
The Making of the 2009 Defence White Paper

Patrick Walters

This article examines the key drivers that informed the Rudd Government's new blueprint for Australia's defence, including the political, strategic and financial settings. Kevin Rudd's firm views about the changing power balance amongst the Asia-Pacific region's great powers, led by the rise of China, have ensured that this unfolding strategic shift has already had a decisive impact on Australia's planned defence force in 2030. The production of the 2009 White Paper, the fifth since the landmark 1976 document, comprised a much broader review of Defence activity than has usually been the case. It included the commissioning of eight internal companion reviews, an intelligence capability review, and a defence procurement review, together with a separate comprehensive audit of the Defence budget by an external consultant. Hard challenges will lie ahead for Australia's defence establishment if it is to deliver the more potent defence force envisaged in *Force 2030*.

The Political Background

The Australian Labor Party and its new leader, Kevin Rudd, determined in 2007 that the preparation of a new Defence White Paper should be a core election promise. In November 2007 Rudd, as Opposition leader, pledged in his election eve policy speech that work would begin on a new White Paper soon after Labor won office. Rudd argued that a new White Paper was essential in the face of a more dynamic global security environment, saying Australia had to be prepared for a greater range of contingencies that could impact on the nation's security. Right from the start, the Prime Minister was at the centre of the White Paper's production, exercising a powerful influence on its core assumptions as well as its ambitious force structure. Rudd's hands-on approach to defence planning has been complemented by his continuing commitment to Labor's traditional foreign policy tenets emphasising the US alliance, active multilateral engagement through the United Nations, and comprehensive regional engagement. When it comes to Australia's defence strategy, he has adopted a hard-headed realist position on the future of inter-state warfare and great power relations in the Asia-Pacific region.

From the time he became Opposition leader in late 2006, Rudd sought to bolster Labor's national security credentials, conscious that the Howard Government had massively lifted investment in Australia's defence and national security agencies from the advent of the 2000 Defence White Paper and, particularly, in the aftermath of 9/11. Rudd is convinced that Australia faces a much more complex array of national security challenges in the next

twenty years, including novel threats such as climate change. The publication of a new White Paper was seen as the most politically effective vehicle for the new government to demonstrate its commitment to tackle Australia's emerging national security concerns.

Labor's election policy statement on defence issued in late 2007 argued that much had changed since the Howard Government's 2000 Defence White Paper. It pointed to a string of events, beginning with the terrorist attacks of 9/11 and including the Bali bombings and defence deployments to Iraq, Afghanistan, East Timor, and the Solomon Islands as highlighting the urgency of developing a more up-to-date strategy for Australia's defence.

Labor's new defence white paper will ensure that Australia's defence capability requirements are achievable and shaped by our long-term strategic priorities, rather than the short-term political objectives practiced by the Howard Government

the document said. It promised a "more rigorous" assessment of the connections between strategic objectives, force planning and capability priorities. The election manifesto said a Rudd Labor Government would maintain and enhance Australia's capacity for independent military operations in our own region

with strong military capabilities able to dominate our air and sea approaches and to move joint forces quickly, with superior fire power, to carry out their missions.¹

The new White Paper would address the requirement for the Australian Defence Force (ADF) to respond to a wider range of contingencies as well as the enduring strategic tasks defined in the 2000 White Paper, starting with the self-reliant defence of Australia.

In government, Kevin Rudd moved quickly to implement the key elements of Labor's defence and national security platform. This included the vital pledge to maintain annual real spending increases of 3% in the Defence budget. In addition to commissioning a new Defence White Paper, the government also authorised a comprehensive financial audit of the defence budget (the Pappas review) and another review into the effectiveness of reforms to the Defence Materiel Organisation (DMO), the Mortimer review. An air combat capability review examined the future options for the Air Force following the planned 2010 retirement of the F-111 strike force.

In his first major speech as defence minister in July 2008, Joel Fitzgibbon said he was determined to ensure that defence and national security did not prove to be an "electoral albatross" for the new Labor Government. Fitzgibbon criticised the Howard Government's failure to review Australia's strategic outlook since the 2000 White Paper, arguing that the delay had

¹ *Labor's Plan for Defence*, Election 2007 Policy Document, November 2007, p. 2

produced a disconnect between strategic guidance and force structure planning. He also cited a number of emerging concerns for Australia's security planners, including the rise of China and India, advances in cyber-warfare technologies, and the emerging risk of weapons of mass destruction in the hands of non-state actors. As work progressed in 2008 on the new White Paper, Kevin Rudd also moved to strengthen national security policy and planning with the creation of the new post of national security adviser in the Department of Prime Minister and Cabinet (PM&C), together with an expansion of the department's national security policy group.

On 4 December 2008, Rudd delivered what he called Australia's first national security statement to Federal Parliament.² The Prime Minister argued the case for a more integrated national security strategy and greater institutional agility in a face of a rapidly changing global and regional order. He said Australia would seek to develop, wherever possible, self-reliance across the range of relevant national security capabilities, in order to contribute more effectively both to its own security and that of its close allies. In his parliamentary statement, Rudd also foreshadowed a range of reforms to the Defence establishment to ensure the ADF remained a "world class defence force." He identified a key requirement for greater rigour in defence capability planning and greater certainty in the long-term funding of Defence.

Months later, with the White Paper's publication just days away, Rudd warned that framing a new defence plan had been greatly complicated by the global financial crisis and its sharp impact on the Australian economy. He described the current economic environment as the most difficult time in the modern era to frame long-term defence planning. But the Prime Minister resisted pressure to change the key assumptions contained in the White Paper, including the generous funding model giving the defence budget 3% annual real growth out to 2018.³

The Strategic Outlook

At the launch of the White Paper on 2 May 2009, Kevin Rudd stressed that Australia's alliance with the United States would remain the bedrock on which the country's national security is built. The document judges that the United States will remain the most powerful and influential military actor out to 2030. No other great power will be able to challenge US strategic primacy in East Asia in the near term.

But the heart of the White Paper, the proposed force structure for 2030, reflects the Prime Minister's deep concerns about evolving military capabilities in East Asia, dominated by the far-reaching strategic consequences of China's rise. During 2008, as the White Paper was being

² Kevin Rudd, National Security Statement to the Australian Parliament, 4 December 2008.

³ Kevin Rudd, Address to the Australia-Israel Chamber of Commerce, Melbourne, 24 April 2009.

drafted, Kevin Rudd spoke about the unprecedented challenges Australia would have to face in the emerging Asia-Pacific century. In a speech to the RSL National Congress in September 2008, Rudd called for a new approach to ensure that Australia could meet the “full breadth of the threat spectrum that now confronts us”, pointing to the need to sharply lift investment in maritime defence capabilities. He then detailed the threats: the increasing militarisation of Australia’s region, terrorism, the challenges of sovereignty facing the smaller Pacific Island states, and the new challenges of energy security and the potential wide-scale impact of climate change on food and water security.

The demographic changes in our region will mean that by 2020 when we look to our north we will see a very different region to the one we see now, where population, food, water and energy resources will be great.⁴

The Prime Minister went on to say that China would drive much of the change in the Asia-Pacific region, and foreshadowed a substantial arms build-up in the region over the next generation. At a press conference at the same venue he spoke of the rise of “huge new powers in our own region” and “huge increases in military spending here in our own region, our own neighbourhood, our own backyard.” These developments would challenge Australia’s ability to defend its own sea-lines of communication.

As a nation you have got to be serious about defending your sea-lines of communication in the future. And that means having sufficient naval capability to do it, and it means planning ahead to the middle of the century to make sure that those ships, subsurface and surface ships are planned for, that they are invested in and the personnel necessary to keep them operating are there

Rudd said. At the launch of the new White Paper, the Prime Minister reiterated the strategic impact that a resurgent China would have by 2030, when it would be Asia’s strongest military power by a wide margin.

The 2009 White Paper postulates that it is premature to judge that inter-state conflict has been eliminated as a feature of the international system, concluding that

Shows of force by rising powers are likely to become more common as their military capabilities expand. Growing economic interdependence will not preclude inter-state or conflicts or tensions short of war, especially over resources or political differences⁵

It judges that over time, there are likely to be tensions between the major powers of the region where the interests of the great powers intersect. The government’s assessment of a more fluid and unpredictable strategic outlook

⁴ Kevin Rudd, Address to the RSL National Congress, Townsville, 9 September 2008 p.3

⁵ Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: Commonwealth of Australia, 2009), para. 2.18.

informs its key judgement that the main role of the ADF should continue to be an ability to engage in conventional combat against the armed forces of other nation states. At the White Paper launch, Kevin Rudd summed up the principal tasks envisaged for the future ADF:

One, the defence of Australia. Two, particular requirements for interventions of a humanitarian or security nature in the South Pacific area. Three, engaging in wider military activity in South-East Asia as its appropriate in the circumstances. And on top of that to engage in wider coalition operations in support of global security of the type which we are currently engaged in in Afghanistan.

That is the logical hierarchy for Australia to consider its future defence operations, consistent with a rational analysis of Australia's national security requirements. It begins at home, it goes to the immediate neighbourhood, it is mindful of what is happening in the wider Asia-Pacific region and acutely mindful of our obligations to be part of the international community in enhancing a rules-based global security order.⁶

The White Paper makes it clear that it is not a "principal task" for the ADF to be generally prepared to deploy to the Middle East, or Central and South Asia or Africa, in circumstances which could involve ground operations against heavily armed adversaries.

In its treatment of China, the White Paper points to a number of concerns over the pace and structure of Beijing's military modernisation and the need for greater transparency when it comes to dealing with regional neighbours.

If it does not, there is likely to be a question in the minds of regional states about the long-term strategic purpose of its force development plans, particularly as the modernisation appears to be beyond the scope of what would be required for a conflict over Taiwan.⁷

The continued stability of Indonesia is judged to be one of the most important aspects of Australia's strategic outlook, with the Rudd Government professing a strong commitment to Indonesia's territorial integrity.

A weak and fragmented Indonesia would be a strategic liability for our security and would almost certainly require a heightened defence posture on Australia's part. The government was conscious of this when considering the future development of the ADF.⁸

In South-East Asia, the White Paper observes that ASEAN nations will continue to have to deal with a range of security issues including terrorism, local insurgencies and communal violence. It judges that effective counter-terrorism responses should continue to limit the growth of local Islamist extremist networks and that, crucially for Australia, Indonesia should

⁶ Kevin Rudd, Press Conference at the launch of the Defence White Paper, Garden Island, 2 May 2009, p. 2.

⁷ See Department of Defence, *Force 2030*, para. 4.27.

⁸ *Ibid.*, para. 5.10.

continue to evolve as a “stable democratic state with improved social cohesion.”⁹ It is the government’s view that most regional nations will be constrained in their military acquisition programs by fiscal and technological factors and only slowly develop the capacity to deploy the essential capabilities required for the projection of military power.

Closer to home, long-term security challenges will remain for Australia in assisting many South Pacific island states and East Timor. The White Paper argues that

Weak governance, crime and social challenges will continue to jeopardise economic development and community resilience, against a background of climate change (to which many of these states are vulnerable) and more frequent natural disasters. On occasion, these factors will cause security problems of the kind to which Australia may need to respond directly with appropriate forms of humanitarian and security assistance, including by way of ADF deployments.¹⁰

The document also deals with another emerging security concern that Kevin Rudd has returned to a number of times since the government took office, climate change and resource security. It says these issues are likely to exacerbate already significant population, infrastructure and governance problems in developing countries, including some South Pacific nations. “Large-scale strategic consequences of climate change are not likely to be felt before 2030,” the White Paper says.¹¹ In the interim, more frequent natural disasters are likely to increase demands on the Australian military and other government agencies to provide humanitarian relief.

The White Paper also addresses the risk of more fundamental changes in Australia’s strategic circumstances over the next twenty years. It acknowledges that any diminution in the capacity and willingness of the United States to act as a stabilising force in the region would require a wholesale reassessment of the core assumptions that underpin the proposed force structure in 2030.

In view of the more uncertain strategic outlook, the Rudd Government has determined it will prepare a new Defence White Paper every five years. In the year before the government issues its quinquennial White Paper, it intends to conduct a strategic risk assessment, a comprehensive force structure review, and an independent audit of the Defence establishment to confirm the affordability of capability plans and make adjustments, should circumstances dictate.

⁹ Ibid., para. 4.23.

¹⁰ Ibid., para. 4.35.

¹¹ Ibid., para 4.61.

The Financial Settings

On 30 July 2008, then defence minister Joel Fitzgibbon announced a wide-ranging external audit of the Defence budget to be undertaken by George Pappas, a former senior vice president of the Boston Consulting Group. This new audit, an election pledge by the Rudd Government, followed an earlier ministerial directive by Fitzgibbon, tasking the Defence Department with finding savings of \$10 billion over the next decade to be reinvested in higher defence priorities.

The result of the Department's planned internal savings and efficiency drive, together with the Pappas review, and a series of companion reviews in 2008 covering all key areas of defence activity including logistics, personnel and the DMO is that Defence has now been charged with the ambitious goal of delivering an unprecedented \$20 billion worth of gross savings over the decade to 2019. The savings from this Strategic Reform Program (SRP), as it is now officially known, are earmarked to help pay for expensive new capabilities coming into service from the latter half of the next decade. Unless Defence can realise a net savings target of \$18.2 billion over the decade, the broad-ranging capabilities detailed in the 2009 Defence White Paper are unlikely to be delivered. As a number of commentators have already observed, achieving this unprecedented savings goal will require genuine reform of the defence establishment on a scale not attempted in the recent past.¹²

Notwithstanding the sharp impact of the global recession on the federal budget's bottom line, the Rudd Government firmly resisted pressure to cut defence spending. During 2008, Joel Fitzgibbon and Kevin Rudd pledged a long-term "properly costed" defence planning document that would bring new discipline to capability planning.¹³ When it finally appeared, the White Paper promised what none of its predecessors had ever attempted: a long term funding horizon, precisely costed, out to 2030, 21 years into the future. It is the government's boast that over that period the White Paper is balanced, affordable and funded.

The key funding principles are 3% real growth in the defence budget out to 2017-18, and then 2.2% real growth from 2018-19 to 2030. The Rudd Government has pledged that the defence budget will receive fixed indexation amounting to 2.5% per annum out to 2030. According to the budget papers, over the 21 years to 2029-30, Defence will get an extra \$146 billion to fully fund the White Paper. Over the next decade, Defence will receive total funding of \$308 billion. The White Paper's penultimate paragraph asserts that

¹² See Mark Thomson, *The Cost of Defence, ASPI Defence Budget Brief 2009-10* (Canberra: Australian Strategic Policy Institute, 2009).

¹³ Kevin Rudd, Speech to the Kokoda Foundation Australia-US Trilogy, 20 November 2008.

The government has committed to sustainable funding arrangements for the Defence budget in future years to provide funding certainty for planning and real funding growth to meet the growing cost of the military equipment we will need in an increasingly demanding world.¹⁴

But the 2009 federal budget papers raise genuine concerns as to whether the White Paper's ambitious funding and savings targets will be met, even in the near term. Already the benefits promised by the fixed price indexation of the defence budget have been deferred by seven years, with the promised extra money from the measure to be returned from 2016-17. Billions of dollars of spending planned over the next four years, including the slippage of several major capital equipment acquisitions, have also been deferred well into the next decade.

The toughest challenge in the shorter term will be to realise the necessary savings from the SRP. With the Rudd Government declining to release the findings of the Pappas Review, many of the key assumptions about the quantum of savings assumed under the program will remain untested and free from external scrutiny.

The SRP is designed to change the way Defence does business across the board, resulting in a gross savings target of \$20 billion over the next decade. This money is destined to be returned to Defence to deliver planned capabilities, as well as modernising defence's business systems including inventory management. A new "output focused" budget management model in theory will allow senior managers in Defence greater authority and autonomy to manage their budgets and non-financial inputs. The SRP savings component consists of 15 separate reform streams, which will take from three to five years to implement and deliver the planned savings. These include smart maintenance, non-equipment procurement, workforce and shared services, information and communications technology, logistics and inventory management. The smart maintenance reform stream is earmarked to deliver \$4.4 billion of savings over ten years while the non-equipment procurement stream, targeting 23 categories of support service expenditure, is aimed to deliver up to \$4.5 billion of savings over the same period.

Australia's defence leaders are utterly confident that the SRP, in contrast to the Defence Department's previous stalled attempts to meet stated savings and efficiency goals, will deliver what the 2009 White Paper demands. "These are ambitious targets that we have set and a very ambitious agenda of reform," the Secretary of the Defence Department, Nick Warner, declared.

But if we get this right-and we will get this right-it will fundamentally change the way that Defence does business, prioritises its resources, and allocates resources. In doing that it will not only make defence more efficient and

¹⁴ DWP 2009, chapter 18 paragraph 18.11.

more effective, it will actually make it a better place to work and a better institution for Australia.¹⁵

In addition to an internal co-ordination team headed up by a specially appointed deputy secretary, the Defence Department's handling of the SRP will be overseen by a high-level board chaired by an independent business professional. The Defence Strategic Reform Advisory Board will include the Secretaries of PM&C, the Treasury, Finance, Defence as well as the Chief of the Defence Force and the Chief Executive Officer of the DMO. This board is due to report to the Minister for Defence every three months and will be the key mechanism by which the government will be able to judge the success of the massive reform task now getting underway in Defence.

The Writing of the 2009 Defence White Paper

Work on the 2009 White Paper officially began in February 2008 with the appointment of Michael Pezzullo, deputy secretary strategy in the Defence Department, as the principal author. Pezzullo was assisted by two senior officials, Major General John Cantwell, and Ms Maria Fernandez, with separate responsibilities for force structure issues and the eight companion reviews of the Defence organisation respectively. In all, around 100 full-time equivalent defence officials were involved in the preparation of the 2009 document, of which up to 16 were in the dedicated drafting team and the remainder spread across various Defence agencies doing specific work on force structure issues or the companion reviews that examined every area of Defence business.¹⁶ The Minister for Defence also appointed a ministerial advisory panel, consisting of three senior defence experts, to act as his own sounding board. This panel met approximately every six weeks with the minister throughout the drafting process, and occasionally with senior Defence officials charged with overseeing the production of the White Paper. Separate to these processes, the government also commissioned a White Paper community consultation team, chaired by Stephen Loosley, which held 30 public community consultations across Australia during 2008 and received 450 written submissions.

Cabinet's National Security Committee (NSC) met regularly to discuss the shape of the White Paper during 2008, including a long discussion on Australia's strategic outlook early in the process. Separately to the formal NSC deliberations, individual ministers also met to discuss specific elements of the White Paper during the course of the year. According to Michael Pezzullo, a "very closely engaged" Prime Minister and his fellow NSC ministers plus finance minister, Lindsay Tanner, had extensive exposure and involvement in the development of the White Paper through to December 2008, by which time the draft document was complete.

¹⁵ Nick Warner, Senate Foreign Affairs, Defence and Trade Legislation Committee Budget Estimates Hearing, Defence Portfolio, 4 June 2009, p. 25.

¹⁶ Michael Pezzullo, personal communication, 11 June 2009.

The strategic philosophy, underpinnings and framework were certainly settled by the latter part of 2008, with consideration of the text in the early part of 2009

Pezzullo recalls.¹⁷ During early 2009, budget cabinet ministers also considered the financial assumptions underpinning the White Paper, with the global financial crisis forcing adjustments to Defence's spending plans over the forward estimates period out to 2013.

The Challenge to Deliver

The 2009 Defence White Paper is the most ambitious defence blueprint to be delivered by an Australian Government since the Second World War. The massive planned boost to the Navy in the form of new submarines and surface ships, and the large investment in air power, promises to transform Australia's defence. No previous Australian Government has prepared detailed financial plans for Defence beyond a ten year horizon, and the real funding boost proposed for the defence budget out to 2030 will require the bipartisan support of the Parliament.

The challenge to deliver the kinds of capabilities foreshadowed in the White Paper will require a thorough shake-up of Defence culture, in addition to the long-run imposition of a stringent financial discipline. The ten year, \$20 billion savings goal is just the cornerstone of a broader change management agenda that Defence must undertake if *Force 2030* is to become a reality. The imposition of regular strategic risk assessments and budget audits as part of a quinquennial Defence White Paper process will assist Defence in meeting the targets outlined in the 2009 White Paper.

Delivering *Force 2030* will demand far more efficient management of capital acquisition projects by the DMO, and further cultural reforms within that organisation. Building the new maritime force structure will also involve major tests for Australian defence industry, particularly in the naval shipbuilding sector. How the government handles the future of its wholly government-owned submarine builder, ASC, will be fundamental to the successful build of 12 next generation submarines. A more careful delineation of priority industry capabilities will be required if the local defence industry is to meet the challenge of building and sustaining *Force 2030*.

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¹⁷ Ibid.