

MORSHEAD REPORT 1957

69 Wolseley Road,
POINT PIPER NSW
9 December, 1957

My Dear Prime Minister,

I have the honour to submit an interim report of the Advisory Committee which was established by Cabinet Decision No 1067 to advise on the organisation of the Defence Group of Departments.

In the time available it has not been practicable to examine all aspects of administration in the six Departments included in the "Defence Group". The Committee, however, has considered the main elements of organisation and inter-relationship and the recommendations which, for easy reference are placed in front of the report, cover the major matters for your consideration and decision. It is suggested that until the decisions are reached there would be little purpose in pursuing points of organisational and departmental detail. That obviously could come later.

You will see that all the Committee's recommendations centre around the amalgamation of the Departments of Supply and Defence Production on one hand, and the three Service Departments and the Department of Defence on the other. So if the Committee's recommendations are accepted, two Departments will emerge in place of the present six. We are mindful that this may present a major problem in the re-organisation of your Cabinet. But we feel that it should confine itself to the plan issues of organisation, irrespective of any political issues involved.

Although the Committee is satisfied that its recommendations are practicable, they will, if adopted, involve the Departments concerned (particularly the Department of Defence) and the Public Service Board in the difficult problem of developing a sound organisational pattern, fitting personnel into it and dealing with those who under the proposed plan may become redundant in their present positions. We are conscious that the authorities responsible should be given a reasonable period of time in which to phase the new Departmental and organisational pattern.

Yours sincerely,

(Sgd) L.J. Morshead

The Right Honourable R.G. Menzies, CH, QC, MP,
Prime Minister,
Parliament House,
CANBERRA ACT

ORGANISATION OF THE DEFENCE GROUP OF DEPARTMENTS ADVISORY COMMITTEE REPORT

SUMMARY OF RECOMMENDATIONS

The following is a summary of recommendations contained in the attached Report of the Advisory Committee. The recommendations fall into two main headings:

- (1) The Departments of Supply and Defence Production.
- (2) The Department of Defence and the three Service Departments (Navy, Army and Air).

Departments of Supply and Defence Production

2. The Committee recommends:

(a) that the Departments of Supply and Defence Production should be amalgamated into a single Department which might be called Department of Defence Supply.

(Paragraphs 3 and 4)

(b) that the work of the Aircraft Maintenance Branch of the Department of Defence Production should be limited to essential production and resources allocation and planning, leaving the RAAF to order directly from suppliers of services and spare parts.

(Paragraph 6)

(c) that there should be further discussion between the Departments concerned on the processing of major overhauls and the future of the Parafield Aircraft Maintenance Branch.

(Paragraph 6)

(d) that production planning should be reviewed on the lines of a recent investigation, together with other changes which will become necessary if the Departments are amalgamated.

(Paragraph 7)

(e) that the Army Design and Inspection Branch should be transferred from the Department of Supply to Army.

(Paragraphs 9-12)

(f) that the Department of Defence should be directed to investigate, in association with other authorities concerned, the design and inspection work of all the Services with the objective of achieving proper integration, better method and man-power economy.

(Paragraphs 11-12)

(g) that the machinery of the Department of Defence for control of the Research and Development Programme should be strengthened to provide a more direct and positive control and review of the Programme. The machinery should be strengthened to ensure that the Services are more intimately associated with the Research and Development effort.

(Paragraph 13)

(h) that consideration of non-Defence activities be left for further examination and report. The Government may, however, wish to consider -

(i) the Ministerial attachment of the Aluminium Production Commission; and

(Paragraph 16)

(ii) the future of the ball bearing factory and marine engine works.

(Paragraph 15)

(i) that if the Committee's main recommendation on amalgamation is adopted, complete organisational and administrative detail should be worked out between the Department and the Public Service Board.

(Paragraph 8)

Departments of Defence, Navy, Army and Air

3. The Committee recommends:

(a) the amalgamation of these four Departments into a single Department of Defence.

(Paragraphs 18-24; 36-39)

(b) that the Service Board machinery should be reviewed to determine whether formal Service Board machinery should be -

(i) abandoned, or

(ii) retained in some different form.

The Committee will investigate these aspects and furnish a further report on them.

(Paragraphs 25-28)

(c) that the decision on amalgamation need not await review of the Service Board machinery.

(Paragraph 28)

(d) that the position of the Treasury Defence Division should be reviewed by the Treasury and the Department of Defence.

(Paragraph 29)

(e) that the field for economy through development of common services, improved method and other co-ordination of activity should be intensively exploited, and that responsibility for this activity should be with the Department of Defence.

(Paragraphs 30-32)

(f) that to attain effective action under (e), powerful organisation and methods investigation facilities should be developed in the Department of Defence.

(Paragraph 31)

(g) that Ministerial assistance will be necessary for the Minister of Defence if the Service Departments are integrated and this might be provided by "Associate" Ministers working on functional not "Service" lines.

(Paragraph 24)

(h) that the authority of the Minister for Defence over the recommended Department of Defence Supply (combining the Departments of Defence Production and Supply) should be made clear.

(Paragraph 33)

(i) that the process of re-organisation of a unified Department of Defence if approved will be to be phased as outlined in the report.

(Paragraphs 41-42)

ORGANISATION OF THE DEFENCE GROUP OF DEPARTMENTS

ADVISORY COMMITTEE REPORT

By Cabinet Decision No 1067, a Committee comprising:

Sir Leslie Morshead,
Chairman of the Public Service Board,
Secretary, Department of Defence,
Acting Secretary, Prime Minister's Department,

was established to examine the organisation and the interrelationship of the existing six Departments, which together make up the "Defence Group". The Departments concerned are:

Defence,
Navy,
Army,
Air,
Supply,
Defence Production.

2. The Committee has approached its task of review under three main headings:

(a) The practicability of amalgamating the Departments of Supply and Defence Production.

(b) The relationship of the Service Departments (Navy, Army and Air) to the Department of Defence, which led to the consideration of:

(i) rationalisation by integration of some services now separately provided for in the various Service Departments.

(ii) the amalgamation of these Departments with the Department of Defence.

(c) The amalgamation of the Minister for Defence over other Ministers and Departments in the Defence Group.

Amalgamation of the Departments of Supply and Defence Production

3. The Public Service Board has investigated the organisation of these Departments and has reached the conclusion that amalgamation is practicable, provided the organisation is appropriately sectionalised. The Permanent Heads of the Departments agree on the practicability of amalgamation but the Permanent Head of the Department of Supply expressed doubt on whether this would be able to continue under war-time conditions. He thought war planning should include this possibility.

4. The Committee agrees that the amalgamation of the Departments of Supply and Defence Production is practicable and recommends accordingly. The name of the new Department might, the Committee suggests, be:

Department of Defence Supply.

5. The administrative savings to be gained from amalgamation are not extensive immediately, because there is a substantial degree of common service now operating between the two Departments. The Board estimates a saving of about £50, 000 per annum initially in the purely administrative field by combination of registry, personnel and other administrative sections. In addition, savings of the order of £100, 000 per annum may eventuate from combining the stores function, action on which has already been initiated by Departments.

6. There are other possible avenues for economy. One is the elimination of the Aircraft Maintenance Branch in the Department of Defence Production. It has been represented to the Committee that by placing authority for direct ordering of spare parts and services with the RAAF, by reducing the substantial store holdings and other means, a saving of the order of £250, 000 per annum would be possible. The Permanent Head is in substantial agreement on this change in procedure but with the reservation that the processing of major aircraft servicing which is connected with current production of the type of aircraft involved may still need to be controlled in the production Department. Further consideration is also necessary on the future of the Aircraft Maintenance Branch servicing DC3 aircraft for the RAAF. Preliminary investigation indicates that it should be possible to disband this activity in the near future with a possible saving of the order of £200, 000 per annum.

7. Production planning, as now organised in the separate Departments, also requires further review. The Departments initiated investigation into this field some time ago, and the results of this investigation which still have to be followed to conclusion indicate the possibility of further substantial saving.

8. Other economies can be expected to arise from unified control. These together with administrative adjustments which would follow amalgamation of the Departments will need to be followed through by the Department and the Public Service Board.

9. The Committee had placed before it two conflicting views on the location of the Army Design and Inspection Branch now with the Department of Supply. The Chief of the General Staff recommended strongly that this Branch should be returned to the control of the Army. The Permanent Head of the Department of Supply, on the other hand, has pressed strongly for it to remain with his Department.

10. The Army Design and Inspection Branch was transferred from the Army (Master-General of the Ordnance Branch) in February, 1950. The transfer arose from a Cabinet decision aimed at an all-Service integration and was influenced by the organisational pattern of the UK Ministry of Supply. Both Navy and Air have withheld any substantial participation.

11. The Public Service Board has for some time pressed the need for improvement in Inspection Services procedures to achieve man-power economies by improvement in inspection processes and the use of scientifically-controlled sampling processes, etc. The Board estimates that modern inspection methods in Army alone could save approximately £100, 000 per annum. The Committee is impressed with the scope for better integration and a more modern approach to inspection work and considers that this can best be achieved if the Army Design and Inspection Branch is returned to Army and the whole field then fully investigated by the Department of Defence in conjunction with the authorities concerned.

12. The Committee recommends that action should be taken to return the Army Design and Inspection Branch to the control of Army, and that the Department of Defence should be directed to initiate action designed to achieve improved method and proper integration.

13. Another matter which was considered by the Committee concerns the control over the research and development programme as carried out in the Department of Supply. This programme, embracing as it does the Weapons Research Establishment (including the joint UK - Aust Project), the Aeronautical Research Laboratory and the Defence Standards Laboratory, requires, in the view of the Committee, more direct and positive control than now exists through the Defence Research and Development Policy Committee in the Department of Defence. In addition the Armed Services need to be more intimately associated with the research and development effort than in the past. The aim of the strengthened machinery should be to ensure that scientific and other research work is related to accepted defence objectives. The Committee recommends accordingly.

14. The Cabinet Committee directed that attention should be given to the elimination of activities of the Departments of Supply and Defence Production which are not related to defence objectives. There are a number of such activities including:

Department of Defence Production

Ball Bearing Factory at Echuca.
Marine Engine Works at Port Melbourne

Department of Supply

Procurement and disposals by the Contracts Board for other than Defence Departments.
Transport.
Storeholding.
Some factory production (eg clothing factory where 120 employees out of 920 are employed on non defence work).
Some laboratory work.

15. Intensive (and maybe prolonged) investigations will be necessary before the Public Service Board is in a position to give a report on the non defence activities of the Department of Supply. The two factories mentioned under the Department of Defence Production are in a different category and continuance of these activities is a matter for policy decision by the Government. The Committee is not in a position to comment at this stage except to say:

(a) that the complete separation of all work not directly connected with the Defence objective within the Department of Supply may well prove on closer examination to be uneconomic;

(b) that the Government may deem it desirable to obtain a special report on the activities of the two factories referred to under the Department of Defence Production.

16. There is one other activity which is Ministerial rather than Departmental, viz - the attachment of the Aluminium Production Commission to the Minister of Supply. In origin, the Aluminium Production project was primarily for the production in Australia of a vital defence war material. The defence value remains, but the operation is a commercial one at the present time. The allocation of Ministerial Responsibility for projects such as this is a matter for the Prime Minister and the Government, but the Committee considers that with the responsibilities of the Defence Supply and Production portfolio, Ministerial responsibility for the Aluminium Production Commission could be re-allocated. The technical and scientific services of the Defence, Supply and Defence Production Departments should remain available to the Commission as required.

Summary of Recommendations on Amalgamation of the Departments of Supply and Defence Production

17. The Committee recommends:

(a) that the Departments of Supply and Defence Production should be amalgamated into a single Department which might be called Department of Defence Supply.

(Paras 3 & 4)

(b) that the work of the Aircraft Maintenance Branch of the Department of Defence Production should be limited to essential production and resources allocation and planning, leaving the RAAF to order directly from suppliers of services and spare parts.

(Para 6)

(c) that there should be further discussion between Departments concerned on the processing of major overhauls and the future of the Parafield Aircraft Maintenance Branch.

(Para 6)

(d) that production planning should be reviewed on the lines of a recent investigation, together with other changes which will become necessary if the Departments are amalgamated.

(Para 7)

(e) that the Army Design and Inspection Branch should be transferred from the Department of Supply to Army.

(Paras 9-12)

(f) that the Department of Defence should be directed to investigate in association with other authorities concerned, the design and inspection work of all the Services with the objective of achieving proper integration, better method and man-power economy.

(Paras 11 and 12)

(g) that the machinery of the Department of Defence for control of the Research and Development Programme should be strengthened to provide a more direct and positive control and review of the Programme. The machinery should be strengthened to ensure that the Services are more intimately associated with the Research and Development effort.

(Para 13)

(h) that consideration for non-Defence activities be left for further examination and report. The Government may, however, wish to consider:

(i) the Ministerial attachment of the Aluminium Production Commission; and

(Para 16)

(ii) the future of the Ball Bearing Factory and Marine Engine Works.

(Para 15)

(i) that is the Committee's main recommendation on amalgamation is adopted, complete organisational and administrative detail should be worked out between the Department and the Public Service Board.

(Para 8)

The Relationship of the Service Departments (Navy, Army, Air) to the Department of Defence

18. The Committee's preliminary view of the relationship of the present Service Departments to the Department of Defence was that it rested on and between two main lines of approach:

(a) The amalgamation of the four Departments into a single Department of Defence.

(b) The retention of separate Service Departments, but with extended authority for direction and control in the hands of the Minister of Defence.

The Committee did consider a third possibility which was to amalgamate the three Service Departments into one Department but to leave it separate from the Department of Defence and under the direction and control of the Minister of Defence. However, the Committee rejected this alternative.

19. The Chiefs of Staff of the three Services were interviewed separately and each of them although with somewhat different approach, was firmly in favour of a single Department of Defence which would absorb the existing Service Departments. They accepted that there is room for some rationalisation of activity as between the three Armed Services and that this should be fully explored to ensure that duplications and unnecessary overheads are avoided. They were, however, unanimous in saying that to be fully effective this examination should follow Departmental integration and be directed from the Department of Defence in consultation with the Services.

20. The Chiefs also accepted that under a single Department, not only policy but also the main administrative controls (in particular, finance, logistics and personnel), would be under the full control of the Minister and the Department of Defence. They stressed, however, that each Service would need to retain civilian support, eg in the finance field, working under an agreed programme centrally controlled, but with effective operating delegations to each Service.

21. The views of the Permanent Heads of the Service Departments were not unanimous. One of them supported the idea of complete integration, one was opposed to it, and the third accepted it in theory, but thought the weight of administration might be against it working out in practice. They did not, however, produce any concrete evidence to establish that integration with functional control at the centre and delegation down to the Services could not be made to work effectively.

22. The Committee has considered the kind of administrative machinery which would need to be established under a single Minister and Department of Defence. The major factors which would have to be taken into consideration are:

(a) At present the Department of Defence has effective machinery for the formulation and general application of a unified Defence policy but not for the control of execution of policy. In the "new" Department the former would need to be continued as before and the latter added.

(b) In the new sphere existing structure in the Department of Defence would need to be expanded by the transfer of appropriate elements from the present organisations of the Service Departments to strengthen existing sections to coordinate policy and direct administration in the main functional spheres of finance, logistics and personnel.

(c) Under a current Directive the responsibility of the Permanent Heads of the Service Departments includes "financial administration and control of expenditure of the Service and advice to the Minister, the Board and Commands on all questions of Service expenditure. This responsibility extends not only to the financial order and regularity of accounts but also to the correct and proper use of public funds in all fields of administration." In the new Department these responsibilities would have to be accepted by the Secretary, Department of Defence, who would need to delegate to his representatives both in the Central Administration and in the Service Organisations.

The Committee desires to stress that it would be necessary for the organisation of the Central Administration of the "new" Department to be based on functional lines so as to ensure adequate coordination of Service activities in these fields and for the effective decentralisation of administration even although authority would be centralised. Machinery developed on these lines would, the Committee considers, be practicable.

23. The working out of a proper Departmental organisation is a complicated exercise which would need detailed study by the Department and the Public Service Board. The Committee does not wish to go any further in this connection than to reiterate that the organisational approach should be on the functional lines referred to in the previous paragraph and that attention should be directed at the same time to the important principle of delegation throughout the entire Departmental and Service structure.

24. The Minister for Defence in charge of a single Department embracing the Services would need assistance in carrying out heavy additional responsibilities. It might be possible to provide effective assistance through one or two "Associate" Ministers, who would be given defence responsibility, in addition to their regular Ministerial portfolios. Responsibility so allocated should, in the opinion of the Committee, be on a functional not a "Services" basis. This question of assistance to the Minister for Defence is a political one on which the Committee would not wish to express any firm opinion. It is mentioned because the Committee feels that Ministerial assistance in some form would be essential for the Minister for Defence if one integrated Department of Defence is established.

25. It is clear that the Service Board machinery would need to be substantially reviewed to fit the pattern of administration which would arise from an integrated Department of Defence. This point was discussed with the Chiefs of Staff against the alternatives of:

(a) retaining the Service Boards, but with revised constitution and powers.

(b) eliminating them.

26. Two of the Chiefs were firmly of the opinion that the Service Boards should not be retained. Their view was that the Chiefs of Staff should be in full command of their respective Services. The Service Members of the present Boards would continue to function as Principal Staff Officers in charge of the various branches and to exercise substantial delegations in the performance of their duties. This would not need formal machinery as now provided through the Service Boards, and it would place final responsibility on the Chief of Staff and not on the collective decision of a group of Principal Staff Officers. The other Chief also agreed that the concept of full authority in the hands of the Chief of Staff was sound but he favoured the continuance of a less formal kind of board machinery for consultation within his Service.

27. In the time available the Committee has not been able to fully examine the effect of amalgamation of the Service Departments with the Department of Defence on the Service board machinery. The Committee is impressed with the argument in favour of direct responsibility being placed on the Chief of Staff and also with the necessity for reviewing the existing constitution and working of the Service Boards. At the present time all Members of the Service Boards derive their authority from the appropriate Service Minister and have direct access to him in the performance of their duties. This would be manifestly impossible in an integrated Department of Defence.

28. The Committee will continue to examine the constitution of the Service Boards and will present a further report. It suggests, however, that the main question of Departmental integration can be considered separately.

29. Reference was made by the Chiefs of Staff and the Permanent Heads to the position of the Treasury Defence Division, but it is not a matter on which the Committee has had the time for discussion with Treasury officials. Treasury, of course, has its own particular area responsibility but the acceptance of the Committee's main recommendation will require review of the financial coordination machinery. The Committee suggests that the position of the Treasury Defence Division should be reviewed by the Department of Defence and the Treasury.

Rationalisation through Provision of Common Services, Improved Method etc

30. Perhaps the most attractive aspect of an integrated Department is the opportunity which it presents of ensuring the most effective use of resources by better coordination, the establishment of common services for some activities and overhaul of procedures throughout the three Services. As has already been said, this field should be fully exploited whether or not the Departments are amalgamated, but it can be more effectively approached under integration. Services which were mentioned to the Committee as warranting intensive examination included:

- Telecommunications
- Medical Services
- Transport (including base repair facilities)
- Inspection
- Education

Others will undoubtedly present themselves.

31. To permit a direct and systematic approach on rationalisation and review of procedures, the Committee considers that there would be great advantage in developing powerful organisation and methods investigation facilities in the Department of Defence. The objective should be to ensure not only that services are consolidated and coordinated where this practicable, but that economies found to be possible in one Service by improved methods of working should be available for adaptation to other Services and that initiative is stimulated at all levels to seek out and introduce improved procedures.

32. The Committee cannot go further on this important matter at this point than to say:

- (a) there is an extensive field for further economy which should be intensively examined, and
- (b) it can be most effectively approached through a combined Department of Defence supported by concentrated investigation facilities.

Authority of the Minister for Defence

33. Cabinet has accepted that the authority of the Minister for Defence should be extended to give him effective control not only over policy formulation but over its direct application throughout all the Departments in the Defence Group. More precise definition of the Minister's authority will depend on the decisions taken on the question of integration of the Department of Supply and Defence Production on the one hand and the Service Departments and the Department of Defence on the other. If these amalgamations occur, then the Minister's authority over the area now embraced by the three Service Departments will be clear within his own right as a Minister. All that would remain to be done would be to provide a directive making it clear that the combined Departments of Supply and Defence Production operate under the authority, control and direction of the Minister for Defence.

34. It should be mentioned at this point that the Committee considered the practicability of amalgamating the Departments of Supply and Defence Production into the Department of Defence in the same way as has been discussed in this report for the Service Departments. The Committee rejected the idea because:

- (a) the weight of administration would be very heavy.
- (b) the problems of supply and production have their own complications which require direct and concentrated attention.

35. If the Service Departments should not be amalgamated with the Department of Defence, the authority of the Minister for Defence over the Service Departments would need to be clearly expressed in an appropriate document. Since so much depends on the decisions which Cabinet will need to take on the main questions of Departmental amalgamation, the Committee has not attempted to define the extended authority of the Minister for Defence beyond the general definition mentioned in paragraph 33.

Suggestion for Service Integration under a Commander-in-Chief

36. Air Vice-Marshal Bostock, who asked for interview, advanced the concept of a single Defence Force under a Commander in Chief responsible to the Minister for Defence and with Navy, Army and Air operating as distinct Wings of the Defence Force under the Commander in Chief.

He agreed that an effective forward step would be to eliminate the Service Departments and to bring them under a single Minister for Defence with full control over allocation of resources and development of common services but would have liked the consideration to embrace the further step of Service integration.

The Committee does not, in the limited consideration which it has been able to give to this matter, feel competent to advise firmly on it. However, it is considered to be premature at this stage although the Committee can see that it may well evolve in the future.

Conclusions of the Committee on the Relationship of the Service Departments to the Department of Defence

37. The Committee has concluded that the organisation of this group which is likely to produce the most efficient result is full departmental integration, ie the first of the two alternatives. As has already been said, the Committee believes it to be practical. The inherent advantage which it holds over the existing organisation is that it makes one organic whole of the Defence Department and it therefore fixes beyond question or doubt the authority of the Minister for Defence. Under the present organisation, no matter what changes may be made, a formal separatism remains. Integration has the additional important merit that it has the unanimous support of the Chiefs of Staff.

38. The Committee has looked for disadvantages. One possibility would be that the sheer bulk of the additional functions would overtax the Defence Department, but there is in fact no reason to expect this because part of the arrangement would be that Secretary of the Department of Defence would be given a top establishment which would cope with the extra functions. Next, there could be a tendency in wrong hands for central control to develop into an administrative bottleneck. If this happened, the co-operation and goodwill of the Chiefs of Staff towards might deteriorate. These are not immediate disadvantages - merely possible ones. They would arise from personalities and should be avoidable, but they underline the importance of good staff selection at the main functional control points in the Department of Defence.

39. If integration were to absorb the whole top defence establishment with the result that the department's policy making work was affected, it would be serious disadvantage. Therefore the Committee has looked closely at this aspect. The present policy making sections of Defence and the Defence Committee itself will remain in being. Altogether the Committee is satisfied that policy will not suffer through integration. On the contrary, integration may make it possible for a number of issues which currently reach the policy and Defence Committee levels to be properly determined elsewhere in the integrated department. In other words, the policy group may be less diverted than before from its real functions.

40. There is an additional point for consideration in that if war comes the Government administrative machine will have to be re-gearred into the control of the war effort. This might mean the administrative separation of some Departments. It is by no means certain, however, that this would necessarily extend to the Armed Services. Indeed, the conduct of a war, which will undoubtedly be vastly different from any which has been fought before, may well require a completely new approach to the administration of the war effort. It could well be that this would be assisted rather than hindered if the control of the Services is already under single political control.

41. The Committee recognises that a departmental re-organisation of the magnitude recommended produces its own problems for the Prime Minister and the Government, but this is a political matter on which the Committee is not required to comment. A decision on amalgamation will mean that there will be a period of sustained and intense pressure in the Minister for Defence, the Secretary, Department of Defence, and also the Public Service Board. This, the Committee considers, would require a period phasing of the re-organisation and the Committee suggest the following as a practical programme:

(a) The Government should make its decisions as soon as possible.

(b) Immediately following decision, Working Parties would be established to investigate administrative aspects of existing organisation and to develop, in consultation with the Service authorities, administrative instructions and the new administrative organisation.

(c) Service Departments to be abolished from 1 April 1958, and the Minister for Defence with "Associate" Ministers to take control on that date.

(d) The Advisory Committee to examine the Service Board machinery and to present a report on which the future of the Service Boards could be considered by the Government with the objective of having any amended machinery operate no later than 1 July, 1958.

42. It may not be possible for the complete administrative re-organisation to be ready at the time of the Ministerial change. Enough of it should be in existence, however, to enable Ministerial control to be assumed on that date. The sorting out of administration and in particular the movement of personnel into their respective appointments is likely to take a little longer, but it should be possible for this to be completed by say, 1 July 1958.

Recommendations of the Committee for the Departments of Defence, Navy, Army and Air

43. The Committee recommends:

(a) That these four Departments should be amalgamated into a single Department of Defence.

(Paragraphs 18-24, 36-39)

(b) That the Service Board machinery should be reviewed to determine whether formal Service Board machinery should be -

(i) abandoned, or

(ii) retained in some different form.

The Committee will investigate these aspects and furnish a further report on them.

(Paragraphs 25-28)

(c) That the decision on amalgamation need not await review of the Service Board machinery.

(Paragraph 28)

(d) That the position of the Treasury Defence Division should be reviewed by the Treasury and the Department of Defence.

(Paragraph 29)

(e) That the field for economy through development of common services, improved method and other co-ordination of activity should be intensively exploited, and that responsibility for this activity should be with the Department of Defence.

(Paragraphs 30-32)

(f) That to attain effective action under (e), powerful organisation and methods investigation facilities should be developed in the Department of Defence.

(Paragraph 31)

(g) That Ministerial assistance will be necessary for the Minister for Defence if the Service Departments are integrated and this might be provided by "Associate" Ministers working on functional not "Service" lines.

(Paragraph 24)

(h) That the authority of the Minister for Defence over the recommended Department of Defence Supply (combining the Departments of Defence Production and Supply) should be made clear.

(Paragraph 33)

(i) That the amalgamation of the Service Departments into Defence will need to be phased as outlined in paragraphs 41-42.

(Paragraphs 41-42)

69 Wolseley Road.
POINT PIPER.
3rd February 1958.

My dear Prime Minister,

May I refer to my letter of the 9th December, 1957, with which was forwarded an interim report of the Advisory Committee established by Cabinet Decision No. 1067 to advise on the organisation of the "Defence Group" of Departments.

As a result of its consideration of that report, Cabinet asked for additional information on certain aspects of it.

A further report is attached which should cover the questions raised by Cabinet and which also provides certain supplementary information designed to assist Cabinet consideration of our recommendations.

Yours sincerely,

L.J. Morshead

The Right Honourable R.G. Menzies, CH, QC, MP,
Prime Minister,
Parliament House,
CANBERRA ACT

ORGANISATION OF THE "DEFENCE GROUP" OF DEPARTMENTS

SECOND REPORT OF THE ADVISORY COMMITTEE

The Chairman of the Advisory Committee, in his letter of the 9th December, 1958, transmitting the first Report of the Committee, referred to it as an interim report. It was presented in this way because the Committee had been asked to provide a report covering the main fields of its enquiry to Cabinet before the Christmas recess. The report, nevertheless, concluded with main and firm recommendations.

2. Cabinet has now asked for more detailed information on the following points (as outlined in Cabinet Decision No 1155) -

"(a) What role and what powers "associate" Ministers would have and what their relationship would be to the Minister for Defence and to the Chiefs of Staff?

(b) What role and what powers the Chiefs of Staff would have, and in finance and related matters, what limitations or control of their powers would apply?

(c) Whether, in any way, the present system of Ministerial and departmental control over the financial and other administration of the Services would be impaired under the new organisation."

3. The Committee has had further meetings and in order to seek clarification on certain questions, had additional discussions with the Chiefs of Staff individually.

THE NEED FOR CHANGE

4. In its deliberations, the Committee has thought it desirable to place greatest stress on the need for a change in the existing organisation and the advantages which would flow from the proposed new form of organisation.

5. The Committee took, as a starting point for its investigation, the conclusion of Cabinet that the Minister for Defence should have ultimate responsibility so that the Ministers in charge of particular groups should radiate out from the central authority of the Minister for Defence and should not be independent. It then examined the possible alternatives and came to the conclusion that reversion to the previous pattern of one Department of Defence was preferable to other possibilities including the continuance of the present organisation, either in its present form, or varied with additional control exercised by the Minister for Defence.

The major reasons justifying this change in the opinion of the Committee are -

(a) The Authority of the Minister for Defence

Under the new form of organisation, the authority of the Minister for Defence would be automatically exercised both in the policy and administrative spheres. At the present time, the Minister for Defence controls the formulation of overall Defence policy and recommendations to Cabinet associated with it. This includes the submission of the programmes which regulate the Services' Operations. Once the programmes are approved, however, administration comes within the responsibility of the Services Ministers, and the Minister for Defence has limited scope to exercise continuing control. Additionally, no regular review is possible of the independent elements of each of the three Service programmes from an overall viewpoint. Under the new form of organisation, functional co-ordination within each Service and between the Services will be a major feature in ensuring continuing review of the formulation of new programmes as well as the administration and progressive variation of existing approved programmes.

(b) Rationalisation of Specialist Services

The elimination of separatism in a departmental sense would facilitate the provision of specialist services in certain fields, either by one Service on the major user principle, or by an appropriate joint Service organisation.

(c) The Position of the Chiefs of Staff

The Chiefs of Staff at present are responsible to two Ministerial Heads - collectively to the Minister for Defence in the formulation of overall Defence Policy and individually to their respective Service Ministers for the execution of policy and the operational efficiency of their own Service. Under the new form of organisation, this anomaly would be corrected and the Chiefs of Staff would be responsible individually and collectively to the Minister for Defence, both in policy and operations.

(d) Defence Planning

More direction can be given to Defence Planning from the top Ministerial level if the directing officers are under the control of a single Minister. While it is true that under the present system the Chiefs of Staff have direct access to the Minister for Defence, and that they also have common approach through the Chiefs of Staff Committee, it was represented by the Chiefs that the divided control of the Service Ministers under whom they directly work and the Minister for Defence left them with a feeling of uncertainty on how far they could or should go in a direct way to the Defence Minister.

In effect, the Chiefs of Staff have two clear and distinct responsibilities. The first is to efficiently administer the Services under their control within overall Defence policy and the financial programme; the second is to progressively adjust their thinking on tactics and strategy and to furnish positive technical advice which can be translated into both operations and the future Defence policy and programme.

They felt that the position would be more clear, and their responsibility for technical advising could only be fully effective under a single authority.

The new form of organisation would also improve the working or subordinate committees of the higher Defence machinery in that they would be composed of Service and other members whose responsibilities would be directed, in the ultimate, to one Ministerial Head.

6. Administration

Naturally, the Committee had regard to the size and complexity of the administration which its recommendations, if adopted, would create. Staffing analysis (as at 30.6.57) shows that the total civilian personnel in the three Departments is slightly over 16, 000, made up as follows -

Navy - 8759
Army - 4961
Air - 2464

Further analysis shows that 11,500 out of the total of 16,000 civilians are engaged in direct support of Service installations and commands. They are employed in camps, stores depots, workshops, dockyards, etc. A further 2,500 are attached to the Principal Service Branches and are engaged, in the main, on the Service tasks of those Branches. The remaining two thousand civilian staff is employed in general and finance administration in the Service Departments.

Except for the possibilities of reduction in numbers of employees, all of the first two categories and the majority of the third category would continue exactly as now in their day-to-day work.

It follows, therefore, that the administrative changes are concentrated in the upper levels of the Department's concerned.

The functions of the Permanent Head and the senior officers of each Service Department would be taken over by the Department of Defence, which would, for this purpose, be re-organised on the administrative side, but would to a large extent, continue to use the services of the officers now in the separate Departments.

7. A question which was raised in the Committee's first report was whether the burden of administration of a combined Department of Defence would be likely to prevent the Secretary of the Department and his senior officers from giving the necessary attention to major aspects of Defence policy. The Secretary of the Department will clearly need the assistance of appropriate deputies, but it is proposed that these will be appointed, and this being so, the Committee does not consider that the policy work of the Department should suffer. It should, on the contrary, as was stated in the first report, be assisted.

8. In short, the Committee is convinced that a more efficient national military machine will emerge from the amalgamation of the three Service Departments into one unified Department of Defence and also that from the administration point of view, the amalgamation is practicable and likely to be more economical and more efficient than the present form of organisation.

INFORMATION SPECIFICALLY REQUESTED BY CABINET

9. The Form of Ministerial Control in the New Organisation

The Committee was somewhat reluctant in its interim report to advise on the form of Ministerial control which would be necessary under the proposed new organisation. It did, however, feel obliged to indicate that Ministerial assistance would be necessary to the Minister for Defence and that it would be preferable to allocate this assistance on a functional and not on a "Service" basis.

10. In view of Cabinet's direction, the Committee has given further consideration to the form of Ministerial control which might be introduced. In suggesting the term "Associate Minister", the Committee was looking for strength both in the assistance which would be given to the Minister for Defence as well as in the field of responsibility of the "Associate Ministers". The term "Associate Minister" seemed to the Committee, from this point of view, to be more appropriate than that of "Assistant Minister". The Committee envisages that without subtracting from the ultimate responsibility of the Minister for Defence, the "Associate Minister or Ministers" would be associated with the Minister for Defence in a form of Ministerial Directorate. In particular, the Committee desires to stress the advantage which would follow from "Associate Ministers" being consulted in the formulation of policy which is likely to affect their particular field of administration. Logistics and Personnel were suggested by the Committee as appropriate functional fields.

11. Once policy has been determined, the Committee visualises the "Associate Ministers" dealing directly with the Chiefs of Staff, Controlling Officers of the Department of Defence, Heads of Service Branches and civilian assistants located in the Service Branches. In the field of Logistics, for example, the "Associate Minister" would consult with the Chiefs of Staff on matters of broad policy as well as with the Quartermaster-General and Master-General of the Ordnance (in Army) and their counterparts in the other two Services. He would be advised also by civilian officers of the Department of Defence dealing with the particular subject before the "Associate Minister".

POWERS OF THE CHIEFS OF STAFF

12. The Committee's recommendations do not comprehend any increase in the powers of the Chiefs of Staff. The Chiefs, in interview, did not suggest any; on the contrary, they emphasised that their approach was directed to better and shorter lines of control and not to extended military.

13. Some changes may, and probably will, arise when the future of the Service Boards is considered. The Committee's recommendations can, however, stand by themselves under the existing Service Board machinery. The Boards could be retained under an integrated Department of Defence with only minor changes in constitution, the more important of which would be to make the Chief of Staff of each Service Chairman of his Service Board. On the other hand, the Service Boards could be retained as a form of consultative machinery or abolished altogether. If the functions of the Service Boards are substantially changed, the effect would be to give added, or if the Boards are abolished, final authority to the Chief of Staff for the operation of his Service. Any such change would, however, be internal to the Service concerned, and would not alter the position of the Chief of Staff, vis a vis the Minister or "Associate Ministers" of a combined Department of Defence.

MAINTENANCE OF FINANCIAL AND ADMINISTRATIVE CONTROLS

14. The Committee does not suggest that any additional financial or administrative power should be conferred on the Chiefs of Staff. At present, ultimate responsibility for financial administration and control of expenditure in respect of each Department is vested in the Service Minister. At the administrative level the Permanent Heads of the Service Departments are the officers responsible both for the financial order and regularity of the accounts and also the correct and proper use of the public funds in all fields of administration. Under the new organisation the ultimate responsibility would continue to be vested in the Ministerial Head, ie the Minister for Defence. At the administrative level, as indicated in paragraph 22 of the interim report, the Secretary of the Department of Defence would assume the responsibility now carried by the Permanent Heads of the Service Departments. He would delegate his authority through the administrative chain in much the same way as authority is delegated at present. The lines of control would be from central points in the Department of Defence to appropriate civil representatives located with each Service. The finance representative with Army, for example, would deal with accounting and regularity of expenditure for that Service. He would approve expenditure within the delegation provided by the Department of Defence and he would give advice on financial matters as required by the Chief of Staff in developing proposals within or to be included in the Service programme.

15. Again taking Army as an example, a civil assistant would be attached to and would work in association with the Adjutant-General and would also maintain continuous contact with the Senior Assistant Secretary dealing with Service personnel questions at the centre. He would ensure regularity of treatment on personnel matters, advise on questions which would need to be submitted to the Associate Minister either direct or through the Senior Assistant Secretary, and on personnel policy generally. On the same lines, a civil assistant would be attached to the Chief of Staff's Branch and the Master-General of Ordnance Branch. Similar attachments would be made to the main Branches of the other Services.

16. The basic financial control documents are the annual estimates of expenditure and the Three Years' Programme which under the new organisation would be co-ordinated at the centre. It is the Committee's belief that financial control would be strengthened by the direct link which the system would provide with the central financial programme in Defence, and also that programming and financial administration generally would be strengthened and consolidated by central control.

FUTURE OF THE SERVICE BOARDS

17. The Committee has not dealt, in this report, with the future of the Service Boards, except by reference under the heading "Powers of the Chiefs of Staff". As was stated in this reference, however, the future of the Boards has no important bearing on the Committee's recommendation for Departmental integration. The Committee assumes that its field of enquiry is wide enough to embrace the constitution and the authority of the Service Boards and unless otherwise directed, it will enquire further into these matters and present a report on them.

18. There is no need, as has already been said, to delay consideration of the Committee's other recommendations because the future of the Service Boards has not been finally determined. Indeed, it would be preferable that decision on the main recommendation for Departmental integration should be taken first.

CONCLUSIONS

19. The questions which have been raised by Cabinet have led the Committee not only to provide the answers which are given in the preceding paragraphs, but also to review and check the information which it has received and the reasoning which led to its recommendations. As a result of this review, the Committee concludes -

- (a) that there is a need for change in the present Departmental organisation;
- (b) that its earlier recommendations are sound and present the best means of improving the organisation; and
- (c) that its recommendations are practicable.

20. The Committee emphasises that the search today is for economy of effort. Resources are limited to say the least, and what there are will only be used to full effect by well co-ordinated and controlled direction of them. The logical first step for the Defence organisation is policy and programme control, which the Committee's recommendations should provide. An eventual step may well be to fully integrated Services under a single command. Acceptance of the first step as recommended by the Committee will greatly facilitate the second, if events lead far, but it is a forward step in any case.

L.J. Morshead
Chairman of the Advisory Committee