

Dr Andrew Davies – Statement 12 June 2012

I'd like to thank you for the opportunity to make a short opening statement.

I'm sure as this afternoon proceeds, we'll discuss a great many topics and I see many fruitful avenues to explore in the issues paper that was circulated. Given my professional involvement in defence capability development for nearly two decades now, I have views on most of the issues raised and look forward to participating in the discussion.

But for now, I'd like to focus on the one part of the process that is, in my view, too often given insufficient attention. Namely, the development of the 'big picture' view of the ADF's force structure prior to the development of individual projects. Having the best project management processes in the world won't help if we are delivering the wrong forces.

To draw an analogy from economics, it is entirely possible to reach a state of productive efficiency without achieving allocative efficiency. That is, resources are being used efficiently in the sense that no further outputs could be produced with the given level of inputs, but the outputs being produced are not best matched to the needs of the society producing them.

In the defence project context, productive efficiency would correspond to a situation where the first and second pass process is chugging along nicely, with the requisite number of approvals being obtained to keep the Defence Capability Plan on track, while DMO is managing and delivering projects on schedule and budget and their service customers are ensuring that through-life support is seamlessly implemented. (And, yes, this is clearly a hypothetical situation.)

In this picture allocative efficiency corresponds to the production of the force structure that best suits Australia's strategic requirements, and which allows the government to maximise its return on investment in the defence portfolio by obtaining a range of military options that are relevant to the security challenges it judges most important.

Let me give a few instances where I think we can at least question the allocative efficiency of the ADF's force structure. As a general point, there's no obvious rationale for the numbers of various platforms. Why is 100 Joint Strike Fighters right? Is it the result of a rigorous determination, or is it because we currently have 100 Hornets and Super Hornets (and before that Hornets and F-111s)? We have six Collins submarines largely because we had six Oberons, but that acquisition was almost by accident—the original rationale being very different to the end use.

The numbers question gets very odd indeed when we look at the future submarine project—we have a situation where the government has decreed twelve boats, while simultaneously looking at options with very different capabilities. Holding the number constant and varying the capability makes no sense.

My final example is the naval force structure, particularly the air warfare destroyers and Canberra class amphibious ships. It seems to me that we will have some very capable vessels

there—but in such small numbers that there is little chance of them being used by future governments in anything like their designed roles. I can elaborate on that later if you wish.

In fact, the ADF's force structure has many examples of relatively small numbers of very capable platforms. We even have a name for it—the balanced force, which has a bit of everything.

John Stuart Mill told the British Parliament in 1824 that invoking the word 'balance' is a pernicious rhetoric trick 'because', he said, 'if any thing is called a balance, it must, for that reason, be necessarily good'. Similarly, if you argue against a balanced force, you must be arguing for an unbalanced one, which doesn't sound like a good thing. Critics say that we would be betting on a particular future rather than hedging against all possibilities, which they say a balanced force does.

But I argue that we have to move beyond that. Our strategy has worked well for us up to now because there hasn't been any regional competition to our balanced force worth mentioning. Australia has been on the right side of technological sophistication and economic development. Our neighbours haven't been able to field anything that could seriously challenge our military forces.

Today the picture is very different. The economic weight of the world is shifting towards Asia and military technologies of increasing sophistication are proliferating in the region. Australia's monopoly on wealth and high-tech military equipment is coming to an end. By sticking to the notion of balance and not looking hard at numbers—which will sometimes need to be higher, sometimes lower and sometimes zero—we'll guarantee an ADF that has very little capability to shape or respond to the environment.