COMMONWEALTH OF AUSTRALIA

JOINT STANDING COMMITTEE

ON

FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

Reference: Level of funding for Defence

CANBERRA

Thursday, 21 August 1997

OFFICIAL HANSARD REPORT

CANBERRA

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

Members:

Senator MacGibbon (Chairman)
Mr Ted Grace (Deputy Chairman)

Senator Ferguson	Mr Bob Baldwin
Senator Sandy Macdonald	Mr Bevis
Senator Margetts	Mr Bradford
	Mr Brough
	Mr Dondas
	Mr Georgiou
	Mr Hicks
	Mr Lieberman
	Mr McLeay
	Mr Price
	Mr Sinclair
	Mr Taylor

Matters referred:

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 a strategic guidance, with particular reference to:

. equipment and facilities on order; equipment and facilities to implement essential new capabilities; equipment and facilities required to replace obsolete material and for which no alternative technology is appropriate;

. training to achieve appropriate and sustainable levels of preparedness of personnel;

. operational activities and capabilities necessary to support Australia's foreign policy, regional engagement, regional stability and UN support;

. stockholding requirements for weapons, consumables and maintenance spares;

. research and development to ensure continued development of Defence capabilities, to adapt foreign technologies to Australian conditions, and to provide the knowledge essential for Defence to remain an informed intelligent customer;

. essential management and administrative overheads required for the efficient management of the Defence organisation.

WITNESSES

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

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Present

Senator MacGibbon (Chairman)

Mr Price

Mr Sinclair

The subcommittee met at 9.11 a.m.

Senator MacGibbon took the chair.

CHAIRMAN—I declare open this meeting of the Defence Subcommittee. This hearing is part of an inquiry that the committee is running into the level of funding that might be required to ensure that the Australian Defence Force is equipped, trained and maintained to a level necessary to provide for the defence of Australia. This is an important issue, given current financial constraints and recent public debate over the government's decision to quarantine the Defence budget over the term of this parliament.

I draw the attention of all witnesses to the terms of reference for the inquiry, which restrict consideration to the level of defence funding necessary to provide for the defence of Australia as principally defined in current strategic guidance. The intention of this restriction is to prevent expansion of the debate into the wider implications for Australian security within the region. The inquiry will be constrained to consider purely defence requirements, which will allow the subcommittee to remain within its portfolio in making recommendations.

In the course of the inquiry the subcommittee is conducting a number of public hearings, speaking with government, business and various representative groups associated with defence, finance, foreign affairs, peace research and defence-related industry. This is the third set of public hearings of the inquiry. The committee expects to table its report before the end of the year.

[9.12 a.m.]

PEEK, Mr Richard Matthew, Assistant Secretary, Strategic Assessments Branch, Department of Foreign Affairs and Trade, R.G. Casey Building, Barton, Australian Capital Territory 0221

VARGHESE, Mr Peter, First Assistant Secretary, International Security Division, Department of Foreign Affairs and Trade, R.G. Casey Building, Barton, Australian Capital Territory 0221

CHAIRMAN—On behalf of the subcommittee, I welcome Mr Varghese and Mr Peek. The proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion, and the deliberate misleading of the subcommittee may be regarded as a contempt of parliament.

The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request. We have received the DFAT submission and it has been authorised for publication. Are there any corrections or additions that you wish to make to that submission?

Mr Varghese—No, there are not.

CHAIRMAN—Do you wish to make a short opening statement?

Mr Varghese—Yes. Thank you for the opportunity to appear before your subcommittee. I want to make a couple of brief observations in relation to the terms of reference. I will not cover the same ground that is in our submission, but I do want to emphasise that the area of overlap and intersection between defence policy on the one hand and Foreign Affairs and Trade policy on the other is very significant.

CHAIRMAN—It is intimate, isn't it?

Mr Varghese—It is, indeed, and it comes together in the national security policies of the government, which deal with these issues from a much broader perspective. There are really four core elements of that which are worth mentioning. Firstly and obviously, there is a strong national defence capability, which is primarily the responsibility of the ADF and the Department of Defence.

Secondly, there is the maintenance of significant regional and bilateral security arrangements. The alliance with the United States is of central importance, but such arrangements also include our very close security relationship with New Zealand, with

Papua New Guinea and with other regional countries, including through the five-power defence arrangements that link us with Malaysia and Singapore, New Zealand and the UK, as well as growing bilateral security dialogues with the major countries of East Asia. Of course, the agreement with Indonesia also fits into that framework.

The third element is an evolving attempt to forge regional security institutions which can help to shape the regional security environment in a way which advances Australian interests. There, our efforts in the ASEAN Regional Forum, in particular, are very important.

The fourth element is what we do beyond the region in terms of our efforts in relation to weapons of mass destruction and our support for United Nations peacekeeping operations. In all of those areas—and in particular, of course, the areas relating to bilateral, regional and global efforts—we work very closely with Defence. Defence is very actively involved, and they make a very constructive contribution.

It is also worth noting that Australia's defence capability in the region is, in and of itself, a very significant foreign policy asset for Australia. The ADF is a significant regional force, and that gives us a certain stature. It gives us a certain leverage. It gives us a certain capacity to influence the regional security agenda we would not have if we did not have that comparative stature in the region.

CHAIRMAN—A defence force fundamentally underpins foreign policy. There is no foreign policy without a defence force, is there?

Mr Varghese—The two certainly go very closely together, yes; and when national security is considered to be a core element of foreign policy, the two have to operate very closely.

CHAIRMAN—As Bismarck said, a foreign policy without a defence force is an orchestra without instruments.

Mr Varghese—He, of course, had a particular background. Let me just make two other comments. One is that the consular assistance role that Defence has provided has been very important, and is evident most recently in our efforts in Cambodia. That provides us with a wherewithal which is quite crucial to the important objective of protecting Australian citizens abroad.

The final point I would make is that what we are really doing is constructing a web of security linkages that are bilateral and regional. It is an important process, particularly at this time in the strategic environment when the end of the Cold War has opened up certain windows of opportunity that we need to take advantage of. The importance of an integrated and a multidimensional approach is crucial, and that means that Defence and Foreign Affairs need to work at these issues very closely.

CHAIRMAN—Because of the influence of military personnel in certainly most of the governments in the Asia-Pacific region, if not all, the relationship between the ADF and the Department of Foreign Affairs in Australia with respect to the region is far closer than in the European environment or probably in the Americas. Do you see any change in that situation in the years ahead?

Mr Varghese—I think, if anything, the relationship between the two portfolios will get even closer together. Given that the security environment is such that the linkages between economic foreign policy, security policy and defence policy are so interwoven, and becoming more so, to do the things we need to do in the region we will have to have an almost seamless approach on security issues; so I see that relationship becoming even closer.

It is quite unusual in the region to have the military on the one side and the foreign ministry on the other side working that closely. One of the things we see in the ASEAN Regional Forum, in which we are trying to encourage greater defence participation, is that there is an element of suspicion about defence forces getting involved in something which is considered to be primarily a diplomatic initiative. The bureaucratic distinctions in some of those countries are much sharper than we have. But I think it is a great plus for Australia that we do have that close cooperation, and I see it getting even closer.

CHAIRMAN—You talk about an increase in ADF international activities which will become necessary in the future in the light of what we have been talking about. Can you quantify that in any way at all? Can you measure the increase in activity?

Mr Varghese—It would be difficult to quantify it in dollar terms. The sort of increase we are looking at is in servicing an expanded set of security dialogues. That means essentially participation by officers of the ADF and the Department of Defence in what I think will be a steadily expanding set of security talks. In terms of a $10 billion Defence budget, that is not going to be a large draw on resources, and it would be very difficult to put a number against it; but that is the area where I see an increased Defence input as being more likely than not.

Mr PRICE—At the ANZUS seminar they put a figure of $250 million on regional engagement.

Mr Varghese—That probably takes into account all of the defence cooperation programs, which are certainly—

Mr PRICE—That is not that much per year, though, is it? Isn't it about $50 million or $60 million?

Mr SINCLAIR—How much do you spend a year on defence cooperation? Or do you not know, because it is not your department's vote?

Mr Varghese—I do not have a total figure for it.

Mr PRICE—I know it is not your area.

Mr SINCLAIR—But you do not have a great deal of say with the DCP, do you?

Mr Varghese—We do not have a central role in terms of defining what goes into it, but we do talk with Defence about the broad approaches to defence cooperation, to make sure that it fits in with broader regional policies and our broader foreign policy objectives in the region.

Mr SINCLAIR—For example, when the minister made his announcement about cutting out defence aid to Cambodia, did you have a talk about what our defence aid meant there?

Mr Varghese—Certainly.

Mr SINCLAIR—There were two or three things that you cut out that I think were far better than some of the things being done by your own AusAID program. For example, I think the minister did decide to keep the demining program, but the English language training that you were providing through the DCP program is absolutely critical if we are going to get the Cambodians able to talk so that we can persuade them that they are wrong.

Mr Varghese—There certainly was very close consultation between DFAT and Defence on what had to be done. One of the things I think we needed to take into account was the signal we would have been sending if we had retained components of the defence cooperation program at that time in Cambodia. I take your point that English language training is in no way lethal training and in no way contributing to the problem in Cambodia, but I think the optics of it were one of the factors that we needed to take into account.

Mr SINCLAIR—Is the DCP program still within Defence?

Mr Varghese—It is.

Mr SINCLAIR—We used to develop it entirely, but I presume that you have some liaison at some stage to say, 'This is the program that we are doing with the DCP and this is what you are doing with AusAID.' Is there an AusAID to DCP link? How does that work?

Mr Varghese—There are a number of links. There is a link back in Canberra discussing this with Defence and DFAT and AusAID, and there is obviously quite a bit of interaction that occurs on the ground at the post.

Mr PRICE—So there is an IDC, is there?

Mr Varghese—There is not a formal IDC in defence cooperation, but it is part and parcel of the continuing dialogue that we have with Defence.

Mr SINCLAIR—When you are looking at the demand for money for the future, do you look at aid as a total package or are you saying it is the Defence vote, so we will include an element of DCP and that will be for them, and when you are looking at aid you are really only looking at what you do? Much of our DCP aid is not militarily oriented, which is one of the things that gets to me when people talk about it. A lot of it specifically leans towards helping the troops to speak English, demining activity or disaster relief in the area. A lot of it is certainly not what many people would define as military aid at all.

When you are talking about where we are going and the demands for the future, and you are thinking about your aid program, do you take a total look at aid, or do you only look at the AusAID component of it and realise that Defence are going to do something else as well?

Mr Varghese—I really cannot speak with any authority on the aid aspect because that is something you would have to talk to AusAID about.

Mr PRICE—Have you been at the meetings where AusAID, you and Defence have discussed it?

Mr Varghese—I have not personally been at the meetings.

Mr PRICE—Who in DFAT is the person who is with Defence and AusAID when the DCP is discussed?

Mr Varghese—A lot of that would be picked up by the geographic divisions because it is part and parcel of the overall approach to a bilateral relationship. In response to the points you raised, Mr Sinclair, while some of the DCP money may not be going towards the hard end of defence cooperation, it does make an important contribution to the development of institutional strengths and linkages between the ADF and those countries. That does flow directly back into our security and into our security interests.

Mr SINCLAIR—I have no doubt; I am 1,000 per cent behind it. That was not my point. I am really trying to get a bit of a feel for it. I have read your paper and looked at the security prospects. Foreign Affairs is involved with Defence in a number of ways, and you are talking about a need for additional commitment. I was really trying to get a bit of an idea of the extent to which you look at our foreign policy goals—which include building up the structures within these countries—peculiarly departmentally or whether you look at them in a total way. You are saying that, although there is some liaison, in

fact, each of you look at it departmentally rather than as a total system. In other words, if you were looking at how much money needs to be provided for the defence cooperation program, that is not a factor that you would really take into account. You would look generally at the strategic concepts behind the program rather than any particular component of what is Defence's obligation and what is Foreign Affair's obligation.

Mr Varghese—By and large that is right. There is always a difficulty in these areas of having a truly integrated whole of government approach. Just the way these programs are put together is often driven by a particular bureaucratic position or the need to run a particular program. I personally think there is a lot more we probably could be doing to make sure that we have more of a whole of government stamp on some of that.

Mr SINCLAIR—We are inquiring in this instance into the funding for Defence but it just seems to me that the concept behind your paper suggests that there is going to be a greater requirement. I am interested in the degree to which Defence pursues its own relationship type programs, which involve defence exercises—the Kakadu exercise last week, the visit to China we had a note about today. They need more and more Defence visits. While it is coordinated, Foreign Affairs does not have any part in that program, do you? Defence's program in Malaysia is still run quite independently of Foreign Affairs's. Defence would not come to you and say, 'Look at what we are doing.' You would know about the visit to China but at what stage do you come into it?

Mr Varghese—I would not say that it runs independently of Foreign Affairs. Take the China visit, for instance. I was a member of the delegation that went to China for the military to military talks.

Mr SINCLAIR—The one with John Baker?

Mr Varghese—No, the one with Chris Barrie—the first military to military talks. So there is a very close continuing dialogue on these issues between the two of us. It is not as if they head off in a completely separate direction and we just watch it in action. That comes together both at the post and back here in Canberra, even though the sort of structures for it may not be very elaborate or formal.

Mr SINCLAIR—In fact, what is happening is that because of this greater engagement with Asia by the Defence Force there is going to be an increased demand. Certainly, part of it can be absorbed from within the training and exercise vote, but to send three ships to China—there is the steaming time, the fact that you have to turn on a bit of hospitality and you have to do a few things in China. Within Foreign Affairs you are, presumably, saying that you approve the program and you know what they are doing and there is liaison and participation. But to what degree—you are talking about expanded contacts with Asia—is there a projection of how much this is all going to cost? Or do you know that you have to do it so you are going to subsume the cost within what you have?

I am suggesting that, from the guts of what I have read of your paper, there is going to be an expanded need for Defence to do more, but I do not know that they are going to be given any more resources. I just wondered whether that element came in during your planning stage.

Mr Varghese—No, not specifically. We are all faced with the task of doing more with no additional resources.

CHAIRMAN—But you cannot do it if you are getting involved in exercises and if you have expenditures of millions of dollars for fuel, ammunition, personnel, travel and the rest of it. There has to be budgetary allocation for that. You can substitute one or two visits for a training sea time exercise but if this relationship develops it will inevitably lead to exercise involvement. We must go down that path of getting common operational procedures between the services if the ARF is going to have any real substance to it.

Mr Varghese—I do not think we would see the ARF as getting to the stage where it is involved in coordinated exercises of that sort.

CHAIRMAN—Do you think it will always remain a talking—

Mr Varghese—No. Under the auspices of the ARF we would probably explore issues like inviting observers to exercises and encouraging countries to explain, debrief and provide an element of transparency about exercises. The thought of ARF branded exercises is a long way away from our thinking.

Mr SINCLAIR—You are saying that as part of this expansion of engagement with Asia, Defence has a significant part.

Mr Varghese—Absolutely.

Mr SINCLAIR—That will be an expanding rather than a reducing role and to do what is required in that expanded role will require more time in nation to nation or multinational involvement.

Mr Varghese—Yes.

Mr SINCLAIR—That is going to require more exercising and more one-to-one and force-to-force contact than there has been in the past. That is a fact that will have to be taken into account in future budgeting for Defence.

Mr Varghese—Yes.

Mr PRICE—Are you satisfied that the public have an awareness of the extent of regional engagement performed by Defence and its utility to our national security?

Mr Varghese—The short answer is probably no. There probably is not a high level of public understanding about what is done and why it is important to keep doing it. In some sectors there is an instinctive suspicion about whether Australia ought to be engaged in military to military cooperation with some countries in the region. That is not a view which has much basis to it but nevertheless it exists in some quarters in the community. There is more that we need to do to explain what we are doing and why we are doing it.

Mr PRICE—You do not quibble at the cost?

Mr Varghese—No. From our point of view it is reinforcing some very core objectives in our portfolio. We would not quibble with the cost at all.

Mr PRICE—In your four points you mentioned regional and bilateral defence relationships and you mentioned the United States. That is probably the most critical relationship. If you look at our defence relationship, the historical thing that sets the relationship in cement is World War II and yet that was more than 50 years ago, although we have served in Vietnam and Korea. Is there not a problem with the United States public in their perceptions? Whilst we consider it very important, and most Australians would consider it very important, the American public would not see it with the same degree of importance. Are you aware of any programs that either Defence or DFAT sponsor to heighten awareness by the American public of Australia? Do you sponsor students coming out to Australia?

Mr Varghese—We have a number of programs that have as their objective to provide a higher public profile in the US for a whole range of Australian policy objectives. We have a special visitors program that brings out targeted Americans. That includes people who are influential in the security area. We have a media visits program which brings out journalists. We have in the embassy a public diplomacy program run through a section in the mission that deals with congressional and public affairs work. Our consulates admittedly play a very limited role also in trying to get those messages across. There is quite a lot of contact on the Defence side. In terms of the DFAT portfolio, particularly with a country like the United States, where public perceptions are going to be quite crucial if an issue becomes a difficult issue, we are very conscious of the need to keep working at that.

Mr PRICE—That is very good, and I would commend the department for all of those things. But what about the Defence side? Do we do anything to make younger Americans aware of the huge role America played in World War II? Do we bring them out and have specific tours? Is there anything your department does, or Defence?

Mr Varghese—In terms of what DFAT does, not beyond what I have mentioned. I would have to check with Defence what their American programs might include. For our part, I have covered the main elements of what we do.

Mr PRICE—You mentioned PNG as having a key bilateral defence relationship. If that is the case, how did we get the Sandline affair so badly wrong?

Mr Varghese—I think there are few assumptions in that question about whether we got it badly wrong.

Mr SINCLAIR—The perception certainly is that you did. There is more to the stories that have come out, and nobody has denied the fact that you knew all about it long before you revealed you did. In fact, there was a meeting in Cairns to arrange the whole thing, and nobody seemed to take note of that. It really does reflect very much against the presumption that we did not know all about it from its genesis.

Mr Varghese—There is a set of issues about what we might have known, and when we might have known it. I am certainly not going to get into any of that.

CHAIRMAN—Foreign Affairs knew about it when they read about it in the paper.

Mr PRICE—I would be very happy if you did get into it, actually.

CHAIRMAN—I do not think that that is really part of this inquiry.

Mr SINCLAIR—I do not mean to cut across Roger's game, but from a player in the past, and from where we are now, I want to say what really annoys me about the whole set-up. I agree totally that the foreign policy in our region is very dependent on Defence involvement. I would suggest that, in South Asia, East Asia, ASEAN, PNG and the Pacific Islands, one of the principal instrumentalities to ensure that there is an active promotion of Australia's national interests is going to be the Defence Force. What worries me is how professional that is. Part of it is money, part of it is the way we go about it, and part of it is the relation between the two. That is putting the United States and all that world scene a little bit to one side. They are all equally important. But it does seem to me that if—this is the presumption of your paper—we are going to have to do more in Asia, we cannot just rely on our trade contacts; we cannot just rely on our geographic proximity and all those other things.

In the development of the stratagem which you have outlined here, and which is presumably going to be part of your white paper, are these issues which have been quantified to the degree to which you can then say, 'If we are going to do this, it is going to cost this much money'? We have produced so many white papers for the Defence Force which have been under-funded, and that is from both sides of politics. They are really regarded as documents, and no more. They have never been adequately funded to produce the results that they are supposed to have targeted.

I was wondering, partly because you are producing a white paper at the moment, partly because it is all here, and partly because it relates very much to what Roger was

saying about Sandline and whether we have got things right, whether we are targeting the money available as well as what we would see as desirable when we are structuring these forward policy programs?

Mr Varghese—We have not addressed the resources issue in our own white paper, and that was a decision that was taken at the beginning. The decision was that the white paper would deal with the broad policy framework but would not then go on to the resources implications that flow from that. That is something that the portfolio will be taking up separately.

CHAIRMAN—I assume that that is an essential part of it. That is one of the big problems with the restructuring of the army. There are loose guides as to what might happen but there is no-one to put a dollar sign to any of the changes. You just cannot get there without money, I am sorry.

Mr Varghese—I could not agree with you more. I am not suggesting that we can ignore the money part of it. All I am saying is that the white paper itself will be only the first step in the process, which is defining the policy framework. A second and very important step will be to look at what that means in terms of resource allocation and to make sure that you have your priorities reflected in your resource portfolio.

Mr SINCLAIR—But isn't that putting the cart before the horse? If you say, 'That is the desirable framework for our foreign policy,' and then, having said that, you say, 'No, sorry, we have only got enough money to do this bit of it,' it makes both the implementation of government policy and the concepts you have presented quite ridiculous because you are not able to deliver what you say you should deliver.

You could say within a white paper, if you wish, 'We have this much money, this will be our policy; if we have this much, we will do that.' It worries me when we produce white papers which become more and more dream lists which are quite incapable of being met in the funding resource that is being provided to deliver on the ground for the Defence Force, your own program with AusAID, and adequate staffing and language training for posts in the areas that are needed.

Mr Varghese—I think that you do have to start with what your objectives are and what you want to achieve. I do not think you can start with how big your bucket of money is. The two obviously go very closely together. I am saying that the white paper sets out what you want to achieve. The question of how much money the government is going to give us to try to do it is something which constantly changes.

Mr SINCLAIR—You are saying that money and policy are in two different bags, you produce your wish list and whether or not you can achieve what you set out to achieve is going to be very much predicated on how much money the government of the day will provide.

Mr Varghese—We will always want to achieve more than we can achieve with the money we have been given to achieve it.

Mr SINCLAIR—I would have thought that in a white paper policy framework some realism would have helped and that there should be some assessment of resources likely to be available. Obviously we are not a United States, we are not going to be able to play the game to that degree. We are not even a Japan or a Korea. These days a number of the other ASEAN countries have significantly increased their own resource. You cannot relate your white paper without some consciousness of your capacity to deliver. You are saying that the white paper does not take any account of the funds that are going to be available to implement the policies.

Mr Varghese—It does not look at resources, no.

Mr PRICE—If I wanted to look at a comprehensive statement on regional engagement or the principles associated with regional engagement, where would I look? Where is that in document form? We are all talking and agreeing about regional engagement, its costs and its benefits, but is there an overriding statement or set of principles annunciated about regional engagement, and if so, where could I find it?

Mr Varghese—The last comprehensive statement on regional engagement was made by the previous government in 1989 or 1990. Where you would look for it at the moment—

Mr PRICE—What was the 1988-89 statement?

Mr Varghese—It was a statement that Senator Evans put out as foreign minister. It was a statement on regional security. Since then, there is a body of speeches and statements that ministers have made on regional security and—

Mr PRICE—Was that jointly agreed with the Minister for Defence at the time?

CHAIRMAN—It was considered a cabinet paper.

Mr PRICE—It was a cabinet document, right.

Mr Varghese—It was cleared through the government system. I would expect that the white paper, which will be coming out fairly soon, will have quite a substantial coverage of regional security issues in it and it will be an authoritative statement because it would have been through the whole government system.

CHAIRMAN—Although unfunded.

Mr Varghese—It is funded to the sense that we have portfolio funding.

Mr SINCLAIR—It just horrifies me the way you develop your policy.

CHAIRMAN—As for the white paper, as well as being unfunded, it was written by everyone south of Sydney. There was not a member of that commission—

Mr SINCLAIR—Was it a Queenslander who authored it? There might be hope for us then!

CHAIRMAN—There was no reality in it.

Mr Varghese—The panel did not write the white paper. Its members were there to provide advice.

CHAIRMAN—I see.

Mr Varghese—The paper was actually drafted within the bureaucracy.

Mr SINCLAIR—Did you do a strategic bases paper first?

Mr Varghese—A defence strategic bases paper?

Mr SINCLAIR—Yes.

Mr Varghese—No, but there is a strategic review going on in parallel.

Mr SINCLAIR—It was not completed before this white paper?

Mr Varghese—No, it has not been completed.

Mr PRICE—Our latest agreement on regional or bilateral security has been concluded with Indonesia in, I suppose one might say, highly unusual circumstances in terms of the limited numbers of people that were involved in the process. But the remaining agreements were agreements that were concluded some time ago—for example, the five-power defence arrangement—and yet they have changed in character and nature over time. Is there a need now to update those arrangements in new agreements or is DFAT quite happy to see this sort of evolutionary change bit by bit, year by year?

Mr Varghese—What we have seen is that security arrangements are really organic documents in the way in which they are actually implemented, even if the words on the pieces of paper stay the same. We have seen that in the way in which the Australia-US alliance has grown and developed and adapted to the end of the Cold War. We have seen it in the way in which the five-power defence arrangements continue to be relevant even though—

Mr PRICE—We have concluded a treaty with Indonesia.

Mr Varghese—we have concluded a treaty with Indonesia, so I would not see a need for us to be in the business of renegotiating those agreements simply because they were concluded some time ago. I think the evidence is that they remain relevant and that they grow and adapt to changing circumstances.

Mr PRICE—I know you are doing a white paper, and presumably a white paper is something that tries to look forward, so are you able to speculate on what might be some of the changes that you would foresee occurring in the next, say, 10 years in defence regional and bilateral relationships? Is it just going to be more of the status quo or can you see some new mechanisms needing to develop and take root?

Mr Varghese—We would hope to see quite a significant evolution of regional security institutions and, in particular, the ASEAN Regional Forum, which is still only in its early days—it is only four years old. Looking forward into the region, we would certainly be expecting that that institution would grow and mature. We would hope that it would not only take on a preventive diplomacy role but that it would also at some point be able to actually become involved in approaches to conflict and to conflict resolution.

CHAIRMAN—How is it going to do that without an organised NATO style agreement between the members of the ARF?

Mr Varghese—One of the things we have seen in the Asia-Pacific region is that the sort of pattern of evolution of institutions is really quite unique, and it does not necessarily have to follow a formalised legal model. We have seen that in APEC.

CHAIRMAN—We have seen essentially bilateral relationships between oil countries in the region and a resistance to getting involved but, at the end of the day, they are going to have to if there is going to be an effective regional defence force created. There is going to have to be some formalisation of the interoperability between the nations of that region. That must come in time, however much it is not on the agenda at the moment.

Mr Varghese—But whether it requires a formal arrangement, as opposed to just the evolution of more and more contact and interoperability, is an open question. I do not see the ARF becoming a NATO style institution in the next five or 10 years. I think the nature of the threat perceptions in the region would be quite different.

CHAIRMAN—The threat perception that you are talking about, which is implicit in your paper, is one of internal conflicts within the geographic boundaries of a country. Is that so?

Mr Varghese—But also in the Asia-Pacific community—some of the threat

perception relates to fellow Asia-Pacific members too.

CHAIRMAN—Yes. I do not want to put words into your mouth but my reading of your paper is that you see that any armed conflict in the region will be within a state and not between states.

Mr Varghese—Not necessarily, if you look at the flashpoints in the region and the prospective flashpoints.

CHAIRMAN—Sure, with Korea and things like that.

Mr Varghese—But there are also territorial issues that are interstate issues.

CHAIRMAN—Yes.

Mr Varghese—There is the South China Sea with conflicting claims, and Korea which, as you have indicated, is an interstate issue. Taiwan is not an interstate issue in a technical sense.

CHAIRMAN—That is whether you take the Chinese view or not. I just wanted to put to you the hypothetical point that, with all those nations in the region, there could be an Asian nation with expansionistic aims that could develop within 10 years. Therefore, you would be faced with a different scenario to the one that is posited in your paper.

Mr Varghese—Things can always change and change quickly.

CHAIRMAN—We are in the business of defence. In defence we are preparing for the unforeseen and unexpected—inevitably that is our fate: if we do not, we are done.

Mr Varghese—I would not dispute that, but you still need to make judgments and analysis along the way.

CHAIRMAN—Certainly. In your paper, you talk about increased links with the Philippines. What is the basis for that assertion? You imply that the ADF will become more involved in an association with the Philippine defence force. Why would there be a significant change in that direction?

Mr Varghese—What we had in mind there was that we expect that our strategic dialogue with the Philippines, which includes defence participation, will grow. During the set of meetings in Kuala Lumpur in July, Mr Downer announced the establishment of a formal regional security dialogue with the Philippines, which we are now in the process of organising. So it was really looking at the Philippines as a dialogue partner and as a country that we want to expand our strategic dialogue with rather than having a significantly expanded military to military relationship.

CHAIRMAN—So you see a purely bureaucratic type link developing with the Philippines?

Mr Varghese—It is a link in terms of our capacity to talk with them on strategic issues and in the course of that, presumably, we will also be talking about the military to military relationship as we will do there in the security field.

Mr SINCLAIR—This is really putting the Philippines in the same position as we have been trying to develop with the other ASEAN countries. The fact that the Philippines has not been very active over recent years means that there is quite a way to go and, at a time when America has been pushed out of her bases there, it would seem natural that you would try to lift the relationship. I would disagree with David about the NATO type relationship. In fact, our regional policy in defence terms has been very much in developing bilateral exercising and bilateral understanding in defence matters.

CHAIRMAN—Yes, but that has been a consequence of the inherent relationships between the nations of the region. It is a different world.

Mr SINCLAIR—We have not advanced our defence relationships significantly with the Philippines. I understand why you want to promote it more, but I am interested in the next stage, which is really what Roger's question was: where do you go after you develop all those other bilateral relations? Do you look at some type of a formal multilateral link or are you going to have only those bilateral engagements bringing it together, as in Kakadu, other countries and wherever you can? Is that the way you see us going in the next 10 years?

Mr Varghese—I would not see developing the bilateral relationship as something that you sort of do and then you have finished it.

Mr SINCLAIR—It is ongoing.

Mr Varghese—It is something that you continue and it grows, as we have seen with our other bilateral relationships in the region. I would see the multilateral linkages as focusing in the foreseeable future, in the short to medium term at least, on the ASEAN Regional Forum rather than on any new multilateral arrangements.

Mr SINCLAIR—But that is at the political level; at a military level it will not be through the ASEAN Regional Forum. Our Kakadu exercise was not through the ASEAN Regional Forum. Our defence exercise with the Philippines, to which the chairman referred, was not through the ASEAN Regional Forum.

Mr Varghese—No, but I see that as a continuation of the sort of bilateral and subregional links that we have in the region in the same way that we have the active FPDA arrangements.

Mr PRICE—As for the Philippines, is it not the case that our defence links were cultivated prior to President Ramos visiting and that they have, as a result of that visit, developed quite significantly? Isn't the Philippines, in fact, the only real democracy in our region, other than New Zealand?

Mr SINCLAIR—The last defence visit was the one I made as minister until President Ramos came, which quite amazed me, but still that is another issue.

CHAIRMAN—As for the relationship with the Philippines, its expanding element can only be sustained with further resource inputs from defence, but you cannot quantify that for me?

Mr Varghese—No, I cannot put a dollar figure to it.

CHAIRMAN—Okay. The five-power defence agreement: this has got a blood transfusion in the last 24 months, and the activity in that has increased principally through the UK input. Do you see the five-power defence agreement being sustained or is this something that is likely to be a transient revitalisation?

Mr Varghese—For the UK commitment?

CHAIRMAN—The whole thing. I think part of it was related to the handover of Hong Kong and the United Kingdom's desire to demonstrate an interest in the region, but we have seen in the last 24 months an increase in activity in the five-power defence agreement that we have not seen for many years.

Mr Varghese—We certainly see the FPDA as a sustainable arrangement—one that we expect will be sustained. A few years ago, there were some questions about whether the FPDA remained a relevant arrangement in the new environment of the region and, if anything, that questioning is a lot less evident these days. We think that it does have a useful contribution to make. We think it is certainly important in terms of our relationships with Malaysia and Singapore, and I do not see any reason why this is something that is likely to become less important to us.

Mr PRICE—How does that relate to your answer to the question about the UK that the chairman was asking?

Mr Varghese—I do not see any evidence that the UK intends to wind down its support for the arrangements.

Mr PRICE—But it had wound it up—that was the point the chairman was making.

Mr Varghese—We have seen in other contexts a very strong interest by the UK in

wanting to maintain an interest in regional security issues. For instance, the UK is quite keen to have a more direct role in the ASEAN Regional Forum.

Mr PRICE—With great respect, you are not answering the question. The point is that the UK wound up its involvement in that arrangement prior to getting out of Hong Kong. Do you see that same level of intensity continuing from the UK?

Mr Varghese—I have not seen any evidence that it is going to decline.

Mr SINCLAIR—Have you seen any evidence that it is going to be sustained?

Mr Varghese—We have certainly had the view put to us by the UK that they remain committed to it and that they have a more active interest in this part of the world.

Mr SINCLAIR—So, in a bilateral exercise in two years, would you expect the same number of vessels from the Royal Navy to be involved?

Mr Varghese—I would not be confident of making as precise a prediction as that.

CHAIRMAN—If you are unable to quantify the resource implications, which is what we have been trying to get to for about three-quarters of an hour, can you at least—if you cannot qualify them in dollar terms—give us examples of the increased activities so that we can put a dollar dimension with it?

Mr Varghese—From our point of view, one of the areas where activity has increased most is in the network of security consultations and discussions that we have formally on a bilateral basis. In Kuala Lumpur, we announced that we would set up formal talks with four countries, and we already have talks with Korea, Japan and Indonesia and, through FPDA, with Malaysia and Singapore. So that is an area where the level of activity has certainly grown and it is likely to continue to grow.

Mr SINCLAIR—Exercising? What sort of increase in exercises do you see as a result of this? That will be another demand on resources. Do you think it could be doubled?

Mr Varghese—I think you would have to talk to Defence about that.

Mr SINCLAIR—I have not seen much reference to cooperation with Japan, although you refer to it having the third largest military budget. You were talking about our relations when I came in. Do you see our military involvement with Japan increasing, and to what degree? What resource requirement would there be to meet that?

Mr Varghese—I think there will be continuing growth in the defence relationship, at a pace which is comfortable to both parties. What we have seen in the last several years

is quite a significant enhancement of the strategic dialogue that we have with Japan. I think one component of that will be a growth in the military to military relationship. I do not expect that to be a headlong rush, and I do not think either country is interested in handling it in that way.

Certainly, the relationship with Japan more broadly is developing into one of our most important strategic ones, not so much in the defence sense, but in the sense that so many of our policy objectives in the region require the support of Japan and our capacity to work on them with Japan is growing very strongly. So, in that context, I see the military to military links as being one thread in what is going to be an even more important bilateral relationship.

Mr SINCLAIR—So that will involve a greater commitment by Defence in cooperation and working with the Japanese self-defence force in the future?

Mr Varghese—I think there will be more contact between the two.

Mr PRICE—Firstly, on notice, could you provide from your perspective all the lists of activities that go to make up regional engagement in our area on the DFAT side and, to your knowledge, the Defence side? Secondly, as for the bilateral defence relationships, have they been ruptured as a result of a disagreement with a regional country or have they been able to be maintained, notwithstanding some rupturing of relationships?

Mr Varghese—I think the defence to defence relationship has managed to continue, even where we have had temporary hiccups in bilateral relationships in the region. We have not found ourselves in a situation where the defence to defence relationship has broken down if there are problems elsewhere in the bilateral relationship. Nor do I think we have had a rupture in the bilateral relationships in the region of the order that you would expect or think might happen.

Mr PRICE—That the defence relationships have broken? Is this, from a DFAT perspective, a good or a useful thing to have—such strong relationships so the communications can still flow even though publicly there may be some argy-bargy in the bilateral relationship?

Mr Varghese—It is certainly a positive thing that there is a channel of communication and a pattern of cooperation defence-to-defence in the region. That is an important thread in regional engagement—regional engagement has lots of threads, but that is one important one.

Mr PRICE—I know you are being indulgent and I will ask this as a last question. I know you have booted me off the Sandline issues, and perhaps it is not fair to put hypothetical situations to you, but what if it was the case that that had really deteriorated

badly and that Australia and some of its regional neighbours had become quite alarmed at the development in terms of the use of mercenaries and destabilisation? Would you see an opening for the ASEAN Regional Forum, which would have swung into action to try to get a political or a diplomatic solution, or a solution involving peacekeepers? I ask that question because that seems to be the thrust of what you have been saying to us this morning.

Mr Varghese—I think the ARF is a long way from being able to exercise that sort of capability, and it will take us quite some time before the ARF has a conflict management role. I think that is a long-term objective and, in fact, it is a stated objective of the ARF to move into, but we are nowhere near that at the moment.

Mr PRICE—I was asking earlier about the intermediate step.

Mr SINCLAIR—As for our relations with New Zealand and the common defence relationship, does Foreign Affairs play any role in that or is that essentially managed by Defence?

Mr Varghese—We do have a role in it. That is a very important element in the overall bilateral relationship, which means that we pay close attention to it and talk to Defence about it quite a lot. We take the view that, for us to continue to have the sort of relationship with New Zealand which is in both of our interests, New Zealand needs to have a capacity to play a credible role in security and defence issues. To play that credible role, they need to devote the necessary resources to it.

Mr SINCLAIR—But a product of that is that we have got to devote additional resources to it because of New Zealand's virtual withdrawal from ANZUS and because of the Americans' refusal to participate so that, as a result of our foreign policy imperatives, Defence has a greater financial obligation than would otherwise be the case in picking up the tab of exercises, relationships, procurement policies and so on with New Zealand. Do you agree?

Mr Varghese—I do not know if that is the case.

Mr SINCLAIR—Is it true? If America did as she used to and participated to a far greater degree with New Zealand, there would be no need for a lot of the exercising and a lot of the working with New Zealand that we now undertake.

Mr Varghese—But whether Australia has had to spend more because of that is something I do not know. You would have to check with Defence how that translated into actual expenditure.

Mr SINCLAIR—But you do not take into account the cost of anything you do, you just set your foreign policy and people worry about money afterwards? Is that really

what you are saying?

Mr PRICE—Spoken like a true former defence minister!

Mr Varghese—If you would like to give us some more money, it would be most welcome.

CHAIRMAN—You could build another building if you had more money.

Mr Varghese—It is privatised now anyway.

Mr SINCLAIR—In acquisition programs where we have, for example, a company like Transfield, which has been pushed by governments and is pushing itself and is endeavouring to acquire an offshore maritime patrol craft contract while we are trying to get a share of defence contracts more generally, do you play any role in defence or is that all done through your trade arm?

Mr Varghese—We would play a role in terms of promoting Australia's economic interests and that includes promoting, particularly throughout our embassies, the capacity of Australian firms to find markets.

Mr SINCLAIR—Do you play a part in telling Defence that really they ought to try to look at a common procurement so that it would be better to meet that marketing arm of Australia and try to sell common types of defence equipment rather than necessarily meeting Defence's requirement to buy equipment that suits us? Are you involved in that type of equipment decision making and marketing?

Mr Varghese—My division is not. I think Austrade may have a closer role in that than we do.

Mr SINCLAIR—So your division does not talk about equipment and say, 'Look, there is a buck there to be made for Australia and we ought to try and get into that and to hell with what the Australian Defence Force might require'?

Mr Varghese—Well—

Mr SINCLAIR—I have probably said that in a bit of a blunt way, but I suspect that it has happened anyway. Thank you.

CHAIRMAN—With the greatest respect, Roger, I profoundly disagree with you on the assertion that the basis of the Australian-US relationship is founded in World War II. I think that is a symptom of, not the cause of, the relationship, and I would just like to put on the record a contrary point of view. I think it is a shared cultural set of values and a belief in the democratic process, human rights and a whole lot of other things that form

the common link between Australia and the United States. But I would agree that there is a constant need to maintain and develop the relationship between Australia and the United States, given the great disparity of size and interests between the two countries.

One of the characteristics of the ADF in the last 10 or more years has been their involvement in peacekeeping, and we have not touched on this. Namibia, Cambodia, the Sinai, the Western Sahara, Somalia, Rwanda and a number of other and smaller engagements have seen the ADF committed. Obviously there has been a close link with the foreign policy objectives of DFAT in all of those engagements. In the light of that experience, do you have any views as to what future requirements UN activities might place on the ADF? Again, what are the cost implications of it?

Mr Varghese—We have certainly found that the ADF contribution to UN peacekeeping has been very much in Australia's foreign policy interests. We see that as one of those areas where the two portfolios' interests and Australia's interests combine very neatly.

CHAIRMAN—Having commented on the importance of it, do you see the policy that the ADF has had up till the present—that peacekeeping will not dictate force structure—needing review? Should we be modifying the ADF?

Mr Varghese—We do not think that needs any change. We think it is a sensible policy that force structure is determined through other considerations and not by peacekeeping requirements. We would expect that, whatever force structure decisions are taken, Australia will continue to have a capability to participate in peacekeeping activities.

CHAIRMAN—If we do not alter the force structure, do you see a need for increased readiness of more units so that we can deploy more quickly?

Mr Varghese—We would not see the need for standing units that are ready to go to peacekeeping operations. I think we can deal with that on an as-required basis.

CHAIRMAN—All right. That covers that.

Mr SINCLAIR—Have you been satisfied with the recoupment of expenses from the United Nations when we have been involved? You presumably are running that rather than Defence.

Mr Varghese—Certainly the portfolio is not in my division, which is not a particularly helpful answer to you. I am not aware that that has been a problem for us.

CHAIRMAN—It has been a problem, as we have worked that out in estimates committees. I was in the UN last month in New York talking about peacekeeping. The whole payment system is being revised, and the UN is just saying that, in essence, the

new formula will be that we need so many APCs in that force and so many trucks and so many personnel, and the rate of pay for that will be X dollars per day. It does not matter whether you put a brand-new APC in there or what design it is, it is a requirement for that capability and there will be a fixed fee, so that ought to go a long way towards getting over the great problems we have had with funding.

Mr SINCLAIR—I do not know whether it is your division, but your department is also involved in the structure of that management group looking at peacekeeping management within the United Nations.

Mr Varghese—Yes, it is.

Mr SINCLAIR—Would you have any cost figures on how much you would expect Australia to have to commit to that? That is not in forces, but in the cost of forces commitment. Do you allow in your projection of budget, or do you allow in Defence's projection of budget, an element that relates to prospective peacekeeping over the future or is that something we try and catch up with after we have readied the forces?

Mr Varghese—I would have to take that on notice because it is handled in our UN division.

Mr SINCLAIR—Would you mind having a look, because it might be another budgetary outlay that we might have to look at? I presume you cannot look backwards but you have got to allow some budgetary figure, and I do not know whether we do allow it or not. I would be interested to know what the money is and out of which vote.

Mr Varghese—Sure.

CHAIRMAN—As there are no further questions, I thank you very much for your attendance here today. You will be sent a copy of the transcript of evidence for grammatical corrections as soon as we can get it from *Hansard*. Thank you once again for coming along.

[10.15 a.m.]

OXENBOULD, Rear Admiral Christopher, AO, Deputy Chief of Navy, Department of Defence—Navy, Russell Offices, Australian Capital Territory

WALLACE, Mr Leslie Andrew, Assistant Secretary, Resources Planning, Department of Defence—Navy, Russell Offices, Australian Capital Territory

CHAIRMAN—I welcome Rear Admiral Chris Oxenbould and Mr Les Wallace. The proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings of the respective houses of parliament demand. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the subcommittee may be regarded as contempt of the parliament.

We have received the Department of Defence's submission and there have not been separate submissions from army, navy and air force. Would you like to make any additional corrections or an introductory statement before we move to questions?

Rear Adm. Oxenbould—Thank you, Mr Chairman. I would like to make an introductory statement. I appreciate this opportunity to present the navy perspective to your inquiry. The Defence submission to this committee described the financial commitment to defence, recent trends, the significant measures taken by Defence over recent years to efficiently and effectively use the resources provided, the funding pressures faced by Defence, and the future funding issues. The navy is clearly an integral part of these changes and trends and is very much affected by them.

The environment that the navy operates in is becoming more difficult. For example, anti-ship missile defence is becoming far more complex with more sophisticated missiles available in our region. The conduct of operations is becoming far more complicated with the amount of information available to commanders and the necessity to be able to disseminate it very quickly in order to gain and maintain the operational advantage.

To allow for these trends, some of the new major capital items will need to make provision for upgraded major surface combatants to make them viable in the next century and to provide appropriate task force command and control capability, improved communications and command systems across the ADF, adequate numbers of helicopters to ensure that these essential parts of the ship's weapon systems are available when required, amphibious forces to provide the army with mobility and flexibility throughout our region, adequate stocks of missiles and munitions, the replacement for the capability represented by the Fremantle class of patrol boat, and whatever platform results from consideration of the future requirements for afloat support.

All of these issues are presently being addressed by the force development process. But in addressing these requirements and the needs for the other two services, we need to be aware of the synergistic effect of combining the ADF's capabilities.

In the maritime environment, a ship, an AEW&C aircraft, or an FA18 aircraft, has a degree of vulnerability as an individual unit. But when combined and operated together, they form a potent force which is difficult to defeat. Furthermore, good communications and command systems are an important and very significant force multiplier. Meeting all these needs will require some real increases in Defence spending within the next few years.

In respect of logistic support, in our current strategic circumstances the navy requires that the support base allows, firstly, that ships, submarines and aircraft are to be operated safely. Secondly, personnel are to remain competent in the operation of their platforms and weapon systems so that essential skill levels are maintained. And, thirdly, the level of competence will be such that the forces required can be trained to reach the level of operational capability required within the warning time available.

The navy strives to ensure that we retain a balance between the funds available for logistic support for today's operations and our investment in the future in the area of the deeper levels of maintenance. However, the system is under resource pressure and requires relief, particularly in areas of naval aviation, some weapon systems, and ship repair. I believe that this will be one of the areas into which we will need to direct some of the funding which should become available as a result of the Defence reform program. There are undoubtedly efficiencies still to be made in the logistics area. The Defence reform program and the establishment of Command Support Australia should point us towards these.

With respect to personnel, some years ago the navy recognised that it was not necessarily appropriately positioned to ensure that the people we would need would be available in the middle of the next decade. To help us into the future we commissioned the naval personnel 2010 study. This study reported last year and provides the overall strategic view of where the navy's personnel needs might go.

In simple terms, it suggested that ships likely to enter service will require smaller but more qualified ships companies and that the navy, particularly in competition with the private sector, would be challenged to recruit and retain the people needed. There are implications for the level of funding required inherent in all of this. In particular, we may need to change the method of providing remuneration and become more salary-competitive with the private industry.

Finally, and mindful of your terms of reference, I would like to say a few words about training. Traditionally, navy has provided individual training in-house. In recent years we have seen a move towards a joint and contractor supplied training, and this trend

is likely to continue. Our collective training is also becoming increasingly joint, although we are not neglecting the essential single-service elements. Training with other countries is seen as an increasing involvement with the navies and air forces of our region, with the training value to the Australian units involved also increasing as the forces of the region become more sophisticated. At the same time we are not neglecting our traditional training partners, the United States and New Zealand.

All these activities are dependent on maintaining adequate operating funds to meet the required number of sea days and flying hours for the fleet. To give you some feeling for the pressures we will face: the net increase in operating costs for the new capabilities presently approved is some $40 million next financial year, rising to about $80 million in 2001-02 and thereafter. This is after allowing for the offsets available from the decommissioning of capabilities, such as the DDGs which will be withdrawn in that period.

CHAIRMAN—Could you just run over those figures again, please?

Rear Adm. Oxenbould—The figure for the next financial year is $40 million. This is the net personnel and operating cost difference which takes into account the new capabilities which are coming into service next financial year.

Mr PRICE—But that does not include changes to remuneration, or any of the other issues you mentioned?

Rear Adm. Oxenbould—No. That includes the cost of the personnel and the cost to operate the new Anzac ships which will be coming into commission and the new coastal minehunters—they are the main ones for the next financial year. But to bring those onto our books is a net cost, so it also includes taking off what ships we will decommission. In the next financial year we should lose HMAS *Torrens* when she decommissions.

Mr SINCLAIR—That is the cost next year. When was the $80 million?

Rear Adm. Oxenbould—It will grow to $80 million in 2001-02—that is, the financial year.

Mr SINCLAIR—Is this for the same number of ships, or is that projected with what is now on line?

Rear Adm. Oxenbould—In the next seven years we have got something like 20 ships which we are commissioning with the remaining seven Anzacs, the remaining five Collins class submarines, the six coastal minehunters and two hydrographic ships.

Mr SINCLAIR—But then you will be paying off a number of others?

Rear Adm. Oxenbould—The submarines, for example, have already gone, effectively. We have only got two of the six Oberons remaining. They will go by the end of next calendar year. The coastal minehunters are a new capability—they are not replacing anything—so there is no offset for them. In terms of the Anzac ships, we have eight of those, so that will grow into a fleet of eight Anzac ships. The destroyer escorts are what they are replacing but all of the destroyer escorts, with the exception of *Torrens*, have already gone.

Mr SINCLAIR—So there are only the DDGs to go. You are going to keep all your FFGs in service?

Read Adm. Oxenbould—Yes.

CHAIRMAN—Why don't you pay off the older FFGs, or tie them up?

Rear Adm. Oxenbould—Because we believe that we need a destroyer force of around 14. Traditionally we have always had a destroyer force of about that size—we have always run about 12 to—

CHAIRMAN—Yes, but what is the basis of that? That is part of mythology, isn't it?

Rear Adm. Oxenbould—No, I do not believe so. In fact it is very difficult to produce a magic model where you can put strategic guidance and the strategic environment and everything in and it comes out to say that you need 16.372 destroyers. There has always got to be a balance. The most powerful influencing factor in that is the amount of money which is available. On balance of all that, and looking at the capabilities that the ADF needs, it comes out to a destroyer force of around 14.

I believe we need that to meet our commitments, both our peacetime commitments, particularly with regard to regional engagement and our involvement within the region, but also our training so we are able to have the base to be able to expand should we be drawn into conflict. The other reality is that gone are the days where you will be able to build 60 Bathurst class corvettes during a conflict and churn them out and put crews into them.

CHAIRMAN—I accept that. But one of the criticisms of Navy was that it took several generations to realise the world had changed and it kept a fleet structure more appropriate for a Second World War type of business. You have said today there is the importance of amphibious ships. We are starting down that path, if somewhat perfectly, with the two that we have. What I am putting to you is that the fleet composition, with the subsurface fleet, is adequately catered for, that the support for the army or air force units in the region, through an amphibious or supply capability, is an essential requirement which is underaddressed at the moment and that we do need a minehunter capability. In that context, do we really need 14 surface combatants running around?

Rear Adm. Oxenbould—I believe we do, because if you look at the role of protecting our maritime approaches, protecting our trade and protecting the support to the north of Australia, you quickly run out of those assets. We did a lot of work on this last year as part of the setting up of Headquarters Australian Theatre—

CHAIRMAN—Won't the submarines provide some capability in that dimension?

Rear Adm. Oxenbould—The submarines will provide a capability primarily in focal areas, such as the straits which exit the archipelago or around our ports, but they will still have difficulty operating effectively in the wider areas of our maritime approaches.

CHAIRMAN—Then we will do the surveillance from the air or overhead, won't we, not by seaborne forces?

Rear Adm. Oxenbould—This is where the synergistic effect that I talk about comes into account. Each of the assets that we have within the ADF has its own unique capabilities and strengths and weaknesses. An AEW&C aircraft and even the LRMP aircraft have the advantage of being able to move quickly and to cover a large area, but they still have a disadvantage in being able to maintain a continual presence or being able to react to anything which they may come across within the maritime approaches to Australia. The advances of our—

CHAIRMAN—How can that be when the LRMP aircraft are equipped with Harpoons, the same as the surface ships?

Rear Adm. Oxenbould—But we may not wish to sink the ship. There would be a lot of requirements short of open hostilities where we are trying to sink the ship: we may wish to board it, we may wish to capture it, such as in the early parts of the Gulf War and the blockading of Iraq, or somewhere like that. There would be those types of roles for which you will need a mixture of these forces. If you put them together we have a very powerful force, but if you start taking one of those pieces out of that matrix, it significantly weakens the ability for the government to be able to react.

Mr SINCLAIR—We had better let Admiral Oxenbould finish his statement, then we will start our questioning.

Rear Adm. Oxenbould—I think that is all I wished to say by way of introductory remarks.

CHAIRMAN—I judged that it was drawing to a close.

Rear Adm. Oxenbould—It certainly was.

CHAIRMAN—The reason I started down that path was that the very first thing

you mentioned was the need to defend against anti-ship missiles. To me, that is a technological impossibility for the force structure we have when you are dealing with supersonic, either surface launched or air launched, anti-ship missiles and multiple attacks. We have no ship that will defend against that at the moment, do we?

Rear Adm. Oxenbould—At the moment we certainly have a vulnerability in that area, to a degree.

CHAIRMAN—Like 100 per cent?

Rear Adm. Oxenbould—No, not to 100 per cent. There is some chance. Clearly, that information is quite sensitive, but I do acknowledge that there is a vulnerability there. That is what we are aiming to overcome with the progressive upgrade programs for the FFGs and the weapon improvement program for the Anzac class.

CHAIRMAN—Can I put it to you this way: do you envisage a situation in the near future where RAN surface combatants in a stand-alone capacity—a ship by itself—will be able to defend itself against multiple attacks by supersonic missiles and survive?

Rear Adm. Oxenbould—It depends on the degree of multiple. But with some of the criteria that we have set for the weapon improvement program, the progressive upgrade, there is a defence criteria against a number of missiles—some subsonic, some supersonic—arriving within a certain time interval. That is the criteria which has been set to be met by the contractors who are bidding for those projects.

CHAIRMAN—It is a pretty difficult technical exercise, isn't it?

Rear Adm. Oxenbould—It is difficult. If you look overseas to what the US have done with it, I suppose the latest US combatant would be the *Arleigh Burke*. That has a very high degree of survivability against the type of attack that you are talking about, especially operating within a group of ships, especially operating with the support of AEW&C aircraft and especially operating with fighter aircraft. There are concepts such as CEC, cooperative engagement, where a ship can fire a missile to take out another missile or another aircraft which they are not even seeing on their own sensors—for example, it could be painting up on the AEW&C aircraft's radar and the data is provided so that a separate platform can fire and take out that missile.

CHAIRMAN—The purpose of this whole line of questioning is: do we spent $2 billion or $3 billion updating the FFGs and the Anzacs or do we go to an *Arleigh Burke* or that type of platform de novo?

Rear Adm. Oxenbould—Looking at the timing and looking at the investment that we have at the moment, I believe it is still the best option for us to upgrade the ships that we have, but we will have to look at a replacement destroyer in about the period 2005 and

beyond. That will be replacing both the DDGs and FFG capability.

CHAIRMAN—Given the fact that all the ships you want to upgrade are old ships, old designs—even the Anzac is an old design, structurally has high manning strengths, has very high radar signatures and is a slow ship—why would we invest billions of dollars in upgrading it?

Rear Adm. Oxenbould—They are all relative judgments that you have made there, Senator.

CHAIRMAN—Are they true or false?

Rear Adm. Oxenbould—The manning of the Anzac ship of 160 is still a lot of people, but it is a 3,500-tonne ship. The FFG started off with a ship's company of about 220. The Anzacs have got 160, so it is reduced by about 60 people for the same size of ship. It is a mature design, I would say, but what we are planning with the weapon improvement program is certainly very lateral in its process.

If we are able to put all the capability which we are proposing into a ship of 3,700-tonnes displacement, it will be a very powerful and potent ship. If we get an AEGIS radar system, a phased array radar system and the type of missiles that we require for that, irrespective of the age of its design, it will be a very potent ship through to 2020.

CHAIRMAN—But have you actively looked at the economics of going to a new design?

Rear Adm. Oxenbould—We have looked at several lateral solutions.

CHAIRMAN—Have you not gone into it in any detail though?

Rear Adm. Oxenbould—There has been a SEA1400 program running for a number of years which has been the replacement for the capability provided by the DDGs. That has been on the books for at least 10 years or so, but it has slipped through other funding pressures. Our DDGs go out of commission starting from 1999 and through to 2001, when the last will be decommissioned. This project was initially designed to take over from those, but with the other pressures on the program, that has slipped. When that program does come to fruition and does get the priority to look to the new design that will be our opportunity.

CHAIRMAN—Can you give us a handle on the anti-ship missile upgrade cost for the FFGs and the Anzac fleet? It started out at a figure of about $600 million before estimates committees a while ago. Figures of $1.5 billion up to $2.2 billion and higher are being quoted.

Rear Adm. Oxenbould—In rough order costs, what is being put forward for the FFG progressive upgrade is $1 billion. That is for the six ships. For the Anzac WIP, I believe $1.5 billion to $1.6 billion is proposed.

Mr SINCLAIR—That is over what period?

Rear Adm. Oxenbould—For the FFG progressive upgrade, the first ship would come back into service around 2001 and the Anzac WIP would start with the last two ships, which would be built to the weapon improvement standard. An initial phase of the Anzac WIP has already taken place—that is the fitting of the surface-to-surface missiles, the harpoons and the anti-submarine torpedos. That has already been approved.

CHAIRMAN—What is that torpedo?

Rear Adm. Oxenbould—It is the same mark 46 torpedo. It is a ship launch torpedo. But there is a separate project in place which is looking to replace that within the next four to five years. Although the mark 46 torpedo has been around a long time, the one that we are currently using is an upgrade to the mod 5, which is only just coming into service within our service net.

CHAIRMAN—So is it not a wire guided?

Rear Adm. Oxenbould—No, it is not a wire guided. It is both a ship launch or an air launch. It is the same torpedo which the P3s and our helicopters use.

Mr SINCLAIR—One of the problems in trying to fund the navy is you have this incredibly long lead time. I know you are essentially looking at what you have and you have to look at your existing resource in trying to plan for the future.We have been talking with Foreign Affairs about this strategic requirement.

Have you had a fundamental input in developing our strategic bases and the Foreign Affairs white paper in saying, ‘This is what we see our naval requirement to be; therefore, if you are going to say this is strategic, this is going to be our capability; we can do this much, but no more’? Do you try then to work back from saying, ‘If you want us to do that, then this is the capability we need’? Or are we essentially looking at our assets, looking at $40 million to $80 million? Are you looking at those priorities in naval aviation weapon system and ship repair rather than maintaining our existing asset?

Or have we really looked forward and said, ‘This is what we would prefer to have and how are we going to be able, over a period of the next 50 years, to transform our fleet’? My perception is that we have been catching up all the time rather than trying to look forward, and registering what we have and building on that rather than perhaps saying, ‘This is our desirable requirement.’

Rear Adm. Oxenbould—I think it is somewhat a combination of both in that regard. We do not use the regional engagement and the work that Defence does in

conjunction with the Department of Foreign Affairs and Trade as a determinant of force structure. We do not say, for example, we want to work a lot with or develop our relationships with Japan. Therefore, we need this capability to enhance that to its maximum capability.

We certainly do look at the force that we have and see where our priorities lie with regard to regional engagement. We try to indicate within those priorities and with our force what we can achieve. This is put forward in the Chief of Defence Force overseas activities directive, where it lists all the regional countries. There is some discussion with the regional countries as to where their priority lies within the regional engagement context, what level of activities we should be pursuing and how we should be trying to change what we are doing, whether we should increase the level of activity with that country or whether we should decrease it at the expense of something we may do elsewhere.

Mr SINCLAIR—To a large degree in the past, we have been a bit predicated in our involvement with the United States. Are you suggesting that is changing?

Rear Adm. Oxenbould—No, because that is also included in this overseas activities directive. I think that the United States and our interaction with the United States will always be very important to us because of that level of operations that we can conduct with them to maintain our interoperability with the United States. But certainly our operations with them are at the far end of the spectrum in complexity, with the use of modern systems, which I believe we always need to remain in touch with.

Mr SINCLAIR—But I would have thought that the interoperability with the United States forces—and I say forces rather than just the navy—seems to have been the prime determinant in much of our acquisition program, certainly with FFGs, for example. It concerns me. The reason for the question is really we are looking at future funding requirements and how far we can move away from that. I agree entirely. But it seems to me we are still perhaps too committed to the interoperability with the United States. Therefore, I query our self-sufficiency in operating independently. Now whether we do is that very fine line which I register as—

Rear Adm. Oxenbould—It is a balance. I do not think we have gone too far in that regard. For example, with the Anzac ship a lot of equipment is not sourced by the United States. It is European-sourced or it is sourced within Australia. But we can still ensure that that is compatible with the United States and that we are able to interoperate with them. Because of their involvement with NATO, most of the European equipment is also interoperable and so that will always—

CHAIRMAN—But there is a very important dimension to this and that is maintenance or spares support. Given the experience we had in Vietnam, I would not be buying any European-sourced equipment at all, seriously, because this is a different world

to Europe. In particular, the European Union is now going down a very moralistic path in many ways with trade and a whole lot of issues. I just think it is a no-no to be buying defence equipment from them for the next 20 years.

Rear Adm. Oxenbould—I have a lot of sympathy with what you say, Senator.

CHAIRMAN—Even British equipment. It is all right for things like Hawk trainers, but you would not buy any operational equipment from them in a fit.

Rear Adm. Oxenbould—But it is also part of government policy to make sure that we maintain the competition between our sources and our suppliers, so in most projects we will look across the full gamut of what is available on the market and assess those. I think on most occasions the US equipment is going to be the best available anyhow.

Mr SINCLAIR—Could I just take that to the next step then—the replacement for the Fremantles which you mentioned. What stage is that at?

Rear Adm. Oxenbould—For the moment, as you are probably aware, the OPC—the off-shore patrol combatant—is still in a state of flux.

CHAIRMAN—That is dependent on the Malaysian contract, isn't it?

Rear Adm. Oxenbould—That certainly is a strong influence. If the Malaysians announce that they will go with the Australian solution for the joint patrol vessel between Malaysia and Australia, that would have such an influence that we would also make sure that we would bring into service the same vessel, the offshore patrol combatant.

Mr SINCLAIR—Whether or not it suited our requirements?

Rear Adm. Oxenbould—It will certainly suit our requirements, but it is where it fits into our priorities, which is coming back to the chairman's first question and looking at the overall priorities of the ADF. The Malaysian factor is a complicating factor in that regard. If the Malaysians make the decision to say that they are not going to go ahead with the JPV, then we would reassess our situation.

CHAIRMAN—We would come up with a different design as a consequence.

Rear Adm. Oxenbould—Yes.

Mr SINCLAIR—But isn't one of our problems the fact that if we go down that Malaysian route for much of the work that is now being undertaken by the Fremantles, the cost is going to be significantly higher and you are going to have to allocate a disproportionate amount of our resources in a fairly stretched budget to meet the patrol

requirements that are going to be ongoing?

Rear Adm. Oxenbould—Yes. It is unlikely that we would end up with the same number of OPCs as we have Fremantles. We have 15 Fremantles at the moment. The numbers being bandied around for the OPCs vary between six to 12. The OPCs would be a lot more effective in being able to carry out that response role because they would be fitted with a helicopter. Therefore, they would be able to carry out the surveillance role and the reaction role a lot more effectively than the Fremantles. It would depend upon the numbers of how that balanced that.

If you look at the purely peacetime role, I agree with you that it would be more expensive than the way we are doing it with the Fremantles. The problem with the Fremantles is they have little utility in any conflict. They have no combat capability of any note. In fact, if there was a defence contingency in the north of Australia, they would not be able to provide much more than harbour protection.

Mr SINCLAIR—I suppose this is far away from our funding, although it has a great deal to do with how we are going to meet our capability requirements. The navy does not accept that there is a coast guard type role, which is perhaps more a peacetime than a wartime commitment which for the time being you are required to meet. The alternative platform certainly would have a greater wartime capability. However, it would seem in the present strategic situation that there is a real requirement to maintain that peacetime patrol, although at present you have more vessels operating in a hostile environment than you have in any other vessel in the navy.

Rear Adm. Oxenbould—Not necessarily hostile, but certainly close to a fully operational role and doing what they are, yes, I would agree with that.

Mr SINCLAIR—Could I then go onto your aviation capability. I notice you are talking about naval aviation. In your forward projected budget, are you looking to the Hawk taking over from the New Zealand aircraft that now operate to provide target towing and operational interaction with the RAN? How are you going to meet that capability?

Rear Adm. Oxenbould—The New Zealand A4s, which operate out of Nowra, do not provide a target towing capability. That is contracted out to a commercial contractor.

Mr SINCLAIR—With Cessnas and things.

Rear Adm. Oxenbould—With Lear jets, mainly. However, the A4s do provide a very essential part of our training, anti-ship missile defence and the like, by flying very realistic profiles and they are a small target. The A4 is a very good aircraft for that particular role. I am not sure of the period of this current contract with the New Zealanders or when it expires. It was renegotiated only a year or so ago and I believe it has still got another couple of years to run. We would look at the lead-in fighter eventually taking over from that role, much as the Macchis did. We also always had a lot

of fleet support provided by the Macchis and we would hope to get similar support from the air force with the Hawk aircraft.

Mr SINCLAIR—In a decision like that do you work with the New Zealanders? Obviously, they need the flying. It is great for New Zealand and it is great for the interaction between our two forces in the development of a new type. Have you had discussions within the CDR concept about where you are going?

Rear Adm. Oxenbould—I am not sure of the specific details of that because I have not been involved in those CDR type discussions but I am sure that we would keep them informed of what our decision process was.

Mr SINCLAIR—You are talked about naval aviation generally. What are your shortages there and where do you see perceived acquisitions relieving them?

Rear Adm. Oxenbould—The shortages over the years stem from bringing into service in particular the Sea Hawk helicopter. It was underfunded to some degree on the logistic support and it is quite a complex equation because some of the equipment did not achieve the meantime between failure that was expected of it. It required to be maintained more frequently than was expected.

We also, though, cut short on some of the logistic support for the helicopter so that when we came to operate it, we found we had difficulty in achieving the rate of effort which was provided or which we expected to get out of the aircraft. This has been complicated further by the fact that when the aircrew were not getting the amount of flying that they expected or needed to maintain their proficiency, they became disillusioned and it increased the rates of resignation of some of the aircrew. It is a pretty small mass of aircrew that we have got there—a critical mass—and so that even a few people leaving can have quite a detrimental effect.

The end outcome of this is that we have not been able to get the number of aircraft embarked in the FFGs at sea as we would like and we have now had to put in place a get well program. In the last few weeks we have made a decision to divert about $12 million to $15 million over the next two years to a quick fix and some of the items which we can readily identify to improve the situation.

Mr SINCLAIR—Please explain.

Rear Adm. Oxenbould—This is primarily in logistic supply and providing some contract repair support as well. There is a review in place at the moment into the naval aviation force which is expected to bring down its findings in the next month or so which will assist us to determine the long-term future and the way ahead in that regard.

Mr SINCLAIR—If there is a problem with the existing supply, won't it be exacerbated by deciding to buy yet another type in the Kaman?

Rear Adm. Oxenbould—To some extent it will.

CHAIRMAN—Have you costed the Kaman right through to what it is going to cost you to train personnel both to fly and to support it, your spares, holdings and all the rest of it?

Rear Adm. Oxenbould—This was all part of the decision making process. I was not involved in that decision making process.

CHAIRMAN—Have you got any idea what that downstream costing is?

Mr Wallace—Mr Chairman, part of the figures that Rear Admiral Oxenbould quoted earlier in relation to the $40 million to $80 million also includes provision as we currently understand it for the cost of operating and crewing the Kaman purchase. That is, in fact, part of the costs next year with initial acquisitions and things of that sort.

Mr SINCLAIR—Are you going to prejudice the availability of suppliers for the Sea Hawk by acquiring the Kaman? Obviously, if you have got one problem and you are going to buy another type, you have got to have all that supply line. One of the things with the A4 was when we gave it to New Zealand we virtually gave away all our supplies and it takes years to build up that supply line again.

Rear Adm. Oxenbould—The decision to move into the Sea Sprite I do not believe will prejudice the Sea Hawk problem. I believe they are independent and separate.

Mr Wallace—Clearly, it will all have to come out of the logistics bucket and we are attempting to get a feel for what the overall cost is. We are having to put our minds around a logistics shortfall figure in the order of $50 million to $60 million a year at this point.

CHAIRMAN—Fifty to 60.

Mr Wallace—Yes.

Mr SINCLAIR—Roger has a series of questions. I will come back directly.

Mr PRICE—Admiral, I was really shattered when you said that you cannot spit out a program that says 16.3 Anzacs or whatever.

Rear Adm. Oxenbould—I can show you the model, but it does not work to that degree of accuracy.

Mr PRICE—I see. Is the acquisition of two additional submarines still a high priority within navy?

Rear Adm. Oxenbould—The navy line with regard to the two additional submarines has been a consistent line, that we would always appreciate two additional submarines but not to the detriment of the overall naval force. We believe that the priority

still remains with the surface combatant force, and to make sure that we have got a viable surface combatant force and that we do not develop a super submarine force at the expense of the surface combatant force and that that needs to be balanced. Our belief is that six Collins class submarines, with the upgraded surface combatants, would provide a better capability than eight Collins class submarines and a—

CHAIRMAN—A more flexible capability.

Rear Adm. Oxenbould—Certainly, a more flexible capability.

Mr PRICE—By the way, I would like to express my gratitude for the opportunity to go on the Collins when it was in Adelaide, wasn't it, that we were able to get on board?

CHAIRMAN—It was in Garden Island.

Mr SINCLAIR—No, it was in Western Australia.

Mr PRICE—For someone who is claustrophobic, I think it was really a great effort on my part. It was tremendous to have got in there. What percentage has navy enjoyed of the A&L budget over recent years?

Rear Adm. Oxenbould—Of the capital equipment budget?

Mr Wallace—The figure currently is around $1.2 billion or $1.3 billion.

Mr PRICE—So that is nearly half. It is better than half.

Mr Wallace—It is a bit under half, yes.

Mr PRICE—In terms of your wish list, does that require the same percentage to be maintained? Not your wish list, just saying your priority areas.

Rear Adm. Oxenbould—In fact, it is forecast to decline. In 1997-98—

Mr PRICE—Is that an army estimate or is this—

Rear Adm. Oxenbould—No, this is the ADF estimate, which are common figures. It is declining at the moment. For 1997-98, it is about 44 per cent. Last year it was about 54.2 per cent. By the year 2001, it will be down to 37.7 per cent. This would reflect the major projects that we have, the Collins class and the Anzac class frigates. Historically, the navy proportion of the capital equipment has always been very high, and I think that reflects the nature of the platforms that we operate.

Mr PRICE—In the next couple of years, what are the decisions, or are there any capital decisions that you will have to commit to as new items?

Rear Adm. Oxenbould—The main one in the next few years is that shortly we will have to start committing to the follow-on destroyer, and that is going to be a big project. That is going to be around $7 billion, we would think, for the destroyer.

Mr SINCLAIR—You are talking about three ships?

Rear Adm. Oxenbould—No, it would be more; it would take over the numbers of the FFGs, so it would be about six ships.

Mr SINCLAIR—The DDG replacement, but would you upgrade to something—

Rear Adm. Oxenbould—The DDGs are going out without replacement. Our destroyer force at the moment is around 11 ships. We have got three DDGs, six FFGs. We have Anzac and Torrens. With the transition to the FFGs and the Anzac, that will bring it up to about 14. But the FFGs will go out of commission around 2010, and we would be looking at that stage to replace them, and we would be looking to replace six of those to maintain a consistent destroyer force of around 14.

CHAIRMAN—Back to the mythical 14.

Mr PRICE—The navy seems to have adopted a very different practice from both army and air force in its commitment to developing a self-reliant capability in Australia in its shipbuilding. Are you happy with that exercise? Has it lived up to your expectations? Are you disappointed?

Rear Adm. Oxenbould—I think it has been a very ambitious program that we have undertaken.

Mr PRICE—Absolutely.

Rear Adm. Oxenbould—And it is still very early days to see what the end result is. The Collins class has had its problems, but there is a lot of good news on the Collins front at the moment. I am very confident that we will get a very good submarine out of this project. It will be able to take over from the Oberons by the end of next year, and we will steadily build up to that force of six submarines, and they will continue to improve because it was an ambitious task. We did not go for a mature design; we went for an extremely state of the art—to use the cliche—design. With that, we have got potential for incredible improvement within those submarines.

Mr SINCLAIR—Will the acoustic tile fit, or cause any fundamental problems when they are coming into—

Rear Adm. Oxenbould—No.

Mr SINCLAIR—I know you have still got problems in the weapon system.

Rear Adm. Oxenbould—No. In fact the *Farncombe* is fitted with the anechoic tiles and the Collins is not, but, when she goes into her post-delivery availability at the end of this year, she will be fitted during that period with the anechoic tiles.

Mr SINCLAIR—They are not going to cause any stability or faults—

Rear Adm. Oxenbould—No, *Farncombe* is operating now. *Farncombe* has recently received its licence five which allows it to operate through the full range of its depth capabilities and performance capabilities unrestricted.

Mr PRICE—In the destroyer replacement program you referred to earlier, will you be still maintaining that commitment to Australian self-reliant capability, or is it up for grabs and overseas and off the shelf, which seems to be the prevailing approach?

Rear Adm. Oxenbould—I think the shipbuilding industry provides a very different situation than the aircraft, for example. I think there will always be a greater ability for Australian industry to be involved in the development of our ships, even if we build overseas designs, such as we have with the Anzac, or even the last two of the FFGs. There would still be the involvement. In doing so, we would be able to involve Australian industry a lot more with some of the supporting and auxiliary machinery and that within the ships.

Mr PRICE—In further developing the Australian shipbuilding capability, do you see that there is any need to rationalise the significant number of different yards we have got in Australia?

Rear Adm. Oxenbould—I think this is a conundrum which we always have to deal with, because I do not think we will provide sufficient work to keep several shipbuilding industries alive and well and with the amount of work that they would want. But, if we do combine them all, we then run into a problem of competition and monopolies and how to ensure that we get the best deal.

Mr PRICE—Can I take you to some of that manpower stuff that you were talking about? What is the percentage of reservists in the navy, compared to full time?

Rear Adm. Oxenbould—It is roughly about 10 per cent. Our reserves are split into three groups. We still have some Ready Reserves because, even though the government decided from March last year they were to be disbanded, they were on a five-year contract. So the last of the Ready Reserves will go out in about 2001. There are about 200 of those. We then have the normal naval reserve, the general reserve, where we have numbers of about 1,400. So that is roughly about 10 per cent.

We then have a stand-by reserve which is people who are generally retired naval personnel who have gone into the stand-by reserve with no commitment, and their numbers at the moment are about 4,000. In fact the general reserve number is closer to 1,100, so it is a bit less than 10 per cent.

Mr PRICE—Is your approach to your reservists similar to army where you give them lesser equipment and lesser opportunities?

Rear Adm. Oxenbould—No, ours is quite different. Our reserves have been structured on what we refer to as a total force concept. We try and use the reserves to enhance our existing capability. We do not have individual reserve units as a fighting unit. So they would come in and form part of an existing naval unit. Now in many areas they might come into some of the headquarter-type areas and free headquarters personnel up to go forward to the ships.

The problem is with the complexity of our equipment that we are operating, even in coastal minehunters at the moment—they are very sophisticated ships. We will not be able to produce a reservist who will be able to remain current in those ships, with the amount of training time that they can provide or spare. So we look to enhance them or use them in other ways.

About three or four years ago we had a very good concept which has worked extremely well, with the establishment of a reserve administration cell in maritime headquarters in Sydney. They provide a conduit such that, if a ship or any unit requires some reserve support, they can put in and say, 'We have this requirement for an able seaman' of whatever category, or a lieutenant commander supply specialist. Then this reserve administration cell promulgates that information to the reservists—they have got very active communications with the reservists as a whole—and try to match up the requirements and provide the support. That has worked extremely well. We have had a lot better use of our reserves in that regard, and they really have contributed to enhancing the naval capability as part of the total force.

Mr SINCLAIR—What is the highest rank in the reserves?

Rear Adm. Oxenbould—The director-general of reserves is a captain. We have some reservists on the legal panel at commodore rank, and in fact we recently had the Judge Advocate, Rear Admiral Rowlands.

Mr PRICE—When you referred to the naval manpower study you mentioned the method of remuneration needing to be looked at and changed. What would you estimate is the cost of not making the changes? What will happen if you do not?

Rear Adm. Oxenbould—I think we will lose people; we will not be able to retain people. A classic area at the moment is again within the aviation force. It is not the pilots; it is the observers we have. In the helicopters that we operate, for example both the Sea Sprite and the Sea Hawk, we have only a single pilot in those aircraft. The other person sitting up front is an observer; he is the tactical coordinator. In many cases he is senior to the pilot, and he may be the flight commander as well within a detachment on board the ship. He is as vital as the pilot.

CHAIRMAN—He is not the captain of the aircraft, though?

Rear Adm. Oxenbould—No. The pilot will always remain the captain of the aircraft.

Mr SINCLAIR—But he is not pilot qualified. He is qualified as an observer?

Rear Adm. Oxenbould—He is not pilot qualified. He is an observer. He certainly has done some flying training, though, and he has some flying skills—as you would expect when he sitting up in the front of an aircraft. Part of the observer training is that they do an initial flying training but only to quite a basic level, but then they concentrate on navigation and the tactical use of the aircraft and the sensors within that aircraft.

CHAIRMAN—Have you considered giving up your aviation arm as a naval function and using a common ADF aviation pool? It just seems impossible for a very small ADF to run three separate air forces, the way we do, economically. You have talked about problems in retention of air crew because of the very small pool. Have you given serious consideration to combining?

Rear Adm. Oxenbould—It has been considered but it has never gone to much depth, because we believe that the operations of our aircraft are an integral part of the ship and it is very much a naval role. Our aviators feel very strongly that they are part of the Navy.

CHAIRMAN—I understand that. But it is a flying skill you are using, not a sailing skill.

Rear Adm. Oxenbould—It is a very different flying skill. The skill to fly off the flight deck of a frigate is very different from that of an F18 pilot.

CHAIRMAN—I appreciate that, but it is still flying.

Rear Adm. Oxenbould—Yes, and we certainly, where possible, combine the training. Our initial pilot training has always been done with the air force and then we do the operational conversions within navy.

CHAIRMAN—There are inevitable, very high, economic penalties of running three air forces.

Rear Adm. Oxenbould—I do not think it is a straight case of three air forces. We certainly try and take advantage, where we can, of common training. Our observers do their initial training at the School of Air Navigation down at East Sale. Our pilots do their initial training over in Pearce with the air force and then they come and do their helicopter conversion at the ADF helicopter school. Then they—

CHAIRMAN—With the greatest respect, there is an inherent duplication of a lot of overheads. Until I brought the matter up, you had your own airworthiness authority, which for a fleet of about 14 aircraft was a nonsense.

Rear Adm. Oxenbould—There are some aspects of airworthiness which are unique to navy and the decisions of how we operate off platforms at sea are, again, separate from the air force. The air force, though, has the overarching responsibility for airworthiness—this is about to be considered by the Chiefs of Staff Committee—and we certainly have no disagreement with that. Wherever economies can be made there, we are certainly very supportive of them.

Mr PRICE—What is the annual salary cost in the Navy budget?

Rear Adm. Oxenbould—It is $700 million-odd.

Mr Wallace—Were you asking for a per capita figure, or the total personnel bill for navy?

Mr PRICE—What else is included in personnel? I am really just looking at a salary figure, I suppose—salary, super, normal on-costs.

Mr Wallace—May I look that up?

Mr PRICE—Yes. In terms of your naval manpower study, there has obviously got to be a submission to government from ADF, because it affects other services as well.

Mr Wallace—Yes.

Mr PRICE—Government has got to make a decision. Are you able to give the committee any idea—because we are looking at future defence budgets—what order of increase you are talking about to give you the flexibility that that study is dictating or suggesting you need?

Rear Adm. Oxenbould—No. We have not got any orders of that. But, with the establishment of the new personnel executive and with the initiatives recommended by the defence reform program, this is also a very active consideration, that we should be looking to pay people more for their qualifications and skills rather than the all of one school type salary. In fact, we had moved away from that for many years with the various allowances that are paid. It is very extraordinary to find a group of people all on the same salary for the same rank, because of the difference in allowances. We have some silly situations where the commanding officer of an FFG, for example, might be the fourth highest paid on board that ship, with the doctor and the aviators paid more than the commanding officer, even though they may be several ranks lower, because of allowances and responsibilities.

This is the work which the personnel executive is launching upon. They are trying to do this within the next 12 months. I know CDF is very keen to pursue this, because it has been recommended time and time again. It has come out of the Glenn review. It has come out of our own studies in the NPS 2010 within Navy. It has also come out of the DER. So the Chief of Defence Force is keen to pursue it, and I believe the minister is

very keen to pursue it as well.

CHAIRMAN—We are running nearly a quarter of hour over time. I would like to be bringing it to a close. Mr Sinclair.

Mr Wallace—Could I just answer the question on the total—

Mr PRICE—We started a quarter of an hour late, Mr Chairman.

CHAIRMAN—I do know that, but I do have a conscience.

Mr PRICE—That will be the day!

Mr Wallace—The overall salary bill is about $880 million. That is approximately one half of the $1.7 billion that the navy operating budget runs to.

Mr PRICE—If it is a 10 per cent increase, that is an extra $88 million. If we are talking about 20 per cent, it is nearly $170 million.

Mr Wallace—That is the total salary bill, which includes the cover for the public servants who work within the navy.

Mr PRICE—There is one thing you did not mention in terms of the naval manpower study. Is there any suggestion that you need to have more flexible conditions of service?

Rear Adm. Oxenbould—Yes.

Mr PRICE—What are they? I have one last question to ask, if I could, Mr Chairman.

Rear Adm. Oxenbould—The study produced a strategy. It looked ahead to 2010 and tried to predict what the environment was going to be. It was along the lines that the work environment would be very different from what it is at the moment and societal trends would be moving away from people making the commitment to join the navy and serve for a single career for 30 to 40 years. So we have got to provide an environment which will allow for these shorter careers. That will encourage those people that we wish to stay on to stay on and serve through to the more senior ranks and provide that higher level of management.

The implementation plan for that strategy has not been developed but that finding is very consistent again with what has come out of the DER and what has come out of Glenn. This was done about the same time as Glenn. They were being done in parallel and there was a lot of consistency with those.

Mr PRICE—Are all your officers being trained at ADFA? If not, what is the

percentage, and why aren't all of them being trained at ADFA?

Rear Adm. Oxenbould—All our officers are not trained at ADFA. The rough percentage is about a 50 per cent. ADFA just caters for the undergraduates—for those who are leaving school and going through to get a bachelor's degree. We have several methods of direct entry. One is a new entry officer's course where people can come in with their HSC qualification, as long as they have certain qualifications within their HSC—predominantly maths and science and English. They can go straight into their application courses. They do a new entry officers course. But that is a mixture of people as well. There are some postgraduate students, and quite a surprising percentage. Some people are coming in with masters degrees and whatever. There is an avenue for them to come in there. There are also avenues for—

Mr PRICE—Aren't they missing out on the military ethos coming in that way, though?

Rear Adm. Oxenbould—They pick up the military ethos because, within the new entry officers course, they have some time to pick up. That runs for about six or nine months at *Creswell* at the moment and then they go off and do their application courses, be it seaman supply or wherever.

Mr SINCLAIR—Would many of them be direct entries?

Rear Adm. Oxenbould—There are a few who come in there. We used to require the ADFA graduates to go off and get a seaman qualification—so their bridge watch-keeping qualification before then went into aviation. We are now making it possible for them to go straight from ADFA into aviation training. I believe that is an area that we need to look for. I believe there must be a lot of young kids at school now who would love to fly, who are keen on flying but who are a bit daunted by the process they have got to go through beforehand with their military training. I think we should take advantage of that. We can provide the best training in the country and—

CHAIRMAN—You are talking about direct entry missing out on ADFA?

Rear Adm. Oxenbould—Yes, and going straight from school into a short naval introductory course and then—

CHAIRMAN—The evidence that we got at Pearce last month was that the direct entries were better motivated recruits and better pilots than the ADFA ones who went across.

Rear Adm. Oxenbould—That would not surprise me at all, Senator.

CHAIRMAN—It is a serious question.

Rear Adm. Oxenbould—Yes, I know. We then have the option of offering these

people, if they perform well and—

Mr PRICE—We have got you on record now.

Rear Adm. Oxenbould—It is a line that I have held for a long time. If they wish to then remain in the service and pursue their career, we can provide graduate training at a later stage in their career, and that is easy to do. But we want to take advantage when they—

CHAIRMAN—The day is moving on.

Mr SINCLAIR—We know that; we will just shut up. In regard to the extent to which women are now in the service, have you taken the added cost of that into your naval personnel 2010 study?

Rear Adm. Oxenbould—No, we have not taken the added cost into that, but we have an increasing number of women. It has grown since about 1986, when about six per cent of the navy was women. It is now around 15 per cent.

Mr PRICE—Is it likely to grow?

Rear Adm. Oxenbould—I believe it will. Certainly, about 37 per cent of our officer entrants are female.

Mr SINCLAIR—Thirty seven per cent?

Rear Adm. Oxenbould—Yes. At ADFA, with the seamen officers a year or so ago, it was virtual parity between male and female with the entry.

Mr SINCLAIR—In terms of the costs of providing services, do you require exactly the same of both sexes? In other words, if you take the manning of a DDG, an FFG or an Anzac, you don't add the personnel according to what sex they are?

Rear Adm. Oxenbould—No, it is the same costing.

Mr SINCLAIR—In regard to the added costing of running the two-ocean navy, have you made some assessment of that?

Rear Adm. Oxenbould—Yes, but that was made some years ago. I have not got the exact figures.

CHAIRMAN—They were really very high some years ago.

Rear Adm. Oxenbould—Yes.

CHAIRMAN—It was $25 million extra, wasn't it, or something?

Rear Adm. Oxenbould—I think it was. Again, that does not surprise me, because it has introduced a lot of removals across the country. There are a lot of personnel types of things which are expensive over there. It is difficult for us to maintain a back-to-back posting regime over in the West because there is twice the number of sea billets as there are shore billets. It has been quite a significant premium to establish that but it is now well established and that is included within our costing base.

CHAIRMAN—The AAP report on 18 August earlier this week talked about the visit of *Perth*, *Newcastle* and *Success* to China and you are extending your visit program into Korea and Vietnam as well. What are the cost implications in that, because the clear assumption is that will increase?

Rear Adm. Oxenbould—No, it should not. This is a normal part of the fleet activity schedule.

CHAIRMAN—All right. So you do not see increased projection of the RAN into the regional ports as having any additional cost implications?

Rear Adm. Oxenbould—We have been doing this for a number of years. Already this year, we have had visits to Japan and Korea and, generally, we visit Japan and Korea now every two years.

CHAIRMAN—Okay. I really must bring it to a close. I thank you very much for coming along this morning. There may be a requirement for us to recall you in four or five weeks time when we start putting together the evidence that we have. You will be sent a copy of the *Hansard*. If there is any other information you wish to provide, we are happy to receive it.

Rear Adm. Oxenbould—Thank you.

[11.25 a.m.]

O'CONNOR, Mr Michael, Executive Director, Australia Defence Association, PO Box 1131, Doncaster East, Victoria 3109

CHAIRMAN—I call the meeting to order and on behalf of the subcommittee I welcome Mr O'Connor. Proceedings here today are legal proceedings of the parliament and warrant the same respect as the proceedings of the houses of parliament demand. Although the subcommittee does not require evidence to be given on oath, you should be aware that this does not alter the importance of the occasion. The subcommittee prefers that all evidence is given in public, but should you at any stage wish to give any evidence in private you may do so and the committee will give consideration to your request.

We have received the Australia Defence Association's submission and it has been authorised for publication. Are there any additions of corrections you wish to make to that?

Mr O'Connor—There are no corrections, Mr Chairman, but if you will bear with me for a few seconds I have some further information in this machine that I would like to put into the record, if I may.

CHAIRMAN—While that is happening, feel free to make an opening statement.

Mr O'Connor—Firstly, can I say that we welcome the opportunity to appear before the committee. The association has long valued the work of this committee and we appreciate the opportunity to assist in its work.

The figures we provide in Annex A of our submission are based on a 1996-97 year zero, if I can use Pol Pot's term. What we have now done is look at how the proposal that we made might have operated if we had started with the year 1992-93 and taken 10 per cent of the increase in revenue each year. What we found was that the defence budget for this current financial year 1997-98 would have been about $300 million less than it is, but overall, over the period, defence would have had something like $700 million extra than it actually has had.

The point we want to make is that if government were to provide for that sort of regular growth out of the growth in revenue then there would be a consistency which would be much better for planning purposes. What we did find over that period from 1992-93 to the present were some very sharp rises and falls in defence funding.

CHAIRMAN—The principle you are outlining is a very good one to put to Defence, or put to Treasury.

Mr SINCLAIR—Have you got figures that you want to give us later?

Mr O'Connor—I am trying to get them from this machine now.

Mr SINCLAIR—It does not matter if you cannot get them now, you can easily get them printed out later and just send them.

Mr O'Connor—Certainly.

CHAIRMAN—We would be happy to receive them.

Mr SINCLAIR—One of the concepts that worries me—and you have picked it up partly in your submission—is that you have talked about obsolescence and the fact that we have not been operating at a level which, if you had all the pieces of kit that we have in equipment operating at any time, the costs would have been far higher. We have paid off the O-boats, for example, and we are way below what is said to be the requirement of an operating fleet.

We have just heard from the Deputy Chief of the Navy that when all their Anzacs are in service their operating costs are going to jump from $40 million to $80 million. The same applies really in each of the services. We have had a significant commitment to acquire new types of equipment which at the moment are not in service and it seems to me that that puts quite a significant different impact onto the use of the money that is available to Defence.

In other words, we are going into this zigzag business again because as you acquire new bits of equipment, you keep on having to acquire more. But, as you bring them into being and you operate them, suddenly there is an extraordinarily greater demand on your operating funds because you have got, as they said, a $40 million increase, a doubling, over the course of the next few years. So you have got less money to buy the replacement equipment in the areas that you have identified—the Caribous and a few of the other areas. Have you looked at that at all? Have you looked at that disparity between force in being, operating costs, and available funds for capital equipment?

Mr O'Connor—We do not believe that there is necessarily a disparity. The analysis that you present is right, that the operating costs do go up and, in particular, they go up as well because of the increased requirements from government for operations. I suspect those are going to increase further, particularly as we get more capabilities and availability. You raised the point earlier about extra visits around the region, and so on, and more exercises. These will increase.

Essentially though, we are talking about the raison d'etre for a defence force. If you simply have a collection of capability but you do not use it, then there is not much point in having a defence force, it seems to me, except as something like a bridesmaid-in-waiting for a war that you hope will not happen.

Our concern has been far more with the consumption of resources by a large and ponderous bureaucracy. What the Defence efficiency review certainly showed was that there was an enormous waste, beyond even our fairly extravagant estimates. That was money clearly capable of being diverted into both capability replacement and operations,

and the figures that you mentioned are clearly capable of being diverted. I do not see that as a problem. It is a question of how you use the money that has actually been allocated. We simply see an enormous waste in producing large headquarters, an over-large officer corps and the starvation of resources to the operational units.

Mr SINCLAIR—Obviously, the size of forces is a major factor and what essential strategic tasks you are required to meet. I know you have written a fair bit about a few of these subjects, but I am not too sure about the current state of play. How do you regard, for example, the added cost of our New Zealand CDR, given the consequences of what has happened in ANZUS? Have you looked at the added cost of our increasing involvement in the ASEAN region, particularly, at the moment, with China and Japan—we are becoming more involved with them? What effect does that have on the ordinary exercise and operating costs of the services?

Mr O'Connor—We are not in a position to quantify those costs. Certainly the costs have increased. We have been a bit concerned about the increased costs of CDR post-ANZUS, and we have expressed the view—including, I think, to you, Mr Chairman—that in Australia we are in a position of substantially subsidising New Zealand's defence. New Zealanders do not like us saying that, but I think the reality is that it is true. In terms of the extra we do with ASEAN and the growing relationship with China, Japan and so on, again, this is what we have a defence force for. If the government wants the defence force to do these things—and I think they are perfectly proper and productive things to do—then the funding has to be found for them.

Mr SINCLAIR—Part of the problem, I have, is putting a handle on what sort of money you want, and that obviously relates to the tasks you require. We have got our engagement with America; we have our engagement in the Indian and Pacific Oceans; we have got our regional relations. All of those give a bit of spectrum. I really was getting to, we have got a new white paper coming out on foreign policy, we have got a new defence strategic basis paper that is currently under production, and I just wondered whether you have a feel for how you see that general requirement for a defence force.

If you are going to look at the funding, you have to look at the task of the Defence Force and then you have to look at whether or not the force is adequate to meet the task. Part of my concern is to get some feeling on the task as different people see it.

Mr O'Connor—I think there are other tasks that you have not mentioned, but to talk about those particular ones that you have, the growing relationship of ASEAN and the ASEAN countries, the extra exercises and so on, I think, have been very productive and are productive in the long term, not merely now. I think they will build a relationship which is valuable.

With some of the north-east Asian countries—China, Korea, Japan—I think there is a little bit of room to manoeuvre. Some of these might not be necessary. We are running the risk, I think, of stretching our capabilities beyond what is reasonable, particularly in terms of pressure on personnel. There are some gaps. One is that I do not think we are

doing enough with Papua New Guinea. In another area, as we have mentioned in the submission, we are facing a problem of maintaining our offshore policing with the growing obsolescence of the Fremantles and the need to replace them.

CHAIRMAN—Do you really believe that the proposition to replace them with a 1,200-tonne ship, 10 times the size, is an optimal solution?

Mr O'Connor—No, I do not. Our view in the Association is that we really need to separate this task from the Defence Force and give it to a coastguard with a much better defined range of capabilities. I can see a need for such a ship for the navy, with maybe one or two of them for a coastguard to back up the smaller ships. I can understand the navy's dilemma that they need a warship, which is not what the Fremantles are. They are a police vessel. They are absolutely useless as a warship.

CHAIRMAN—Yes, they are useless as a warship because navy never chose to put the coms and the missile fit into them.

Mr O'Connor—Certainly.

CHAIRMAN—Which could have been done in that sized platform.

Mr O'Connor—Yes. That is certainly the case and it may well be that that is a possibility, although given the sort of development of capabilities generally, a warship without some sort of helicopter capability is a fairly marginal asset, except in waters close to land based air.

I was going to mention one of the other gaps in the range of capabilities that you mentioned and that is that we are limited very substantially in terms of a sort of reserve capability to meet demands, whether it is for a genuine peacekeeping operation, rather than simply a token contribution. If we were to be asked, for example, to contribute a significant contingent to a South Pacific peacekeeping force on Bougainville, then we would be fairly substantially stressed to do that on a medium- to long-term basis.

If you look back at the history of our peacekeeping operations in recent years, they have been sharply constrained either in size or in time on task. That has significant implications, I think, for our credibility in that whole peacekeeping area. I think the force is operating at the moment very close to the limits of its capability. While it is certainly true that you can expand the amount of money given to operations, the fact is that the size of the force is so small at this stage that your capacity to absorb much more money for operations is quite limited.

CHAIRMAN—Do you have a view on what the appropriate manning strength of the ADF ought to be? This is a question that no-one seems to have provided an answer on. There are clear requirements on the ADF. Can it be met by three under strength infantry battalions, for example, given your comments about peacekeeping?

Mr O'Connor—I do not think that it can. I think there is an imbalance in the defence force structure—not only in the overall size but also in the internal balance. As I have mentioned before, we have been very critical, as I think this committee has, of the size of the officer core for a long time. If you go back to the 1986 report of the committee on management of the defence force, I think it commented then that the size of the officer corps, as I recall, was about 17 per cent. It is now 21 per cent and it is just steadily increasing—not as quickly as it did.

There is a further problem within that structure. The number of officers at major and lieutenant colonel level, or their equivalents, is around about 35 per cent. Really, a lot of these ought to be translated into lower ranks—whether officers or other ranks—so that you have more people available not merely to flesh out the units that are there but to allow the units to bear their training and leave casualties and so on.

I get the sense from some of the things that are being said—the Auditor-General's report on health services is a case in point—that the defence force's people are being substantially stressed. They are being asked to do too much, and there is a fair degree of wear and tear on people as a result.

We have a situation, I think, where everybody is expected to be very busy, constantly busy, working very hard. The fact is that in peace time the defence force ought to have a lot of people sitting on their backsides doing very little. That applies from senior ranks down to junior ranks. The senior ranks ought to be able to sit back and do a bit of thinking instead of constantly pushing pieces of paper around. Junior ranks ought to have a lot more time off rather than being made to work at make-work jobs so that they look busy, so that they look like they are working eight, 10, 12 hours a day. If you do not do that you do not create that reserve capability for when you need it.

CHAIRMAN—Were you satisfied that the DER cleansed the Augean stables in Canberra?

Mr O'Connor—No. The DER has moved a lot of structural boxes around; it has centralised authority rather than devolved authority. At the end of the day, I think you will find that the stables will not look much different.

The problem with the DER is that it looked at structures and not at processes. It accepted the range of processes of management as being more or less acceptable or it put it on the backburner until after the structure had been fixed. Instead of saying, 'Five out of the seven processes are pointless, let's get rid of the processes and then see where it leaves the people,' it attacked the problem from the wrong direction.

Mr SINCLAIR—Part of the problem at the moment is that there is so much change, whether it is Army 21 and its various dimensions, whether it is the product of the defence reform program, DER, or whether it is even new acquisitions. From what you have said and from what others have said, it seems to me that the conflict between training personnel, tasking and re-equipment has not necessarily been set. In your paper

you talk about all this new equipment we have to set, and the aftermath of the training problems appeared to have contributed to the Black Hawk disaster, apart from anything else. You have problems with the Caribou. You have the M113s, which you have mentioned here. You have difficulties in looking at the product of recommendations for the reserve backup in the army in particular. I know you have been urging a number of particular causes. Has your association looked at what you see is the desirable prioritising of all these conflicting demands?

Mr O'Connor—At the moment our view would be very much that the administrative reform is the major element. We have been very critical of this for a long time. I know there is danger in nostalgia, but I look back to the period when I first joined the naval staff in 1966, when the navy was doing innovative things: it was putting Skyhawk aircraft on a World War II carrier; it was re-introducing submarines after 40 years; it was involved in two conflicts—Vietnam and Confrontation; and it was deploying the most advanced anti-submarine missile system in the world. It was a very vibrant navy. I make no comment on the other services, but they were doing similar things. That whole operation was being run by a naval staff of 22 officers. It was capable of being run by a naval staff of 22 officers because each of those officers had very substantial delegations to make decisions to do things on their own authority. That just does not happen anymore.

The fact is that it was a much more efficient structure than we have at the moment. For example, you take the position that we are now down to three operational submarines instead of the six that we should have. That is simply because the decision to go ahead with those submarines took so long to get out of the system. It has nothing to do with the problems in the actual construction or development of combat systems, because you have to factor those inevitabilities into your program.

It was simply a case of the late decision. There was a late decision on the F18s, there was a late decision on the FFGs, there was a late decision on—well, we have not got a decision yet on the DDGs except a decision that we are not going to do anything with them. These decisions take an inordinate amount of time to get through. Army 21 took years to get to the stage of an actual published document, but then it goes to the stage of only a three-year trial and, at the end of the three-year trial, they say we will think about it again. That, to me, is a strange way to operate any sort of business.

CHAIRMAN—There might be a bit of guile in that three-year trial, though, in so far as if you completely turn the old structure on its head you are left with the trial structure. So either you stay with that or you get another plan. It is most likely they will get another plan.

Mr O'Connor—Of course, that leads to this issue of change. I think you have to change the mentality drive in the place. It does not really matter what you come out with at the end so long as you have had a change.

CHAIRMAN—I suspect career promotion prospects are based on the ability to formulate plans.

Mr O'Connor—That is always a problem when you have a large number of people without any real authority to make decisions. They have to show that they are worth the job they are doing. From what I hear of the defence reform program, I do not see much reform coming through in that sense.

CHAIRMAN—One of the characteristics of the current defence budget is that around 28 per cent of defence outlays goes for new capital equipment. There was a time not many years ago when a figure of around 17 to 20 per cent was regarded as the maximum. Does the association have a view on the sustainability? We have had evidence in the first day's hearing that implied that a 28 to 30 per cent figure of the defence outlay going for new capital equipment was the norm and therefore quite sustainable.

Mr O'Connor—That is probably correct. When you compare it with 17 per cent some years ago, you are talking about two factors. One is that the unit cost of equipment was significantly less than it is now. Secondly, it was coming off a budget which in real terms was somewhat larger than it is today, taken in relativity with personnel costs and all the rest of it.

There is possibly another factor and that is, you have had this bow wave of projects building up over the years, so there has been a tendency to move more funds into capital acquisition at the expense of operational capability to try to overcome some of the gaps. At the end of the day I suspect that 25 to 30 per cent is probably necessary.

CHAIRMAN—It seems we have a cost of that in increased accidents and less capability and probably increased resignation rates and therefore a diminution in corporate expertise in the ADF.

Mr O'Connor—These are the factors. I keep coming back to this, that the only area which is not suffering from any serious stress problems of that nature is the administration.

Mr SINCLAIR—Have you any views about the advantage or disadvantage in operational capability of the cost of the civilianisation of the defence force?

Mr O'Connor—I do not have any real figures on what the savings have been. You can always produce figures to prove whatever you want. In theory, there ought to be some savings there. Our concern would be more in the area of the effect it might have on the deployability of the force, particularly deployability offshore, whether they would be able to take that support tail with them. It seems to me there are areas in which we might have cut too finely, mainly in the logistics area. If you cannot take your logistics tail with you, then you are in a bit of strife.

It is coupled with this problem we have in presentation of what our defence force is about. The notion, particularly with the army, that it is simply going to fight onshore in Australia, seems to me to be a silly way to prepare for the defence of Australia. Even with the navy and the air force when they deploy offshore, it is only for very short periods and

they come back to their logistics base quite quickly. There is no capacity for the force to deploy offshore, which is far more likely to happen, and to be sustained offshore.

Indeed, we have been toying with the view that maybe we ought to be looking at pre-positioning of stores and equipment in the same way as the Americans do. I do not mean necessarily in the region, but in a place like Darwin, for example, where it is a bit closer to the scene of likely action. This would be another capital outlay, certainly in the area of logistics, but it is an area where we do not do very well anyway.

The essential problem is that we have a defence force which is jogging along in a peacetime mode. It is out there showing the flag and it does that quite well. It is doing some very productive work, but in terms of a force that is ready to go to war, I do not think it is.

CHAIRMAN—I think the Gulf War proved that, didn't it?

Mr O'Connor—It did.

CHAIRMAN—You talk about areas of neglect in your paper. Could you identify the principal areas of neglect with respect to capabilities, both now and those reasonably predictable in the future?

Mr O'Connor—I will take the air force, for a start, in deference to you, Mr Chairman: airborne early warning and refuelling support for the whole force, particularly the F111s because they have none at the moment. But certainly the refuelling capability for F18s is token at best. It is a training capability and no more. I think that is the big gap there.

For the navy, I think the major gaps are in amphibious capability, not necessarily across the beach, but certainly in the ability to transport a force of troops to somewhere offshore or even somewhere around the Australian mainland, to take the heavy equipment and supplies with them and to take some air support with them.

Mr SINCLAIR—What do you think about those two United States vessels we have acquired?

Mr O'Connor—I think they are going to be very valuable when they are refitted for that purpose. But we have got to factor in that they are already 20 years old so their life in service is such that we ought to be looking now at what follows on from them and programming their replacement. They are just not going to be around for all that long. The planners may say they will be around until 2010 or 2020, but like most of their assessments, that tends to be very pie in the sky.

Elsewhere in the navy, the Fremantle replacement with whatever it is is becoming urgent. The FFG replacement has got to come in to the system fairly soon. The original ships now have been 17 years in service, or just about.

For the army, looking beyond what is in the pipeline at the moment, we need some realistic fire support capabilities, particularly with precision weapons. One of the difficulties with the combat task team concept in Army 21, which I think is a good concept, and the embedding of armour and artillery into those, is that you limit the number of artillery tubes or vehicles within those, so you have a real problem of bringing down sufficient fire to support the troops unless you use precision weapons or unless you can concentrate those vehicles very quickly.

I have a real problem with some of the army re-equipment. I think it focusses too much on wheeled vehicles rather than tracked vehicles and that is primarily for cost reasons. I say this because I think the wheeled vehicles are simply going to be unusable in the terrain in some of those areas they may have to operate in.

CHAIRMAN—I do not think there is any doubt about that, but is it driven by cost or is it driven by the low-level contingency scenario which has a real hold on army thinking? It does not have much impact on navy and air force.

Mr O'Connor—It is not only the low-level contingency thinking, it is also the notion that has been deeply embedded in army consciousness since at least the end of World War I that the proper role of the army is to fight on the Australian mainland in the direct defence of Australia, which is totally contrary to its history and totally contrary to all likely strategic developments. It also takes away from government the range of options that government should have at any time for the use of military forces in support of its policy. I strongly believe that that is a substantial issue that needs to be dealt with fairly quickly because army is now on a roll to develop capabilities which are irrelevant to operations outside of Australia. You are almost getting to the stage where you are creating an army which is not capable of being used when the government wants to use it.

CHAIRMAN—More than that—the reliance on wheeled vehicles means they are useless on the battlefield.

Mr O'Connor—There are also firepower questions here. I think the limitation or reduction in the number of artillery tubes is dangerous. We ought to be looking at some other capability, such as mobile rocket launcher systems. There is clearly a need for the army to have access to more helicopters if they are going to operate in the region. As I said to one gathering quite recently, if the army had money to spare, it ought to spend it on helicopters, then more helicopters and then more helicopters and if it had a bit of money left over, to get some more helicopters again. In many parts of our region that is the only way they are going to be able to move.

Mr SINCLAIR—There are so many areas we could pursue. I am inclined to agree you, but I would have them all flown by the air force—but that is another story.

Mr O'Connor—I do not particularly want to buy into that one.

CHAIRMAN—It is really a capability that is required.

Mr O'Connor—Yes. And it is not merely troop carrying helicopters either. They must have the reconnaissance capability and the fire support capability.

Mr SINCLAIR—Having looked at that, you do talk about acquisition methods. You suggest that all these things are there and you have answered David's question by identifying your wish list, if you like. How would you set about changing the present acquisition program, because that seems to be part of the problem. The *Defence of Australia* white paper has set the parameters for the army acquisition program. Is it a matter of resetting the task for the Defence Force or is it a matter of a different system of determining priorities in capital equipment?

Mr O'Connor—I would regard devolution of decision making within Defence and within the services as an important prerequisite. Obviously, decision making has got to be made within guidance. We have a problem there in that so many of the white papers, strategic guidance and all the rest of the things we do tend to become interpreted in very rigid ways. There is a lack of intellectual flexibility, firstly, in the way we produce these documents and, secondly, in the way we allow these documents to tie people to what they perceive to be specific concepts.

The fact is that most of these documents are products of a bargaining process, so that you end up with a document which actually gives authority over a wide range of areas, if people like to acquire that authority. You can tease out of DA 94 an authority to prepare an army for offshore deployment, or you can tease out an authority to prepare an army for operations in the direct defence of Australia. You can get out of it what you want. So there is a lack of discipline in the whole process and that tends to start at government level in the sense that government is not taking sufficient control of the Defence decision making process. Then, within Defence, there is a lack of discipline where people tend to go pursuing their own hobby horses without sufficient control from senior authority. It is in this area that we have a problem.

We need to devolve authority down the line to people to make the management decisions. The senior levels have to content themselves with making sure that these decisions are being made within the parameters that they set, instead of interfering very closely in the detail of those decisions. Too often, I suspect, they get lost in the detail and forget what they are really trying to do.

CHAIRMAN—Coming back to cost implications, you raised the size of the officer corps in this country. It really is very large in comparison to other defence forces and it is also biased towards the higher ranks. Arguably, part of that came about to provide economic parity between the uniform personnel and the civilian personnel in Canberra. But now we have got this plethora of allowances. The last witnesses were talking about hardly anyone being on equivalent salary for the same rank because of the proliferation of allowances. I do not really see that that adds to either efficiency or morale.

Mr O'Connor—No, it does not. In fact, we would argue that it creates a demoralising situation. As anyone who knows anything about industrial relations

understands, the people who benefit most are those who scrutinise their rights in great detail at the expense of doing their job. The bloke who gets on with doing his job probably does not know what he is entitled to and never bothers to find out. This sort of very complicated structure does tend to benefit the less committed individual.

I think there is another factor and this has been embedded in the whole pay structure for too many years. That is that the system rewards those whose work description has a civilian equivalent rather than those who are employed as military professionals. Your infantry soldier, for example, gets far less than someone whose trade has a civilian equivalent. There is no civilian equivalent to the infantry soldiers. Yet it is the infantry soldier who is the individual that everybody else exists to serve. Realistically, particularly because he is the one most likely to be killed, he ought to be paid more than the tradesman. In fact he is not. I think the whole military pay system has missed the point of what the military service is all about. I think there is a root and branch reform called for in the whole pay structure, but we have not done sufficient work on that to be able to offer some detail.

CHAIRMAN—If we take your solution to the problem, reducing the officer corps, it really does not solve that morale problem. I think there is a very good case that rank for rank, compared to the US forces, we are either one rank higher, or two ranks higher. It is certainly not equivalent or one rank higher.

Mr O'Connor—Certainly a lot of those rank increases came about as a disguised way of getting a pay increase when the administrative system was simply too slow to keep up with changes in civilian pay levels. That has been happening for 20-odd years. There has been this sort of rank creep. It is probably not as bad now as it was at one stage when HMAS *Melbourne* was commanded by a commodore with five captains as departmental heads. That was real Thai navy stuff.

Mr SINCLAIR—You would not have a cabin big enough to hold an admiral after all.

Mr O'Connor—You had the ludicrous situation where the captain of this tinpot little carrier outranked the captain of a US battle group.

CHAIRMAN—There is a very ponderous decision making process and this does have significant economic costs, not only in respect to rank structure, but right across the board.

Mr O'Connor—To me, it is the single area in which you can free up funds. Our estimate before the Defence Efficiency Review was that, simply by reforming the structure at Russell Hill, you could claw back $500 million a year. That was a back of an envelope figure, but the result of the Defence Efficiency Review suggests that it might have been a little bit modest. But I do not see the reform program really implementing those necessary changes. I hope we are wrong.

CHAIRMAN—As one of my predecessors, Senator Reggie Wright used to say, 'Those who live near the bakehouse, get the best bread.' We have got a lot of people living around the bakehouse in Canberra.

Mr O'Connor—I think there is a very significant problem of demoralisation between what you might call the defence force in the field, which is not just the combat units, but the people out there, as it were, vis-a-vis the administration of defence in Canberra. It is a product of a whole range of factors—slow decision making, shortage of resources, too much paperwork, and a feeling that they are simply not being listened to and that father knows best. This is a normal thing in any large organisation, but I think it has got to the stage where it has become extremely demoralising.

Mr SINCLAIR—Thank you very much. Could you send those other figures in?

Mr O'Connor—I will send them to you.

CHAIRMAN—Thank you very much for appearing as a witness this morning. We will be happy to receive those submissions from you. You will be sent a copy of the transcript in the usual form for grammatical corrections.

Mr SINCLAIR—If you have any other views or things that you feel you might need to submit to us, please do so.

[12.12 p.m.]

COOKE, Ms Hellen, Canberra Coordinator, Women's International League for Peace and Freedom, PO Box 1875, Canberra City, Australian Capital Territory 2601

CORRIGAN, Mrs Ruth, Member, Women's International League for Peace and Freedom, GPO Box 2094, Adelaide, South Australia 5001

CHAIRMAN—On behalf of the subcommittee I welcome you both here on behalf of the Women's International League for Peace and Freedom. I must advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in respect of the houses of parliament demand. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the subcommittee may be regarded as a contempt of the parliament.

The subcommittee prefers that all evidence is given in public but, should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give full consideration to your request.

We have received your submission on behalf of the association and it has been authorised for publication. Are there any additions or corrections that you wish to make to that submission?

Mrs Corrigan—No, not really.

CHAIRMAN—Would you like to make a short opening statement then before we move to questions?

Mrs Corrigan—Yes. We wanted to expand on the idea that peacemaking was important. In our submission I think we spoke about the fact that the terms of reference were very narrow; we were looking at military options when maybe there were other ways that we could see our defence. We particularly were interested in the idea of security and stability in our region.

I was fortunate enough to be able to attend the ANZUS seminars last week, and I noticed very often that the speakers mentioned the terms 'security' and 'stability' rather than particular combative terms, although they definitely came into the discussion, and we really wanted to elaborate a bit more on those ideas.

CHAIRMAN—Could you give us a definition of 'peacemaking'? Do you mean that in the sense that the United Nations uses it where they use military force to impose law and order and stability or do you have a wider definition than that?

Mrs Corrigan—Probably a wider definition. Our definition would include a bit more discussion and diplomacy rather than enforcing a position.

Ms Cooke—WILPF started off in 1915 as an attempt to bring the First World War to a close. The proposition has always been that in the end you have to come to the negotiating table. Therefore, the thought was you could shorten, or preferably avoid altogether, the blood letting that intervened between the conflict and the negotiation. So, we are opposed to that military force and in the peacemaking sense, I guess we are not really in favour of oppression.

Mr SINCLAIR—Of which?

Ms Cooke—Of a suppression of conflict. We are concerned for non-violent problem solving.

Mr SINCLAIR—But where there is a problem, you do not favour anything, you just allow whoever was strong to prevail. Where would you start your process of negotiation?

Ms Cooke—I am getting into deep waters here. WILPF has never been a pacifist organisation and certainly we do not argue against defence, but the thought of the women who began this organisation was that there is always a meeting place between the thoughts of the two or more people in conflict and that is where you should start, with neutral nations getting in to form a basis for dialogue.

Mr SINCLAIR—I understand the concept, but one of my problems has always been that if you are going to combat an aggressor, how do you get to the point where the aggressor comes to the table and is prepared to accept a rational discussion as an alternative to their assertion of force?

Ms Cooke—You need to start way back where you are putting human rights dialogue into practice. In this region where nations are buying in arms, where there is an arms trade, you always upping the ante in that way. There has to be negotiated ways of lowering those tensions, and it is not necessarily a military way.

Mr SINCLAIR—I hear you, but I was really interested in how this can be related to our defence spending. It seems to me that you are saying that you are going to get people to the negotiating table, but I do not follow how you can get people who are aggressors to the negotiating table other than by the way we are acting. We are trying to work with the countries of the region. We are trying to build up the ASEAN Regional Forum as a body whereby dialogue rather than force takes place. We are trying to build up our defence relationships so that people will feel that it is better to talk to us. Therefore, they accept that we are a party that they should talk to and so there can be that meeting around the table. This is where I do not follow completely how you balance your demand on resources.

We are essentially looking at how much money we need and whether we have an adequate defence force. Your paper suggests far more ought to be included in regional engagement activities. Do you mean that you are going to take all your foreign affairs

vote into account when you are looking at your defence vote? Is that really what you are about?

I can understand your concepts. I agree with you that we should get people around the table, but I want to make table discussions so that you get an outcome. That is really what the ANZUS conference, which Mrs Corrigan attended, was about. It was about trying to look at the extent to which ANZUS has meaning as a body to try and enhance the capability of getting people around the table and having Australia's point of view heard, as distinct from those countries that are more powerful.

I do not follow how a small country like Australia can be an equal negotiating party in a world where we are increasingly marginalised, because of the size of our population, the size of our economy and the improving affluence of the countries in our region. Have you an answer to that please?

Mrs Corrigan—I feel that at the moment we are particularly well placed for this kind of discussion with our neighbours in the region. We seem to enjoy harmonious relationships with our near neighbours. By using our position, at the moment I know that our defence and foreign affairs spending—I do not know the exact level of defence spending—go hand in hand. Our work in diplomacy and in the defence capability are shared. I believe that we could use our defence personnel, particularly, in building relationships, which we have been doing.

I know that with combined training missions and things like that in the countries particularly to our near north, we have built up a good relationship with the defence forces, say, in Indonesia and further afield. We could enhance that relationship that we have by looking a bit more closely at cultural learnings and ideas that we can exchange—exchanges of personnel.

CHAIRMAN—With the greatest of respect, we are doing that.

Mrs Corrigan—Yes, I know we are doing that.

CHAIRMAN—It is over 30 years since I first went to Indonesia, and the change in human rights is quite striking. I know that there are a lot of people in Australia who think that the position has not changed, but for someone who has been exposed to Indonesia quite a bit, it is now very different. A large part of that has come through the personal contact of not diplomats but Defence personnel, influencing them through training courses here and giving them our ideas of human rights to a point today where I would say that none of the Indonesian army generals would have any difference with the concept of human rights as we expose them.

When you have a very large army like the Indonesian army that is very poorly trained and when you get down to the lowest level of the privates and the corporals—the corporals have a lot of authority in so far as they are right in the direct application of discipline—you will find a breakdown. But the change at the top really has been quite dramatic in 20 or 30 years. That has been largely attributable to members of the

Australian Defence Force, particularly in the army and in the relationship they have had. So quite a lot of peacemaking in that sense has been achieved by the Defence Force.

Given the fact that the administration of so many South-East Asian or Asian countries is based on a military team in some way or another—former senior generals or senior officers who now run those countries—I doubt that we would have had that relationship if we had foreign affairs alone or civilians doing it.

Mrs Corrigan—I understand that and I appreciate that. I am just wondering whether this could be expanded. Maybe the lower ranks—

CHAIRMAN—I think we are looking for that at every opportunity.

Mrs Corrigan—I think that is certainly the way of using our funding, rather than buying more equipment. I am talking about sort of escalating equipment. If you have this military viewpoint, you are looking for a military solution where in the other area of exchanges, as you have described, the coming together of ideas and ways of doing things is so much improved.

Mr SINCLAIR—The difficulty is that if you are not strong enough, it is very hard for people to take you seriously. I agree with you; it would be great if we could just stay where we are and buy no more defence equipment and let everything run. But technology really is a great saviour of manpower.

Mrs Corrigan—I understand that.

Mr SINCLAIR—It puts technology at risk rather than people. That obviously is desirable. If you are strong enough, then people are prepared to sit at the table. While I understand what you are saying, my concern is to strike the right balance. We understand what you are presenting, but I think the problem is that unless you have the means to get people to negotiate it is very hard to achieve.

I think the main purpose for a defence force is that it never be used—in other words, it is strong enough that people will want to negotiate. We would want to achieve it, as you do, but I think the difference is that I suspect you feel that you can get people to the negotiating table by enhancing some of our other efforts. You mentioned Radio Australia and I agree with you that Radio Australia is a very worthwhile vehicle of maintaining contact, but I do not think the running of Radio Australia should come out of the defence budget.

Mrs Corrigan—No.

Mr SINCLAIR—I think there are lots of things a nation must do in order to enhance your capacity to be relevant. Our real quandary, in a time of peace, is how do we maintain peace and still be relevant for the peace we maintain?

Mrs Corrigan—Yes.

Ms Cooke—Can I come in here to focus on what we were talking about before? The previous speaker was rightfully concerned, I think, about how to have adequate equipment and adequate trained personnel ready for the emergency that defence is put up for. I suppose it made me think that what we are presenting is an idea that if some defence expert would focus down—and we certainly need experts at the time to be able to reduce problems to this—and see that there is a wide range of people concerned with security, and I know this does not answer the question of how much funding, it means that there is perhaps, as you say, a balance there. I could see his very sincere concern, and you were obviously seeing our quite sincere concern for this broad range of security and stability, and it is up to you people to make those decisions and bring in that balance. I guess that is where we rest.

Mr SINCLAIR—You are part of the Women's International League for Peace and Freedom. Do you meet at an international level? I see you have special relations with FAO, and that really deals in part with food supply, and with ILO and UNICEF. You do not have specific relations with the United Nations—although FAO and UNICEF are part of the United Nations. You have special consultative status. How do you operate internationally? I see you have an Australian headquarters in Adelaide.

Ms Cooke—Yes, at the moment it is in Adelaide.

CHAIRMAN—You have been going for 82 years. That is a pretty long history.

Mr SINCLAIR—That is very impressive.

Ms Cooke—There are 46 sections, as we call them, because this grew up from 1915, so WILPF was associated with the League of Nations and, after World War II, we went into the United Nations by supporting its work for peace and particularly for human rights.

Mr SINCLAIR—For example, do you work with NATO and bodies like that?

Ms Cooke—No, we do not. It is not that we do not comment on that, but we are not involved as an NGO with NATO. I think it has always been difficult for women's organisations to be seen as a credible voice in the defence area. For instance, at the last world women's conference in Beijing, the delegate from Australia talking on defence was male and not a woman.

Mr SINCLAIR—So your consultative status—

Ms Cooke—There is an office in Geneva which is our international office.

Mr SINCLAIR—From the Australian chapter or section, do you have an input into matters pertaining to international dialogue?

Ms Cook—Yes, every three years there is an international congress which meets in a different place around the world. Every year there is an international executive committee meeting which is open to all members. So there are a lot of international meetings and there is a lot of international interaction, dialogue, communication.

Mr SINCLAIR—Do you deal with defence matters, refugee matters or difficulties in human rights? For example, in our region there are a number of pretty significant ongoing worries from Bougainville to East Timor to Burma to Cambodia. Would you take a position on each of those on Australia's involvement? Or do you try to say to Hun Sen, for example, 'We don't think you should be doing what you're doing?' How do you operate?

Ms Cook—We lobby the Australian government as an Australian chapter. We belong to various NGO networks.

CHAIRMAN—Do you fund yourself within Australia or are you supported from Geneva?

Ms Cook—We are self-funded. It is, in the main, a lobbying exercise, but delegations have also often gone to trouble spots.

Mr SINCLAIR—From your organisation?

Ms Cook—That is right. For instance, just recalling reasonably well-known ones, Palestinian women belonging to WILPF and Israeli women belonging to WILPF will be able to meet in a place where they can both have their say and explain their problems to each other. That means that those women may go back home and present some facet of the problems that perhaps were not known to the other decision makers.

Mr SINCLAIR—Have you tried to play a role in Bougainville?

Ms Cook—Yes.

Mr SINCLAIR—It is a matrilineal society. I am one of those who have been pushing to get women more involved in the peace process. I have probably achieved that.

Ms Cook—We actually have a Bougainville member in our branch here.

CHAIRMAN—The purpose of defence though is not primarily to negotiate with Indonesians on human rights or anything like that. It is really a by-product of it because our first responsibility is the defence of the population of Australia and their interests in a totally unforeseen future. As such, we must prepare for the unexpected and the unforeseen. But the definition adopted within defence of the purpose of defence is not purely in terms of military solutions. That is really the last resort from a planning point of view. The resources of government, irrespective of what government is in power in Australia, are to avoid armed conflict by all means possible. So there really is a wider definition of defence than you give us credit for in your submission. We accept the breadth of your definition

as being quite relevant—the economic considerations and the rest of it.

Ms Cook—We did note in the ANZUS seminar that there was a great deal of talk about the alliance being more flexible and capable of coping with all of the perceived threats which were not just military ones.

CHAIRMAN—Do you think Australia could be doing more in peace research centres?

Mrs Corrigan—Yes.

Ms Cook—I think the one here in Canberra has been completely defunded.

CHAIRMAN—Has it?

Ms Cook—Yes.

Mr SINCLAIR—But to no greater degree than any other section of the university, has it?

Ms Cook—It has disappeared.

Mr SINCLAIR—Has it?

Ms Cook—It does not exist.

CHAIRMAN—Where is Professor Mack?

Mr SINCLAIR—He has been transferred.

Ms Cook—He has been away for a long time.

Mr SINCLAIR—I am sure he has still got his chair. Ramesh is still there I am sure.

Ms Cook—He is an Indian. He is still there because he had tenure for five years but then the whole centre was defunded underneath him, which was very disconcerting for him.

CHAIRMAN—I was interested in the comment on the second page that says:

A survey conducted by the Economic Advisory Planning Commission has shown that when Australians saw how their tax dollars were actually spread between the major areas of government spending, by far the largest change they wanted in any specific area was a cut in defence spending of 20%.

What is the Economic Advisory Planning Commission? Is that EPAC, the Economic

Planning Advisory Committee, or is it a different body?

Ms Cooke—I think you have got us there: we did not actually write the submission, though we are appearing for WILPF. We noticed this, but there was no accompanying reference for us to get to for that. We could get back to you on that, or get that sent to you.

CHAIRMAN—I would like to know if you could advise me of the research paper that that is based on. I would like to see the parent paper, too, and their methodology. We keep a pretty close handle on what community attitudes are to defence. It always turns out to be No. 400 of the 300 items that are in the forefront of people's minds. If you ask the question, 'What is the most important thing?' it ends up right down the bottom of the list; but if you turn it around the other way and you say, in effect, 'Do you have any respect for the defence forces?' you find that the standing of the Defence Force and the importance of them is seen as being very high. I find that figure of 20 per cent requiring a cut surprising, and I would like to see the substantiation of that.

Ms Cooke—Right, we will get that to you.

CHAIRMAN—Who did write the submission? It says, 'Prepared by Cathy Picone.'

Ms Cooke—She is our a coordinator in Adelaide. It is a voluntary organisation, and it is not possible for us to go flying backwards and forwards.

CHAIRMAN—She obviously does not like F111s, and she is quite incorrect in her assessment of them. The US retired them because they had two different types of aeroplanes from two subsequent generations and they did not need them on that basis.

I would like to thank you very much for giving up your time and coming along. We will be posting out a transcript of this morning's evidence to you for any corrections you would like to make. If there is any further information you wish, on reflection, to submit to us, we would be happy to receive it. Thank you very much for coming along.

Subcommittee adjourned at 12.37 p.m.