

Australian defence spending:

As good as it gets?

Mark Thomson

Eight years after the events in East Timor in 1999, and six after the shock of 9/11, the government's commitment to build a stronger defence force continues undiminished. In a period of less than thirteen months, more than \$41 billion of defence initiatives have been promised across the forthcoming decade. It began with \$16 billion in the 2006 budget, followed by a further \$11 billion mid-year and \$14 billion in the latest budget.

As a result, in 2007-08 the Defence budget will be just under \$22 billion, representing fully 2 per cent of GDP for the first time since 1995-96. Under current plans, this will grow to \$25 billion in 2010 and around \$30 billion in 2016.

The largest share of recent new funding has gone to the Army. Last year's budget committed \$1.5 billion over ten years to build a 'Hardened and Networked Army' including an extra 1500 personnel. Then, in August last year, the government promised another \$10 billion over eleven years to add two more infantry battalions to the land force. The first stage of this 'Enhanced Land Force' initiative was funded in this year's budget to the tune of \$4.1 billion across the decade, it will see the first new battalion in place by 2008 and ready to deploy by 2010. The green light for the second battalion was given in October and is also planned to be operational by 2010. In total, the Enhanced Land Force will add 2600 personnel to the Army, bringing its strength to more than 30,000.

To provide strategic mobility for the ADF and the Army in particular, the 2006 budget provided \$2.2 billion to purchase four C-17 strategic transport aircraft. This budget, a further \$1.3 billion was provided for additional personnel and operating costs for the C-17 out to 2016.

While the Army, and the ability to deploy and sustain it offshore, have received significant boosts recently, the bulk of new investment remains firmly focused on advanced air and maritime assets (67 per cent versus 25 per cent for land and mobility and 8 per cent for command, control and intelligence). The priority for air and maritime strength was further reinforced by the controversial decision to purchase an interim air combat capability. The so-called 'bridging'

air combat capability of 24 F/A-18F Super Hornet aircraft will cost \$6.1 billion over 10 years including facilities and operating expenses. This costly commitment hedges against the possibility that the F-35 Lightning II Joint Strike Fighter will be delayed; an eventuality that just about everyone outside of the RAAF and the manufacturer concedes is inevitable.

The government has also committed \$3.1 billion over ten years to improve faltering ADF recruitment and retention; \$1 billion in late 2006 and \$2.1 billion in the latest budget. Given Defence's ongoing struggle to maintain adequate personnel numbers, this money and the priority it implies are long overdue.

Consistent with the increased troop commitments to Afghanistan and Iraq announced in early 2007, this year's budget provided an extra \$1.3 billion in operational supplementation, including \$703 million for Afghanistan, \$389 million for Iraq and \$135 million for East Timor. This brings the total cost of operations in Iraq to just over \$2 billion and Afghanistan to around \$1.7 billion.

Aside from the many recent budget measures, the underlying defence budget continues to grow at 3 per cent per annum thanks to the \$29.4 billion commitment made in the 2000 White Paper – a commitment that was extended to 2016 at a further cost of \$10.7 billion last budget. Baseline defence funding has been further augmented in recent years including through \$1.8 billion for additional logistics and \$950 million for defence housing in the last budget, both over ten years.

More investment will be required

Despite all the investment flowing into Defence, still more money will be required to deliver current plans for the future defence force. Not only are pressures building on acquisition costs, but the additional personnel and operating costs of newly acquired capabilities will result in a demand for more money. On the latter point, at least, the government has conceded that projected funding remains inadequate.

In recent years, the government's preference has been to delay providing funding to meet cost pressures for as long as possible. Such a strategy carries risk. Defence could find itself in the uncomfortable position of briefing an incoming government on a previously undisclosed hole in the budget – hardly an auspicious way to build a new relationship.

It is in the interests of the ADF, and budget honesty more broadly, that the full cost of delivering current defence plans be disclosed before the election. From Defence's point of view, it makes sense to try to lock in the necessary funds before the fiscal surplus evaporates into pre-election sweeteners. From the public's point of view, transparency is necessary so that defence investment can be prioritised alongside alternatives like further health, education and environment spending.

Money is only part of the picture

Putting aside the question of money, two further factors make the build up of the ADF far from certain; the struggle to recruit and retain adequate numbers of personnel, and the challenge of delivering new equipment on time.

Between 2002-03 and 2005-06 the strength of the permanent ADF fell by 929 personnel. What makes that outcome alarming is that the defence force was earnestly trying to grow its numbers over that period. The result for 2006-07 was modest growth of 353 personnel. Despite this encouraging sign, a significant challenge lays ahead. The government's plans call for the defence force to grow by 4224 personnel to 55,700 by 2010 and then by another 2300 to reach 58,000 in 2016.

With \$3.1 billion to improve recruitment and retention, and more than 2.2 million young Australians in the prime recruiting age bracket of 18 to 25, there should be no excuse for failure. Unfortunately, money cannot buy a sense of urgency. That it took this long to start fixing the recruiting system reflects a worrying complacency. The government would do well to push Defence hard in this area.

Prospects are similarly worrying when it comes to the delivery of new equipment. After what looked like promising improvements to defence procurement following the 2003 Kinnaird reforms, \$2.9 billion of investment has been deferred since late 2006. These delays are due to a combination of slippage in the approval of new projects and continuing problems in existing projects. This will only get harder over the next several years because deferred spending has created a bow wave of future investment. Current plans require investment to grow from \$4.4 billion in 2007-08 to \$6.9 billion in 2010-11. Compounding the problem is the nation-wide skills shortage effecting both local industry and the Defence Materiel Organisation. It may be that to deliver new equipment on schedule, greater recourse to off-the-shelf foreign purchases will be necessary.

Even if the problems with recruitment and retention can be fixed and the Defence Capability Plan can be dragged back onto schedule, a larger and better equipped ADF will still not be a forgone conclusion. Under present optimistic plans, it will take more than a decade to deliver planned extra personnel and new equipment, and a decade is more than

enough time for the most critical ingredient of all – political will – to erode.

The critical ingredient

In many ways, the last seven years have echoed the corresponding period forty years ago when the Menzies government ended the defence malaise of the 1950s and built a force large enough to maintain a brigade-strength deployment in South Vietnam. In doing so, Menzies showed single-minded determination to create a defence force that could meet the security challenges of the day. As the very first Defence Annual Report in 1963 put it at the start of the build up:

The Government has announced a series of measures which will put Australia in a position of greater strength to react promptly, either by ourselves or with allies, to any threatening or aggressive moves.

Yet, eight years later, Menzies was gone, Australia's circumstances had changed profoundly and defence spending declined quickly – to the extent that it took thirteen years to regain the peak reached in the late 1960s. Inevitably, Australia's military and strategic strength atrophied.

A little more than four decades later, following events in East Timor in 1999, the Howard government called an end to the 1990s defence malaise and began building a defence force to 'protect Australia and its interests'. That build-up was given added impetus and expanded goals by the events



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of 9/11 and the ensuing conflicts in Afghanistan and Iraq. Like Menzies before him, Howard's personal leadership underpinned both the rebuilding of the defence force and its employment in coalition operations. Robert Hill was only half joking when he referred to John Howard as the real defence minister.

The question is; will Howard's defence legacy be any more enduring than Menzies'?

While the future will always remain uncertain, there are three factors working to erode the priority presently accorded defence spending. First, public sentiment is at best mixed. While the ADF has been rightly lauded for its professionalism and operational effectiveness, victories have been elusive. The stark fact that Iraq is a humanitarian and strategic disaster erodes the case for armed force as a tool for good in the public eye. Perhaps more seriously, Iraq has undermined public confidence in the judgment of our allies, and indeed ourselves, when it comes to employing military force. For better or worse, some real and perceived lessons of Vietnam are being re-learned by the electorate.

Already, the justification for the defence vote has begun to be questioned. Poorly justified, or at best poorly explained, decisions like the Super Hornet purchase, have done nothing to help the situation, especially with the defence budget breaching 2 per cent of GDP for the first time in over a decade.

Second, the operational tempo of the ADF is likely to decline in the medium term. This is a critical factor. History shows that when the defence force is active, Australian governments are willing to invest in capability for the future. Equally, in the absence of imminent or ongoing conflict, governments tend not to focus (or invest) in defence capabilities to meet future threats and instead allow the defence force to decay through benign neglect.

Unlike Australia's withdrawal from Vietnam in 1971-72, there will be no precipitous military disengagement. Afghanistan will muddle on inconclusively for a while longer, and until we find a way to work with our neighbours to solve the underlying problems in the 'arc of instability' Australians troops will continue to walk the beat.

Nonetheless, with a new US administration due in 2009 and a race among presidential candidates to extricate their forces from Iraq, there is a shift ahead; a shift from the bellicose rush to use armed force post-9/11 to a more cautious post-Iraq epoch. Australia will either leave Iraq at the vanguard of the US drawdown (as we did in Vietnam) or in tandem with British forces who are all but packing their bags already.

In the longer term, even though the Pentagon and our own defence planners on Russell Hill will no doubt busy themselves preparing to fight Iraq-style conflicts for some time yet, policy makers and voters will seek to avoid the folly. Even if the United States is forced to maintain an ongoing garrison in Iraq – as circumstances might demand – that will only further temper their actions in the future.

Thus, apart from the possibility of a redoubled effort in Afghanistan that could keep the ADF busy a little longer, the prospects are for a decline in the operational tempo post-Iraq. And as that decline occurs, the perceived imperative to maintain robust defence spending will likewise decline.

The third factor is the pending change of political leadership sometime in the next couple of years. Prime ministers inevitably bring to the job their own sense of history, a personal vision of Australia's place in the world, and a conception of the role of the defence force as a tool of policy and as a national institution. Howard is no exception. It is impossible to disentangle Howard's leadership on defence from the tumultuous events of the last eight years, except to observe that he has rarely been attacked from the right. Few commentators, for example, have ventured that the government's commitment to defence is inadequate or that our military deployments should be larger, riskier or more unilateral. And it is worth remembering that Howard committed the nation to the invasion of Iraq in the face of significant public opposition. It has been Howard's firm leadership on defence that brought us to where we are today; a position from which there is more political room to step back than to step forward.

Like Howard, the next prime minister will stamp their personal leadership on the defence portfolio. And whoever becomes Australia's next prime minister – be it Peter Costello or Kevin Rudd – they will be a different person to John Howard.

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Howard was educated in the 1950s and began his working life during the latter Menzies years of the 1960s. In contrast, his potential successors attended university in the post-Vietnam era. Neither Rudd nor Costello is likely

to keep a bust of Winston Churchill in their office as Howard does, and neither has Howard's personal link to the ANZAC mystique – Howard's father and grandfather both served in France as members of the 1st AIF. Nor will Costello or Rudd have had the experience of being in Washington on 9/11. Critically, it will be some time, if ever, before a new Australian leader develops as close a working relationship with a US leader as Howard has with Bush.

As the Bush-Blair-Howard partnership passes into history, and Australia's political leadership skips a generation, the ADF will have to work harder to prove its relevance and maintain the expanded slice of the public purse it now commands after decades of sustained under-investment. At best, the unplanned multi-billion dollar purchases of the last couple of years will soon become a thing of the past. At worst, the present momentum to build and sustain a stronger force will stall. Whatever happens, it is certain that the Defence hierarchy will sorely miss John Winston Howard's presence at the cabinet table. ♦

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