Australian Defence: The Future under Abbott

Mark Thomson

As Australia's new prime minister, Tony Abbott's ability to deliver on two key campaign promises in the face of ongoing fiscal difficulties will shape the country's defence posture and capabilities for years to come.

There is an air of tentative optimism within the Australian defence community following the accession of the Liberal-National government in September's federal election. After six years of centre-left minority Labor government, during which numerous promises were made and broken in quick succession, it is hoped that, when it comes to defence, the incoming government led by Tony Abbott will be both more consistent and more generous. Such optimism, however, must be tempered by the recognition that the new government will face the same financial situation that shaped its predecessor's behaviour, at a time when hard decisions are called for in key parts of the defence portfolio.

Defence did not figure prominently as an issue in the election campaign. As with most other developed countries in the post-financial-crisis era, economics was the issue of the day in the political debate. Nonetheless, with regard to defence, two noteworthy promises were made by Abbott's party during the campaign. First, it promised a new defence White Paper within eighteen months. More importantly, it made a long-term commitment to increase defence spending from the current figure of 1.59 per cent to 2 per cent of GDP within a decade. Given the former Labor government's plans, which would have seen this rise to only 1.64 per cent over the next ten years, the promise of an increase to 2 per cent represents a substantial boost.

Of course, it is always easier to promise extra money than to deliver it and there are several factors that will make it difficult for the government to make good on its pledge. Not only is the Australian economy feeling the ill winds of reduced international demand for its commodity exports, but Abbott has also promised to deliver a budget surplus of 1 per cent of GDP while reducing tax revenues as a share of GDP by the end of the decade. This will require tight and politically difficult limits on the growth of non-defence spending over the next ten years.

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In the meantime, the new Minister for Defence David Johnston is finding his feet in what has traditionally been one of the more difficult posts in government. Johnston is a lawyer by training, from the mining fields of Western Australia. Although he has only nine months of front-bench experience, as minister for justice and customs in 2007, he has served as the opposition defence spokesman for the past five years, garnering a reputation for paying close attention to the details of major defence projects. He will need all of the knowledge he has gained to deal with the raft of pressing issues in his portfolio.

The first of these will be to craft a new defence White Paper that sets a course for the development of the Australian Defence Force (ADF) in the decades ahead. At a strategic level, this demands a clear vision of the role Australia will play in the developing Asian strategic landscape. Over the past decade, successive Australian governments have struggled to develop a convincing narrative that balances the country's longstanding strategic alliance with the US and its growing economic relationship with China. If anything, recent developments over disputed territories in North Asia have made this task even more difficult. Indeed, just as strategic risks seem to be on the rise, it appears that the US pivot to Asia may be losing momentum.

The White Paper will also need to resolve fundamental questions about the relative priority of various military capabilities in the ADF. Australia has long emphasised the importance of air and naval assets to the defence of its geographic approaches, but the past decade has seen the expansion and strengthening of the army in response to operational demands in East Timor, Solomon Islands, Iraq and Afghanistan. With the operational tempo in Afghanistan abating, it must now be decided how much of the newly acquired land force to retain.

Irrespective of the army's size, the question of its combat weight has

also to be resolved. The controversial acquisition of forty-eight M1 Abrams tanks in 2004 saw the army move towards a capacity for medium-intensity, combined-arms operations. Continuing on this path would also lead to the acquisition of infantry fighting vehicles for protected mobility. But while there is a project on the books to acquire such vehicles in the 2020s, the project's $10 billion-plus price tag makes it vulnerable if money gets tight. In light of past experience, it is unlikely that existing plans for the land force will be retained once current operations cease.

In the air-combat domain, meanwhile, costs are mounting. The 'interim' decision to procure twenty-four F/A-18F Super Hornets in March 2007 has morphed into a more enduring part of the air force's order of battle, with the follow-on purchase of twelve EA-18G Growler electronic attack aircraft in 2012. It now appears certain that these thirty-six aircraft will serve concurrently with the F-35 joint strike fighter once it enters service towards the end of the decade. However, it looks unlikely that the initial plan to purchase 100 F-35 aircraft will be fully realised due to the substantial extra costs inherent to a mixed fleet. For the same reason, the question of whether and when to transition to an all-F-35 fleet will have to be considered at some point.

Another key decision for the new government concerns the mix of manned P-8 maritime patrol aircraft and unmanned drones to be purchased to replace the existing fleet of eighteen P-3 aircraft. What would already be a complex decision in a purely military context is complicated by the urgent demand for maritime surveillance due to the growing influx of boats carrying asylum seekers into Australian waters. A decision has yet to be made as to whether to expand the existing civil surveillance programme, which is delivered under contract by the private sector, or to make greater use of military capability for this purpose.

Yet, whatever the difficulties in relation to the land and air forces, the largest and most costly issues arise in the maritime domain. First and foremost are the issues surrounding the submarine fleet. Here, two problems must be solved concurrently. On the one hand, despite some recent progress, the existing fleet of six *Collins*-class submarines remains unreliable and restricted in its employment. On the other hand, inaction by successive governments has left precious little time to conceive and initiate a replacement programme, notwithstanding the bipartisan promise to double the size of the fleet in the process. As a result, it is almost certain that the existing fleet will have to be remediated and given a life-of-type extension to allow time for replacements to be built.

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Two options for the new submarines are currently being developed: the first an evolution of the existing *Collins* class, and the second the design of an entirely new boat. While the former arguably carries lower risk and cost, only an *ab initio* design has the potential to meet all of the navy's requirements, which include air-independent propulsion, extended-range land-attack missiles and the capacity to deploy special forces. Furthermore, regardless of the design chosen, the challenge of melding US-derived weapons and combat systems with European platform technology will make the new submarine one of the most difficult projects ever undertaken by Australia.

Before any substantive progress is made on the replacement submarines, however, there is an emerging problem with regard to the naval industry that demands the new government's attention. This concerns the three 6,500-ton air-warfare destroyers, based on the Spanish F-100 design, currently being built in Australia. Considering progress to date, the construction programme will likely conclude around 2019. This is long before major work will commence on the replacement submarines, and pressure from shipbuilders, unions and state governments is mounting to preserve jobs and retain the skills necessary for both the replacement-submarine programme and the eventual replacement of the eight *Anzac*-class frigates currently in service.

In the near term, the clamour is for a stopgap naval project to provide continuity. Options for this include the construction of a fourth air-warfare destroyer and the accelerated replacement of the navy's aging replenishment oilers. In the long term, vested interests in industry want the government to establish a 'continuous build' programme, whereby submarine and surface combatants are produced on a rolling basis. Although the Department of Defence appears to endorse such an approach, it remains to be seen whether a conservative government under Abbott will abandon competition and embrace a monopoly supply arrangement, especially given that the scale of Australian naval demand makes the economic feasibility of continuous-build programmes questionable.

Beyond the large array of troubling projects and force-structure decisions that need to be made, there is also the question of how to reform the defence enterprise and its workforce of 21,200 civilians and 58,600 uniformed personnel. The new minister for defence is on the record as wanting to reduce what he sees as a bloated civilian bureaucracy that has grown in recent times. In particular, he has highlighted the large number of civilians employed by the Defence Materiel Organisation (DMO), which is responsible for acquiring and supporting equipment for the navy, army and air force.

With a civilian headcount of more than 5,500 personnel, the DMO would appear to be an obvious place to look for efficiency savings. But perspectives can change rapidly in the transition from opposition to government. If the current ambitious programme of equipment acquisitions is to be realised, the Abbott government will need to ensure that the DMO retains the skilled personnel necessary to execute complex multibillion-dollar acquisitions. Where real personnel reductions can be achieved, it will likely mean reduced oversight of how public funds are spent, in turn entailing an acceptance of greater risk by the government.

As the new government settles in and gains access to the myriad details required to understand a modern

defence force and attendant department of state, it is likely that preconceptions will be cast aside and new ideas will emerge. Just as importantly, real-world events will influence government thinking and thereby shape its plans for the ADF – as was the case during the period of high operational demand that emerged in the early 2000s. For better or worse, therefore, the long-term development of the ADF is captive to the strategic and economic developments of the years ahead. It is hoped that the new government will prove up to the task of navigating the unpredictable and changing landscape it will be confronted with.

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Signs of Change in India's Defence Industrial Base

Ajai Shukla

The current restructuring of India's defence industrial base is aimed at improving the quality of indigenous platforms through greater accountability, increasing defence exports and reducing the cost of procurement to India's armed forces.

Change does not come easily to a fifty-five-year-old monolith, whose fifty-two laboratories and 30,000 technicians have long enjoyed a monopoly on the design and development of India's defence equipment. Yet rising public clamour over India's embarrassing status as the world's largest arms importer is forcing the Defence Research and Development Organisation (DRDO) to transform itself from a sluggish and barely accountable government department into a more agile and outward-looking organisation that can translate its substantial funding and experience into weaponry that satisfies the demands of the Indian military.

The DRDO has succeeded, in spite of tight technology sanctions imposed by the West after India conducted a nuclear test in 1974, in developing nuclear-capable ballistic missiles, a nuclear-propelled attack submarine, an apparently successful anti-ballistic missile shield and highly technical electronic warfare equipment. Yet the DRDO has faced decades of justifiable criticism for delays and performance shortfalls in delivering conventional platforms such as the Tejas light combat aircraft, the Arjun tank and the Akash surface-to-air missile, all of which are entering service a decade or more later than planned.

However, the DRDO, owned by the Ministry of Defence (MoD), is only one part of India's defence industrial base, albeit a high-profile one. Set up in 1958 in the heyday of the Nehruvian 'command economy', when the private sector had only rudimentary capabilities, the DRDO is granted funds annually – £1.07 billion or 5 per cent of the defence budget in 2013–14 – with which to design and develop defence equipment. This equipment is then manufactured by eight MoD-owned defence public-sector undertakings (DPSUs) and forty-two ordnance factories (OFs), some of which were founded in the late eighteenth century.

With the design agency disconnected from manufacture, reasonably good designs have, at times, failed the user test due to shoddy manufacturing. The MoD, however, remains deeply invested in the DPSUs and OFs, assuring these organisations of orders even though the DRDO has, increasingly, demanded the power to choose private-sector companies as manufacturing partners. As such, between the military, the DRDO, the DPSUs, the OFs and the MoD, the design and manufacture of indigenous weaponry has degenerated into a blame game in which foreign vendors are the only winners.

The classified report of the Rama Rao Committee – established in 2007 to consider how best to restructure the DRDO to increase efficiency – has gathered dust in the MoD ever since it was submitted in February 2008. In September, however, the DRDO's new director general, Avinash Chander, signalled his determination to implement reform.

In the three months since his appointment on 1 June, he has decentralised responsibility for equipment development programmes, placing each of the DRDO's technology 'clusters' under the directorship of a