

OVERSEAS DEPLOYMENT

Balancing interests a tough act

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COMMENT

KEVIN Rudd and his cabinet colleagues will meet for the first time next week. If the election is anything to go by, defence might not even make it onto the agenda. Yet there are challenges aplenty for the new Government in the defence portfolio.

One of the biggest will be to deliver the promised new defence white paper. Much has happened since the release of Defence 2000 with implications for our defence strategy and the ADF. The shifting strategic landscape of North Asia, continued frailty in our immediate region and the ongoing consequences of 9/11 all have to be considered carefully. Then there's the question of calibrating our priorities for military action near and far.

In terms of shaping the ADF, however, there is perhaps not that much to do. The new Government has promised to honour all existing contracts — even the controversial \$6.6 billion Super Hornet fighter acquisition. In reality, enough large projects were approved in the final year of the previous Government to effectively set the shape of the ADF for the decades ahead. Unless the new Government is willing to make bold decisions, Kevin Rudd will be left to pick up the tab for John Howard's plans.

Unfortunately, even with continuing 3 per cent real growth, the defence budget is inadequate to the task. On the investment side, the costs of at least some projects in the Defence Capability Plan are underestimated, as shown by the collective \$2.4 billion blow-out in the destroyer and amphibious vessel programs disclosed in June. Just as serious is the emerging shortfall in personnel and operating costs for the many new capabilities due to enter service in the next several years.

The solution is not necessarily to throw more money at defence. A key part of the next white paper will be to align mean and ends. In the process, it will be important to look closely at defence efficiency.

Perhaps because of generous defence spending, there is little sign of overheads having been contained during the past seven years. In that time, the number of permanent military personnel has grown by less than 3 per cent while defence civilian numbers have grown by more than 19 per cent. More dramatic still has been the rapid growth in the number of top brass and civilian executives in



In command: Kevin Rudd's Government will need to review Australia's defence priorities

the warren of Russell Hill. The problems extend beyond money and inefficiency. While ever more ambitious plans for the defence force have been hatched in recent years, the actual delivery of new capability has fallen short. As a priority, the new Government must ensure that plans are translated into reality — especially in the critical areas of personnel and equipment.

Despite claiming "the best result for 10 years in recruitment", recruitment into the permanent ADF — which is what really matters — fell 16 per cent below target last year. This is actually worse than the average result for the preceding decade. With plans to increase the size of the ADF by more than 4000 personnel by early next decade, a substantial challenge lies ahead.

No less challenging will be delivering the multi-billion-dollar array of new equipment for the ADF. In the past 12 months, more than

\$2.9 billion of planned defence acquisitions have been deferred because projects have faltered. Last year, less than \$2.9 billion of a planned \$4 billion was spent on the top 30 defence projects.

Many factors are at play. Capacity constraints in industry and the defence organisation are no doubt both having an impact. But more important is the tendency for the ADF to specify unique equipment that all too often results in lengthy delays, higher costs and unmet expectations. In contrast, when equipment is brought off-the-shelf from established production lines, capability finds its way to the ADF quickly — as demonstrated with the recent C-17 aircraft, Abrams tanks and Javelin missile purchases.

Rather than conduct yet another review into defence acquisition, the new government should simply buy off-the-shelf equipment wherever possible. While Australian-unique

solutions are sometimes necessary, buying off-the-shelf from an established production line is the single most effective way to speed the delivery of equipment to the services.

Unfortunately, such an approach would run contrary to the new Government's promise to "ensure that as much of the defence budget as possible is spent in Australia". If they are not careful, this will turn Australian defence industry into a sheltered workshop. Unless a local industry capability is needed for strategic self-reliance, it makes no sense to pay a premium for local supply. The recently approved Air Warfare Destroyer project, for example, will cost the taxpayer at least an extra \$2 billion to build the three vessels in South Australia — \$2 billion that could have been spent on extra capability for the ADF.

The final challenge is also the most difficult: managing ADF deployments to East Timor, Iraq and Afghanistan.

In East Timor the problems are long term. Australian troops will likely be required as long as it takes to establish effective domestic institutions. Just as with the fragile states of the South West Pacific, this will only happen if we redouble our efforts at nation building in concert with friends like New Zealand. Even then, a solution will take years.

At least we can try to shape our destiny in East Timor. This is not the case in Afghanistan and Iraq where, as a minor partner in large coalitions, we are along for the ride. The challenge for the next Government is to balance the interests we have in each conflict — principally our alliance credentials — against the legitimate imperative to get our troops home as soon as practicable.

In Iraq, there is light at the end of the tunnel. The US will downsize their forces before or soon after next year's presidential election. This will allow us to substantially reduce our forces in and around Iraq beyond the initial withdrawal of 500 troops planned for next year. The key will be to link Australia's withdrawal to the US drawdown. With luck and adept handling, Australia's military involvement in Iraq could be over in less than 18 months.

If this occurs, there will be a temptation to increase our force in Afghanistan in compensation, especially given the arguments arrayed by Labor in opposition. Great caution is needed, however.

Our NATO partners agree that they don't have enough troops to do the job in Afghanistan, yet few are stepping forward to send more troops or play a more active role. In the absence of a change of heart, or an unexpected breakthrough, it may be that the most that can be achieved is to hold back the Taliban without mustering the critical mass to prevail.

At best, it looks like we are going to be in Afghanistan for a long time as the situation slowly edges forward. At worst, we could find ourselves increasingly committed as others withdraw and the situation deteriorates. If this happens — and let's hope it doesn't — the challenge for Government will be sobering; to put aside the rhetoric and judge when the diminished prospects of success no longer justify further loss of Australian lives. Welcome to government, Mr Rudd.

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