



# **Supplementary Submission No 37**

## **Inquiry into Australia's Maritime Strategy**

**Organisation:** Department of Defence

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30 April 2003

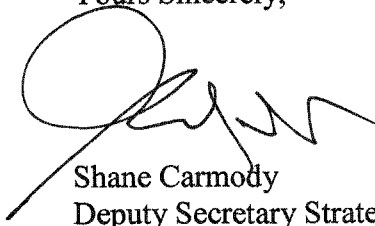
Mr Stephen Boyd  
Secretary – Defence Sub-Committee  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
Canberra ACT 2600

Dear Mr Boyd

Defence has completed the responses to the questions on notice arising from the Defence Sub-Committee hearing on 12 March 2002 into *Australia's Maritime Strategy*.

The responses, attached to this letter, have been approved by the Minister for Defence.

Yours Sincerely,



Shane Carmody  
Deputy Secretary Strategic Policy

30 April 03

**QUESTION 1**

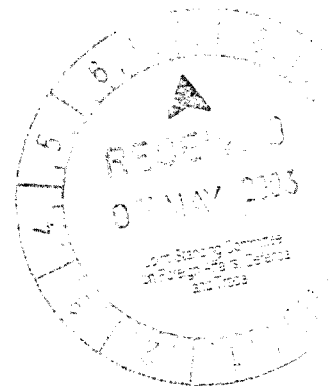
Member: Senator Johnston

HANSARD: Page 279

How long did it take to hire the civilian ships to support the ADF deployment and operations in East Timor?

**RESPONSE**

The shipping capacity sought by the ADF was able to be sourced from civilian resources. To support the ADF operation in East Timor, the critical issue was to be able to guarantee strategic lift capacity early in the planning process. To meet planning lead times, charters were generally secured in less than a week. The chartered ships may then not have been required to arrive at the port of embarkation for a further month.



## QUESTION 2

Member: Senator Johnston

HANSARD: Page 284

During a discussion on the capability of aircraft carriers, using the proposed new UK carriers as an example, Senator Johnston asked:

Have we investigated the rationale behind this quite considerable change in British policy?

### RESPONSE

The United Kingdom (UK) Strategic Defence Review (SDR) of 1998 assessed the requirement for aircraft carriers within the overall requirement for an offensive air capability. The Review concluded that there was a continuing need for the UK to have the capability that carriers provided, and that the emphasis on replacement carriers should be on "increased offensive air power, and an ability to operate the largest possible range of aircraft in the widest possible range of roles". These conclusions were endorsed by the UK's SDR New Chapter work that was done in 2002 following the 11 September 2001 terrorist attacks in the United States.

The existing Royal Navy (RN) CVS class of carriers (HM Ships *Invincible*, *Ark Royal* and *Illustrious*) was designed for a Cold War scenario of anti-submarine operations. The future aircraft carrier (CVF) class of vessels will be much larger (approximately 60,000 tonnes) and more capable. The carriers will be powered by an integrated full electric propulsion system based on four gas turbines.

The carriers will be expected to deploy offensive air power in support of the full spectrum of future operations, including force projection, as a central component of the maritime contribution to joint operations. Each will have the capacity to carry RN and Royal Air Force (RAF) Future Joint Combat Aircraft (the Lockheed Martin F35 Short Take Off and Vertical Landing (STOVL) Joint Strike Fighter), a maritime airborne surveillance and control capability (yet to be determined), and helicopters from all three services in a variety of roles. These roles might include anti-submarine warfare, attack and support.

As current circumstances are demonstrating, the UK increasingly requires forces which can act rapidly to prevent, manage or deal with crises globally. For these force projection operations, the UK determined a need to deploy forces with a wide utility across a full range of military tasks and missions. As operations in the Gulf and the Balkans have demonstrated, carriers can play a key role in combat, and in coercion and peace support. The UK assesses that carriers offer:

- a flexible and rapidly deployable base during operations where airfields (for whatever reason) are not available, or while facilities ashore are being established;
- a range of military operations in the increasingly important littoral environment; and
- a coercive presence that can contribute to conflict prevention.

The CVF will be an 'Adaptable Carrier', based on a conventional aircraft carrier (CV) design that will be fitted with a ramp for STOVL operations. Although designed with future CV operations in mind, catapults, steam generation plant and arresting gear will not be fitted to the ships initially. The carriers will not be capable of simultaneous CV and STOVL operations, but will be capable of being adapted from their initial STOVL configuration to facilitate catapult-launched CV flight operations at some future date.

The UK decided on the Adaptable Carrier for three main reasons:

- flexibility through life – the CVF could have an in-service life of up to 50 years, considerably longer than the 25 years planned for its Joint Strike Fighter aircraft;
- cost – It is cheaper and easier to build in as much flexibility now, at a time when the UK does not know what the future configurations of aircraft might be. The adaptable design could be reconfigured more easily and at reduced cost. However, the cost premiums of the Adaptable Carrier are presently subject to commercially confidential studies and discussions; and
- operational – This design will allow for greater take-off payloads and facilitate a higher sortie generation rate than a STOVL optimised design, due to its greater length and deck space.

Finally, the SDR originally conceived that the new carriers would be in the order of 30,000 to 40,000 tonnes. These figures stemmed from very early concept work. As the prospective prime contractors developed their designs during the assessment phase, it became clear that, in order to meet the UK's developing requirements, the size of the ships needed to be increased. A number of factors have driven that need, including the number of aircraft to be carried, the sortie generation rate, and the range and endurance requirements of the ships themselves. Additionally, more detailed information is now available on the JSF design and the aircraft's variable load requirements. These factors now dictate a size of approximately 60,000 tonnes.

### **Future Joint Combat Aircraft**

The Future Carrier Borne Aircraft (FCBA) was originally planned to replace the capability currently provided by the RN's Sea Harrier, in the second decade of this century. However, following the SDR and the formation of Joint Force 2000 (since renamed Joint Force Harrier) it was envisaged that FCBA would also replace the RAF Harrier GR7/9. The aircraft will be operated in a joint force from both the new aircraft carriers and land bases, in the manner of the current Joint Force Harrier. In May 2001, the program was re-titled Future Joint Combat Aircraft (FJCA), to better reflect the truly joint nature of the requirement.

The UK contributed \$US200M to the JSF concept demonstration phase under a Memorandum of Understanding with the United States (US) signed in December 1995. Subsequently, the Defence Secretary announced on 17 January 2001 that the UK had concluded that the JSF has the best potential to meet the FJCA requirement. The UK accordingly decided to join the US as a Level 1 collaborative partner in the system development and demonstration stage of the program.

It is a considerable number of years since the UK has operated conventional carrier-borne aircraft. Developing appropriate training systems for both aircraft and aircraft carrier personnel, in parallel with the US Navy introducing the aircraft, was expected to add an unacceptable degree of risk, cost and delay to the program. The decision to select the STOVL JSF allows the UK to continue to draw on a pool of experience and knowledge in STOVL operations, at sea and on land, that has been built up over a long period, thereby significantly reducing the risk.

### QUESTION 3

Member: Hon A.R. Bevis, MP

HANSARD: Page 285

Please provide information on the measures that the UK and US adopt in relation to their merchant navies to assist with engaging civilian shipping in support of the military and to encourage recruitment into the reserves.

RESPONSE

#### **UK Arrangements**

To support their Joint Rapid Reaction Force, the UK Ministry of Defence (MoD) has six roll on – roll off ships built under privately financed initiatives, which are operated by a consortium of shipping companies and crewed by UK merchant seamen. The ships are available to the MoD on various levels of readiness. When not operating for the MoD, the ships conduct normal commercial operations. The crews are UK merchant seamen who are also sponsored reservists who can be called out in time of war. After call out, they cannot refuse to operate in a war zone and are subject to the Naval Discipline Act.

Naval Reservist status is activated in war-like operations. The reward is an annual bounty and a percentage increase in salary on activation. The Naval Reserve also encourages enlistment through measures such as providing for appointment of suitably qualified merchant navy officers as Naval Reserve officers and merchant navy deck cadets being considered for appointment as Naval Reserve midshipmen or acting sub-lieutenants.

The Royal Fleet Auxiliary (RFA) is a civilian-crewed flotilla, comprising 22 ships, owned by the MoD. The primary role of the RFA is to supply the Royal Navy at sea to maintain operations away from its home ports.

The RFA employs approximately 2,300 UK registered officers and ratings who follow career paths and training patterns that are broadly similar to those of the merchant navy. However, RFA personnel also have a certain amount of specialist training to meet the requirements of operating with the RN. Most RFA ships carry, or are capable of carrying, RN helicopters and the personnel required to operate and maintain them. Because RFA ships may be required to operate in war zones in support of the RN, most have a limited weapons-fit for self-defence.

Where necessary, the MoD will engage merchant ships through standard charter arrangements, including risk assessment. Force protection, in the form of an escort party, may be embarked when required.

#### **US Arrangements**

The US Military Sealift Command (MSC) provides shipping to support US military operations. The ships are:

- government owned, government operated;
- government owned, contractor operated; or
- contractor owned, contractor operated.

The MSC also charters ships, when needed, from commercial trade. This includes US and foreign flagged vessels. The Maritime Administration, part of the US Department of Transport, also has a fleet of reserve ships that can be used in a surge situation. Ships

available to the Maritime Administration include the National Defence Reserve Fleet (NDRF) and the Ready Reserve Fleet (RRF). The NDRF comprises dry cargo vessels, tankers, military auxiliaries and other ships to meet shipping requirements during national emergencies. The RRF is specifically structured to transport Army and Marine Corps unit equipment and initial resupply for deploying forces before adequate numbers of commercially available ships can be marshalled.

The Voluntary Intermodal Sealift Agreement program is an interagency agreement between the Department of Defense and the Department of Transportation that provides the US defence community access to commercial intermodal capacity to move sustainment cargo during time of war or national emergency, while minimising disruption to US commercial operations. The agreement gives the US Government the opportunity to access ships under the Maritime Security Program. The program costs the US Government approximately \$US 2m per year, per ship, to ensure availability. In return for their commitments during contingencies, carriers will have priority to be awarded Department of Defense peacetime contracts to move military cargoes within the Defense transportation system.

The US Maritime Administration operates a Merchant Marine Academy and provides financial assistance to a number of State Maritime Academies to train merchant marine officers. Merchant Marine Academy graduates receive a commission in the US Naval Reserve or another uniformed service. State Maritime Academy graduates must apply for, and accept if offered, commissions as officers in an armed force reserve component.

#### QUESTION 4

Member: Hon A.R. Bevis, MP

HANSARD: Page 286

Can you insure a merchant vessel for acts of war? If you were a private owner of a vessel, is that something you could insure against?

Could we find ourselves as a government effectively insuring against a threat which in the private world would not be insured against?

#### RESPONSE

In 1997, the Government replaced its insurance arrangements with a self-insurance policy under Comcover to cover normal insurable risks. However, the current insurance cover does not provide coverage for civilian-owned merchant vessels chartered in support of military operations against acts of war.

Extant Government policy is to discuss with the vessel's owner the level of insurance arrangements and whether such coverage extends to cover the vessel for use in non-commercial activities. The Commonwealth, in discussions with the owner (and probably the applicable marine insurer), would seek the option of a top-up insurance policy for the existing insurance policy for the vessel.

It is the general practice that a marine insurance company would be unlikely to cover the Commonwealth against damage or loss of a vessel chartered for military operations caused by acts of war. However, based on the insurer's assessment of the risk, a marine insurance company may offer to cover the vessel under war risk insurance, but at a higher premium to be met by the Commonwealth. The option would then be whether it is in the best interests of the Commonwealth to meet the higher premium or seek an arrangement from Comcover for extra one-off coverage for the activity.

In the event that no insurance could be obtained for the proposed activity, then the Commonwealth would conduct a risk assessment to consider the benefit to the Commonwealth of proceeding with the proposal, and the likely risk of loss to the Commonwealth, before considering offering a form of indemnity (whether capped or unlimited), which would benefit the vessel's owner in the event the owner claimed for the loss or damage of the vessel under the charter. Agreeing to indemnify another party in effect means the Commonwealth is exposed to a potential contingent liability. Depending on the terms of the indemnity, the Commonwealth could be responsible to pay for some or all of the costs of settlement of a claim under the indemnity.

The Commonwealth would only issue indemnities in exceptional circumstances, and after undertaking a comprehensive risk assessment. The risk assessment would be conducted in accordance with Department of Finance and Administration Financial Guidelines, provisions of the *Financial Management and Accountability Act 1997* (and the Regulations), and Defence Chief Executive's Instructions.

To protect the Commonwealth, the indemnity would include financial limits, time limits and termination clauses, protection against claims by third parties and subrogation clauses.



## QUESTION 5

Member: Hon A.R. Bevis, MP

HANSARD: Page 288

Please provide advice on the tasks for which the ADF would require a self-reliant capability and the judgements used by Defence to determine capability priorities.

### RESPONSE

Defence's force structure planning is based on Government guidance and is reviewed on a regular basis, usually in the context of Defence White Papers or the series of regular strategic reviews. Australia's Military Strategy (AMS) interprets, refines and classifies the Government's policy for defence purposes and is one of the internal policy guidance documents for the direction of ADF force structure and preparedness planning. The broad guidance in the AMS is reflected in Defence's submission to the Maritime Strategy Inquiry.

The military response options contained in the AMS provide the guidance for Commander Australian Theatre and the Service Chiefs to determine the preparedness and capability arrangements required to meet the objectives associated with the most likely tasks for the ADF, as determined from Government guidance. These arrangements are tested through the annual exercise program. By developing the force structure and preparedness arrangements that ensure the ADF can meet the military response options associated with defending Australia, Defence also identifies and develops the appropriate self-reliant capabilities. This may also lead to equipment acquisitions, where necessary, to provide the identified capabilities.

The AMS is complemented by other linked processes which, in combination, provide the basis for development of individual force structure proposals. These processes include:

- development of experimentation to analyse and assess the validity of future concepts;
- assessing the ability of force options to meet a range of illustrative scenarios;
- ongoing projects to investigate alternate futures which could be used to test future forces against a range of strategic developments;
- analysis and evaluation of operations, exercises and weapons testing; and
- force structure studies.

As an element of the capability decision process, Defence maintains a set of classified representative scenarios reflecting the strategic tasks that are contained in *Defence 2000-Our Future Defence Force*. The outcomes of wargaming and modelling against the scenarios are complemented by analysis to develop guidance for capability and force structure development. This process of testing against scenarios aligned with the tasks in Government policy helps to ensure that ADF capability, including those elements where self-reliance is determined to be necessary, is developed to meet strategic requirements.

Whilst the ADF would normally prefer to operate in coalition with other forces, our planning is based on independently undertaking peacetime national tasks and defeating minor and major attacks on Australia. In the event of full-scale invasion of Australia we assess there would be sufficient warning for us to expand our capabilities, but we would also be likely to seek assistance of our major alliance partners to meet such an eventuality.

By their very nature, ADF operations in the immediate neighbourhood and in protection of our wider interests will likely involve coalitions. The ADF would more likely be a major participant in events closer to our territory, while we may assume a lesser role in more distant operations.

## QUESTION 6

Member: Mr C.P. Thompson, MP

HANSARD: Page 291

Please provide information on the percentage of GDP spent on Defence in the last 12 months, and whether that includes all the operations such as Operation Relex and other activities that are not on the usual agenda.

### RESPONSE

Defence funding requirements are developed, allocated and managed on a financial, not calendar, year basis. Defence funding as a percentage of Gross Domestic Product (GDP) for the 2001-02 financial year was 1.9%. This figure included funding provided to Defence to cover the net additional costs of a range of activities undertaken in that year, including Australia's contribution to the war on terror, Operation Relex, enhanced domestic security and the Bougainville Peace Monitoring Group.

## QUESTION 7

Member: Mr C.P. Thompson, MP

HANSARD: Page 291

What if there is an additional allocation, say, to create the TAG East for example?

### RESPONSE

The Defence budget is developed on a rolling four-year cycle. The Government commits to this forward estimates plan as part of the ongoing budget development cycle in order to provide funding and planning certainty for Defence (a large and diverse organisation, often with significant lead times in developing capability).

Enduring capabilities committed to by the Government, such as the tactical assault or incident response capabilities, are funded across the forward estimates period and form an ongoing element of the Defence funding base. The net additional costs of operations where the length of the activity or commitment is uncertain, are generally funded on a year-by-year basis, with funding requirements being reassessed annually in light of any alterations in operational tempo.