

## DISSENTING REPORT BY SENATOR DEE MARGETTS (GREENS, WA)

---

It was necessary for me to write a dissent to the majority report of the Joint Foreign Affairs, Defence and Trade, *Funding Australia's Defence*, for a number of reasons. These include the narrow scope of the inquiry itself, leading inevitably to faulty conclusions, and the failures of logic in its own terms.

The problems of the scope and direction of the inquiry relate to the failure of the Majority Report (MR) to acknowledge and address adequately the broader concept of security.

The central points of this Dissent are:

- That Australia's present and credibly predictable strategic situation is by no means as potentially adverse as the Majority Report so uncritically asserts;
- that Defence has a record of waste and inefficiency which can only be described as scandalous. Taxpayers have had to put up literally hundreds of millions of dollars to support Defence incompetence;
- that both the present Government and its predecessor have nevertheless granted Defence special financial privileges and exemptions from scrutiny which have only made the inbuilt culture of inefficiency worse;
- that measures to correct Defence's atrocious record have been attempted before without success and that present proposals arising from the Defence Efficiency Review (DER) need to be tested in practice before their success can be assumed. **In short, Defence needs to demonstrate substantial improvement in major project management *before* any consideration of additional funding**
- That the whole approach of the Majority Report is to minimise these facts and support an inappropriate and increasingly outdated concept of military security and;
- that the recommendations of the Majority Report are neither novel nor practical.

### A Failure in its Scope

A number of submissions, including Peter Jones, the Women's International League for Peace and Freedom and Friends of the Earth objected to the narrow Terms of Reference as being designed to lead to certain outcomes. The Defence Sub-Committee was to

...inquire into and report on the level of funding required to ensure that the Australian Defence Force is equipped, trained and maintained to a level necessary to provide for the defence of Australia as principally defined by strategic guidance...

Separating 'defence' from 'security' not only leaves us open to those who have an ideological preference to a higher defence allocation, outside of any credible concept of security threat but also to the 'bang for your buck' criteria for defence spending 'performance indicators'!

Indeed, the Department of Defence is quoted as saying:

[T]he starting point of any consideration of adequacy of defence spending is how much capability you are getting for every dollar that is going into the system.<sup>1</sup>

## **A Failure in its Own Terms**

This dissent is necessary also because the Majority Report has failed to achieve its purpose. Even if one accepts (as does the MR) the prevailing models and concepts which for many years have informed discussion of Australian security and defence, the MR is both incomplete and inconsistent. It is important to understand that this dissent does not rest on some alternative or controversial view of Australian security; the MR is a mainstream document which, however, fails in its own terms. No external ideological perspective is required to demonstrate the inadequacies of the Report. This will become clear as one proceeds through this Dissent.

It is both ironic and instructive that this report is released not long after those from the Joint Statutory Committee on Public Accounts and Audit on the disastrously expensive and unsuccessful Jindalee Operational Radar Network (JORN), and from the Australian National Audit Office on the bungled *Collins* class submarine project. The implications of these matters will be addressed in more detail later in this Dissent. Suffice it to say at this point that to give substantial additional resources to an organisation with a track record of incompetence and waste runs clear against common sense principles of public policy, administration and management.

## **A Failure in Broader Terms Too**

### **Global Warming**

The Greens of course do have a wider view of security and defence than either the official bureaucracies or the pedestrian and conservative perspectives held by both the major parties. The narrow major party view, based on an obsession with purely military security, the claimed need for superiority, the willingness to perceive (and, if need be, manufacture) threats, permeates the MR.

In fact the MR is as innocent of broader perspectives as a frog is of feathers. Non-military challenges to Australian interests are hardly mentioned, because they rarely invite the response of spending more on defence. Climate change is, at the time of writing, a reality as large parts of the country shrivelled in a vicious drought. The Government's response to the issue has been to seek ways of making greenhouse problems worse by increasing Australian emissions. Resources which might have supported more constructive approaches will, if the MR were implemented, go to building up Australian military power (or to further Defence Department mismanagement). Perhaps the Government desires to send a naval task force to make war on El Niño.

---

1 Hugh White, Dept. of Defence, Transcript, p. 223.

Though the Australian Defence Force (ADF) has an outstanding and commendable record in mitigating their consequences, neither droughts, cyclones nor floods can be prevented with military power. Since the end of the Cold War there has been significant change in the nature of potential challenges to Australian national interests, but the Government and official Opposition are locked into increasingly obsolescent concepts centred on old-fashioned adversarial diplomacy backed up with the development and use of military power.

In fact, the consequences of global warming are likely to increase demands on Australia and the ADF for humanitarian assistance of the type recently rendered to PNG during its El Niño-caused drought. This, rather than traditional military demands, is the likely future.

### **Globalisation and Threats to Sovereignty and Security**

Advocates of global free trade argue from economic theories that suggest that the maximum competition produces maximum benefits for consumers. Attempting to break down all international trade barriers, they seek a world in which goods and services move freely in accordance with essentially unregulated market forces.

I have explained this concept in more detail in a paper for 'Adelaide Voices' late last year entitled 'Global Warring':

The nature of war has changed radically in the last 50 years mainly due to the forces of globalisation. Globalisation has resulted in increasing economic and social inequality and environmental insecurity, which has exacerbated the roots of conflict and increased the propensity for war. However, the way in which war is fought and the identification of the 'enemy' is also changing in light of the activities of multi-national corporations, the dissolution of nation states, changing war technologies and the role of trade and economic policy as the new form of warfare. The victims of the conflict that ensues are humanity and the environment.

In this world there are many potential casualties. Quite aside from the millions of people, mainly in developing countries, who are exploited at outrageous wage rates, there are the millions in more advanced states whose livelihoods disappear because they simply cannot live at such rates and so become unemployed.

The latest manifestation of globalisation, the so-called Multilateral Agreement on Investment (MAI), demonstrates the pressure now being exerted on governments to give up sovereignty in their own territories, to abdicate control over their economies and leave all to the godlike globalised market. Nothing less than national sovereignty is at risk here, albeit not in a way which can be addressed by traditional military force.

Moreover, as globalisation wreaks its havoc in developing states, the likely outcome is the internal destabilisation of many governments. Following rapidly from that can be security problems caused not by old-fashioned territorial aggression, but by governments desperate to regain some control over their own affairs and the fates of their peoples. Thus globalisation threatens not just national sovereignty but, in new and disturbing ways, international security. Is the United Nations, for instance, to become nothing but the instrument of a globalised world economy dominated by the few with control of a large proportion of the world's wealth and resources?

## Secure Australia

### Unwarranted Pessimism to Support a Case for Spending Increases

The Majority Report echoes the line taken by the Government's recent *Strategic Policy* paper and the earlier DFAT paper *In the National Interest*. The DFAT paper says:

The remarkable economic growth of East Asia has been an overwhelmingly positive development for the region's peace and prosperity. But rapid growth has also enabled countries to increase their military expenditure. Throughout the region armed forces are making the transition from their earlier roles in internal security and national development to the more outwardly oriented roles of defence of national sovereignty and protection of national assets. The higher levels of military expenditure in the region increasingly provide regional countries with more effective means to protect assets, including in areas where land and sea territorial claims overlap. This adds to the risk of conflict in the region.<sup>2</sup>

The Majority Report quotes with approval evidence from DFAT that

...although current prospects appear promising, DFAT assesses that there remains a number of threat perceptions within the Asia-Pacific community, stemming not only from internal conflicts, within the geographical boundaries of a country, but from perceptions of fellow Asia-Pacific members. These include the conflicting territorial claims over the South China Sea, the tension between the two Koreas, and the unresolved status of Taiwan.<sup>3</sup>

It goes on to approve of the Defence Department's notorious habit of producing 'pessimistic outlook and interpretations.' This is to approve an approach designed to generate worst-case scenarios and, of course, to maximise the perceived need to pump yet more money into Defence. **It is, in fact, a practice which denies Australia the benefits of careful, rational and balanced strategic assessments in favour of irrational and pre-determined pessimism. If every country in the world except (say) Denmark abolished its armed forces, Australia's Defence Department would no doubt claim that there were fundamental threats to our security from potential Danish aggression.**

In fact, rational strategic analysis shows that Australia is one of the most secure countries in the world. No-one wants to attack us, and, more to the point, no-one has a credible military capability to attack us. There is, moreover, substantial warning time before such capabilities could be developed and deployed, and Australia has the best intelligence collection capacity of anyone in its region. Above all, geography supports our security through the sea-air gap dividing us from all potential sources of aggression. Even now, we spend almost as much on defence as the original five ASEAN states combined. China, which is subliminally touted as the great

---

2 *In the National Interest*, Australia's Foreign Affairs and Trade Policy White Paper, 1997, p. 27, para. 61.  
3 Majority Report, p. 43, para. 5.2

potential threat, has a Third World military, backward technology and a substantial lead-time to modernise its agriculture, economy, industry base and military forces.

Authoritative commentators, including the United States military, have for example pointed out that for all its bluff and bluster of recent times China is simply incapable of mounting an invasion of Taiwan.<sup>4</sup>

It should also be noted that Asian economic crisis has forced several countries to freeze or even wind back planned military expansion or enhancement programs as the international purchasing power of their currencies has declined sharply.

### **Uncertainties Always Exist**

The Government and the MR place considerable emphasis on uncertainties, and on the assimilation into some south-east Asian Defence Forces of newer technology equipments and capabilities. Uncertainty, however, is just another way of saying that we cannot predict the future. In this sense, uncertainty is a strategic constant: there is always uncertainty, which is one reason for a country like Australia to maintain military forces at all. Its mere existence does not justify *additional* resources.

### **Australia's Technology Edge is Substantial and Sustainable at Current Spending Levels**

It is true that newer military technologies have entered service in our region. Australia has helped to supply it and has, indeed, been desperate to grab a greater share of the Asian Tiger market for arms whilst the market was still buoyant! It is frequently argued that the newly acquired technologies in the region threaten to erode the technological edge held by the Australian Defence Force vis-à-vis regional forces. This analysis is, however, somewhat superficial and simplistic, neglecting several important points:

- Acquisition of new military technology does not imply the ability effectively to operate it at the top end of its capability range: years of training and operational experience are required. In our region only Australia (and in some areas New Zealand) has this reservoir of expertise.
- In many cases the new equipment introduced into regional forces are the only truly high-tech equipment that force possesses; the balance of the force remains at a lower level. Australia, on the other hand, has a high-tech tradition that runs throughout its military.
- Newer technologies tend to require extensive and costly maintenance and support. The extreme example is the US B-2 'stealth' bomber, which requires 124 hours of maintenance for each flying hour.<sup>5</sup> Many smaller states may find the resources to acquire high-technology military items, but subsequently struggle to supply trained personnel and equipment to support and maintain it.

---

4 'US doubts China invasion of Taiwan', *The Age*, 17 February 1996.

5 US Government Accounting Office, *B-2 Bomber: Cost and Operational Issues*, GAO/NSIAD-97-181, August 1997, p.6.

- The economic difficulties now being experienced by several regional states have exerted serious downward pressure on their currencies, thus restricting their ability to fund expensive high-technology imports or transfers. Moreover, it will be more costly to acquire spares and technical support from foreign high-tech suppliers.
- There is an implicit assumption that unless we spend more on defence we will lose our technological edge. But the present ten billion dollar budget already supports the introduction of new technologies (or would, if Defence managed the process of introduction better), such as the *Collins* submarines and the planned acquisition of Airborne Early Warning aircraft. We are not just standing still while others catch up: with existing outlays we too are moving forward.

### **Strategic Realism is Necessary to Avoid Over-insurance**

Recognising a favourable strategic environment where one exists is an essential aspect of realism, something for Defence, and the Majority Report, are not noted. One wonders whether Defence is afraid that peace might break out.

It is in fact irrational to maintain that Australia needs to spend more on defence, or to badger New Zealand in the same direction, when both countries enjoy substantial comparative security advantages. We maintain military forces and spend over ten billion dollars a year on them as an insurance policy in case our favourable environment does change for the worse. While having no insurance is unwise, chronic *over-insurance* is a misallocation of resources, which is not cost-effective even in traditionalist terms. **Given our sound strategic position, the Majority Report is an unsustainable case for over-insurance.**

### **Good Money after Bad: the Defence Track Record**

#### **JORN and the New Submarine Project**

The Australian National Audit Office (ANAO) in a report issued in 1996 identified serious problems with the Jindalee Operational Radar Network (JORN) project.<sup>6</sup> The Parliamentary Public Accounts Committee (JPAC) followed-up, as is standard practice, on the ANAO findings. Its recent report<sup>7</sup> comes out at an appropriate time to assist in consideration of defence funding. It is not necessary to repeat here the long list of Defence failures and incompetencies, which have taken this project to the edge of failure and cost the Australian taxpayer literally hundreds of millions of dollars. Suffice it to say that the failures were substantial and the level of incompetence staggering.

Neither is it necessary to rehearse in detail the adverse findings of on another multi-billion dollar Defence project, the *Collins* class submarine. ANAO first examined this project in 1992, and found serious deficiencies, particularly in the Defence Department's submarine Project Office and its relationship with the contractor, and with the willingness of the Project

---

6 *Jindalee Operational Radar Network Project*, Australian National Audit Office Audit Report No 28, 1995-96, Australian Government Publishing Service, 14 June 1996.

7 *The Jindalee Operational Radar Network Project*, Report 357, Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, AGPS, March 1998 (hereafter cited as *JPAC, JORN Report*).

Office to hand over funds.<sup>8</sup> The previous Government, no doubt strenuously supported by the Defence Department, tried to dismiss these adverse findings and took no action.

As a result, six years on it seems little has changed. The latest ANAO report on the *Collins* project, released in March 1998, makes further adverse findings on Defence's project management. These include:

- There is no certainty that full operational capability for the boats has been achieved, or even that is ultimately achievable;
- There is significant risk to the Commonwealth if, as seems increasingly probable, the contract is not completed inside budget;
- Over 95 per cent of the total price has been paid out, but only two boats have been provisionally accepted by Navy;
- There has already been significant slippage in delivery dates for boats 04, 05 and 06.<sup>9</sup>

### **Defence's Long Track Record of Not Learning from Failure**

Major Defence projects are often high-tech and as such carry associated high risks. This is in the nature of things and is often cited by Defence when trying to explain one or other of its failures. Certainly the existence of risk in leading-edge high-tech projects should be readily acknowledged. Failure, however, is supposed to be something from which one learns. If for example a project is recognised as high-risk, then an appropriate initiative (indeed, common sense) is to put in place carefully designed strategies for the minimisation and management of that risk. Yet, the JPAC found with respect to JORN that:

...risk management is treated as a minor component in the roles of Defence's project offices and that very few Defence projects have had their risk management plans modified in the light of project outcomes.<sup>10</sup>

Clearly Defence does not mind taking unnecessary risks. It is; after all, the Australian taxpayer that ultimately underwrites these risks and who in recent times has had to part with huge sums because of Defence and/or contractor incompetence. Worse still, it is clear that Defence all too often fails to capitalise on experience, and simply repeats the same mistakes in the next major project it manages.

One advantage of statutory Parliamentary Committees, and of the Audit Office, is that they provide an effective long-term 'corporate memory'. The Public Accounts Committee has been scrutinising Defence project management for over fifteen years and, notwithstanding numerous changes in membership, staffing and the political orientation of successive Governments, has learnt much about the way the Department of Defence manages major

---

8 *Dept. of Defence: New Submarine Project*, Australian National Audit Office Audit Report No 22, 1992-93, Australian Government Publishing Service, 1992. See especially section 7.2.

9 *New Submarine Project*, Australian National Audit Office Performance Audit No 34, 1997-98, 24 March 1998.

10 *JPAC, JORN Report*, para. 6.24.

projects. It is this fund of experience, knowledge of the Defence track record, which drove the present Public Accounts and Audit Committee to conclude with evident frustration that:

... many project management problems which have been identified in previous inquiries by the JCPA are not yet resolved. The Committee therefore believes that the problems inherent in the JORN project are evidence of a wider, more fundamental problem in the Department of Defence, which warrants further investigation.<sup>11</sup>

Given that these problems have been identified time and time again both by the Audit Office and the Parliamentary Committee system, and that they continue to be experienced up to the present day, it is all too clear that *the Department of Defence is incapable of learning from its mistakes*.

**Fundamentally this is so because, given that Defence's budget has been largely protected by successive Governments, there is no reason or incentive for it to do otherwise.** If Defence knows that shortfalls will be made up by 'supplementation', or that Government is planning substantial increases down the track, or that officers (civilian or uniformed) responsible for multi-million dollar losses will not be severely dealt with, then there is simply no good reason for Defence to lift its game. The resulting **culture of inefficiency** is well established in Defence.

The Majority Report claims that the Defence Efficiency Review and the following Defence Reform Program (DRP) addressed these problems. But the DER had very little - suspiciously little - to say about Defence major project management. In any event the evident inability of Defence effectively to manage some major projects is not something which can be corrected overnight. Given the magnitude of Defence's failures, words in the DER will take a long time to translate into practice. The extent of the problem, and the increasingly negative perceptions of Defence it is generating, are well highlighted in an article in the *Australian Financial Review* of 30 March 1998 entitled *Sub-standard Defence effort*.

Nevertheless it is this organisation, with its truly appalling record, that the Majority Report considers should receive additional funds. Members who supported the Majority Report could do worse than talk to their colleagues on the Public Accounts and Audit Committee, who in the course of the JORN inquiry were exposed to almost the full spectrum of Defence incompetence and waste.

Until Defence's deficiencies are demonstrably corrected, it would be foolish and wasteful to entrust it with additional resources. **No additional resources should be provided to Defence until such time as it has demonstrated the ability to manage what it already has.** For this, directives arising from the DRP are insufficient. Real performance in real projects will be required. To provide more resources ahead of this development is simply throwing good money after bad.

## **Accountability and Scrutiny for Defence**

With Defence's track record, it might be thought that any examination of future funding would include serious consideration of the existing mechanisms for scrutiny and

---

<sup>11</sup> JPAC, *JORN Report*, para 8.23 (emphasis added).



accountability. After all, Defence is responsible for over \$10 billion of taxpayers' money annually and has succeeded in losing a great deal of it through poor major project management. On the face of it this suggests that Defence has not been subject to effective scrutiny or accountability: if it had been, the problems should not have occurred. The Majority Report, however, somehow arrives at the following complacent conclusion:

Given the generally satisfactory outcome in Defence accountability in the past, the Committee is content that a reasonable and workable balance of scrutiny is currently in place.<sup>12</sup>

If the majority of the Committee felt that Defence accountability outcomes to date have been 'generally satisfactory', one can only speculate as to what level of incompetence or loss would be required to persuade those members that there is actually a serious problem. Perhaps the majority members would care to explain in what sense, to name just three relatively recent cases, the Inshore Minehunter, the *Collins* Submarine or JORN represent 'generally satisfactory' levels of accountability. Which officers, ADF or civilian, have been called to account? What action has been taken to tighten up scrutiny of Defence major project management?

**It is quite clear to any unbiased observer that accountability outcomes in Defence are actually most unsatisfactory.** There is no need to list yet again the litany of expensive failures over which the Department has presided.

**There is therefore an urgent need to protect the taxpayer and the security of Australia by placing Defence under stricter controls. Several measures are indicated:**

- Defence should come under the same Department of Finance scrutiny as any other Department; its days of 'special treatment' must come to an end;
- Defence should be required to pay 'efficiency dividends' to Government just like other Departments;
- If Government needs to wind back Commonwealth outlays, Defence should contribute *pro-rata* along with other Departments and agencies. It should not be protected as the present Government has done, because this only encourages complacency and the ongoing culture of inefficiency;
- If Defence incurs losses (eg, as in project cost blowouts or scheduling delays) through its own mismanagement, it should be required to make up some proportion of the losses and not expect that Government will automatically bail it out;
- Following from this, there should be a very tight rein on 'supplementation' of the Defence vote: this should be confined to genuinely unpreventable or unforeseeable demands, such as a sudden deployment as part of a UN peacekeeping force;

---

12 Majority Report, p. 15, para. 2.28

- Accountability should extend to individual Defence *offices* (eg, the JORN Project Office) and *officers* (ie, those whose decisions or non-decisions contribute significantly to cost blowouts or delays). The days when responsibility for disasters is diffused vaguely across the whole organisation, so that culpable officers escape unscathed, should end forthwith.

## Majority Report Recommendations

The Majority Report makes only seven recommendations. In summary these are:

- a five-year forward defence budget commitment;
- annual reporting to the Parliament in relation to progress in implementing efficiency initiatives
- a real increase in defence funding;
- a rate of real growth for defence;
- defence spending to rise by between 1.5 and 2.5 per cent annually in real terms; and
- consideration by future Governments of the problem of overcoming block obsolescence in the period leading up to 2010 to 2015 period
- real growth to commence no later than FY1999-2000.

These recommendations are either unsustainable in the light of Defence's poor track record, or impracticable in the real world.

The **unsustainability** of the case of increased Defence funding - ie, of the Majority Report's real increase and real growth recommendations - has been argued at some length in this Dissent, that argument will not be repeated here. Suffice it say that Defence's record is so poor that give extra resources to an organisation with such a record is, simply, silly.

The **impracticality** of certain recommendations is demonstrated below.

The idea of a forward funding commitment for Defence is not new; it has been on the wish list of defence lobbyists and advocates for decades. It has, in fact, already been attempted and failed dismally, with considerable political costs for the Government (the Fraser Government) which attempted it.

In late 1976 the Fraser Government issued a Defence White Paper entitled *Australian Defence*. This paper was noteworthy for the very detailed five-year forward funding projections it contained. Figures were given across six different types of expenditure for five financial years, 1976-77 to 1980-81. However, these figures rapidly became clubs with which the Opposition of the day was able to beat the Government, because the latter was never able to meet the projections contained in its own White Paper. Given the unpredictable nature of economic activity, there is little reason for confidence that a latter-day five-year funding commitment given by any modern Government would prove any more practicable.

Indeed, the Hawke and Keating Governments, with the Fraser experience in mind, were careful to be less explicit in their statements on Defence forward funding. The 1987 White Paper *Defence of Australia (DOA87)*, spoke of spending between 2.6 and 3.0 percent of GDP.<sup>13</sup> Yet even this proved unrealisable in practice. Subsequent to that the Keating Government's *Force Structure Review* of 1991 announced<sup>14</sup> that for some time Defence would receive zero real growth, but this too proved to be a false projection as Defence underwent some negative real growth in the final years of the Labor administration.

Another reason for avoiding five year commitments is that the commitment exceeds the life of a Parliament. It is beyond credence to expect that any incoming Government can be bound by funding promises made by a defeated predecessor. Indeed, bearing in mind the unpredictable nature of domestic and international economic developments, it is stretching credibility to assert that even a Government of the same persuasion will necessarily bind itself in this way.

The Majority Report proposal that real growth commence in the 2000-2001 Financial Year is driven by recognition of an impending 'block obsolescence' problem facing the ADF. This occurs when many high-cost inventory items reach retirement age more or less at once, forcing consideration of expensive replacements. The MR is concerned that without real funding increases Defence will not be able to fund all the necessary equipments.

Yet this Dissent has shown that the fundamental strategic situation which ought to be driving Australian defence policy and acquisitions is by no means as potentially dangerous as the MR believes. **It is uncritical acceptance of deliberately pessimistic strategic appreciations which drive too much of Defence's forward 'shopping list'**. A more realistic appreciation of Australia's essentially sound strategic environment would produce a less ambitious list which could be funded without the massive increases proposed by the Majority Report and, in different ways, foreshadowed by the Government.

Dee Margetts

---

13 *The Defence of Australia 1987*, Australian Government Publishing Service, Canberra, 1987, p. 112, para. 9.15.

14 *Force Structure Review 1991 - Report to the Minister for Defence*, Dept. of Defence, May 1991.