



AUSTRALIAN INDUSTRY GROUP DEFENCE COUNCIL
SUBMISSION TO THE INQUIRY INTO
A BIPARTISAN AUSTRALIAN DEFENCE AGREEMENT

Introduction

The Ai Group Defence Council (the Defence Council) is the peak representative body for the Australian Defence industry.

The Defence Council welcomes the Defence Sub-Committee of the Parliament's Joint Standing Committee on Foreign Affairs and Trade inquiry into the benefits and risks of a *Bipartisan Australian Defence Agreement* as the basis of planning for, and funding of, Australian Defence capability.

We understand that the inquiry is considering options to provide long-term Defence capability planning stability, including reviewing approaches to strategic planning in other countries such as the USA and Denmark.

We note the Terms of Reference of the inquiry cover:

- The efficacy of Australia's existing strategic planning processes and associated documents including – but not limited to – the Defence White Paper, Integrated Investment Plan, force structure reviews, Sovereign Defence Industry Plan and Naval Ship Building Plan – to deliver the best and most capable Defence force that Australia can afford.
- The opportunity cost of short-term and shifting Defence priorities.
- Precedents in Australia's parliamentary and political system for both independent and bipartisan inputs to national security policy.
- Efficacy of bipartisan and / or independent approaches to strategic Defence planning in other nations such as the USA and Denmark.
- The principles of a process to achieve a Bipartisan Australian Defence Agreement that would be effective within Australia's Westminster form of executive government.
- Any other related matters.

The Terms of Reference also note the Inquiry may also make observations and recommendations on whether a Bipartisan Defence Agreement should include the role and responsibilities of other agencies that contribute to Australia's foreign policy, intelligence and security, and Defence architecture.

Ai Group Defence Council position

The Defence Council's view is that a long-term bi-partisan commitment on funding Defence capability would be highly significant in:

- underpinning Defence capability to allow Defence planners to deliver the Integrated Investment Plan to support Australian Defence Force missions and protect Australia's national security;
- providing certainty for sustainment of existing ADF capabilities, upgrade and life-cycle support purposes;

- allowing industry to plan long-term investments to support ADF capability through technology advancements, efficient processes and asset management techniques;
- reducing inefficiencies in both Defence and industry associated with mobilising and demobilising workforce requirements; and
- maximising Australia's investment in the defence industry through programs such as naval shipbuilding and armoured vehicles for the benefit of Defence, Australia's economy and the broader community.

Without a bipartisan agreement on Defence capability funding, Defence spend can be significantly impacted through the election cycles with adverse consequences for Defence, industry and the economy. Historically, the lack of a bipartisan approach has had a profound effect on business and investor confidence, which impacts both delivery of capability and our broader economic interests.

Defence's current planning processes

The terms of reference for the inquiry cover the *"efficacy of Australia's existing strategic planning processes and associated documents including – but not limited to – the Defence White Paper, Integrated Investment Plan, force structure reviews, Sovereign Defence Industry Plan and Naval Ship Building Plan – to deliver the best and most capable Defence force that Australia can afford"*.

Defence is to be commended on some of the recent changes in force structure planning through, for example, the establishment of dedicated ongoing force design reviews, rather than the 'boom and bust' cycle of previous years.

Nevertheless, there are still challenges with the Defence capability development and investment processes which require review and improvement. The following measures would go some way towards improving Defence planning processes:

- early and meaningful engagement with industry in the force design cycle and implementation of Industry as a Fundamental Input to Capability as a documented part of this engagement process;
- a clear, transparent, detailed and regularly updated Integrated Investment Plan that is available on-line;
- early publication of the proposed Defence Industrial Capability Plan, clearly articulating the sovereign industrial capabilities and their management;
- an updated Naval Shipbuilding Plan setting out Australian industrial requirements and workforce; and
- a clear articulation of proposed acquisition strategies through the Defence Smart Buyer process for each Defence project.

These changes would help underpin certainty for both national security and business investment purposes.

Achievement of a Bipartisan Australian Defence Agreement

The Defence Council applauds the intent of the inquiry and proposal for a Bipartisan Australian Defence Agreement. We understand the intent is to implement the principle that national security is the most important task of government, which should transcend individual political positions of the day and provide budget stability for Defence.

We note there are international examples which could provide a model – notably the Danish Defence Agreement 2013-2017. We understand the Danish parties agree to the principles underpinning the agreement to provide stability for the five-year period on issues such as:

- the basic funding level and principles for Defence;
- the focus of operations and areas for expansion, such as cyber;
- operational requirements and development initiatives, such as development in the Arctic;
- major procurements, such as new ship-based helicopters and investment in cyber;
- national Service requirements; and
- organisational structures and leadership arrangements.

Fundamentally, the Defence Council agrees with a bi-partisan approach such as this, noting it would need to be tailored for the Australian context. The US may also be a model that could have strengths, however the annual nature of the funding in that system has disadvantages.

In the case of Australia, the Defence Council suggests the highest priority elements for a long term agreement should include:

- a common understanding of the priorities, strategic objectives and interests of Defence;
- the level of Defence funding commitment (currently two per cent of GDP) and funding principles over the period; and
- the major elements, cost bands, schedule and project descriptions within the Integrated Investment Plan.

The Defence Council suggests the Bipartisan Australian Defence Agreement should set out the core bipartisan commitments, such as those above. In the event of a profound change in strategic or project circumstances the agreement would require a mechanism for change, but this should involve all parties to the extent possible.

There are a number of questions the inquiry will need to focus on to determine the practicality and enforceability of any such agreement. In particular, we note there will be questions in relation to the binding nature of the agreement, and whether it would require legislation or regulations to be passed.

Role of other organisations and agencies

The Terms of Reference state that the *“Inquiry may also make observations and recommendations on whether a Bipartisan Defence Agreement should include the role and responsibilities of other agencies that contribute to Australia’s foreign policy, intelligence and security, and Defence architecture.”*

The Defence’s Council’s view is that any Bipartisan Defence Agreement should include other agencies to be comprehensive and complete. The Agreement should cover the role of for example, the new Home Affairs portfolio, the Department of Foreign Affairs and Trade, as well as the intelligence agencies - to the extent that they impact on the Defence Agreement. If however a comprehensive agreement will take additional time, the Defence Council suggests taking a phased approach focussing on Defence in the first instance.

Conclusion

The Defence Council welcomes the inquiry into a Bipartisan Australian Defence Agreement. Such an agreement would be profound change to the current system and has the potential to significantly improve outcomes for national security, economic stability and industry investment.

The Defence Council would welcome the opportunity to discuss these matters with inquiry members.