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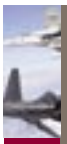

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Reviewing the Defence Capability Plan 2004–2014

The good, the bad and the ugly

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By Aldo Borgu and Mark Thomson

Background

On 4 February 2004 the Minister for Defence released the public version of the Defence Capability Plan (DCP) 2004-2014 which lists the major capital equipment proposals (i.e. worth more than $20 million) planned to be approved in 2004-2014. It outlines some 64 projects with 116 phases currently valued at about $50 billion. This does not include a small number of classified and sensitive proposals that have been withheld. Defence advises that these proposals represent less than two percent, or $1 billion, of the total forecast expenditure.

The DCP 2004-2014 represents the culmination of a near three-year review process that began just before the terrorist attacks of 11 September 2001. In February 2003 the Government released an update of its broader strategic policy. In November 2003 it released some details of its Defence Capability Review, which outlines a number of force structure changes and capability development decisions based on the February 2002 update (see ASPI Strategic Insight No.3 for a detailed analysis of those decisions).

General

The 2004 revision of the DCP does three things. Firstly, it adds new projects and adjusts the timing of existing projects

Global Hawk "Southern Cross II" during trials in Australia © Defence Dept.

to take account of changed priorities. Secondly, it accommodates the cost increases that have arisen over the last three years. Thirdly, it adds three more years to the rolling ten year plan. All this is accomplished within a set resource envelope so that the new plan is budget neutral in real terms.

Comparing costs between the 2001 and 2004 DCP is complicated by inflation and exchange rate movements, but because these have shifted in opposite directions

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the effect is small so that broad comparisons are possible. The DCP does not give precise costs for projects but only broad cost bands. For the purpose of comparison we've taken the mid-point of the quoted cost bands.

It's difficult to be precise about the changes since 2001 because of the large number of projects and project phases that have been split, amalgamated or renamed. Nevertheless, if we make some common sense assumptions about the correspondence between the 2001 and 2004 projects an overall picture emerges. Some 65 project phases currently valued at around $37.9 billion have been carried forward from the 2001 DCP, and 44 new phases valued at $11.1 billion have been added. These numbers largely exclude phases generated by renaming or sub-dividing existing ones.

Something has to give to accommodate this within prior funding levels, even taking account of the three new years in the plan. Overall, some 34 phases valued at $3.2 billion have been either abandoned or deferred into the never-never land beyond 2013/14 when the plan ends. And the 65 phases carried forward have been delayed on average by between 9 and 15 months. In part, this is due to the 20% aggregate cost increase in these projects since the 2001 DCP. The actual extent of deferrals is greater than what we've estimated because we cannot account for the projects bumped out beyond the current DCP.

While it's true that the overall thrust of the plan has not changed radically from the 2001 version, the detailed changes to individual projects are many and significant. Unfortunately, the 2004 DCP gives no hint of what has changed and the reader is left to make their own comparison of the two documents to find out what's happened. ASPI has prepared a detailed translation table that maps the 2001 DCP into the 2004 version which is available at **www.aspi.org.au.**

But perhaps the most elusive aspect of the new plan is the reasons for the changes, be they strategic, financial and otherwise. In what follows we've done what we can to read the tea leaves of the DCP to see what it implies. Unfortunately, this is a difficult task given the paucity of information. Defence should ensure that future public versions of the DCP are more user friendly and explain any changes more clearly.

Budget Implications

In the three years since the 2000 White Paper the Government has more or less kept to its planned schedule of project approvals. Some 65 projects with a listed value of around $10.8 billion in the 2001 DCP have now been approved. In addition, a significant number of previously unplanned projects have also received approval as a consequence of post 9/11 initiatives. But approving a project does not guarantee that capability will arrive on schedule.

One way to track the overall progress of project delivery is to look at the planned versus actual expenditure on capital investment. Since the cost of defence projects rarely falls, any reduction against planned spending levels is a sure sign that delays are occurring. Things are looking shaky. In the last three years more than $1.3 billion in planned spending on new equipment has been deferred including $500 million revealed at Senate Additional Estimates this February. So what does this year's DCP tell us from an aggregate financial perspective?

It's easy enough to compare the expenditure profiles of the 2001 and 2004 DCP (Figure 1 &2). However, some care must be taken in drawing conclusions. The DCP represents planned expenditure on as yet *unapproved* projects (ie. those yet to be formally approved by Cabinet). To get the total planned spending level we need to add the planned spending on *approved* projects. Unfortunately, no such data is currently available. Nevertheless, we can legitimately compare the planned spending in the final years of the 2001 and 2004 DCP because spending on approved projects tends to peak in the first five years and trail off very substantially towards the end of the ten-year program. And it is here that things get interesting.

The final years of the 2001-2010 DCP show a steady increase in capital investment levels reflecting the 3% real growth per annum in Defence spending under the 2000 White Paper. In contrast, the 2004 DCP shows a definite levelling-off of capital investment in the final

years at about the same level as at the end of the 2001 DCP. This is because the Government has reserved any decision on increasing Defence spending beyond the end of the White Paper funding period in 2010/11. Let's hope they relent soon, otherwise it's not good news for the ADF's long-term military modernisation given the usual rise in the cost of military equipment.

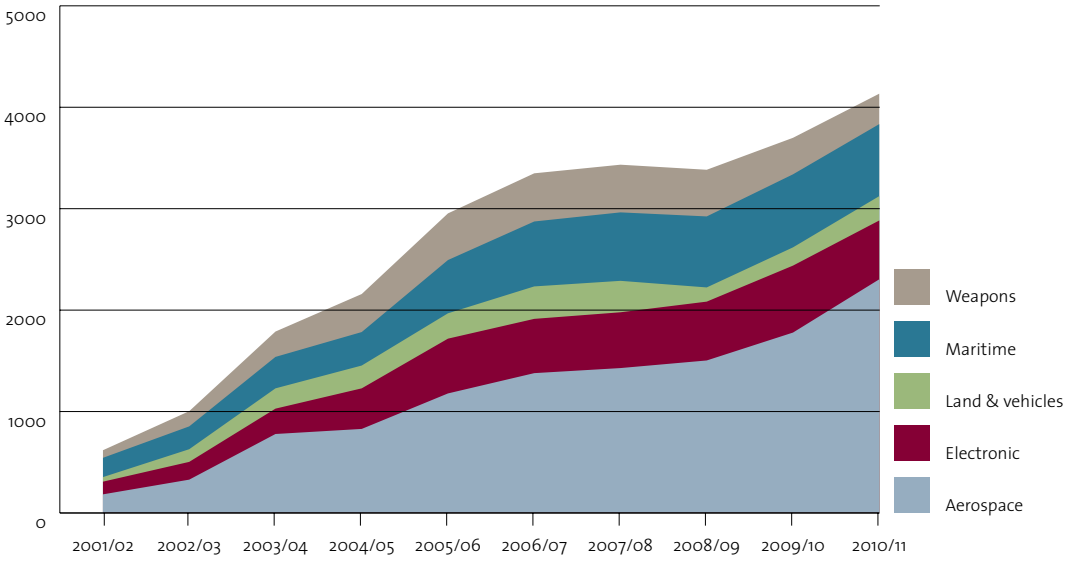

Figure 1: The unapproved capital equipment program 2001-2010. (Data taken from figures on page v and vi of the 2001-2010 DCP).

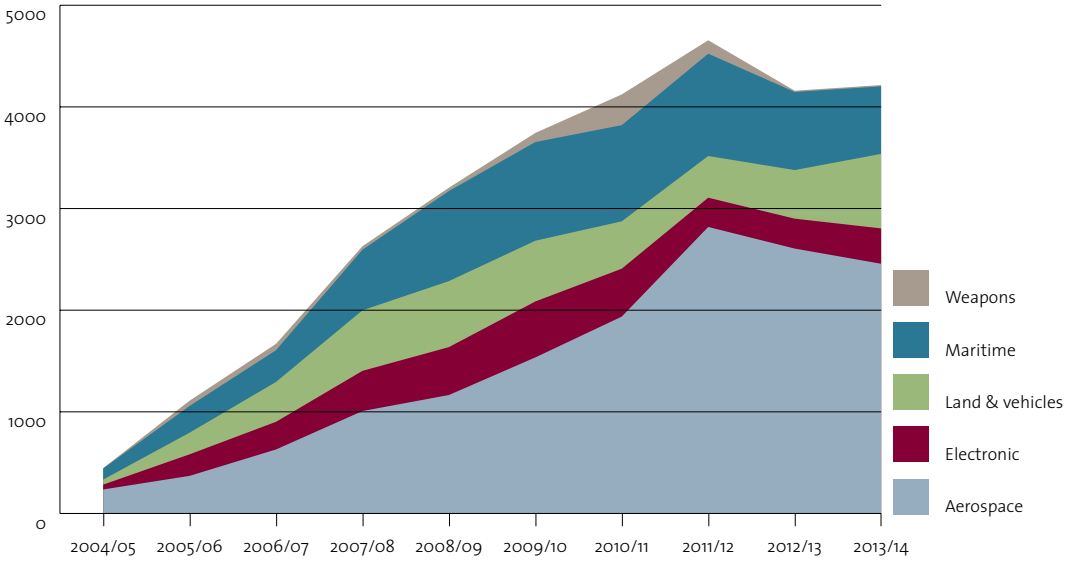

Figure 2: The unapproved capital equipment program 2004-2013. (Data taken from figures on page 6,7 and 8 of the 2004-2014 DCP).

Real cost increases

One of the more apparent and striking issues in the 2004 DCP relates to the large cost increases in a number of major projects. Of those project phases carried forward from the 2001 DCP: 29 escalated in cost, 22 remained static, and 14 fell in cost. The net impact was a 20% increase in the aggregate value of the 65 phases. Some of the more notable examples are detailed below.

Project	DCP 2000 Cost ($m)	DCP 2004 Cost ($m)
Global Hawk UAV	100-150	750-1000
Orion aircraft replacement	1500-2000	3500-4500
Troop Lift Helicopters	350-400	750-1000
Artillery Replacement	300-400	600-750
HQAST	100-150	250-350
Field Vehicles & Trailers	1500-2000	2450-3100
Sea Sparrow Missile	30-50	75-100
Air Warfare Destroyers	3500-4500	4560-6095

Admittedly the use of cost bands by Defence can lead to exaggerated impressions about how much the cost of a project has actually increased. But in many cases the cost of the project seems to have doubled outright.

Some of the larger project cost increases may have perfectly reasonable explanations but we are left to guess what they might be. The increased cost of the HQAST collocation may reflect the fact that the project now also includes all of its associated information and support systems. Defence states that the larger cost of field vehicles is due to the need to replace rather than refurbish the 16,000 odd vehicles and trailers. The increase in price to replace the AP-3C Orion aircraft is probably due to the realisation that replacement rather than refurbishment is the most likely available option. It might also have something to do with wanting to enhance the platform's land

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RAAF P-3C Orion torpedo drop © Defence Dept.

surveillance capability in addition to its more traditional maritime surveillance role, even though that's not a stated role in the new DCP. The increase in cost of the additional troop lift helicopters could be explained by having a better appreciation of the cost of a new platform some three years after the original estimates were made. But it can also be due to the ADF broadening the capability required as well as specifying an overly ambitious industry support and rationalisation plan to accompany the acquisition. More information would be useful.

But such large increases in project costs affect not only new platforms. The costs of upgrading existing ADF helicopters have also jumped: the Blackhawk upgrade has increased by about 50%, the Seahawk upgrade has increased more than 60%, while the upgrade to the Chinook helicopter has more than tripled in cost. The project to purchase maritime air warfare destroyers (SEA4000) deserves particular attention. This is dealt with in greater detail below.

Schedule Delays

Delays in the in-service date of new platforms and systems are another characteristic of the new DCP, albeit not on the same scale as the project cost increases. In contrast to the previous DCP that gave a single year for in-service delivery (ISD), the 2004 version gives a range or band of years instead. For example the 2001 DCP states the ISD for Global Hawk as 2007 while the 2004 DCP gives the ISD as 2009 to 2011. The use of bands of years reflects both the phased introduction of a number of platforms into service over a number of

years, but also a hedging of bets on how long it will take to deliver a project. That's more apparent when bands of years are given for the introduction of a single platform, such as the replacement for HMAS Tobruk. This undermines the accountability of Defence for delivering projects on time.

The net impact of the many delays is significant. Looking across the 65 project phases carried forward from the 2001 DCP: 5 have been accelerated, 32 have remained static and 28 have been deferred. And these figures assume the most charitable explanation of the ranges given for in-service dates. The average schedule change amounts to an average deferral of between 9 and 15 months for each and every project.

So why have so many projects been deferred? It's probably a mixture of making room for higher priority new projects and delaying existing projects in recognition of how long it's now expected to take to deliver the capability sought as well as the pressure of escalating project costs.

Some examples of schedule delay include upgrades to Seahawk helicopters which has slipped 2-3 years and Global Hawk which has slipped by 1-3 years. And despite the Government's often stated intention to accelerate the purchase and delivery of the troop lift helicopters their in-service delivery date remains the same. One example worth further analysis is the refurbishment of the RAAF's twelve C-130H transport aircraft.

RAAF C-130H Hercules © Defence Dept.

This project would see a major refurbishment of the existing C-130H fleet to extend the platform's life. Previously the project — known as AIR5414 Phase 1 — had a year of decision in 2003/04 with an in-service date of 2008. Under the new DCP the project has been renamed AIR 8000 Phase 1 with a year of decision 2009-12 with an in-service delivery of 2013-15. The cost of the project has remained the same, $450-650 million. As has the general intention of the project to extend the life of the C-130 H to at least 2020.

However the further delay in delivering the finished product should cast considerable doubt on the cost-effectiveness of the project. It made sense to spend about $600 million to refurbish aircraft that would give at least thirteen years extra life. It makes far less sense to spend $600 million to get only five years extra life. Defence states that the delay is due to the upgrade not being needed yet. But such a delay in fact makes the eventual cancellation of the project more likely, possibly in favour of the eventual purchase of some six A400M strategic airlift aircraft.

What's New

Around 44 completely new projects and project phases valued at $11.1 billion have made their appearance in the 2004 DCP. In addition a large number of previous projects have been renamed, subdivided or grouped together. For example all of the helicopter acquisitions and upgrades are found under the various phases of the AIR9000 project. Similarly tactical airlift appears under AIR8000, maritime patrol aircraft and Global Hawk UAVs appear under AIR7000 and the two separate artillery replacement projects have been combined into one project, LAND17. Some projects, such as the third phase of the New Aircraft Combat Capability (AIR6000) have appeared because the new DCP takes us forward to 2014 (rather

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than 2010 with the previous). Among the projects that are completely new are:

Project No.	Name	Cost ($m)
AIR9001	Training Helicopter lease	30-50
AIR5428	Pilot Training System (PC-9 Replacement)	600-750
JP90	ADF Identification Friend or Foe	150-200
JP2085	Explosive Ordnance Warstock	650-900
JP2089	Tactical Information Exchange (Datalinks)	125-175
JP2096	Surveillance Enhancement	750-1000
JP2097	Enhancements to Special Operations Capability	350-450
LAND400	Survivability of Ground Forces	1000-1500
LAND907	Main Battle Tank Replacement	450-600
LAND146	Combat Identification for Land Forces	200-250
SEA1390	FFG SM-1 Replacement	450-600
SEA1439Ph6	Collins Sonar Replacement	350-450

A number of these new projects make sense. The Training Helicopter lease and Pilot Training System projects seem to indicate that Defence is becoming more serious about purchasing services from industry rather than simply buying a platform. Much will depend on the details. Identification Friend or Foe and Combat Identification are important projects – not least since the Iraq war – to help prevent friendly fire incidents amongst ADF units and with those of coalition partners.

The creation of a project that takes a holistic approach to the introduction of datalinks on ADF platforms and systems is particularly overdue. For too long the ADF has been acquiring a number of platforms that can't properly communicate and exchange information with each other. But care will need to be taken that the project doesn't become an exercise in double dipping, for instance if the platform project itself already contains a budget allocation for datalinks. Equally greater attention should be directed at the Explosive Warstock projects. Almost an extra billion dollars will be spent on munitions stocks over the next five years. We need to ensure the money is spent sensibly on the real munitions we require for the most likely contingencies.

What's been cut

As part of last year's DCR the Government announced the early retirement of the F-111 strike reconnaissance fleet in 2010 and the decommissioning of two of Navy's frigates in the next couple of years. In addition, two of Navy's recently acquired mine hunter vessels are to be mothballed (these are dealt in greater detail in ASPI Strategic Insight No.3, December 2003). We estimate that the indicative savings from these three initiatives will be in the order of $200 million, $100 million and $24 million per annum respectively. This assumes, somewhat conservatively, that neither Navy nor the RAAF will shed any jobs as a result. If personnel numbers are reduced the saving will be greater.

This scaling back of capability will not only reduce the number of older platforms in the ADF but it will progressively free up over $300 million for other purposes by the end of the decade. It's not known how this money has been redirected, although indications from the investment profiles in the 2004 DCP are that the money has not been allocated to the purchase of military equipment. It follows that the funds are most likely to be used to address logistics and personnel funding pressures.

Some of the 2001 DCP projects no longer appear because they have already been approved. These include Air-To-Air Refuelling, Armed Reconnaissance Helicopters, M113 upgrades and Undersea and Surface upgrades to the ANZAC frigates. Some have been renamed and absorbed as detailed above. And a number of projects have been removed or deferred to beyond the end of the DCP, although we don't know which missing projects fall into these two categories. There are some indications that Ground Based Air Defence, Air Combat Training System,

Rapier surface to air missile © MBDA DR.

and Hydrographic ship upgrades have been deferred beyond the DCP rather than cancelled outright. Some of the more notable projects that are gone are as follows.

Number	Name	Cost ($m)
AIR5387 Ph3A/B	Hornet Weapon System Support Facility Upgrade	100-150
AIR5395 Ph3	Air Combat Training System	200-250
AIR5404 Ph2	F-111 Strike Capability Enhancement	250-350
AIR5421 Ph1	Tactical Reconnaissance and Strike Support Capability	50-75
JP117 Ph2	Ground Based Air Defence	250-350
JP2027 Ph3	LPA Additional Capability	50-75
JP2054 Ph2	Defence Messaging and Directory Environment	100-150
JP2067 Ph1	Personal Communication Systems	100-150
LAND53 Ph1E-R	Ninox – Ground Surveillance Radar	75 -100
LAND112 Ph5	ASLAV Upgrade & Enhancement	250-350
LAND135 Ph1	Light Armoured Mortar System	100-150
SEA1100 Ph4	Surface Ship Towed Array Sonar System	250-350
SEA1102 Ph3	LADS Replacement	75-100
SEA1401 Ph4	Hydrographic Ship Upgrade	75-100
SEA1414 Ph3	Penguin Missile Upgrade	20-30
SEA SEAKING	Sea King Life Extension & Upgrade	30-50

Some decisions are easier to explain than others. The F-111 projects are likely to have been cancelled due to the aircraft's pending retirement. The Light Armoured Mortar System has made way for an expansion of the projects to replace Army's artillery systems. The Sea King helicopter upgrade was cancelled to help pay for the training helicopter lease. The Government had already given indications previously that the additional acquisition of RBS-70 surface to air missiles systems would replace the ADF's existing Rapier Ground Based Air Defence system. However the man portable RBS-70 systems are far less capable than any of the Rapier's intended replacements and the decision will result in a gap in air defence capabilities for any deployed land forces. This approach doesn't seem to be entirely consistent with the Government's stated objective of providing greater force protection for deployed ADF units, especially in the context of justifying Australia's involvement in the US missile defence program.

In addition to the cancelled projects some remaining projects have had their budgets cut while remaining in the plan. This includes ADF GPS Enhancement (JP5408 Phase 2) which was to enhance the ADF's ability to protect Global Positioning Systems. The project has been cut from $350-$450 million to $100-$150 million. The project to provide Army's infantry with a

range of direct fire support weapons (LAND40 Phase 2) has been cut by some 40%, from $250-350 million down to $150-200 million, apparently to offset the cost of buying the new tanks. That raises the question of whether our infantry will have the required capability to attack bunkers, buildings and armoured vehicles without needing to call out the tanks to support them.

Future of the F/A-18 and F-111

The November 2003 DCR resulted in the decision to withdraw the F-111 from service by 2010. This decision was based on, amongst other things, the completion of the F/A-18 Hornet upgrade program including the bomb improvement program and the successful integration of a stand-off weapon on the F/A-18s and AP-3C aircraft. A review of these projects in the new DCP reveals just how risky and ambitious that plan may turn out to be.

The project to upgrade the F/A-18s electronic warfare self protection (AIR5376 Phase 2.3) is due for delivery in the period 2007-09. Upgrading the Hornet's electro-optic imaging weapons systems (AIR5376 Phase 2.4) is expected in 2006-08. The in-service delivery for the Bomb Improvement Program (AIR5409 Phase 1) is expected in 2008-10 while the Follow-on Stand-Off Weapon Capability (AIR5418 Phase 1) is expected in 2007-09. The schedule for the Bomb Improvement Program has slipped from 2008 to 2008/10 and the Stand Off Weapon from 2007 to 2007-09. Should any of these projects slip in schedule then it's possible that the F/A-18 will not be able to take over the strike role from the F-111 in 2010.

As expected, given the Government's intention to retire the F-111 by 2010 the two projects that were designed to enhance the strike and reconnaissance capabilities of the F-111 (AIR5404 Phase 2 and AIR5421 Phase 1 respectively) have been removed from this DCP. However the project to improve the aircraft's electronic warfare self protection (AIR5416 Phase 3) has remained, albeit on a smaller scale. This project seeks to upgrade the radar warning systems on the F-111 at a cost of some $30-50 million with an in-service delivery of 2006-08, down from $150-200 million provided by the 2001 DCP. The schedule has also been brought forward.

Should any of these projects slip in schedule then it's possible that the F/A-18 will not be able to take over the strike role from the F-111 in 2010.

The stated emphasis of the project is on sustainment until the operational life of the F-111 is reached. The DCP states that there is limited scope for Australian industry involvement so that's not the reason for the continued existence of the project. It might have something to do with the amount of sunk costs already invested in the project. But it could also reflect a concern that the F/A-18 may not able to replace the F-111 by 2010 and forms part of the RAAF's contingency planning should that happen.

New Air Combat Capability

The New Air Combat Capability (NACC), or Project AIR6000, is intended to deliver up to 100 new combat aircraft at a cost of some $16 billion to replace the RAAF's F/A-18 and F-111. The aircraft, expected to be the F-35 Joint Strike Fighter, will be delivered in three phases or tranches with in-service delivery to commence from around 2012 onwards (for more information see ASPI's policy report, *A Big Deal: Australia's future air combat capability,* February 2004).

Despite some reporting to the contrary, the NACC project has not increased in cost by some $3 billion. The increase in cost is due to the visibility of Phase 3 of the project (meant to deliver up to twenty five new aircraft at a cost of $2.5 to $3.5 billion) in this latest version of the DCP. This phase wasn't costed in the last DCP as it fell outside its 2010 time frame. In fact, the cost of phase three is understood to have reduced by some $1 billion from $3.5-4.5. It's unknown whether this cost decrease is a result of a decrease in the number of aircraft to be purchased in this phase.

Formation of F-111 & F/A 18 © Defence Dept.

However, while the budget hasn't increased the schedule has changed somewhat. The in-service date for the first phase has changed from 2012 to 2012-14 while the second phase is understood to have changed from 2015 to 2015-17. As with the schedule changes mentioned above this could either reflect a phased introduction of the aircraft or Defence hedging its bets given the widely held expectations that the F/A-18s replacement, the F-35 JSF will be at least a couple of years late. The year of decision for the second phase has slipped from 2010-11 to 2010-13. The year of decision for the third phase has slipped from 2012-13 to 2014-17 while the in-service delivery date seems to have slipped from 2017-18 to 2018-20.

Uninhabited Aerial Vehicles

The Government's DCP2004-14 statement and Minister's press conference highlighted the growing significance of Uninhabited Aerial Vehicles (UAV) in modern military operations. As such they both point to the increased funding allocation given to UAVs in the 2004 DCP. The Minister cited the increase of funding for the Global Hawk (Project AIR7000 Phase 1) from $150 million to between $750 and $1000 million in the new DCP as evidence of the Government making a greater investment in new technologies.

However, it's not clear whether the vast increase in funding has more to do with spiralling increases in costs of the Global Hawk rather than any Government attempt to secure an increase in capability. The Global Hawk has been subject to cost overruns, not least due to capability creep from the US services. In the past few years alone the cost of the US Global Hawk program has increased by 50%, to the point where they currently cost about $120 million each. These cost increases had led to concerns the project would be cut in the Government's Defence Capability Review released in November 2003, which were not realised. In any event the Global Hawk's

Aegis guided missile destroyer USS John S McCain and guided missile cruiser USS Vincennes on exercise © US Navy.

schedule has slipped from an in service delivery of 2007 to one of 2009-11. The Government's intention to use the Global Hawk for more than just maritime surveillance is welcome, indeed given the increasing costs of the platform it's doubtful the Government could have justified buying them for a more limited role. But its continued existence as an air force rather than a joint project casts some doubt on this, as does the emphasis upon maritime patrol as it's primary task.

At the same time the Government is also looking to acquire tactical UAVs to enhance the ADF's aerial surveillance capabilities for land and some maritime operations. In May 2003 the Chief of the Defence Force stated his intention to "examine whether we can accelerate the UAV Project in the DCP". And for good reason. Tactical UAVs have been in service for over 20 years and their utility has been amply demonstrated in a number of recent military operations, not least Afghanistan and Iraq. But despite this intention the schedule for acquiring tactical UAVs has actually slipped from 2007 to 2008-10. There seems to be no excuse for the continued delay in the ADF acquiring a tactical UAV capability.

Air Warfare Destroyers

Project SEA4000 seeks to provide the ADF with an affordable Maritime Air Warfare capability. When the project was conceived back in 2000 the plan was to build at least three Air Warfare Destroyers (AWD) in Australia based on one of several European designs. In the intervening three years the goals have moved up.

At the time of the November 2003 DCR the Minister stated that the Government has chosen a US-designed combat system as the core of the new ships — probably a variant of the Aegis Combat System. The upper bound on the cost of the revamped project has subsequently increased from about $4.5 billion to over $6 billion. Defence has stated that given the intended length of service of these ships — from about 2013 to 2040 — they decided they would need a "better growth expansion" on the ship than originally provisioned for. Put simply, that's code for a bigger ship.

However based on the latest US Department of Defense figures, the US Arleigh Burke Aegis class guided missile destroyer costs about A$1.5 billion each. These ships displace around 9300 tons, have a crew of 350 and can carry some 96 missiles and two helicopters. It's difficult to see why the ships that the RAN intends to purchase would cost any more, unless they're planning to design their own ship from scratch. The question needs to be asked whether we really need a better destroyer than the US. We need to be aware of the risk that Defence's escalating aspirations deliver us another high-risk Australian unique project.

Defence has also highlighted that the increase in cost of the AWD project has been due to the inclusion of particular — but not specified — weapon systems. What remains unclear however, is whether those cost increases are due in part to factoring in the eventual use of SM-3 missiles for ballistic missile defence tasks or the possibility of increasing the land attack capabilities of the ships with weapons such as the Tomahawk missile.

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Amphibious Ships

Released at the time of the Pacific 2004 International Maritime Exposition and Congress, the new DCP clarifies the capability goals and timings of the big ship projects so that we now have a clear understanding of what the Government's future plans for Navy are.

The Minister still states that the in-service date for the first of the two new amphibious ships is 2010 even though his own DCP gives a date of 2010-12. The Government still hasn't given any indication as to where a 26,000 ton, 230m long ship can be built in an Australian shipyard by 2010 without affecting other programs. Defence is expected to bring forward advice to the Government by the end of June on a preferred design for the amphibious ships and the Government has confirmed that a French and Spanish designed ship is currently being considered.

Given the size and capabilities of the type of ship being considered the funding allocated doesn't seem to be overly generous. The 2001 DCP project to replace the two LPAs was costed at $1000-1500 million. The new 2004 project to purchase two much larger amphibious ships is costed at $1500-2000 million. These figures look worse when you factor in the third replacement ship, the sea-lift ship. The total funding in the 2001 DCP for three ships to replace the Tobruk and two LPAs came to $1350-1950 million. The funding in the 2004 DCP for three ships — two of those much larger and expensive than anticipated — comes to $1650-2200 million, an overall increase of only $250-300 million. Given the expansion of capability that is being sought here the funding provided in the 2004 DCP may not prove to be enough.

Lessons from the Iraq War

Since the release of the 2004 DCP the Government has also released an information paper on ADF operations in the 2003 war in Iraq. While mostly a historical account of ADF military operations in the Persian Gulf last year the paper does contain a number of "lessons learned" with specific capability implications for the ADF. The most notable of these stated lessons is the importance of UAVs, precision guided munitions and air-to-air refuelling in modern combat operations. Other lessons include the importance of naval gunfire support, intelligence and surveillance, communications bandwidth, the role of armour, networking and connectivity.

Unfortunately the reality of the new Defence Capability Plan doesn't quite match the rhetoric of the lessons learned document. The acquisition of both UAVs and precision munitions have been delayed a number of years in the 2004 DCP. And while the project to acquire new air-to-air refuelling aircraft is underway it is still debateable whether the project will end up buying enough aircraft (at least seven rather than the up to five aircraft currently planned) to do the job properly. In his comments on the paper the Minister did seem to confirm the widely held view that recent operations in Iraq were more of a factor in Army's decision to buy new main battle tanks.

Conclusion

The DCP 2004-2014 essentially confirms in some greater detail the decisions made by the Government in the November 2003 Defence Capability Review. But the greater detail actually calls into question whether Defence can realise much of what it announced late last year. Cost blow-outs in a number of major projects certainly won't aid in dispelling the general belief that the DCP remains under-funded overall. It appears that the Government's approach to rising projects costs and new capability demands is simple: Defence will have to live within its means. This requires that rising project costs are translated into delayed or abandoned capability. It's tempting to conclude that we'll either have to increase Defence spending or abandon our capability goals.

If only it were that easy. The fact is that over the last three years Defence has been unable to ramp up investment in new capability to meet the goals of the White Paper to the extent that more than $1.3 billion in spending has been deferred. Throwing money at the problem is not the solution. Defence's capability definition and development processes are in need of serious improvement. Our best hope is that the reforms under way following the Kinnaird Review of defence procurement will improve the planning and delivery of future projects. This will take at least several years to accomplish.

In the meantime there are a number of existing projects that deserve to be examined more closely. The ability of the F/A-18 to replace the F-111 in 2010 must be placed under some doubt. The argument has still not been made as to why the ADF needs two larger 26,000 ton amphibious warships rather than a larger number of smaller vessels. Concerns should be raised as to what sort of capability the Navy is seeking in its new surface ships. Despite the increase in funding to the Global Hawk UAV the ADF has yet to demonstrate that it is serious about acquiring an operational UAV capability. And it still seems inexplicable why the Government won't exercise its option to purchase another two AEW&C aircraft. The bottom line is that far greater scrutiny, transparency and strategic direction is needed before taxpayers can be convinced that they are indeed getting more bang for their buck from these changes. Let alone the right sort of bang.

Throwing money at the problem is not the solution. Defence's capability definition and development processes are in need of serious improvement.

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