COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

Reference: Defence Strategy Debate

FRIDAY, 30 JUNE 2000

CANBERRA

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Friday, 30 June 2000Friday, 30 June 2000

Members: Senator Ferguson *(Chair)*, Senators Bourne, Calvert, Chapman, Cook, Gibbs, Harradine, Sandy Macdonald, O'Brien, Payne, Quirke and Schacht and Fran Bailey, Mr Baird, Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Mr Martin, Mrs Moylan, Mr Nugent, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Subcommittee members: Mr Hawker *(Chair)*, Mr Price *(Deputy Chair)*, Senators Calvert, Ferguson, Gibbs, Sandy Macdonald, Quirke and Schacht and Fran Bailey, Mrs Crosio, Mr Laurie Ferguson, Mr Hollis, Mr Martin, Mr Snowdon, and Dr Southcott

Senators and members in attendance: Senators Quirke and Schacht and Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Martin, Mr Price, Mr Snowdon and Dr Southcott

Terms of reference:

Defence strategy debate

Subcommittee met at 9.31 a.m.

CHAIR—I welcome everyone here this morning. On behalf of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, we are delighted to see such interest in this seminar. My name is David Hawker and I am Chair of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. I would like to welcome you here to what I think is a unique event, the holding of an open and public debate on the defence strategy. This debate will hopefully dovetail with the wider debate initiated by the Prime Minister and the Minister for Defence earlier this week.

Defence represents an area of public policy that has traditionally been left to the experts. In other times, it has also been an area of policy so shrouded in secrecy that it has precluded most in the community from being active participants. As we all know, the cost of defence is high. In peace the cost is obviously financial, but the far greater cost is paid by mostly young Australians during periods of conflict. The practice of isolating debate to the few—to those who can either be trusted or have inside knowledge—can no longer be sustained.

There are two critical reasons why this previous practice is not sustainable. Firstly, the structures and capabilities of armed forces can tell the world a lot about a nation. The message that we as a nation send to the world through our armed forces must be broadly owned. It should not be the property of one political party or one lobby group. It must be a representative and unequivocal expression of the place Australians see themselves holding in this world. Declining recruitment and increased personnel wastage suggest that Australians are uncertain about the role of the armed forces in our national life.

Secondly, without additional funding, a number of significant defence capabilities will have to be shelved or scaled back over the next decade. The costs involved in retaining some capabilities are significant. Parliament, and all Australians, need to make informed choices on the fate of these capabilities. Should they be retained, replaced or completely rethought? The looming block obsolescence of a number of key platforms does not permit fence sitting. A delayed decision may be a decision to scale back or scrap capabilities.

These issues have occupied this committee over the last 12 months. Over this time the committee has been trying to determine the suitability of our Army for peacekeeping and war. We initiated this debate today to guide our recommendations on the Army. The release of the government's discussion paper on Tuesday has provided us with a number of opportunities. It will also allow us to refine our thinking on the role of Army in the defence strategy and hopefully to provide a constructive report. It will also allow us, through the audience assembled here and the news media, to enrich the public discussion on the future role, structure and capabilities of the Defence Force. As I have mentioned, with declining numbers coupled with changing public and personal perceptions, it will be clear to everyone that it is critical to engage the wider community in our defence decision making processes, and I think today is another step in doing that.

The format for today's proceedings is very straightforward. The debate will consist of three sessional debates, culminating in an open forum at the end of the day. At the start of each session, two participants will speak for no more than 10 minutes—and the chairman is going to be fairly strict on that. The first speaker will present the current government perspective on a

topic, and the next speaker will present an alternative view. To assist the speakers, I will notify them when they have one minute remaining to make their point. We will try and keep to the topic in hand. This does not mean that I will restrict differing views but, as time is limited, I will cut short discussion that is veering into areas that are to be addressed in subsequent sessions.

I would also like participants to make their points succinctly. It is important that the first three sessions be used to create a framework rather than a conclusion. I would remind both public and participants that this debate is a parliamentary proceeding. It is being recorded by *Hansard*, and the transcript will be published. The format is obviously different from a normal public hearing. Nevertheless, it is a public hearing and it should be afforded the same respect as the proceedings of the parliament demand. Participants should also be aware that parliamentary duties—I think this probably will not happen now—might force some of the members to leave. But I assure you that, if members of the committee have to move in or out at some stage, it will not be because of lack of interest; it is probably other matters pressing. The committee wants to encourage a free and open expression of opinions. We would like to see some thinking outside the traditional solutions and, where appropriate, robust argument. Having said this, as chairman, I have the responsibility to get all the views on the table and, because of this, I hope that the more passionate participants will understand that, if I curtail some of their discussion, it is only in order to allow others to speak.

Before we commence the first session, I would like to thank everyone who has volunteered their time to participate in this debate. For the benefit of the public, I would like to start off by asking participants to state their name and whether they represent any particular organisational group. First off, I will introduce members here of the defence subcommittee: Mr Roger Price, who is deputy chair of the subcommittee, Mr Laurie Ferguson, Mr Colin Hollis, who also is deputy chairman of the Joint Standing Committee on Foreign Affairs, Defence and Trade, and the Hon. Stephen Martin, who is not only a member of this committee but also is the opposition spokesman on defence. Margaret Swieringa is the secretary of the Joint Standing Committee.

BAKER, General John (Retired)

BARKER, Mr Geoff, Journalist, The *Australian Financial Review*

CLUNIES-ROSS, Major General Adrian (Retired), Member, Community Consultation Team

DIBB, Professor Paul, Head, Strategic and Defence Studies Centre, Australian National University

GARRAN, Mr Robert, Foreign Affairs and Defence Writer, The *Australian*

JENNINGS, Mr Peter Andrew, Acting First Assistant Secretary, White Paper Projects, Department of Defence

JOHNSON, Mr Andrew Rodney, Member, National Executive, Defence Subcommittee, Australian Industry Group

LOOSLEY, Mr Stephen, Member, Community Consultation Team

O'CONNOR, Mr Michael James, Executive Director, Australia Defence Association

SMITH, Associate Professor Hugh, University College, Australian Defence Force Academy (Private capacity)

STUART, Mr Nicholas Charles, Journalist, *Canberra Times*

TOW, Dr William Terry, Associate Professor, International Relations, and Director, International Relations and Asian Politics Research Unit, University of Queensland

WHITE, Mr Hugh, Deputy Secretary, Strategy, Department of Defence

WOODMAN, Dr Stewart John, Senior Fellow, Australian Defence Studies Centre, Australian Defence Force Academy

WOOLNER, Mr Derek Noel, Special Director, Research, Foreign Affairs, Defence and Trade Group, Information and Research Services, Department of the Parliamentary Library

CHAIR—I might add that Mr Loosley is a former chair of the Joint Standing Committee on Foreign Affairs, Defence and Trade. I would also welcome our good friend from the Northern Territory, Warren Snowdon, who is also a member of the committee. I now invite Mr Hugh White to give a 10-minute presentation on what is strategy, and Stewart Woodman will follow that to provide the ADFA view.

Mr WHITE—Mr Chair, may I congratulate you and the committee for this initiative. From the Department of Defence's point of view, it is a very welcome opportunity to promote debate on these issues which are dear to our heart and very much more so in the context of the very significant public consultation process launched by the government this week. Strategy is a big subject and 10 minutes is not long. So what I want to do is to put on the table today a few of the framing ideas which shape the way the government approaches strategic policy issues and which also frame a lot of the issues that I expect we will be talking about today.

In my work, I deal with a working definition of 'strategy' as the role of armed force in international affairs, and 'strategic policy business' is everything that relates to the way that governments manage the role of armed force in international affairs. This year the Australian government has some very big strategic decisions to make but they are focused on a quite specific part of that broad business of strategy that I mentioned: the question of what military capabilities we as a country maintain ourselves to provide ourselves with the wherewithal to, on our own behalf, use armed force. There is a very specific focus then on the capability business.

Those decisions to be made the government has put on the table for discussion in the public consultation process. It will address them in the white paper process and announce the decisions in the white paper about the end of this year. They will be decisions about the capabilities Australia needs in the ADF over the next decade or a bit more. Those decisions will be framed by two very important sets of parameters. The first set of parameters is our national strategic objectives. Clearly, the way to decisions about the capabilities we need is via some very clear decisions about the sorts of things we might want armed force to do for us in international affairs. The second big parameter is dollars: how much we are prepared to spend. Clearly, the interaction between our objectives and resources is a very complex and dynamic one.

One way of describing the enterprise, the decision process the government has under way at the moment, is as an effort to develop a long-term balance between the strategic objectives we have as a country and the resources we are prepared to devote to developing the capabilities to serve those objectives. It is the first time for many years that a process of this nature has been undertaken. Not to put too fine a point on it, it is the first time for many years that the government has undertaken a defence review process in which the fiscal outcome is not predetermined. This will make this white paper process very different from any we have undertaken for a long time. It is one of the reasons why the government has put such a high emphasis on the significance of public consultation as a part of that process.

Let me move on from there to make a couple of points about timing, which I hope will illustrate some of the broader points about the nature of the strategic choices we have to make. Why now? Why is 2000 the year in which we are going to make these decisions? The first relates to the strategic environment. Most people, when they think about our strategic environment at the end of June 2000, would think of East Timor, Fiji and even the Solomons. But the issues that are driving this process, that are making it necessary for us to make some decisions this year about our future capabilities, are not primarily those issues. They are significant primarily as indicators, as reminders of some long-term trends in our strategic environment which have been in place and identifiable for a long time, and which show every sign of being part of our strategic environment for a long time to come.

Strategic policy has to have a very long time frame. Many of you will be aware that the period it takes to develop capabilities and the length of time they can stay in service once they are there is measured literally in decades. The decisions we make in the light of the white paper process this year will not make a big impact on the ADF we have in 2001 or 2002; it will have a very big impact on the ADF that we have in 2005 and an even bigger impact in 2010. One of the key messages we need to keep in mind is that we have to keep our eye on a long distant time horizon. If we make decisions for the next 20 years on the basis of what we think might happen in the next two, we have a very good chance of getting it wrong.

That is a very tough discipline on strategic policy. It means you have to search for what endures in your strategic environment, and that is intellectually demanding. You have to bear in mind the possibility—indeed, the certainty—of discontinuity, that things will not necessarily for the next 20 years endure exactly the way they are today. We have to be very careful of what you might call the transient hypothesis: the idea that says, 'We expect that the future of warfare is going to be like this on the basis of things that have happened in the last couple of years.' We have to be very confident that we are not making judgments about the capabilities that we might need 10 or 20 years from now on the basis of an idea which itself will not have a half-life of more than a few years.

We have to have a very careful sensitivity to the balance between the likelihood of events and their seriousness. It is very tempting to say that the highest priority in developing our capabilities, our highest strategic objective, should be the things that are most likely. I do not think that is necessarily the case. You have to pay attention not only to how likely things are but also to how serious they might be. One of the starting points for this major process of review—the task of looking at the strategic environment—has to be a lot more sophisticated than just saying, 'What happened last week, what will happen next week, what do we expect will happen next year.' You have to have a very disciplined, rigorous and long time frame.

The second big bit of context is the fiscal environment. Here, too, I want to emphasise the long term, not the short term. We have—as the secretary, Dr Allan Hawke, and the minister have made clear—a pretty tight financial situation in the defence organisation at the moment. What motivates the need for a major review of our strategic policy of the sort we have under way is not a short-term funding crisis. We do have a pretty tight situation in the defence organisation at the moment but the short-term pressures are not what are important. It is the long-term balance between our objectives and our resources that are important.

The pressures that we face today—the pressures that we need to adjust if we are going to get our objectives and our resources back into balance—are ones that have been building up over some decades. They relate to long-term trends such as the development of more sophisticated military capabilities in the Asia-Pacific region, the demands for higher levels of preparedness—over the last decade we have started to use the ADF more and more in operations—and in particular the sustained, very significant real cost in both equipment and personnel. When you look at the environment in which we are making these decisions, it is very important to keep an eye on the long-term issues.

With those two elements of context, I want to make a few brief points about the three key elements of the strategic debate in line with the way I divided it up before. The first relates to objectives, which we will talk about in more detail in the next session. In the discussion paper

that we published earlier this week, we attempted to characterise the range of choices that Australia has about our strategic objectives into three groups. The first objective is what we call in shorthand defeating attacks on Australia, a very familiar idea in Australian defence policy. The principal purpose of the ADF and Australia's high strategic priority is to maintain the capabilities to prevent or defeat direct attacks on our own territory self-reliantly; that is, without relying on the combat forces of other countries.

The second broad objective is what we will call in shorthand defending regional interests. It is an objective of Australian strategic policy to maintain in the ADF capabilities which can contribute to regional coalitions—often with the United States but possibly without—which would enable us to contribute to protecting our own regional security interests if they were threatened in conflicts in the Asia-Pacific or, in some circumstances, beyond in places like the Gulf.

The third broad area of objectives is the capacity to undertake commitments to the kinds of low-intensity conflicts, operations other than war and non-combatant military operations—those sorts of undertaking that we have found the ADF being drawn into so frequently over the last couple of years, but over the last 10 years the pace of deployment in those sorts of operations has picked up very sharply. I would guess that, in a group like this, most people would agree that there is some merit in each of those three objectives. They are not for most of us alternatives. But I would guess there is a very broad range of views about what the relative priority between the three of them should be. The way in which you make the choice about the relative priority between those three objectives will very strongly influence the judgments we reach about our capability priorities. When we make decisions about our capability priorities, we will be making very important choices about the relative priority that we give those different sets of objectives.

When we look at capabilities, there are a few things we have to bear in mind. The first is, of a slightly paradoxical nature, that the ADF does work as a whole. It is not a series of discrete capabilities that you use for separate tasks. In a very wide range of tasks you use a very wide range of the capabilities in the ADF in different forms and combinations to achieve particular results. It is not the case that you can see them as, if you like, a discrete set of capabilities that relate separately to a discrete set of strategic options.On the other hand we do have to make choices. The traditional attraction amongst defence planners for a balanced force—that is, you have a little bit of everything—is not, to my mind, a reliable way of making sure you end up with the right quantities or the right things at the right time to do the job you have got to do. So you do need to make choices, and I think the choices about the range of capabilities we are maintaining at the moment are potentially quite acute. We have a very broad choice concerning a priority for high technology air and maritime forces versus a priority for the kinds of light land forces that we use all the time for operations other than war and so on. We have a very strong choice concerning the extent to which we focus our resources on current capability as against a future capability, capability for proactive operations versus reactive operations, and so on. I am sure a lot of that will come out in the last session.

Lastly, on dollars there is one key point to be made. It is that the resource choices that matter in this white paper process are decisions about long-term funding for defence. The key decisions that we take about the shape of Australia's future defence capabilities this year will be ones that will be affecting the scale of resources not just in the next budget or the budget after

that but in 2005 and 2010. So we need to make sure that the understanding and the support for the sorts of decisions we reach can be sustained politically and publicly for a long time into the future. Thank you, Mr Chairman.

CHAIR—Thank you very much, Hugh, for that excellent introduction to today's topic. You really put it succinctly and I thank you for keeping to the time. Dr Stewart Woodman would now like to present another view.

Dr WOODMAN—I am going to attempt to take us into information warfare and use Power Point and see what comes out. Kate has told me if I get ahead of myself to just wait and catch up to it; do not try to get the technology to go with you. I will start with a definition of what strategy is all about, very similar to where Hugh came from. Essentially, it is deciding the most effective way to meet current and prospective challenges to achieve the desired outcomes within realistic resource parameters. What I want to focus on today are two qualities in that particular process. The first one that we need to have is control. We need to have the ability, if we have an effective strategy, to be able to control the direction and the priorities and, if necessary, to adjust those. We also need to have a strategy which is suitable to the environment. We need one that is able to handle a complex and rapidly changing environment, and in those circumstances it needs to be flexible or adaptable. If our environment were more stable and predictable, we would probably have a different way of doing business. I want to emphasise those two points for three broad reasons.

The first one is that traditionally as defence planners we are much more comfortable with predictable, slow-moving environments in which we really can have stable, strategic relationships, long-term objectives and do all the detailed planning that goes with it. The second reason for emphasising them is that we are in a time of considerable flexibility, fluidity and uncertainty in our strategic environment. Our danger is that, when we are not quite sure what the future is, we tend to fall back on our past ways of doing business, on the structures of the past. We fit our environment into a comfortable mould just because it is easier.

The third point I would make about emphasising the control and the suitability to the environment aspects of it is that in a lot of ways Australia's defence strategic approach over the last 15 years has been very much what I would call a boundary rider strategy. I do not think it is particularly well suited to the sort of environment of constrained resources and strategic fluidity that we face today. Let me explain. If we look at what happened through the Dibb review process and the 1987 white paper, there is no doubt that essentially what we did was draw up a box that was defined by certain boundaries. The area of direct military interest was how far the Defence Force would go; the technological edge was the margin we had to have, particularly in South-East Asia; the defence of Australia was really what capabilities were all about; and seven to 10 years warning was the outer boundary. We did not have to look at things that might be beyond that. But in a lot of ways it was a strategy that had two fundamental weaknesses.

The first one was that, whilst we talked about having options to do other tasks, there was actually no real guidance other than that we would like to have options. There was no real attention given to crisis management or to promotion of stability and, hence, it was all about hardware. It really was not about personnel and it really was not about operating expenses—yet they happen to be about 70 per cent of the defence budget.

The other thing which was missing in the process was that when you looked within that box it was very difficult to find any priorities. What we really had was a whole box and, if we realised it all, it was great. But if the money was not there, there was not a way of working out what were the priorities within it. In a sense, we had a solution but we did not have a method. That is where we started back in 1987.

The situation today is that the ground rules have changed quite a bit. Those boundaries have pushed out in a number of key areas. Our area of military interests has stretched out to the arc of instability. Our concern with the defence of Australia is now, 'Hey, we might be involved in major regional crises, perhaps in North-East Asia.' Our previous technology edge is now knowledge edge and having a margin, not necessarily just in South-East Asia but in the Asia-Pacific region as a whole. And seven to 10 years warning? Well, those things could happen with little warning. What has happened over that time is that we really pushed those boundaries a lot further out.

But if you think of what we have done over the last decade, what we have really concentrated on is how we actually increase our means. What we have not done—and I think this is an important part of the green paper and white paper process—is decide what the balance is between those various commitments and how we are going to contribute effectively to the US alliance. How is it that we are going to carve out an effective niche in regional security cooperation? What is the balance between those things and the defence of Australia, which was, of course, our boundary back in 1987? We keep saying we want a range of options, but just what does that mean? It certainly does not help planners within the organisation to make the sort of tough choices that they have to make today. Essentially, as we have pushed out, we have effectively lost one of those key elements of strategy; we have lost control.

If you think of the future from now on, if we do not have balances and priorities in the middle, what happens when we get to 2020 or 2030? That is the sort of time frame we are talking about for some of our capability decisions. What sort of future do we have further out there? Are we worried about major hostilities involving a major regional power with high-tech forces? Alternatively, are we talking about cruise missile proliferation? Certainly concerning the India-Pakistan stand-off, that sort of proliferation of missile technology might flow through in this part of the world. Are we talking about cyber war and information warfare or are we talking about mass refugee movements? Which one is it that we actually think is most likely? Actually, we do not know. But, then again, we cannot exclude them, because any of them would be serious if they came up.

The key point I want to make about it is that if we are going to carry on with the boundary rider strategy these days, we have a real problem because, essentially, it is a passive strategy determined not by what you actually want to do but by what you cannot ignore. How do you have control if that is the essential underpinning of your strategy? If you are going to provide genuine flexibility and adaptability within those boundaries and if your basic force structure and your approach to defence is determined by those boundaries, you have got to be able to fill a substantial amount of that gap. Can we really do that in resource terms? I think the answer to that is a resounding no. But I think there are four, or perhaps five, other questions I would ask about the current strategic environment.

The first is: which future are we choosing? Do we generalise them all or do we have to take several other factors into account, because we are questioning which one of those we are going to choose in the future. What is this real 'strategic tomorrow' we are planning for, because if we are planning defence capabilities 20 to 30 years out, how do we actually decide what is the right future? Is it going to be refugees? Is it going to be disintegration within the region? Is that going to take up all of our time? If it is, then F22 is not much of a capability for doing much about that. Of course, you are going to try and match those all together, but you have some other considerations as well.

The second one is what I call the 'compression of strategic time'. Weapons systems are evolving quickly. Civil technologies are pushing us that way. It seems funny to think we have 386 computers on submarines. There is no doubt the Americans are taking new approaches to developing defence capabilities—not going to full production but going to prototypes and if that prototype is not needed, going on to the next prototype. The timeframes are going much more quickly. The British are talking about the idea of having common platforms and being able to upgrade those and change them, get them into service quickly and upgrade them and change them much more quickly as well. So that time frame that we have had in the past is greatly compressed.

We have also got the problem of asymmetric threats. We talk about the sea-air gap, we talk about geography, but then again if cruise missiles come into our region, and they may come in quite quickly, is that really something that we can handle with our traditional emphasis on the sea-air gap, or could we, literally within the space of a couple of years, find that our threat is much more related to anti-tactical ballistic missile systems? How do we get that sort of flexibility in the future?

The final one is the capacity of middle powers. Hugh quite rightly said we are looking at getting a long-term, sustainable relationship between objectives and resources. But if we talk about 130-odd Mirages, 75 F/A18s, 40 to 50 maybe of the new generation fighters, the decision after that is going to be: are we in fighter aircraft or anything else? The question is: how long do you hang on to the traditional approach we have with the traditional methodologies and the traditional strategic assumptions, or at what point do you actually make the decision to change?

If you look at that environment, the thing that is most important if you look forward is not actually the ability to define ourselves inwards from the boundary. The really critical question is in a sense whether we can manoeuvre within the box, because that is where we get control. If we can manoeuvre within the box, that is also where we can make changes at relatively short notice. We can mix between insurance and protection and crisis management. We have got to have that flexibility built into our force structure.

The interesting thing is that if you do that then you do not spend a lot of detailed time in huge analysis of what those boundaries are. The outer boundaries are fine until we realise some future possibilities, but if you are going to have control over that environment you have got to start from the inside out, not from the outside in. Essentially the only way we are really going to gain control is moving away from boundary riding approaches of the past—although certainly acknowledging the worst cases. But it is very much a case of getting hold of the capability you have got at present, using it the best you can, and developing within it the flexibility to move in a variety of directions in the future.

One thing that concerns me about the green paper is the pervading sense of, 'What do we have to do without?' Let us turn the question the other way around. Is the green paper in a sense the last roll of the dice of a traditional strategic approach, doing things the way we have always done them in the past, or is the fact that we have got to rethink so many of our fundamental capabilities in a short space of time a golden opportunity to get an edge in what is going to be the new strategic environment? Thank you very much.

CHAIR—Thank you very much, Dr Woodman. That was an excellent presentation and very thought provoking. Before we move to the discussion I would like to welcome Dr Andrew Southcott, a member of the committee. What we might do now is move to some discussion. I invite committee members to pose questions to panel members, and other members of the panel might want to join in those discussions. Dr Woodman, can I come back to the very last point you made. You threw up a question which you did not really want to give a definitive answer to. You asked, 'Is the green paper the last roll of the dice for the traditional approach?' What would you say is not there in the green paper?

Dr WOODMAN—My feeling about the green paper is that it raises a lot of the key important issues which we have to take up. They are questions about quality versus quantity, short term against long term, and insurance against crisis management. I think a lot of those issues are set out in the green paper. What I am not sure of is whether the more fundamental questions are asked.

As Hugh quite rightly said, we have set up three options: the defence of Australia, contributing to regional crisis management and other sorts of tasks like UN peacekeeping. He then went on to say, quite rightly, that we will probably need to do all of those. I fully agree with him on that. If we are going to do all those—and we accept that at this point—do we have to mentally rethink from inside defence with, say, different approaches? I will take a particular example, and it can be differentiated from Australia's situation because Britain is in a different place. A very interesting thing in Britain is that their recent strategic defence review has moved away from the idea of geographic planning bases and planning on the defence of the United Kingdom to what they call a series of packets of capability which can be mixed and matched into a variety of task forces to match their key strategic objectives.

That may not be all we need to do in Australia, but it is certainly a much more original way of planning than perhaps we do in Australia. In the green paper, perhaps we have not provided—and as part of the process I guess that, hopefully, the public will come up with ideas—different ways of doing business. It is the 'how' we are going to get between the problem and the solution that is important. The green paper has a variety of solutions in it and a set of problems, but it does not necessarily have a lot of discussion of the means of getting between the two.

CHAIR—Thank you. Hugh White, do you want to respond to that?

Mr WHITE—I would rather hear what other people have to say, at this stage.

Major Gen. CLUNIES-ROSS—I would like to ask a question of Stewart. You talked about flexibility within the force structure, and that sounds very good. What precisely do you mean by that? How do you achieve flexibility within a force structure?

Dr WOODMAN—You have two ways, basically. One is the traditional way, which Hugh mentioned, of a balanced conventional force. Essentially we have had a wide range of capabilities and within that we have those choices. The other alternative, which is where the trend is certainly heading in international affairs, is that when you design your force you design it to give you the maximum options. A lot of it depends on making early decisions at the strategic level about how you are going to do business.

Take a very simple example. A strategy for the effective defence of Australia could require a range of surface combats traversing the whole of north Australia. You would have a strong emphasis on numbers because we have a wide coastline. Or an effective strategy for the defence of Australia could easily involve the capacity to defend just a couple of focal areas with high capability assets but assets which, because of those high capabilities, could also be employed into other environments. So you might have a very interesting choice between, shall we say, 14 surface combatants and eight surface combatants very well equipped. Each of them gives you a different range of flexibility, but certainly the strategy you adopt and how you decide to use those forces can give you a very different range of options. You have to be very smart in making early decisions about how you are going to do things. I think we have avoided that in the past, but if we are going to have to make tough choices in the future between capabilities it should not be based on what we really can do without; it should be a decision about how we get the most out of what we have.

CHAIR—Any other members like to follow up on this point?

Gen. BAKER—Chairman, I would like to come back to your early introduction in which you made the statement to the effect that the armed forces provide a very important message about a nation. I think we are truncating the debate. We are missing what it is that Australia wants to achieve. The fundamental problem for defence planners, as both Hugh and Stewart have referred to, is that the strategic situation changes and it will change must faster than you can amend and change the structure and capabilities of your defence force. The reactive approach of centring around perceptions of threat is totally inadequate and, in my view, increasingly dangerous. We cannot predict the future. But what we do know about this country is that it is proud of its military heritage, that its standing internationally depends in part upon the efficiency and effectiveness of its armed forces—and has since Gallipoli, and will continue into the future. We do know that we want to be a nation which punches beyond its weight in all the international issues of concern, and the Defence Force and our capabilities play a part in that.

I think that is where we should start from: not from simply defending Australia, contributing to regional interests or participating in a peace force, but from what we as a nation want to achieve. I think the Australian population does want to play a major role in the world commensurate with our size, shape and nature. We are the 13th largest economy. We are the largest economy in South-East Asia. We have the opportunity now to play a major role. If we do not take it now, it will get harder to adopt it in the future. The defence element and our strength are part of that. That is where we should start. I do not believe that the Australian population will not—if it is properly explained to them—commit more resources to defence.

CHAIR—Thank you very much for that. Mr Hollis wants to respond.

Mr HOLLIS—General Baker, my question really goes to the last point you made. It is all very well to say that about Australia and its capabilities. Obviously, as you said, it would require a lot more expenditure. Indeed, from the Prime Minister's launching of the paper the other day and other statements, it seems the public is being softened up for this.

CHAIR—That is cynical political comment.

Mr HOLLIS—But true. I have never seen in any area of public expenditure in Australia where the public has been ready to embrace that. The only exception was the Timor tax. Because of emotional and all sorts of reasons, that was largely accepted in the community. There will be a debate in the community if we are going to put more money into defence for this greater punch. What are we going to cut? Will the Australian population accept that, as it will mean a much larger defence expenditure?

Gen. BAKER—We are facing larger expenditure for defence, but it is not simply about punch. If you want an effective foreign policy, an effective diplomatic influence in our own region, it has to be backed up by a clear statement that we are serious about our own defence and serious about peace and stability in our region. If we ever want the United Nations to become an effective organisation—and I think there is serious doubt about that—we have to be prepared to commit to it. We are facing the problem in defence where we will adopt a solution which will remove elements of our capability and create a situation where we are seen as not being serious about those issues. I do not believe that is in the national interest. I do not believe that is what the Australian population expects. It is not a question only of defence. It is a question of coordinating all of our national assets, our foreign and trade policy, our economic development, our Defence Force and our industry to produce a nation which can punch beyond its weight within the region, not just in defence matters but in all matters of global concern. I think that is where we should start, not from the debate about the three options for the Defence Force, because I think we have to do all three.

CHAIR—Thank you. I think you are starting to provoke people, and that is good.

Mr STUART—One of the things that I as an observer have found very useful about the white paper was that, by combining those three particular objectives, it provided a very easy ladder by which you could say, 'Right, if some things have to be dispensed with, this can go and this can go but this we have to have. That must remain.' One of the difficulties with the British style of contingency planning is that I suspect it could degenerate, as Dr Woodman pointed out, into crisis management— attempts at developing forces that are capable of meeting crises. But, as we have already heard, we need to plan now the shape of our forces for things in 2015 and 2020, so I do not think we have the ability to shape specific forces to meet specific crises. What we need to be doing is looking at the needs and requirements of defence, putting them on that ladder—which is basically what the green paper does—and then coming up with our own alternatives as to what particular elements we want to reinforce and prioritise and, if the Australian public is not prepared to spend money on them, what we need to dispense with.

CHAIR—Thank you, Mr Stuart. Mr Loosley wants to say something.

Mr LOOSLEY—It is almost inevitable in any public policy debate that the focus will be upon budgets and the commitment of dollars, but, surely, it is also a question of the values

which underpin a defence strategy and of the values which are reflected in the nature of Australian democracy and in the Australian Defence Force: in the commitment of the ADF in certain circumstances, particularly where they are wearing the blue berets or the blue helmets, be it in Somalia, Rwanda or East Timor, or in peacekeeping in Bougainville, the Middle East or wherever. In the next 20 or 25 years we are looking to make decisions with which governments of both persuasions inevitably will be obliged to live. It is very important for the Australian community at large to have a broad ownership of the process. That is why I think the announcement of the community consultation is a really valuable step. I note that Mr Martin called for that process in February, as the defence minister outlined it a few days ago. I think it is very healthy that we have a degree of bipartisanship established in the process already. To sustain that defence strategy over 20 or 25 years, as Major General Cosgrove made clear the other night at the Sydney Institute, really requires a depth of public support.

Ownership is very important in this debate, not only in the commitment of large sums of public money—over 20 years somewhere between $80 billion and $110 billion perhaps for re-equipping the ADF with the necessary platforms and logistics and technology—but also in terms of the values which underpin the ADF and the deployments. As the Prime Minister said again the other day, when the ADF is deployed it is not deployed in the name of the government of Australia but in the name of Australia and the Australian people. I think that is a critical element.

If you look at the response from the Australian public already to the notion of the consultation process, the web site that was established by the Department of Defence had some 5,000 hits in the first 24 hours after it was brought into being. There is enormous interest. I think Australians are entitled to have their views heard and are entitled, also, to have this debate elevated, not only in the terms that Hugh and the discussion paper outlined of the different options for defence strategy but also in terms of the critical input of the values of the Australian community in the year 2000, and conceivably for the indefinite future.

CHAIR—I think you have just decided you are going to be a very busy man in the next few months.

Dr SOUTHCOTT—There is one thing I would like to get from some of the participants. We are essentially debating defence policy—the defence green paper. We previously had a defence white paper in 1997 and also a foreign affairs white paper in 1997. But General Baker touched on this point in his concluding remarks. Should we be looking more broadly at a concept of regional security which covers a lot more than just defence? It also covers a lot more than foreign affairs. It covers our trade ties, our people-to-people links and so on. Do any of the participants have some comments on looking at security from more than purely a defence point of view?

Prof. TOW—I think that really goes back to the heart of the panel topic which is, 'What is strategy?' Both Hugh's and Stewart's definitions were interesting to the extent of what was not included—which your comment did include—and that is how you prioritise. Hugh had three specific objectives: defending attacks against Australia, defending regional interests and a capacity to undertake low intensity conflicts. Stewart had four things that we had to choose from: high-tech weapons, missile proliferation, mass refugee movements and cyberware.

My question would be: how does that link up with an understanding of what strategy really is and does that meet the criteria of either or both Hugh's and Stewart's definition of the term? That is point 1. Point 2 is: since this is probably what most of the folk in the defence department and in other aspects of government do every day, how do we then move to the level of ownership—to use Mr Loosley's term—and can the general public actually conceptualise this in a cohesive fashion to the point where there can be consensus at the end of the day? That may be two or three disparate points, but it all comes back to: what really is the essence of strategy? And that is, again, essentially your topic, your framework, for this panel.

CHAIR—Thanks, Professor Tow. That last point, the question of ownership, is something that the committee is very mindful of. In fact, the parliament is probably very mindful of it too. I guess this process and the process that Mr Loosley will be undertaking is going to be fairly critical in that whole area. Michael O'Connor, do you want to comment?

Mr O'CONNOR—Thank you, Mr Chairman. I guess we can already see that the range of issues to be discussed is simply impossible. I would like to come back to where Hugh started, and that is on the question of funding. He made the comment that for the first time, in this green paper, there was no predetermined fiscal outcome in the process. That is true, but it is also true in the green paper, as I perceive it, that there is a very pessimistic view about the future in fiscal terms. It is also quite wrong to hint that there was a predetermined fiscal outcome in previous white papers because although the commitment was made it was never kept. The 1987 white paper, for example, was predicated on an increase in defence funding to a plateau of three per cent of GDP. Three per cent of GDP at the moment is a bit over $20 billion—about 12 per cent of federal outlays. I think that is unrealistic. I think it is also something that Defence would find very difficult to spend in any credible sense except pay increases perhaps.

We need to turn this on its head a bit and get our strategic concepts right first and see what effect that is going to have on funding demands. If the government says, or the alternative government says, 'We cannot meet those demands,' then you can start reshaping. In other words, it is a two-way process, with your capabilities in the middle. I am really quite concerned about this notion that I think pervades the green paper that funding is going to be a problem. Despite what the Prime Minister says—he mentioned $500 million the other day—if you accept four per cent inflation, which I think was written into the budget, $500 million is really not going to make a whole lot of difference. If he says $500 million in—

CHAIR—Four per cent was not—in long term there is a temporary—

Mr O'CONNOR—Certainly, but if he is talking $500 million in real terms, it is still not a substantial increase on a $12 billion budget. I think we need to set sights somewhat differently. I think $500 million would be something Defence would be struggling to absorb. But in this sense I say to the committee that at the political level there needs to be an acceptance that the conventional approaches to funding that we followed over the years and the conventional approach to very small incremental increases are not going to be sufficient.

It comes down to a question of national sacrifice and this comes back, in a sense, to General Baker's points. The green paper talks about Australia spending $600 per capita on defence. In constant dollar terms that has barely changed over 20 years, despite all the talk about changing strategic circumstances and so on. It is also a fact that Singapore spends four times that figure

per capita. The United States spends three times that per capita. Japan spends about the same but gets armed forces of 230,000 for that money because they have a bigger population. The implication in that is that a country with a small population is going to have to spend more per capita, and that is reflected again in the Singapore experience. So we need to get away from concepts of percentages of GDP and all the rest of it and start looking at funding in a far more sophisticated manner than we have and start drawing some conclusions from that, because that is going to have its impact on our strategy, our strategic approaches, and on the capabilities that go with it.

CHAIR—Thanks for that, Michael. I think you have provoked people a bit more.

Mr WHITE—I want to make a brief comment about the very important point that Dr Southcott made. Obviously it is very important to make sure that what I would call your strategic policy—which I would define fairly narrowly in terms of role of armed force—is correctly effectively connected with your wider national foreign policy. It is something that successive Australian governments put a lot of emphasis on, but it is not to say that it is not something you cannot always improve. I really just want to make a couple of points. The first is that it is very important to establish those connections, and it seems to me the key way those connections are established is by being clear about what your strategic objectives are. Whether you want to articulate your strategic objective choices in terms of those three things I mentioned that are spelled out in the discussion paper or some other way, however you do it you had better make sure that your strategic objectives are consistent with your wider sense of how you want to work with countries in the region, how you want to stand globally, how you want to be seen as a country. Do you want to be seen as the sort of country that can defend itself or not? Do you want to be seen as a good ally of the United States? Do you want to work effectively with your friends in the region to protect shared interests? Do you want to be able to support the United Nations in peacekeeping operations in Africa? Do you want to be able to undertake humanitarian deployments—for example, the operation we took to help Papua New Guinea with the tsunami last year? And how many of those things you want to be able to do at once becomes a very critical issue, as it is certainly a very critical issue for the ADF at the moment. It does seem to me that the point at which you want to, if you like, establish the connection between strategic policy in the slightly narrow sense I have described it and the broader national foreign policy agenda is precisely the point at which you set your strategic objectives and then decide what kind of defence forces you are prepared to have to turn them into reality.

I would also, if I can put it this way, argue for a sense of separation, because there does come a point where you have got to make some decisions. Whilst you have got to establish the connections, there does come a point at which you have got to say, 'Okay, these are the strategic objectives we are going to pursue, these are the capabilities we are going to build to serve them and these are the resources we are going to devote to building them.' Inevitably when you do that you start going into a decision loop which is a bit tighter and narrower, where you cannot be forever referring back to the highest authority. You do have to say, 'This is the year in which we are going to make some decisions about our force structure and do that in the light of our strategic objectives.' That is not to say you should not continually go back and revisit the broader things. A very important part of any strategic policy making process is to work as hard as you can to avoid the traditional security dilemma, that is, I build armed forces which are so strong they make you feel threatened; they therefore make me less secure. That is something that we need to be extremely careful of, so we do need to keep on making those linkages. My

point would be just to say, yes, do make sure we have those linkages, but we must not let that stop us applying great clarity and rigour to the task of determining the capabilities we need.

CHAIR—Thanks. Professor Dibb, you want to comment at some stage?

Prof. DIBB—Yes, but I would like to hear that question first.

Dr SOUTHCOTT—I wanted to ask if you have updated security policy since the 1989 ministerial statement.

Mr WHITE—I think the more recent and authoritative statement has been the government's 1997 foreign policy white paper, which had a very clear focus on broader security policy and did dovetail very closely with the 1997 strategic policy review, so there was a pair of Foreign Affairs and Defence documents that fitted very closely together.

Prof. DIBB—Can I sound a note of great caution in this debate? In the contemporary era it is very easy to be trendy and open-ended in the definition of strategy and the potential description of that important word. In last week's New Zealand defence policy statement, not surprisingly to some of us, you will see a definition of 'security' in the complete let-out phrase, 'comprehensive security', which is academic language and the language of the ASEAN Regional Forum. In my view it is a cop-out for rigour in approach to defence planning and force structure. Equally, whilst I can sympathise with a call for including our trade and other interests in our national security approach, there are some people who think that that will mean that, because we have trade with Japan or indeed Patagonia, we should be able to defend the sea lines of communication completely across the open ocean areas as only a great power can. There has to be discipline in the approach to force structure when there are scarce resources. That is a very important issue. If anything were to be written in letters of gold in any defence minister's doorway, irrespective of which party they come from, it should be the following: 'There are limits to Australia's defence capacity and influence.'

It would not surprise you to know that I agree with Hugh about the basic description of what strategy is about. We have used that definition in both our public and classified writings to successive governments since at least the late 1970s. That is not to argue that in the contemporary strategic area we should not make adjustments—but it is not to throw the baby out with the bath water. As Hugh has argued very strongly, the use of force in international affairs is the ultimate challenge. We cannot predict the future. As I used to say, when I was in Hugh's job, to the Department of Foreign Affairs, 'When the diplomats get it wrong we in the Defence Force will have to pick the pieces up.' And we have seen that happen most recently.

Secondly, in terms of force structure, there has to be, as Hugh has argued, a very iron intellectual discipline. Peter Jennings is going to talk about this; I want to say only the following. There are views about how you structure a force. There are differences between New Zealand on the one hand, which is going into the flat earth policy of peacekeeping, and the United Kingdom on the other hand, which has a highly competent expeditionary force for distant high-level combat. That is going to cost you about 2.5 per cent of GDP. The question that has been asked is whether that is a credible resource allocation. In the Australian context, it is not.

The final word I would say to you is that we do need to transform the ADF with a rather changed emphasis in force structure. I am going to hear a lot in the next few weeks and months and, Stephen, you and your team and going to hear a lot more about what we should add to the force structure. I want to hear what we are going to take out of the force structure to compensate for the fact there will be, under any government, limited resource allocation. Frankly, very few commentators and still fewer politicians will tell us what we are going to take out of the force structure. Let me give you a couple: tanks and heavy artillery at one end, and you have to debate the issue of the F111s. I do not believe you have to take the F111s out, but I think we should have a debate about this. It is very difficult for the average Australian to be involved in that debate because the issue of costs and how you allocate costs to force element groups is a very complex issue. But at least we have to recognise there are limits to Australia's defence capacity and influence.

We have to decide what level of combat we are going to structure the force for. If it is going to be for high intensity combat in North-East Asia as a force structure determinant, as some around this table think it should be, then we have to decide what the cost is and how you structure the force. If it is to be for mid-intensity conflict—including the archipelago to our north, defined as seamless with the defence of Australia—I think that is a doable concept with modest increases in resource allocation. There has to be discipline about concepts for the level of combat and, frankly, in force structure terms—whether people like it or not—there has to be concepts that define geographical limitations as to how you structure the force. Open- ended geographic limitations lead to aircraft carriers.

CHAIR—Thank you very much, Professor Dibb. I think you are really stimulating the debate, and that is tremendous.

Prof. SMITH—I would like to pick up the notion of a separate defence debate and whether you can have one. I think that was the point raised by General Baker, and it is a very serious one. There are some merits, as Hugh White suggests, in drawing a line, a boundary, around defence for organisational reasons and budgetary reasons if nothing else. But there are some problems with that kind of limitation. Let me explore that in relation to our view of our region. The discussion paper is full of phrases about the so-called 'arc of instability', which is a very good phrase if you want to create a sense of insecurity. I congratulate the author. If you were to call it an oblong of instability, it would seem much less threatening. But the depiction of the region in the discussion paper is full of notions about 'vulnerable, fragile and weak'—those sorts of phrases. You might say in fact that means they are much less of a direct military threat to Australia because of that than if they were less vulnerable, more coherent, more advanced economically and so on.

Of course, if you ask defence or military people to look at that and say what their solutions are, they will come up with military solutions. It is their job to do that. My worry is that having a defence debate and limiting it purely to defence will mean that we will come up with military solutions only to deal with the region, where really we need to coordinate it with a whole range of diplomatic, economic, social and environmental questions. I am a little worried which way this public debate will push that. I suspect that the broad population will see lots of threats in this kind of instability in the region and will come up with lots of military solutions and feel the need for military solutions. On the other hand, hopefully the public debate will push for a

broader perspective on approaching the region and security in that dimension. I hope that I am not too optimistic.

CHAIR—Thank you for that. I know that Mr Tony Kevin has some very interesting views on this whole aspect, particularly as to having a public debate and what it might mean for our relationship with one of our major neighbours. Mr Kevin, would you like to come up to the microphone and very briefly put that point of view? I think it would be very useful in the course of this debate to have that whole question raised.

Mr KEVIN—Thank you, Mr Chairman, for allowing me to speak now. It really fits in very well with recent interventions. I had a 30-year career in Foreign Affairs, including six years in policy planning as head of policy planning. I did a lot of work on the idea of mutual assured security at that time, which I think is very valid in light of recent comments. To dramatise this, I offer a simple example. The United States and Canada have a very long border yet they do not spend a great deal of time thinking about the threat they represent to each other, nor do they plan their defence forces against the possibility of that threat. That is because they have achieved a sense of mutual assured security. That takes work. It takes decades. We have been working in Australia for decades to try to achieve that sense with our region. Much of that work has been destroyed by the diplomatic mistakes made by Australia over the last 12 months and continuing, I regret to say, to be made by Australia. We will continue to make mistakes if we conduct this defence debate without a perception that there are people listening in our region who actually do think about what we say. This is not purely a domestic debate. It is an international debate we are engaging in and there is a question which has to be asked: do we simply try to create security through deterrence, creating the appropriate force elements, or at the same time do we try to enhance our sense of mutual assured security with our neighbours through an effective diplomacy?

I find it strange, for example, that there is no official spokesman of the Department of Foreign Affairs and Trade on the panel here today. That suggests to me that we are really, as several speakers have already said, looking at this in an incomplete way. I am not saying we should not have a larger defence budget—we probably do need it—and I am not saying that we should not be considering the kinds of strategic threat scenarios over the next 10 to 20 years; we need to do that, too. But our diplomacy cannot go to sleep while this is going on. I am afraid our regional diplomacy, particularly our diplomacy towards Indonesia, does seem to be going to sleep while this is going on. I hope that in the public discussions to take place around Australia, there will be not a few but many people who will remind the government of the day, which unfortunately seems to need to be reminded, that defence is not just about military planning; security is not just about military planning; it is also about creating a sense of mutual assured security with our neighbours in the region. Thank you very much, Mr Chairman.

CHAIR—Thank you very much. The deputy chairman would like to now make a comment.

Mr PRICE—Foreign Affairs are not here because we wanted to have an intelligent debate this morning! But in this whole issue about national security, we are not even going to have a debate on whether we need a national security council. I will just raise a couple of points. We do not seem to be well positioned now or to be positioning ourselves well in the future to respond to the uncertainty in our area. There is no regional forum, yet we have the expectation that

difficulties in our area are somehow going to headline attention in the UN and eventually crank through action there. We are not developing a cooperative approach.

The previous government, right or wrong, had a security treaty with Indonesia. We have walked away from that. What ought to be the future direction in our relations not only with Indonesia but also with other countries in our region? And last but not least, if I could direct this to Paul who is always so rigorous: if we have moved away from a rigorous defence of Australia and the maritime air-sea gap and are now going to say, 'We need to be able to manoeuvre in our oblong of insecurity,' doesn't that really change some of the capability that you require? For example, with the maritime strategy—it needs to be a whole of service strategy—doesn't that change some of the requirements for Navy in terms of capability?

CHAIR—I think that question is going to have to hang because I am going to keep to the fairly tight schedule, as I said. I welcome Senator Quirke who is also a member of the committee. We are going to take a short break.

Proceedings suspended from 10.45 a.m. to 11.02 a.m.

CHAIR—I ask Mr Peter Jennings from the Department of Defence to talk for 10 minutes about Australia's strategy options.

Mr JENNINGS—In the time available to me I will make a few comments about the aims and objectives of *Defence review 2000—Our future Defence Force*, the public discussion paper, and spend a bit of time reflecting on some of the key elements which are brought forward in that document. I would like to start with two observations stemming from comments that were made earlier on during the course of the day. Stewart Woodman suggested that this process might in some way be the last roll of the old policy making dice. I would like to put the proposition that in fact this is the first roll of the new policy making dice. It is one which is describing a process that is quite fundamentally different from how defence has gone about developing policy before—not only in the context of producing a discussion paper, which, according to a press article by Mike O'Connor the other day, is the first time since 1904 an Australian government has sought to consult the community on defence issues, but also in the way that the organisation is putting together the white paper itself. I will make a few comments about that towards the end of my observations.

Secondly, 'arc of instability' is certainly a phrase that Professor Dibb and a number of others have used in media commentary but, although the 16,000 words of the public discussion paper are beginning to jell into one mass in my own mind at the moment, I do not think it is a phrase that is present in the document itself. In reaction to some of the specialist commentary that we have seen in the last few days, I would say that our concern should be less with an arc of instability and more with a plane of inaccuracy, possibly leading to a veil of tears, but maybe that is beyond the pale.

Let me make a few observations about the aims for the discussion paper. I would like to refer to about five aims which principally underline the concept behind why the government has produced this document. Firstly and most importantly, it does involve a genuine exercise in wanting to consult with the community. What has come out of the initial 48 hours or so of reaction to the release of the document has been an inordinately high level of public interest. Steve Loosley mentioned that there have been 5,000 hits on the web site. That is actually not

quite right. There have been 5,000 downloads of the discussion paper document on the web site and 100,000 hits. Within the first 36 hours of the launch of the document there were some 5,000 requests for people to have the paper mailed to them. Those came through email and the 1800 phone number. So in fact I think that this document has rather tapped a wellspring of community interest in defence policy out there.

The second purpose is one of education; that is to say educating the community, educating the government and indeed educating the defence organisation about the key issues which face defence policy, and Hugh outlined what some of those key issues should be. The third objective is one of shaping reaction to the white paper, by which I mean habituating people to the expectation of what the white paper itself needs to address. Areas of cutting capability, for example, as Professor Dibb has mentioned, is something that we essentially need the community to become more familiar with as at least a serious possibility for defence policy. Finally, there is also the objective of expanding the debate beyond the usual defence commentator community, much as we love them dearly within the organisation. I think it is actually very important that, as a part of expanding the debate, what we are also doing is breaking down some of the internal cultural barriers within the defence organisation which prevent new ideas from being considered. So, not only are we widening the process out by talking to the broader community, but we are also in that way opening the organisation up to new ways of considering security issues. I think that has to be a very good thing.

In terms of some of the initial speculation that we have seen from expert commentators in the media over the last 48 hours, I would have to say that my reading of this in general only reinforces the importance of expanding the community debate. In essence, what we have seen from many different sources has been the judgment that the community consultation exercise is not genuine, that it will not work, that people will not be interested, that their views will be too diverse even if they are not interested and that their views may potentially be somewhat threatening. Frankly, I think that these are rather erroneous concerns.

A number of commentators have expressed the view that the language in the discussion paper is too simple. But it seems to me that one of the important objectives of this exercise is to develop a language about the complexities of strategic policy which is readily understandable by members of the broader community. After all, as a matter of norm within our political system, we routinely ask people to express a vote at referendums about complex issues to do with constitutional law, and yet somehow the view amongst some members of the Australian community is that defence issues are simply too complex to ask Australians about, that even though they are in fact spending $500 or $600 a head per year somehow their views should not be asked. So I can only repeat the genuineness of both the defence organisation and of the government in wanting to undertake this consultation process. It seems to me that the level of public interest that has been expressed in the document so far demonstrates that people actually want to be consulted as well.

Hugh White spoke about the strategic underpinnings of the document, so I will not spend any time document, so I will not spend any time reversing or rehearsing that ground. Suffice to say that I think the first hour and a half of debate here really underlined the challenge which the defence organisation faces in presenting policy options to the government. That is to say that we have to start from the position that General Baker so cogently outlined, which is: what type of country do we want Australia to be, and how do we want the Defence Force to underpin that

aspiration for Australia's future in the world? We need to go through a fairly rigorous process of logic to ultimately get us to the point where decisions are made about specific types of military capability that will provide the vehicle to meet the aspirations that General Baker's broader conceptual approach would have us define.

At the end of the day, what this process needs to do is to produce a government policy white paper which will make some quite specific decisions about military capabilities. It will need to start from general statements of aspirations about the type of country we want Australia to be, and it will need to finish with some quite specific budgetary decisions about platforms and capabilities. Therefore, I think that it is important not to resile from what is a capability focus within the discussion paper itself, because that really goes to the heart of the types of decisions which the government needs to make in the next six months or so.

Touching just briefly on a couple of other issues in the document itself, this is a remarkably frank statement as far as budget issues are concerned. It has clearly been noticed in the press and reflected on at length by a number of commentators about the extent to which we are putting forward to the Australian public, I think seriously for the first time, the judgment that we will need to cut military capability if the budget is kept long term at current levels of defence expenditure.

That brings me back to the capability options which Hugh White talked about within his presentation—whether or not we structure forces primarily for defeating attacks against Australia or whether or not we look to the implications of regional security and how we can work in cooperation with our friends and allies in the region, or whether we orient the force to give us a capability for operations other than war in a global sense, perhaps through the UN or in coalitions. It is important to make the point here that at the end of the day not one of these three areas presents a choice that I expect government will say, 'We want option A, B or C' at the end of the process. The point of all of that really is to expose before the public that choices have implications. In other words, you can make different priority settings which will quite dramatically change the shape of the force into the medium and longer term future.

I will conclude my remarks simply by mentioning some process here, which is to say that the aim of all of this is to lead to the production of a white paper that Defence will be in a position to put to the government by the end of the year. The government will, in the process of considering the options that the white paper puts forward, take into account the range of views which are expressed by the Australian community. One difference that I would like to highlight is that, whereas in past years white papers have essentially been an internal drafting exercise within the defence organisation, which has led to the production of a usually thick and, if I may say, less elegantly written document provided to cabinet to say, 'There's your option, you can accept it or reject it', on this occasion we are actually approaching the matter in a somewhat different way. That is to say that it is a highly iterative process of discussing with the government on a monthly basis the sorts of capability options which are discussed in the white paper process itself. Fundamentally, this white paper document is going to be a document which makes policy, not a document which simply describes it.

CHAIR—Thank you very much for that, Peter. Geoffrey Barker from the *Financial Review* would like to say a few things.

Mr BARKER—I would like to start by just reminding everybody of a couple of political axioms. One is that you never order an inquiry unless you know what it is going to find. The second is that you make sure of the finding by setting the terms of reference to your advantage. So I suppose you never consult unless you know what you are going to hear from the people you consult with.

CHAIR—You're cynical.

Mr BARKER—This paper is an excellent example of these axioms in action. As I considered pages 16 to 33 for the purposes of the exercise this morning, I was struck by a notion of virtual consultation. This paper is essentially about pulling people on board, about shoring up support for higher defence spending. If anybody doubts that you have only to listen to the Prime Minister's remarks. He said, 'Yes, we are going to increase it; we will listen to what the people say, but we will do what we want to do anyway if we do not agree with what they say.' That is out there.

That is not a bad thing in my view if it stimulates some debate and, as other people have suggested, improves the sense of public ownership about defence, but it also suggests to me that the useful inputs into this issue will come from those who are already interested in and expert about matters in defence. It will be people like those around this table who have been speaking this morning and papers like Mike O'Connor's paper, papers already prepared by Australian business and the joint paper by General Baker and Mr Powell. These are going to be the things that will be important in shaping this debate.

Turning to the strategic objectives part of it, I take Hugh's point and Peter's point that all of this has to be done under conditions of uncertainty with a very long-term view and under quite severe fiscal restraints. But this paper asks the public for its views on critical issues like whether we focus on the defence of Australia, the defence of regional interests or on low intensity warfare without giving them any real idea of what we are defending against and where the threat is coming from. Again I take Hugh's point that it is not about looking at East Timor and Fiji and the Solomon Islands. In fact, a cynical friend of mine asked me the other day whether I really thought the Solomon Islands was a dagger pointed at Australia's heart.

I also understand the imperative of not offending the neighbours, of not being too specific about this diplomatically, but this paper does not say what we really might be worried about in the long term. Who has or might acquire ICBMs with delivery systems that might be targeted at Australia under certain conditions? Who has or might acquire long-term, long-range bombers? Who has or might acquire cruise missiles? Unless the public are aware of the sorts of possibilities out there—some now existing and some still remote—it is difficult for anybody to give more than a fairly emotional reaction about what they think we ought to be doing about the defence of Australia.

One of the other things that strikes me very strongly is that, while the document indicates that the cost of meeting the so-called 'block obsolescence issue' is between $80 million and $100 million, it does not give any real indication of what might be done about these capabilities. We hear about the need to replace the F18s—and the paper tells us that it is now trumped by some more leading edge aircraft in the region—but the people are not asked questions like these: how should we spend our limited amounts of money in the future? Should we inevitably go for high

end, rolled gold replacements of these sorts of capabilities or should we go for something perhaps which gives you only a part or most of that capability at a lower cost? That seems to be another issue that is not discussed particularly. Finally, I want to add that I agree with Peter: it is not the simplicity of the language in this paper that worries me but rather that it ignores too much to enable people who are not already expert and inside this game to say anything seriously sensible about it. That might do for me. Thank you.

CHAIR—Thank you for some nice provocative pieces for the debate; you even have got my deputy chair excited. I think Mr Martin wanted to open the batting.

Mr MARTIN—I am happy for others on the panel to talk first, but I do have some questions.

CHAIR—Andrew Johnson?

Mr JOHNSON—Thank you, Mr Chairman. There would be a view that the paper is competent but incomplete. If we take the aims that Peter Jennings put forward, it is about educating people and it is about allowing a sense of involvement in the decision making about the defence of Australia. It is a paper that describes the defensive capability of Australia—or the capability of Australia to defend itself today—and projects what it should be into the future. But it is a very limited view in that the ADF sits at the pinnacle of a triangle of the ability of the country to defend itself, and the capability and credibility of a country to defend itself depends on a foundation of financial strength, its education system, its social cohesiveness and its infrastructure—for example whether it has a road system that will get forces where they need to be.

It talks about general industrial capability and the defence industry capability. On that one, I would say as a shipbuilder, BHP's ability to make a particular steel, and our educational facility to provide, through the TAFE, boilermakers or for our universities to provide software engineers, are things equally as important as the ability to have specific factories, dockyards, science policy and the whole group, whether that is science in universities or DSTO. The paper fails by looking at defence as a series of hardware items, whether it is FFGs, F18s, or whatever; we do not actually look at the ability of our total country—both the hard things, like a road system or deepwater ports in appropriate places, and the soft things, whether we are cohesive as a nation and whether, in the words of John Baker, we respect the traditions of the past. We will have done a much better job of getting Australians to feel involved if they see that the capability and credibility involves all of them and every part of our country, not purely the people in uniform and the people at the very peak of the triangle.

CHAIR—Thank you. Robert Garran?

Mr GARRAN—I want to pick up a couple of the variables in the debate that have been raised this morning—the strategic and security goals of policy and the fiscal constraint. It seems to me it may be useful to try to focus on a couple of the main issues in the debate and see whether there are some real differences, because so far we have been skirting around them a bit. I think there are some fundamental differences of opinion, even probably around this table, as to both those parameters—what the strategic and security objectives of policy are and how much of a constraint the budgetary limitations on spending are.

Clearly, the fiscal constraint is real, and there are some difficult choices that are going to have to be made. There are some pretty good arguments for some increase in spending on defence, but I think the political realities are such that there is not going to be a fundamental change in the level of spending. It might be a fraction of a percentage point increase in overall spending—maybe $500 million, $1 billion or even a bit more—and you may even be able to sustain an argument beyond that for steady incremental increases. But, as we have been reminded, that was a premise in Paul Dibb's paper more than a decade ago, and it was never achieved. But maybe the dangers of that fiscal constraint and perhaps a pessimistic view about what the community and the governments will deliver as far as money goes are not quite as serious as some of the more pessimistic strategic assessments suggest.

I think the defence establishment institutionally and for good reason is inclined to look at worst-case scenarios. As Hugh has argued, it is important for strategic planners to think about worst-case scenarios and the low probability but highly dangerous contingencies or, to put it slightly differently, the 100-year flood. I would rather pose this as a question than as a definitive assertion: what if the international environment really has changed fundamentally and the risk of state-on-state aggression has radically diminished in recent decades?

This goes to an argument that, in the area of weapons of mass destruction, established states recognise that it is in nobody's interests to embark on wars of territorial aggression against other states. The more probable conflicts are the ones springing from ethnic rivalries, from fragile states and from weak states—the kinds of things that we have seen in the Pacific region in East Timor, Fiji and the Solomon Islands. Virtually all the conflicts since the end of the Cold War have been of that sort. I take Hugh's point about not being seduced by transient hypotheses and perhaps reading in discontinuities where they do not exist, but what if there is actually a discontinuity that has occurred in international relations? I am not one of those who thinks we should then abandon as a policy goal the need for defence of Australia. But if the environment has changed in that way, then maybe at least we can scale down the resources we put into that aspect of our policy, maybe we can use that as a framework for readjusting the resources within the box, as Stuart put it. I will leave it there, I think.

CHAIR—If I can just clarify: are you saying it is an argument for staying well within our comfort zone or are you saying we should be actually trying to get out of our comfort zone?

Mr GARRAN—No, I am saying the more likely contingencies we may face are not the same as have guided policy for most of the post-World War II era. The risk of attack on Australia is, as I think the paper says, pretty low. I am suggesting it might be even lower than the weighting Hugh wants to give to it in designing strategic policy. I am not saying we should abandon it altogether as part of our policy planning objective, but perhaps we are in a position where we can afford to put less resources into that capability for the defence of Australia and more into meeting the regional peacekeeping contingencies.

CHAIR—I will give Hugh a chance to respond and then Stephen Loosley wants to add something too.

Mr WHITE—Thank you, Mr Chairman, there are a couple of points I would like to make. The first is that I particularly welcome Robert's intervention because he has brought us back to what do seem to me to be the key aspects of the problem, the issues we really need to be

addressing. I guess the real point I would make in response to his particular point, if I can risk sounding like an academic, is an epistemological one: how would we know? What kind of evidence that we could have available today would give us the confidence to decide that in the future Australia does not need to maintain capabilities to respond to major inter-state war? It might be true, and I hope it is, but I do not know how we would know; I do not know how we would be confident enough of that conclusion to risk our future security on it. But that is the sort of question that the country needs to make. It is not going to be made by bureaucrats in the defence department.

Let me mention three points that people have made about what is not in the discussion paper. When you try to squeeze a lot of issues into 16,000 words, some things get squeezed out. But let me just explain some of the exclusions or respond to some of the exclusions. Geoffrey has suggested that we should receive more about adversary capabilities and potential adversaries. That is a perfectly legitimate point. It is a very important issue. He has correctly observed that there are some sensible constraints upon what governments should publish on such issues.

But I would also make the point that there is an awful lot of data out there publicly. As a person who reads a fair bit of intelligence, there is not that much difference, particularly when you look at the long-term trends, between what the intelligence will tell you and what you can read in the IISS publications and so on. So I would say, 'You tell us.' If you think the public needs to be informed about those things, why doesn't the media get out there and express those points?

The second point is on industry, a very important point that Andrew has raised. Of course, industry and the wider community are a very important part of our defence picture. But, as I mentioned earlier, we have tried in this document to focus. At the point at which we have made it, when we have reached some solid and sustainable national decisions about the kinds of capabilities we think we need, it will then be very important to turn around and think about how best to draw those capabilities out of our national resources. I agree with Andrew that that does not mean just how you draw them out of the defence organisation or the ADF; it is how you draw them out of the whole range of our national resources. I think it is a good idea to decide what it is we want to do first and then work out how to do it after.

The fact that industry gets relatively light treatment in the discussion paper is not a reflection that anyone in the government or the defence organisation does not think industry is important, it is just that it thinks it is a good idea to decide these issues first. I am not worried that Australians do not feel involved in defence because we do not talk about defence industry. They feel involved in defence because of that $600 or $700 a year they are each paying for it, and because it is their country that we are trying to defend. I do not think we need to worry about that.

The third thing is just briefly to respond to some points made by Tony Kevin because they are extremely important ones. I would, of course, disagree with his suggestions that the government is not focused on the diplomatic aspect of all of this. We have had very extensive discussions with our neighbours, including Indonesia whom I think he mentioned specifically, on this process. We are very conscious of the importance of ensuring that what is said in Australia is not misinterpreted in terms of Australia's broader strategic posture. I would like to disagree with that.

But I do want to agree with the very important thrust of his comments; that is, diplomacy and defence must work very closely, hand-in-hand. If I can just risk impertinence by disagreeing with the deputy chairman, I work very closely with the Department of Foreign Affairs and Trade and I am here to tell you that Australia has a first-rate foreign service. I personally think it is seriously under-resourced but it is a first-rate operation that is very strongly focused on strategic issues. The traditional model that a foreign affairs department is only interested in soft things and a defence department is interested in hard things is just not true. It is a very closely integrated system.

I think successive governments have very well understood there is no purely military solution to our security. But, at the same time, most people would agree that there is not going to be a security policy which does not have a sensible military element. What we are trying to do in this process is to just get people to focus on that. There are always a million things that connect with everything in a million different ways. Can't we just say to ourselves, 'What are the issues about the size and shape of our capabilities? What are the sorts of strategic objectives we're trying to advance? What sort of money are we prepared to spend?' That is why, to come back to where I started, I think the points that Robert has raised are well worth attention.

CHAIR—I do not know whether you have provoked the deputy chair but I am sure he will have more to say before the day is over.

Mr LOOSLEY—I want to make three brief points stemming from observations made. There are a couple of potential dangers. As I was listening to Geoff ask rhetorically, 'Where are the threats to our security?' I was reminded of the classic Stanley Kubrick satire *Dr Strangelove* where, in one of the early scenes, George C. Scott, playing the role of General Buck Turgison—thinly veiled as a real US airforce general by the name of Curtis LeMay—takes a call at 2 a.m. from the Pentagon on a hotline. He goes to the phone, picks it up, speaks to his assistant and says, 'Tell me, what's cooking on the threat board?' There are dangers in perceiving strategies simply in terms of a threat board because it can miscue or warp the strategy. I think we have to take a very broad and deep view.

Secondly, in terms of an observation that the people around the table and others like the people around the table will be making major contributions to the process in which Adrian and I are involved, there is no doubt that that is true. But there is a tremendous range of views well beyond Canberra, as the people at the table acknowledge every time they touch base with their electorates. The views will be very different from South Australians, for example, to views expressed to Warren in the Northern Territory, to views of people in Far North Queensland and WA. People from the defence industry in the Illawarra and in the Hunter region of New South Wales, for example, will have different philosophical views from business and industry and will have different intellectual views from unions. It is going to be very important in this process that we acknowledge that contribution to public policy from people with a range of valid views well beyond Canberra and the traditional contributors to the defence debate. I think there is a danger in the debate becoming a little insular. Opening the process up is very healthy.

The final point I wanted to make is about something that we might not necessarily realise. Peacekeeping is mentioned throughout the report. It is not an afterthought; it is mentioned as one of our international obligations. We have been very successful, as people here today realise, in virtually every major peacekeeping effort since 1948. Given the success in, say, Cambodia

and East Timor of recent times and given the collapse of another UN peacekeeping mission in Sierra Leone, there are sharp contrasts to be drawn. I suggest that the demands of the United Nations on the ADF for peacekeeping and for peace enforcement might actually grow greater because of the manner in which we have been able to manage these missions, the type of leadership that the Sandersons and the Cosgroves have displayed and the human capacities of our men and women in those circumstances. I think we need to keep it in focus too that, along with these strategic decisions, which are so vitally important, the demands for our involvement in those kinds of humanitarian missions might actually increase because of our success in managing difficult circumstances.

CHAIR—We will try to keep things general and talk about self-reliance, forward defence and so on rather than getting too specific, but I think that last point is one we might come back to. Mr O'Connor, did you want to add something?

Mr O'CONNOR—I would like to start by making a comment on the level of public interest. I think it is a lot higher than some of the sceptics might suggest. Our association does tend to go out and talk to community groups quite a lot, such as Rotary clubs, Probus clubs, schools and so on. The level of interest is very high, and the level of intelligent contribution is very high. Sure, you get people like the one who rang me up yesterday and said, 'We've got to have a citizens' militia with everybody with a rifle in his cupboard,' but they are the extreme. The mass is interested. It is simply an issue that does not really attract their attention and, it is probably fair to say, the attention of most parliamentarians or even most journalists. It is just one issue amongst many. What this discussion paper is trying to do is give that a focus, and I hope it will be very successful. From what Peter says, the evidence is that it will be.

I want to take up one issue where I think the discussion paper is somewhat flawed—that is, in the three strategic options. They are what you might call the defence of Australia, regional security and military operations other than war. I think there are two dimensions to the regional security issue. If you define regional security as the ability to contribute to conflicts as far afield as North-East Asia or South Asia, we are certainly going to be playing outside our league. If, on the other hand, you bring that regional focus more into the South-East Asian and South Pacific region, that is one we cannot walk away from. That is an area in which we have to be able to contribute to ensure, if nothing else, that the countries in that region remain in the hands of people who are friendly to Australia. If you are using loose terminology again, I suppose that comes to a defence of Australia focus. I would have liked to see the document make that distinction, and I hope it will come out in the public discussion. There are two regions we need to be talking about here.

CHAIR—Thank you. Derek Woolner is very keen to have a say.

Mr WOOLNER—It is probably an obvious point, but I would like to remind people of some realities. The feeling that this white paper might actually make a significant difference on the ground has to be tempered with the realisation that the processes for doing that are pretty slow and cumbersome. There are really enormous circumstances of replacing capabilities that are ageing. Although we will have a higher than usual capacity for that over the next 15 years, it is still going to be making real differences on the ground as the result of policy changes. It is still going to be a rather long-term process which is going to require a high degree of commitment.

We are talking about a period of some 20 years or more to produce significant changes in the force structure and roles of the ADF. In the last 30 years, the rate of growth in the defence budget has topped three per cent on only five occasions. We are talking now about a period of 20 years where, if you took my worst-case scenario in the budget analysis paper, you would need about a four per cent sustained growth over that period to remain capable of doing what we are doing and of making your hard decisions on what you need to drop to adjust to new requirements in capability.

Unless we adopt some radically different approach to implementing this policy document—which I do not see as likely because, after all, ministers in my 30 years of experience here seldom like to announce that they are going to disband a capability; they prefer to announce that they are adding—that is, unless we see some process where we, as a result of this policy decision, identify capabilities that we define as having no long-term future and actively remove them before the end of life of the equipment and the serving life of the specialists that run that capability, we are going to have a fairly slow process of modification of what we have into new capabilities—a process which, given the time scale, has a reasonable chance of being hijacked.

Mr PRICE—I want to raise what I feel are a couple of shortcomings in the white paper—in the consultation process. Firstly, it is put as though you can cherry-pick your way through these issues, that you can say yes to some things and no to others, and that they are somehow not connected. In fact, choosing one thing forces a range of other decisions. How are the Australian people going to meaningfully input into the process?

The other thing is this: surely, the department and the government have a view about some of these difficult issues. That they want to consult is to be applauded, as the shadow minister has already applauded, but without giving us an inkling of where you are heading with some of these things it really does limit that process of consultation and real meaningful input. We all glory in the success of East Timor, but all the shortcomings in Army sustainability, equipment, et cetera that East Timor represented and the challenges that were overcome have not been put on the public record yet.

Mr BARKER—In the context of those remarks, I will pick up on something which I did not say in my initial few words because it is implied, and it is this issue of where this paper falls in the matter of alliance versus self-reliance, which David raised a couple of minutes ago. For a government that has spent a long time talking about reinvigorating the United States alliance, it seems that suddenly self-reliance is right back on the front burner. That is interesting, and the questions it raises are the right questions, but it also strikes me that, if this is an issue that is being put to the public outside this freemasonry of people who think about these things all the time, while it raises these questions it does not raise, I think, some fairly important questions that General Baker and Mr Paal raised in their recent chapter.

General Baker has made the point, I think, that we do rely on the United States nuclear umbrella, and that is why we forgo nuclear weapons here. He also raised the issue that we do rely on and need the United States diplomatic weight in world affairs. Indeed, in the East Timor thing that Roger just raised it was American diplomatic pressure in the end that won us the invitation to enter. It was American support that was terribly important to the success of the thing. The presentation of alliance versus self-reliance here is one of the fairly questionable

aspects of this paper because it does not give people the full story of where we are in this matter. I just wanted to add that.

Gen. BAKER—I would like to come back to some earlier discussion, particularly that from Andrew Johnson. There is a part missing from the public discussion. I understand the need to keep to selected issues, the need for simple language that is not misunderstood, but—and we will come to this problem, I think, in the session after lunch—we have never had great success in moving between options and force structures. There is a range of issues here about the flexibility of the force structure, which derives partly, and in some cases significantly, from national support to the Defence Force that gives you a different dimension.

The question of structuring your forces about one thing and employing them in other ways is one issue where flexibility is important. The rate at which you can change your force structure and your capabilities becomes important. That is not a matter simply for defence; it is a matter for the wider community. So there is a bit missing which will complicate some of our discussions, and we will come back to that much later. I would just like to add that our history over the last 20 years has been that forces structured around conventional military forces have done everything that this government and previous governments have asked of them and have done it very well indeed.

CHAIR—Thank you, General. That earlier point is a good one to come back to.

Prof. TOW—About three years ago in this room we had the 'ANZUS after 45 years' hearing and I remember distinctly making the observation that around the table there were all men, mostly over 40 years of age—not necessarily a very representative composite of Australian society. Three years later, on reflection, I am wondering whether things have changed. Looking out at the audience I see some young people of both genders. I am wondering whether we do not have an historical opportunity here. A point was made a minute ago that defence is one of X number of issues. Looking at it from a positive standpoint, this is a real historical opportunity. My students still ask me, 'Why do you keep going to Canberra? What's there—apart from a bunch of old stuffy bureaucrats and analysts who essentially are pretty irrelevant to what we are about?' That may or may not be an erroneous assumption, but the point is that this is the next generation. This is the lifeblood. It seems to me that this is a unique opportunity for the committee of four, or whoever else is running the show, to reach out and touch as many people as possible to galvanise the electorate on the importance of the issue.

I will wrap it up by saying that—as is obvious from my accent—I have lived in another country where this was not done. Back in the early 1960s Lyndon Johnson just went on television and said, 'The government has decided.' And that was it. Of course, what we got was not just the Vietnam War but what the Vietnam War produced, which was a single concentrated cynicism towards the government of the day. The risk here is that you may fail and get ramifications which will not be very pleasant, but I think the challenge in a very positive context is that at least you are making the try in what is, after all, a democratic society. It is, after all, a government which is allegedly accountable to a democratic society. To me, that is the big picture of this entire project. It is more important than whether sea lanes can be covered by aircraft carriers or not. It is more important than whether we go in with coalition warfare or whether we go towards self-reliance. The big picture is about getting the population in touch. What General Baker indicated is essentially: what are we about as a country?

CHAIR—I think you have touched on one of the key issues. This consultation is starting and we would hope it will continue. I would like to try to drop some of the cynicism. You say 'allegedly accountable'. I would hope that, as members of the parliament—and, for some of us, as members of government—we would try pretty hard on that one and face up to it every three years.

Mr JENNINGS—Mr Chairman, I just thought that as an under 40-year-old it was appropriate for me to make some remarks at this point. Bill is absolutely right. In fact, a lot of effort has been put into designing the document in a way which we hope will appeal not simply to the mafiosi which typically comments on defence related issues. The look of the document is actually quite dramatically different from this dense, connected prose that has tended to be the stuff of defence policy statements. I will go back to the question that Mr Price raised, which is: how will the public work through this? One of the attempts that we have made is to produce the document in fairly digestible chunks so that individuals who are interested in the strategic stuff—but not the acquisition side, for example—will be able to read as separate units different sections within the document itself.

It seems to me that the process will have failed if, at the end of the day, we do not get substantial feedback from younger people within the Australian community. It will have failed for several reasons. Firstly, we need to interest those people in order to encourage the youngest of them to want to be a part of the defence organisation in an increasingly competitive labour environment. The second reason it will have failed if we do not get substantial feedback from younger people is that we in the defence organisation risk being de-linked from the broader Australian community by being too inward looking and by relying too much on the traditional areas of interest and support which we have received from the community. Therefore, there has been quite a conscious effort in the shaping of this consultation process to focus on people who hitherto might not have had much of a serious interest in defence policy issues.

Prof. DIBB—I have a couple of points, one picking up Bill Tow's intervention. I for one do not have a feel for what the younger generation of Australians—those under 30 years, Peter—feel about defence policy and defence strategy options. Traditionally, as Hugh White knows only too well, and certainly throughout the 200 years of the history of modern Australia, there has been a deep, visceral view in most Australians that we occupy a large, sparsely populated continent which is resource rich. We all know this. When you go up to what I used to call the front-line states—Queensland, the Northern Territory and Western Australia—it is not a debate; it is particularly accepted as an issue. I do not know whether that has changed. Secondly, we have always been of the view—and opinion polls in the past have shown this—that not only has support for a strong and robust defence had majority support but support for the US alliance has had two-thirds to 75 per cent support. I do not know whether that is changing either, Bill, but I think opinion polling should help us in that regard.

I think, thirdly and relatedly, the point that Robert Garran raised is an interesting one. Is there a view out in the community, of either the younger or the older generation—I suspect the younger—that we are now in a significant period of change: that is, that interstate war has become obsolete? You all know that I do not hold that view. I note that historically, and Hugh White knows this better than me, in other turning points in world history—after the Treaty of Versailles, after the First and Second World Wars and after the end of the current period, the Cold War—there has been a change in the balance of power in which new, major powers have

risen to challenge older powers. In this case, China is challenging the United States, amongst other major powers. There was, in each of those periods, an outbreak of intrastate conflict, ethnic violence and, indeed, political revolution. We are having political revolutions now in terms of the shift to democracy.

The final point I would make in that context—and it is a big issue, about which my academic friends have written a lot—is that we must be careful not to confuse an American and European intellectual mindset with the reality of the strategic region in which we are cheek by jowl. Asia is not Europe. Whilst it is true there is some democratisation in Asia, four of the five remaining Communist powers in the world are in Asia. Asia has the largest number of nuclear weapons powers and proliferating powers by a very large margin. Asia is spending $US160 billion on defence and has increased it by 25 per cent in real terms. Geoffrey, at some other time we can talk about the evidence of the proliferation of offensive cruise missiles in the region.

All that is not to identify specific countries as a threat, but it is to say that we have two choices: we either go the route of the New Zealanders and the Canadians who believe that major interstate war has disappeared; or we hew to the line of the Americans and the British, who believe otherwise. They are important choices for us. But, even in the democratisation process in the region, if there is one concept in international relations theory which is useful—and most of them are useless—it is that the move from an authoritarian power to a democratic power is a move fraught with danger; and there are some examples of that not too far away from this country.

CHAIR—Thank you very much for that. It is a very important point that you injected at this stage. It raises other things which we might come back to in the session after the lunch break. Steve Martin wants to say something.

Mr MARTIN—I wish to touch on three issues arising out of some of the issues that have been discussed this morning. Firstly, on the green paper—the discussion paper itself—one or two comments have been made. The last thing anybody wants to see emerge is an opinion poll driven defence policy. I think most people understand that this will certainly be avoided if people enter the discussion phase in a very meaningful way. As part of that, too, I go to Peter's comments about the way in which the document has been written and the prose in the document. I suppose, as a devil's advocate, you could also suggest that by simplifying some of the language you are also simplifying some of the concepts and that, if you are looking for a meaningful debate on defence issues in Australia, there could be an inherent danger of that. If you are pitching it at certain people—there has been some discussion on the youth of Australia and so on and how they might view some of these issues—then, clearly, you may not get the sort of in-depth, clear assessment of some of the defence issues that we would want to see.

In terms of the document itself—and at this stage I will inject the political disclaimer that this does not represent Labor Party policy or where I am going or some of the thinking that we have—on the issue of the funding and the associated budget issues, I was a little disappointed that some of the other financing options were not explored or, indeed, mentioned in the discussion paper. Variously, under the acronym of private financing initiative or private-public partnering, given that we seem to focus a fair bit of attention on what happens in the United Kingdom and elsewhere, and given that they seem to be doing quite well in terms of some of these financing initiatives which take away some of the imperative of government all the time,

this is something which industry, particularly in the private sector, might have an interest in. I would have hoped that that could have been flagged.

Similarly, it is important that when we talk about some of the options of funding future capability—it is at page 56, where it talks about higher taxes versus lower spending on socially worthwhile government programs—we are a little careful that we do not get too caught up in some emotive language of suggesting that the choices that have to be made about the funding of increases in defence in the future will come down to a choice between putting some money into saving kiddies' lives at the cancer hospital or buying some new kit to defend Australia, in its literal sense or whatever. That is an issue that we have got to be reasonably careful of, and I think it is an example of how some of the choice of prose in the document is open to some interpretation.

The second thing on the document itself picks up the point that Andrew Johnson made, and it relates to defence industry. There is a box on page 35 that talks about defence industry. There was an excellent paper, a diagnostic piece, about the construction of the Anzac frigates and its contribution to industry and regional economic development of this country off the back of defence. It is an important issue. One of the contributors earlier this morning talked about 'What do we actually mean by defence?' and 'Do we start to factor in foreign affairs?' and 'Do we factor in trade issues, transport and so on?' I would ask: 'Do we also in a domestic sense factor in economic growth, economic development and regional development opportunities?' If we do, then the role that is played by Australian Defence Industries in promoting that—and at the same time promoting economic development of Australia which makes us stronger, which gives us increase in GDP, which in turn means that we generate appropriate incomes and so on, able to purchase defence equipment, which gives us that capability in terms of regional neighbours and so on—is a genuine factor. Whilst I hear what Hugh says—that everything could not be put in in16,000 words, or whatever it was; that it had to go into a document of this nature—I think the economic evidence and, indeed, the security issues associated with regional development and defence industry warrant a bit more consideration.

The final point I would talk on here is under the broad rubric that we have been talking about: regional security, strategic goals and so on. People have talked about alliances versus self-reliance. We have talked about the way in which Foreign Affairs or Defence people go about their business. I have to say that Australia under successive governments has been involved in both bilateral and multilateral approaches to defence—five-power defence arrangements, some of the bilateral arrangements with our near neighbours and so on—which have served us extremely well and will continue to do so. They are put in place through some very hard work at the diplomatic level and also within the Department of Defence. I do not think we should undervalue the role that people are playing in respect of that, because it does build on self-confidence, and it builds on the mutuality principle about cooperation in our region, as we might variously define it.

Also, when you start to talk about the United Kingdom and the way it perhaps approaches its task these days—with rapid deployment task forces and so on—yes, that is fine, but also remember the UK is part of NATO, as is the United States, and regrettably we do not have something that is aligned to that sort of organisation. No matter how much CINCPAC might want to see that happen in this part of the world, that is a very difficult ask. You only have to

talk to a whole bunch of people that are represented here this morning, in terms of their own nations in the immediate region, to see some of the problems that that might pose.

It is important that when we start talking about regional security we start to elicit ideas as to what those strategic goals might be and, at the same time as we factor that in, we do give consideration to the way in which bilateral and multilateral defence fora and other diplomatic actions might be used as part of a broader strategy of trying to ensure that our region remains safe. I just thought that at this stage I would throw in a few of those ideas, which pick up a few other suggestions that have been made. I have no questions; I just had something to say for a change.

CHAIR—Thank you, Steve. I think the soporific effects of a late night sitting have started to wear off, because Mr Snowdon wants to say something too.

Mr SNOWDON—Thanks, Mr Chairman, they were indeed soporific. I would just like to come back to the question which Roger raised of Hugh to perhaps address the cynicism that some of us might have in relation to the document. What is the current thinking in defence circles about what our strategic position is?

Mr WHITE—That is a big one. I will observe the chairman's stringent constrictions on too long interventions by making two points. I think this goes, if I can put it this way, to a slight air of cynicism that, this being Australia, has emerged about aspects of this process. The fact is this document is, as Peter said earlier, a very sincere and very conscientious attempt to present issues to the public in as a neutral a way as possible. The reason we have done that is that we have not wanted to provide to the public yet another rehearsal of a series of well established views. My personal views on the US alliance, I guess I would be forced to confess, are pretty orthodox. I think they are right. I think the US alliance is enormously valuable to Australia for a whole range of reasons, none of which would be surprising to anybody here. When the time comes, I and others in the defence organisation will be putting those views to the government as part of the white paper process and as part of that iterative dialogue that Peter has mentioned, as well as our views on a whole range of other things. Ministers will make decisions on how we want to articulate our policy towards the United States alliance and all sorts of other aspects of our defence posture. We will be producing a white paper, a set of decisions in the light of what they think about what we put forward.

But this time we are doing things a bit differently. We are also going out and seeking what other people think about these issues. The purpose of the discussion paper—the reason why the discussion paper does not, for example, lay on the table a view of the state of the alliance—is that we did think that there were opportunities for other people to have a say. What we wanted to do is just to lay out what we thought the issues were in as neutral a way as possible and give other people an opportunity to get involved.

I have noted that quite a few comments over the last half an hour or hour or so have been from people asking why we did not say more clearly what we thought. The reason was that we wanted to give other people a chance to say what they thought. We think too much expression of our views can tend, if you like, to suppress the debate. We did not want to do that but it is not to say that we do not have very strong views.

Having said that, let me just make a few points about where I think the alliance is at the moment because I do think we are in an unusually interesting time. The first is that the heart of our policy on the United States alliance goes back to a series of judgments that were made essentially in the late 1960s and early 1970s about what you might call that balance between alliance and self-reliance. We go to a little bit of trouble—and we spend all of two or 2½ paragraphs in the discussion paper—explaining that bit of history because it is important. The present approach we have to the alliance and to self-reliance developed out of the particular strategic and historical circumstances of the late 1960s and early 1970s, some aspects of which Bill Tow referred to before. There is a real question as to whether those aspects continue to be appropriate today and whether the concept of self-reliance that we have developed in the 1970s and elaborated in great complexity and sophistication in the 1980s remains as relevant today when the United States is an incomparably overwhelming military force in the world and where US commitment to a very substantial global role is, I think, quite unquestioned. I think that is generally a question up for grabs. I do have my own view; I am not going to tell you what that is right now. I do have my own view, but I think that is an issue that really does need to be debated.

The other dynamic is a technological one. The technological context in which we articulated self-reliance in the seventies and eighties is very different from the technological context today, where a very important part of Australia's future war fighting capability is likely to be a range of surveillance systems, for example, which are very closely integrated with US capabilities, which build very strongly on US capabilities. The extent to which it still makes sense to say, as we have now for 10 or 15 years, that by self-reliance we mean we will not rely on the combat forces of other countries has become more complex as the notion of what counts as a combat force and what does not has become a bit more blurred as information technology has created virtual weapons systems that spread all round the globe.

Mr SNOWDON—In your introduction you talked about the capability options. You have just given us a view into the strategic insights that you might have. Can you now go back to the capability options which you talked about at the beginning and perhaps give us a discussion on how your view of strategic options influences your view about those capability options?

Mr WHITE—I will give a quick sketch. It seems to me the biggest single choice we face is the choice between, on the one hand, maintaining our previous very high-level emphasis on air and maritime capabilities, which is a focus which you are drawn towards if you think that major wars are still important, if you think the defence of Australia is still the heart of our business and if you think that willingness to work alongside our friends and allies in major conflicts is a key determinant. Those kinds of objectives draw you towards maintaining our longstanding emphasis on high-levels of air and maritime capability. And it is worth bearing in mind that one our starting points is that Australia is one of the largest maritime powers in the Asia-Pacific, way disproportionate to our population—not, I would say, disproportionate to our economic strength, but way disproportionate to our population. We are a major maritime power in Asia. The question is: do we want to stay that way?

On the other hand, there is a question as to whether or not we should significantly expand the sorts of forces we have available for lower level but still potentially very demanding operations of the sort that we have been drawn into so regularly in the last 10 years and increasingly in the last six months. It does seem to me to be a perfectly legitimate response to what has happened

to us recently that we seem to need more highly mobile light land forces ready to go at short notice, able to do tasks like East Timor and so on, than we have had available. As John Baker has said—and no-one understands these issues better than John—we have succeeded in the past in drawing very effectively from forces we have kept developed for other purposes the resources needed to do those sorts of tasks. But when East Timor came along, we found that we were stretching ourselves pretty thin. Too thin? That is not for me to say.

Certainly if you approach the challenge we face at the moment, one of the key questions you have to ask yourself is: do we want to have more land forces, light land forces, highly deployable and with the necessary support and transport and all the rest of it available? I think you can answer each of those questions in a pretty range of ways, there are a lot of different options left between them, but those are the heart of the capability aspects of the questions the discussion paper poses. It is worth saying that the discussion paper actually poses those questions in pretty much that language in the document.

CHAIR—You have touched on a pretty significant point. We might come back to that whole question of surveillance.

Mr WHITE—Yes, we can come back to some of those in the next session.

CHAIR—Professor Dibb had some fairly interesting comments to make on that publicly as well. I want to come back to a question following your last comments, Hugh. It would seem that over the last years the Army tends to be the—

Mr PRICE—Poor relation.

CHAIR—Roger said poor relation but, whatever way you like to put it, it has been consistently afforded the least in terms of equipment. I am just wondering, in light of what you have just said about the demands particularly in the last six months, whether or not the time has come to start to address that question again?

Mr WHITE—I am very conscious of the great deal of work the committee has been doing on Army recently. From my own point of view—and I do not want to sound like I am bureaucratically avoiding the issue—that depends on what our objectives are and how much money we want to spend. If we want to have a high-level of confidence of being able to maintain our very substantial air and maritime capabilities right into this century, out 10 or 20 years, and we are not prepared to spend more on defence than we are spending at the moment, then we will not be able to afford a bigger Army. It is as simple as that. In fact, we will not be able to afford the Army we have got at the moment. If we, on the other hand, want to significantly expand the capabilities, either the size or the weight of the Army, without increasing our budget, then we will need to forgo in significant ways elements of that air and maritime capability which have been correctly seen over the last 20 years as at the heart of our capacity to defend our own territory.

Another dimension that it is worth drawing attention to is that, when thinking about investment in the broader sense in land forces, you have to look at a number of different dimensions. The relationship between personnel and capital, in particular, is more complex in relation to land forces than it is in relation to air and maritime forces. The Army has a saying

that in the other forces you man the equipment; in Army you equip the man—the person. That is a pretty significant difference in psychology. In terms of our own capability choices, it relates very much to this: if we want to expand our capacity to do what you might call low-level type tasks—not necessarily undemanding tasks and particularly not necessarily undemanding on the individuals, but lower level tasks and lower intensity conflicts—then our big builds are going to be personnel builds. It is not to say we will not have some equipment builds, but what we will need to do is to make sure we have, first of all, the personnel at high-levels of readiness, ready to run at 30 days notice or less, and, secondly, the personnel to support them, to back them up and, in particular, to sustain those deployments.

If, on the other hand, we want to develop land force capabilities that will enable us to contribute to regional coalitions in major continental conflicts—the sort of scenario that Paul Dibb referred to, which is not something we have at the moment—then we in Army will be drawn into very heavy capital investments in vehicles, in aviation, in chemical and biological warfare protection, in reconnaissance capabilities and so on: much heavier capital investment in the land forces than we have seen for some years. You do have that choice between air, maritime and land but you also, within land, have a choice between what you might call a capital intensive investment and a manpower or personnel investment intensive approach, depending on what kind of forces you are after.

CHAIR—Hugh Smith, do you want to come in at this stage?

Mr SMITH—My comments were on the debate but I can perhaps relate them to what was just said.

CHAIR—Andrew Johnson, do you want to come in on that point?

Mr JOHNSON—I would like to respond to what Hugh said in some earlier comments about choice. There always is a lot of discussion when we get into the fact that there is a finite amount of money and there are a lot of things to do. People very quickly focus in on A-echelon vehicles versus ships versus aircraft. There are other choices. In fact, the comment that Steve Martin made was very useful in terms of broadening the other choices. Historically, Defence has always bought in a very traditional way: buy it, use it, scrap it when it is finished. There are three ways you can do it, though. You can buy it; you can, effectively, lease it—PFI is an example, and the Fremantle replacement is one where, effectively, you do not own it but you lease it, you hand out through-life support and let the builder take full responsibility, and then dispose of it when you have had enough and replace it again—or you do not even own it at all.

Let me give you an example of the Defence Integrated Distribution System—DIDS—talking about one of the teams on that one, with a very big trucking capability across the north of Australia. This is basically to get Defence out of its own warehousing and distribution. The question was asked: if the ADF at a time of surge doubled the amount of trucking you needed, how much difference would that really make to you nationally? The answer is 10 per cent—effectively, trivial. This is one of the trucking resources of one of the eight DIDS teams, so the sheer amount of resource in that is a very small proportion of the national infrastructure. Really, the choice we should be talking about, and that the paper that goes round should canvass, is to ask whether we can drive the dollar harder, not by saying that to have A I have to give up B but to ask whether I can have A and B by changing my buying choice between what I buy, what I

ask whether I can have A and B by changing my buying choice between what I buy, what I lease and what I do not have at all, just using what is already out there.

CHAIR—Thanks for that. Michael O'Connor, I think you wanted to come in at this stage.

Mr O'CONNOR—I just want to come back to the issue I raised earlier about terminology. We have heard a lot about maritime capabilities. What we are really talking about when we have been talking about maritime capabilities are naval capabilities, and there is a difference. East Timor was a maritime operation in that it represented the projection of a force outside Australia, the operation of that force and the sustainment of that force in place. There are a whole lot of elements of that deployment which went beyond just the operations of the troops on the ground. I think we need to be very clear about this because if you develop a broadly maritime strategy then it actually gives you a lot more options which do not derogate from the defence of Australia but which give you the ability to do a lot of other things as well, depending on what the political circumstances are of the day. Again, this is another element that we need to bear in mind.

However we formulate our force, however we structure it, we need to be able to respond to what the government of the day decides it wants the force to do. You do not construct a force that you can deploy to Somalia, but you have to have a capability to deploy, sustain and withdraw a force from Somalia with or without allies. This becomes another element of the thing in terms of self-reliance versus coalition operations. You cannot have one or the other; you have to have both. Otherwise you simply isolate yourself from the rest of the world and you deny Australia the influence that it is entitled to have by reason of the fact that it is the world's 13th largest economy, one of the world's large trading nations and an important middle power. I think we need to be much clearer on our terminology before we start making these decisions. There seems to me to be a fair amount of confusion, even in the discussion paper itself.

Mr PRICE—Hugh, being thick has considerable advantages. In terms of this feedback you are talking about and in the crudity that Paul Dibb put it, are you expecting the Australian people to come back and say, 'No, we don't want a classic tank battle in the Kimberleys, and therefore we can dispense with that capability'? Secondly, when you talk about light infantry operations, how do you factor in the force multiplier effect of some high capability within that and the protection it affords those troops that you have deployed in harm's way? I think you have paid a penalty for not really indicating to people the direction the department and the government are heading because they can tick off on some issues or disagree with you with others.

Mr WHITE—I think there are a couple of very good points there. Let me address them in two steps and in the process I want to pick up a couple of other things that people have said. The sorts of decisions that we really want that we really would like people to come to are decisions about the sorts of priorities they want to give between the big objectives. It is not necessarily the case that the most valuable contribution that will come to us out of the discussion paper process is whether or not it is a good idea to ensure that forces deployed on the peacekeeping style operations are equipped with that kind of vehicle or this kind of vehicle or whether they have medium artillery with them or not. Those are the sorts of issues that tend to be best left to the experts and indeed to the military experts, but the high-level judgment is a very important one.

Australia this year has faced for the first time for a very long time the prospect that we would run out of armed force of a particular sort. If the government had not decided at significant expense to expand the Army in November-December last year, we would not have had the forces to sustain the deployment on East Timor, to undertake the commitments we have in the Olympics, and also to keep available in Townsville a brigade or two up our sleeve in case something else goes wrong.

One of the things that were a very important part of the government's decision making in those quite difficult last few months of last year was that, however we thought about sustaining our commitment in East Timor—and, of course, we had to have a range of situations for how demanding that might be, depending on how quickly the UN could get UNTAET up and running, and so on—we needed to make sure that we did not entirely empty the wallet, that there was a bit left in there. We had to include the possibility that we might be running substantial operations as part of UNTAET, as we are in East Timor, whilst the Olympics are on, with all of the commitments that the ADF has there.

The reason these issues are a bit acute is that we have come to the bottom of the barrel, or pretty close to the bottom of the barrel, in at least one aspect of our capability. It is a legitimate question to ask the taxpayers whether or not they are interested in funding a bigger level of capability in that area and whether they are interested in funding that at the expense of spending less on, for example, our capacity to defend our own country. Australians have become used to having a very high level of capacity to defend our own territory. Our air and maritime capabilities are very substantial by regional terms. We have a very high level of confidence that we can deny our air and maritime approaches to hostile ships and aircraft. If we were going to walk away from that level of confidence in order to build up our capability to undertake more low-level type operations, then it would be a good idea if we not just let the public into our confidence but asked them whether that would be the kind of trade-off they were interested in making. After all, it seems to me that those are the sorts of trade-offs in other areas of public policy that governments consult about all the time.

Let me just pick up another couple of points in the process. Your point about what sort of weight you need for lower level operations is a very important one. I am a great believer in the proposition that my colleagues in Army put to me that, when you send an army forward, your aim is not a fair fight; your aim is to make sure that, if people start letting off live ordnance, you are in a much stronger position than the other guy is in. So I am a great believer in the value of having a degree of weight available which is greater than you would normally expect to use if the operation went as planned. That is one reason why I am perfectly content to see the maintenance of some level of tank capability in the ADF, even if we do maintain a fairly modest level of expectation, because cheap tanks are not as expensive as a lot of people think, at least not compared with a lot of other things we buy, and also because they are a great way of discouraging the other bloke, which is always a good idea. But there is a matter of degree. A level of armour and capability that would be sufficient to support the ADF effectively in lower level contingencies would be much lower than the level we would need if we were going to deploy the ADF for major land force operations in continental wars.

I would make two other points. In relation to Michael's point, when I say maritime I mean maritime, not naval. It includes air, naval, subsurface and land force components. The point about the situation we have been in recently is that we did not run out of maritime capability

with regard to East Timor; we did very nearly run out of land force capability. That is the critical issue. That is the point at which we got to the margin, so that is where the extra decisions have to be made.

I would also make a slightly parallel point in response to the issues that Andrew raised. Of course, he is absolutely right: there are lots of different ways that we can develop this capability, some of them a lot more cost effective than others, and we will be hunting as hard as we can for the most cost-effective solutions. But you do need to ask first: what are the capabilities for? That is because you might get a different answer with regard to the availability of civilian trucking if you go to the truckies and say not 'Do you mind hauling a pile of ammunition from Alice Springs to Darwin?' but 'Do you mind hauling a pallet of ammunition from point X to point Y offshore?' That is a different task, and whether you can draw that as readily from Australian industry is quite a different question. I am not saying you cannot; I would be one of those who would say we should push as much into industry as we can, but you had better make sure that you have worked out what you are asking Australian industry to do before you decide whether you can work with them to do it.

CHAIR—Thank you, Hugh.

Mr MARTIN—I have one brief comment about the financial circumstances created by East Timor and so on. There was bipartisan support for the East Timor tax which was subsequently scrapped, so there were going to be funds made available for that. That, by necessity, has to be factored into any of these sorts of discussions. That does not exist any longer.

Dr WOODMAN—Just one fundamental aspect that perhaps we are missing in the debate is what I would call the question of relativities. We are looking at a number of options now. There are the sorts of scenarios that Paul Dibb was painting about the possible problems which could come maybe in 20 years or in 30 years: can we ignore them?

If we are talking, say, about a major regional power in some way exercising muscle, there is a big question, if we are talking about what will occur in 30 years time, as to what Australia will have left to do anything about it. Ben Lambeth back in the mid-1980s said that the whole US capital equipment budget by 2050 would probably buy one B4 bomber, and forget the rest. There is no doubt that there is a dimension in regard to where we are situated now, in terms of our size, our economical potential and our technological skill, and there is a question of where realistically we can project ourselves being in 20 or 30 years time. Certainly, the choices we make should reflect whether that relativity will stay or whether that relativity will change.

I guess the same thing relates to the United States alliance. We said some things about the British being different, but the British are quite concerned about whether they can stay with the United States. If the British cannot stay with the United States, how are we staying with them? I am not saying that we cannot, but it becomes a very interesting question as to how you define the alliance arrangement and how you define your position in it. I make the point that that relative difference over the next 20 to 30 years is in fact just as important to our choices as where we stand today is.

CHAIR—I thank Peter Jennings and Geoff Barker very much for leading this discussion group and thank everyone else for their involvement. I think it has been a very valuable session.

The next one is going to be equally valuable, so I hope that people will come back. It relates to the implications for force structure.

Proceedings suspended from 12.31 p.m. to 1.30 p.m.

CHAIR—Ladies and gentlemen, we now begin the afternoon session. Thank you very much to everyone for staying on and I hope that this afternoon will be just as interesting and valuable as this morning's session has been.

Before starting again with Hugh White, I would like to thank two other people who have been integral in organising today—Leo Hogan, who has been very helpful to the committee on secondment, and Cate Byrne, who has done most of the organising of today specifically. Both of them have been of tremendous help to the committee and I would like to, on behalf of you and the committee, thank them very much for everything they have done for today.

The third session is about implications for force structure and I would hope that this is going to open up some quite strong discussion. But to kick it off, Hugh White has agreed to put 10 minutes in and then Derek Woolner will follow up with 10 minutes also.

Mr WHITE—Thank you, Mr Chairman. I thought I might expand a little on the sort of conceptual framework that I sketched out briefly in answer to a question during the earlier session. There are, of course, a million different ways of describing force structure and force structure options, so you do have to put some sort of slightly artificial framework around it; but what I will try and do is to describe it in a way which I think addresses the key choices fairly clearly and also meshes with the way in which we have presented it in the discussion paper.

I think it is not too much of an oversimplification to say that the big capability choice in front of us at the moment is the choice between maintaining our previous focus on those high-level air and maritime capabilities—air and naval capabilities—which have been at the heart of Australia's self-reliant defence posture for defending our continent these last 15 or even 20 years, on the one hand, and putting primary emphasis on a range of land force options, particularly for lower scale contingencies, on the other.

A very important point to make at the outset is that that choice described in that way is almost by definition too stark. The point that Michael O'Connor made this morning is very important, that is, you do not have options in many circumstances to deploy light scale land forces for operations outside Australia if you do not have the capability to manage the air and sea environment as you deploy them, to dominate the air environment if the circumstances require it once they are deployed and so on.

Equally, a pure maritime strategy has not yet been invented. My old colleague and friend General Sanderson used to keep on reminding me that out there in all that water I keep on talking about are lots of pieces of land and the bits of land tend to be quite important, so you cannot base a maritime strategy purely on the water and air. That, of course, is absolutely right.

Having said that, there are some choices that need to be made, and the way in which those choices I think are going to end up being articulated is going to tend to fall into those two categories. So let me describe how, viewed in that rather simple way, those three different objectives that I mentioned this morning get divided up. If we want to maintain a range of

capabilities to defend Australia, particularly against higher levels of threat, I think we will end up with a Defence Force which continues to have a very strong focus on a range of air and maritime capabilities which can together deny air and maritime approaches to hostile ships and aircraft.

It is one of the peculiarities of Australian strategic thinking, if you like, that the fundamentally maritime nature of our own strategic situation is somewhat concealed or blurred by the overwhelming land force nature of our very important military traditions. We do not tend to think of ourselves strategically as a maritime nation as naturally as we should, if you just looked at the map. We have to look at our history to understand why the Army has such a big place in our national military consciousness. But we are fundamentally a maritime country and the defence of our own continent is fundamentally a maritime task. In making our decisions about how much capability we need to do that task, we need to look at a range of issues. One is, against whom? Against what kind of forces do we want to be able to respond to resist defeat in denying air and maritime approaches? That is a very complex risk management judgment. We must make decisions about what range of possibilities we want to take account of—both the kinds of countries with which we might find ourselves in conflict and the way in which their capabilities might develop. There is a lot in that; I do not want to go into it in more detail now, but that is obviously one of the key factors.

A second question relates to how much confidence we want to have in responding. That goes in particular to the question of diversity. You could conceivably mount an effective defence of our maritime approaches simply by having a very capable air combat capability with a subordinate maritime strike capability attached to it, via air launched harpoon missiles, for example. But that would be very monodimensional. You would make it very easy for an adversary to circumvent it. You would impose very high risks of being defeated by an unexpected deficiency in your own capability. In short, a lot of the strength in our present maritime defences comes from their diversity: a very strong air combat capability; a very wide range of maritime capabilities—surface ships, submarines, P3 aircraft—a very formidable strike capability, and a very substantial intelligence and surveillance capability. All of these together provide a very robust defence capability. As we make choices about our future capability, we will have to ask to what extent we want to maintain that diversity and the strength that that gives us.

The third point worth drawing attention to is that of readiness or preparedness. Almost by definition, or at least by accepted wisdom, the capabilities we need to defend our own continent do not need to be kept at very high levels of readiness because nobody expects such a contingency to arise at short notice. That has given rise to a doctrine of warning time which has been quite important in our defence planning in recent decades. On the other hand, you do have to be very careful in using a warning time doctrine to make sure you have identified at what point you think warning of a conflict begins and exactly how you respond to it. It tends to be easier to say that you do not expect a threat, say, for 10 years than to find the point at which you think that 10 years has started to tick, and respond to it effectively. One of the questions we will have to look at is what sort of status we want to give to the concept of warning time in thinking of defending our own continent.

The second category is capabilities for regional conflict, that is, to make contributions to regional coalitions. There are a couple of points I want to make about it. The first is that, in

thinking about that, we will need to make some choices as to whether we think the most natural kind of contribution is in the air and maritime area or the land area. Some of the comments this morning rightly pointed out that for Australia to have an ADF that was across the board capable of operating in high intensity conflict, say, in North-East Asia, would be very demanding. But, of course, when you are in the coalition contribution business you do not have to have such a wide range of capabilities. You can make a niche contribution; you can contribute this kind of force or that kind of force. So the question for us is not really whether we want to be able send the whole of the ADF to very high-level conflicts far from here, but do we want to have a contribution or a number of contributions? How many different types of contributions do we want to have available and what contribution would we rather make?

If you make a strike contribution—for example, send the F111s—you are putting yourself in a position of being very deeply involved in what could only be described as at a strategically unambiguous level: you are right there at the front line, dropping bombs on other people's territory. That might be what Australia wants to do but it is certainly a high end option that governments would need to think about very carefully. On the other hand, if you decide to send land forces you are, to be blunt, risking much higher casualties than you would if you decided to send a strike capability where the number of personnel at risk is almost by definition significantly lower, and so on. There is a very wide range of choices you can make, but you do need to make sure that, if the government wants those kinds of options, we have invested in the kinds of capabilities that are required to provide them.

One last point on the capabilities for regional conflict is that, whether you decide you want to have a land force focus or an air and maritime force focus in your ability to contribute, you do need to recognise, I think, that the closer to home you get, the bigger contribution you are going to want to make. So we might decide that whilst, for example, having a fairly narrow range of options to contribute to conflicts in North-East Asia, say, is acceptable, you would want to have a bigger range of options to contribute to conflicts in South-East Asia and a bigger range still of options to contribute to coalitions in our own immediate approaches where our interests would be much more directly engaged, and so on.

Lastly, I want to talk briefly about capabilities for peacekeeping operations, humanitarian operations and so on—those lower intensity operations and conflicts that we talked about. As we mentioned this morning, there are two dimensions of these. There is a maritime and air dimension—you do need the forces to back up, support and deploy—but overwhelmingly the demands come in at the lighter end, particularly light scale land forces. There we are going to face four kinds of choices. The first is readiness, that is, how many forces, how much capability do you want available to move at short notice, say, at 30 days or less? This is obviously a key issue. We have, roughly speaking, double the amount of land forces available at 30 days or less starting from February last year. That proved to be a critical decision in enabling us to undertake operations in East Timor. Whether we want to maintain that level of readiness is a very important question. I would just make the observation that I would guess our land force at the moment has a higher proportion of its personnel at very short notice to move, or actually on deployment, than most other armies around the world.

The second issue is sustainability—not just the capability of how quickly can you go but how long can you stay. Particularly when you look at deployments that might last for more than six months—and some types of operations, including peacekeeping operations, typically do last for

longer than six months, and sometimes for some years—you need to build into your structure the capability not just to send people but to keep them there. That does become enormously demanding of personnel, as we have discovered in relation to East Timor.

The third is a question of deployability: how quickly can you move them, how securely can you move them, how can you protect them when they are in transit? Moving land forces around our own environment, for example, our own nearer region, particularly if you are facing a potential maritime adversary, is extremely dangerous and it places a lot of demands, particularly on our surface capabilities, our amphibious ships and so on. We need to have a strong focus on deployability. It also places strong demands on our airlift capability. The Hercules C130s are one of the absolute workhorses of the ADF; they are always used to the hilt. They can be called upon to do extraordinary and demanding things, as they were in East Timor last year. They are also very expensive. They are one of the most expensive single capabilities in the ADF and you never have enough of them. So judgments about deployability are a very important part of this calculation.

The fourth issue is weight: how much firepower do we think our forces need to do these tasks? It is in the firepower area particularly that the capital issues start becoming important. For example, we are looking at the moment at a project to provide Army with a fire support helicopter capability, with a range of capabilities from relatively modest to very substantial, and there is a very significant difference in costs attached to them. It will be very important in making those sorts of decisions that we decide just how much weight and firepower we think people need to be able to take with them. Drawn out of that is a whole series of choices. My own calculation is that we have somewhere between 20 and 24 major capability choices to make in this white paper, and they will all have to draw back directly the sorts of issues I have just mentioned there.

CHAIR—Thank you, Hugh. I welcome Senator Schacht, also a member of the committee here. Derek, would you like to add something on this whole question of force structure.

Mr WOOLNER—I would like to start off on the note I mentioned this morning: the reality of where we are coming from, where we are and what that does to where we might go. We should all be very clear that one of the strongest reasons that is driving this whole process is the extreme demand on the budget being made by ADF personnel costs. That is a function of what you might call a clash of government policies. There is a public sector policy on pay rate increases which clashes with the requirement for military capability. That produces an effect that, if no change in approach were taken in this white paper—and we will presume, for the case of this argument, that it will not be—would leave an amount of almost $4 billion that the ADF would have to find from other areas of its budget simply to pay personnel costs. The tangible effect of this would be that, if for instance you were to find all of those funds from capital equipment, by about the year 2009 there would be no money left for purchasing capital equipment. All the arguments and discussions about appropriate force structure would come to a grinding halt. In fact, there would be a much higher level of public involvement in the defence debate as people realised that this was the situation we were coming into.

The first reality of this review is that, when the Prime Minister announces real increases in the defence budget in May 2001, the first one per cent of any real rise will go towards paying those unfunded costs of personnel. Through the next 20 years a figure of between one per cent

and about 1.7 per cent of any real rise in the defence budget will go towards paying those unfunded costs of personnel. We have recently heard of initiatives to reduce those numbers, and the question is: will all this make a significant difference? The answer is no. Those cuts of about 5,500 military personnel and 2,000 civilian personnel will reduce the defence budget by about five per cent in, let us say, each of the two years it might take to implement such cuts. That does not make a great deal of difference to the overall compounding effect of the difference between what the government is giving Defence to compensate for wage rises and what Defence has to find within its own budget over that 20-year cycle. So we have to ask ourselves whether there are more significant reductions than this that are possible if this formula is to be changed. I think you have to say that, from the point of view of the committee's inquiry, at the moment Army does not look to be a prudent source for finding such manpower reductions.

The committee has already heard from Chief of Army on the inadequacy of Army's enabling force and the contrast he likes to make between Army's requirement for a bigger enabling force and not quite so much emphasis on the sharp end because it is the enabling force that drives the sharp end. Again, the strategic situation in Australia's immediate region would seem to be less conducive to such an approach. Given that I would describe the surprises that you get from the so-called arc of instability as more like those that give you a bad afternoon rather than a bad week, the problem we face is that any contingency that may cause us to deploy forces into that region is likely to last for several years, and there is no other strategic depth in the region that we can call on. Fiji is unlikely to be available for quite a few more years now. If you remember the experience in Bougainville, the New Zealanders were only able to last there a little more than a year before the whole weight of that operation was turned over to the ADF, and it has been with us ever since. So you have to ask: if not in Army, can you reduce personnel in Navy or Air Force? You could say that it would take a pretty radical restructure of either, although it is possible to visualise the Air Force consisting of a few thousand pilots, combat area maintainers and air defence units, with qualifications for staying on being the basis for selection for senior leadership or as a promising contract manager. That is a possibility that may be promoted through initiatives such as PFI, but again you would have to say that it appears to be a much more radical option than government has been prepared to look at so far.

I think you have to say that the cost pressures that are currently running in the budget and putting a lot of the urgency behind the current review are likely to remain. They are likely to remain over the whole 20 years of this period when we are considering the restructuring of the Australian Defence Force. Let us ask: what help does the green paper give us in deciding the force structure options that we might look at? At one level you can say not much at all. That is quite unexceptional because in the past we found it very difficult to link our general overview of the strategic situation to specific force structuring objectives. At a very high level, you can say that the decisions made will influence the level of capability that you want to develop—for instance, a decision that we wanted the options to deploy a force into the area irrespective of the opinions of neighbouring governments. But, given that no Australian government is ever likely to endorse such an option, we find ourselves limited to a range of fairly conventional choices.

The structure of the green paper does not really help you very much in focusing on them beyond the level that Hugh has outlined in terms of fairly broad choices. In fact, I think that the choice of roles for the ADF—the three broad categories that Hugh has mentioned—are not really useful when you come down to the hard nuts and bolts of force structuring. It is simply because well-developed forces are not exclusive in their uses and options. As General Baker has

outlined, you can expect to find adequate levels of capability for all tasks coming from a well-developed and capable force. Those categories may force us to focus on priorities in particular areas, and you might pick something like amphibious resupply as being one. But, in reality, in terms of military options and effects delivered on the ground, we are not talking of huge differences given that no-one I know of is talking about capacity to insert forces across the beachhead in an opposed landing; we are not talking of that degree of difference. So you can expect and probably will find that there will be consistent debate within the defence department about what level of capable force development is required. It will not be guided by the roles of the three choices; it will be guided by the flexibility of a well-developed force structure to contribute to each of those choices.

There is also a degree of ambiguity where the green paper does mention the development of technology in the region as a driver for decision making and force structure. But this approach is far too undifferentiated to be useful. As recent ministers have acknowledged, in fact most of what we can genuinely consider as a fairly measured capability development, particularly in the South-East Asian region, has been of benefit to Australia's strategic situation. While that is the case—and given that we are aware of the difference in planning between considering capability and intent—what that implies is that in many cases we are going to find it difficult to see the intent of many regional countries as changing towards Australia in a way that is militarily significant and, even if it did, the development of a context within the near region where that region was cohesively united against Australia. So it does not give you much of a hook on which to hang your force structure requirements by simply looking at regional capabilities. You have to get far more specific. You have to look at the effects you want to deliver with the capabilities you are delivering before you can make informed choices on which way you want force structure to go.

For instance, if we consider in general terms that what we want is the ability to deploy naval forces into the area and that we are worried about possible aerial hostile threats, you cannot simply conclude from that that what you want to do is develop an air defence destroyer. You have to look at the various options that are available and the alternative ways of delivering power for structure capability that allows you to have the desired effect, which is to suppress the hostile air threat. I know all this goes beyond and deeper than the levels that the green paper has attempted to reach, but I do not think we are going to come to sensible conclusions unless we are considering the issues at that level of depth.

I think we need also to strongly consider other issues in force structure planning that generally have not been involved in the issue to date, particularly with regard to personnel capabilities. Too much of our force structure development in the past has been equipment oriented and has not in fact delivered force capability. Those of you who are aware of a recent audit report will know that the RAAF has currently some 50 pilots to support that. That is not a one-off issue. Most people who have followed the issue will know that there has been a chronic shortage of fighter pilots in the area. It leads you to ask where we are developing capability structures, looking at the deployment of fighters that are capable of operating with crews of two or three, why it is that we are not actually putting the whole capability mixture into the equation and debating whether in fact a fewer number of platforms, and perhaps alternatively funded approaches for supplying the personnel that these platforms need, are going to be taken as the focus for our force structure development.

They are the main comments I have on the relevance of the green paper and the alternatives we ought to be looking at. I just conclude by saying that, as it is outlined in the green paper, the $80 billion to $110 billion said to be the cost of ongoing capital equipment is very replacement oriented. If we are going to look at options for as yet inadequately developed or non-existing capabilities such as the committee is considering in the terms of what additional capabilities Army ought to have, it is pretty apparent that there will have to be changes or alterations in the disbursement of those funds if those developments are going to be possible.

CHAIR—Thank you very much, Derek. I think you have touched on some of the issues that encapsulate both what was said this morning and this afternoon. You talk about the need to be more specific before you can define the force structure, as was pointed out by Hugh this morning. We still have that challenge to try to define what we have to get ready for and, in any case, are we able to ever be quite so specific? I think that gets a bit of debate going. I think General Baker is looking at me. I am sure he wants to have a few words here.

Gen. BAKER—I think we are now touching on some very difficult and complex issues. I am not sure that we are asking the right questions of the general public. I think they all ought to be very well informed to know what the issues are. But even as a serving officer in the Defence Force, I could not develop finite views on some of the issues that Hugh is putting ahead of us. They are very complex and very difficult. I think we need to be careful that we are asking the community to comment on things which are relevant to the information that is available to them and for them to comment wisely and sensibly. That is not to say that we should not inform them about all of these issues; I think we should.

I have a real concern about the options as laid out in the paper. I think they are slightly misleading. I draw a distinction between the basis of structuring your force and how you use that force to deal with particular situations. The real options that Australia has in the long term are not about how we structure our force but about how we use it—about the specific capabilities, about readiness, about size, about the emphasis in our training and those sorts of issues.

I am a strong proponent of structuring around the self-reliant defence of Australia, and let me lay out why that is. Australia feels secure only because we have in regional terms a superiority in military capability. Downgrade those capabilities and our sense of security immediately begins to diminish, and we would reach a point where it would no longer be valid to say that we face no short-term serious threat. That is the fundamental responsibility of government, in my view—to provide that sense of security. Without that sense of security, options for employment of the Australian Defence Force further afield are immediately constrained.

As CDF, I was very concerned about deploying forces to peacekeeping operations without having in reserve heavier elements that you could use for their support, should the situation go bad. So it is not simply a matter of structuring forces for peacekeeping operations. You need the ability to support them in a whole range of operations, to give you confidence that they can carry out the mission in situations that might develop in ways that you do not expect.

I think we should be realistic about contingencies in North-East Asia we talk about. Let me say to you that, with the sorts of capabilities that Australia is likely to have, the military contribution we can make to military success in a contingency in North-East Asia is minuscule.

It might be useful, but it will not affect the outcome of the conflict militarily. What it will affect is the political international aspects of the conflict. Look at the Gulf War as the classic example, where we committed ships and other things which militarily had little direct influence on the outcome but was politically essential; and that is the situation we have in North-East Asia.

Similarly, closer to home, I find it difficult to envisage situations in which we will contribute to serious regional contingencies without an invitation to do so. And we will not be on our own; we will be part of a coalition and we again will have some degree of discretion as to what we deploy, but not the same degree of discretion as you have in, say, North-East Asia.

All of that says to me that the forces you develop for the defence of Australia will provide us with a range of capabilities which we can use to meet the other two options. What is important is that within that force structure we put emphasis on how we see the government wanting to use that force; and you can use a conventional military force in a whole range of ways. I believe we have demonstrated that over the last 10 years. The success of the Australian Defence Force in peacekeeping operations depended on the wide range of skills and capabilities that we had and on the skills of the individuals designed around conventional military operations, not designed around peacekeeping as a structural basis; and I think that is a very important issue.

The issues that I see that we ought to be discussing in terms of force structure—and Hugh mentioned a few of these—are: what degree of readiness do we require? Where is the balance between full-time and part-time? How much are we going to rely on the civil community for its support functions, both within and outside Australia, to enable the military people to concentrate on those functions which only military can perform, that is, the exercise of violence? They are the issues on which I believe the Australian community can have a view, and having community support in those areas will be essential for getting the level of commitment, financial and otherwise, that we need from government and the community as a whole. So I think we have distorted the argument a little bit. I do not deny all the issues that Hugh raised; I think they are real issues. But are we asking the right questions of the community?

CHAIR—Thank you very much, General Baker. Hugh, I would like to go back to something that General Baker raised—the importance of strike capability versus land forces. One of the factors that I wonder whether you have been looking at is the degree of community tolerance. With land forces, as you have pointed out, you would have more casualties. Do you see that community tolerance has changed—particularly from the days of the Vietnam War onwards where television brought news into everyone's living room daily and a very different perspective was developed?

Mr WHITE—I think that is a very important issue and, obviously, quite a sensitive one, so I would like to stress that the views I give here are very much my own. I think that societies like Australia, including Australia, are enormously careful of human life—and that is just a starting point we have got to be very conscious of. In our own country and in our own history, and even in this town, the War Memorial is a very salutary reminder of just how careful we have to be of those issues. On the other hand, I must say that I do not myself see in Australia an unwillingness to accept casualties where vital interests are at stake.

I might make the observation that a lot of people believe that the United States has lost the willingness to take casualties. I do not think that is true. I think all countries, all governments, are, rightly, extremely careful about the way they use armed force and use it as much as possible to minimise casualties—and I would never criticise a government for that—and I think the United States has done that. But I do not think the United States or Australia has, if you like, lost the willingness to take the risk of casualties when very important vital interests are at stake. I can say that, from my own experience of working with governments at the time of some very difficult choices in that regard—governments of both political persuasions, I might say—I have seen them exercise great courage, as well as great realism, in accepting those risks.

Having said that, you do, of course, want to look for those options that give you the most result for the least risk and, for a country like Australia with a small population, that is obviously a particularly important issue for us. I do think it is a very significant factor in our thinking about these things that we aim—if I can put it this way—to make the government's choice and the country's choice as easy as possible when the time comes by offering options which have the lowest contingent risk, the lowest danger of casualties available. That goes both to the type of capability you deploy—labour or personnel intensive versus capital intensive—and also how good they are. You want to make sure that, if you are going to deploy forces into complex and dangerous situations, they are as well equipped as possible to survive that.

I will also make one additional point: as a member, if I can call it that, of the Vietnam generation, I am struck by how public opinion in Western societies, including those like Australia and the United States who were there, seems to have moved away from—if I can risk making a personal comment—and forgotten the lesson of Vietnam. That is that often, or sometimes at least, deployments of combat forces overseas is a very costly, very contentious and very difficult thing. One of the reasons why I support a great deal of what General Baker said is that I do think that structuring a force around the presumption that the most important thing to do is to send it overseas rather than to defend your own territory, where it takes risks with the scale and robustness of community support for what you are doing, is potentially quite unwise. We have been fortunate that the very substantial and sometimes very complex operations we have undertaken overseas in the last decade have not resulted in substantial Australian casualties, but we should not take that for granted. If we keep deploying overseas at the pace and intensity that we have for the last 10 years, it is only a matter of time before our luck runs out.

CHAIR—On that sobering note, Hugh Smith, would you like to add something?

Prof. SMITH—Thank you, Mr Chairman. I certainly agree with those previous remarks that democracies will accept casualties if vital interests are at stake. That is why the Americans were prepared to face 5,000 to 10,000 casualty deaths—polls suggest that—over the Gulf War; they did not like any deaths in Somalia. The other criterion I would add, though, is that you need bipartisanship—a degree of consensus among the elite, the opinion leaders—on the value of the commitment. If there is division there, that will create anxiety and concern in the community.

I would like to go on to a couple of other points, while I have the floor—one on personnel and one on reserves. I am a little worried that personnel are coming to be seen as a real cost burden. Derek's figures are certainly important. The concern arises partly because it seems a lot easier to shed personnel, to get them out of uniform, than to shed physical military capabilities.

We have already seen, the very week of the defence discussion paper being launched, a further reduction of 2,000 uniformed personnel. That will have a wider impact; it will send a message to potential recruits that it is a declining profession and that the government wants to get rid of people rather than recruit people. It will also increase the pressure on people in uniform. In the words of a former colleague of mine, 'You'll get a force that is lean, mean and vulnerable'—a force where people are running very hard to sustain the effort, where they really cannot afford time out and where there will be less time to send them to colleges for broader career development, for education and so on, which I think would be a grave mistake.

The other brief comment is on reserves, which I notice only receive about two-thirds of a page in the discussion paper, which is about par for the course. I think that is an area we do need to look very carefully at. Reserves do give you a degree of flexibility; they do give you some dollar savings if they are used sensibly. I have spoken to the subcommittee before about my thoughts on the reserve. Basically, I think we need to start with a clean sheet of paper and ask what we want of our reserves. I do not think you will get a solution by legislation. It is all very well saying, 'We'll broaden the number of scenarios in which we can call out the reserves.' It is all very well to say, 'We'll give them employment protection.' But if people are not available without huge personal disruption and employment disruption, if governments are simply not prepared to wear that, then you might as well not have any reserves. So I would like to see as one of the central themes, in whatever debate we have about defence and priorities, some focus on how to solve the problem of reserves, which governments basically have not used in any major way.

Mr PRICE—I just want to follow up that and say, without reflecting on the reserves, who I think are a very dedicated bunch, that they are really a phantom army. I have never been acquainted with the military doctrine of slot theory, that is, you have reserves to fill holes in your formed units in the full-time Army. If we are going to accept the discipline of readiness, which we tend to often think of in terms of reserves, it actually applies somewhat more harshly, I think, in terms of the full-time Army; that is, we may be required to have fewer full-time people in the Army, but with the proviso that you can have appropriately ready reserves that are capable of being deployed, particularly in a rotation sense.

You have certainly also got the other development, that is, the glamour units get deployed straightaway—the medicos and the dentists and the lawyers and what have you. But if I could give an Air Force example, what is it about flying Caribous or even Hercules that actually requires someone in the full-time service? Last but not least, I do not think we have really thought through, or got the answers about, what the community is prepared to sustain in terms of supporting reservists. I think the term 'reserve' is really very much a misnomer. It means to hold back. In fact, what we need is to have them thrown forward. I would be very interested in a response to that.

Mr O'CONNOR—I would like to develop further a point that Hugh made about public support for a commitment. The problem is that you get public support for a commitment like East Timor—and, for that matter, for Vietnam, as some of us older codgers in the place would recall—but that public support has to be sustained, and actively sustained. My strongest recollection of the late 1960s is that there was very little sustainment coming at the political level from the government, so the hostility gained the whole attention of the community. This relates to the casualties factor. If we had had casualties in East Timor or if the conflict had been

more intense, I suspect we would have seen a fair degree of pressure to withdraw, regardless of consequences.

The rhetoric here is important. I was much struck a couple of years ago in the States, just before Kosovo, that the chairman of the joint chiefs of staff was on television addressing a congressional committee and saying that the United States would do whatever was necessary but would not risk a single American life. When your top military adviser to the government says that to the whole community you have got a real problem, not just then but for the future. That is the sort of statement that will come back and haunt military planners, haunt governments and constrain a lot of your freedom of action.

Mr WOOLNER—I would like to take up the issue of personnel and say a bit on the reserves. Referring to personnel does have an element of the pejorative about it, but what we need to consider as important in taking personnel as a bunch is not just the people themselves but the whole collection of training experience arrangements, organisations and so on that they are in, that actually provides them the skill and judgment and goes through, in the ultimate, to providing the sort of military insights and judgments that enable you to deploy those bits of kit that you get in the most effective way.

One thing we do not seem to have done very well in looking at the higher end of the technology is deciding just how much of it we need to be able to sustain that sort of capability so that, given that it is less likely and given that it would have to be expanded, we actually have the skills, the wherewithal, the insights that enable people to use, say, fighter forces or naval surface forces in the most effective way. It is important to understand that, because we do not actually have a real capability in those areas—again getting back to personnel, because there are ongoing and significant shortages in trained personnel to make them operate. It is the case in all three services and it is another point that the ANAO has brought out, with the significant shortages in personnel across the board.

That is why I suggested that in our force structure development we try and get a little bit more away from an equipment based approach to it and that we actually start looking at some options that fund the retention of personnel and, if necessary, fund the retention of those skills in reserves. One of the things we may find in a world where major companies are becoming more globalised and have less identification with national objectives is that paying for the bottom line is something we have to do. You might see, for instance, an idea where we could actually pay Qantas for the six weeks a year, or whatever is required, to keep ex-RAAF pilots in currency. Then you would have to start funding that into your capability development and assessing the cost of that against the costs of higher rates for full-time people and so on. I agree with you that it is important that we actually look at personnel in a much more holistic sense. In the end, they are what sustains the capability.

Mr STUART—It seems to me that these are really the key issues. Some of them will go beyond the white paper; the solutions will have to be generated by the various defence chiefs. Nevertheless, with respect to personnel reforms, why, for example, does it cost us a couple of hundred thousand dollars to train every junior officer—

Mr PRICE—It was $331,000 as at 1995.

Mr STUART—Thank you. Why does it cost that much for each junior officer when virtually no other Western developed country produces their officers in the way that we do? They may have a small number going through a long program, but very few. It seems to me that it is that sort of micro reform, carrying the defence reform program into the actual services, finding new ways of accomplishing the tasks that are set out by the white paper, that is really going to be a significant product of this entire process.

The other thing that I would be quite keen for us not to lose sight of is the fact that, for example, we have had the dichotomy of threats which are vital to Australia, which obviously we must defend against—threats, for example, that are countered inevitably by replacement FA18 fighters or the F111s, our strike capacity. But I think the majority of Australians see the threat of boat people landing on our shores as being a far more significant one and they expect the Army, Navy or Air Force to be dealing with this. These people are affecting the integrity of Australia and we expect the services to provide us with a defence.

No-one yet has discussed the replacement of the patrol boats. That is a vital immediate step of capacity that it seems to me that the Defence Force has got to immediately focus on. Similarly, with our missions, our tasks that we want to give to the forces, we have this arc of instability to our near north. Possibly, one of the ways in which we will be better able to turn that into an arc of stability is by deploying forward engineers, civil affairs units which are not converted artillerymen, but other units like that which can go in and provide a degree of assistance to turn that from being an arc of instability into a stable, forward base that provides protection as well. I think it is important that we keep the discussion broad and keep the parameters so that once we get the white paper we look at the solutions particularly broadly, to come up with as many different ways of achieving a result as we can.

Major Gen. CLUNIES-ROSS—I was going to talk about the reserves. I will in a minute, but I have to take issue with one of those statements about officer training—that we train our officers in a totally different way from everyone else. I do not really see that to be the case. If the reference is to ADFA, then, certainly, that is slightly different. But, for instance, the United States, for all its officer corps, navy, army and air force, has a four-year course which is substantially academic and partly military. That seems to me to be pretty much the same sort of structure that we have in this country. We do produce officers at Duntroon in an 18-month period, which is very similar to many other countries in the Western world. So the only reference could be to ADFA, could it not?

Mr STUART—Yes. At West Point, where they produce army officers, for example, that is definitely a longer course, but on the other hand it is a small percentage of the officer body.

Major Gen. CLUNIES-ROSS—That is true. I was going to talk about the reserves, Mr Chairman. I think the point that was made by Derek on personnel was a very valid one. We are getting to a point now where, whenever we believe we have to save a bit of money, we get rid of personnel. We have got to a point where we are heading towards having about 48,000 in the Defence Force. I regard that as an unsustainable level for the three regular services but what the actual size ought to be is, of course, a question for debate. I certainly do not think we can go any further. Quite often people talk about the reserves as being the solution to the problem. Theoretically, that may be the case but if the reserves are going to be the solution to the problem we are going to have to do something differently from what we have been doing in the past.

Mr PRICE—Absolutely.

Major Gen. CLUNIES-ROSS—Certainly in the Army we have always regarded the reserves as a mobilisation asset—some people that we can call up in due course and get them into the field in six to nine months or whatever. If we are talking about using the reserves in any significant sense, particularly in an army sense for deployable units, then we are going to come up with a totally different way of looking at the reserves. We are going to have to come up with a totally different way of looking at reserve training because under the current situation we certainly could not deploy reserve units in any short space of time. Sure, we can use reserves in many specialist areas—doctors and in other ways, perhaps pilots—and there is no question about that. We talk quite often about this reserve business as if it were the simple solution to the regular manpower problem. I do no believe it is such a simple solution as is generally made out. We are really going to have to come up with different ways of doing things if that is going to be any solution at all.

CHAIR—Thank you. Senator Quirke wants to ask a couple of questions.

Senator QUIRKE—I want to pick up from where the major general has just left off. Maybe we really need to crystal ball gaze. Maybe that is not an appropriate term for it, but I mean that what we have to ask is: what sort of defence force structure do we want presumably in 15 to 30 years time? I think the issue of that is something that has broad community support out there. People may be worried about boat persons and a number of things but the one thing they will absolutely demand if this country is under threat is that we have a potent and effective defence force to deal with that situation. It may well be the case that in the world in the future there will be rogue states that may eventuate in our end of the world and we will be expected to make a sizeable contribution to countering those threats. But I think the one thing that we absolutely must have is an effective, professional armed force that is capable of doing its utmost to defend this country. That is what the community is gong to demand.

I heard this morning people talking about different age groups. Sadly, I am not in the age group that was mentioned last and I have not been in it for a number of years. I think you will find across the board that the community probably will not think much about defence because, quite frankly, it is not going to be the first thing they are going to talk about. But, if the need comes or if the situation arises, they will have high expectations, as indeed they had last year for INTERFET and East Timor, albeit East Timor was probably not on our radar scope until fairly recently. But that is the sort of conflict that we got involved in last year, and I think it is appropriate to say that since the end of the Cold War we have actually seen the world become less stable and more dangerous, and indeed in the future that could affect us.

The major general made some good comments about the reserves. One of the things that I find interesting about this is that without the reserves effectively the forces really could not do their job. Quite frankly, we are already reliant on a number of skills in the reserves to be brought in—in short order or further down the track—to enable the armed forces to do their job. The medical area is one that is obvious. As I understand it, without civilian personnel that come in as reserves, we would not have a medical team at all. As I understand it, we do not even have one surgical team within the Army, so it is totally reliant on that.

We are going to have to ask the hard question: what is the cost of our broad strategy on reserves? Mention was made of pilots, which is an eminently sensible use of reserves. But it is the case—and when we saw this video this morning, we saw that we had two brigades of roughly 3,000 men, although I seem to remember that last year when we wanted them they were a bit short on the 3,000 men—that we do have two brigades of front-line troops whom we would use in a conflict that may emerge quickly. What we also find out, of course, is that there are about 8,000 or 9,000 other combat ready troops, possibly even more still, who are in part units all over the place waiting for the mobilisation order to bring the reserves in to train them and bring them up to speed in whatever time frame that is, whether it is nine months or whether it is two years. The fact of the matter is that any conflict we are likely to get into is not going to give us that sort of time frame. I think East Timor proved that.

We really need to have a look at the role of the reserves and where they dovetail into the Army and into the other forces because we have 8,000 or more troops out there just hanging around waiting for the reserves to come in so that we can build these formations. This is the logic that is left over from the great conflicts of World War I and World War II, when we needed mass armies of not necessarily highly trained men at that stage to go and fight on the plains of western Europe. The reality is that we are probably never going to get into a conflict like that again. The nature of the conflict will be very different, and it is almost impossible to think of a conflict where we would need a large, mass citizen army.

So we need to look at the whole role of the reserves. It is a vital role. Without them, we would not have the ability to forward deploy or even deploy within Australia to defend this country. At the end of the day, we also have to say that we are tying up a lot of resources right now. We are tying up a lot of manpower—and womanpower too—in the professional Army with this view that, at some stage in the future, we will need a large citizen army. Basically, last year we would have been better served by having two more brigades ready to extend the deployment in East Timor, if that had been necessary, or, dare I say it, if things had gotten really nasty up there, to have had another couple of brigades to go in and support INTERFET. I think, in essence, that is the message that we have to look at.

I want to finish off by saying here that we need to look at a highly trained force—it is the way things are going—that is basically professional in nature and that is supported by relevant reserve units. That is where we should be aiming our money. I would like to think that there would be the political support out there for increasing defence budgets to be able to achieve all the capabilities we want, but I know better. You might get it for a year or two, if you are lucky. Last year we were talking about increasing the defence budget, we were talking about bridging the problems of planned obsolescence and all the rest of it, and in the last week or so we found out that the armed forces were actually going to be reduced in size. I do not think the political support for defence, particularly when it is not a big issue out there, will be there for the 10, 15 or 20 years that are going to be necessary for it.

CHAIR—Thank you, Senator Quirke. Professor Tow, I think you wanted to say something.

Prof. TOW—When I hear all of the rhetoric about high expectations and that we only expect the best, there is an involuntary shiver that goes down the back of my spine because, in about two-thirds of the cases of the 90 students that I have in my security class, their expectations are not going to be met this semester. I have just finished marking the final exam—but that is

another story. I hope I am not inappropriately undercutting the morale of the future security community in Australia.

I want to go back to something that General Baker said because I think he has come up with what I consider to be the crux of the problem in trying to calculate your emphasis on force capabilities with the axiom of 'politics always gets in the way'. I guess I am one of the few on record as indicating that we probably do have to have something to do with North-East Asia and that we probably have to do something fairly effective. The reason for that is not so much a military reason but rather that the Yanks say essentially that that is what we have to do.

Essentially there are policy makers on the record in the United States, as well as independent analysts who will be policy makers if the political complexion of the administration changes after the election in November, that indicate that, by God, we had better support the United States in contingency A or contingency B or otherwise there is going to be hell to pay. That is a political problem, it seems to me, which impinges directly on some of the force calculations that we have to make.

I do not know specifically how that impinges on the force calculations, and fortunately I am not paid to actually provide the answer to that. I am a lowly academic who can pretty much say what I want and will not be taken seriously. But, unfortunately, the folk in policy making decisions are paid to essentially make that type of decision. So I am wondering if either General Baker or someone else could come back and say, 'Yes, we expect the best. Yes, in an ideal world the configuration of getting to the best does not necessarily add up to prioritising contingencies outside the arc of crisis or whatever you want to call it. But on the other hand our friends are essentially expecting us to be there and to do something.' So I am just wondering how that question might be answered.

CHAIR—General Baker, are you going to take that?

Gen. BAKER—Yes, Mr Chairman. I think there are some important dimensions to this, and let me say at the outset that there is no way we will commit before the event to operations in North-East Asia. That is always a decision for a democratically elected government that will take on the circumstances at the time. It is important from our viewpoint that the US stays engaged in Asia because that is a fundamental factor for the stability of our whole region and we ought to do what we can in supporting the Americans to maintain their involvement in Asia. One way we can do that is by being totally capable of looking after the events that occur in our closer region so that the Americans can concentrate their attention on the more substantial contingencies further apart. So it is not an either or. We can contribute to the American interest by looking after our own immediate strategic region, and I think that needs to be clearly understood.

I also believe that, given the geography of Australia, given the sorts of capabilities that we might be able to deal with close to home in the defence of Australia, we will have some options for the government to contribute, should it decide to do so, to contingencies in North-East Asia. But, as I said before, the primary reason for contributing them will be in the international diplomatic political sphere, because they will not be of a size that will change the result of that conflict, and we need to clearly understand the limitations of Australian power no matter how much we spend. We are not in that league, full stop.

CHAIR—Okay.

Mr WOOLNER—It is worth while underlining the point that General Baker made earlier in that it is quite legitimate for armed forces to be used for political purposes. It happens all the time for a range of issues. But, as he said, there is a difference between the deployment of the force and the structuring of the force. I think it would be very rare that you would find a force structured for political purposes that would long maintain its military credibility.

Senator SCHACHT—First of all I want to apologise for missing the morning session, and some of my comments may relate more to what happened in discussion this morning, but this one is about the force structure. I think if you are trying to convince the public—politicians as well, but the public—on structure, you have obviously got to keep it reasonably simple. I have been sitting on the Senate estimates committee now since 1987 covering defence, as well as for three years on this committee, and have seen documents such as this one that governments of both sides have produced. When you get to the back, it lists all our equipment and capability, and sometimes I think the description is actually written after they have put the picture in so that it fits the description of 'this is the excuse for the equipment'.

I apologise for my ignorance in being able to sort out the difference—and even here it is not clear to me—between a guided missile destroyer and a guided missile frigate. When you see the role description, they ought to give an award to somebody for finding out how they can describe two different functions for something that looks the same to me.

It just comes back to what I have pictured. Senator Quirke raised it also. Do we need, on the Army side, more troops available for those immediate emergencies—more brigades available? One thing that has always struck me about the estimates process is that there is a blue always going on in Defence about this whereby Navy and Air Force gang up on the Army over equipment and capability and usually two votes beat one around the table. When I have asked, 'How do we actually make those decisions? Where is the vote taken to decide this?' I get a confused and obfuscating level of discussion or explanation. I do not think it makes it easier for politicians, if we cannot understand it, to explain to the public why these various equipment choices are being made.

I would like to see, in sorting out the capability, something that is understandable to the policy makers and to the public. I do not think we have had that clearly enunciated because, once you get underneath it a bit, the different agendas are being run for various reasons. Do we need all the capital equipment we have at the moment? Do we need a dozen Anzac frigates? Do we need six Collins class submarines? Do we need Leopard tanks, et cetera? In all the recent adventures we have been involved in, it has basically been soldiers and boots and guns landed somewhere with the help of the Navy and Air Force, that is true. All the rest of it—was it really necessary?

I say that in a provocative way because, if we are going to talk about a structure, I would like to get to the bottom of what we actually need. Or are we going to have a potpourri of bits and pieces of everything so that every bit of the armed forces—the Navy, the Army and the Air Force—cannot get a complete match with what they want, but we will give them all 25 per cent of what they want. So you would end up with fragmented bits of equipment across the board. That is an observation I make after nearly 13 years of sitting on this committee. I throw it in to

say to General Baker and others who have sat at the top of the tree: how are we going to make it a more transparent and a decision making process of advice that overcomes the interservice rivalry about what the capability should be?

CHAIR—Mr Snowdon has one quick question and then we might take a break for a cup of coffee.

Mr SNOWDON—I just want to make the observation, if I may, that I am very struck by the analysis of General Baker, but I am a bit betwixt and between to know how decisions taken earlier in the week about the essential size of the Defence Force can be taken prior to a process which is discussing force structure? That leaves me a little bit cold, frankly. I guess I want to pose the same question as Chris: if we look at where we are currently, what are the elements we need to maintain to give us the capacity that General Baker has outlined within the current environment and within the foreseeable contingencies?

CHAIR—We might put that question on notice and we will take a short break.

Proceedings suspended from 2.43 p.m. to 3 p.m.

CHAIR—General Baker might have liked to respond to those two points that Senator Schacht and Mr Snowdon raised. I do not know whether you have covered them all with them privately, but there might be a couple of other things you want to say.

Gen. BAKER—I think there are one or two things that could be said. The first concerns whether, in terms of the decision making within the department, over the last 10 or 15 years the service rivalry which still exists has been harnessed. The expectation is that a service chief will strongly represent the interests of his own service, but he is also expected to make judgments in the national good. I might say that, under the new command arrangements and structures, my observation is that that has been increasingly happening. That is a move for the good. But we should also be quite clear that the real policy decisions are made in one location, and one location only: in this place, in the parliament, by the government—hopefully, with bipartisan support on really key issues. Where I think there is a weakness is in the ability to put some of these very complex and difficult issues to government in a sensible way. I think there is a difficulty in that. I am hoping that one of the benefits of this process will be that we learn how to do that better. Thank you.

Mr PRICE—Hugh, you raised the issue of sustainability. I believe we have—and I apologise for being Army focused—22 battalions. What classifies those battalions as being effective? Is it when they have got 100 per cent of the positions manned, 75 per cent, 60 per cent? And, in equipment terms, when do you consider that they are effective? Is it when they have got 50 per cent of their equipment entitlements, or is there a magical figure of 60 per cent? Could I also raise with you the restructuring of the Army. It seemed to me that that was an attempt to say that, if we are going to defend Australia and in the modern context, we need to have a different structure and a different mixture representing the fundamental building blocks of our Army. It seems that someone is now recanting from that and rejoicing in the traditional divisional structure of the Army that proved so useful when we had a half a million men and women under arms.

CHAIR—Just before asking Hugh to respond to that I will explain that in this session the intention is that the committee members will have a couple more questions and then I would like to invite people here in audience who might want to put questions either to the committee or to some of our participants. Obviously, we will try and move that along as quickly as possible. It is the intention to finish on time, but if there is a burning desire to run over I think the deputy chairman is happy to stay here a bit longer.

Mr WHITE—As in the distinction between frigates and destroyers, the distinction between a battalion ready and a battalion not ready is not as simple as it might first appear. But the sensible way to answer your question is to say that the key question is ready for what. Whether or not a unit is ready for a particular type of operation depends on a whole range of things, and a unit can be ready to do one kind of task and not be ready to do another kind of task. It is true that traditionally a significant focus in our Army structure has been to develop what Major General Clunies-Ross said was a mobilisation base, to allow us, if necessary, to expand our land forces from their relatively modest peacetime size to a much more substantial size relatively quickly. One of the key questions we need to ask ourselves about the shape of the Army in the future is whether or not we still regard that as significant.

People sometimes look at the Army and ask how it can be that you have an Army of 25,000 and by the time it has got 5,000 people in East Timor it seems to have nearly run out of people. One of the reasons is that the Army does an awful lot of things other than just send people to the front line. One of the things it needs to be able to do is to train itself, and to keep training. So I think the question about the extent to which we want to maintain in our land force not just a measure of current capability, ready to deploy and be sustained, say, in the short term—six months or a year—but also to maintain capacities for substantial expansion of that Army in times of crisis is one of the key questions we have to answer for ourselves.

Let me make a separate set of comments on the restructuring of the Army. What I am about to say is purely personal observation and may well be contested by others in the organisation, including some very senior and prominent Army officers who are present here. I think it would be fair to say that, for a long time, until the last few years, Army was the service most strongly shaped by the tight focus on the defence of Australia, and particularly the focus for many years on low-level contingencies. For a long time, Army strove, and was encouraged, to reshape itself around a very particular operational scenario of low-level raids around northern Australia. I think that is a fairly significant scenario that we should not lose sight of, but I think historians will judge that, at about the time when restructuring the Army, building on the Army 21 study, had brought to a new state of perfection our planning for that particular scenario, we started realising that the Army might need to do some other things, like occasionally to deploy offshore to undertake operations like the ones we undertook in East Timor.

I think Army is in a position of having worked very hard to effect a structure to meet a requirement which has now, over the last fews years, somewhat changed. I do not think we have yet got to the point of providing Army with a really clear statement of what it is meant to be doing instead. To my mind at least, one of the really key objectives of the present process is to make sure that we do that. I do not want to say to what extent that involves a return to divisional structure or whatever; I do not actually think that is what is happening in Army at the moment. But before we start working out what shape we want Army to be in, I think we need to give Army a better idea of what it is that we want it to do.

CHAIR—There is one question I might throw in now which is a bit of a curly one. We have talked a lot about modern but somewhat traditional processes in these issues. Professor Dibb in an interview this week talked a little about the increasing importance of maintaining our advantage in the area of intelligence, surveillance and so on. It is an area that people always tend to shy away from talking about publicly. But there does seem to be another question about capabilities in things like cyberspace. I think Dr Woodman raised in his opening address this morning what sort of threat that might be in the future. Someone on the panel might like to talk about, firstly, what sort of threat they see it being and, secondly, what capabilities we have to combat it.

Mr WHITE—There are a couple of elements to it. The first is that it is very clear that a society like Australia sets a very high and increasing dependence on its information infrastructure; therefore, as a society, it is increasingly vulnerable to attacks on that infrastructure. That is a new dimension of vulnerability for a society like ours. It is also clear from that that the society ought to take some measures to protect itself against those kinds of attacks. It is less clear to me that that is a task for the defence organisation. Defence organisations have a lot of strengths and a lot of specialisations. They, of course, have a very significant information architecture infrastructure of their own.

Certainly, this defence organisation is putting a lot of effort into making sure we can protect our own information infrastructure. But whether or not it is part of a defence function to contribute to the protection of the national infrastructure is, to me, more questionable. The argument in favour of it is that defence organisations are good at maintaining very orderly, effective capabilities for responding to emergencies. But the focus of their efforts has naturally been on the use of armed force. If a government wants Defence to take a prominent and significant role in protection of the national information infrastructure against various forms of cyber attack, then it will need to ask itself whether it wants to divert Defence from its core role and, if so, to fund Defence for that role or to reduce activity in other areas.

The same applies to some of those other things, for example Coastwatch: clearly a very important function, clearly a very high national priority not directly related to the use of armed force, although some of the capabilities are quite common. It is really a question for the government and the society whether or not it wants the defence organisation to do these things and whether or not they are prepared to fund them to do them.

In relation to the cyber threat point, it is a significant issue for Australia. It is for the government to say whether it is something it wants the defence organisation to do. I personally think we can do a pretty good job of it, but it is a big, complex task and would require a very different range of capabilities, including an intimacy with a whole range of infrastructures—banking, transport, financial and so on—that we do not at present have much intimacy with. It would be a major new business for Defence and, to be blunt, would cost a lot of dough.

Dr WOODMAN—Hugh is right, it is a very different sort of challenge. I would take a step further, though, in actually looking at the potential impact of those sorts of potential problems for Defence because what it means is that the ways that nations, or even non-state actors, can potentially exercise power or authority against each other can be much more varied than just the simple, traditional force-on-force military approach. There is no doubt about it, in that range of scenarios, whether they be cruise missiles or information warfare cyber war, the difference it

makes is that it is possible for nations with those alternatives to carry out what is called asymmetric warfare or asymmetric strategies. So, in a sense, a lot of our effort potentially and a lot of resources put in a more traditional security box can be much more easily, and within a much shorter time frame than we are used to planning, circumvented. That is where the difficult question comes in. Hugh is quite right to say, 'Is it a defence challenge or is it for someone else to handle?' But the interesting thing it does is that it probably stops sheer physical defence of the nation as being the only major security concern we have about national capability and national surviveability. There are lots of other ways, literally, we can be hauled over the rack.

We talked earlier about a broader security strategy. These elements are part of it. The critical question is: how much do those sorts of options, which can occur in shorter time frames, can be much more ambiguous and can probably hurt us in some respects more fundamentally than, say, an air attack on Darwin, actually mean that the traditional block of military capabilities is still really our only last line of defence?

Mr STUART—I utterly agree with Dr Woodman. The key point is that if someone blows up Warragamba Dam, or threatens to blow it up, we expect the Defence Force to defend Warragamba Dam. If the computer networks, the banking transactions, all the rest of it, are going to go down, we expect someone to protect them. If it is not going to be Defence, then we had better establish another organisation pretty quickly so that we can do it. I think the disadvantage of establishing further organisations like Coastwatch is that if we keep on establishing particularly groups to deal with specific threats, we end up reducing the Defence purview of the entire range of activities that can possibly threaten Australia. For that reason, I think it really is vital that Defence accepts the fact that there is a responsibility for us—and maybe this needs to come from the political masters of Defence—to enforce the fact that we really expect Defence to defend not only against people in uniform but, as they do at the moment, against terrorists, and, as they may well have to do in the future, against cyber terrorists.

CHAIR—Professor Dibb, did you want to comment?

Prof. DIBB—Just, again, to urge a note of caution before we get too excited about all this. It is a potentially important area and, as Hugh has said, if the government of the day wants Defence to look at this it will not be cheap, far from it, within a constrained budget. However, we seem to make these judgments, as we do in some other areas—for instance, antisubmarine warfare—that everybody in the region has these highly potent capabilities. Oh, really! Do they?

Where are these highly potent cyberspace capabilities in the region? There are some, they are getting better and we need to monitor that, but a lot of countries in the region are much more vulnerable than us to cyberspace offensive attack. We have much more depth in our capabilities because we have a much more advanced capacity in most areas. A lot of countries in the region are dependent upon single cyberspace nodes. Therefore, they are vulnerable.

Mr O'CONNOR—Coming out of that discussion, I think there are about four aspects of security which are currently being dumped on Defence and which are not necessarily jobs for Defence. It has just happened because there is no-one else to do it. I am looking at cyberdefence, Coastwatch and terrorism, which, with respect, is a police function, not a military function. Military are the backstop and the last resort. There is also the natural disasters

function. All of these are internal security questions, and nearly all have elements of law enforcement about them. I feel that in our particular society the Defence Force is not the appropriate organisation to handle them. We are looking at the Defence Force as an external defence organisation to provide military force and to counter the use of military force against Australia. These elements are quite wrong. I cannot see the military being a good defender against cyberterrorism when you need a young fellow with the seat out of his jeans and a ring through his nose to handle the computers. He is not going to fit very nicely into a hierarchical military organisation. I might even make a comment about that at the end. It really raises the question of whether the Department of Defence is redundant.

CHAIR—We will now open up to questions from the audience.

Ms NEIL—I come from the Department of Defence. I would like to ask whether you have thought about the number of people you will need for capabilities. If you get new capabilities, you will have to let some old capabilities go because there will not be enough people to man everything. The population in Australia is ageing, and there is a possibility that there will not be enough people to fill the capabilities. That also will affect the money that is available for defence. As the ageing population is getting older, the money is drying up. Would somebody like to comment on that, please?

Gen. BAKER—It is not sufficient simply to talk about numbers; you need also to talk about what they do. For example, three years ago—and I will quote these figures because I am familiar with them—we had a strength of 60,000. Of that Defence Force, 27 per cent were in base logistics, 13 per cent were in overheads, administration, command and those sorts of issues and 22 per cent or nearly one-quarter of the force were in individual training at any one time. That left about 37 per cent or 38 per cent that was actually deployable and useable in particular situations. That was a very sobering figure. If you took one-third of the 60,000, you had a deployable force in the ADF of about 20,000 maximum. We came down to 50,000, but the aim then was to have 65 per cent of that force deployable. Therefore, we went up to 32,000 that were deployable—an increase of 12,000 in combat support personnel, even though the Defence Force was shrinking.

The difference was that we outsourced many of those functions to the civil community. I think there is still further work to be done in that area. It is not enough to talk simply about gross numbers; you need to talk also about how you employ them. I think it is crucial—as we come back to some of the points made earlier this morning—that we use industry, the community at large, the reserves and all the other avenues we have to get better use of that expensive manpower resource. I am comfortable that about 50,000 will deal with what we presently face in the short term. What I am not comfortable about is our ability to increase the numbers at the rate that we ought to as the strategic situation changes. I think there is work to be done there.

Mr O'CONNOR—On the question of getting numbers in, assuming that you want to increase the overall size, I have been much impressed over recent years by the recruiting statistics, which suggest that we are only taking about one applicant in seven. That suggests to me that, even if half the applicants are unacceptable for whatever reason, there is still a fairly substantial pool of people available there for recruitment.

On the question of money, I think it is a very valid point. One of the things that has concerned me for a long time is that government expenditure has been expanding in all sorts of areas which are difficult to reduce—for example, if you have an ageing population, there is a problem. On the other hand, recent governments—successive governments—have moved fairly decisively in the superannuation field to reduce the demand on the public purse for pensions. That is not going to happen immediately, or the result of that will not feed in immediately, but it will feed in in due course and we need to look at that as a potential reserve rather than as something that is to be spent fairly quickly as the opportunity arises.

Mr WOOLNER—One thing that should be emphasised in the debate about personnel is that the increasing cost of personnel in defence is not due to what you might call 'excessive' wage rates. In fact, if their rates are rising at four per cent per annum they are only going up at about the same rate as general wage increases in the community at large, and they are certainly not increasing as much as wage rates in some of the critical areas that we say we want to look at—people with good information technology skills, people with degrees with advanced engineering and so on. So the problems that the Defence Force faces now really have more to do with internal problems of government policy. As I said in my part, it is a conundrum.

Since the early 1990s there has been a government policy regarding the remuneration of public sector employees. That says that organisations take the difference between a general rate of inflation that Treasury will give them to cover wage rises and what they actually give their personnel out of their own budgets. In the case of Defence, this creates problems because Defence is in fact increasing its capabilities. If Defence was a normal government sector agency, a lot of what it does would go before the Expenditure Review Committee and be approved as new policy, and the funding for that would come through. Defence, with a global budget, is being asked to absorb these differences and that is the nexus of the personnel problem.

I personally think we are going to have to look at specifically higher rates of pay for some areas, and even so we are going to find it significantly difficult to find people to fill all the slots we want. That is why I mentioned having a look at and costing some possible out of the park options at the moment such as paying employers for the time of certain specialist people if that is the only way we can ensure that we get access to them for the defence force.

CHAIR—Okay. Another question from the audience.

Cdre ADAMS—I am a farmer but I am a former naval person. I just wanted to not so much ask a question as to make a statement. There tends to be an apologetic view in this place, and particularly in the press, that money spent on defence is wasted money—this point was raised earlier by Stephen Martin and also by Andrew Johnson—that defence is an exercise in evil and that the money spent on defence should of course be spent on other areas of social wellbeing such as health, education and social security. And we all know that that is where votes are and there are no votes in defence. A member in this place once told me that, for every letter he gets on defence, he had 400 on the environment. I think that reflects very much the response of the community to the defence question, particularly the expenditure of money.

We now know that, as far as the defence budget is concerned, the Anzac ship project created 9,000 jobs at the high-tech end and it will continue to go that way right through to 2006 and on,

because those ships will be supported in that area through other projects, such as the Bushmaster project for the Army. There is an enormous amount of industrial enterprise in this country involved in defence issues, and that, of course, leads to increased GDP. Also, a lot of those enterprises are now in export industries which they would not have been in had it not been for the introduction of the high-tech end.

To my mind, the Department of Defence have failed to sell the defence budget for the benefit it brings to the wider community. They tell us what they are going to buy with it and how many people they are going to employ, and people shake their heads and say, 'If we can reduce the defence budget and restrain expenditure, that is the way to go. That just gives the chaps enough toys to keep them happy and everyone will be happy.' In actual fact, the defence budget in this country is a very positive event and we do not sell it very well. The wages bill alone to the 50,000 people in the Defence Force, and they all pay tax, is huge. There are 52,000 retired service people, all paying tax, receiving retirement pay. There is a great benefit in selling the defence budget in a positive way, which we have not done very well. On the other hand—and I will leave you with this thought—if you consult the congressional record you will find that the fly-away cost of a Raptor strike aircraft to friendly allies is $A350 million without weapons, and that will not be spent here. Thank you.

CHAIR—That was more of a statement than a question, but thank you, Commodore Adams.

Mr KEVIN—This is also more of a statement. As a member of the audience I have been stimulated by today's discussion. I have learnt a great deal and I would particularly like to thank Hugh White for his lucid answers to a great many questions. I would like to say something briefly on the interface between regional engagement and defence and on the interface between the ANZUS alliance and self-reliance. That has been touched on by many speakers, but there is perhaps a little more that might be teased out.

It is true to say—and I understand that General Baker is of this view—that the main expectation the Americans have of us in the ANZUS alliance in the new post-Cold War conditions is that we maintain a sense of security and peace in our immediate South-East Asian and South Pacific region. It has to be questioned whether we are meeting that requirement terribly well at the moment. Certainly, ANZUS is our last line of defence, but the Americans do not want us to come running to them every time we have a problem with one of our neighbours that requires American first-hand diplomatic engagement to solve. The story of the little girl who cried 'wolf' is instructive. There is another saying that is perhaps worth recalling, and that is Franklin Roosevelt's dictum, 'Speak softly and carry a big stick.'

When you have good regional engagement you can do things like send your navy and air force around the region on goodwill visits in a way that not only cements goodwill at a military level but also reinforces in a useful way the notion that you are a regional power of standing and a guarantee of stability around the region. When you have a situation where regional engagement has broken down, such activities are not possible or, if they take place, they are simply seen as threat display and do not really help the function. It is terribly important in this public debate that is getting under way now around the country that the importance of regional engagement is reaffirmed in our political consensus.

Regional engagement has become a sort of dirty word in some circles lately. It has become seen as a kind of appeasement. We really need to challenge that notion fundamentally because if we do not we are going to be dealing with a situation where Hugh White's 10-year clock might begin to start ticking. I do not think it has started ticking yet, but I am not sure we have all that much time, and there are certain contingencies that could happen to our north that could make the time span a lot shorter. So that is my plea. I have no doubt about the professional capacity of the Department of Foreign Affairs and Trade. Obviously, they are superb professionals, if I can say that as a former professional myself. The buck stops here in this building with the kinds of regional engagement policies that are either favoured or rejected, and I leave it there. Thank you.

CHAIR—Thank you.

Cdre CUMMINS—I am another former sailor and I am now the chairman of three companies that supply to Defence. I would like to ask, Mr Chairman, the appropriate person why the industry part of the review is so light on, particularly when we have had emphasis on civil support for Defence, industry support for Defence and outsourcing more. It seems that the public need to know what our industry does, how well it does it, how many people are employed in it and what the return to the community is. Some better knowledge is required about that and about how far our defence industry has grown, which bits stay right at the front end of technology in world terms and how that gives you operational leverage.

I have two points from industry to make. There is always the ongoing debate about the size of navy surface forces; that is, the physical size. This is nonsense because hull and engines, even with the newest technology, cost between nine and 13 per cent of total project cost; it is not a linear matter of size and cost. The other thing that we need to have the public understand is that high technology leverage can be gained using the computer skills in our community largely generated by Defence. It is worth noting that the maritime intelligence centre, now the ADF Intelligence Centre in the headquarters in Sydney, was a minor Navy project for under $20 million, in then dollar terms, which has given leverage and capability in all three parts of the Defence Force of one or two orders of magnitude in many circumstances. So high technology does not have to be expensive. I would like to ask why there is so little emphasis on these factors in the report when the ADF and the nation depend to a very large extent on our industry supporting this.

CHAIR—Peter Jennings will take that question.

Mr JENNINGS—The first thing, Adrian, is to reassure our friends from industry that even during the consultation process the cheques will keep rolling in from the acquisition organisation. Really, though, the point is to reinforce the logical design behind the discussion paper. If I could put it as simply as this: first things first. We have had a 20-year experience in Australia of seeing massively expensive industries created to produce one-off projects and then, when we get to the end of the project, what we find is that there is no longer the strategic requirement to continue with that industry running. There are quite a few obvious examples to which we could all point.

As Professor Julius Sumner Miller said, 'Why is this so?' Perhaps the answer is that we have not actually worked out what our strategic fundamentals are—and that is what this document

sets out to do. It sets out to ask the very obvious question: what are the priorities we want our Defence Force to undertake? Surely that is a question that we have to answer first before we are in a position to start setting out what the long-term capability requirements are from Australian industry. The absence of a comprehensive section in the document about industry policy is not to say that defence industry policy is unimportant; clearly that is not the case. It is, however, to say that there are some prior questions which have to be decided first. These questions go to what we want our force to do. Once we have the answer to that, we will be in a position to say, 'How do we appropriately structure our force?' Once we have answered that question, we will know what sorts of industry priorities we need to set.

So it is a matter of getting the logical sequence right. I have absolutely no doubt that the white paper itself, and work that will come from the white paper, will focus in greater detail on what the requirements of industry are. But first things first.

CHAIR—Okay. Any other questions?

Dr BERGIN—I would like to agree with Mr Adams in terms of the overall benefits to defence spending for the nation. I thought, reading the document, that the way defence spending came across was very much a zero sum game—it was guns or butter. I would have thought there were plenty of examples around the world, including countries close to home, that you could have both. You can modernise your defence force and have economic growth. I thought that what Mr Adams was saying was that basically, in going around the country, General Clunies-Ross was talking to people about whether you have schools or defence. That is a very simplistic way to look at it, and I thought that was the point that Harry and, indeed, Adrian Cummins were making.

In terms of a comment on the day, I do not know whether the chairman was trying to get any consensus—I do not think he was—but the words that came to me a lot through the day were that you need 'balanced' forces, you need 'flexible' forces. I did not hear any fundamental disagreement that we needed forces to defend the homeland, as I guess the most remote eventuality. I think Hugh White suggested that, in framing your capabilities, you look at probabilities but also the seriousnesses and the consequences. So I do not think anyone is suggesting we do not defend the territory of Australia.

But I also thought everyone was agreeing that you needed forces to be able to deploy to the region to do peacekeeping, to support international activities, to support alliance commitments. So again I hope that, as the team goes around the country—I think we have only got one member of the consultative team here—the debate is not perhaps framed in the way some of it has been. I can understand why the government decided to put out the discussion paper as everything versus this versus that. What we have heard today is that we need to be able to deploy, certainly, at low to medium level and we need to be able to do a lot of the things that most people around this table thought we ought to do. I thought General Baker made that point very eloquently.

CHAIR—Thank you, Dr Bergin. I will take that as a comment. Senator Schacht, do you want to make some comment on that previous question?

Senator SCHACHT—It is one that was raised about industry policy and defence. The biggest issue that has to be dealt with here is whether government is willing to encourage a merging of a number of the fragmented companies and interests in industry supply and defence supply. As one of the previous speakers said, when a project ends the team goes away, the company is wound up, you spread to the winds the skill level that was built until the next project turns up, then someone else bids and they start all over again.

As far as any proper spin-off into the broader industry of Australia is concerned, it is a fragmented way to do it and I do not think it is in our best interests. The issue that has to be taken on is whether there is an arrangement, properly monitored and developed, by which you have two or three major defence suppliers ongoing and you make sure that they are internationally competitive and have an ongoing role, with some critical mass that lasts. I know this is not in line with the Treasury orthodoxy or the Finance orthodoxy, because they say there will be cheating and overcharging, and it will be a cost plus arrangement, et cetera. I think we now have enough international measures on best practice that you can run any of those across any company and work out whether they are actually cheating you—the taxpayer—on the supply. It is inefficient to have a fragmented range of small Australian companies trying to supply and, in the end, getting beaten to death by international companies who get the major contract because they are there and, as everyone says, you never got sacked for buying IBM but you get sacked if you poach from an Australian company and it goes slightly wrong. That is an issue on industry policy that is going to have to be dealt with if you want an ongoing capacity in industry to develop for our defence forces in a way that then spreads into ancillary areas for industry.

CHAIR—Thank you very much. I am very mindful of the time, and it is now the time at which we said we were going to stop. Is there one very quick question?

Cdre CUMMINS—There are hundreds of small companies that have grown. The submarine program had 900 and the Anzac ship program had 700. Some have one or two people in them. When you make decisions on the board you make them on ongoing business and growing into other areas as well. Any company that depends solely on defence is going to go out of business. Anybody who has more than 25 per cent committed to the risk of dealing with the defence department is not looking after their shareholders. You grow the technologies and you grow these little companies into bigger ones. The Canberra-speak we have heard around this area does not give me a great deal of confidence that there is a full understanding of how it actually happens out there in business.

CHAIR—Thank you very much for that.

Mr JOHNSON—I was taken by the young Peter Jennings and his words. I think we actually make a lot of this debate a whole lot harder than what it really is. The decisions on equipment out of this debate are going to be around the margins. We are going to need vessels, aircraft, small arms, munitions, A-echelon and B-echelon vehicles; we are not going to fundamentally need very different things from what we needed in the past. We do not actually have to go through the whole debate to decide whether we buy A or B to decide broadly what we want.

Another thing is that the defence industry exists because there is a need for it, not for its own right. So the debate really should be about whether we are better off buying offshore and

whether it is competitive. As a small example, I would point to the fact that—and it is not about just us—there are 19 different countries running our vessels. We have military vehicles running in Europe and in the Middle East. That is not to say that the ADF should necessarily buy from Australia, but any argument that Australian industry is not competitive fails the test of credibility. What we really should be doing is not to wait until this debate is over to then decide what we need. Senator Schacht was right. It is actually a relatively simple calculation and there is only a limited amount of work. You should have an adequate amount of capability and you should then decide whether it is competitive, taking full through-life support and bottom line costing, including tax clawback, cost of sustainability—all the full factors. It is tragic to see that we would have a national debate and leave one of the fundamental elements out of it.

CHAIR—On that point, we might wrap it up. I thank all the participants very much indeed for giving of their time and their wisdom. This has been an extremely valuable day. On behalf of the members of the defence subcommittee, we have certainly greatly appreciated your input. General Clunies-Ross, we wish you well in your little endeavour to publicise the discussion paper widely and to get community input. Thank you very much to the audience for your presence and participation, and thank you very much to the secretariat—to Margaret and particularly to Leo and Kate who are finishing up with us today. Again, thank you very much everyone.

Subcommittee adjourned at 3.44 p.m.