

Bungled announcements & blind idiocy

Since the government's confirmation of Australia's decision to purchase 58 more F-35 Lightning II joint strike fighters, there has been considerable confusion in the wider Australian community about the size, timing and purpose of the national defence investment involved. Coupled with public controversy about the Government's pre-and post-budget messages concerning cuts to national expenditure, many Australians have mistakenly conflated the two issues.

Newspaper columns, letters-to-the-editor, blog posts, radio and TV discussion programs, talkback radio comment and social media commentary have now been inundated for weeks afterwards with the mistaken belief that proposed changes to social security are somehow being caused by, or otherwise linked to, the acquisition of the replacement fighters. Even many prominent economists and media commentators who should know better have succumbed to this mistaken belief. To cap it all off, even ASPI's estimable annual budget brief, *The Cost of Defence*, risks encouraging such myths through the traditional newspaper cartoon reproduced on its front cover incorrectly linking the F-35 acquisition to the planned increase in the qualification age for social security pensions.

The F-35 announcement was made, unwisely, during the height of the pre-budget speculation period. Furthermore the detrimental impact was exacerbated by inadequate phrasing and by confusing, ambiguous, contradictory and even absent explanations. Particularly about acquisition and through-life costs, the schedule for the payments to be made, and how such major purchases will draw from already programmed defence budgetary allocations over future decades, not new funds now.

As a consequence, many thought the touted \$12bn acquisition cost was being made from this year's budget alone, rather than over decades, and was therefore the cause of this budget's belt-tightening. The same confusion arises whenever the \$12bn in through-life costs is mentioned. Many simply do not understand that this would be spent over the 3-4 decades of the aircraft's lifecycle, not just this or next financial year.

While general community ignorance or apathy about national defence issues explains much, this is no excuse for those in politics, academia or the media who should know better. It is also either dishonest or unprofessional that some — when failing to compare defence investment accurately with other major government responsibilities such as social security, health and education — do not even mention that defence is the only one that is wholly funded federally. Or admit that defence and foreign aid alone have borne the brunt of budget cuts over the last half-decade. And, indeed, that defence planning must be based on assessing and countering general strategic risks over very long timescales, not somehow dependent on uninformed or polemical notions that such capabilities could and should somehow only be maintained if a highly specific "threat" exists or not this minute.

Highlights:

- Bungled F-35 announcement causes public confusion
- "Albert" finally escapes: Defence budget 2014-2015
- Truly reviewing Defence and the ADF: Some lessons
- Some telling statistics on ministerial performance
- Changing the ADF's chiefs
- Vale W.B. Pritchett, AO
- Vale ACM Sir Neville McNamara, KBE, AO, AFC, AE

Informed public debate also needs to do away with a further prevalent myth about defence investment — the simplistic nostrum, often peddled duplicitously, that each dollar invested in defence capability can only be spent once. This ignores that most high-end defence capabilities are more capable because they are generally more flexible and adaptable. This enables such capabilities to be easily scaled down to cope with lesser contingencies. The opposite is not the case. "Low-end" capabilities cannot be scaled up to deal with more serious contingencies, easily, quickly, cheaply or, indeed often, at all.

As with any wise business investment in plant, equipment and facilities generally, a dollar invested carefully in a high-end defence capability is therefore one that can be effectively spent twice in both a financial and a practical sense. With dual benefits when such a capability is temporarily or permanently adapted in future. Thereby avoiding or significantly reducing additional investment at that time — and when the time to do this is also likely to be scarce or an otherwise precious commodity or input.●

Defence budget 2014-2015

Another prevalent problem with objective analysis of national defence investment — as a key and very long-term responsibility of any government — is sectionally-convenient short-term memory loss. Many budget commentators over the last five years failed to give due weight to the seriousness of the plundering of the long-programmed defence investment determined as necessary by both sides of politics. Over \$10.6bn in deferrals and nearly \$10bn in outright cuts occurred between 2009 and 2012, for example, without any of the outrage we see this year about smaller cuts from much larger budgets in other portfolios. Defence investment should not be treated as a supposed magic pudding in politically-expedient quests for a budget surplus. Nor should defence cuts be ignored so readily.

Just as disappointing, is that this year many of the same and other commentators have simplistically described the eventual and necessary redressing of these cuts to the defence budget as somehow "unnecessary", "generous" or "excessive". Often gilded, but not actually supported, by long-disproven claims that such increases were somehow unjustified because the commentators could see no "threat" to Australia now. Such ahistoric analysis, flawed methodology and biased terminology surely have no place in informed public debate.

The temptation to sacrifice defence investment and foreign aid for short-term party-political expediency or, even worse, intra-party factional gain, is largely due to two enduring factors. First, there is the general trend to political complacency about the future strategic risks Australia faces, particularly well beyond the current election cycle or three. Second, is the simple fact that little or no votes are risked in doing so.

Foreign aid is cut chiefly because foreigners don't vote. Defence is cut so frequently (and cyclically) because the future Australians saddled with the inevitable, and by then necessarily steeper, catch-up defence investment required don't get to vote now to stop us doing it to them. Many aren't even born yet.

Plus the greater strategic risk we inflict on future Australians by not contributing, now, our fair share of the sustained investment needed to preserve Australia's strategic security over the long term. A timescale well beyond the horizons of our party-political culture and processes — and modern media cycles. This means a double-whammy in terms of the inter-generational inequities we are selfishly inflicting on our descendants.

Defence capabilities are essential national infrastructure, not somehow a discretionary choice. Any objective analysis of this year's six per cent real growth in defence investment needs to acknowledge this context. And that no year's defence budget can be objectively assessed outside the historical context. Such funding has had steep peaks and troughs resulting in both higher overall costs and increased strategic risks over the long term.

With a nominal increase of \$2.3bn to a total of \$29.3bn, and at 7.1 per cent of the federal budget, defence investment remains well within the lower part of its historical range of 7-8.5 per cent of overall federal expenditure. And still around 10 per cent of federal spending alone on social security, health and education.

The break-up between capital investment at 29.3 per cent (\$8.6bn), personnel at 37.8 per cent (\$11.1bn) and operating costs at 32.9 per cent (\$9.6bn), is also close to the broad 30:40:30 ratio historically. It does see a near-doubling of capital investment from this year's \$3.6bn (after so many cuts and deferrals).

Over the forward estimates defence investment is forecast to remain largely steady for three years before increasing again if the economy improves. The budget also prescribes the pursuit of yet more "back-end" savings from the Department of Defence. But if they are achieved at least the money saved will be reinvested in capital expenditure, not lost to consolidated revenue or pursuit-of-surplus chimeras.

The Abbott Government has kept its election promise to make no further cuts. Not that any responsible government could. Moreover, the bipartisan agreement to aim for two per cent of GDP in a decade or so is achievable on the current figures. But only if party-political expediency on all sides is kept at bay for once over the full period.

As the ADA has noted for nearly four decades, however, it is percentage of the federal budget, rather than of GDP, that provides the best indication of trends in defence investment. And the best way to measure any government's record of meeting its national defence obligations responsibly. •

Review of the Department of Defence

Quite responsibly the Coalition promised an independent and first-principles review of the Department of Defence in its defence policy for the last election. The review has been delayed by the broader National Commission of Audit into federal revenues and expenditure. Given that the last independent and first-principles analysis of Defence was the Morshead Review in 1957, the delay is excusable. Real review and real reform can wait a bit longer.

It would not be excusable, however, if the review is not undertaken truly independently and from a real first-principles stance. Otherwise it would merely repeat not only the two dozen or so partial or flawed reviews of Defence since 1973, but it would also perpetuate the very cycle that has seen such reviews needing to be conducted every three or so years since then. Often with mixed results, no lasting effect or further damage.

The terms of reference for the review, the composition of the review team and its interaction with the ongoing Defence White Paper process are therefore critical. And not just to the success of this review. They are also critical to the long-term effectiveness of both civil-control-of-the-military by ministers on behalf of parliament, and to the effectiveness of Australia's strategic security measures over that same long term period.

A review also surely needs to be based on four principles. First, civil-control-of-the-military is a constitutional function necessarily exercised by ministers and parliament alone. It is not and never has been a bureaucratic or policy responsibility undertaken in any way by civilian departmental officials.

Second, maximising the strategic and operational effectiveness of the ADF to deter and if necessary win wars —

and maximising its financial or "business" efficiency — can often be mutually exclusive. Where this is so, ADF operational efficiency should only be sacrificed to financial efficiency where lives will not be unduly risked on future battlefields, or where Australia's strategic security will not be compromised.

Third, the development and sustainment of ADF capabilities, the implementation of strategic policy and their resourcing, should be driven only by intellectually robust assessments of future strategic risk. Not, as has long been the case, instead "adjusted" to the budgetary funding thought to be available politically at any one time. Real risk management, not political spin or policy fudging, should be used where the resourcing required is genuinely not available or has to be deferred.

Fourth, defence policy and departmental administrative activities are surely inputs to defence capability, not outputs.

The optimum size of the review team itself is 4-5. A team of four worked well in the 2007 Defence Management Review (DMR) led by Elizabeth Proust. But the much larger team using separate panels by the 1997 Defence Efficiency Review (DER) led by Dr Malcolm McIntosh resulted in many failures.

Some other good lessons from the successes, limitations and failures of the DMR, DER and other review teams include:

- the team needs to be headed by someone respected for their independence by both sides of politics;
- the team is best headed by someone with both public and private sector managerial experience at CEO or company chairman level;
- the person leading the team should not be a serving Public Servant and must not be a former senior Defence official, a former senior ADF officer or anyone else with a significant history of direct interactions at a senior level with or within the Department of Defence (such as former ministerial staffers or indeed former ministers);
- the team needs to include a retired Service Chief (not a serving three-star officer) to provide high-level knowledge of strategic security issues and the defence force, and professional and public credibility to the review generally;
- the team needs at least one member with real commercial experience as CEO or chairperson of a major company, but not anyone from a predominantly "business efficiency" or "management consultancy" background;
- no member of the team should be a significant donor to either side of politics;
- no member of the team should have had a significant recent commercial relationship with the Department of Defence;
- no member of the team should be someone seeking a future commercial relationship with the Department of Defence or employment with the department;
- the review needs to start at the very top with how the Prime-Minister, Minister for Defence and other ministers need to exercise civil-control-of-the-military on behalf of Parliament (including the optimum number of ministers devoted to the portfolio and the allocation of their responsibilities);
- a review is largely wasted if it is only allowed to examine departmental processes without also examining departmental structures and institutional cultures;
- no current or past departmental structure or process should be accepted as somehow immune from examination, potential reform, abolition or reinstatement — including diarchic management, the "White Paper" process, re-empowering the Service Chiefs, and the use again of a statutory board of management to assist accountability in, and ministerial grip of, the department;
- overseas models of the interface between ministers, defence forces and defence ministries should be carefully examined;

- neither the department nor the ADF should be allowed to write or influence the review’s terms of reference; and
- a majority of the support staff for the review team should not come from the Department of Defence or the ADF, particularly the senior members of such a staff.

It is also worth noting some lessons from the way that the recent National Commission of Audit had to hurry it’s analysis of the Department of Defence and the ADF. The COA’s concerns about increases in the numbers of senior ADF officers and SES officials since the 1997 DER were valid, but unfortunately based in part on some mistaken assumptions or observations.

In recommending a return to 1998 numbers, for example, the commission seemed unaware that such figures do not offer an accurate comparison between ADF senior ranks and departmental SES positions at that time. In 1997 and early 1998 the ADF met the DER’s recommendation for a 30 per cent cut in officers of the rank of colonel-equivalent and above. But the commensurate recommendation for the same 30 per cent cut in senior Public Service officials was never implemented.

Similarly, in comparing current numbers of senior officers in the ADF with SES officials in the department the COA appeared to miss several relevant points:

- One of the seven three-star positions in the ADF is temporary, being raised just for the duration of LTGEN Campbell’s secondment outside the ADF to lead Operation Sovereign Borders.
- Many other one and two-star positions in the ADF (and indeed lower ranks) have temporarily resulted from coalition warfare implications and the defence force’s high operational tempo since 1999. Such temporary requirements will reduce significantly as this tempo and associated alliance commitments decline, especially after the final withdrawal from Afghanistan.
- The increase in permanent ADF three-star positions since the late 1990s is solely due to the splitting of the VCDF’s responsibilities after previous departmental reviews had increased the workload of the position unsustainably. Resulting in the creation at different times of the Chief of Joint Operations and the Chief of Capability Development.

Finally, any serious review of the Department of Defence surely needs to ponder the history of its supervision as a ministerial portfolio. Especially the structure of such supervision since the 1974-75 merger of the defence group of departments saw the responsibilities and accountabilities of five ministers, and four statutory boards, vested in only one minister. This was contrary to the recommendations of the 1957 Morshead Review (the last “first principles” one) which had recommended a minimum of three ministers in such a merged department. The ever-growing and now unsustainable personal workload that ministers have increasingly faced over the last 40 years bears this out. Particularly when the ADF is mounting combat operations and battles are not just parliamentary, political or bureaucratic.

Adequate ministerial supervision of the Department of Defence is also not just a case of allocating an optimum number of ministers to the portfolio. As we saw, for example, with the widely acknowledged stark contrast between Senator John Faulkner and Stephen Smith during the Rudd-Gillard governments, interest in the portfolio and competence in gripping it can make a great difference to departmental and ADF efficiency and morale. Faulkner may have taken up the portfolio out of a sense of duty to party and country but this did not affect his diligence. He also had the ability, confidence and party profile to institute a ministerial team structure, whereby two junior ministers and a parliamentary secretary were successfully delegated serious responsibilities. A structure that worked very well until thoughtlessly destroyed in three successive Gillard

Government ministerial reshuffles, when governance of the portfolio — and the long-term national interest in having effective defence capabilities — lost out to intra-party politics.

As a long-term and key responsibility for any government national defence is primarily supra-political, rather than just a party or factional matter. The needs of governance must therefore always win out concerning the number and designation of portfolio allocations in the governing political party. Especially over personality differences between ministers, the lure of short-term political expediency and pressure for factional fixes. •

Telling statistics

Over the last fifty or so years 21 senators or members of parliament have held the senior defence portfolio. Studying some statistics about well-known duties — common to all of them through time — provides an excellent indication of each minister’s commitment to the long-accepted intellectual, leadership and moral responsibilities of the portfolio.

Some statistics going back even further to the end of World War II supplement this analysis. For example, at least 24 ministers (and probably many more) have addressed at least one staff college course since 1946. The number of addresses is probably 150-200 because there were three separate Service colleges and later a joint-Service one for much of this period.

As another example, since Defence established the Centre for Defence and Strategic Studies (CDSS) in 1994, there have been ten Ministers for Defence. All but one have addressed the annual CDSS course, and generally in each year of their tenure. The only one who did not even had four courses in which to do so.

Type of portfolio function normally undertaken by each Minister for Defence	Number held over 3 years (14 Sep 10 to 18 Sep 13)	Number undertaken by the then Minister
Programmed annual ministerial addresses to Joint Command & Staff College (JC&SC)	3 (as scheduled in curriculum)	0
Programmed annual ministerial addresses to Centre for Defence and Strategic Studies (CDSS)	4 (as scheduled in curriculum)	0
JC&SC graduations	3	0
CDSS graduations	3	0
ADFA graduations	3	0 [‡]
Visits to ADFA in total	1099 days as possibilities	0 [‡]
Graduation ceremonies at RMC Duntroon	14	0
Graduation ceremonies at RANC	6	0
Graduation ceremonies at RAAF Officer Training School	14	0
Visits to Russell Offices	1099 days as possibilities	4 [*]
Known one-on-one interviews with specialist defence journalists	1099 days as opportunities	4

^{*} Withdrew once following the death of his father.

[‡] Including the 19 months before the “skype” incident.

^{*} Including one media announcement in the theatre (did not enter the staffed area of the building as such).

Analysts have naturally sought common threads explaining the statistics in Column 3. Conclusions have largely focused on the apparent avoidance of venues and situations where informed questions are necessarily asked of any Minister by those present. •

Pressures, relief & welcome precedents

The impending changeovers at the top of the ADF reflect some thought and long-term planning half a decade or so ago by then Minister, Senator John Faulkner, then CDF, ACM Angus Houston, and then VCDF now CDF, General David Hurley. Some subsequent thought about tenure lengths by the Coalition parties, during their time in opposition, has enhanced this situation.

In the last three changeovers of the ADF's chiefs the government of the day has had a greater choice of options than what tended to be available previously. Certainly far more than governments had in the 1980s and 1990s. This is of benefit to governments, the defence force and the national interest.

Moreover, the old departmental opposition to a Service Chief ever becoming CDF has well and truly been put out to pasture, as the Cosgrove, Houston and Binskin examples show. But not at the cost of putting VCDFs out of contention, as the Hurley and Binskin promotions also demonstrate.

The decision by the Abbott Government to extend the tenure of the CDF, VCDF and Service Chiefs from three to four years is a further welcome step in strengthening continuity and the ability of commanders to see projects through to fruition. By extending two current Service Chiefs the government has also enabled greater flexibility in future handovers of command. Changing the CDF, VCDF and all three Service Chiefs on the same day every three, now four, years always had risks. Especially of improper party-political interference in what is the country's premier non-partisan organisation, both institutionally and culturally.

Moreover, in a diarchy of supposed equal and shared powers and responsibilities, but where Secretaries are appointed for five years and CDFs for only three, the perception given was as bad as the risk of imbalances. The increase to four years for CDF will help in both fact and perception. That several recent Secretaries have served for much less than five years also needs to be taken into account. As does Angus Houston's second three-year term, and the natural effect of the CDF's command responsibilities and military-professional advice to government becoming of increased importance when the ADF is engaged in combat.

One further reform and one contemporary aspect require consideration. As leaders of major institutions of the state, the status of the Service Chiefs (and the VCDF) should be restored to Associate Secretary equivalence. It is nonsense that deputy secretaries are considered equivalent to Service Chiefs in authority, responsibility, public profile or international liaison.

Finally, it should not be forgotten that combat deployments over the last decade have meant that ministers, senior ADF officers and senior Defence officials have been subject to additional stresses, often of a particularly personal kind. •

Vale Bill Pritchett, 1921-2014

The ADA notes the death in late January of W.B. Pritchett, AO, Secretary of the Department of Defence from August 1979 to February 1984. Following World War II service, Bill joined Australia's fledgling diplomatic service in 1945. Extensive foreign service but especially postings in Indonesia during its war of independence, India during its 1961 war with China and Singapore during its expulsion from Malaysia, enabled Bill to build an excellent understanding of strategy (including its military constituents) as well as diplomacy.

Bill was that perhaps rare diplomat (or bureaucrat) who, to his bootstraps, thoroughly understood, intellectually and

practically, that Australia's strategic security entailed more than diplomacy or international relations theory. Including the importance of demonstrating enduring national will by integrated moral, diplomatic and military means.

Throughout 1975, as the relevant first-assistant secretary in the Department of Defence, Bill — almost alone among senior officials — argued logically against Australia acquiescing to Indonesia's forcible incorporation of East Timor. And against the prevalent appeasement mythology in diplomatic and (prime) ministerial circles underlying the push for it.

He accurately foresaw that such an Indonesian conquest would greatly worsen Australia-Indonesia relations for a generation or more and that it would eventually need reversing anyway. Acknowledging the high risk that this would probably end up requiring Australian-led military action of some sort, he further advised that the sooner this occurred the better for both countries over the long run.

Later when Secretary, as both a gentleman and a practical problem-solver, Bill did much to ameliorate the poisonous departmental culture in Public Service — military relations propagated during his predecessor's reign of terror. Its also worth noting that his four and a half years in the position makes him the third-longest serving of the 12 Secretaries since the defence group of departments were merged in 1974-75. Only Ric Smith (just over four years) pushes him even close.

As the doyen of the retired Secretaries in the ADA membership, and a deeply honorable and courteous man, Bill was a greatly respected source of much wisdom generally and corporate knowledge about the department and its mutations in particular. He retained a serious interest in Australian strategic security debates to the last. And a great sense of proportion. When he rang last year to renew his membership for 2013-14, Bill observed that the August 2014 expiry date of his credit card would probably outlast him. Sadly, at 93, it has. •

Vale Sir Neville McNamara, 1923-2014

The ADA also notes the death in early May, at 91, of Air Chief Marshal Sir Neville McNamara, KBE, AO, AFC, AE, Chief of the Defence Force Staff (CDFS) from April 1982 to April 1984. A veteran of front-line service as a fighter pilot in World War II (starting as a sergeant pilot in late 1942) and Korea, Sir Neville also commanded all RAAF forces in Thailand in the late 1960s and Vietnam in 1971-72. He was Chief of the Air Staff (CAS) from March 1979 until becoming CDFS, being the first RAAF officer to do so and only the second to reach the rank of air chief marshal.

Having flown numerous ground-attack sorties in Korea, he further qualified as pilot on both the Caribou transport aircraft and the Iroquois helicopter before assuming command in Vietnam. Leading by example, he joined some 9SQN operational missions in the latter. This experience enabled Sir Neville to gain a much better understanding of joint-Service capabilities, deficiencies and needs than most of his contemporaries.

Later, as both CAS and CDFS, he well understood that the departmental merger of 1974-75 needed to be refined by establishing true joint command of the ADF — and a strategic-level joint headquarters to exercise it. He was also a strong and reasoned advocate of preserving key distinctions between military professional and Public Service responsibilities within the department and the defence force.

Sir Neville was the doyen of the retired CDFS/CDFs in the ADA membership. Together with the passing of Bill Pritchett, a link has ended with the generation of ADF and departmental leaders with service in World War II and who had reached the top of their professions by the mid 1980s. Given this was some thirty years ago, the ADA appreciates that it has had the benefit of their valued counsel and support for as long as we have. •