
Australian Defence: Challenges for the New Government

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With the 2013 general election now out of the way, the new government is well placed, if it has sufficient strength of purpose, to address the various issues that are at risk of engulfing the Australian Defence Force (ADF) and Defence Department. The immediate and dominant issue is that likely levels of defence funding are not enough to sustain today's ADF and simultaneously to fund its modernisation. To resolve this core inconsistency will require dispassionate analysis of Australia's evolving strategic circumstances, so that decisions on the size and preparedness of the ADF and on the rate and direction of its modernisation can have a secure foundation. This will both allow assessments of strategic risk and provide a rigorous basis for arguing for different levels of funding.

The Framework for Priority Setting

For the past forty years or so, defence policy in Australia has in effect been bipartisan. While there have been different points of emphasis from time to time, these differences have been small when compared to what the two major parties have had in common. This has meant that there has been significant consistency in the policy principles that have guided defence priorities over this period.

There has also been continuity in the kinds of hard issues that defence has faced, in particular in getting consistency between the strategic ambitions that Australia aspires to and the level of defence funding needed to achieve these goals. Closely on the heels of this dominant issue is the subsequent matter of striking the balance within the defence budget between the current force and its preparedness (the "force in being"), and force modernisation ("the future force").

This is no truer than at the present time, with the new government inheriting a situation in which the costs of strategic ambition significantly exceed realistic funding levels, now and for the foreseeable future. While this position is hardly without precedent, the pressures do seem to be more acute now than in many previous years. The challenge, therefore, is to develop options to reduce this inconsistency to more manageable levels, and in so doing perhaps to establish the strength of the case for higher levels of defence funding—that is to set out, at least at a conceptual level, the relationship between funding and strategic risk.

It is necessary first to establish a rigorous intellectual framework within which to examine such options. There are four sources for this. First is the broad

conceptual framework that has guided Australian defence policy over these past forty years.¹ Second is the Coalition's election platform *Policy for Stronger Defence*. While defence issues did not feature much at all in the 2013 general election, this document is an important point of reference.² It draws closely on the Coalition's 2000 Defence White Paper, especially the latter's statements of Australia's strategic interests and objectives.³

The relative absence of disagreement on core policy issues encourages recourse to a fourth source, the preceding Labor Government's *Defence White Paper 2013*.⁴ The new government has undertaken to publish a new white paper within eighteen months of coming into office, but in the interim the 2013 Defence White Paper represents the agreed and collective view of the senior officials involved in its drafting—not just in Defence but also in other Departments such as Treasury, Finance, Foreign Affairs and Trade, and Prime Minister and Cabinet, and the Office of National Assessments.⁵

The first component of this conceptual framework is the policy principle of *self-reliance in the defence of Australia*. On this, the Coalition's 2000 Defence White Paper includes the following:

Australia's most important long-term objective is to be able to defend our territory from direct military attack. We therefore have an overriding strategic interest in being able to protect our direct maritime approaches from intrusion by hostile forces.⁶

Our armed forces need to be able to defend Australia without relying on the combat force of other countries. This principle of self-reliance reflects, fundamentally, our sense of ourselves as a nation.⁷

The former Labor Government's 2013 Defence White Paper takes a similar line:

The highest priority ADF task is to deter and defeat armed attacks on Australia without having to rely on the combat or combat support forces of another country. ... Australia's defence policy is founded on the principle of self-reliance in deterring or defeating armed attacks on Australia, within the

¹ R. Brabin-Smith, 'The Heartland of Australia's Defence Policies', SDSC Working Paper No. 396 (Canberra: Strategic and Defence Studies Centre, 2005).

² *The Coalition's Policy for Stronger Defence* (Canberra: Brian Loughnane, September 2013).

³ Commonwealth of Australia, *Defence 2000: Our Future Defence Force* (Canberra: Department of Defence, 2000), Chapter 4, pp. 29-32.

⁴ Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013).

⁵ An interesting parallel might be found in comparing the 1975 *Strategic Basis of Australian Defence Policy* prepared for the Whitlam Labor Government and the 1976 *Australian Strategic Analysis and Defence Policy Objectives* written for the subsequent Fraser Coalition Government. There were few if any changes of substance between the two assessments. See also S. Frühling, *A History of Australian Strategic Policy Since 1945* (Canberra: Department of Defence, 2009), pp. 487, 543.

⁶ Commonwealth of Australia, *Defence 2000*, p. 30.

⁷ *Ibid.*, p. 46.

context of our Alliance with the United States and our cooperation with regional partners.⁸

The second policy principle is that there are *limits to Australia's military resources and influence*. The 2000 Defence White Paper states that:

[W]e must be realistic about the scope of our power and influence and the limits to our resources. We need to allocate our effort carefully. To do that we need to define and prioritise our strategic interests and objectives.⁹

The 2013 Defence White Paper takes a similar approach, where it says that the government's responses to security threats and opportunities will have to acknowledge

the limits of our capabilities and reach. Choices must therefore be made to guide the allocation of finite resources to deal with challenges that are most likely or most dangerous, and where our responses can be most effective.¹⁰

This theme of *choice*, and by implication *difficult choice*, recurs throughout the document.

Third is the *strong priority for operations closer to home over more-distant operations*. The 2000 Defence White Paper is quite clear on this point, with carefully gradated language that differentiates between *ensuring* the defence of Australia, *fostering* the security of our immediate neighbourhood, *promoting* stability and cooperation in Southeast Asia, *supporting* strategic stability in the wider Asia Pacific region, and *supporting* global security.¹¹ This is also the language and differentiation that the Coalition's 2013 defence platform draws on: *ensuring* the defence of Australia and its direct approaches, *fostering* the security and stability in our immediate neighbourhood, *supporting* strategic stability in the wider Asia-Pacific region, and *supporting* global security.¹²

Again, the 2013 Defence White Paper adopts a similar position, where it spells out that the tasks for the ADF, *in priority order*, are: first, to deter and defeat armed attacks on Australia; second, to contribute to stability and security in the South Pacific and Timor-Leste; third, to contribute to military contingencies in the Indo-Pacific region; and fourth, to contribute to military contingencies in support of global security. The text makes it clear that the ADF will be structured around the first two tasks, "on the understanding that

⁸ Commonwealth of Australia, *Defence White Paper 2013*, p. 28.

⁹ Commonwealth of Australia, *Defence 2000*, p. 29.

¹⁰ Commonwealth of Australia, *Defence White Paper 2013*, p. 23.

¹¹ Commonwealth of Australia, *Defence 2000*, pp. 30, 31 [emphasis added]. Page 30 also reads that "[I]n general, the closer a crisis or problem to Australia, the more important it would probably be to our security and the more likely we would be able to help to do something about it." This careful differentiation was pilloried by some commentators as advocating *concentric circles*, but the policy has evidently lasted better than its critics. See also pp. 46-53.

¹² *The Coalition's Policy for Stronger Defence*, p. 3 [emphasis added].

the resulting force structure provides capabilities that can meet other needs.”¹³ This is an important and enduring point: there is a clear differentiation between the factors which determine the size and shape of the force structure, and those which relate to its use on other tasks.

The fourth principle brings together the issues of *level of contingency* (and the degree of discretion or obligation that might apply), *warning time*, and *force expansion*. This is perhaps the core and potentially most contested subject: *what are the contingencies that the government wants the ADF to be able to handle, and within what timescales?* It calls for a balance between expenditure levels and strategic risk. The 2000 Defence White Paper takes an orthodox line, to the effect that minor contingencies might be credible in the shorter term, but that the prospect of major attack was remote and would take time to develop:

Australia today is a secure country, thanks to our geography, good relations with neighbours, a region where the prospect of inter-state conflict is low, our strong armed forces and a close alliance with the United States.

A full scale invasion of Australia ... is the least likely military contingency that Australia might face. ... it would take many years of effort to develop [the necessary capabilities].

A major attack ... remains only a remote possibility.

Minor attacks ... would be possible with the sorts of capabilities already in service or being developed by many regional countries. But such attacks would become credible only if there were a major dispute.¹⁴

The 2000 Defence White Paper also makes it explicit that planning needed to recognise that, were Australia to be attacked, we would be obliged to respond—“Even if the risk of an attack on Australia is low, the consequences would be so serious that it must be addressed”¹⁵—but leaves implicit any consideration of force expansion.

The 2013 Defence White Paper makes more explicit than many previous White Papers the need to retain “a baseline of skills, knowledge and capability as the foundation for force expansion and mobilisation should strategic circumstances deteriorate.”¹⁶ And it reassures the reader that, in spite of military modernisation in our region, “We would still expect substantial warning time of a major power attack, including dramatic deterioration in political relationships.”¹⁷

¹³ Ibid., p. 28.

¹⁴ Commonwealth of Australia, *Defence 2000*, pp. 23, 24.

¹⁵ Ibid., p. 30.

¹⁶ Commonwealth of Australia, *Defence White Paper 2013*, pp. 44, 45.

¹⁷ Ibid., p. 30. See also p. 29, including the critical need for intelligence.

It is less clear, however, on contingencies to which Australia might want to respond in the shorter term. It is as if the matter of preparedness for such contingencies has been deliberately left for resolution until after the general election. But the 2013 Defence White Paper is full of references to the current “fiscal challenge” and the need to make choices. And it seems to suggest that the choices which could be made to help balance the books include reductions to the levels of preparedness of the force in being:

Adjustments to preparedness levels in particular can take effect relatively quickly compared to longer-term basing and force structure decisions.

Maintaining a large number of ADF capabilities at high preparedness levels would reduce Australia’s strategic risk but would not be desirable or affordable against our foreseeable strategic and fiscal circumstances.¹⁸

As the preceding paragraphs have illustrated, there is much agreement between the two sides of Australian politics on the policy principles that determine defence priorities. Significant (and expensive) new policy departures by the new government can most likely be ruled out. And there is likely to be continuity of advice given to the new government by the senior officials involved in the drafting of the strategic policy assessments and force structure priorities in the 2013 Defence White Paper and the consensus that these represent. So notwithstanding the change of government since its publication, the scene is now set for completion of the work which that paper left incomplete: making the hard decisions that are needed to get better consistency between Australia’s strategic ambitions and the funds available to achieve them.

Australia’s Evolving Strategic Circumstances

It is commonplace to assert in every era that Australia faces complex, uncertain and potentially dangerous strategic circumstances. That is certainly the case now when there has been a plethora of announcements claiming that dangerous times lie ahead for Australia, even the prospect of war.¹⁹ That is not our view: while we acknowledge that the dynamics of our strategic outlook involve a greater focus on the economic strength of the Asia-Pacific and the relative growth in the power of countries such as China and India, we consider that the prospect of major power war is highly unlikely. The reasons for this are twofold: the fear of the use of nuclear weapons will remain a huge deterrent, and the world is so interconnected economically these days that there would be no winners in a major war.

¹⁸ *Ibid.*, pp. 43, 44.

¹⁹ See, for example, Hugh White, *The China Choice* (Melbourne: Black Inc., 2012); J. Brown and R. Medcalf, ‘Fixing Australia’s Incredible Defence Policy’, Lowy Institute for International Policy, October 2013, <http://www.lowyinstitute.org/files/brown_and_medcalf_fixing_australias_incredible_defence_policy_web.pdf> [Accessed 28 October 2013].

Further and importantly, we do not consider that our immediate region is likely to become threatening: rather, Southeast Asia and Australia are more likely to join in a common endeavour that seeks to manage a significant period of peace. None of this is to argue that prudent Australian defence planning should not hedge against possible adverse strategic circumstances in the longer term. But in the shorter term we have the opportunity to adjust the preparedness and size of the force in being to our current relatively undemanding circumstances. The fact is that Australia would have time to build up a high-capacity, high-technology Defence Force, one which in the longer term would be capable of deterring or acting decisively as required.

In addition to the policy principles addressed in the first part of this article, it is important to set out some further enduring principles that the new government should observe in formulating its defence policy. First, we are an island continent and our maritime approaches offer the significant advantage of strategic depth. This would pose a major challenge to any potential adversary. As *Defence White Paper 2013* observes,

An adversary would need to project power and exert control over long range and across large areas, in difficult operating environments, while attempting to protect and sustain extended lines of supply and communication.²⁰

It goes on to say, however, that military modernisation in our region reduces these geographic advantages and potential adversaries may have capabilities that can reduce the protection provided by distance.²¹ Even so, for a major power an attack on Australia would be a large-scale endeavour over long distances. And for lesser powers, it is beyond their foreseeable capabilities in any serious way.

Second, it should be a fundamental tenet of Australia's strategic policy that the scale of our contributions to contingencies be determined not only by the limits of our capacity but also our national interests. Our military resources are limited and the first call upon them must always be in respect of our own national security tasks. In the event of high-intensity conventional combat operations in our region, we would always need to hold sufficient forces to defend ourselves. Distant regional conflicts are not to be seen as necessarily calling for a major military contribution by us. This principle is bipartisan and long-standing.

Third, we need to recall some of the enduring strategic judgements of the Fraser Coalition Government's 1976 Defence White Paper. That document argued sensibly that change does not necessarily mean insecurity, and that the use of military force is not a course adopted lightly by one country

²⁰ Commonwealth of Australia, *Defence White Paper 2013*, p. 30.

²¹ *Ibid.*

against another.²² These key policy judgements have well withstood the test of time. Despite major changes in Australia's circumstances, we have been free from threat of major military attack since the end of World War II. As the 1976 White Paper argued, military action against us must appear to offer worthwhile rewards; there must be substantial political hostility or ambition for conquest or adventurism to induce one nation to organise and sustain military attack upon the sovereignty and independence of another; and there would need to be apparently favourable strategic circumstances. The conjunction of such conditions is infrequent among the nations of the world and takes time to develop.²³

Fourth is the issue of intelligence warning time and our capacity to detect the build-up of threatening military capabilities. The 1976 Defence White Paper was prescient also in this regard: it argued that major threats, requiring both military capability and political motivation, are unlikely to develop without preceding and perceptible indicators and that the final emergence of a major military threat to Australia would be a late stage in a series of developments.²⁴ This basic principle is repeated in the 2013 Defence White Paper, as we quote earlier.

Central to this judgement is a defence intelligence capability that can identify the build-up of the expeditionary capabilities and forces an adversary would require to attack Australia. This warning would allow us to expand the ADF and mobilise additional resources. The 2013 Defence White Paper observes that a strong defence intelligence collection and analytical capability is critical now, and will be even more so in the future.²⁵ As military capabilities in our region develop and modernise, the concept of intelligence warning will assume even more importance. A close watch must be maintained on whether warning time is likely to fall short of the lead times necessary to increase preparedness and to expand the ADF.

The longer the warning time afforded to defence decision-makers, the longer the time available to generate the force posture necessary to match any projected threat.²⁶ The ADF should not be held at high levels of preparedness against contingencies for which there would be significant strategic warning. This is why more attention should be given to mobilisation and the expansion base; that is, there is a need to retain a baseline of skills, knowledge and capability as a foundation for force expansion and mobilisation should strategic circumstances deteriorate.²⁷ Having a core

²² Commonwealth of Australia, *Australian Defence* (Canberra: Australian Government Publishing Service, 1976), p. 2.

²³ *Ibid.*

²⁴ *Ibid.*, p. 10.

²⁵ Commonwealth of Australia, *Defence White Paper 2013*, p. 29.

²⁶ *Ibid.*, p. 44.

²⁷ *Ibid.*, pp. 44-5.

force that can be expanded within strategic warning time is a concept that requires greater prominence in these hard economic times.

The 2013 Defence White Paper makes it clear that Australia's geography requires a maritime strategy for deterring and defeating attacks against Australia and contributing to the security of our immediate neighbourhood and the wider region.²⁸ This requires the ability to generate a joint force able to operate in a maritime environment that extends from the eastern Indian Ocean to the South Pacific and from Southeast Asia to the Southern Ocean. This amounts to about 17 per cent of the Earth's surface, which is a challenging operational task for a Defence Force of less than 60,000. The security of Southeast Asia in particular is an enduring Australian strategic interest because of its proximity to our northern approaches and crucial shipping lanes.

Although the 2000 Defence White Paper also talked about Australia needing a fundamentally maritime strategy, it did not provide much detail and was overtaken by events in Iraq and Afghanistan for the next decade. Therein lies a problem: because of our preoccupation with sending expeditionary forces to distant theatres, we have run down some of the most crucial capabilities we now need to support a maritime strategy in our own region. These include: antisubmarine warfare, mine hunting and sweeping, electronic warfare, and maritime surveillance. We need to refocus on the highly demanding nature of military operations in an archipelagic environment and the unique operating challenges that this presents. This means re-familiarising the ADF with what is involved in operating in the seas and islands of Southeast Asia and the South Pacific, and rebuilding those capabilities that have been allowed to be run down.

There are three geographical areas that require the attention of the ADF. First, it needs to reacquaint itself with the north and north-west of our continent and our maritime approaches. The Force Posture Review found some of our northern bases have inadequate logistics support and infrastructure to support high-tempo military operations.²⁹ If we are to protect our extensive maritime territory and strategically significant offshore territories and economic resources, more attention will need to be given to the adequacy of air, naval and land bases, as well as access to commercial infrastructure in the north. The new government has stated it will consider having a greater presence for our military forces in northern Australia, especially in resource-rich areas with little or no current military presence.³⁰

²⁸ *Ibid.*, p. 28.

²⁹ A. Hawke and R. Smith, *Australian Defence Force Posture Review*, Department of Defence, 30 March 2012, <<http://www.defence.gov.au/oscdf/adf-posture-review/docs/final/Report.pdf>> [Accessed 28 October 2013], p. 28.

³⁰ *The Coalition's Policy for Stronger Defence*, p. 6.

The second area of strategic focus is our immediate neighbourhood where we have important interests and responsibilities. The security and stability of our immediate neighbourhood, which we share with Papua New Guinea, Timor Leste and the small island states of the South Pacific, are interests where Australia has a central strategic role. It is a part of the world where we must be able to intervene, if requested. The drawing down of our troop presence in Timor Leste and the Solomon Islands after more than ten years does not spell an end to the requirements in the South Pacific for humanitarian and disaster relief, capacity building and governance, and potential peacekeeping operations and military intervention.

The third area of strategic focus is Southeast Asia, which is the fulcrum between the Indian Ocean and the Pacific (or what the 2013 Defence White Paper calls the Indo-Pacific). This area includes the eastern Indian Ocean and the seas of Southeast Asia. The priority we give to Southeast Asia should include being able to help Southeast Asian partners meet external challenges, particularly given the uncertainties surrounding the strategic transformation of our wider region. This means Australia should be prepared to make substantial military contributions if necessary.³¹ In this context, we need to give much more thought to the sort of ADF joint force that might be appropriate to credible Southeast Asian contingencies, as well as to how the ADF might operate in closer partnership with Southeast Asian countries as they become more militarily capable over time. This analysis must also consider the need to avoid becoming hostage to any adventurism of other countries in issues in which we are not a principal party, and the timescales in which contingencies might arise, as this would affect judgements about preparedness levels.

We will also have a modest capability to contribute to high-intensity conventional conflict in Northeast Asia. That is not, however, a part of the world where we can make a real military difference. Even so, meeting our alliance commitments to the United States could involve niche contributions by some of the high-technology assets that we acquire for our own force structure purposes and that would also be relevant to Northeast Asian contingencies.

The 2013 Defence White Paper observes that our national prosperity is underpinned by our ability to trade through Indo-Pacific maritime routes and that the ADF needs to be prepared to play a role in keeping these sea lanes secure. That should not be interpreted to mean that the ADF will be required to defend sea lanes at a great distance in the north Pacific or the western Indian Ocean. Rather, we should concentrate our efforts on operations and focal areas closer to home, including the protection of trade vital to our nation and the protection of our key ports against mining.

³¹ Commonwealth of Australia, *Defence White Paper 2013*, p. 31.

All this means that, after a decade which has been dominated by predominantly land operations in Afghanistan and the Middle East, there now needs to be a serious re-examination of what our strategic priorities mean for the force structure and its preparedness. The required shift in focus to a maritime strategy will be a major challenge and will require the Defence Force to refocus on our own part of the world. This focus should be on credible contingencies, which may include conventional conflict in the region.

The Need for Economy

It has become a common observation that, with the end of the investment phase of the mining boom, Australia's economy will have to make some painful adjustments before serious and sustainable economic growth will resume, and that public finances will be held under a tight rein for several years, perhaps for the foreseeable future. The outlook for the Defence budget is therefore one of continuing austerity, both because of government's commitment to return to conditions of budget surplus as soon as practicable—most likely taking several years—and because of the other pressures on government expenditure, such as the costs of health, Australia's ageing demographic profile, education, and infrastructure development.

While the government has undertaken to increase the percentage of GDP spent on Defence from its present 1.6 per cent to 2.0 per cent within ten years, experience tells us that this should not be regarded as likely. Dr Mark Thompson of ASPI has calculated that it would require growth rates of some 5.3 per cent per annum sustained over the whole of that period.³² There is no precedent for such sustained growth, except in wartime or acute international crisis, and even then not for such an extended period. It is simply not credible and, further, there is the challenge that Defence would face in responsibly ramping up expenditure levels at the rate envisaged.³³

Lack of publicly available information means that it is not possible to assess with accuracy the degree of shortfall between the level of funds likely to be available and the costs of sustaining the current force and implementing the ambitious modernisation plan set out in the Defence Capability Program.

³² M. Thomson, '2%--can we, should we, will we?', *The Strategist*, ASPI, 10 September 2013, <<http://www.aspistrategist.org.au/2-percent-can-we-should-we-will-we/>> [Accessed 28 October 2013]. This calculation includes reasonable assumptions about the growth of GDP over the forward ten years.

³³ It might be noted that the opportunity costs associated with moving from 1.59 per cent to 2.0 per cent of GDP would be significant; even at Australia's present level of GDP it would still be some \$6.4 billion.

Suffice it to say that such analysis as has been attempted paints a persistently gloomy picture.³⁴

One important observation is possible, however. The proportion of the defence budget that is now spent on investment has fallen to 22 per cent, when historically it has been about 33 per cent. In particular, personnel costs have risen dramatically and now account for 42 per cent of defence spending. An option to consider is to cut defence personnel numbers to find the additional \$2.85 billion a year necessary to bring the investment share of the budget back up to 33 per cent—and even that might not be enough for the modernisation program currently envisaged. Even if the civilian defence workforce were cut by half (some 10,000), it would save only about \$1.1 billion annually and still leave a shortfall of \$1.8 billion in the historic share of capital investment. This would imply that cuts to the Defence Force, whose per capita costs are some 30 per cent higher than those of civilians, would also need to be made. To reduce ADF personnel costs by \$1.8 billion would require ADF numbers to fall by some 12,500, or about 20 per cent of the ADF target strength of 59,000 full-time personnel.

Such figures serve to show the magnitude of the problem, and neither of these options should be considered lightly, if at all. The trend over many years has been to civilianise military positions where possible, not least because of the significantly higher per capita costs associated with ADF personnel. This civilianisation has been implemented either through outsourcing (that is, the greater use of industry), or through greater use of public servants. It would make no sense now to make drastic reductions to civilian numbers only to have their work carried out by more-expensive ADF personnel. Further, many Defence civilians are subject-matter experts, in areas such as intelligence, policy, science, cyber, and the Defence Materiel Organisation. Similarly, a reduction of 20 per cent to the planned strength of the ADF would imply severe reductions in capability, a step to be taken only after searching analysis of the consequences.

This is not to say that some reductions should not be made, provided the consequences have been thought through and the risks assessed. Indeed, in the likely absence of increased funding, some reductions would appear inevitable if a good balance is to be struck between the present force and the future force. Another area for attention should be the creep in military and civilian rank structures in recent years.³⁵ But it would be a mistake to believe that radical and pain-free savings are easily available. Most easy savings have already been made, through such initiatives over recent decades as

³⁴ See M. Thomson, 'Defence Funding in 2013: Means, Ends and Make Believe', *Security Challenges*, vol. 9, no. 2 (2013), pp. 51-8; M. Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014* (Canberra: Australian Strategic Policy Institute, 2013).

³⁵ See, for example, Thomson, *The Cost of Defence*, p. 50; M. Thomson and A. Davies, 'Defence', in *Agenda for Change: Strategic Choices for the Next Government*, ASPI Strategy series (Canberra: Australian Strategic Policy Institute, August 2013), p. 20.

the corporatisation and privatisation of the defence factories and dockyards in the 1980s, the market testing of non-core functions in the early 1990s, the implementation of the Defence Reform Program in the late 1990s, and the Strategic Reform Program of the 2000s.

Changes to the Defence Force: Preparedness, Size and Modernisation

What, then, do the observations on priorities set out in this article tell us about how the Defence Force might be adjusted to conform to the constraints of an austere budget outlook? What changes might best be considered to the force in being, its preparedness, and plans to modernise the force?

It is important to make clear that, over the longer term, we do not rule out situations developing in a manner adverse to Australia's interests. Defence policy must insure against such uncertainties and risks. Our military capabilities and competence must continue to command respect. In this context, it has long been a fundamental priority of Australian defence policy that we maintain a clear margin of technological superiority in our region, because we focus on capabilities, rather than on specific threats. This is becoming a greater challenge as regional defence forces acquire more sophisticated weapon systems. Therefore, modernising our Defence Force, so that it remains a highly competent, high-technology force, is fundamental.

The fact is, however, that the cost of projecting and sustaining military power is increasing and the range of our interests is expanding just as defence budgets are in effect tightening. The ADF will have to deal simultaneously with increasing sustainment costs for ageing equipment, as well as the highly ambitious new acquisition program set out in the 2009 Defence White Paper and, by and large, reiterated in the 2013 Defence White Paper. Absent large increases in the defence budget, this means government will need to be much more rigorous in setting priorities among competing military proposals than in the recent past. The current Defence Capability Plan is far too ambitious and needs to be zero-based, such that future acquisitions can be afforded and are more demonstrably relevant to our strategic circumstances. As the new government considers particularly big capability proposals, it will be important for it to understand what the scale of investment means in terms of opportunity costs, i.e. what other defence capabilities might need to be foregone.

Preparedness too needs much more rigorous treatment and analysis, both for the current force and the modernised force. As discussed earlier, this is a heartland issue. Preparedness might be imagined as a spectrum. At one end, there are force elements ready to conduct operations at short notice and sustain them for an indefinite period; there are force elements which would require some months to prepare and for which procurement action

could be necessary to ensure sustainability; other force elements, such as the Reserves, would require longer to reach the right level of readiness and sustainability; and the formation of new units, building on the expansion base, would take longer still, depending on the complexity of the skills involved and the time needed to procure materiel. There are costs associated with high levels of preparedness and in the present financial climate unnecessary levels of preparedness are wasteful and cannot be afforded.

Another important option is to re-examine the hugely expensive future defence projects, in particular the proposed twelve new submarines for about \$30 billion, 100 Joint Strike Fighters at \$16 billion, and Army's \$19 billion bid to replace its armoured and mechanised combat vehicles. These are projects which have gone well beyond the scale and potential risks of any previous big Defence projects, and which, through their sheer demands on future budgets, will crowd out other important elements of a technologically advanced force. Taken together, these three projects, costing some \$65 billion, account for fully one-quarter of the Defence Capability Plan extending out to 2030. They are by far the largest and most expensive projects that Defence will undertake—if they are in fact implemented. Let us briefly examine each of them.

Future Submarines

The most costly defence project in Australia's history will be the future submarines. They have been variously costed at anywhere between \$20 billion and \$40 billion, with the upper figure more likely to represent accurately the total program cost with project overheads.³⁶ If one adds to that through-life maintenance costs over a 25 to 30 year cycle, the total acquisition plus maintenance bill over the life of the submarines will be at least \$100 billion. This is a lot of taxpayers' money for what could well turn out to be a high risk venture if a brand-new design or evolved Collins is chosen, as was identified in the previous government's 2013 Defence White Paper.³⁷

However, unlike some other major projects in the Defence Capability Plan, submarines are a first-order priority for Australia's maritime strategy. Together with superior air combat power, they will be Australia's frontline deterrent force, with a formidable capacity to sink enemy ships and submarines. They will be equipped with an evolved version of the AN/BYG-1(V) 8 combat system developed for the US Navy's Virginia class SSN (nuclear attack submarine), and ADCAP Mark 48 torpedoes, ensuring Australia's technological advantage in submarine warfare in the region. We are the only other country in the world to operate such highly sensitive US

³⁶ A. Davies, 'The Future Submarine Project', *Security Challenges*, vol. 9, no. 2 (2013), p. 83.

³⁷ Commonwealth of Australia, *Defence White Paper 2013*, p. 83.

combat capabilities, which are already on the Collins class. These features alone will determine what type of future submarine we acquire, and where it will be built.³⁸

It will be important, however, for the new government to revisit why the 2009 Defence White Paper decided to double the number of submarines, from six to twelve, without any public justification. For the last forty-five years—including in the Cold War when Australia's Oberon class submarines operated against the Soviet Navy—we have never had more than six submarines. This does not mean that there might not be strategic justification for twelve submarines, but there was no supporting analysis in either the 2009 or the 2013 Defence White Papers. As a recent former Deputy Secretary of Defence observes "It is unclear whether there is any strategic basis to the current government's decision" to acquire twelve submarines.³⁹

The language of the 2009 Defence White Paper implied a belief that a submarine force of this size, armed with Tomahawk land-attack missiles, was needed to give Australia the option of strategic strike against China. This would be a dangerous indulgence. Rather, the primary force structure driver for the size and capabilities of Australia's future submarine fleet should be our requirement for independent submarine operations in our own region, including consideration of force expansion in the event of strategic deterioration.

Air Combat Capability

An abiding priority for Australia for many decades has been to have an air combat capability capable of the decisive use of force to deny the air approaches to the continent to a potential enemy. In the event that Australia is attacked, we must be able to dominate the sea and air gap from the military bases we have established in the north of Australia. As already mentioned, some of these bases now require logistic and fuel arrangements capable of supporting high tempo operations, as well as greater attention to their protection. As *Defence White Paper 2013* observes, the economic importance of northern Australia has increased, meaning that an effective, visible force posture in the north of the continent is necessary to demonstrate our capacity and will to defend our territory, offshore resources and extensive maritime areas.⁴⁰

Our strategic geography dictates that the primary force structure determinant of the ADF means focusing predominantly on forces that can exert air

³⁸ P. Dibb, 'A Sovereign Submarine Capability in Australia's Grand Strategy', *The Centre of Gravity Series* (Canberra: Strategic and Defence Studies Centre, ANU, December 2012), p. 3.

³⁹ P. Jennings, 'Defence Challenges After the 2013 Defence White Paper', *Policy*, vol. 29, no. 2 (Winter 2013), p. 50.

⁴⁰ Commonwealth of Australia, *Defence White Paper 2013*, p. 24.

superiority and sea denial in our approaches. The 2013 Defence White Paper observes that emerging advanced air combat and air defence capabilities within the region, together with the proliferation of modern electronic warfare systems, will make the air combat tasks of controlling the air, conducting strikes and supporting land and naval forces increasingly challenging.⁴¹ The previous government asserted that it would not allow a gap in our air combat capability to occur.⁴² As a result, as an apparently prudent measure to ensure Australia's air combat capability through the transition period to the Joint Strike Fighter (JSF), it decided to retain the twenty-four F/A-18F Super Hornets in their current air combat and strike capability configuration and, in addition, to acquire twelve EA-18G Growler electronic attack aircraft instead of converting twelve of the existing Super Hornets into the Growler configuration.⁴³

Australia's will be the only defence force other than America's to operate Growler, which will give us a major advantage of being able to suppress enemy air defences in the event of a serious regional conflict. Given the importance of electronic warfare in modern high-intensity warfare, this decision is welcome, as it will help fill a significant capability gap, although there is scope to question the apparent urgency of the decision and the effect that the \$2.77 billion cost will have on the Defence Capability Plan, as well as the associated Net Personnel and Operating Costs (NPOC) amounting to a further \$3.14 billion over seventeen years.⁴⁴

The decisions involving the acquisition of Super Hornets must inevitably affect future decisions surrounding numbers of Joint Strike Fighters. It will also lead eventually to the increased costs of operating a mixed fleet of Super Hornets and JSFs with two separate operating, training, engineering and logistics systems.⁴⁵

A risk for Australia's air power capabilities is that decisions on significant numbers of JSF will be delayed such that they compete for available money with the future submarines. We are firmly of the view, however, that decisions on the JSF—whether to continue with acquisition and how many to acquire—should be deferred until there is clarification about the technological faults and delays involved and the likely final costs.

Army Modernisation

The Army has been heavily involved in Afghanistan since 2001 and the South Pacific since 1999, and has changed as a consequence. It has grown

⁴¹ *Ibid.*, p. 88.

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ J. Blackburn, 'The Future for Aerospace Forces', *Security Challenges*, vol. 9, no. 2 (2013), p. 69.

⁴⁵ *Ibid.*, p. 70.

from less than 25,000 in the year 2000 to 30,000 today. The Army now accounts for half of our Regular Armed Forces and the vast majority of our Reserves. Its program costs at \$5.3 billion a year are about \$1 billion year more than either Navy (\$4.3 billion) or Air Force (\$4.2 billion).⁴⁶ Army undoubtedly has done much of the ADF's heavy lifting in the last fourteen years: it did an outstanding job in Timor Leste and its contribution to the conflict in Afghanistan has been very demanding for over a decade. Now, however, it faces a different strategic challenge: it must adjust or face the sort of traumas that it brought on itself after Vietnam.

It is worth recalling that in the mid-1980s, more than a decade after the end of the Vietnam War, the Australian Army was still struggling with the government's directive that it focus on the defence of Australia. The Army Office prepared the *Army Development Guide*, which postulated a conventional military threat where the enemy had lodged essentially a four-brigade divisional group (including supporting troops). It proposed that Australia would require a field force element of some 135,000 personnel, and the whole Army some 270,000 personnel.⁴⁷ As an interim measure, Army argued for an Objective Force-in-Being with a strength of 94,000, which would provide the base from which expansion for higher levels of conflict could occur. Army recognised that it would not be possible to man this Objective Force-in-Being in the foreseeable future even with full use of the Reserves. But it took the view that the force structure and capabilities needed in the expansion base for this force would be suited also for countering shorter-term credible contingencies.

Needless to say, this concept did not conform with the government's strategic guidance. The then Chief of the General Staff, Lieutenant-General Peter Gratton, accepted that this was not a sensible basis for future force planning for the Army. In this context, the assertion recently by some that Defence civilians presided over the strategies that allegedly ran the Australian Army down during the 1980s and 1990s has no substance.⁴⁸ It needs to be clearly understood that it is the Australian Government that makes the decisions (not the ADF or defence civilians), based on the merits of the arguments presented to it and its own judgements.

What is the relevance of this to today? The Army appears again to be struggling to come up with force structure priorities relevant to Australia's new strategic circumstances. Under Project Land 400, it has proposed a \$19 billion project to replace all of Army's armoured and mechanised fighting vehicles. The aim of this costly proposition is to be able to defeat "a peer in

⁴⁶ Thomson, *The Cost of Defence*, p. 58.

⁴⁷ *Review of Australia's Defence Capabilities*, March 1986, p. 84.

⁴⁸ P. Leahy, 'The Future for Land Forces', *Security Challenges*, vol. 9, no. 2 (2013), pp. 65-6.

terms of military capability” on the battlefield.⁴⁹ To our knowledge, there is no endorsed strategic guidance—either classified or in the public domain—that would underpin such a provocative idea. The question needs to be asked: which peer competitor—is it in Southeast Asia or the Middle East, or elsewhere?

Army would be much better advised to focus on the serious challenge ahead of adjusting to its new role with the ADF's greatly enhanced amphibious capability, based on the two new 27,000 tonne LHDs (Landing Helicopter Dock). They will be the largest ships ever operated by the ADF and will represent what the 2013 Defence White Paper terms "a step change" in the way Australia deploys its land forces and their supporting systems in amphibious operations.⁵⁰ The initial focus will be on security, stabilisation, humanitarian assistance and disaster relief tasks. Of course, the LHDs will be able to operate much further afield, but if they were to undertake high-intensity operations it would take a great deal of the ADF's key military assets, including substantial elements of the Navy and the Air Force, to protect them. The demands of such operations in a hostile environment would risk the ADF becoming a one-shot Defence Force—something we must avoid, especially if the potential operational gain were not worth the strategic risk and were to compromise the ADF's ability to defend the Australian homeland.

It would be extremely unwise for Army to dismiss its new amphibious challenge as "a narrow role as a strategic goalkeeper for the defence of Australia or for limited paramilitary duties in the South Pacific".⁵¹ What does Army have in mind instead? Is it an opposed amphibious landing against a peer competitor army? In fact, the Chief of Army acknowledges that even permissive entry operations are formidable and that "land effects from sea platforms is the most demanding military task that can be asked of a joint force".⁵²

In our view, Army is on much sounder ground with its Plan Beersheba. This aims to restructure the Army into three multi-role combat brigades with similar organisational structures including armour, artillery, infantry, communications, engineer and aviation elements. This means Army would have the capability to deploy and rotate a brigade size force.⁵³ Each multi-role combat brigade would be supported by two Reserve Brigades. This would allow a "Total Force" concept where multi-role brigades could be

⁴⁹ Speech to the Australian Strategic Policy Institute by the Chief of Army, 11 April 2012. In a later speech to the RAN's Seapower Conference on 7 October 2013, the Chief of Army talks about "a peer competitor or a potent irregular enemy".

⁵⁰ Commonwealth of Australia, *Defence White Paper 2013*, p. 77.

⁵¹ Leahy, 'The Future for Land Forces', p. 65.

⁵² Chief of Army address to the Chief of Navy's Sea Power Conference, Sydney, 7 October 2013, pp. 14-5.

⁵³ Leahy, 'The Future for Land Forces', p. 61.

deployed or elements of them deployed separately on discrete tasks.⁵⁴ Being able to deploy and sustain a brigade in our immediate region, or for credible contingencies on Australian territory, would clearly be of strategic relevance.

It is not clear, however, what the additional personnel, equipment, training and maintenance costs would be, or the degree of preparedness that would be appropriate. It is unlikely that an “ideal” approach could be afforded—that is, would command sufficient priority in times of financial austerity—so it would be necessary to look at less expensive options, perhaps based on smaller or less capable brigades, or options that had one or more brigades that made less use of Regular personnel and greater use of the Reserves. Such options would acknowledge that relevant contingencies would take time to emerge, giving Australia time to increase the preparedness of those force elements which were not yet ready to deploy. It would also accept that, other matters being equal, it takes less time to train many Army personnel than those in the ADF requiring more technically demanding or complex skills.

Care would need to be taken to ensure that these brigades did not mutate into heavy armoured forces suitable for contributions to coalition forces in high-intensity conflicts, as the Howard Government's 2000 Defence White Paper warned against.⁵⁵

These three examples of highly expensive force structure proposals in the Defence Capability Plan, costing in excess of \$60 billion in acquisition costs alone (and at least another \$120 billion in sustainment costs over their expected life-in-service), raise some serious questions about their affordability and strategic relevance in our current circumstances.

Conclusions

In this article we have argued that there is a set of enduring policy principles that have guided the defence policies of both sides of Australian politics, and that defence policy in Australia is in effect bipartisan. We should therefore not expect any surprises as the new Coalition Government comes to terms with the challenge of reducing the gap between the cost of Australia's strategic ambitions and the funds available to achieve them. Given the size of this gap, and the prospect of enduring austerity in the defence budget, this challenge will prove formidable.

We have developed these policy principles to see how they might best be applied in contemporary circumstances. We have demonstrated that the policy focus on the defence of Australia and operations in our immediate

⁵⁴ Commonwealth of Australia, *Defence White Paper 2013*, p. 85.

⁵⁵ Commonwealth of Australia, *Defence 2000*, p. 79.

region continues to be inviolable, especially with the expected continued growth of the economies and military potential of the major and middle powers of the Indo-Pacific. We have re-emphasised the centrality of a strategy that is maritime in focus.

But the nature of the imbalance between the costs of the ambition set out in the 2009 and 2013 Defence White Papers of the previous Labor Government and likely funding levels means that there are no easy solutions to the challenge of restoring the balance. Essentially, there will have to be reductions both to the preparedness (and therefore potentially also to the size) of the force in being and to the modernisation program. In judging the best balance implied by this choice between the present and the future, it is important that expediency not cause undue weight to be given to preserving the force in being at the expense of the future force. Australia's strategic circumstances are relatively benign at present but the longer term future, on which the more critical and costly parts of the modernisation program are focused, is likely to prove much more demanding.

These observations require that renewed attention be given in defence planning to using the ideas of warning time, the core force, preparedness and the expansion base, and to acknowledging the need to identify and manage strategic risk. They imply that force elements which can be expanded relatively quickly should now be reduced, especially with the pending draw-down from Afghanistan. They imply that those force elements which have long lead-times and which are critical to a maritime strategy should continue to receive priority, although even here there could well be scope in the shorter term to go to lower levels of preparedness, at least selectively.

Giving priority to modernisation, however, does not imply that there is no scope to review the modernisation program. As we have argued, there is a need to review the capability and size of the Future Submarine force, and the numbers of JSF to be acquired, in spite of the centrality of both capabilities to a successful maritime strategy. Modernisation proposals for the Army are, however, in a different category. In brief, the government should instruct the Army to abandon its preoccupation with planning for fighting a "peer competitor" and to focus instead on more credible contingencies involving the defence of Australia and our nearer maritime region, including Southeast Asia.

Importantly, the process of reviewing preparedness and modernisation should lead to a clear understanding of any additional strategic risks being run—that is, the risk that Australia's ability to respond to a contingency would not be timely or strong enough. Such analysis would of course need to differentiate between those contingencies to which Australia would be obliged to respond and those for which a response would be discretionary. It would provide a solid basis for discussions with other areas of government

concerning levels of defence funding—and a far more substantive argument than assertions based only on percentages of GDP.

For our part, were the funding situation to prove less dire than we have anticipated, we would advocate a strong preference for maritime capabilities and their modernisation. This is not to say that the Army should be ignored but, rather, in the hard world of decision-making on resource allocation, our priorities have to reflect the enduring reality of Australia's strategic geography.

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