the past two years around $7.4 billion worth of investment has been deferred including $1.9 billion in the seven months since the May budget.

There are two factors behind the ongoing deferrals. First, defence industry consistently over-promises and under-delivers on project schedule. The list of delayed multi-million dollar projects includes the $3.5 billion AEW&C project (28 months late so far), the $637 million modernisation of the HF communications network (57 months late), the $1.5 billion FFG frigate upgrade (60 months late), and the $1 billion Seasprite helicopter project that was running 84 months behind schedule when it was cancelled last year.

While the usual explanation for mounting delays is 'industry capacity constraints', the clear pattern is for projects to falter due to technical difficulties. In contrast, recent off-the-shelf purchases have been comparatively trouble free. Not only was the $558 million tank replacement project delivered ahead of schedule, but the $2.1 billion C-17 strategic airlift acquisition saw approval, contract signature and initial delivery all within a single calendar year.

Following the 2003 Kinnaird Review of defence procurement, a series of reforms were introduced to improve the planning and execution of projects. Many of the initiatives are of undoubted merit—like the professionalisation of the Defence Materiel Organisation. One of the key reforms was a more extensive pre-approval process that requires individual projects to be considered by the government not once but twice.

Status of projects scheduled for approval in 2007–08 in the DCP released in June 2006

	Estimated cost $m	Status
Mobile Regional Operations Centre (Ph.1)	75–100	not approved
Future Air Traffic Control Systems (Ph.1)	50–75	not approved
Multi-mission UAV (Ph. 1B)	1,000–1,500	not approved
Battlefield Airlifter (Ph. 2)	250–350	not approved
Naval Helicopter Training System (Ph. 2)	250–350	not approved
Military Satellite Capability (Ph. 7A)	750–1,000	approved
Project Eagle Eye (Ph. 3A)	50–75	partial approval
Integrated Broadcast System (Ph. 2)	30–50	not approved
Battlefield Communications System (Ph. 2)	450–600	not approved
Improved Logistics Information System (Ph. 2D)	350–450	approved
Explosive Ordnance Warstock (Ph. 2)	250–350	not approved
REDFIN—Special Forces Enhancement (Ph. 1)	350–450	partial approval
Identity Management—Project CERTE (Ph. 1)	75–100	not approved
Navigation Warfare Capability (Ph. 3)	50–75	not approved
Direct Fire Support Weapon (Ph. 2)	150–200	approved
Battlefield Command Support System (Ph. 3.4)	75–100	not approved
Counter Mine Capability (Ph. 1)	30–50	approved
Combat Identification for Land Forces (Ph. 2)	100–150	not approved

Source: Defence Budget Papers, 2006 Defence Capability Plan and the 2006–07 and 2007–08 Defence Annual Reports

Herein lies the second factor behind the mounting delays; projects are being approved much more slowly than planned. In large measure this reflects Defence's failure to develop acquisition proposals on schedule, though the slow pace of government business is also a factor. The growing list of delayed approvals is extensive. As the table on the previous page shows, of the eighteen projects planned for approval in 2007–08, only six have been approved (two of those only in part). And of the fourteen projects planned for approval this financial year, only five have so far made it through.

Notwithstanding the ongoing difficulties with the acquisition program, investment spending is planned to increase by 66% over the next few years—from $3.9 billion in 2007–08 to more than $6.2 billion in 2010–11 —a rate of increase significantly faster than that achieved in recent years.

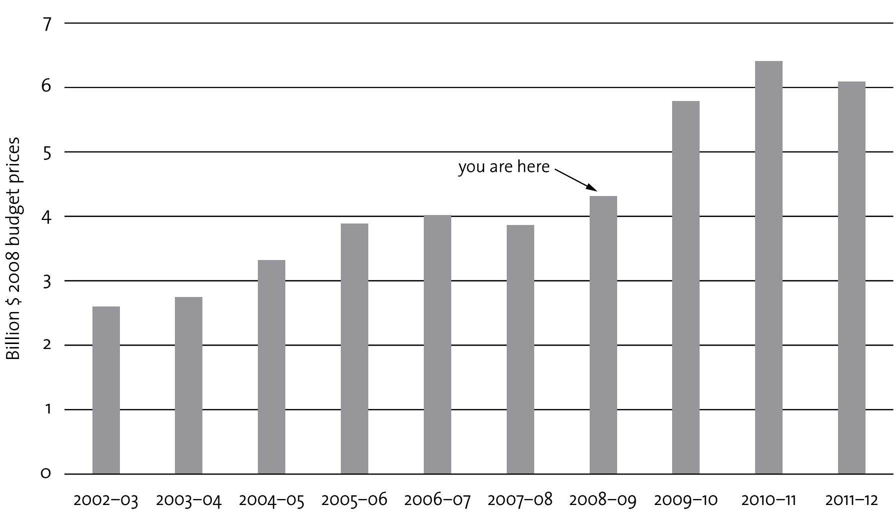
On past experience, things are not looking good. It is difficult to escape the conclusion that if the government wants to re-equip the ADF in the medium rather than extended longer term, it will need to buy more equipment off-the-shelf.

Personnel

The 1997 Defence Reform Program cut the ADF by around 6,000 positions, leaving a permanent force of 50,000 personnel. Three years later, the 2000 White Paper set about expanding the force again with the aim of achieving a strength of 54,000 by 2010. This relatively modest increase was designed to provide sufficient personnel to operate the new capabilities being acquired under the Defence Capability Plan.

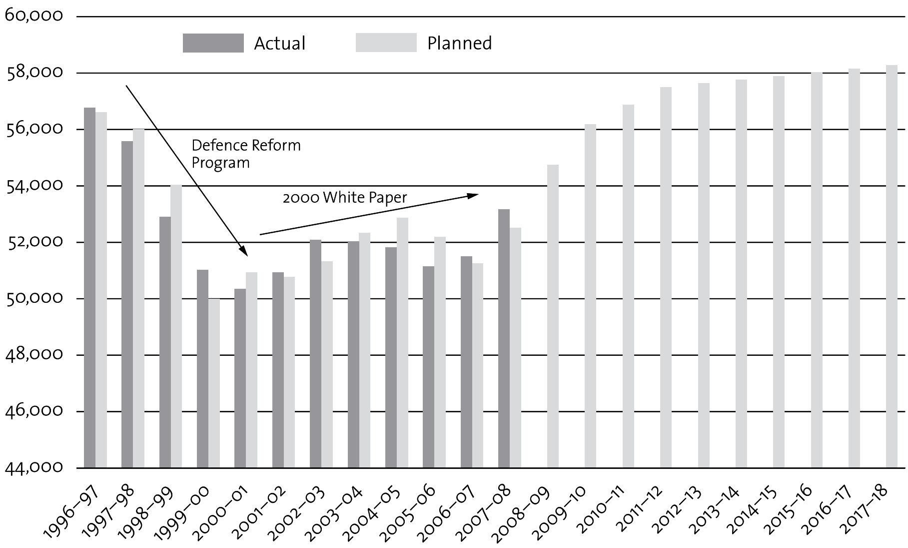
Over the first few years following the White Paper good progress was made in growing the force and in 2002–03 the ADF peaked in strength at 52,080. Unfortunately, this early success was soon reversed and the ADF had shrunk back down to 51,150 by 2005–06. The setback was particularly disappointing given the $500 million provided by the White Paper for personnel initiatives over the first half of the decade. Things turned around in 2006–07 when the ADF recorded its first increase in four years, albeit only a modest 352 additional personnel. Last year the positive trend continued with the permanent ADF growing by another 1,663 people. This is an impressive result given that

Major capital equipment investment—past and future



Source: Defence Annual Reports and Budget Papers, includes reprogramming from late 2008

Strength of permanent ADF—actual and planned



Source: Defence Annual Reports, Budget Papers and ASPI calculations

unemployment fell to a thirty-year low over the same period.

Notwithstanding recent gains, there is some way to go before the ADF reaches its target strength—especially after the 2006 decision to expand the Army by two additional battalions. In tandem with several other smaller adjustments, the expansion of the Army elevates the planned size of the ADF to 57,500 in 2012 and around 58,300 in 2017.

In the meantime, the ADF will have to manage the personnel shortages that accrued in the first half of this decade. The problem is not spread evenly across the three Services. In recent years Navy has had the most serious difficulties followed by Army. Air Force, in contrast, is managing reasonably well. That said; all three services have problems with specific categories especially those in high demand in the broader economy like skilled trades and professions.

The personnel problems facing Defence are as complex and diverse as the workforce itself. But in the final analysis, the problem reduces to the difference between the rate of recruitment of personnel and the rate at which they leave the organisation. The good news is that retention rates are consistent with those recorded over the past thirty years. In fact, last financial year separations fell to a fifteen-year low of 9.6%. This is an excellent result in light of Australia's then prevailing strong economic conditions and increasingly mobile civilian workforce. Especially so, given that the ADF is now much more geographically dispersed than in the past resulting in increased dislocation of families due to posting.

While retention has held its own compared with historical levels, recruitment has not. In fact, for almost a decade, the ADF has not come close to meeting its recruitment targets, with shortfalls of 15% to 20% not uncommon. Last year's shortfall of 23% is particularly disappointing, although this needs to be balanced against the outstanding performance of the gap-year program which

Military recruitment target achievement													
	95–96	**96–97**	**97–98**	**98–99**	**99–00**	**00–01**	**01–02**	**02–03**	**03–04**	**04–05**	**05–06**	**06–07**	**07–08**
Navy	98%	92%	98%	76%	57%	74%	85%	84%	86%	73%	72%	78%	73%
Army	99%	98%	94%	78.5%	83%	79%	100%	79%	84%	81%	98%	86%	76%
Air Force	86%	93%	101%	90.5%	83%	88%	87%	94%	90%	91%	88%	86%	85%
ADF	**96%**	**94%**	**97%**	**80%**	**76%**	**80%**	**93%**	**84%**	**86%**	**80%**	**84%**	**84%**	**77%**

Source: Defence Annual Reports

Military separation rates													
	95–96	**96–97**	**97–98**	**98–99**	**99–00**	**00–01**	**01–02**	**02–03**	**03–04**	**04–05**	**05–06**	**06–07**	**07–08**
Navy	13.0%	11.5%	11.1%	12.6%	13.3%	13.2%	11.5%	11.6%	10.1%	12.2%	11.3%	12.2%	10.8%
Army	12.5%	10.4%	10.9%	12.9%	13.0%	13.2%	11.5%	9.8%	11.0%	12.7%	12.4%	11.6%	10.3%
Air Force	9.0%	9.0%	10.0%	11.9%	11.6%	15.6%	10.4%	8.1%	7.4%	8.4%	8.5%	9.0%	7.2%
ADF	**11.6%**	**10.3%**	**10.7%**	**12.6%**	**12.7%**	**13.8%**	**11.2%**	**9.8%**	**9.9%**	**11.5%**	**10.7%**	**11.1%**	**9.6%**

Source: Defence Annual Reports

achieved 100% of its target for 2007–08 and looks to be oversubscribed for 2008–09. Also on the positive side, recruitment into the Reserve rose from 89% of target in 2006–07 to 93% in 2007–08.

Recent improvements in defence force numbers are no accident. In 2006–07 the government allocated a total of $3.1 billion across the decade to improve ADF recruitment and retention. The additional funding includes $1.5 billion for improved personnel support and conditions broadly directed at retention, $1.2 billion for recruitment including $306 million for the 'try before you buy' gap-year program and $348 million for targeted retention of high priority employment categories.

One area where Defence has had no trouble maintaining personnel numbers is its civilian workforce. Over the past three years, the number of civilians has grown from 17,753 to 20,391. The additional 2,638 civilian positions reflects a mix of planned and unplanned growth. Over the same period, the net gain in the permanent ADF was only 1,343 positions.

While civilians are an important part of the overall Defence workforce, it is disappointing that numbers have grown at twice the pace of the permanent military force.

Unfortunately, the unplanned growth of civilian numbers continued into this financial year. As of late 2008, civilian numbers had grown by 76 positions above budget estimates at the same time as the number of civilian senior officers increased by 106.

About the Author

Prior to joining ASPI, **Dr Mark Thomson** held a number of positions in Defence working in the areas of capability development and resource management. In 1999 he was Political Military Adviser to Major General Peter Cosgrove during the INTERFET operation. Prior to his time with Defence, Mark held a series of academic research and teaching positions in theoretical physics.

Other ASPI reports

The Cost of Defence: ASPI Defence budget brief 2008–2009
by Mark Thomson

This comprehensive report gives interested readers greater access to the complex workings of the Defence budget and promotes informed debate on Defence budget issues.

This is the latest in the series, *The Cost of Defence*. It is produced annually and began in 2002.

SPECIAL REPORT Issue 9 — August 2007
2007 Defence budget summary
by Mark Thomson

This report is a summary of the 2007 Defence budget. It covers strategic resource allocation, defence spending, 2007–08 Defence budget initiatives, capital investment, personnel, defence management, international comparison.

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Fax + 61 2 6273 9566
Email enquiries@aspi.org.au
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