

# DEFENCE CHALLENGES AFTER THE 2013 WHITE PAPER

Defence policy will need a re-think after this year's federal election, writes **Peter Jennings**

Launched in early May in a Canberra aircraft hangar filled with expensive military equipment, the government's Defence White Paper 2013 has received mixed reviews. The document sets out a sensible response to strategic changes taking place in the Asia-Pacific, but it misleads on defence funding, claiming that the ambitious equipment plan in the Defence White Paper 2009 can still be delivered at much lower long-term levels of defence spending. The release of the white paper so close to an election means it will be inevitably left to future governments to tackle the unpleasant job of scaling back equipment acquisition plans or looking for additional resources to fund Defence at a time when government revenue is not growing as fast as expected.

Developing a new agenda for defence policy reform will be an essential task for whichever government is elected in 2013. The need is not contingent on whether the opposition will be elected or the government is returned. Whichever party forms government, the need for sweeping change in Defence will impose a policy rethink. The gap between fiscal reality and current policy settings has simply become so stark, and the rhetoric of ministerial speeches and media statements so threadbare, that a reconciliation must happen.

## 2013 White Paper: Fitted for but not with money

Defence white papers have an iconic significance for Canberra planners. They are intended to be definitive statements of policy, setting out plans for military spending that look 20 or more years into the future. The 2013 white paper has had a difficult gestation. It was commissioned in May 2012 just days before the budget implemented a massive \$5 billion cut in defence spending. At the new

white paper's launch, then Prime Minister Julia Gillard and Minister for Defence Stephen Smith continued to maintain that all key defence equipment acquisitions proposed in the 2009 white paper would be delivered, notwithstanding that the 2009 statement was built around a major spending growth plan lasting two decades. Things are changing fast in the current policy environment. Mark Thomson from the Australian Strategic Policy Institute (see interview on p. 53) estimates that since 2009, far from growing, Defence has had more than \$24 billion cut or deferred into the distant future. The 2013 white paper could have addressed this problem by setting out a more modest, lower-cost strategy, but the government has been captured by its own rhetoric and cannot or will not walk away from the big talk of the 2009 expansion plan even though the budget has been gutted. No one with even a passing acquaintance of defence issues believes it is possible to deliver the 2009 plan on 2013 funding.

On strategy, the 2013 white paper 'pivots' the ADF back to closer engagement in our region. Defence is going through a massive transition from focusing on a major operation in Afghanistan and two smaller long-term



**Peter Jennings** is Executive Director of the Australian Strategic Policy Institute and a former Deputy Secretary in Defence. He writes frequently on defence and security at [www.aspistrategist.org.au](http://www.aspistrategist.org.au).

deployments in East Timor and the Solomon Islands. All three missions will wind up by 2014, leaving in place much smaller Defence training roles. (There is a possibility that some Special Force troops will remain in Afghanistan, depending on whether Kabul agrees to the United States and its allies maintaining that combat role.) If no new military operational task emerges, by 2014 the Australian Defence Force (ADF) will be in a period of deep peace. That needs to be offset against the growing pace of strategic change in our region and an emerging sharper-edged competitive behaviour involving the United States, China, Japan, South Korea, India, Indonesia, and the ASEAN countries.

The 2013 white paper responds to these developments by highlighting the importance of building defence connections in the region. This is partly to establish trust, but it also ensures that Australia retains a voice and an influence in a competitive region. The white paper proposes deepening relations with Indonesia and reinvesting in defence cooperation with Papua New Guinea. It points to a rapidly growing strategic relationship with Japan and to the potential for closer cooperation with Tokyo on industry matters. It is welcome that the white paper takes a broad approach on Australia's strategic interests. Don't be fooled by the language stressing continuity between this document on the one hand and the *Asian Century White Paper* and *National Security Strategy* on the other. Of these three, the Defence white paper reflects a more sophisticated approach. Further work needs to be done to develop the idea of an 'Indo-Pacific strategic arc,' but that is a more realistic way to think about Australia's interests than the *Asian Century White Paper's* approach, which is to emphasise a narrow set of relationships with a limited number of countries in a region at permanent peace. It is also pleasing to see the white paper finally tackling (and dismissing) the tired shibboleth of having to choose between China and the United States. Neither country requires us to choose, nor is it in our strategic interests to do so.

The US alliance relationship receives a more substantial treatment than it did in the *Asian Century White Paper*. Judgments about the longevity and

value of America's strategic role in the Asia-Pacific have clearly been examined and the right conclusion reached that the alliance is central to Australian interests. It is a great pity that the white paper did not take the opportunity to speed up cooperation with the United States on marine corps and air force deployments in Australia's north. This is a key initiative, one that demonstrates a deepening US and Australian commitment to stability in Southeast Asia; these activities should not be allowed to drift as seems currently the case. That said, the white paper announces progress on cooperation with the United States in areas of space, 'cyber power' and ballistic missile defence.

It is also pleasing to see the white paper finally tackling (and dismissing) the tired shibboleth of having to choose between China and the United States.

The white paper takes seriously the immediate need to plan for Defence engagement in the region. This contrasts with the 2009 statement, which put too much emphasis on force planning for 2030. Of course long-term force structuring decisions are essential, but so too is the need for Australia to seek to shape and influence its strategic environment in 2013, 2014 and every year thereafter. Early and sustained Australian involvement in building trusting relations with our friends and neighbours is a vital part of securing our long-term strategic interests.

All told, the strategic positioning of the ADF in the white paper is sensible and should receive bipartisan support. Much of this regional engagement activity is low cost but high value, and is the right focus for Defence. Australian National University academic Hugh White criticises the white paper for failing to look at the potential risks of major conflict between China and the United States. It is true that the document takes a more benign approach to China than its 2009 predecessor, which cast strategic risks about China much more to the center-stage of Australian defence planning. It is unwise, though, to use public policy statements as a vehicle to create enemies in the region. Defence

does indeed contemplate the impact of remote but very negative strategic scenarios. That is why major acquisitions of submarines, combat aircraft, and the rest still shape the future structure of the ADF.

A new element in the 2013 statement is the decision to acquire an additional 12 Super Hornet aircraft. Media attention focused on the supposedly interim nature of this purchase, while we wait for the Joint Strike Fighters to become available. The real significance of the acquisition is that the Super Hornets are equipped with a highly capable electronic warfare system known as Growler, which is able to detect and jam anti-aircraft weapons. The system was successfully used by the US Navy to enforce a no-fly zone over Libya in 2011. As the only military other than the United States to operate Growler, the system gives a major advantage to the ADF in the event of a serious regional conflict. The advantage is limited by the size of the fleet, as is any capability in the ADF, but it points to an intent to keep our air combat capability in the front rank of military forces around the world—an important goal given the strategic complexity of our region.

The 2013 white paper is unlikely to have a long shelf life beyond the election.

Following the release of the budget on 14 May, the long-term funding picture for Defence still remains poor. Military spending expressed as a proportion of GDP is not a useful way to determine the 'right' level of defence investment, but it is significant that at 1.58% of GDP, spending in 2012 was the lowest since 1938. Then, \$5.5 billion was cut from the four-year forward estimates. In this year's budget, about \$3 billion was added to the first three years of the new forward estimates, of which \$2.94 billion is earmarked for the 'off book' additional Super Hornet/Growler acquisition. Spending over the next 10 years is expected to hover between 1.6% and 1.7% of GDP. Notwithstanding a small injection of funds, the 2013 budget and white paper continue what I call a policy of magic realism, promising to deliver 12 of the largest and most capable non-nuclear submarines ever to be built, a large number of

Joint Strike Fighters—although Stephen Smith conceded that the final figure may be more like 70 aircraft than the 'about 100' phrase used earlier—and almost all of the other 'core' equipment promised in 2009.

A crucial change in the presentation of Defence spending in the budget is that the government has declined to make any statement about the 20-year spending requirement for Defence, even though planning of this type was carried out for the 2000 and 2009 white papers. This is a white paper fitted for but not with money. A future government—of either political stripe—will have to revisit the situation. The clarity of this white paper's strategic assessment makes all the more stark the need to cut acquisition plans or find more money.

### Defence challenges after general election

It follows that the 2013 white paper is unlikely to have a long shelf life beyond the election. What should government do with Defence policy after the 2013 general election? There is no deeper need than to reset the relationship between the minister and the department. Defence has the unhappy but undeserved reputation of being a difficult department for governments to manage. Ministers regularly come and go and most have very unhappy public relations with their senior military and civilian officials. Defence is a complicated portfolio: The combination of combat operations, big spending projects, and responsibility for tens of thousands of young military personnel makes for a regular stream of bad news for ministers. But the department is also one that responds well to clear and decisive leadership. Ministers must approach Defence with tough love: It is important not to become a captive of the department, but neither is there any value in constantly fighting the place. The most effective ministers are those who make their expectations clear, have the judgment not to try to manage every 'bad news story' as though it is their own, and resist using the ADF as an endless photo opportunity. Treating officials with respect is something public servants have come to regard as a bonus, but it goes a long way to building a deep foundation of loyalty to a minister.

The senior defence minister would be well advised to consider carefully the roles and

responsibilities allocated to junior ministers. Allocating equipment procurement—Defence Materiel, as it is called—to a junior minister has not been a success. A junior minister outside of Cabinet has little authority to manage billions of dollars of expenditure. Particularly during a time of strategic change, the senior minister should have sole responsibility for procurement, including engaging with industry. In practice, the best use of junior ministers is to absorb some of the high workload tasks, which will otherwise take up too much of a senior minister's time. As in the past, one junior minister, rather than the current two, should cover personnel (military and civilian), defence science, housing, health, reserves, and cadets. To these typical responsibilities, I would add defence export facilitation and approvals, which is a complex area needing substantial attention. A parliamentary secretary for defence could take up defence families, and I suggest a new focus on the transition from operational service.

With the organisational arrangements in place, by far the biggest task for the defence minister will be to reset the capability plan—the long-term strategy for acquisitions. Defence uses the term 'capability' rather than 'equipment' to convey the sense that there is much more to the business than just replacing obsolescent kit. A helicopter is just a flying truck, but equip it with weapons and sensors, a trained crew, a maintenance infrastructure, and a capacity to take it to sea or deploy overseas and you have a 'capability.'

The current defence capability plan is profoundly broken. Conceived in an era of major spending growth, augmented with former Prime Minister Kevin Rudd's grandiose ambitions to play a role in North Asian maritime security, and pummeled by a range of costly impulse buys by successive ministers, there is little left of the Capability Plan (DCP) that reflects a realistic appreciation of fitting dollars to capability. A future government has only three broad choices: find more money, buy less stuff, or take longer to buy things to lower the annual bill. In practice, the government will be forced to do a little of each. Because of bigger fiscal problems, a new government is unlikely to be able to find more money for defence in the first few years of office, but it would be advisable to at least commit

to a future date when there will be room for spending growth.

Barring a strategic shock forcing a rapid rethink, a new government should commit to returning to spending growth in the third year of office in contrast with the current plan for zero-growth over the next decade. Getting to that point means defence would face two years of austerity and some tough government decisions to cut capability. Some programs can be simply deferred or acquisitions slowed, but there is a limit to how much more can be achieved by pushing plans 'to the right,' as it is called in Defence. Already, what the 2009 white paper called 'Force 2030' is in reality more like 'Force 2040' in terms of when key capabilities will be available. In a rapidly changing strategic environment, a capability delayed is a capability denied.

How should the defence minister approach this task? First, at all costs the minister should not bring in external consultants to review the department. Defence has had one or two major external reviews every year for the last decade. Such reviews slow decision-making as governments claim not to be able to pursue reform until the report is completed. Reviews dilute the minister's own responsibility to drive reform and inspire departments to invent or reshape processes rather than tackle real change. In revising the Defence Capability Plan (DCP), the minister should spend many hours at the Defence headquarters in Canberra's Russell Hill, developing a shared approach with the organisation's top leadership. Unlike the Ministry of Defence in London, where the minister's permanent office is in the department, ministers in Canberra are separated from their departments by having their main offices in Parliament. At worst, this disconnects officials and ministers and creates the impression in the minister's minds that 'policy' is something presented to them rather than something they must help design.

There are recent examples of ministry-led major policy design. Greg Combet spent hours at Russell Hill developing a policy on the capability acquisition process. John Faulkner also understood the importance of eyeballing his senior officials around the Defence Committee table. A new minister should do the same by committing the



hours to work through the DCP, project by project with the department's senior leadership. There will be tough trade-offs, including some hard decisions to cut or reduce capabilities. But these will be better decisions for the minister's direct involvement, and Defence will be more inclined to work to achieve outcomes where everyone shares some ownership of the policy work.

This leads to the third defence priority for a post-election government: It needs to develop a realistic plan and a timetable for replacing the Collins Class submarine. This is by far the most costly and complex defence capability challenge facing the government, and the risk and complexity of the project is increasing with every year a decision on how to proceed is delayed. On the basis of very little analysis, the 2009 white paper set a mammoth task for replacing the Collins submarine. First, the notional fleet size was doubled from 6 to 12 boats, and the complexity of the submarine was increased by the requirements for enhanced range (the key driver in the overall size of the submarine), additional weapons (cruise missiles as well as torpedoes), and a wider range of roles. In effect, the government was describing the capabilities of a US nuclear powered hunter-killer boat, but developing it as a conventional diesel-electric vessel.

The 2013 white paper reaffirms the commitment to 12 submarines and has taken further steps to limit potential choices of submarines to large new designs. The statement says military off-the-shelf options (that is, buying existing designs from overseas) will no longer be considered. The cost implications of that decision are enormous and will be measured in billions of dollars. It is unclear whether there is any strategic basis to the current government's decision. It is regrettable that so much of the national focus on submarines is on its potential role as a driver of industry policy in South Australia. The costs of the program will make government support to Australia's motor vehicle industry look microscopic.

A further difficulty with the Collins replacement program is the huge amount of time needed to bring it to completion. Assuming that the government is in a position to select a design on the current time frame in 2015, it will take up to eight years to

design the boat and gear the industry to build it. The first hull might be in the water and in Navy service in 2025. Assume a relatively untroubled building program able to complete a submarine every 18 months. It will take 16.5 years to build a further 11 boats. Hull 12 might enter service in 2042–43. The junior ratings for that boat will be born around 2022, making the parents of that crew currently about 12 years old.

The overall cost of the Collins replacement program has been estimated by ASPI at \$36 billion, but the record of defence procurements says it is inevitable that the project will end up costing significantly more than any current estimate. On every measure of cost, complexity and risk, the submarine program is vastly greater than any previous Australian defence project.

What the submarine replacement program desperately needs is a strong dose of realism and steady, methodical implementation. The reality is that no government will be in a position to decide to acquire 8, 10 or 12 boats until well into the 2030s. That decision will only be possible after the experience of seeing how well we design and build the early vessels. A future government would be wise not to lock itself into what is just a rhetorical device about 12 submarines.

A more important task in the near term is for the government to engage in a sustained public education campaign about the strategic requirement for submarines. A new government should commit to making a major ministerial statement about the anticipated roles and capabilities of the new submarine and the strategic factors driving the need for such a massive investment. It is a sad reality that current and past governments have said vastly more about the location of the HMAS *Sydney*, sunk in 1941, than explaining the rationale for Australia's largest ever defence acquisition. The government should commit to making an annual statement in Parliament on progress in the submarine project. It should also ask the Parliamentary Joint Committee on Foreign Affairs, Defence and Trade to do a major study of submarine developments in the Asia-Pacific. The aim should be to make sure that when a decision is made to proceed with the project in 2015 or later, it is done in an environment where Parliament and the wider

population have a better understanding of the need for the investment and of the cost trade-offs involved. Delivering a submarine capability of the scale currently envisaged carries the risk that every other area of Defence activity will have to be subordinated to free up resources for the program.

A fourth defence policy challenge is to develop a realistic approach to achieving savings and cost reductions. There is no alternative for defence to do this, especially in the next few years as the government struggles with the need to reduce spending across many areas of governance. The right way to tackle this problem is to acknowledge at the outset that there are no easy savings left to harvest in the department. Defence has been through a series of financial savings programs continually since the early 1990s. The efficiency drives that yielded tens or hundreds of millions of dollars in the past are unlikely to yield similar amounts in the future. The only remaining reforms are big and frighteningly difficult.

A popular option for governments and oppositions is to call for cuts in the numbers of the 20,000 civilian Defence public servants. Current budget planning is for a cut of around 300 public servants in the next financial year. While that is easily achievable, salami slicing small numbers of public servants will not achieve big savings. A more sensible approach would be to consider opportunities for structural reforms. A new government should first ask Defence to develop options for running the department with, say, 18,000 or 15,000 civilians. Cuts of that nature would not allow business to be run as usual but force a rethink and abandoning some roles. The implications for Defence operations are substantial. To produce cuts of this size, one might consider corporatising the Defence Science and Technology Organisation (DSTO) as the British did with their counterpart organisation. It has also been suggested that the Defence Materiel Organisation (DMO) be split from Defence and operate more like a business as a stand-alone agency. Both measures are high risk. DSTO, for example, has been of enormous value to Defence—saving money by developing more efficient aircraft maintenance procedures, and saving lives in Afghanistan through better bomb

detection and blast protection for troops. As for the DMO, a more independent organisation would be at risk of becoming too distant from the ADF—a recipe for procurement gridlock, not savings.

Before proceeding down high-risk paths in the quest of savings, governments need to have a high degree of confidence that the advertised outcomes will translate into savings rather than losing defence capabilities. New ministers will quickly realise that the popular image of cardigan-wearing clock-watchers is an inaccurate description of the public service. In Defence, many civilian positions are deeply critical in intelligence gathering and analysis, procurement and sustainment of equipment, and scientific research and development. The reality is that Defence requires a close military and civilian partnership. It would be a pleasant change if a new government publicly acknowledged that reality when looking for savings and efficiencies.

Although the ADF fights jointly—as a combined force—it does not run itself jointly except in some niche areas.

Government would be well advised not to quarantine the ADF personnel numbers from scrutiny for savings and efficiencies. As the 2013 white paper was commissioned, Stephen Smith specifically said that ADF numbers—around 59,000—would be quarantined from cuts. The 2013 white paper is not so adamant, and leaves open the possibility that ‘adjustments’ can be made over time. Some of the biggest potential areas for reform remain in the three services. More ‘joint’ approaches between the Army, Navy and Air Force to education and training, basing and accommodation would produce cost reductions. The area is, however, a cultural heartland for the services. Although the ADF fights jointly—as a combined force—it does not run itself jointly except in some niche areas. Reform will be slow and governments will need to take a steady but firm hand to lead the process.

More important than any set of policy recommendations is the need for steadiness and continuity in the government’s management

of Defence. Since 2005, five ministers have led the portfolio—Robert Hill, Brendan Nelson, Joel Fitzgibbon, John Faulkner, and Stephen Smith—with innumerable junior ministers and parliamentary secretaries. In Defence, four departmental secretaries and three chiefs of defence force have served over the same period. The pressures of working under continual media coverage has pushed governments into a cycle of making regular announcements, launching reviews beyond number, and a willingness to change long-term policy settings at whim. Defence spending, for example, swings from high growth in 2009 to major reductions in 2011 and 2012, with some cuts restored in 2013. It is hardly surprising that this environment has given rise to a lack of clarity in policy.

Ideally, post-election, the Defence portfolio should have a ministerial team assured of keeping their jobs at least for a full term. There should be no rush to deliver a new white paper but there should be a commitment to develop a policy statement

only after careful and systematic thought. Cabinet should be closely engaged in that exercise in a way that gives the prime minister and ministers a sense of collective ownership of the final product. One of the difficulties of the 2009 white paper was that it lost its minister, Joel Fitzgibbon, only weeks after its launch and the prime minister some months later. A white paper without a sponsor is a vulnerable target.

One final aspiration relates to how ministers approach media management. Ministers would be well advised to resist an all-too easy temptation to take over Defence ‘problems’ the instant they arise. As a former Defence official, I well recall the impossibility of meeting demands for information from ministerial staff as a small clash broke out between rioters and peacekeepers in Dili. Ministers invariably make mistakes when they try to provide running commentary on their own portfolios. Most media problems disappear after 24 hours. We should all hope for a period of calm and steady management in Defence.

# WHAT'S YOUR STRATEGY?



**ASPI**  
AUSTRALIAN  
STRATEGIC  
POLICY  
INSTITUTE

Stay informed via the field's leading think tank, the Australian Strategic Policy Institute.

## PUBLICATIONS

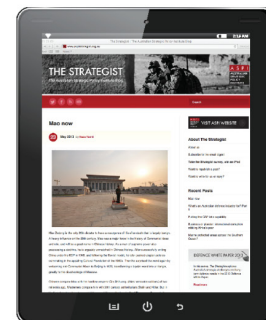


Recent indepth reports include an analysis of the US military's new 'AirSea Battle' concept; and an examination of Australia–China policy choices between idealism and realism, economic interests and security interests, and the benefits and risks of alliances.

## BLOG

ASPI's blog, *The Strategist*, delivers fresh ideas on Australia's defence and strategic policy choices as well as encouraging discussion and debate among interested stakeholders in the online strategy community.

Visit and subscribe to an email digest at [www.aspistrategist.org.au](http://www.aspistrategist.org.au). You can follow on Twitter (@ASPI\_org) and like us on Facebook ([www.facebook.com/ASPI.org](http://www.facebook.com/ASPI.org)).



To find out more about ASPI and membership go to [www.aspi.org.au](http://www.aspi.org.au) or contact us on 02 6270 5100 and [enquiries@aspi.org.au](mailto:enquiries@aspi.org.au).