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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Tuesday, 25 February 2003

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy Chair)*, Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thomson

Subcommittee members: Mr Scott *(Chair)*, Mr Price *(Deputy Chair)*, Senators Chris Evans, Ferguson *(ex officio)*, Hutchins, Johnston, Sandy Macdonald and Payne and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton *(ex officio)*, Mr Byrne, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Mr Nairn, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Hutchins, Johnston and Sandy Macdonald and Mr Bevis, Mr Hawker, Mr Nairn, Mr Price, Mr Scott and Mr Somlyay

Terms of reference for the inquiry:

To inquire into and report on:

The ADO ability to deliver the necessary capabilities to meet Australia's strategic interests and objectives as defined in Defence 2000, with specific reference to the:

- ADO capability to apply the maritime strategy outlined in Defence 2000 in the current strategic environment;
- primary roles in Australia's maritime strategy of the key components of the ADO, including the three services, Defence Intelligence Organisation and ADF Command and Control structure;
- impact of Australia's maritime strategy on ADF capacity to participate in combined, multi-national regional and global coalition military operations;
- integration of maritime strategy with the other elements of Australian national power to achieve specified national strategic interests and objectives;
- impact of the evolving strategic environment on Australia's maritime strategy; and
- integration of Australian Defence Industry into capability development to support a maritime strategy.

WITNESSES

Subcommittee met at 9.32 a.m.

BLACKBURN, Air Vice Marshal John, Head, Policy Guidance and Analysis, Department of Defence

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

GOLDRICK, Commodore James, Director-General, Military Strategy, Department of Defence

GREENFIELD, Commodore Paul, Director-General, Maritime Development, Department of Defence

HOUSTON, Air Marshal Angus, AO, AFC, Chief of Air Force, Department of Defence

LEAHY, Lieutenant General Peter, AO, Chief of Army, Department of Defence

RITCHIE, Vice Admiral Chris, AO, RAN, Chief of Navy, Department of Defence

TAYLOR, Commodore Kevin, Director-General, Maritime, Land and Weapons Industry Capability, Department of Defence

CHAIR—Good morning. I declare open this public hearing by the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's maritime strategy. The 2000 defence white paper, in referring to a maritime strategy, states that the key to defending Australia is to control the air and sea approaches to our continent so as to deny them to hostile ships and aircraft and provide maximum freedom of action for our forces.

The inquiry aims to develop a comprehensive understanding of maritime strategy and its place within Australia's broader military strategy and defence policy. The inquiry is not limited to an examination of Australia's naval or maritime forces, nor is it focused only on the defence of Australia. For example, the inquiry will examine the implications of maritime strategy to other tasks set out in the white paper—namely, how Australia's defence policy contributes to the security of our immediate neighbourhood, the international coalitions beyond our immediate neighbourhood and support for peacetime national tasks.

The inquiry is challenging and particularly significant in ensuring that Australia's maritime strategy effectively underpins broader defence policy and helps to achieve national security objectives. Given the significant developments in the international security environment, it is timely to conduct this examination and ensure that Australia's defence strategy is adequate and capable of meeting new threats such as transnational terrorism.

Today the subcommittee will take evidence from the Department of Defence, the Australian Strategic Policy Institute, Dr Paul Dibb, Dr Michael Evans, Dr Alan Ryan, Mr Gary Brown and the Australian Maritime Defence Council. Before introducing the witnesses I will refer members of the media who may be present at this hearing to the need to fairly and accurately report the proceedings of the committee.

I welcome representatives of the Department of Defence to today's hearing. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Do you wish to make an opening statement to the committee?

Mr PRICE—Mr Chair, before we proceed to that, do we have a submission from the department?

CHAIR—We do not.

Mr PRICE—If we do not have a submission from the department this is the first time in at least 10 years that we have commenced hearings without a departmental submission.

CHAIR—Perhaps, Mr Carmody, you might like to outline where we are at with that.

Mr Carmody—Certainly, Mr Chairman. The department has not formally tabled a submission. We are in a position this morning to outline the elements of what our submission contains and I was hoping to cover that in our opening statement. At this time we are not in a position to formally table a submission but I hope we will be very soon.

CHAIR—Perhaps you would like to outline the position in the opening statement.

Mr Carmody—Certainly. If it is acceptable to you, Mr Chairman, I would outline that in my opening statement. I would then like to pass to the three service chiefs who also have some opening remarks they wish to make. At that point, Air Vice Marshal Blackburn has a significant amount of detail on the content of our strategy as it currently stands. If that is acceptable, I will move into my opening statement.

CHAIR—Thank you. I might also say, for the benefit of our committee, that Defence are appearing also on our last day.

Mr Carmody—I would like to thank you and other members of the subcommittee for the opportunity to address the committee today. Rarely in our past have we faced concurrent challenges of peacekeeping, border protection and regional instability, as well as major interests which affect us—our interest in Iraq and in North Korea. Transcending all of these boundaries is the threat of terrorism. The United States' proactive stance on combating terrorism and the spread of weapons of mass destruction has placed increased emphasis on Australia's commitment to support its wider interests. Australia's military strategy is centred upon developing the forces necessary for the defence of Australia.

The influence of other operations on force development is also taken into account as a means of informing the priority of enhancements to the forces needed for the defence of Australia. In the broadest sense, Australia's defence strategic policy aims to prevent or defeat any armed attack on Australia. It seeks to do this by defending Australia and its direct approaches, by contributing to the security of the immediate neighbourhood, by supporting our wider interests through peacetime national tasks and by shaping the strategic environment. This strategy seeks to achieve and maintain the initiative and to engage an adversary as far away from our territory as possible, and we seek to avoid the circumstances where a threat manifests itself in our direct

approaches. So being able to exert strategic control over our maritime approaches is fundamental to Australia's defence and to that of the immediate neighbourhood.

Our current strategy for defending Australia and contributing to the security of the immediate neighbourhood envisages the deployment of ADF maritime forces, comprising naval, land and air forces, being employed to achieve strategic control of these approaches. Australian operations further afield will also have a strong maritime influence. We need to project and sustain forces through the maritime environment to protect these wider interests.

In protecting our wider interests Australia's contribution would normally be focused on strengthening coalition capabilities with selected air, naval and land force elements. An increase in commitments to border protection in the immediate neighbourhood and the importance of supporting wider interest tasks, such as the war on terror and countering the spread of weapons of mass destruction, have broadened the range of circumstances for deployment of ADF elements concurrently, so the relative priorities of our interests require constant review. It is not simply a choice between local and global commitments. Some capabilities will be relevant to a wide range of operations and environments, others will not. Threats can be interrelated, such as the war on terror and its regional manifestations.

What our most recent reviews are essentially concluding is that the prospect of conventional military attack on Australian territory has diminished; that there may be increased calls, however, on the ADF for operations in the immediate neighbourhood; and that ADF involvement in coalition operations further afield are more likely than they were in the recent past.

While the principles set out in the defence white paper remain sound, some rebalancing of capability and expenditure will be necessary to take account of our changing strategic environment, but the rebalancing will not fundamentally alter the size, structure and roles of the ADF. It will, however, result in increased emphasis on readiness and mobility, on interoperability, on the development and enhancement of important new capabilities and, where sensible, a reduced emphasis on capabilities of less importance.

Overall Australia's military strategy seeks to develop a joint force whose primary focus is the defence of Australia, and the strategy provides a context for defining the particular relationship between the capabilities and capacities of various elements to achieve a favourable outcome. While there is a maritime emphasis to our strategy, this does not imply any lesser or greater role for any particular element of the ADF. Rather it accepts that all three services have a balanced, vital and defined role to fulfil. The current strategy construct provides clarity to the roles of the various elements of defence and facilitates the definition of priorities for assessing strategic relevance and importance.

In conclusion, and before I pass to the chiefs of service and then on to Air Vice Marshal Blackburn, we have developed the policy to the extent that we can, and we expect to be able to table it with the committee very shortly, but we are certain that we can outline some of the key elements of our maritime strategy for the committee today.

CHAIR—Thank you. Vice Admiral Ritchie.

Vice Adm. Ritchie—Thank you for this opportunity to talk about the contribution that naval forces make to our military strategies. As the Chief of the Navy, I am responsible to the CDF to raise, train and sustain naval forces. I am also the principal naval adviser to the CDF. The ADF conducts operations to meet four strategic tasks set by government—that is, defending Australia, contribution to security in the immediate neighbourhood, supporting wider interests and peacetime national tasks. I am going to discuss the characteristics of maritime forces in order to provide a context for your deliberations on how our military strategy hopes to ensure the achievement of those particular tasks.

I would hope that the committee's secretariat has a copy of this book, called *Australian Maritime Doctrine*, which provides an excellent understanding of maritime and naval strategy. If you do not, I can certainly leave some with you now and I can arrange to have more provided.

Mr PRICE—It was distributed in the last parliament, you will be pleased to know.

Vice Adm. Ritchie—Good. For the ADF to undertake most of the objectives envisioned by the government, it will have to establish a certain level of sea control in order for its operations to succeed. Sea control is generally described as the ability to operate at sea when and where you wish whilst denying an adversary the ability to do so if necessary. It is multidimensional in nature, being on, above and below the sea, and it includes the electromagnetic spectrum. Given the maritime and littoral nature of Australia's strategic environment, sea control is vital, and Australians perhaps forget that without sea control we could not have fought in New Guinea in the Second World War and, more recently, the ADF's operations in East Timor would not have been possible without the ability to sustain the force by sea and the attendant sea control that that requires.

But there is a change in the notion of sea control. Historically, it has been a function of navies but, while navies predominantly contribute to its achievement, the army and the air force may also contribute significantly, depending on the circumstances of each operation. The way that our forces are structured in Australia the Air Force is a major contributor. We thus use the term 'maritime' rather than just 'naval' to describe the engaged forces.

Maritime forces have a range of characteristics that enable them to contribute to all four strategic tasks, but of most relevance to my input I would wish to talk about ships. Ships have a high lift capacity to move the Australian Defence Force offshore and to support it, whilst also carrying considerable combat power in their own right. They are able to deploy quickly, if required by government and, as an example, you might recall that in 1991 three ships deployed to the Persian Gulf within 48 hours.

As the oceans comprise 70 per cent of the earth's surface, ships have immediate access to most areas, which, given our geography, is particularly important. Over 99 per cent of our trade by volume and 70 per cent of our trade by value travels by sea. The ability to guarantee safe and open maritime trade routes is vital to our nation. Moreover, within our region, 95 per cent of people live within 150 kilometres of the coast.

Ships are flexible and yet they are difficult to locate and identify and more difficult to track continuously. They can deploy through an area covertly or overtly. They can remain poised for considerable periods and be withdrawn at will. They also have reach and endurance, as they can operate at long distances and for extended periods from home base. Finally, they are also

resilient. They can sustain damage and continue to operate while their multiple systems allow them to undertake a number of concurrent tasks.

Maritime forces are also able to contribute to what we call the operational spectrum and that really is the utility of navies, where a high-end capability, such as a surface combatant designed for war, can also undertake activities at the other end of the spectrum—that is, it can deploy into a hostile environment or conduct low-level operations, such as border protection under the current Operation Relex.

Australia's contribution to the war on terror utilises existing capabilities, originally acquired for defending Australia. I have a particular concern that there is a growing perception that the war on terror means that the ADF, and the RAN in particular, no longer require high-technology capabilities for either the defence of Australia or to contribute to that war on terror. Notwithstanding the recent deployment of other elements of the ADF to the gulf, as all of you I think know, the RAN has made a significant contribution to the maritime interception force enforcing the blockade against Iraq. High-end technologies, combined with the capacity for interoperability with the United States and the United Kingdom, have enabled the RAN to meet the government's objectives in these operations and, indeed, to be able to lead those operations where it is being conducted as a low-end task in a potentially high-end environment.

The proposed air warfare destroyer, which might be better termed a sea control combatant, will deliver a range of capability options to the ADF. Capable of operating at the highest end of the conflict spectrum, it will contribute to activities for the defence of Australia, operating in the region if required and as part of allied coalitions at a global level. Importantly, and most importantly, it will provide air defence to an ADF task group deploying from Australian shores and establishing itself in some other place. It will provide interoperability, particularly in the area of command and control, a key issue for any activities in the region and as part of any coalition.

Looking to the future, the key issue for the ADF is how the different complementary capabilities of the three services are brought together for possible operations. Clearly there is a major technological element to this as forces begin networking to enhance their capabilities. In this regard, the current purchase of airborne early warning and control aircraft, when combined with the proposed purchase of replacement fighter aircraft, air refuelling and air warfare destroyers, provides the opportunity for a networked and complementary force that will be truly joint. Importantly, all of those capabilities make up a total package. If you take any one away, you do not have that same package or that same capacity.

In summary, I think it is important that the committee members understand that all naval activities are maritime—that is, they are joint in nature. While there is a range of roles and activities that navies undertake on the oceans, navies act to influence events on land and they do so right across the range of the conflict spectrum.

CHAIR—Thank you, Admiral Ritchie. I now call Lieutenant General Peter Leahy.

Lt Gen. Leahy—Thank you for the opportunity to speak to you today. The Army supports the adoption of the maritime strategy and, to me, a maritime strategy is a joint strategy. The defence of Australia involves both defence of the mainland and establishing strategic control of the approaches to Australia. It is not simply defence of a moat or some watery Maginot line.

Where some might see an air-sea gap surrounding Australia, I see a bridge that has land at both ends. Where some might see us relying on the air and sea around Australia for our defence, I see us using the environment. We must be able to operate in the littoral environment to Australia's north as well as on the Australian mainland, and these two problems present us with complex military problems in a diverse environment where land, sea and air intersect. The logical solution is to build a joint force that can perform effectively in this very difficult environment.

In our potentially messy future, reality is more likely to be East Timor than the Battle of the Bismarck Sea, and the Army is an essential core element of a joint team. This is true whether we are defending against a direct attack on Australia, seeking the direct face-to-face imposition of our will on an adversary, or the provision of peacekeeping or humanitarian assistance to a needy neighbour. It is no easy task to operate jointly and with success in our region. The degree of difficulty only goes up as the level of conflict escalates. INTERFET in East Timor is a recent and concrete example of how difficult it is and how the solution rests in effective joint force capabilities.

Teamwork is the key to a maritime strategy and the key to success. For example, it is important to understand that the Army can neither deploy nor protect itself, nor generate sufficient weight of fires, nor sustain, nor deploy, without the strategic lift, firepower and situational awareness effects provided by the Navy and the Air Force. Likewise, it is only the Army that persistently interacts with people and adversaries on the ground where they live and operate or can physically demonstrate Australia's intentions and values or impose will through direct and constant human contact and interaction. This is precisely why the Army has been consistently committed to recent operations such as Rwanda, Somalia, Cambodia, Afghanistan and the Middle East—all around the world—over the last decade. The mastery of joint operations is an essential imperative for the Army and the ADF.

A comprehensive maritime strategy provides the government and the people of Australia with both answers and options. A strategy is important internally to Defence because it steers our organisational thinking, our doctrine, and capability development priorities. A maritime strategy that requires the development of a joint force that can deploy and operate in the land, air and sea environment in defence of Australia will provide the capabilities best able to deal with our uncertain future. All operations require the movement of force, even those inside Australia. The distance we operate from bases is really a question of degree, not doctrine. When confronted with a new problem or the unexpected, we should logically be able to tailor a force from our maritime strategy joint capability. This should set us up well to reach out and solve the problem that we are not able to predict. I do not see a maritime strategy as being one which says we will only operate on the sea and in the air over it. To me a maritime strategy is one which says we will use, not rely on, the sea and air as a means to provide government with clear and varied options to achieve the defence of Australia.

In conclusion, a comprehensive maritime strategy is the sound and logical solution to the problem of uncertainty and the often bewildering range of potential threats and circumstances we may face at home, in the region or further afield. A true maritime strategy is a joint strategy. The Army is an indispensable component of the joint team and the maritime strategy. Thank you, Mr Chairman.

CHAIR—Thank you, General Leahy. I now call Air Marshal Houston.

Air Marshal Houston—Mr Chairman and committee members, thank you for the opportunity to present to you today. I would like to begin with a short statement on why having a maritime strategy is important for Australia and where Air Force's future lies in supporting that strategy. But first, a little bit of history: next week is the 60th anniversary of the Battle of the Bismarck Sea, described by General MacArthur as the decisive aerial engagement of the war in the south-west Pacific. On 28 February 1942, a convoy of ships carrying more than 6,000 Japanese troops sailed from Rabaul to Lae as part of a vital reinforcement operation. Through the combined effort of land based RAAF and US air forces, four of the eight Japanese escorts and all eight Japanese transport ships were sunk. This action was a devastating blow to the Japanese forces, as it destroyed their plans to regain the initiative in New Guinea and possibly saved Australia from invasion.

It unambiguously highlighted the criticality of air power in the maritime environment, particularly in terms of control of the air, and reinforced some of its most important attributes—speed, reach, penetration, responsiveness and lethality. Today we do not operate as a single service and notions of an independent Air Force are very much in the past. In Australia, a joint force will implement and support our maritime strategy. The Air Force will continue to be an enthusiastic and effective part of that joint force.

So how will the Air Force contribute to our joint force? First, our geography with its vast maritime approaches dictates a maritime strategy underpinned by a joint force and an air force structured for the defence of Australia. Fundamental to this strategy, as the 2000 white paper confirms, is a key enabling requirement for the air combat force and other ADF air warfare capabilities to be able to control the air, not only over the sea but also over the land. Furthermore, the air combat force contributes to maritime strike and also provides government with a variety of selected strike options should they be necessary. To enable us to control the air, we must also rely on our surveillance capabilities, which we are strengthening with the introduction of AEW&C and a fully operational Jindalee over the horizon radar network.

Second, our likely operating areas over our maritime approaches to Northern Australia demand that our Air Force also be responsive and deployable in nature. Consequently, we need to have combat support forces that are capable of activating bare bases or augmenting existing bases. Once our combat forces deploy to these locations to enable the conduct and sustainment of their operations for the period of the campaign, there will be a constant need for combat support elements to operate and protect these bases. As these operations present a considerable challenge, everyone in light blue is required to be deployable and combat ready.

Third, although this responsive and deployable Air Force concept has been developed to support our maritime strategy, I believe that it also provides a flexible and adaptable capability to meet government needs for any of the four strategic tasks argued in the white paper. This cuts across the full spectrum of conflict and I include the myriad of peacetime national tasks, such as flood and cyclone relief, search and rescue, evacuations of Australian nationals and so on. In other words, as we have demonstrated recently, we have flexibility in all our force element groups to contribute effectively to the provision of niche capabilities to coalitions in support of our wider interests and other joint operations.

For example, over the last 15 months, the war on terror saw the deployment of FA18s and combat support elements to Diego Garcia, B707s with combat support in Kurdistan, and C130s in and out of Afghanistan. Now, in our present circumstance, we have FA18s, P3s, C130s and

combat support elements deployed to the gulf. In the same period we also had P3s and combat support elements deployed to Northern Australia for Operation Relex, initially operating from Learmonth, thereby activating a bare base. We also had FA18s, including two air defence radars, deployed to south-east Queensland for CHOGM. They also conducted Bali Assist and contributed to other operations in the neighbourhood.

However, in maintaining our maritime strategy, we must also have a balance between the reality of the present and the uncertainty of the future. Let me illustrate what I mean. Who in Darwin on 1 December 1941 would have anticipated the massive bombing that occurred there less than three months later? Indeed, the force structure of the time did not anticipate an attack on Australia, and young Australians were sacrificed in obsolete aircraft which were no match for the opposition. History shows us that, in spite of intelligence assessments, our world has always been full of strategic surprises. So I would submit that our current approach, which provides a balanced force including high-end capabilities that will allow a government a wide range of options across the spectrum of conflict, is the way to go. Interoperability of these ADF high-end capabilities with allies and regional friends also remains important.

While a range of strategies is being pursued to reshape the existing Air Force to give it this responsive and deployable focus, we must also become a networked enabled force in the future. The introduction of new capabilities by the 2015-20 time frame will fully realise this goal. They include the vital command and control infrastructure, AEW&C and a mature air-to-air refuelling capability—all by 2007. Further out, the introduction of the joint strike fighter and replacement of the P3 maritime patrol and response capability will offer highly cost-effective and flexible options for governments to support Australia's evolving military strategy well into the future. Thank you. I look forward to taking your questions.

CHAIR—Thank you, Air Marshal Houston.

Mr Carmody—If the committee agrees, Air Vice Marshal Blackburn would be in a position to outline some of the elements of our strategy, noting of course that we do not formally articulate a maritime strategy separate from our overall military strategy. With your indulgence and agreement, he might be able to outline some of the elements of it for the committee.

CHAIR—Thank you, Air Vice Marshal Blackburn.

Air Vice Marshal Blackburn—Mr Chairman and committee members, our military strategy is influenced by a number of key strategic drivers: essentially our geostrategic circumstances, our key alliance relationships and the ADF's approach to military operations. The geostrategic circumstances obviously are direct approaches dominated by the archipelago to the north, our maritime littoral environment. This environment is very complex and demanding for effective joint operations. We are heavily reliant on that maritime environment for our economic wellbeing, noting that we have substantial sovereign rights such as the 200 nautical mile exclusive economic zone.

While our geostrategic circumstances make it difficult to attack Australia using conventional means, there is also a great deal for us to defend. Consideration of the alliance factors driving our strategy include the alliance with the United States, our involvement in the Five Power Defence agreements and our commitment to the UN—all of which are significant factors in our ability to influence and to give effect to both regional and global interests. US adoption of a

more proactive approach in dealing with terrorism and weapons of mass destruction proliferation has brought into focus the importance of Australia's wider security interests and, therefore, both our current and future contribution to coalition operations.

In terms of our war-fighting approach, war fighting continues to be the central focus of ADF planning. However, the increased complexity and diverse range of operations pose additional challenges, as are those we are trying to address now under the terrorism and homeland security issues. To deal effectively with a diverse range of operations, we are looking to increase our flexibility, diversity and adaptability as we aim to build a more balanced force. Our ability to adjust the force, given that we cannot predict the future, is largely in the area of preparedness in the near term—the readiness and sustainability of that force. It is those fundamental characteristics that we have to build in to allow us to then adapt to changing circumstances we cannot predict.

If we look at some of the key points within the military strategy, we seek to develop a joint force whose enduring focus is the defending of Australia, achieved by defending Australia and its direct approaches; contributing to the security of the immediate neighbourhood; supporting wider interests; performing peacetime national tasks and shaping the strategic environment. The framework in which we develop our capabilities, activities and operations in which we undertake or commit forces is identified as 'shape, deter and respond'.

Our military strategy recognises the importance of geography and its influence on the types of forces that will be needed for effective defence. The maritime nature of Australia's approaches and the wider Asia-Pacific means that any adversary seeking to undertake conventional operations against Australia will need to project through that maritime environment. In respect of conventional operations, our military strategy seeks to achieve and maintain the initiative and to engage an adversary as far away from our territory as practical. We seek to avoid the circumstances where a threat could manifest itself in our direct approaches.

Our current strategy for defending Australia and contributing to the security of the immediate neighbourhood envisages the employment of ADF maritime forces—mostly air and naval as well as special forces—and land forces to achieve strategic control of the maritime approaches. In protecting our wider interests, Australia's contribution would normally be focused on strengthening coalition capabilities with selected air, naval and land force assets.

A key consideration for us is that of discretion. We will usually have less discretion in responding to events in the region closer to Australia, thus our strategy and our force development are strongly influenced by these potential requirements. Despite our geographic isolation of the main potential centres of conflict, the impact of globalisation means we are no longer insulated from events in the broader context and, therefore, must have capabilities to respond to broader threats to our interests.

Given the current changes to the environment, we are reviewing aspects of our military strategy. An increase in commitments in the immediate neighbourhood and the importance of supporting wider interest tasks, such as the war on terror, have broadened the range of circumstances for the deployment of the ADF elements concurrently. The priorities of our interests are under review. We do not see it as a simple choice between local and global commitments, as threats can be interrelated—such as the war on terror and its regional manifestation.

Despite the changes in global and regional strategy environment, we consider the basic construct under which we develop our force structure remains valid. We are of course awaiting the government's decisions and final conclusions on the strategic review. Our considerations to date, in that we see changes that have occurred in the assessments of likelihood of ADF involvement in operations, are as follows: the prospect of conventional military attack on Australia being diminished, increased calls on the ADF for operations in the immediate neighbourhood and ADF involvement in coalition operations further afield. These prospects are somewhat more likely now than in the recent past.

As we look at our military strategy and the flow-on effects, some rebalancing of capability and expenditure will be necessary to take account of changes in our environment. We do not foresee this rebalancing as fundamentally altering the size, structure and roles of the Defence Force but it will inevitably result in increased emphasis on readiness, mobility and interoperability and the development and enhancement of some new capabilities and, where sensible and prudent, a reduced emphasis on capabilities of less importance. As I mentioned before, this is where we can adjust the near-term force in terms of readiness and sustainability—our preparedness. Mr Chairman, that concludes my introductory statements.

CHAIR—Thank you very much. I will ask the committee for some questions to the panel.

Mr BEVIS—How is anything you presented to us today different to what you might have presented to us prior to 9/11?

Mr Carmody—We have reviewed our strategic circumstance since September 11 and concluded that there are changes in our strategic circumstance. Those changes relate particularly to the war on terror and proliferation of weapons of mass destruction. What they really mean in a capability sense is more focus on the versatility, flexibility and availability of forces. In other words, what has changed from September 11 until now is a perception of a need to be more flexible than we were. Therefore, what underpins that is the perception that some elements of our strategic environment, such as the direct threat to Australia, have actually reduced. We need to look at our force structure and our capabilities in terms of the likelihood of other activities, the nature of our need to maintain preparedness and push our preparedness and sustainability further than we had pushed it in the past.

It is also fair to say that our operational tempo has changed significantly in the two years. We have learned a great deal, therefore, about the maintenance and sustainability of our forces. There have been significant changes, principally due to the consequences of 9/11. These include an increased focus on the eradication of terrorism and its proliferation, increased operational tempo, increased needs for preparedness and so on.

Mr BEVIS—You have just now started to open up the issue. I would be interested in the detail that fleshes that out. You have mentioned a greater focus on flexibility and sustainability. In what ways is that manifested? The opening comments were fine—I have no disagreement, like I said—but frankly that could have been said last year, the year before or 10 years ago. It would have been equally valid in any one of those briefings. I suspect the word processors have probably chewed out the same paragraphs with a bit of modification over that decade.

But we are now all in a heightened state of concern and focus about the changing security environment in which we exist. I think the public expectation of us, as a parliamentary

committee, is to delve into that to satisfy that public interest. You have now touched on a couple of the headline issues. I would like to know what some of the detail is that demonstrates Defence doing those things you have just described. What is the greater flexibility? What is the greater preparedness? Where is the increased focus? How have we gone about ensuring a heightened state of capability and readiness? Where is all that occurring and how does all that fit together in a post 9/11 environment? It seems to me that is one of the areas where we should be getting some serious information.

Lt Gen. Leahy—Mr Bevis, I can refer to some capability changes in relation to the immediate consequences of 9/11 and, subsequently, of Bali. We did not deal with them initially because we were talking about strategy rather than capability, but in terms of the capability changes there has been a significant enhancement of our special forces capability. After September 11 we saw the creation of an additional tactical assault group, TAG (East). That was attached and is currently residing in the 4RAR Commando located in Holsworthy. Similarly, we saw the growth in what we have called the Incident Response Regiment, which grew out of the Joint Incident Response Unit which was developed and maintained for the Olympics. So immediately post September 11 we saw a significant enhancement of our special force capability, giving us a TAG on each of the coasts and an ability through the IRR to deal with chemical, biological and radiological problems.

Post Bali there have been further enhancements, and we announced on 19 December the creation of Special Operations Command and the subsequent promotion of Brigadier Lewis to Major General Lewis. The creation of Special Operations Command was designed primarily to understand and comprehend that the threat from terror had changed and that the ability to deal with terror depended on joint interagency and coalition cooperation. The government saw, and we recommended, that a special operations command was a necessary part of that. The Special Operations Command has incorporated the existing special forces—that is, the commando regiments of 1 Commando Regiment, 4RAR Commando, plus SASR. It has also taken under command the Incident Response Regiment, and we have seen a further enhancement of the capabilities of the Special Operations Command with the addition of a third commando company in 4RAR (Cdo) and the provision of combat service support—that is, logistic provisioning for the force.

All those enhancements have started. Some of them will take some time to develop to their full capabilities. I think a lot of the information on those—particularly the Incident Response Regiment and others—is in the record in *Hansard* in other places. It is a significant enhancement to our capability both to comprehend and to deal with the threats of terror.

Air Marshal Houston—Over the last couple of years, and most particularly since 9/11, we have been developing a very effective combat support capability. That combat support capability gives us a lot more flexibility than we had in the past. What we are trying to develop in Air Force is a structure which, whilst it is optimised for the defence of Australia, we can then swing into whatever strategic task the government requires us to swing to, be that for the support of wider interests or something in the neighbourhood or, indeed, peacetime national tasks.

It is very important that we have a force structure that has that versatile and adaptable approach. I would submit that the Air Force is now more flexible than it was two or three years ago to respond to government's requirements. What I have to be able to do is raise, train and

maintain a flexible suite of options that can be offered to government in the event of something happening. Bali Assist was a classic example of that. In the past we have only maintained one aeromedical evacuation aircraft at any particular time, but when those circumstances arose we demonstrated a high degree of flexibility to generate half a dozen aircraft to assist Australians in trouble in very demanding circumstances. What we are about is being more flexible, more adaptable and more versatile.

Mr BEVIS—Can I ask to what extent an air force's flexibility is equipment dependent? Obviously there is a training and tasking issue, but to what extent is that linked to equipment?

Air Marshal Houston—I think you have seen in the war on terror, for example, we have responded in a number of different circumstances. Our equipment has been suitable for the sorts of tasks we have performed on the war on terror. In terms of the combat support side of it, yes, we have enhanced the equipment we need to be able to operate from bare bases, poorly equipped bases—be they in the archipelago or further afield. We have also changed the culture of the Air Force. We no longer have an air force that has a fixed-base mentality. We have an air force which is fully focused on being responsive and deployable. That is a huge change from where we were five years ago.

CHAIR—Vice Admiral Ritchie, did you want to add something?

Vice Adm. Ritchie—I think Mr Bevis's question was: where is the focus of that increased capability being seen and how has that flexibility been demonstrated? From a naval point of view, since 9/11 all of the seven FEGs—force element groups—in the Navy have been engaged in some way or other and five of them have been directly engaged in operations in the last calendar year. That is unheard of in my 38 years of experience. From the time of September-October 2001 we have increased the rate of effort. That is, the amount of time ships are spending at sea has nearly doubled. They are engaged in border protection. They are engaged in sanction enforcement. The latter task is in a threat environment which is different to the first and is higher. They are both legitimate tasks for a navy, and I think they are both legitimate tasks related to the war against terrorism and the suppression of weapons of mass destruction. That flexibility has been well demonstrated. We have gone from mid-2001 doing exercises to being totally operational for all of 2002 and totally operational today.

Mr BEVIS—I have one follow-up question going to the comment just made. With the increased equipment usage in particular and looking at sustainability of that into the future, how is that factored into the through-life costs and how do we, as a parliament or a people, confront that? Presumably either something gives in the existing funding arrangement or there is a need for additional funding, or we hit an even bigger wall a few years down the track.

Vice Adm. Ritchie—In the first instance we, at the top levels of the Defence Force, have to look at the priorities we have as to how we are going to fund that increased sustainment. After that it is a discussion with government.

Air Marshal Houston—If I could use the P3s as an example, the rate of effort of the P3s has only been increased very marginally. What we have ended up doing is much more operational activity and much less exercise activity. The downside is the fact that we are not as capable in high-end skills as we were before 9/11, and I think that is the way we are training at the moment in a capability like the maritime patrol capability.

Mr HAWKER—Yes. In his opening remarks, Mr Carmody talked about the prospect of conventional threat being diminished, although I think Air Marshal Houston did warn us that we should never be complacent. Admiral Ritchie, you were talking about sea control on, above, below and the magnetic spectrum. We have not really talked about that part yet. Could you further describe what threats you see to that in terms of our defence, how you would counter it and how well equipped you are in that aspect of it?

Vice Adm. Ritchie—The electromagnetic spectrum, yes. What I am saying is that, traditionally, people have talked about 'on the surface' and 'surface to surface' capability. They have talked about 'surface to air' or 'air to surface' capability and they have talked about submarine capability. I am introducing the notion that there is a fourth arm: the electromagnetic spectrum, the requirement to have total knowledge of what is happening in that spectrum and perhaps the requirement to be able to influence it. I do not know that I would want to go into too much more depth about some of those things, other than to say that it is an arm of warfare that is often not considered and is often not talked about, for obvious reasons—there are some security caveats around it. It is important that we are well aware of it and that we are able to deal with it.

Mr HAWKER—I appreciate the sensitivity. I really want to hear some assurance that there is an increased focus. As you have pointed out, it is another arm of it. Also, can you give us the assurance that following September 11 that aspect is being addressed? One assumes that it is a more serious threat than it was, vis-a-vis the conventional threat, and I am just wondering what you can tell us about that.

Mr Carmody—Mr Hawker, I might try my hand at that question. The threat has evolved. Those sorts of threats do evolve, and some of them evolve based on technology alone. My view of the Chief of Navy's comments is a question of being in a position to dominate another domain that exists and being able to operate in that broader domain. That leads us in a number of directions. It leads us in the direction of things like networkcentric warfare, where we wish to be able to network our forces more effectively than we were able to before, so we are able to use the strengths of the electromagnetic spectrum in the domain, use the effects of enhanced communications and technological capability to our advantage and be able to exploit those.

There are also elements of that, in terms of exploitation of that domain, which step over into more classified topics, but suffice it to say that there are two sides to it: the one side is being able to operate very effectively in that domain and dominate it to the extent that you can and the other side of it is being able to exploit that domain to the extent that you can. We are comfortable that we are considering all aspects of being able to operate within those domains and in planning to work in those domains, and work effectively.

Vice Adm. Ritchie—Effective command and control relies on exploitation of that domain, and there you start to get into some of the very high-technology areas. Perhaps people think you do not need to do that because we are now engaged in a simple war against terrorism. The most effective thing about that is to have intelligence, to have command, to have control, to have the ability to do all those things at will.

Mr HAWKER—To put it another way, what can you say about protection against the very threat that terrorism would bring to essential services? In particular, we would be talking here about communications, but also other essential services.

Vice Adm. Ritchie—I was not heading in that direction in the comments that I made and I am not really qualified to talk about that. I do not know that anybody else here is.

Mr Carmody—Mr Hawker, I would suggest it stretches a bit further than defence's ability to operate in that domain. I was confining my remarks to the way the ADF operates and how the ADF wishes to operate in that domain. There are manifestations that go much further than defence, but they are also outside my expertise to be able to address.

Mr HAWKER—But isn't this part of defence? Surely, essential services like communications, which are outside as well as within Australia, should be part of your thinking?

Mr Carmody—To the extent that they affect our national interests, I would say yes. But to the extent that we talk about protection of the domestic infrastructure or the communications infrastructure or anything else that exists in Australia—peacetime national tasks notwithstanding, if the Defence Force is asked to do something—it is certainly outside our portfolio responsibilities. That may come to pass. We are really focusing on developing capability for the way the ADF operates.

Mr PRICE—You mentioned three principal elements about the defence of Australia, operations in our neighbourhood, coalitions further afield. Are we now developing a fourth structure that takes those three elements into account? Has there been a change in our approach to the fourth structure?

Mr Carmody—My view would be that some of those elements are in fact enduring. Those elements were mentioned in the defence white paper of 2000. What in my view has changed is what we referred to as a bit of rebalancing, and that it is more around the margins than it is fundamental fourth structure change. It is a question of emphasis rather than a question of wholesale change.

Mr PRICE—In relation to special operations, clearly those first changes in terms of setting up a TAG were in direct response to the war on terrorism, but in relation to the further changes have special operations now been structured to operate in coalition further afield?

Lt Gen. Leahy—Special operations have always had a capability to operate further afield. I think we have enhanced their capability. We have been very conscious that special forces seems to have become the force of choice over the last few years, and I can look back as far as August 1999, when there were some evacuations from East Timor. I am concerned—not overly concerned—with the ability to keep asking the types of things that we are asking of the special forces. We have seen two changes to the special forces: one is to increase the numbers, the other is to increase our capacity to ask them to perform the types of tasks we need from them.

I am concerned that we do seem to be looking at these types of capabilities in much more depth and detail, and we need to be able to sustain that from within the Army. For the immediate term, I am confident with the changes that we have made; we can sustain that. But I am looking at the longer term, because the type of soldier performing these duties is not someone who comes immediately into the Army. We need to make an investment in them, in their physical capability and in their mental development, and that takes a bit of time. But I think we have a pretty good balance at the moment for the types of tasks required in terms of both the physical capabilities and the sustainment.

Mr PRICE—In terms of the rebalancing you spoke about, and I think you also used the words 'capabilities of lesser importance', what is the methodology for identifying that or in fact future enhancements of joint operations? Is perhaps the former secretary's suggestion of abolishing tanks an example? Has Headline, for example, identified the very deep costs in terms of casualties that an elimination might make? How are you determining it? Could you give me some examples of lesser capabilities?

Mr Carmody—Mr Chairman—and Mr Price, in particular—I have no formal examples of capabilities of lesser importance. I was highlighting the fact that we need to constantly review our capabilities. You have highlighted tanks. There could be a range of capabilities that it would be prudent to look at. It is important to look internally at our current and future capabilities when we are developing our capability planning doctrine and guidance, to mirror our strategic circumstance. We need to look at not only what we would like to have but also what remains relevant. It is important to find ways to do that within our current planning guidance and see if there is a transition way of doing them better where there are different ways of operating in different environments.

I am not suggesting at the moment that there is any particular plan for that, because at this time there is not. Within my group we are starting to look as much at current capability as we look at future capability. It is really a question of developing and maintaining a balanced force. Today's balanced force is not the same as the balanced force of two years ago and certainly will not be the same as the balanced force of two years hence. We need to start making those judgments. I have no preconceived notion nor am I in a position to lay one capability on the table and compare it to another.

I conclude by saying that the capabilities are not equal; it is not an equal trade-off. We really need to look at the force we want to have and not necessarily look at the particular capabilities and try to trade one off against the other.

Lt Gen. Leahy—Mr Chairman, you cannot deny the Chief of Army the opportunity to talk about tanks! I am not sure what a question coming from the table means in terms—

Mr PRICE—Actually it is about the methodology. Headline gives at least Army some methodology. I notice that Mr Carmody does not outline any methodology for what he is proposing.

Lt Gen. Leahy—We have recently instituted within defence a new committee, a very senior committee, called the Defence Capability Investment Committee. That consists of the secretary, CDF, the three service chiefs, with the Deputy Secretary Strategy and VCDF also attending the committee, along with USDM, Under Secretary Defence Materiel. That committee is designed to look at the investment balances between operational, personnel and capability costs. That committee is going to give us the opportunity to make these considerations and decisions in terms of competing priorities. It has been going since just before Christmas. I do not think we have yet made those sorts of decisions on competing priorities, but I am certainly happy to see the committee; it gives us an avenue at this senior level to be able to make those sorts of calls.

I will take up your invitation to talk about Headline, Mr Chairman. Headline is perhaps best described as a series of experimental war games conducted at Puckapunyal, where we use the assistance of DSTO, computer simulation, war gaming and historical analysis as well as

seminar war games and we talk about things and try and look at what we might need for the future. Mr Price, you are right: Headline—but also historical analysis and writings—has shown the utility of armoured forces. I think people focus on tanks as a particular capability. I would rather focus on the issue of combined arms—that is, infantry, armour, artillery, engineers and now Army aviation—to operate together, enhancing each capability and protecting themselves as a means of Army providing the basis of our war fighting capability.

Combined arms is very important to us. It is a bottom line of what we do as an army. We have been able to prove quite comprehensively the utility of tanks. A predecessor of mine, General Frank Hickling, simply said, 'Tanks save lives.' We know that. We can prove it historically. We can prove it through the computer simulations supported by DSTO and others. That is a powerful means of us describing what tanks do, describing what medium artillery and other elements of the Army do, and taking it into the committee process. That is an example of where we go, but let me add that it is not the only one. There are competing requirements, and we have an internal mechanism that, to my mind, finishes at the DCIC. We have the ability at this senior level to be able to take those very difficult calls of the competing priorities of personnel, operating and capability investment.

Air Vice Marshal Blackburn—Would it be of some assistance to talk about how we are trying to develop the options for that committee to look at those capabilities?

Mr PRICE—That would be very good.

Air Vice Marshal Blackburn—From the military strategy we have defined a series of response options and tasks for our force. They are what drives our preparedness system and they are the levers with which we can adjust the near-term force fairly effectively. We report every month on what our current preparedness levels are. If we need to adjust the emphasis of it, we have the tools to do it; it is how we then produce those options further out. Army has had, for a number of years now, the Headline series. Navy and Air Force are in the early stages of experimentation and for the first time this year we are running a joint experiment. We have not done that before, because the issue to look at is not just from the service environment but what is the balance of capabilities across the force to produce the effect you are trying to get.

We are trying to do that in two tranches. First, whilst we cannot predict the future, we are trying to work out what the aim point is. Our future experimentation activity to occur this year is based on the joint vision that was issued last year, and our future war fighting concept has just been published. That is what we are starting to experiment with to understand what it is we are trying to produce for a future force capability—this is the 2015-20 mark—and what is the balance between the capabilities that will give the government that flexibility or adaptability to use the Defence Force as a part of a broader whole of nation security capability. So we are looking beyond that boundary and that work is occurring this year.

In addition, what we are going to attempt to do this year is to come back and say, 'Let's look at the force three to five years out.' We have identified the changing environment for which we must perhaps enhance certain parts of our force. If funding remains within a bounded level, what are the trade-offs we are going to have to make to allow us to enhance the force where appropriate to give us that improved flexibility or to be able to sustain the forces for the types of operations government will need? In that process we are going to have to then identify candidate capabilities where their preparedness may be adjusted or their sustainability reduced.

Not only is there an attendant risk in doing that in the short term but it takes a while to recover. In that process we may also have to look at what capabilities could perhaps be removed from service.

But the reason we have to do that longer term planning is the consequence of making that decision now. You now have a force you can employ and sustain in three to five years, suited for our current picture of the environment, that may take anything up to a decade to reconstitute, should that strategic environment change markedly. One thing it has taught us is we get surprised every 12 or 18 months. In that process of future experimentation and deliberate planning of how to adjust the near term, what is the underlying spread of capabilities and force balance? A balanced force is essential. How do we actually build in flexibility and what are the trade-offs within a fixed budget? That is what we are trying to work out now.

The first time with the joint experimentation we have learnt a lot from what Army has been doing in particular. We are getting the tools and measurement systems to be able to give the decision maker some idea of not only the cost issues but the risks. That is the important thing we are trying to develop right now, as well as how you measure joint capability.

Mr PRICE—Is the money in the defence capability sacrosanct, or can money be transferred from that to sustaining the force?

Air Vice Marshal Blackburn—I suggest that it will have to. We are within a fixed budget line. Where you have an increased need for readiness and sustainability of forces, as other forces have had to do, you then have a transfer your investment for future capability back into current and near-term operations. I think the Canadians have been through this quite recently. Understanding the risk of that is an issue. From my understanding they had an original plan of investing 25 per cent of their funds in future capability, similar to ours. They are heading towards investing 15 to 16 per cent. Whilst that satisfies the immediate and near-term requirements of government, what is the cost in terms of security in a decade? In other words, how effective will all that investment we have made to date in our equipment be at the end of this decade or in the middle of the next decade if we make those sorts of decisions now?

Mr PRICE—What are the current deficiencies in capability for operating in our region or in our neighbourhood?

Air Vice Marshal Blackburn—That is what we would be presenting in our preparedness reports to the defence committee and to government each month. Those are classified secret, AUSTEO, so we are not in a position to a discuss that in this public forum.

Mr Carmody—I do not think there is anything that has been asked of us in the last two years that we have not been able to deliver in our region or elsewhere. That is the question of our flexibility and versatility that I have been talking about. Preparedness and sustainability does vary. There are strains on different parts of the system at varying times, and that is what we are in the business of managing; that is what, with the service chiefs and others, we do.

Mr NAIRN—I would like to come back to the technology issue. Recognising that technology is only as good as the data that you have to work with, and specifically in relation to priority 1 of the national objectives—that is, the defence of Australia and its direct approaches—could somebody comment for me on the current status of data around our

coastline and, for that matter, beyond? When I talk about that aspect, I am talking about topography, services, key assets. By 'current status of data' I mean quality, the age, the completeness and, increasingly, the interoperability of that data, because a lot of that comes from all sorts of sources.

Vice Adm. Ritchie—Maybe I can start with hydrographic data. The task of charting the country to an adequate degree is ongoing and will not be completed for many years. There is, therefore, a system of prioritising both commercial and military needs for that, so that the work is done each year in accordance with an agreed thing called the hydro scheme, which is developed by not just us but the shipping industry as well. Whilst most charts are adequate to get around on, there is a great deal of work to be done in that area. I will ask the Chief of Army to comment on topographic information.

Lt Gen. Leahy—As with the charting, there is and has for a long time been a task to map Northern Australia and work with the scales. I have just finished reading a book on Phillip Parker King, who mapped most of Northern Australia in the very early 1800s, and in some ways I am not sure that we have gone terribly far beyond that. That is a comment on his accuracy and the completeness of his work. A lot of information is available, and I am aware, Mr Nairn, that you have had recent experience of this. I would say, first, that we are mapping and trying to get the maps on Northern Australia to a smaller scale, but your recent experience with the regional force surveillance unit would show how we are gathering contemporary data in a surveillance sense of understanding the approaches in the north. In terms of the technological side of this, we have within defence what is called DIGO. Shane, would you like to take that?

Mr Carmody—I will take that if you wish, Peter. The Defence Imagery and Geospatial Organisation has taken over our mapping responsibilities. Explaining a little bit of what it does might help. In the past with the defence topographical and survey organisations we focused on mapping Australia—which is one of the things we did a lot of. We do less of that within defence now. We have outsourced and contracted more of that to AUSLIG and others. We think that a lot of the focus of the business of defence is somewhere else. It is focusing on our approaches, on mapping of other areas and on making sure that we have the coastal data that Admiral Ritchie was talking about and some data further afield to inform ourselves. We are looking more at DIGO managing internal mapping in Australia through managing contractual arrangements and then looking further afield, looking externally, and trying to develop our situational awareness so that we can operate in the areas that we spoke about in the opening remarks. That varies from purchasing of civilian satellite mapping and imagery data to contracting imagery data to build maps—those sorts of things.

Mr NAIRN—What about the interoperability, particularly in relation to services and assets? A lot of that data is held in state agencies and so on, and I know that there are incompatibilities within states, let alone between states. I would think that in a critical situation that data must form part of defence's overall data. Is there any work being done on that aspect of interoperability?

Mr Carmody—There is some, but I am stepping slightly out of my area of expertise. Certainly the focus when we moved to contracting with AUSLIG and others, particularly with the Australian Land Information Group, was to try and end up with some sort of national focus. Even though we knew there was a defence component to this, and a significant defence component if you work within the context of defence of Australia, it was for us work that could

easily be done by others and all we needed to do was manufacture and manage the linkages. I am confident that DIGO manages that very well but, regrettably, I do not have enough detail to know how far down into those mapping and cross-referencing that goes. I am certain if you have an abiding interest, I could arrange some information for you.

Mr NAIRN—Please.

Senator JOHNSTON—Could I take you back to the threat that we have discussed. I agree with Mr Bevis that you have given us probably everything we want to hear about our conventional capability and readiness, but the new dimension that we are now in, the evolved threat, is one that I wish to put to you as being carried out by non-state actors acting asymmetrically. That strikes me as something that is a little bit irrelevant to surface vessels. AEW&Cs are obviously relevant to some extent, but how do the three arms of our Defence Force deal themselves into that game? And, if you get into that game, does it mean, Admiral Ritchie, that we start the Navy looking at container ships as they come in and searching them—doing all those sorts of things? Do we have the capability and capacity to do that? What do you envisage is our role in this new environment if you accept the proposition that I put to you—that the threat is going to be of that peculiar singular nature? These people can get weapons of mass destruction. How do we have you fellows with your expertise look after us on that frontier in that nature?

Vice Adm. Ritchie—Border protection as currently engaged in is about non-state actors acting asymmetrically. That is exactly what is happening. The way in which maritime forces, both air and naval, are deployed to ensure against illegal penetration of the borders I think is an excellent example of how you would use the ADF in this sort of environment. If you are in a more uncertain environment, if you expect that non-state actors are going to do these things to you, then border protection will become extremely important to you. We are already engaged in that and I think we are doing it pretty well.

Senator JOHNSTON—Do we have 10 operational surface vessels?

Vice Adm. Ritchie—Frigates.

Senator JOHNSTON—Is that enough?

Vice Adm. Ritchie—If you want to go for 20—

Senator JOHNSTON—Now is your chance to tell us, because I think we need to hear about what you think the capability requires.

Vice Adm. Ritchie—The way in which the Navy is currently engaged in both the Persian Gulf and Operation Relex is about as far as we can go. There is not much stretch left in that. The one in the Persian Gulf stretches you more because it is much further away, so the business of getting there and coming back and all that sort of thing adds to it. If you were to turn all of that to border protection, I think you would find it would be quite adequate.

Senator JOHNSTON—Do the new patrol boats make some significant difference?

Vice Adm. Ritchie—The new patrol boats will make a significant difference, in that they will be able to stay out there longer, they will be able to operate in the rougher weather, they will have more boarding capacity than the current ones have. You also talked about inspecting containers and all those sorts of things. The Navy certainly has the ability to do that in a contained operation, but I think if you started to turn your mind—which other government departments might be doing—to the sorts of security you need to provide in ports, then that clearly is someone else's task and beyond us.

Senator JOHNSTON—Are you aware of the American program at the moment with respect to container surveillance?

Vice Adm. Ritchie—Yes, and I am aware that that has been addressed in this country.

Senator JOHNSTON—That they do it offshore?

Vice Adm. Ritchie—Before they get into the port or they will do it in the port of where it comes from, yes. But that is a huge task. There are about six ships engaged in the Persian Gulf which are doing that for stuff that is moving in and out of Iraq, and that is probably far less than all of the trade that is moving out of this country. Commodore Goldrick was in fact the leader of that expedition about 12 months ago, and he might like to talk about it.

Cdre Goldrick—In fact, if I can just talk about that issue of the Americans and container security, because I do know something from having seen a lot of their planning while I was in the gulf, they avoid at all costs searching containers in ships. I can tell you from experience in the gulf that to search a 400-container ship with full containers takes two boarding parties a full working day, and the working day is dawn till dusk and it is a very dangerous business. What in fact the Americans are trying to do is to ensure that the ports have container search facilities for the containers before they get loaded on board, and they are trying to do that offshore before they get into America. I am not sure of their plans for containers leaving America, but the intention with container searches is for them to be in ports before loading.

Senator SANDY MACDONALD—My question is very similar to the one that Senator Johnston asked, and it is to you, Admiral Ritchie. You made the point that your force elements have nearly doubled sea time in the last two years and that in 2000 you were almost exclusively involved in exercises and in 2002 you were nearly exclusively fully operational with border protection, MIF, predeployments and the war against terror. Do you feel that the Navy is running on empty—in Air Marshal Houston's words, that the suite of options available to Navy are pretty limited now in terms of an immediate operational requirement in our neighbourhood?

Vice Adm. Ritchie—It is not running on empty. The Navy is quite comfortable with the level it is at. Indeed there is a certain rhythm that has come from that level of operations, but if we were to engage in other operations in some other part of the world, then there would need to be a reprioritisation of what we do. There is some flexibility left—and again I would not go too deeply into this, and you may already have been through some of it—but there is a preparedness directive which says you have to be able to do X, Y and Z at the same sort of time, and we are able to meet those commitments at the moment.

Senator SANDY MACDONALD—That sort of operational preparedness more easily applies to the Army and the Air Force.

Vice Adm. Ritchie—No, it applies to the Navy, because operational preparedness directs you to specific events or the likelihood of specific events happening. It says that, if that event happens, you might need to have this many of that sort of aeroplane, this many people from the Army and this sort of ship to do something about it.

Senator SANDY MACDONALD—It is a compliment, and it is remarkable in a way, if you think about it, that in two years—from being purely a Navy exercise by exercise—it had the capability and the capacity to do what it has done.

Vice Adm. Ritchie—Thank you for the compliment.

Senator SANDY MACDONALD—If I am in the business of paying compliments, I just want to put on record, too, I thought it was absolutely remarkable, Air Marshal Houston, that the morning after the Bali bombing, the aeromedical team had gone within hours, and by I think the close of business on the Tuesday, everybody had been evacuated from Bali. I think that was just a remarkable story, and it showed the sort of level of skill and determination and the planning involved in our ADF. I thought it was terrific.

Air Marshal Houston—Thank you.

Senator HUTCHINS—General Leahy, does the committee that has the CDF, the service chiefs, the secretary and the two undersecretaries have a name?

Lt Gen. Leahy—Yes, it is the Defence Capability Investment Committee.

Senator HUTCHINS—When Mr Carmody was making his submission, he talked about what Mr Price referred to as capabilities of less importance. I think Mr Price or one of the other committee members tried to nail you down and you gave a three-minute non-answer.

Mr Carmody—Thank you, Senator.

Senator HUTCHINS—I thought it was very commendable. I am not sure who this question might be directed at. Dr Alan Dupont has commented as follows:

In committing so much of the defence budget to the Navy and Air Force at the expense of the Army, the architects of our strategic doctrine have pursued a policy that severely weakened the Army's capacity for force projection in the mistaken belief that air and naval power would suffice.

It may be unfair to ask you this question, General Leahy—I might ask this of the four people who have answered—but in effect hasn't that decision already been made by the investment committee, that the Army's capacity has been reduced because its budget contribution has been reduced, and that effectively this investment committee is trying to fit into that pattern?

CHAIR—General Leahy, do you want to answer that?

Lt Gen. Leahy—I am quite happy to respond to that. I think Alan is correct in his assessment but I would also say that I think through the committee processes that led to the defence white paper of 2000 we significantly resolved many of those issues. That is not to say that there are not some outstanding, and perhaps I can cover them, but the defence white paper of 2000 to my

mind asks the question: 'What do you need to do in terms of East Timor again, but better?'—a pretty good question. The capabilities that flowed from that have gone a long way to solving and answering that question. I will just mention a few of them, particularly in the logistic realm and the deployment realm: our ability to deploy forces offshore and sustain them through logistics over the shore, through medical support, through the supply and distribution of water and fuel, through a whole range of capabilities in terms of our vehicles and our protected mobility. Not all of these capabilities have been delivered; some have, and they have significantly enhanced our capability for force projection. Many, though, will be delivered as part of the Defence Capability Plan, which I take inside Army to be one of the major tasks and one of the more difficult tasks we have, out to about 2008 and 2010.

That is the rosy picture. It is going to take a bit of time but I am very happy with many of the capabilities that are being extended. However, I think there are still some deficiencies, and there was a suggestion—I think it might have been from you, Mr Price—on some of those capabilities. Let me talk about strategic reach. If we are being asked to go offshore, we need the capability to go further offshore. In terms of the work that we had with an ADF amphibious force and the landing platforms, with *Tobruk*, I would like to be doing more training there. I would like to see an increased capability to deploy helicopters on them. They are, in project form, things that we are considering through both experimentation and the capability area—things that I expect will come eventually to the DCIC so that we can make those priority calls and make those decisions.

The answer to your question, Senator, is really in two parts. The white paper has, I think, done very good things for us in terms of improving our capability to do force projection, to meet strategic reality and strategic doctrine. I know Alan is at the back of the room there. I think a lot of his concerns have been rectified, but there are more to come, and they deal with strategic reach, communications and some elements of fire power. They are part of the normal committee process and, when it is time to get them through the committee hierarchy, I think the DCIC will be in a good position to make those priority calls.

Vice Adm. Ritchie—Can I just enforce what was said by General Leahy. I think Dr Dupont is historically correct but, indeed, the white paper of 2000 turned that around and recognised the need to sustain the Army to a greater extent. But it also recognised—and I think this comes to the very nub of what you are trying to investigate—that you have to be able to get them to wherever they are going, protect them en route and protect them whilst they are there. It has tried to achieve the best balance out of all of that.

Senator HUTCHINS—I get the impression an investment committee is like the senior people in a business who have decided the priorities of how they are going to spend their money. How does this work? Do you, General Leahy or Air Marshal Houston, have to put in a submission to this committee to say that you want this sort of equipment, or you want these troops or airmen? Do you, Vice Admiral Ritchie? Is that the system we are going through?

Vice Adm. Ritchie—All our capability development work is done centrally. It is done in a joint organisation which is currently headed by an air vice marshal but he has Navy, Army and Air force people working for him. They develop requirements in conjunction with the service chiefs. The service chiefs oversight that work and it moves forward in that sort of way, but it is a joint process. It is agreed at every step of the chain until it gets to the top. When you get to the top and you are trying to prioritise one thing against another you are back into what

Air Vice Marshal Blackburn was talking about: various mechanisms for saying, 'Is there more utility from this particularly capability than that particular capability?' Defence has the capability to make hard decisions about priorities and has done that.

Senator HUTCHINS—Is DCIC the group that makes a decision about what is a capacity of lesser importance?

Vice Adm. Ritchie—Yes.

Senator HUTCHINS—Who do they report to—the minister? I am not familiar with their reporting.

Mr Carmody—The committee is chaired jointly by the secretary and CDF but, in any event, it reports to the minister—as all of our committees do—in that higher sense. But it is the place where the trade-offs would be made, or the balance is determined. It is a question of the capability development coming forward and the service chiefs making recommendations or putting forward a case on particular capabilities or, as Admiral Ritchie said, the head of capability systems bringing that notion forward. It is up to people like me to talk about the strategic circumstance and use the strategic part of the defence organisation to say, 'This is what we believe the threat environment is going to look like, so this is what I think the capabilities should look like.' Then we work it out. That is what it is all about. It is a very small group. It has very difficult decisions to make, but it has only been operating since before Christmas. Those things, given the scale of our operations and just given the amount of work that underpins it, take some time to get off the ground.

Senator HUTCHINS—So it is not limited to the equipment you want to purchase?

Mr Carmody—My view is that it is capability in the broadest sense. It is looking entirely across defence—looking entirely across defence's capability and then looking at the type of decisions that we would need to make, given the capabilities that government has directed that we pursue and maintain. So it is taking those, looking at the strategic circumstance and then making the judgments that are necessary.

Senator HUTCHINS—That includes personnel, does it?

Mr Carmody—It does, to the degree that different capabilities have different levels of flexibility. For example, some of our personnel numbers or costs are there. It is not quite the same sort of dealing as deciding whether you are going to bring up a project or not, because it is a slightly different issue—it is not quite apples and apples—but the short answer is yes.

Mr SOMLYAY—Very briefly, what impact are the latest problems with the Collins class having on maritime strategy? Is there undue pressure on other parts of the Navy because of the problems with the Collins class?

Vice Adm. Ritchie—Are you referring to the recent ones?

Mr SOMLYAY—Yes.

Vice Adm. Ritchie—In fact, we have militated against the risk of those things happening and the boats will be returning to duty very shortly, within the space of the week. I do not think it really has any particular implication on the strategy. I think it is the same with any sort of sophisticated vehicle: if something happens in the vehicle and you are unsure of why that happens, you stop, investigate it and make sure you find out what the reason is and make sure that it cannot happen again—or, indeed, militate against the risk of it happening again, if that is the way to go—and then proceed. I think in the aviation industry it is a pretty common procedure. Submarines are really an underwater aeroplane—think of it that way.

Mr BEVIS—On a different matter of self-reliance, to what extent should we be self-reliant in the execution of our maritime strategy?

Vice Adm. Ritchie—In the execution of the maritime strategy?

Mr BEVIS—In carrying it out and implementing it.

Mr Carmody—Let me start, Mr Bevis, if I may. We have been seeking to be as self-reliant as we can be, but we acknowledge also that we need to develop capabilities that both allow us to be self-reliant and allow us to interoperate. Therefore, it again comes back to a balance issue, but ultimately—and the Chief of Navy, I am sure, will be happy to respond in one sense and maybe my colleagues as well—we need to be as self-reliant as we can afford to be.

CHAIR—Does anyone else want to add to that?

Vice Adm. Ritchie—I agree. I think we need to be as self-reliant as we possibly can whilst, at the same time, understanding that we will never be totally capable of doing that. We will always be reliant on overseas sources for supply of some particular technologies.

Mr BEVIS—What are the best ways of defining those things that we should be self-reliant in and those things we want to be interoperable? I have a series of questions about interoperability that we are not going to get to today. What is the methodology that leads us to say these are things that we would want to be self-reliant in; these are things where we can afford to rely both on our own resources and those of others, or indeed rely on others?

Air Marshal Houston—Where we start is the threat. We have a look at the threat and our strategic circumstances, and I would submit that in our present strategic circumstances we have a very high degree of self-reliance. The investment we have made in the Defence Force is adequate for our current strategic circumstances. There are obviously areas where we would want more funding, but I think in the main and given what we see out in our region at the moment there is longer term uncertainty. Certainly there is a very worrying trend in terms of terrorism; terrorism is a reality, weapons of mass destruction are a reality—that is the area we need to focus on at the moment.

Lt Gen. Leahy—I think the discussion in the December 2000 white paper talks about self-reliance in combat capabilities and, to my mind, that is the bottom line. We need to be able to provide as much of the combat force—that is, young men and women that we would put into combat—as the self-reliance, rather than relying on other countries to send their young men and women to defend us. The things that we should aim to achieve are technology, equipment and those sorts of things which do not involve risking people's lives.

Vice Adm. Ritchie—There are two levels, and one is self-reliance and capability. The notion of a balanced force says, 'Yes, we do try to be self-reliant in as many capabilities as we possibly can,' which is what the Chief of the Army just said. There is also the question of self-reliance in the systems and the equipment which make up those capabilities. That is a different issue. In that issue I think you then start to say: 'I really want to be able to maintain it and I want to be able to repair it and I want to be able to adapt it—all those sorts of things—so I need to be able to do all that myself. But I don't need to invent weapon systems.' I can buy them somewhere else.

Mr BEVIS—I should say that the next thing I had written down was Australian industry capability, but we do not have time today, I suspect, to go there. I still have areas of the last question that I would like to pursue, but I suspect we are about to run out of time.

Mr Carmody—Looking at it from a strategic perspective I would like to be self-reliant in areas where we have least discretion. I would like to be less self-reliant in areas where it might work the other way. In other words, for operations in our immediate neighbourhood, or for providing a flexible and versatile force, that is where I would like to be as self-reliant as I could be.

Mr PRICE—In terms of the changes to policy, was there a change to the white paper requirement that we be able to deploy a brigade and sustain it and a concurrent battalion? I have sought information on that at quite a number of hearings, so I may as well do it publicly. What does that actually mean in terms of numbers?

Mr Carmody—I may leave more of the meaning to my colleague, Chief of Army, but my understanding is that the white paper requirement stands. It has not changed.

Lt Gen. Leahy—Mr Chairman, I accept against Army an extant requirement to be able to provide a brigade group for operations of a sustained nature, plus about a battalion sized force for concurrency operations.

Mr PRICE—So what sorts of numbers are we talking about or, if you cannot give me a number, can you give me a range?

Lt Gen. Leahy—I would prefer to give you a range. It is not for security reasons; it is because, as I think many of the members of the committee would understand, an army force is not something that exists right now. It is something we task and tailor for the task. I would give you a range of between 3,500 to perhaps 5,000 or 6,000. We would be looking very much at the task, type of duration and so on. But in that order would be something that Army would accept as a task and something we feel we could achieve.

Mr PRICE—Is there a time constraint on that? The white paper says 'to sustain it'.

Lt Gen. Leahy—Army has gone through a lot of our work and it is yet to be exposed to the committee processes. We have developed something called the Combat Force Sustainment Model. That would enable us, using regular and some components of the reserves, to sustain a force of that nature and a concurrency force indefinitely.

Mr PRICE—Would somebody like to comment on Brigadier Jim Wallace's comments in his submission:

... there has been inadequate priority for systems that would allow us to really operate with the US in an environment with conventional war characteristics.

Mr Carmody—I can probably start, but I do not make a habit of commenting on Brigadier Wallace's views. His views are his own. You will have an opportunity to have him expand on them today.

Mr PRICE—That is why I thought we would get some extra information.

Lt Gen. Leahy—Mr Chairman, I think we have demonstrated in all of the environments an ability to be interoperable with the United States and also with other allies and friends. There is our experience in East Timor. I know the naval experience in the Northern Arabian Gulf is not only with the United States. I think we have credible levels of interoperability. It is an important task as we look to the future and at changes in the strategic environment, and coalition operations will become increasingly the norm, so there is a requirement on us to ensure we can be interoperable—not only with the United States but with friends and allies from regions and globally.

Mr NAIRN—Are there increasing resources going into working with those key allies in a strategic sense and a planning sense today, compared with what there was, say, five years ago?

Lt Gen. Leahy—I do not think in a strategic sense. We have always had programs of interoperability through either air, naval or land. On land it is the ABCA countries who work together through a very extensive committee forum to determine levels of doctrine and interoperability and standardisation. I think those base levels are there. By practice at the moment there tends to be more work going in, but in a strategic sense I do not see any significant shift.

Air Marshal Houston—We in Air Force have a very high level interoperability with the United States. We obviously have the Tandem Thrust types of exercises; the Crocodile exercises. On an air force to air force basis we have such exercises as Pitch Black and others. We work with them constantly on exercises and, more recently, on operations. In all force element groups we have no difficulty in operating with them.

CHAIR—That completes the evidence. I thank the panel here this morning for their attendance today.

Mr Carmody—My expectation is that we will have a written submission completed shortly.

Mr BEVIS—Can I say I think it is extremely important that there be a written submission and can I also say that at that point it may well be we would want to have further discussions.

CHAIR—Thank you.

Proceedings suspended from 11.19 a.m. to 11.34 a.m.

BORGU, Mr Aldo, Program Manager, Australian Strategic Policy Institute

WHITE, Mr Hugh, Director, Australian Strategic Policy Institute

CHAIR—Although the subcommittee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. Do you wish to make an opening statement to the committee, Dr White?

Mr White—Yes, I would. Thanks very much for an opportunity to appear before the committee. Thank you also for the PhD; ANU never gave me one, so it is very nice of you. This is of course an extremely important issue and we are very glad to have a chance to offer a few thoughts on it. The phrase 'maritime strategy', as it was used in the defence white paper published in 2000 and as it is commonly used in the defence debate in Australia, is best understood to mean two things. The first is that in relation to the defence of Australia, which we have regarded as our key military task for the ADF for 25 years or more. The core of our capacity to undertake defence of Australia relates to our capacity to deny our air and maritime approaches to hostile forces. Moreover—and this is a particular point of emphasis in the 2000 white paper—the same capability is important to ensuring that we can maintain a level of strategic denial over the islands in our immediate neighbourhood, in the inner arc, to ensure they are not used as bases for operations against Australia.

The first of the big ideas that underpin the idea of a maritime strategy in the 2000 white paper was that capacity to deny air and maritime approaches to our own continent and to our immediate neighbourhood was part of our capacity to defend Australia. The second element in what I think the 2000 white paper meant by 'maritime strategy' is that in relation to our capacity to contribute to coalitions for operations beyond our immediate neighbourhood priority would be given to being able to offer air and maritime forces rather than land forces to those sorts of coalitions.

There is a very important point to draw from that characterisation of what we meant by 'maritime strategy' and that is that it is strongly focused on questions of force structure. This issue is an issue about how you structure Australia's defence forces and what priority you give to different types of capability. There are a lot of things that maritime strategy is not, and I want to spend a minute outlining four of them. The first point is that it is not in any sense a neo-Mahanist doctrine of the kind of maritime or naval strategies that were developed late in the 19th century to explain and promote the growth of world powers in the colonial era. The maritime strategy is no part of that.

The second point is that maritime strategy is not in any sense isolationist or reactive. It is not isolationist in the sense that an emphasis on the maritime element in the defence of Australia does not by any means mean that focus on the defence of Australia is all you do; nor does it imply that your approach to defending Australia is reactive. The defence white paper and the strategic review that preceded that in 1997 both emphasised that Australia's approach to its maritime defence task would be highly proactive; it would seek out adversary forces and try to destroy them as far from Australia's shores as possible and the force would be structured to do that.

The third point is that maritime strategy in no sense excludes a role of land forces in that maritime strategy. Maritime strategy is not about navies but about being able to control maritime approaches. That includes, amongst other things, being able to control what goes on in the bits of land in those maritime approaches. There is an important role for land forces in a maritime strategy, particularly for the inner arc for operations in the islands in our immediate neighbourhood. In fact, the 2000 white paper put a new emphasis on the capacity of our land forces to deploy to, be sustained in and operate in our immediate neighbourhood as part of a defence of Australia strategy. That is indeed a key change in the role of land forces envisaged in the 2000 white paper from the policies that have been built up in preceding decades.

It is worth bearing in mind in particular, in relation to that point, that the maritime strategy spelt out in the 2000 white paper was not a repetition of the 1987 white paper strategy. The strategy that the present government adopted in the 2000 white paper was distinctively different in a number of key ways to the policy adopted by the then government in the 1987 white paper.

Lastly, it is very important to note that the maritime strategy set out there was not solely focused on the defence of Australia in high-level conflict. It did acknowledge very strongly in the 2000 white paper that light land forces were very important for operations in the immediate neighbourhood against a range of new security tasks—lower level military tasks like peacekeeping or non-military tasks like counter-terrorism; in some circumstances preventing illegal immigration and so on. They were all explicitly recognised and provided for in the 2000 white paper.

Whatever else the maritime strategy is, it does not have those characteristics; but it does carry four characteristics that I want to emphasise. The first characteristic is that maritime strategy is based on the idea that defence of Australia continues to be our highest capability priority. Drawing from that, the second characteristic is that maritime strategy is based on the idea that conflict between nation states involving relatively high levels of forces is still a very important key aspect of Australian security. The third characteristic is that fighting at sea or over the sea is the best way to defend Australia against hostile forces from other countries' nation states. The fourth characteristic is that for Australia, making an air and maritime, rather than a land force, contribution to coalition operations in high-level conflicts in the Asia-Pacific region or beyond is a better bet. Our contribution of choice should be air and maritime, rather than land forces.

So much for characterising where we were in 2000. The key question about the future of our maritime strategy is: to what extent do those considerations still apply? As I said before, if the debate is to be a content filled one that relates to the real choices we face, we have to bring these questions down to questions of force structure: what kind of capability will we develop? You can distil that issue into two questions. The first is, how do we balance the priority we give to maritime capabilities against the priority we give for light land forces used for low-level and non-military tasks in the immediate neighbourhood? Nobody denies that these non-military and low-level tasks are very important and increasingly important. There is a very important conclusion in the 2000 white paper. Major resources were allocated in the Defence Capability Plan to enhancing the ADF's, and particularly the Army's, capacity to respond.

It is worth making the point that the ADF is only part of the response to these challenges. In a lot of situations in our neighbourhood it is not the ADF but other elements of our national resources that are brought to bear. For example, in response to the Bali tragedy the role of the

AFP has been very much to the fore. But the ADF is part of the picture and it needs to be recognised in the way we structure our forces.

The question is: do we need to expand our light land forces—the kind of highly deployable light land forces that are most relevant for operations in our immediate neighbourhood—to do more to respond to this growing task? My instinct is that we probably do. There were significant expansions in the white paper in the scale of land forces that were available at high levels of readiness. My own sense—somewhat subjective, admittedly—is that looking at the force structure we have developed in the 2000 white paper, the single area of greatest vulnerability, the area where we are most likely to run out of the capability we need soonest, from the forces that were set out in the Defence Capability Plan, is in the availability of highly deployable light land force. An increase in the number of battalions, perhaps from six to eight, would be a very defensible step to take.

The next question is: do we need to or can we afford to—can we get away with—cut back on our air and maritime capabilities in order to fund additional light land forces? You can argue we certainly do not need to. At 1.8 per cent of GDP, whatever else we are doing, we are not driving Australia's economy into the ground by spending too much on defence. You never want to spend more on defence than you have to. I would never argue that there is a particular level of GDP you have to reach, but I do not think anyone can say that we cannot afford to spend more on defence than we are at the moment.

I therefore argue that if you decide you need more light land forces, which I would be happy to support, you do not thereby have to decide you have to reduce your emphasis on our air and maritime capabilities. The other argument, though, is that we can afford to spend less on air and maritime capabilities because the changes in our strategic environment make the defence of Australia a lower priority. I would say that it would only be prudent to cut back our air and maritime capabilities to pay for more light land forces if you believe the defence of Australia was no longer important, or no longer as important as it has been in the past.

By that, you would have to mean that major wars are no longer credible in our region, or that if there was a major war elsewhere in the region it would be unlikely to affect Australia directly, or if you were prepared to rely on the United States to defend Australia—which is a plausible policy proposition, but it goes against the principle of self-reliance that we have adhered to so strongly in both sides of politics for the last 25 years—and if you were prepared to say that we did not want the capacity to make air and maritime contributions to coalition operations further from our shores and we were happy to make land force contributions. Also it is worth bearing in mind that in those judgments you would have to be confident of their truth not this year or next year, but 10 and 20 and 30 years from now.

I suspect that some of the people who have given their views to this committee would support those three propositions—I do not. I do not believe that you can plan the defence of this country on the basis that defending the continent against conventional military attack in the 10- to 20-year time frame is no longer a priority. I think it remains the core of our defence responsibilities. I would therefore argue against any reduction in the priority for air and maritime capabilities.

The second part of the question is whether we prefer to send land forces—light or heavy—rather than air and maritime forces, to contribute to coalitions beyond Australia's immediate neighbourhood. Are we happy to be sending F18s to the gulf? Whatever we think of the gulf

conflict itself, do we think it is sensible to be sending F18s to the gulf rather than the armoured brigade that was talked about in some earlier stages of the discussion? My own view is that it continues to make sense for Australia to focus our coalition contributions on air and maritime forces—not just because they are the forces we need to build anyway for the defence of Australia but because they match Australia's natural comparative advantages in military forces. It is always going to be easier for us to provide small, high-technology capabilities which do not rely on large numbers of people than to send large numbers of people, very labour intensive forces into operations far from Australia. That is true even if you do not take into account the casualty liability issue. But if you do take into account the casualty liability issue I think the argument is redoubled—that is, if we can contribute putting 100 people at risk, why would we choose an option that put 1,000 or 5,000 people at risk?

In conclusion, none of this is to say the present force structure is necessarily right. There are key questions about the shape of Army and the size of Army. There are also key questions about the delivery of many of the air and maritime capabilities which the government has decided it wants and has undertaken in the white paper in 2000 to fund. In relation to the size and shape of Army, there is a question about the development of our amphibious capabilities, for example, and, as I mentioned before, the size of Army and particularly the number of high readiness battalions that we have available.

I think the concepts that have been developed within defence, particularly the concept of manoeuvre operations in a littoral environment, is a useful instrument for addressing some of those questions, though I would make the point that I think Australia's strategic objective ought to be avoid having to undertake manoeuvre operations in a littoral environment if we possibly can, so I would still put a very high emphasis on the air and maritime denial task in the inner arc.

I believe that we can do what we need to do with the shape of Army, including an increase in the size, without reducing our long-term commitment to developing the capabilities we need to defend Australia at and over the sea, which I think is the best place to do it. I would argue against abandoning a maritime focus unless you are prepared to give an answer to those three questions I posed before over a 10- to 20-year time frame, which I would not myself be prepared to give. Thank you.

CHAIR—Aldo Borgu, did you want to make a statement?

Mr Borgu—No.

CHAIR—To questions then.

Mr HAWKER—One of the points that Admiral Ritchie made in his comments earlier this morning was about the importance of sea control on, above and below and also the magnetic spectrum. Given that there are some points of view that the prospects of a conventional threat at the moment are diminished—but, as you point out, that may not always be the case—are we putting sufficient emphasis on this question of the magnetic spectrum? What level of threat is that as an unconventional type of threat? How well equipped should we be to be able to handle that?

Mr White—I think Admiral Ritchie is absolutely right to say that our capacity to control the electromagnetic spectrum and, in particular, to have sufficient control to achieve our objectives on information that is flying around it, is a very important part of modern warfare. I would be far from confident in saying that we are doing all we need to do, or all we could do, to keep a good handle on that. The government has put a big emphasis on this over recent years. In the 1997 strategic review it developed the idea of the knowledge edge, which had supremacy in information operations of all descriptions very much at its centre, including our capacity to control the electromagnetic spectrum to the point that it is relevant to our needs. The 2000 white paper placed a very strong emphasis on information capabilities and, indeed, identified information capabilities separately from the range of other types of capabilities.

But I have to say, if we have deficiencies there, I do not think it is because we are not putting enough resources into it. I think it is the conceptual and technical problems that confront us there. What kind of capabilities do you need to develop? How can they best be developed? What kind of management structures do you get in place to make sure that you are looking after information and controlling the spectrum better than others? I think they, rather than an actual shortage of resources, are the real challenges.

I would make the point that I think it is true whether or not you adopt a maritime strategy, in any form of warfare. In a sense this has been true for some decades now. It is becoming more and more true as information becomes more critical to the way we all do business. Controlling the electromagnetic spectrum is going to be very critical. Even if one decided—which I would not support—to move away from a maritime focus to a more land based focus, I still believe you would need to put a very strong emphasis on that part of what we are trying to achieve. As I say, I think the issue there is less dollars than the ideas, if you like. That is the really tough part.

Mr HAWKER—Can you expand on that? What do you believe we should be doing in this area?

Mr White—It seems to me conceptually what you are trying to do is work through a spectrum that runs from intelligence and surveillance and identification and tracking of individual targets through to denying those same capabilities to your adversaries, the capacity to guarantee your own communications and to deny the communications of others, the capacity to ensure that your sensors are working and the other guy's sensors are not working at all well. It is a very complicated set of issues.

What Australian defence policy has been trying to do over the years is ensure a sustained level of superiority in the intelligence and surveillance area. I think, although we could be doing better at that, we are not doing too badly. In the area of developing our capability to deny the same sorts of capabilities to adversaries, which is obviously a very sensitive area—but it is not something we have ignored, if I can put it that way—and ensuring that our own communications are robust and secure and that we have a good capacity to target the communications of adversaries, again, I do not think we are doing too badly, although the demand for communications for ourselves is very hard to satisfy.

The demand for communications keeps on growing exponentially. Every time you think you have the problem solved you find the amount of bandwidth you need increases overnight again. But I also think in the electronic warfare area, in terms of targeting other countries, other capability sensors, ensuring our own sensors can burn through, is a very demanding and very

dynamic part of the business. It is an area where I would be least comfortable about the quality of our achievements. It is not that the government has not committed a lot of resources to the electronic warfare side, it is not that we have not achieved some good results, but I do have a strong sense that is an area where the way in which we develop our ideas, the way in which we implement our plans, is not keeping track with where we would like to be.

Senator HUTCHINS—The Australian Maritime Defence Council commented:

In the current strategic environment, the likelihood of armed conflict on Australian soil or in Australian waters is remote.

Do you accept this position and, if so, what do you consider are some of the key threats to Australia's security?

Mr White—That is a very important question. It depends entirely on the time frame you put around 'current'. If by current you mean this year, next year or five years from now, yes, they are remote. I do not think they are unthinkable. In fact, it is not very hard to tell a more or less plausible story that would explain how they might grow significantly. The key point in the position I have been putting forward is that the time frames we need to think of in these decisions are 10- and 20-year time frames, and I would not be very confident about our capacity to predict Australia's strategic environment 10 or 20 years from now. That is a reflection of the fact that we live in the Asia-Pacific. This is not Europe. If we were Britain or if our continent was moored offshore Europe, I would take a view much closer to that; if we were Canada, I would take a view much closer to that. But our geography is different.

The Asia-Pacific is a region in which armed force continues to be a very significant element in the relationship between nation states, in which the future power relationships between nation states is ambiguous or uncertain, to put it mildly, and in which military capabilities—particularly air and maritime capabilities—are developing not very sharply but very steadily over a long-term trend, putting pressure on our own long-term capabilities in relative terms. It is also a region in which not very large discontinuities in strategic affairs could produce quite substantial long-term deterioration in our environment and increase in the risk of military action against Australia.

So I would agree with that proposition as a short-term proposition but I would not agree with it as a long-term proposition. The point I would make is that the choices we make about the shape of our defence forces—and particularly the development of our air and maritime forces, which are so big and complex and take so long to develop and last so long once they are in service—today do have 10- and 20-year consequences. There is no way around that. It is a well-worn case. The F111s were ordered in 1964, delivered in 1969 through to the early seventies and we hope they will be in service for at least another 10 years. Some of us, in a misty-eyed way, would like to see them in service until 2020. Those are not atypical time frames. We decided to buy the Collins class submarine in 1984 and we hope it will be in service and working nicely 20 years from now.

Twenty years sounds like a long time. It is not a long time in this business. Judgments about today's strategic environment have to give way to judgments about the long-term trajectory of our strategic situation, and you have to be very confident, I would say, about the direction of Australia's strategic situation to say now that you have a high level of confidence that 20 years

from now we will not need a very substantial capacity to deny our air and maritime approaches. I do not think we live in that kind of region. If I was a Canadian I would take a different view.

Senator HUTCHINS—You can't answer that bit about the clear threats?

Mr White—The best way to answer that is to explain how I think threats to Australia could arise, and this is a necessarily imprecise business. Let me offer this set of propositions. The key question in the strategic dynamics in the Asia-Pacific is the trajectory of the relationship between the United States and China. A very important determinant of Australia's strategic future and the likelihood of Australia being involved in high-level state to state conflict in the Asia-Pacific region over the next 20 years is how well that relationship develops. If the relationship develops badly and degenerates into an adversarial relationship, or even an actively hostile one, then the chances of Australia being involved in major armed conflict—maritime conflict with major national states—are significantly higher.

What are the chances of that kind of trajectory? I do not think they are very high. I think there are a lot of positives in the US-China relationship, and certainly Australia has an overwhelming interest in ensuring that those positives are emphasised and that the development of an adversarial or hostile relationship between the US and China is prevented. But we cannot be 100 per cent confident that is going to succeed.

Scenario-wise, let me suggest the following sequence of steps: a US-China disagreement over political developments in Taiwan, the use by China of military force to attempt to pressure the Taiwanese political developments, the response by the United States by the deployment of significant forces, a clash between those forces resulting in significant casualties on either side—none of these steps are implausible—leading to a substantial and sustained conflict between the US and China in which Australia would very likely be asked to contribute by the United States. If we found ourselves siding with the United States in military operations against China, I would not want to be advising a government that we could be absolutely sure that China would not undertake operations against Australia. Let me be clear. Do I predict that? No. Do I think that is likely? No. But would I be prepared to say that we could plan Australia's defence on the proposition that that will not happen? No, I would not.

Senator JOHNSTON—Mr White, we have talked about the forward projections of forces and we have talked about our military capability. You have also adverted to the fact that there is something beyond that, which is not necessarily military, in the nature of intelligence gathering—early intervention and these sorts of things. Do you think we need a national security strategy and, if we go down the path of establishing such a strategy, where do the defence forces fit into that template and how closely do we incorporate them into that, given that our generals, admirals, air commodores and air marshals tell us we are at a good state of readiness to deal with a conventional, traditional style maritime event? The new dimension requires new flexibility and new thinking. How far do we take our defence forces away from traditional high-end capability and integrate them into a national security strategy type of environment?

Mr White—That is a terrific question. We do face a very complex set of security challenges—viewing 'security' in the broad—in Australia. There is a very complex global agenda which we are all very conscious of at the moment, but there is also within our wider region a very complex regional agenda. There is the question about the broad balance of power

in Asia, the relationship between US and China, the way the US-Japan and the China-Japan relationships develop, the way in which India factors into all of that; what Korea means for all of that. There is this global question, questions about WMD, terrorism and so on.

There is a regional challenge—which one might abbreviate by calling it the 'balance of power'—in the wider Asia-Pacific, a very open and uncertain question at the beginning of the 21st century. Then we have a very big question about the stability of our immediate neighbourhood, which can be split into two parts. The first is what is going to happen in Indonesia and whether Indonesia is weak or strong. The capacity for bad developments in Indonesia to badly affect Australia and, conversely, the capacity for positive developments in Indonesia to be very good for Australia is a very important part of our security environment. Secondly, in that immediate neighbourhood category, there is a very significant challenge that one could abbreviate with this phrase: the potential for state failure in the Melanesian arc.

There is a hierarchy of five problems, all of which confront quite urgent security problems for Australia. None of them have a purely military solution. All of them require active policy by Australia which integrates the military with a wide range of other activities. Let me go back up the hierarchy to illustrate what I mean. The ADF will be a small part of what we try to achieve in the South-West Pacific. Take the Solomons, for example, which I think genuinely can be characterised as a failed state: significant efforts by the Australian government and some others to try and help pull them out and not much confidence that what we are doing at the moment is enough to turn the corner. There is a big question as to what more we could be doing. One thing you can be sure of is that the answer is not to send in a brigade of the ADF. You might need to send in some ADF, but what you need is an adjunct, and it is going to need to have a big police effort, a big economic effort, education, health care, political institution development, all of that sort of stuff.

Of course, as I say, the ADF may well be part of it, including pulling people out if it goes bad, but that requires a really broad national strategy. I have to say I think that is an issue of high urgency for Australia and one that is perhaps receiving a bit less attention than it might deserve, because of some things happening at the other end of the scale. But it is a very good example of a problem to which we need a broad national security response.

The second example is that of Indonesia. Australia has a huge stake in the success of the democratic experiment in Indonesia. If Indonesian democracy fails and we have a reversion to authoritarian rule, we will have an Indonesia with whom we can hardly do good business. And there is a lot of resentment in Indonesia towards Australia, partly flowing from quite mistaken understandings in Indonesia about what happened in relation to East Timor, partly flowing from again quite mistaken ideas about what they think we want to do in relation to Irian Jaya, but it is a fact.

We need a broad national strategy to expand our capacity to support democracy in Indonesia and to get over the level of ill will towards Australia that is resting there, and also to enable us to work effectively within Indonesia on things like terrorism and so on. Again, the ADF will be part of that but, for example, as the example I mentioned before showed, what has really turned the corner in relation to our capacity to work with the Indonesians on terrorism has been the astonishingly good performance of the AFP in the investigation of the Bali bombing. I think they have done an absolutely sensational, world-class job of what you might call law enforcement diplomacy, which seems to be a trade they have invented all themselves, and have

made a big contribution to Australia's security in the process. That is no reflection on the ADF, of course. There are some things for which nothing but the ADF will do, and we were reminded of that in September 1999, when nobody but the ADF could have done what was needed to be done in East Timor, but the cops did a great job for us in Bali.

Going more broadly, if you look at that Asia-Pacific security problem, flowing from the response I made to the earlier question, one of our key priorities has got to be to make sure that we do what we can to prevent the US-China relationship going bad. That is not going to be a job for police or for the ADF. That is straight, pure diplomacy, but I think it is a very important Australian interest to make sure that everyone in the game understands just how badly we want to avoid an adversarial relationship between the US and China. That is a message to be conveyed in Washington, amongst other things.

So all of that says we have a very complicated national security agenda, in which Australia's armed forces will play a very important role at various places, but not the only role, and it is very important to make sure it is fully integrated. Having said that, when you look at our armed forces, you see them playing two kinds of roles. The first is the support for those wider national security strategies—as you go about what you might call the normal year-by-year business of security policy—and doing whatever is necessary to help an international effort in the Solomons, contributing to things like East Timor, supporting coalitions in the wider Asia-Pacific if that becomes necessary and, for that matter, doing the sort of work we have done in Afghanistan and that we may do in Iraq. That is one task.

But the other task is to be in a position to catch the eggs as they start to drop, if that process does not work. One of the things one has to bear in mind in defence capability planning is that it is not just part of precautions; it also has that ultimate responsibility that if all the other things do not work, you still need to be able to look after yourselves. The reason why I place such emphasis on our capacity to deny our air and maritime approaches to hostile ships and aircraft is that—whatever else goes wrong, however bad things get—if we find ourselves back in the first early months of 1942 that capability will keep us safe. And for that reason I think, quite apart from making sure your forces can contribute to that broader national security strategy, you need to have the capacity to protect the goal if all your other strategies end up in trouble.

I would say that the force structure we have at the moment is, in broad terms, adequate to do both of those things. Some of those who suggest that we should make a significant change in our force structure would argue that there are things we could have done with the ADF in the first category, that of supporting the national security strategy, which we have not been able to do because we have not had the capabilities. I guess my question is: what are they? What has the government wanted? What have other participants in the debate suggested we should be doing with our Defence Force to support our wider national security strategy that we have not had the forces to do in recent years?

We decided we wanted to do something major in East Timor; we had the forces to do it. Of course we had to squeeze and stretch and scrounge a bit. That is life. But basically we had the forces available to do it. We decided that we wanted to evacuate Australians from the Solomons a couple of years ago. We had the forces to do it. The government has decided that it wants to be in a position, if the circumstances evolve, to make a contribution in Iraq. We have the forces to do it. So I do not think one can argue for a major change in our force structure on the basis that we do not have available from the forces we are developing the capabilities we need to support

the national security strategy in broad terms. As I said, I would not mind another couple of battalions, but that is a relatively marginal judgment. Sorry, that was a long answer to your question but it was a very good question.

CHAIR—Thank you.

Mr NAIRN—You mentioned just then and earlier on that you saw that we need an increase in light land forces, from six to eight battalions.

Mr White—Yes.

Mr NAIRN—That is a 33 per cent increase, a fairly substantial increase. Where would you see that increase—if you could click your fingers tomorrow and say, 'Yes, let's do that'?—being located within Australia? How they would operate in a general sense, and also fit in with overall strategies?

Mr White—I will ask Aldo to make some comments on that, but I just make one point to start with: it is a substantial increase, from six to eight, viewed in percentage terms. On the other hand, such are the dynamics of defence budgeting that it would not actually cost a hell of a lot. This is very rough order of magnitude, but in broad terms—and this does not include some costs like helicopters—the basic equipment and personnel for a light infantry battalion would probably cost you about $150 million a year. That is a bit over one per cent of the present budget, so for less than three per cent increase in the present budget, which is what we are actually getting each year at the moment, you could go from six battalions to eight battalions.

That just reflects how many of the costs of running a defence force are, so to speak, fixed costs that are, up to a fairly high point, unrelated to the costs of how many actual units you are putting in the field. An increase from six to eight is not a budget bending concept. Of course, it is not nothing. These are not easy decisions and although I have said before that I thought Australia could afford it economically, I think there are genuine fiscal questions, and I would be very sympathetic to a treasurer or a finance minister who looked down their nose and wondered whether Defence could not find the money out of their hide. That is a separate issue, but the scale of resources required to increase the cutting edge of the Army in this kind of way is not a complete budget bender either at the defence level, let alone at the federal level. On the point of location, I would ask Aldo to give some views.

Mr Borgu—In many respects, location is largely irrelevant. You could basically have these forces anywhere. The bigger issue, and certainly carrying on from what Hugh was saying, the challenge you would actually have is raising it from a recruiting point of view and being able to sustain that level. There would be questions on that. It is not something that you would do just quickly at the snap of a finger. It is something that you would take a number of years to develop.

In terms of the equipping, Hugh is right in terms of the actual costing. A lot would depend on the nature of forces you would be looking at: for instance, whether you would be looking at the current environment and saying, 'Well, we need more special forces,' which is an entirely logical thing to do—and not as easy to do as many people would think. It takes years to develop special forces and, beyond the enhancements that the government announced last December, to

raise an additional company of commandos for 4RAR, I do not think you could actually increase special forces much beyond that.

Beyond that, one of the issues I think confronting the Army at the moment is basically a lack of depth. We have one mechanised brigade, one motorised brigade and one light infantry brigade—essentially we have one of each. One of the things I think that Army would particularly like is actually developing more depth in a lot of its units so that it is not just reliant on having one brigade to perform one particular task.

One of the challenges facing the ADF, but even Army more specifically, is that we do not have the luxury in terms of the size of our armed forces to be able to do one particular task. We have to be multiskilled and multiroled across the ADF. Certainly one of the big attributes that we have with the SAS is that, compared to special forces of other countries, they are actually multiskilled—they do not concentrate on just one task—and that is one of the challenges I think we are going to be facing in structuring the ADF in the future.

Mr PRICE—Wasn't Army 21 about restructuring the Army? What was that supposed to be all about?

Mr Borgu—Certainly it was one of the aspects. Army 21 was a study that was done quite a long time ago. It developed into restructuring the Army. I think it reflects the fact that, prior to Timor, probably Army was the service that was in the worst state as far as knowing what its role was, why it existed and what its priorities were. Timor had the benefit of basically focusing that attention, to the point where I believe that at the moment Army is in the best state of all the services as far as having a very good perspective on what its role is and where its future priorities are. There are questions obviously now in the sense of the war on terrorism and its role within that. Continuing on from what Hugh said, I think part of the problem is that people seem to be looking on terrorism as a unique defence threat. It is not. It is not a defence issue. In fact, military response is basically a very small part of the response towards terrorism.

One of the things that Army will need to look at in the future is its relationship with the other services, as the other services look at replacing a number of their major platforms, not least the amphibious side of the house. It is trying to figure out what that role is. But certainly I think Army is in a far better state, as far as its existence, than it was in the past.

Mr BEVIS—A more comprehensive definition of national security is long overdue and belatedly, I suppose, being given some focus in the post September 11 environment. I am interested in the comment that Mr Borgu has just made—that the military response is a small component of dealing with that, and I do not dispute that. But it does open up a serious question about how we should be structuring our Defence Force and, if it is not just our Defence Force, how we should be structuring the other assets available to government in dealing with that. I am interested in any comment you have on that, and also any comment you have on one aspect of that.

There has been a lot said—since about the middle of last year—about weapons of mass destruction. I am interested in your perception on how you see Australia's view, or maybe what our view should be, of weapons of mass destruction. Is it the Canberra commission model where we seek to eliminate them from all world arsenals and, if it is not that, what are the rules for deciding who gets to have them and who doesn't?

Mr White—I will take those two things in order. I have myself for a long time been a bit of a sceptic about the idea of a detailed, articulated national security strategy, because I was never quite persuaded about what it was going to focus on. But I have to say that I am now a convert. I now think that the kinds of challenges that I mentioned in answer to the earlier question including, although I did not expand on this, the particular way in which that global set of challenges—terrorism, WMD, et cetera—affects us does require us to integrate much more closely all the elements of our security policy.

Terrorism, of course, does this in a particularly important way because of the way in which it is cross-jurisdictional—national and international, federal and local; all of that sort of thing. I think it is true across the board as well, when you look at problems like Indonesia and the South-West Pacific and future US-China relationships. My own hunch is that we are now in much more serious need than we used to be of a national security strategy mechanism which allows these things to be pulled together. That is something that the coalition when in opposition advocated strongly; it is something that the present opposition is advocating strongly. It does look like an idea whose time has come, but turning it into practical bureaucratic reality is quite a challenge.

I think the challenge with WMD is the gap between aspirations and reality. It is easy to agree that the world would be better without any of these things. It is hard to see how you move towards them. The Canberra commission, I thought, was a very innovative and adventurous piece of policy, in the sense that it was a big idea and people said, 'Wow! Where did that come from?' I think we know where it came from. I think it did a bit of good because a lot of influential thinking people started to think a bit out of the box. That is never a bad thing to do.

On the other hand, I am a bit on the dour end of this business. It does seem to me to be unlikely that you will get an environment in which you have a sufficient level of confidence that everyone is playing the game; that you can eliminate nuclear weapons without fear of break out from what you might roughly characterise as rogue states. Nuclear weapons are inherently easier to control than other forms of WMD because the infrastructure required to develop the missile material is so vast and pretty hard to hide, although the Iranians have been demonstrating to us recently that you can do pretty well if you try. Of course, the North Koreans have had a good canter at it as well.

Chemical and biological weapons are extremely hard to control because, as is well known, the capacity to manufacture them and even to weaponise them is pretty widely spread and not very hard to conceal. Saddam Hussein is demonstrating that to us, in my opinion. I think we have a real basic policy dilemma as to whether we have a prospect of ever eliminating these weapons to a sufficient level of confidence that nobody thinks that any of us need any of them. That being so, I think the best thing to do is amelioration, control, management down—keep the problem under control—and that is what the international community has done surprisingly well. It is easy to take for granted, for example, the success of the nonproliferation regime since the early seventies. It is looking a bit tatty at the corners at the moment but it is a truly remarkable thing that the spread of nuclear weapons has, to my mind, been contained so well. I do not think we should take that for granted.

From Australia's point of view—I think the hope of elimination is a bit quixotic—there is a lot that can be done by effective multilateral instruments like the nonproliferation treaty and making sure that it is as strong as possible, like the chemical weapons convention, and making

sure that the organisation that underpins that is working effectively; like the BW Convention, provided it is given decent verification requirements. My personal focus would be on getting back to some very big work that Australia has done over many years in supporting and strengthening and consolidating that multilateral regime.

Mr BEVIS—What are the ground rules then for the global community in deciding who has these weapons of mass destruction and who is not allowed to have them under penalty of invasion?

Mr White—Invasion is a separate question.

Mr BEVIS—Well, under penalty of some dire consequence.

Mr White—Sanctions. There is a reasonably clear structure on that. Everyone who signs up for the CWC and the BWC have forgone the option of acquiring these weapons. People who have signed up to the NPT have forgone the option of acquiring these weapons, except those that signed up as nuclear weapon states. That has remained fairly watertight, except for a few friends like India and Pakistan.

Mr BEVIS—There are exceptions.

Mr White—Yes, there are exceptions. There, I think, governments have to make a rather real politic decision about the likelihood that those weapons will be used and the measures available to deal with the problem. Those are very tough choices.

Senator SANDY MACDONALD—I have two unrelated questions really. Looking out 10, 15, 20 years, do you think there is any chance that we could see an integration of the New Zealand defence force with the ADF?

Mr White—There are two aspects to that. The starting point is that I do take the view that, although Australia and New Zealand consistently have surprisingly divergent strategic security perceptions and the politics of defence works very differently in the two countries—and I think those differences are quite deep-seated in our different national experiences and histories and things—despite those differences we have a very strong convergence of basic strategic interests. Although this is a slightly unfashionable thing to say in Canberra, by and large, when the going gets tough, New Zealand tends to be there with us.

I do not think any of us should forget—I certainly will never forget—that when we were putting together the INTERFET coalition New Zealand came through with a battalion which was more than we expected. They arrived sooner than we expected and they were better than we expected, and they made a big difference to the success of that operation. There is, if you like, at the base something to build on—a very strong sense of shared strategic interests—even if our perceptions and the politics are very different. Now, could that be reflected in an amalgamation of our armed forces? The first part of an answer to that is that, in the end, that will be a choice for New Zealand to make. If New Zealand were to decide to go that way, then I think from the Australian side you could make it work.

It need not be a formal thing but in the end the inhibition to further integration of our defence capabilities in the last decade or two has been, I think in some respects, a certain understandable

reluctance by New Zealand to find themselves too deeply enmeshed in the Australian machine. But I would also make the point that willy-nilly there is a convergence taking place because of the force structure decisions taken by our two countries.

New Zealand has decided, under its present government, to more or less abandon what we would regard as a high-level air and maritime capability—the very capabilities that I said in my opening address are so important to Australia. It has indeed addressed the issues that I think this committee is grappling with that I was trying to address in my opening remarks and has come up with the opposite conclusion: that New Zealand does not feel it is likely to face any threat from high-level attack. It does think the key tasks for its armed forces are relatively low-level type tasks and, for that reason, it should optimise its armed forces towards the kinds of highly deployable light land forces you need to do those tasks.

That is a line of argument we are very familiar with. We have gone through that argument ourselves. We decided the other way. But, as I said, the biggest hole in our force structure is the number of highly deployable battalions available at short notice. The good news is that New Zealand has decided to specialise in that and, being New Zealanders, they are not doing a bad job of it. At the risk of sounding a little bit exploitative of our trans-Tasman colleagues, I think it is a significant strategic advantage for Australia to have in New Zealand a couple of really good battalions that can be deployed quickly with very high quality people in them—some of their equipment could be a bit better, but they are in investing to improve those—and so I think we have a better foundation for robust sharing of responsibilities at the moment than we have had for quite a long time.

Frankly, I am not as sorry to see the A4s fly off into the sunset as a lot of others are, because it seemed to me they were not going to do much for us anyway, whereas I think our chances of needing, using and having access to those battalions when we need them, in situations like East Timor, are actually quite high. Whether that progresses to the point where we amalgamate and all wear the same uniform is, I think, a separate question. In the end it is up to New Zealand to decide, but as long as they deliver those forces, as long as they stick to what they have said they will do and deliver the investment required and the spending required to maintain those forces and as long as they are prepared to use them, to be blunt, in areas where we think our interests are engaged, it is a significant strategic asset to us and that is probably as much as we need.

Senator SANDY MACDONALD—I enjoyed that question and answer, especially when Mr White said, I think, that we had to deploy them. I think we do have to deploy them, don't we?

Mr White—Yes.

Senator SANDY MACDONALD—Actually physically deploy them?

Mr White—Yes, that is true.

Senator SANDY MACDONALD—Admiral Ritchie talked about the Navy saying that in the year 2000 they were fully exercised by exercise and now, in 2002, they are fully deployed because of the level of operational tempo.

Mr White—Yes.

Senator SANDY MACDONALD—And you talked a lot about time frames of 10, 15, 20, 25, 30 years. If that extraordinary exponential increase in tempo can occur in two years—like for the Navy—how confident can we be that that requirement increase could not be as exponential in the next two or five years? And how confident would you be that for intermediate neighbourhood threats—problems in the Solomons or something like that—we could meet those right now?

Mr White—It is a very good question. One of the things that has been a really decisive change in our environment in the last decade in particular, but accelerating in the last few years, has been the extraordinary increase in the amount to which we actually use the ADF. I have been in this business roughly speaking for 20 years and for the first decade I was in the business you hardly ever used the Defence Force to do anything.

The deployment to Namibia, for example, was a major drama that had a parliamentary debate all its own and all the rest of it. Looking back on it now it is a very routine peacekeeping operation and we would hardly raise a sweat. In the last decade, of course, we have deployed—I run out of fingers and toes describing the number of substantial deployments we have undertaken. So this is something which affects all of the services, but it certainly hit Navy very hard in the last little while.

What has this meant for our force structure? I tend to take what might be a more conservative view of it than Admiral Ritchie probably would, given his job. I am a great fan of Parkinson's law: work expands to absorb the resources available to it. There will always be scope to do more things with our military capabilities. There are always plenty of things for them to do, particularly in this new environment I have described. But I think what we need to do, in thinking about the size of our armed forces—particularly our long-term investment in things like the number of ships we have, the number of aircraft we have, the types we have—is to say: do we have enough to do the absolutely core task? Once you have satisfied that task you then ask yourself: how can you best use those to do other things? For that reason, in thinking about the size of the fleet, for example, I would not ask myself: do we have enough ships to send ships to the gulf, to contribute to exercises with FPDA, to do the sovereignty protection patrols in Northern Australia, to do rescues from the Solomons?

All of these tasks are very important. They are all very critical. But if you try and drive a fleet by that kind of calculation you will find the number of tasks, and therefore the size of the fleet, expands exponentially and you will start having an economic problem, not just a fiscal problem in the size of your defence budget. I think you do it the other way around. You say, 'What is the core task?' The core task is the defence of Australia. That means the denial of our air and maritime approaches and being able to control the approaches in the immediate neighbourhood. What size fleet do we need to do that? You accept the fact that if we are in those dire circumstances, the other priorities will be let go: we will not be sending ships to the gulf; we will not be using the Navy for sovereignty protection; we will be using it to defend Australia. You accept that that is the sort of risk management strategy you adopt. I think that is sensible because the chances of actually having to defend Australia, as we mentioned before, are very low; it is just that they are very serious if they occur. I would not try to, if you like, shape the force structure to chase the ever-growing demands of what you might call the day-to-day business of military contribution to our broader security. I would rather look at the core task—the defence of Australia—and the denial of approaches tasks and size and shape our maritime forces to do that and then use those forces as best you can to take up other tasks as they arise.

I would also make the point that there are a lot of areas—for example, in the sovereignty protection—where one uses the ADF because they are available, but they are not a cost-effective way of doing the task. My own view is that, if we can possibly avoid it, we should not be using frigates and destroyers to chase illegal fishing boats or illegal immigrant boats. We should be doing that with ships that do the task more cost-effectively: smaller, cheaper, less well equipped, all that stuff.

Mr PRICE—In terms of operating in the archipelago, what are the qualifications in terms of the force? For example, when we are shipping the brigade off overseas should we be able to do it in one hit, or do we need to have several hits? Are we able to protect them in the air and from the sea? Is there an assumption that we will always have a nice, happy, flag-waving landing and not be met with opposing forces? To what extent do we need to reshape our thinking?

Mr White—That is a very important question. As I said in my opening remarks, there are some significant issues about the shape of Army and the weight of Army, particularly its amphibious capability. I think this goes right to the core of it. My first point is very strongly to support the point Aldo made in answer to an earlier question—I do think the Army now has a clearer idea of what it is being asked to do than it has had for many years. The focus that we developed in the eighties on the Army being structured primarily for operations on the Australian continent in low-level contingencies was a strategic and conceptual dead end. It did not really tell the Army what was necessary.

One of the really important things this government has done has been to provide Army with a much clearer, more sensible, more strategically credible and more operationalisable rationale. That has been really important. But there are some questions. In the first instance our thinking about the way in which you deploy the ADF into the immediate neighbourhood has focused on what you might broadly call low-level or non-military tasks—East Timor's evacuations and that sort of thing. These are very important tasks and they are highly credible tasks. I think you could say with a very high level of confidence, 'We will be deploying the ADF into the immediate neighbourhood over the next decade for a range of tasks like that.'

For those tasks, frankly I think the Army is pretty well shaped; it is not necessarily well sized. That is why I was saying it could be bigger. But the kind of highly deployable light land forces we have, with a little bit of armour in the armoured and mechanised capability and a little bit of weight and firepower, gives us a comfortable capacity to do all of those tasks in the immediate neighbourhood. To use a very rough metric, I think the kinds of forces we have at the moment give a sufficient capability to match the kinds of forces we might meet in the immediate neighbourhood.

But there is a question as to whether we also need the capacity to deploy and operate there against higher level forces in a defence of Australia scenario, in defence of Australia contingency; in other words, to respond to the deployment of high-level capabilities into the islands, as we called them in the 1940s, in circumstances in which we fear an attack on Australia. In those circumstances we might find that the land forces we have at the moment are not heavy enough to do the job. There are two possible responses to that. The first is to say okay, we need to beef up our land forces against that relatively unlikely—but, if it occurred, very serious—contingency. The second is to say that we should put our emphasis instead on not allowing those forces to come ashore on the islands. The point I made about the manoeuvre operations in a littoral environment in my opening remarks is germane to that. Army, very

sensibly, are looking at a concept like the manoeuvre operations in a littoral environment as a way of organising and thinking about the kind of task they might need to undertake. That concept, as I understand it, does envisage a capacity to undertake fairly high-level operations that would require simultaneous deployment of a relatively large number of troops against opposition and all the rest of it.

It would be nice to have that capability, but if you asked me to make a priority choice as to whether I wanted to spend $5 billion against upgrading our capacity to the point where we could deploy a battalion simultaneously against opposition in the immediate neighbourhood, or just making sure that we could prevent those opponents getting to the immediate neighbourhood or reinforcing themselves if they got there, using air and maritime capabilities, I would rather put the money into air and maritime capabilities. In other words, I would rather not fight a manoeuvre war on land or in an amphibious context in that environment. I would rather defeat them at sea. In short, I would rather not refight the Kokoda Trail; I would rather refight the Battle of the Bismarck Sea.

The Battle of the Bismarck Sea is a very important landmark in Australian strategic history because it is the best example we have of a successful air and maritime denial operation. It is worth noting that the Japanese fleet at sea was defeated by air power, and very effectively. That is the model. If you gave me 5 billion bucks and said, 'Let's enhance our capacity to defend the immediate neighbourhood, the islands in the inner arc, in high-level contingency,' I would be more inclined to spend it on more aircraft and submarines than on amphibious capabilities.

CHAIR—Hugh White, thank you very much. I note your honorary doctorate from this committee.

Mr White—I appreciate it very much. I will get the gown run up.

CHAIR—And, Aldo Borgu, thank you for your attendance. Unfortunately we have run out of time. I thank you both for your evidence today.

Mr White—Thank you, Mr Chairman, for the opportunity. I really appreciate it.

Proceedings suspended from 12.38 p.m. to 1.30 p.m.

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

CHAIR—I welcome you this afternoon to our hearing today. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Do you wish to make an opening statement to the committee this afternoon?

Prof. Dibb—Yes. With your indulgence, Mr Chair, I will try and keep to the issues of maritime strategy and not to the news this lunchtime that North Korea has launched a ballistic missile into the Sea of Japan. There is an issue there about North Korea's threat to our strategic interests. I know you have read the defence documents on maritime strategy, including the defence 2000 white paper. I raise an issue for discussion: is this time for radical change? Is this document now out of date? Is it time to junk the maritime strategy and the defence of Australia in favour of some other form of force structure priorities? How did defence arrive at its maritime strategy? Is it still relevant? What needs to be changed—and some things do need to be changed—and what needs not to be changed?

I want to mention three fundamental defence planning principles. First, it is quite easy to indulgently wave one's arms around and talk about strategy. That is the easy part of the game. In my experience as deputy secretary, the difficult part is joining strategy with force structure priorities within a limited budget. Those who do not address those issues and who duck the issues of force structure priorities and money are intellectual lightweights. They need to be encouraged to decide, if they are in favour of increasing something, what are they in favour of cutting within a defined and constrained budget?

Secondly, you do not need me to tell you that defence planning has enormously long time scales. When we get the joint strike fighter, if it is delivered in 2012, it will be around until, in my view, 2050. We need to factor that into what I see as increasingly complacent views—and I use the term 'complacent views' advisedly—that there is no threat to Australia for 15 years. The last time I remember that being used was in the ill-fated Barnard report in 1973. Now we have complacency afoot in certain speeches made by some relatively senior figures.

Joining strategy force structure and money is crucial and it has to be addressed with a very harsh discipline. First, money is not a free good, as some at Russell Hill think. Second, there is a view that geography no longer counts, that it has disappeared. I noticed after Bali that geography came back with a rush. So did homeland security. We are a small power; we sometimes describe ourselves, within our own region, as a medium sized power but when you compare us with France, Germany or Britain we are a small power and we cannot ignore both the constraints and advantages of geography: the vulnerabilities of our north, the protection of the sea-air gap to the north of that, and increasingly—and it was firmly set in this white paper—the challenging operational environment unique for the ADF of operations in the archipelago. The very senior military advice I get from retired generals and admirals is that operations in the archipelago will teach us nothing about operations in the Middle East and vice versa.

Third, successive governments in this country since the 1976 white paper under the Fraser government have not focused our Defence Force planning, including the maritime strategy, on

defining any particular country as a threat. We have defined a capacity to have superior capabilities—in my view in all three services—and they are increasingly high-tech and clever capabilities and joint force capabilities and increasingly they should be networked capabilities. We are failing in the latter regard. There is still single service tribalism in that area.

In case you think we are an orphan with regard to having discovered in the late seventies and through the eighties the idea of structuring a defence force without a threat but on capabilities, and having a margin of technological superiority over our region—which again successive governments have endorsed—let me draw your attention to the quadrennial defence review of the Pentagon in late 2001, which suddenly stated that the United States was no longer going to base its force structure on threats but on capabilities. We are in good order with the United States.

Some of you know that I have named the region to our immediate north the arc of instability—Indonesia, Papua New Guinea, the South Pacific islands. That is a serious issue for us and one that we might have to handle alone. The United States, being a much bigger power than us, in its quadrennial defence review talks about an arc of instability that goes from the Korean Peninsula right through to the Bay of Bengal. It talks about the need to modify the defence force for what they call littoral operations. That is exactly what the maritime strategy is all about, so we are in good company with the Americans.

I will not walk you through the five strategic priorities that are set out in this paper. You will recall them: the defence of Australia first; second, making a major contribution in our immediate neighbourhood; third, being involved in coalition operations in the broader South-East Asia region; fourth, making an appropriate contribution—for which read 'modest'—in the wider Asia-Pacific, including North-East Asia; and fifth, making contributions to UN operations.

Some people think we should reverse those priorities and perhaps junk the defence of Australia. Most do not, and I do not think the minister does, but we will see later this week when he releases his much awaited strategic review. I was not involved with this white paper and we could all debate whether 'maritime strategy' is the appropriate terminology. I know the Army is uncomfortable with that and I understand that. I think Navy is uncomfortable with the dominance of air power in this document. But if we think of the defence of Australia and the archipelago now—and, indeed, since this white paper—as one defence planning construct, a continuity, then we can think about where the maritime strategy is and whether it needs adjustment.

There is a naive and simplistic view around that there is a conflict between practice and doctrine. There are some views about that and you will hear some of those later. Yet within the force structure we have developed under successive governments within a very limited budget—1.9 per cent of GDP. We have deployed 5,000-plus troops to East Timor—and people have forgotten the 1,200 troops deployed to Somalia in 1993—and there was Angola, Cambodia and so on. I am well aware of the difficulties, particularly in the East Timor operation, and how it stretched us—and deficiencies in logistics and simple issues like water and fuel. But imagine those who in the mid-eighties were absolutely against moving an Army brigade and supporting aviation and armour, and indeed Navy and Air Force elements, to the north of Australia. Where would we have been without that forward deployment? Whether you call it a maritime strategy or something else, we need to remember these issues.

How did we arrive at this strategy? I will not bore you with a lot of history, but if you go back to the 1976 white paper you notice it was very short. They are getting longer and longer and not necessarily more informative. This one was elegantly written, I have to tell you. For the first time in our history the white paper looked at the defence of Australia and what sort of force structure and, indeed, intelligence capacities you might need, the sorts of priorities required and identified deficiencies, like mine warfare. It talked about South-East Asia and the South Pacific being our area of primary strategic concern. That should be familiar to you.

The 1987 white paper, contrary to some views, was not about coastline defence. The 1987 white paper, which I had a major hand in, was about structuring the Defence Force to project and sustain power out to 1,000 nautical miles—not in terms of some Maginot line, but in terms of sustainability. How the governments of the day used that force was then up to the government of the day. Obviously there would be limitations. For a small power on 1.9 per cent of GDP as it is now, there will always be limitations. But let me remind you what the 1987 white paper said. I quote from page 110:

This Paper has stressed that the priority need for the Defence Force is to fulfil the national task of defending the nation. It has also dealt with the need for Australia's defence effort to take account of developments in our region of primary strategic interest, and to be capable of reacting positively to calls for military support elsewhere, should we judge that our interests require it. The Government considers that Australia can deal with both, but to do so we must be alert to priorities.

We are in exactly the same situation now. If we deploy 2,200 troops to Iraq, the government will have a mind—and it has said so—to the need to give priority to potential regional contingencies closer to home.

There has been some talk—which I will address, if I might—of some infamous document called the Dibb review. I wish to clarify a couple of issues because it is relevant to the way in which the maritime strategy and other documents have developed. It has been said that this document, the Dibb review, only addressed the continent of Australia and coastline defence. If people who were senior enough at the time to know better had taken the opportunity to read the classified version of the Dibb review, they would see quite clearly contingencies addressed to our north and east—and I am not going to say what they are. How is it that people have not read this? Is there a problem in the Department of Defence with the circulation of documents?

There is the issue of whether so-called strategic gatekeepers—for which read 'civilians'—rammed through this sort of advice. If you believe that, Mr Chairman, can I suggest you call the following people to give evidence to the contrary: General Sir Phillip Bennett, former Chief of the Defence Force; General Peter Gration, former Chief of the Defence Force; and General John Baker, former Chief of the Defence Force. It is an obfuscation and a lie, frankly, to say that that happened.

I mention this because it colours some of the debate still. You might be interested to know that the Army at the time, in 1985, had a doctrine called the Army development guide, the red book, which was looking to respond to a lodgment by a foreign force—

Mr PRICE—It was not the *Little Red Book.*

Prof. Dibb—It was not the *Little Red Book*, no. It was the Army development guide. It was looking at the lodgment of an enemy force of a division group of 20,000 and it had expansion

tables to go to an army, believe it or not, of 130,000 combat troops and 270,000 all-told. That is where the Army came from and we have forgotten it. The Army has moved tremendously in my view, not least under Peter Gration, who moved us to the north. The Army already had that view, but it was difficult to get it through. Since then I think the Army has built on this with great expertise and tough professionalism.

All I want to say about the 2000 white paper is that, as you know, there is attached to it—as it were—a detailed Defence Capability Plan, of which there is a public version that is extremely useful. It sets out cost parameters which, let me remind you, enable people to make judgments about the costs of taking things out of the force structure or adding them in. It is not rocket science. It is not something where some commentator says, 'I'll talk about strategy and I will leave force structure to the government of the day.' Oh, really?

The Defence Capability Plan and this white paper were never more thoroughly discussed by any government in my 30 years experience in defence and defence research. Over a year was taken with this document. The Defence Capability Plan is owned by the National Security Committee of cabinet in detail. On my calculations—and rest assured they are reasonably accurate—90 per cent of the capabilities in the Defence Capability Plan endorsed in this document are what is called defence of Australia, to use Department of Defence language, and 10 per cent are what is called inner arc, including troop lift helicopters and so on.

So is this still relevant? Yes and no. What clearly has changed is what the Americans call 9/11 and the global threat from terrorism. Last week's foreign policy white paper said that threats to Australia in that regard are both global and regional. I would say they are both regional and global, if you see the difference of emphasis. As the foreign policy white paper emphasises, the most serious threat from terrorism to our security is undoubtedly in the region, and the more we learn of it the more serious it is, quite frankly.

What is the role for the Defence Force in this so-called war on terrorism? It is not clear to me that there is a primary role for the Defence Force. There is clearly a role, not least with special forces and tactical assault groups and chemical, biological, radiological and nuclear responses, should—heaven help us—we have an attack in Australia, which is on the cards. But as we saw in Bali and, indeed, elsewhere, there are limits to the role of the Defence Force. Even internally there are limits—where there are proper separations of powers that you are well aware of—between military activity and civilian control.

Of course, in Afghanistan there was a magnificent role for the Defence Force. When I was in America in October last year Dick Cheney, the Vice-President, said to me face to face, 'What a magnificent group the special forces are.' I think that is right and clearly they need more capability. But when it comes to structuring the Defence Force and restructuring, the question needs to be asked: is that what we are going to do? If so, how? What are the priorities? That is not to say that the Defence Force does not need more helicopter lift, more strategic air lift. We need to look at our long-term amphibious lift. We learnt those lessons, I hope, in Timor. Nearly all those capabilities are in the Defence Capability Plan. They are included in the much publicised December announcement about 12 troop lift helicopters. The cost of them might be a different issue, and the accuracy of that cost.

Clearly we need to think about the new demands from our American ally, and I take that very seriously. Those who have not visited America cannot underestimate how seriously angry the

Americans are about 9/11. It struck at the heartland of America in a way that America has never been struck before, not even in Pearl Harbour. It struck at the icons of American economic power in New York and the icon of American military power in Washington and when you recall that we think the third aeroplane was aimed at either the Capitol or the White House. America is going to be a more demanding ally; it already is. It is going to be reasonably patient, as we have seen in recent months, on the United Nations but in the end, if push comes to shove, it will go in unilaterally.

Clearly, we have to think about whether we need to adjust the force structure for more distant operations alongside our American ally. I have no doubt that Senator Hill will be addressing that when he releases his strategic guidance. The question will be: how much and at what cost? Are we going to see a big increase in the defence budget? I doubt it, even though you heard the Treasurer, Mr Costello, say strongly that defence is the first priority this year. The drought is going to take one per cent off our GDP growth, at least, and the figure being bandied about in public—and I do not know whether it is accurate—is that the first tranche of money for our deployment to Iraq might be as much as $700 million, and you will chew that up fairly quickly with FA18s and ships and special forces and the commandos.

When we compare our commitments—and I do not say this in any negative way—if we are going to think, as some want us to, about restructuring as an expeditionary force for distant conflicts, we need to think it through carefully. Does that mean that that will be done at the cost of the defence of Australia and/or of high-tech capabilities like joint strike fighters and the Collins submarines? That is a question that needs to be answered from those who want to increase other forces. As I said before, it is an escape not to address those issues. They are central defence planning and defence policy issues that have to be addressed.

The United Kingdom spend 2.8 per cent of GDP on defence. They have an expeditionary force: aircraft carriers, strike. With a population three times our size, the United Kingdom spend six times as much as we do on defence and yet face no threat from Europe for the first time since William the Conqueror. We have an arc of instability and we continue to spend 1.9 per cent. The British are currently deploying 18 times as many troops as we will deploy, if we deploy 2,200—a third of their army. They are taking expeditionary forces seriously and they are taking the alliance enormously seriously, as indeed we are but in a very limited way. I mention this because these are some of the benchmarks we need to address when we are looking at a maritime strategy and, indeed, changing it.

There is the so-called new strategic agenda. Should we structure the Defence Force for that? This does not mean terrorism, which I have talked about. It means the new globalised so-called threats, such as international migrants, illegal crime, drug running, global warming and hugging trees. I am not saying they are not important issues of national security; they are. The question is: what is the role for the Defence Force and are we going to restructure for that? And if we are, I want to hear how we are going to restructure, in what priority and how much it is going to cost, because it beggars belief, in my view, that one would structure for those sorts of capabilities. You can take what we already have in the force structure and use it for some of those purposes, as we do with illegal migrants, although why we use P3 Orions and FFGs is an interesting question and, indeed, a costly one.

Finally, Mr Chair, I would like to table a document with your indulgence: a speech I gave last November. I might just refer to some of the key conclusions. I do recognise that the

government, which is very pro defence, needs to see some product differentiation. There has to be some adjustment to recognise some of these changes that have occurred—if you like, a new phase in defence policy.

The sort of thing I proposed—and it will not come cheap and I doubt it would get through—is that we need to spend about another billion dollars a year; but that is in a budget, frankly, that is in deep trouble. In my view, the Defence Capability Plan is not deliverable at three per cent real growth and, in addition, we have enormous budget pressures: ageing legacy systems like F111s chewing up money, a level of operational tempo in the ADF the likes of which we have never seen before, and simultaneous deployments—and we are going to see more of that. And, of course, we are not fully recompensed for personnel costs; only by about half. So, frankly, there is a coming train smash in the defence budget, particularly if we want to do more at distance.

What would I spend an extra billion dollars on? I am sure the minister will not agree, but the prospects of concurrent operations in widely separated geographical theatres suggest that we should re-examine the sustainability of the Army and, in particular, its combat and combat support elements. In my view—and there will be others who will follow me who will violently disagree—this is not an argument for the 32,000-man army, but it is an argument to revisit the combat battalions and see whether they are adequately staffed and equipped. That is in addition to what the government has correctly done with the special forces and the commandos.

By the way, if you want to go from a 25,000-man army to a 32,000-man army, as some do, it depends whether you measure the costs in accrual accounting or cash terms, but it would be a 28 per cent increase in the Army and, taking a slice across the Army budget, that would be about $1 billion a year additional, $5 billion over five years. Well, you can take the air warfare destroyer out, you see, and if you think some people are not thinking of that, you would be wrong. So the Army needs some attention.

The government has done a lot in relation to counter-terrorism and deserves a good tick. Future force deficiencies that we need to bring forward, if at all possible, that are already in here but need time urgency, are troop lift helicopters, strategic airlift, but what sort of strategic airlift—more C130s or the C17 at $US200 million each? If it is $A400 million for one and you need three, you can do the maths. Where do you shift the force structure priorities to accommodate that?

Our American ally is short of in-flight refuelling aircraft, and these are ageing aircraft we have. Our American ally is short on AEW&C, as we saw in the immediate aftermath of the terrorist attacks. We are only going for four, not six, yet we have ordered six sets of radars and consoles. Am I missing something?

There are new capabilities that are touched on in the white paper. Surveillance and intelligence clearly is crucial, including to detect and track terrorists—difficult targets. But you saw how UAVs—unmanned aerial vehicles—were used in Afghanistan and over Yemen, remotely controlled out of CIA in Langley, and then there is missile release and target termination. We need to look at both strategic and tactical UAVs. There is a whole bunch of stuff to do with electronic warfare—for instance, self-protection, which we have not taken seriously over the years, and so on. I will not bore you with those. Most importantly, if I might say so, we mouth the need to have what we call network enabled warfare—instant intelligence, information and surveillance to the shooter. You need to ask: what progress are we making? I

fancy it is bogged down in single-service tribalism and elements in the department that do not give it sufficient priority, and I think it needs priority.

Finally, we need to look at whether there is a role for the reserves in this counter-terrorist operation and homeland security, and it is a sensitive issue. In the past, in exercises in the north of Australia, the Kangaroo exercises, we did use the reserves for key and vital asset protection. The question is: should we now move into the use of the Army Reserve in capital cities in that area, and what are the inhibitions in terms of the law and appropriateness? I am going to finish there. Can I leave you with three homilies—no, two homilies.

Mr PRICE—You are not trying to short-change us, are you?

Prof. Dibb—I would not do that. Firstly, strategy without money is not strategy: it is academic indulgence. Secondly, can I say that as Sir Arthur Tange—the former famous permanent Secretary of the Department of Defence, when we used to have those—once said to me when I was a pretty junior officer, 'Dibb, there are limits to Australia's defence capacity and influence.' That should be chiselled in letters of gold over every defence minister's door, because I think there is a risk that our strategic ambitions and our strategic reach are exceeding our practical grasp within a budget of 1.9 per cent of GDP, which you have heard me say, Mr Chair, is now too low. Thank you for your indulgence.

CHAIR—Thank you very much, Professor. Perhaps you might like to add your comments in relation to the actions of North Korea today and how you see that in terms of the strategic environment and where we live today. The committee would see it as appropriate to hear your comments.

Prof. Dibb—I have only heard the news and I have not seen any special intelligence but I am advised that North Korea has launched a ballistic missile and it has landed in the Sea of Japan. Remember they did this a couple of years ago and that got Japan extremely angry. It really ramped up Japan's interest in ballistic missile defence. This issue of North Korea and Iraq is a matter of judgment and balance. I do not dismiss the threat from the evil regime of Saddam Hussein. I prefer we go in with United Nations cover. But those who say that North Korea is less important to our regional security interests than Iraq need to revisit that—not the least now. This is a harsh, isolated Stalinist regime. There are 1.2 million men under arms. You have seen how they march—that should tell you everything. They never had the exposure to the West that even East Germany had: television, radio, family visits—none of that.

This is an isolated hermit regime that hates the United States and sees Japan as its old enemy. Undoubtedly in my view—and I am not using any special information here—it already targets Japan with ballistic missiles and Japan knows this. Does it already have a nuclear capability? According to my friends Paul Wolfowitz and Rich Armitage—and you have read Powell's statement—the answer is maybe. They are currently restarting the Yongbyon reactor with 8,000 nuclear fuel rods there. You know that the North Koreans have 10,000 troops within artillery range of Seoul, the capital of South Korea. They could devastate it.

It reminds us that in addition to the new strategic agenda of the threat from global terrorism, which is serious, and the renewed threat from Iraq, which is serious, we have an old strategic agenda in Asia which we should not underestimate. India and Pakistan are nuclear armed and hovered on the edge of war last year. They have very poor command and control facilities. We

now have the North Korean situation—I have to say 'remarkably'. Who would have predicted this? Remember 'no threat for 15 years'? We have the retiring South Korean President, Kim Dae-jung, saying South Korea might have to go nuclear. At least two people in Japan, including the defence minister, are talking about the possibility of pre-emptive strikes on North Korea—you might ask with what, by the way, and they might ask the same question of us. And another politician in Japan talked about the possibility of going nuclear. We always considered it would not go nuclear unless it lost absolute faith in the American alliance. Gentlemen, this means we are in a period of very grave strategic discontinuity and we had better not take our eye off the ball, whether at distance or closer to home. That comes back to the maritime strategy.

CHAIR—Professor, thank you very much.

Mr HAWKER—Thanks, Professor Dibb, for that very comprehensive briefing. I want to focus on the US alliance, which you made quite a bit of. Do you believe that should influence Australia's thinking? What are the pluses and minuses of that?

Prof. Dibb—It is an essential question. You do not need me to remind you that the alliance is the most important single security arrangement we have, bar none. We are now undoubtedly America's second most important ally in the world, after the United Kingdom. In the past I would have argued that Japan was more important, not because it was closer—which it was not—but because it had more strategic clout, economic mass, and was located much closer to threats. Now I would say that we are the second most important ally, bar none.

We get enormous benefit, which you cannot cost, with regard to our unique access to highly classified and highly sensitive American intelligence. You are aware in the public domain of what the joint facilities in Australia do. I used to run the policy on those. I forget what our defence budget was when Mr Beazley was defence minister. Let us say it was $10 billion. Even if you doubled it to $20 billion, you still could not replace the alliance, even if you wanted to, in terms of our access to the best intelligence in the region, bar none. It is not foolproof but it gives us a much better transparency than any other country. It helps us to know what is normal in order to detect what is abnormal.

Secondly, we have access to defence science on as good a basis as any other country, including the United Kingdom, and better than most other so-called allies in the outer circle. Thirdly, we have access to weapons systems on as good a basis as NATO. We get the cooking version of the missile, not the backburner version. You cannot put a price on that, and neither should you. We have always said that we do not consume America's security because ever since the Guam doctrine of 1968, through successive governments, we have said we would be self-reliant, which does not mean self-sufficient. All self-reliance means is that at levels of threat below invasion of Australia we would seek to develop the combat forces—whether you call them the maritime strategy or something else—that would not depend upon American combat troops coming over the hill. But it would depend on them for resupply of missiles, intelligence, access and so on.

We now have this more demanding American ally. I do not say that in a negative way. I absolutely understand where the Americans are coming from. They are angry and they are humiliated. There is a tendency to interventionism and, some would argue, in some respects unilateralism. I do not have any problem at all with where we are with the alliance. I have a problem with any situation where the alliance, or indeed defence policy, should become a victim

to partisan politics. That is not a political statement, that is not my business, but I think you know what I am saying.

The alliance, and indeed defence policy, is too important to be offered up on the altar of partisanship. Having said that, I think we are in a situation—and you would know more about this, as a politician, than I do—where not since the Vietnam War have we had such potentially divisive views in our community on this issue. That is why I come back to the point I think I have made twice before. That is, if we go into Iraq it is preferable we go in with United Nations cover, not least for bipartisan support for the alliance. Does that answer your question?

Mr HAWKER—Yes.

Mr BEVIS—I was going to ask another question but I am tempted to follow up on the answer just given. I will maybe go back to where I was. You mentioned pre-emption in passing. That is not something we have looked at in the context of how it might impact on force structure or our maritime strategy. Can I also at the outset thank you for your serious dose of reality in linking the strategy with the funds and force structure. I appreciate that.

I would be interested in any thoughts you have in relation to what pre-emption might mean. I guess there is a question of what pre-emption means, full stop; but beyond that there is the question of what it might mean for our force structure and for our maritime strategy. I assume we are talking about it, by and large, in the context of operating with allies. I would be interested in any comment you have about how you see that unfolding.

Prof. Dibb—In the past, although we had an essentially defensive strategic posture as befits a democracy, we always made it clear that we might have to strike, and strike first, if there was clear evidence of a direct threat to Australia—hence special forces, F111s and, indeed, the Collins class submarines, which are capable of much more developed strike capabilities than they have at present. But pre-emption raises a different issue; I am not a legal person, but I know some of you are. We do have to recognise that waiting for terrorist attacks is not smart. It is difficult to deter terrorists in the conventional sense. We can argue whether one can deter Saddam Hussein or not—and I think that is a legitimate argument, by the way. Certainly in my detailed experience, for 25 years the Soviet Union was deterred by the threat of massive retaliation. Neither the Soviets nor the Americans excluded first nuclear strikes, but they were enormously careful about that idea of pre-emption. There was some theology about whether you launch on the warning of a nuclear attack or whether you wait until it is actually coming down. There was a concept of deterrence, with elements of pre-emption, but it was very carefully nuanced, and each side absolutely understood the other's theology in detail.

The problem I have with the war on terror is that it puts us into a period of anarchy where there are no rules of the game. There were rules of the game in the Cold War, let us remember. By the way, gentlemen, we all remember the Cold War. I mention this because I have masters degree students who are 20, or 22 years old, and they want to know if there is a good book on the Cold War and on the Soviet Union. If you ask me, 'Does that make me feel older than I am?'—and I am getting on now—the answer is yes.

There were rules of the game. There were no-go areas geographically in the Cold War. Remember? The Americans did not go into Czechoslovakia and Hungary, even when the Soviet tanks were in there and, after Cuba, the Soviets did not go into Latin America. For the terrorists

there are no no-go areas. That is the first point. The second point is that with the associated problem of rogue regimes and weapons of mass destruction, which is a real central issue for us as we are now seeing with North Korea as well as Iraq, there are no counting rules. Indeed, there is an absolutely devious and lying approach to counting. The Soviet Union, at the height of the evil empire—and I was intimately involved in this through the joint facilities—acceded to counting rules, open skies, what was called portal gate inspections—counting the ballistic missiles as they came out—and we were part of the overhead satellite counting rules. There are no counting rules any more.

Thirdly, and finally, if the Soviets had been caught attacking the United States like September 11, it would have been cause for war. The Soviet Union knew that if it used a nuclear or chemical or biological weapon, that would be a cause for a devastating response. The terrorists are not deterred by that. I believe that there is nothing bin Laden and al-Qaeda would like more than to explode a nuclear device in downtown Manhattan and, gentlemen, the end game would be on then. The Americans would not be patient, as they were after September 11. There would be a response. You can ask me what the target would be and, as a former Secretary of Defence used to say to me, 'You're being logical, stupid'—there would be a target.

What does all this mean? I think the Americans have a policy of pre-emption. Your question is: 'Do we have one?' That is a sensitive issue. Senator Hill has said one thing: that has then been added to and explained further, I think, by Mr Downer, in which he said, 'We have no policy of pre-emption in our immediate region.' Indeed, as military experts will tell you—and there are some in this room—we have an extremely limited strike capacity and it would be a serious issue. The problem would be, if we got absolutely ironclad intelligence of a terrorist intent to attack us, would we desist from pre-emption? I do not know the answer to that, frankly—enormously difficult.

Mr BEVIS—If wanted to get into that game—using the hypothetical—what does that hold for our force structure?

Prof. Dibb—You would then have to look at increasing the capacity of, as I said before, special forces, air strike, those elements of naval strike that do not necessarily need to get in close and be vulnerable—none of that comes cheap. It is the eternal story of Defence, isn't it? Nothing comes cheap.

Mr PRICE—Professor Dibb, I think you mentioned the word 'network' capabilities in your opening speech.

Prof. Dibb—Yes.

Mr PRICE—Would you elaborate on that for me?

Prof. Dibb—It is sort of what the Americans call 'the revolution in military affairs', which we are all familiar with in a different way, I think, in the civilian area—that is, this information technology revolution which has dramatically changed all our lives and is changing the lives of our military. The best example is that of a Predator UAV over Afghanistan or Yemen, controlled out of either Langley or somewhere in Somalia, with impeccable intelligence, releasing a Hellfire missile and the target, as with our special forces, being illuminated by an SAS soldier: the capacity to deliver real-time information to the soldier in the battlefield that tells him where

the enemy forces are and where the blue forces are—sometimes with our American friends, the latter is just as important as the former, if you know what I mean.

It sounds easy but, as military experts will tell you, it is not so easy. You cannot just take the all-singing, all-dancing American RMA and say, 'One size fits all.' It sure as hell doesn't! Let me remind you that the Americans spend $US1 billion a day—a day. They account for 43 per cent of the world's defence expenditure. We spend $A14.6 billion, $US7 billion—or a bit more—a year. So network enabled warfare, as it is called in Australia to differentiate it from the RMA, needs to be scaled and affordable for Australia. That is another magic mantra—scaled and affordable for Australia. It is not just one size fits all.

Are we making progress? Well, you would need to check with the department. I fancy that we are making some, but I know at least one former head of the knowledge staff—a former two-star—who found it enormously difficult. He kept coming up against the stovepipes of, as I said, not just the single services but the preoccupation, including in the department, with platforms. It is not as sexy as platforms—JSF, air warfare destroyers, armed reconnaissance helicopters—and you can spend a lot of money and go up blind alleys. So I am not saying we should just throw money at it.

Let me say to you that, unless we go down this path and transform the ADF into this situation, we will not retain the technological margin of advantage that is crucial to our force structure planning, including the so-called maritime strategy or whatever else we call it. That has been central to our posture and it is now especially so when we have a demographic problem in Australia—an ageing population, low fertility rates, and the cohort 17 to 20 years old peaking later this decade and then coming down very quickly. We need what the department calls the knowledge edge, which includes network enabled warfare, and not only that, of course, but also education of our troops. I think this is a central issue that needs a lot of attention and I am not satisfied it is getting the attention it deserves.

Mr PRICE—I have a couple of short questions on platforms. If we are going to have a scaled capability, how do we get out of the planning straitjacket of single service approaches and bidding warfares—'I'll vote for you for an air defence platform if you vote for me there.' That is the first question. The second question relates to the time lines that you mentioned. There have always been very large time lines in terms of planning for equipment, putting the order in, getting it, and then the length of service. For some capability, I guess that is not going to change. Are we in the future going to be able to afford that same comfort zone in terms of long-term planning, acquisition and in-life service about so much of our equipment that we have been historically used to?

Prof. Dibb—They are not easy questions, if I may say so. I think the issue of the increasing costs, the rapidly escalating costs, of every new generation of platforms is a real problem for us. We are a small defence force. Let me remind you: 51,000 in the armed regular forces, six battalions, 100 combat aircraft, nine surface combatants and six submarines. That ain't much! We are never going to be able to afford to lose significant numbers of platforms or personnel in combat, so we need to have the smarts and have this margin of advantage over the region, which is deeply embedded in our policy—and I think is a good policy. But the platforms, to take some examples, are doubling in cost every generation. The F18s were double the cost of the Mirages. We are told the JSF will be cheaper. We will see. The Black Hawk helicopters, I think, were 50 per cent more expensive than the Iroquois. We are going to have to keep platforms in

the order of battle a lot longer—and we already are. Look at the age of the F111s. What are they—30-plus years old?

CHAIR—35 to 40.

Prof. Dibb—Quite a lot of these platforms are older than the young men and women who operate them. So the concept of half-life refits, which are enormously expensive, is going and there is going to be a continuous upgrade program, particularly in the smart stuff—the combat systems and the accuracy of deliverable missiles. Will that be any cheaper than replacing platforms? Probably not. Look at the cost of the combat system on the submarine.

The 'jointness' issue—do not get me wrong, I think we are one of the most joint forces in the world and we should be proud of it and we have come a long way. I remember when Phil Bennett became CDF—as distinct from Chief of the Defence Force Staff and before that, Chairman of the Joint Chiefs of Staff, when you had no real authority. I know there are arguments about the role of the single service chiefs and that a lot of power has been now devolved to the centre. My personal view, backed by a friend of mine—Admiral Bill Owens, the former Deputy Chairman of the US Joint Chiefs of Staff—is that has to be the way of the future whilst still keeping the undoubted crucial cultures of the three single services. Nobody, in my view, wants to go the Canadian route, if you remember that experiment in the past.

I think now if you look at the younger generation of officers who have come through—and I do not mean just those in their 20s, but those in their 30s; I have been with a whole bunch of them out at the defence college this morning—they are joint by training and by instinct. So I think we are getting there, but it is always difficult. There will be natural concerns that some elements in the services think that they are not getting their fair share and they think it is 'their turn'. There should not be turns, there should be a rigorous, tough-minded set of priorities that are affordable. But that is not to say that it is set in concrete. As the white paper says, the Defence Capability Plan will have to be adjusted according to strategic change and technology, and I agree with that.

Mr NAIRN—Earlier today Hugh White gave evidence and said if there were savings found in the defence budget or if there were additional funds for the defence budget, he would say the priorities should be an increase in our light land force battalions from six to eight, even if that meant a reduction in maritime or air capability—although he stressed that is not what he would want to see—but if it came to it, that would probably be the way to go. Do you want to comment on that aspect?

Prof. Dibb—Difficult issue. If you are going to increase the Army by two battalions, where does it come from? I have not talked to Hugh about this. Hugh and I would have a difference of interpretation about major surface combatants and his view about their alleged vulnerability. I would not want to see a trade-off that would reduce the capacity to introduce air warfare destroyers—three of them for $4.2 billion. I think we have already committed ourselves, frankly—and rightly so—to the joint strike fighter. The question is: how many and in what combinations?

I have said before in public that we should revisit the structure and capability of the Army and particularly its combat and combat support operations. You can ask others about this, but I would want to revisit the size of the companies and company groups and how many people are

in them. I think quite a number of them are still at three companies, rather than four. You would need to revisit their equipment and that has already been done. The question is: how much further does it need to go? When you come back, for instance, to the air warfare destroyers, which are a favourite target right now in the maritime strategy, because allegedly they are vulnerable, then we should give overwhelming priority to air power. Air power, as we have seen—including in Afghanistan and we are about to see, I believe, in Iraq—is very dominant, but you cannot put all your eggs in one basket.

I believe General Cosgrove has a view on this, and I can certainly tell you that I have been in email contact with Admiral Barrie, who reminds me that if, hypothetically speaking, we were going to deploy a significant number of our army—2,000 or 3,000 north of the archipelago; let us just talk in general terms about 'north of the archipelago'—at distance from our forward based airfields in the north of Australia, what confidence would we have that we could put a 24-hour a day combat air patrol of F18s over the troopships? I am not going to give you the figures because they are classified. It would be a limited number of days. The air warfare destroyer would be essential to accompany a very vulnerable troopship north of the archipelago against both air attack and potentially against submarine attack.

So I have decided to have a different view on this issue. Would I be in favour of two battalions? I would want to see the figures. I want to see the force structure. Let me remind you—and some people will—that in 1986 I said we should have six battalions and 32,000, so why am I not in favour of 32,000 now? Two reasons: this government has proudly boasted—and I think the figures are correct and can be checked—that whereas previously we had only 40 per cent in the combat end of army, there is now 60 per cent in the combat end. Even I can do the mathematics: 60 per cent of 25,000 is a significantly higher number than 40 per cent of 32,000. But that is an issue for the government to resolve. I can certainly see an argument for revisiting the size and structure of the Army, but not in a fundamental way and not, if I might say so, to strip away other capabilities that in the longer term we may need.

Anybody who proclaims to me that there is no threat for 15 years is complacent, particularly in the light of developing strategic circumstances. That is not to identify a direct military threat here and now, but it is to say that if you strip away capabilities like, for instance, air warfare destroyers, or submarines, replacing that capability—as the Kiwis and New Zealanders are about to find out—is a no-go area. It is s 30-year job to replace. So my view is, yes, revisit the Army in a modest way, but do not go stripping the other elements of what is a carefully balanced, high-tech force structure that is vital for keeping the knowledge edge over the region.

Mr HAWKER—Admiral Ritchie, in his presentation on maritime strategy, was talking about the importance of sea control on, above, below and in the magnetic spectrum. To what degree do you see the importance of the magnetic spectrum? How well equipped do you feel we are and, more importantly, how well equipped do you think we should be to control the magnetic spectrum?

Prof. Dibb—Clearly one of the areas of advantage for us is if we take electronic warfare—electronic warfare self-protection for aircraft and ships and, indeed, our own special forces against detection and being targeted—as well as offensive electronic warfare seriously, including an area that I am not at liberty to discuss a lot—that is, information warfare, both defensive and offensive information warfare, to take out an enemy's information infrastructure. That is about as far as I think I should go.

Have we paid enough attention to that in the past? Well, it is easy for me to say no. For instance, if you take EW self-protection for fighter aircraft—and, indeed, transport aircraft and helicopters—we faffed around with a project called Echidna, in my memory, for eight to 10 years. It becomes a $1.2 billion project and it becomes a one-size-fits-all Project Echidna, with EW self-protection for everything—Black Hawks, Chinooks, C130s, F18s and ships. Now we are breaking that down, as I understand, back to more discrete single platform projects.

The problem is that I think we tend to gold plate, we tend to think that the American approach of one size fits all might work. Quite often these projects are not as attractive or sexy as acquiring the new platforms, but certainly one would endorse absolutely what the admiral had to say. Again, if we are looking at the knowledge edge compared to our region, not enough is looked at in terms of the region—again, there are sensitive areas. Submarine detection in the region is not the same as submarine detection that the United States, the Soviet Union, Japan and a whole bunch of other countries have—I am talking about the nearer region—not at all, and you can apply that into some other areas.

That is not to be complacent. Remember that, firstly, it needs to be scaled and affordable for Australia; and, secondly, whether it is EW or something else, it needs to be adjusted to our unique operating environment, whether it is in the electronic warfare spectrum or the sonar environment or the infra-red environment. That is why we must focus on this unique environment. It is not to say that we do not operate at distance elsewhere, in Iraq or somewhere, but it is to say we had better be on top of the unique physical operating environment in our own region.

CHAIR—Professor, there we must end the evidence as we have run over time now, but I know from the questions there is a lot of interest in your presentation and the way you have answered the questions in a very frank way. I thank you for your attendance here today.

Prof. Dibb—My pleasure, Mr Chair.

[2.39 p.m.]

EVANS, Dr Michael (Private capacity)

CHAIR—Welcome, Dr Evans.

Dr Evans—Thank you. I am appearing as a private citizen, although I do work for the defence department as an academic.

CHAIR—Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submission or make an opening statement to the committee?

Dr Evans—Mr Chairman, I would like to make an opening statement.

CHAIR—Please proceed.

Dr Evans—Thank you very much for this opportunity to appear. Over the past five years Australia's development of a maritime concept of strategy has been hampered by attempts to make this concept fit the framework of 1980s continental geostrategy. As a result, our current maritime strategy is underdeveloped and distorted. In trying to mould opposing maritime and continental strategic concepts into a single intellectual framework, we have in many ways sought to reconcile the irreconcilable.

In the 21st century Australia must embrace a genuine maritime strategy that is capable of securing our vital non-territorial interest—that is, those complex networks of regional and global interdependence that link our trade, communications and liberal democratic culture. In an age of global interdependence Australian maritime strategy should not be constrained by the dictates of an obsolescent continental geostrategy. Our strategic planners must take account of the four great non-territorial realities of the early 21st century; realities that are rapidly reshaping global strategic affairs away from ideas based primarily on physical geography.

First, there is the reality that universal human rights now transcend physical sovereignty. Second, there is the reality of the rise of transnational threats to security that bypass our national geography. Third, there is the reality of an economic globalism that ignores national frontiers. Fourth, there is the reality of a global communications network that penetrates all borders electronically. These trends have permanently undermined the main tenets of the geostrategy we developed in the 1980s—an approach based on deterrence and the defence of the northern sea-air gap.

In the early 21st century no nation, no state and no community can any longer seek safety behind its geographical borders. Australia is facing a future in which security challenges will often be non-territorial, multifaceted and globally interconnected. In the world we are entering we will have to pay much closer attention to vital interests, rather than just our vital territory,

and to our societal security as well as our strategic geography. We will have to accept that coping with geopolitical uncertainty will become far more important than planning to meet geographical certainty.

We have to prepare for a spectrum of conflict in which modes of conflict may appear separately or even merge. Threats may range from the cataclysmic—that is, the use of weapons of mass destruction—to the critical—that is, the use of conventional military force—to the chronic—that is, unconventional threats, such as the war on terrorism, or it may involve a combination of all of these three areas. To cope successfully with a spectrum of conflict we will require an overarching national security strategy; one that is globally attuned, regionally focused and alliance oriented. Such a national security strategy must align our military power closely to our diplomacy, our trade, our intelligence and our law enforcement policies. Only a national security strategy can blend our global and regional interests and our local defence requirements into an effective calculus of planning.

From the military perspective we are best served by developing a genuine joint maritime strategy as the centrepiece of future defence planning. A maritime strategy is flexible, it is multidimensional and, above all, has the best chance of integrating the special capabilities of all three services in an efficient manner. To create a national security system whose main military component is a maritime strategy, Australia will need to shift its strategic thinking away from prescriptive strategic analysis that is based solely on defending territory towards scenario based analysis that takes much greater account of the defence of non-territorial interests.

Finally, I believe firmly that time is not on our side in the process I have described. Because we have failed to change our strategic ideas quickly enough, we are now in a race to develop new modes of strategy. We have to change our approach before our vital interests or our social infrastructures, or both, are attacked, perhaps at catastrophic human cost. The people of Australia will not understand, nor will history forgive, those who are charged with responsibility for our defence and security if this race is lost.

CHAIR—Thank you very much, Dr Evans.

Senator JOHNSTON—Dr Evans, you talk about this national security policy. Could you give me some detail of what it is going to look like, who is in it and what you perceive are the mechanics and the practical components of it.

Dr Evans—You would need a whole of government approach. You would need elements made up from Defence, from our national intelligence, from Foreign Affairs, from Trade—they would all have to be welded into an organisation which could look at threats sensibly and intelligently and make the appropriate analysis. The benefit for military strategy in that would be that we would have some idea of how we could mould our strategic forces and our strategy in accordance with our partners in DFAT or any of the great departments of state.

Senator JOHNSTON—Do you have a model in mind?

Dr Evans—No, I do not have a model in mind. We are into a very new security environment. You could look at the American model but it is probably too big for our purposes. We are a Westminster democracy, so I should imagine the beast we are looking at will be a distinctly Australian one which will respond to our special needs.

Senator HUTCHINS—Could you expand on the rise of transnational threats and how a maritime strategy for Australia should deal with them?

Dr Evans—For five centuries it always took the resources of another state to destroy another state. Because of the global communications revolution and the rise of economic globalism, that condition no longer applies. Therefore, we are looking at a revolution in statecraft. If small groups of radicals and terrorists can, in fact, wield the weapons of mass destruction or biological weapons and inflict the kind of damage which we saw on 9/11, then we are indeed looking at a very changed situation.

Senator HUTCHINS—How would a maritime strategy for Australia deal with that? Say there is a situation where not only Australia's interests here at home are threatened by some group overseas but Australian citizens are threatened in another country whose state system has broken down.

Dr Evans—The key factor here is flexibility and the ability to move your forces around. Over the last 15 years we have had a strategy which has been rigidly constructed around our geography. The problem is that our geography is not the issue at stake now. What is at stake is our interests and, as you rightly say, our citizens overseas. Therefore, you have to have a situation whereby you can move forces.

At the same time you also have to be able, in the last resort, to defend your territory. Therefore, you need a force which is inherently flexible. I believe a maritime joint force is the sort of force you need because it can do most things. If you can fight in the littoral well, you can fight in cities well. There is a trade-off between those sorts of areas, which is not necessarily the case if you have forces which are configured, particularly at LAN, just for continental operations.

Mr BEVIS—I want to make sure I understand the position you are proposing. I certainly am sympathetic to the view of a much broader definition of our national security interests that takes into account the things you have mentioned and, indeed, some others you have not. If you look at the threat that may be presented by non-state players, you can identify the headline one, which is al-Qaeda or some other similar group that may be an offshoot, but in fact we would also have to recognise the threat from within, so you look at the sarin gas attack in the Tokyo subway or the germ warfare in the United States—the envelopes that flooded around the countryside that appear to have had domestic origins—or, for that matter, some of the other domestic activities that have gone on in previous years in Greece, in Germany and in a number of other countries. It seems to me that if we are dealing then with a security environment that is more broadly defined and tackling the issue of non-state terror, the maritime strategy is pretty helpless in addressing those.

I do not know whether I have extrapolated out some of the things you have said and some of the things you have not said and arrived at a totally inappropriate conclusion, but I am wondering whether or not the subtext of what you are saying is that a maritime strategy has a role in conventional warfare but, in dealing with these other matters, has limited utility.

Dr Evans—On the contrary. A maritime strategy really deals with the spectrum of conflict. A maritime strategy gives you the ability to deal with everything from a peace enforcement mission right up to conventional warfare, with things in between. That is the reality of our age.

We live in an age where we have to face a spectrum of conflict. We no longer have the luxury of just thinking about the defence of Australia and the sea-air gap. The fact is that things may happen which are permeable to that area, so we must have maximum flexibility. That is really what I am saying. A maritime strategy gives you that kind of flexibility, because if you can fight in a littoral you can do most other things.

I am thinking about the creation of a force which can, in fact, operate in the archipelago to our north and can do things on Australian soil, but at the same time also give us the capacity to project force, if we have to. Those are issues which I do not believe we have addressed properly in Defence yet.

Mr BEVIS—I am still not sure that I have picked up the full drift, but I will go to one of the specifics you have just raised: our capacity to project force. Do you think that is an area that we should be self-reliant in?

Dr Evans—No, I do not. That is the short answer.

Mr BEVIS—That is fine.

Dr Evans—Most of the issues that we are going to be involved in, I think, will be coalition orientated. Indeed, over East Timor we had significant American assistance. With security being more broadly defined, I cannot really see a contingency where Australia would have to act completely alone. I think we would always count on the ANZUS alliance. Why else do you have alliances? If you look at the white paper you will see at para 5.9, chapter 5:

> The kind of ADF that we need is not achievable without the technology access provided by the US alliance.

That is a pretty strong statement in favour of coalition warfare.

Mr PRICE—You mentioned in your opening statement about truly joint forces and we have talked a little bit about single service stovepipes. Would it be fair to say that the air warfare destroyer is an example of that, and that if you are looking to project force then maybe a small carrier with some fighters gives you much better options? In terms of determining capability, it is this lack of looking at things as stand-alone, substitute and complementary that is lacking in our decision making at the moment.

Dr Evans—Where I would be critical of defence planning over the last 15 years relates to a lack of intellectual comprehension and a lack of conceptual development. We have clung to this orthodoxy of defence of Australia as if it is a biblical statement upon high. It is not. It is a strategic formulation which should be open to challenge and debated at every possible juncture. But to go to your question more specifically, the air warfare destroyers are very important for us because we lack organic naval aviation to give our forces cover. Therefore, because we have inherited a force over the last 15 to 20 years in which we do not have organic naval aviation or carrier-borne aircraft, we have to have something else. For better or for worse, the air warfare destroyer will give us that kind of protection. It is the sort of capability we do need in the present circumstances. I would like to see, however, more of an emphasis on organic naval aviation in the future, but that takes you into the highly emotive area of carriers, which is an area of Australian strategy that is fraught with theological difficulty. We had that debate in the 1980s and it was lost by those who favoured naval aviation.

Mr PRICE—Is it true to say that there has been an evolution now of much smaller carriers? Very large sums of money and huge capability were associated with just one carrier.

Dr Evans—That is true, Mr Price. What you need is something with a flat deck that you can use to launch aircraft, a through-deck ski-jump type of ship, and you probably need more than one because of refit capabilities and those sorts of issues. I do not know anybody in the ADF who would not like to have organic air cover if they were operating in the archipelago to the north. If you look at the South-West Pacific campaign of World War II, you will see it was fundamentally a joint campaign in which the land forces were covered by the air forces, and everybody was sustained by the naval forces: everybody did everything in a joint way. We are not good at that, for all sorts of reasons. We have separate naval and land traditions in the way we formulate strategy and it is a major weakness in the way we do business.

Mr BEVIS—Isn't that sort of capability only relevant if you want to go into a conventional conflict of nation states?

Dr Evans—No, not necessarily. Let me give you a hypothetical scenario. Let us say that there was a coup in Fiji where some of our nationals were taken as hostages, our interests were threatened and we had to move in and do something to rescue those people or, in fact, uphold our interests. We would then have to insert troops. Those troops would need fire cover and we would also have to be in a situation where we could deal with an opposition.

CHAIR—We had a slight interruption there. Please return to your comments, Dr Evans.

Dr Evans—Thank you, Mr Chairman. It was a purely hypothetical scenario. I was saying in the unlikely event of us going into Fiji, you would need some kind of joint force to go in there, and if you were dealing with an opposed situation whereby you had—once again hypothetically—a company of Fijian troops well armed, 120 men with heavy machine-guns, even perhaps some missiles, that is a very dangerous situation. You would need considerable firepower to neutralise that force.

Mr BEVIS—I am not sure you would need an aircraft fleet to do it.

Dr Evans—You would need some organic naval aviation. That is the point I am making. It is not just Fiji; there are other scenarios I could give you. But that is one that is in our region, and the Fijian army is one of the more capable armies in the region. That is why I have chosen it. They are good fighters.

Mr BEVIS—Yes, I understand that, but I will not prolong the debate about whether or not we should have an aircraft carrier.

CHAIR—I thought we had had that debate.

Senator JOHNSTON—On this issue of the joint capability, you seem to suggest that the senior service arms are dislocated inherently. What makes you say that and why do you think they have no capacity to act jointly?

Dr Evans—I am not suggesting they do not have a capacity to act jointly. I have the highest respect for the Army, the Air Force and the Navy. I think the problems in Australian defence—and I am talking generically now—relate to the conceptual and intellectual side of defence, not the capability side. That is quite well handled. I hold the view that if you get your strategy right, your capabilities will tend to follow. If you get your strategy wrong, you end up with the wrong capabilities and fighting the wrong kind of war or engaging in the wrong kind of armed struggle, and that is not smart.

I heard this morning that you need strategy and money. I beg to differ on that point. If you take the interwar period, the Germans developed the blitzkrieg using committees. They did not have any money. The Americans developed carrier warfare and the concepts of carrier warfare at the Naval War College. They did not have any money. And the Russians developed the theory of deep operations and they did this in their war colleges. They did not have any money.

You have to have thinking uniformed officers and they have to be highly educated. I do not think we do a good job of doing that. I am not blaming the uniformed officers for the situation. I am blaming the fact that our Defence Force does not put enough emphasis on high-calibre education. We do not have advanced war-fighting courses, we do not have an advanced strategic art program and therefore, by default, our senior officers are turned into technicians rather than strategic advisers, and I think that is wrong.

Senator SANDY MACDONALD—I am a little confused by this sort of concept. The concept of the air warfare destroyer is to give air defence where you do not have air cover. How does that differ from the old guided missile frigates?

Dr Evans—It has a better electronic warfare capacity, point 1. It is able to detect and if necessary destroy an adversary very much more quickly. Its suite of electronics is far more advanced, and that is why you have it. It is a very useful ship. I am certainly not against having an air warfare destroyer, particularly in a navy which does not have organic naval aviation. If I were to have a dreamtime, my dreamtime would be that the Australian Defence Force looked something like the United States Marine Corps, because that is the kind of defence force we should ultimately have, where you have good light infantry, organic aviation to support them, and a very useful navy with a couple of organic carriers, but that is not going to happen because of the weight of history, the weight of tradition, the weight of our strategic culture. It is just the way we have developed as a strategic culture over the last 100 years.

Senator SANDY MACDONALD—The Marine Corps has its own air capability, too, though, doesn't it?

Dr Evans—It does. It is a very self-contained force. If we could go back to scratch, I think you would find a fair number of experts would probably think that is an appropriate structure for the Australian Defence Force. Certainly if you talk to anybody in the US Marine Corps, they will tell you that. They take one look at our Defence Force and think, 'Gee whiz, you guys could do well if you were to create a marine corps type situation,' for the simple reason that light infantry of the sort we have in our region will perhaps in the future end up fighting in the archipelago.

I can quite easily see a situation in the future whereby Australian soldiers will end up fighting alongside their American colleagues in a couple of islands to the north, alongside Asian allies,

to knock out putative terrorist bases. We will be going back to the sorts of things we did in the 1940s, albeit on a much lower level. I can see that in the future quite easily. There are 13,000 islands to the north, gentlemen. That has to count for something in your strategic calculus. It is an air-land-sea gap, not just a sea-air gap.

CHAIR—Dr Evans, that is the end of our questions. Thank you for your attendance here this afternoon.

Dr Evans—Thank you, Mr Chairman.

[3.06 p.m.]

RYAN, Dr Alan Maurice (Private capacity)

CHAIR—Welcome, Dr Ryan. Although the subcommittee does not require you to give evidence on oath, I would advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submissions or make an opening statement to the committee?

Dr Ryan—I would like to make an opening statement, Chairman.

CHAIR—Yes, you may proceed.

Dr Ryan—Thank you very much for the invitation to appear before the committee to present my views on this important issue. I might say it has been a very interesting day so far. I should perhaps apologise for having burdened the committee with two possibly prolix submissions and I shall compensate for that by keeping my opening comments brief. However, the fact that I have gone into such detail in the submissions bears out my position that the task of strategic policy development requires an historically informed approach, at the very least.

Since Federation, our history of national strategic debate, as we have seen today, has seen impassioned conflict between two main schools of strategic thought, the navalist and the continentalist schools and, despite inhabiting a substantially different contemporary strategic environment, much of the current debate and the debate we have seen today is still based on the now largely irrelevant, geographically based assumptions that governed Australia's national security debate during the industrial age, and specifically during the latter stages of the Cold War.

I make this point because it cuts to the core of the terms of reference of this inquiry. I would endorse the other submissions that I have had the opportunity to read, which have pointed out that merely terming our concept a 'maritime' strategy will not make it so. It is an inaccurate use of a well-understood term of art. This is not lightweight academic quibbling. This incorrect definition makes it very difficult to answer the terms of reference of this inquiry. Nonetheless, I am in strong agreement that, given our strategic environment, we need to develop a maritime concept of strategy. My opening comments address our strategic circumstances and outline what the fundamental principles of a maritime strategy might be. The white paper, *Defence 2000—our future Defence Force*, argues that the military component of our strategy is to control the sea and air approaches to our continent so as to deny them to hostile ships and aircraft and to provide maximum freedom of action for our forces. Properly defined, that strategy is founded on a policy of continental defence emphasising a strategy of denial. *Defence 2000* does depart from earlier iterations of the continental defence strategy by stating that, if necessary, Australia would conduct proactive operations to interdict hostile forces as far from our shores as possible. However, this policy still emphasises a policy of interdiction to defeat a conventional invasion force. This is only one element of a maritime concept of strategy and it represents a reasonably unlikely prospect at that. It does not reflect the realities of our maritime environment, nor does it reflect the current global security situation and its effect on Australia's vital interests.

Simply put, a maritime strategy requires the direction of all aspects of national power that relate to a nation's maritime environment. The military represents only a component of such a strategy. Other components include diplomatic, commercial, environmental and border control arms of government, to mention but a few. The Australian Defence Organisation's role in such a strategy is to use its military capabilities to serve the national interest. To do this we must understand our maritime environment. As the only continental state, Australia is in a unique position. It is a dry archipelago with a few concentrations of population widely dispersed around the edges of a vast land mass. We occupy the littoral area, the edges of the continent. Furthermore, the approaches to our continent are not only by air and sea but are littoral in nature.

To our north lies a vast archipelago which has been mentioned today. Our maritime environment is not characterised by vast, empty spaces but by the presence of land. As the Chief of Army pointed out this morning, land is where people live and where human affairs are conducted. Geography, of course, is important, but in the era of globalisation, brought about by the explosion of information-age capabilities, our maritime environment is not restricted to our immediate neighbourhood. The seas are our global highways and what happens on them and adjacent to them has implications for the entire world.

In an age when our population is spread globally, as are our economic interests, we cannot afford a parochial vision of continental denial. Consequently, when we talk about a maritime strategy we should not focus on the relatively unlikely prospect of conventional invasion. We require sea control, to have the freedom of action to use the seas; we require the ability to deny the use of the seas to hostile forces. Our ability to conduct commerce, deliver humanitarian relief and prevent hostile action is only possible if we have the ability to project power, and that includes the ability to project combat forces ashore if necessary.

The fundamental trinity of maritime strategy is the ability to assert sea control, guarantee sea denial and to conduct power projection. This represents a heavy burden for a small defence force. There is a point beyond which we cannot expect to conduct an independent maritime strategy. It is arguable that this point is somewhere in the middle of the Timor Sea. Our experience deploying the international force to East Timor in 1999 demonstrated that, given current capabilities, the Australia Defence Force possesses limited capacity to project military power. Without coalition strategic lift and coalition logistical transport capabilities Australia could not even have sustained that effort. What is more, we were only able to conduct the operations because our Black Hawks could deploy themselves from Darwin.

If the operation had been several hundred kilometres further on, those Black Hawks could not have accompanied us. As a consequence, we could not have carried out air medical evacuations and we could not have established the air presence in and around Dili that was necessary to be able to suppress military activity. Without those things we have a problem. Consequently, we should not be asking what is the impact of our strategy on our ability to participate in coalition operations. That is one of the terms of reference of the inquiry and I think we have it the wrong way around. Rather, we should be asking how to devise a strategy that makes use of the fact that other states share common interests with us and will continue to do so.

American Vice-President, Aaron Burr, is credited with having said, 'Law is that which is loudly asserted and plausibly defended.' We have heard the word 'plausible' a lot today. I do not believe the statement and I do not believe the same can be said of an effective national strategy.

We currently possess a modified strategy of continental defence, little different to that which preceded it. If we are to meet the complex demands of our current protean security environment we require a maritime strategy that allows us to use our unique strategic environment as a force multiplier. By enhancing our ability to project military and soft power we can do more than provide a token contribution to international coalitions and we can serve our broader national interests.

CHAIR—Thank you, Dr Ryan. I will ask now for questions.

Senator HUTCHINS—Dr Ryan, on page 1 of your submission 14 you commented that in the era of globalisation Australia's security interests are not limited to the threat of invasion by another state. What do you consider are the key strategic threats? What is the danger of developing a maritime strategy based on limiting the threat to invasion by another state?

Dr Ryan—Senator, I do not tend to think in terms of key threats. The point that I make in both my submissions is that we live in an age of protean insecurity. There are variable threats. We do not know what is going to be the next threat to Australia and its key interests, and we should perhaps start with our key interests, and we should be considering the safety and security of our population, their ability to conduct their affairs untrammelled and the financial security of Australia. Nowhere there did I talk about the territorial security of Australia which, of course, is a given. This is a global era, where the state of the international economy affects how we conduct our business and the cost of petrol—something I am painfully aware of at the moment. There have been the recent events in Bali and elsewhere. We have seen it is the young Australians who are out there, who are pursuing careers abroad. We have had not one but two tragedies, on September 11 and in Bali, and it is quite likely that that could happen again. It might not necessarily be somewhere close to home.

When I talk about Australia's security interests I go back to basics. I look at what are those fundamental interests and then I consider them in the context of our current security environment. I really do not see a conventional invasion force steaming over the horizon. Should that happen, it would be in the context of a world vastly changed. As has been pointed out today, it could well happen within a 20-year time frame, but if it were to happen then the world would have changed considerably, and we would probably be involved with our significant ally, the United States, the current hyperpower. We need perhaps not only to consider the reality of the 20-year time span but also our ongoing contribution to the global order that we face.

Moving a little beyond that, I did in one of my submissions refer to what I think is one of the decisive strategy texts to have emerged in recent years. That is a book called *Unrestricted Warfare* written by two Chinese colonels in the People's Liberation Army, Colonels Qiao and Wang. That is where we perhaps also need to start, because they have said that, given that the United States is the hyperpower, it is unchallengeable in conventional and essentially nuclear terms. Future adversaries, wherever they may be, are going to attack in different ways. We have seen that in recent years in extraordinary, unprecedented, illegal and illegitimate ways. That is what we must prepare ourselves to contend with.

Mr BEVIS—Thank you for a very thought provoking contribution. I am trying to reconcile what I may have misunderstood in all of this. On the one hand, there is a thread running through your submission that we will be acting in concert with other nations, and I think we all

comprehend how that operates. But I think you also referred to the need for us to be able to unilaterally project power. If indeed we are going to unilaterally project power, if it is beyond the traditional air-sea gap which we all understand in the context of eighties strategic doctrine, how far are you suggesting we might want to unilaterally project power? Presumably, it will be to a place of deployment where the country of deployment does not want us to be; otherwise, there is a whole different scenario that kicks in. How does that rest with the tenor of the other parts of your submission which deal with us as part of a multinational effort?

Dr Ryan—I do not think at any stage I do say we will want to unilaterally project power. I may have said we may need to conduct independent operations within the context of a broader coalition. Past experience has shown that within the context of coalition operations, given the real problems of creating interoperability about which we have heard much today, the reality is that looking one up and one down, we have significant problems interoperating with the United States, despite having cultural ties and a certain degree of technological compatibility. They have moved beyond us and, if you look one down, other countries have problems operating with us.

In the context of coalition operations to which we make a contribution—and that is the norm—we may have to conduct operations, to a certain degree, independently. This means we have to have some force balance within our deployed forces. There have been some comments in the past about the Australian option being a 'one, two, three' option: you send an SAS squadron, two ships and three aircraft. This is perhaps not a balanced contribution to an international coalition in the strategic environment in which we find ourselves, where legitimate international action requires multinational forces to be deployed.

We are going to have to spend a lot more time considering what types of force packages we might want to produce. This is where this notion of having expeditionary capabilities is important. The expeditionary capabilities is not about how far you are going to send them. We are the dry archipelago. Just to conduct operations around the Australian coastline and to Australian territories offshore requires a significant amount of lift. I am an historian by trade. If you go back to the first Fijian coup and Operation Morris Dance, it was a frightful hash. We have come a very long way since then but we still have somewhere further to go.

We need to balance our limited capabilities, our values and intentions as a nation. I am not sure we are seeing, at a national level, our national strategic objectives set out clearly. We have a defence white paper; we have a foreign affairs white paper. We are still operating down effectively at an operational level. As we have seen today, we are focused significantly on capabilities. We have nothing like the national security strategy of the United States, which was published the other day, which set out the objectives of American action and how they are going to achieve them and did so in less than 12 pages. That is where we need to start.

Mr BEVIS—You referred also to the non-military components of national security and, I think, even maritime strategy. You mentioned a number of factors which I think are particularly important. I wonder what your thoughts are on the extent to which we effectively control those other factors to assist in our national security endeavour?

Dr Ryan—I am a strong advocate of the concept that we should move to some sort of overarching national security policy and national security organisation. It does not have to be a very large one. At the moment, in the war on terrorism, the Attorney-General's Department

effectively has the carriage of much of the coordination of cross-government responses. That is good, as far as it goes.

Again, we lack the sort of cohesion you would have with a small pool of expertise. I do not mean civil servants on a short-term posting, essentially generalists by nature, into this organisation. What we need really is a degree of expertise on national security issues. We have been very bad at growing that in this country. The universities have not done it. In fact, Professor Paul Dibb wrote an article about 18 months ago in *Quadrant* in which he pointed out that there was a complete lack of communication between the universities, the public service and government in terms of creating a dialogue—not only a defence debate but a national security debate—and I endorse that quite strongly.

We need now to start thinking about what it is that we need to do to create not only a joint response to these protean threats or protean insecurities that are going to getting considerably more complex in the century ahead. We also need to consider how we are going to develop the human capital that is going to inhabit our military, intellectual, policy making and political circles, who have real expertise and real feel for the problems that are going to confront us. We have moved beyond the problems of the industrial age.

The two Chinese colonels made a very sound point that in the old days we saw force used to compel others to do our will. What we see now is force being used to compel people to accept our interests. Nobody is going to win this war on terrorism. There is no clear end state. Terrorism is going to continue to be with us. There are people in the world who are attempting to influence us as a country, or the West as a sort of amorphous entity, by wreaking violence upon us. These are the problems we are going to have to come to grips with. The two Chinese colonels have made a very good start. I am not quite sure that we in the West have come up with an intellectual response yet. I might have gone a bit beyond the terms of your question.

Mr BEVIS—At some stage, when you get the *Hansard*, could you have a look at that question, if you have some thoughts down the track? It is just a question of diplomatic, economic, environmental and a host of other factors that are part of the interchange of international life; how those things feed into our national security and to what extent we are simply taken with the tide on those matters.

Dr Ryan—We simply do not coordinate at the moment. We need more effective coordination. I am not arguing that we should do as the Americans have done and create additional departments of state.

Mr BEVIS—As I understand it, there are a number of nations, including in the Asia-Pacific rim, who have traditionally taken a much broader view of security than we do. Maybe we can learn a few things from them.

Dr Ryan—Absolutely.

Senator SANDY MACDONALD—You make the point in your submission that Australia is particularly vulnerable to asymmetric attacks. I think you make the point that because of the nature of the distribution of our population we have many more targets, or easier targets, than other countries. What makes you think that? Almost all countries, particularly Western

countries, have an unlimited range of targets which they should be worried about regarding an asymmetric attack.

Dr Ryan—This is true. But by the nature of the sort of country we are and our demographic spread, we seem to have a number of nodes that are significant targets. It would take the entire Australian Army to protect the fuel facilities at Werribee and Altona, for instance. Just to provide physical security for them would create an enormous problem. As they stand, I do not think there is more than a few Armaguard security men to be found scattered around the precinct. If we remember back some time to the fire in Western Port Bay, my parents who live in Melbourne had cold showers for something like three months. It was a classic example of the fact that in this country we tend to have reliance in our major cities—which are stand-alone metropolises, to a large degree—on a number of significant nodes.

The other area, which has not really been discussed much today, is our dependence on the cyber network that underwrites our way of life. Cyber attack is a reality. It happens to me on a regular basis. I go in and turn on the computer in the morning, and I find that someone has attacked me with a virus of some sort. It has become a weapon of non-war amongst a number of groups. If we remember back to the time when the Americans lost an aircraft which landed in Chinese territory; at that time, non-government hackers within the People's Republic of China used the opportunity to attack the United States, inflicting significant damage on, largely, Department of Defense computer systems. We are moving to a stage where that is going to be one of our greatest vulnerabilities. It is a virtual vulnerability but it is one that we, as an information-reliant society—but to be honest, a fairly lax society in terms of our information security networks—are going to have to pay a lot more attention to.

Senator SANDY MACDONALD—You also say that you are in favour of a permanent national security organisation to implement a holistic whole of government approach to security, something along the lines of the American Department of Homeland Security. Do you still believe that is the case, or do you think that the changes and the beefing-up of ASIO and a number of other things have meant that our coordination response to terrorism is sufficient?

Dr Ryan—Perhaps not so much along the lines of the Department of Homeland Security, which has become a rather unusual organisation with a great deal of oversight of a number of organisations. I do believe we need a national security council, more along the lines of that which is administered by the national security adviser that the Americans have. But that is a very small organisation. We do need greater standing coordination. At the moment it is rather ad hoc. I am not sure that we need a department to do it, but we certainly do need to consolidate.

Senator SANDY MACDONALD—Would you like to see one person responsible—

Dr Ryan—National securities are—

Senator SANDY MACDONALD—or a coordinator in the sense that you have the National Counter-Terrorism Committee that is answerable to the Attorney-General and to the NSC? Do you think that the coordinating role should perhaps be a little bit more identifiable with a person than with the present coordinating role we have?

Dr Ryan—I think so. Given that we are a Western democracy and not an American-style system, we probably would need someone who is answerable within the political arm of government.

Senator SANDY MACDONALD—Did you say 'political'?

Dr Ryan—Yes.

Senator SANDY MACDONALD—A government responsibility outside the Attorney-General, you are saying?

Dr Ryan—Yes. Various models have been mooted. In fact, we can go back to Professor Ross Babbage. In 1982 he started arguing this, and there is a well-established body of thought about this. I think I have put it all in a very long footnote. We could go for the model of having a parliamentary secretary responsible. We could also go for the model of essentially making it a civil service responsibility. We could argue either way. There are strengths and weaknesses for either approach, but at the moment even with the changes that have been made in recent months there is still very much an ad hoc extra function. This is not the first function of most people. I think security is an issue. It is going to become a greater issue. In the future it cannot be just an add-on responsibility for officers scattered throughout the vast machinery of government. It needs to be something we take seriously centrally and at least have government oversight in a coherent form.

Senator SANDY MACDONALD—I would only make the comment that if you are going to have parliamentary responsibility or government responsibility, you would want to have it more senior than a parliamentary secretary. Terrorist events, luckily at the moment, are so rare that the person who has political responsibility is the Prime Minister. Clearly that is what happens in the case of the National Security Committee of Cabinet meeting, and the National Counter-Terrorism Committee is headed up by a deputy secretary of his department. I was not thinking so much of the political responsibility but thinking more of the coordinating role, because there is some talk of the Hugh White model and things like that. I was thinking about what really is the answer in terms of some sort of coordinating role outside a big new department like Homeland Security, which, from what you read in the United States, is fraught with difficulty and is yet to be tested. We will see what happens when the next emergency hits.

Dr Ryan—There is definitely an argument—and a strong argument—to be made for putting it in the Department of the Prime Minister and Cabinet. That department has—again, if you look at it in an historical sense—expanded its role in crisis management in recent years. Timor was a classic case of that. But if you do it, you have to staff it appropriately. It cannot be seen as simply another step in a generalist, bureaucratic career. You need to do what the Americans have done, or the British have done—in fact, what most Western countries have done—which is to say: 'Look, this is a specialist function. It requires specialists. It may well end your career to be involved in such an organisation, but so be it. This is something which is far too important to be seen as a three-year posting in an otherwise diverse, varied and interesting career.'

Senator JOHNSTON—Just on that subject which Senator Macdonald raised, you called it SAC-PAV. Is that the name we use for it?

Dr Ryan—The name has been changed, as these names often are after particular events.

Senator JOHNSTON—We all get used to it.

Dr Ryan—I have forgotten what the new name is, I am sorry.

Senator SANDY MACDONALD—The new name is the National Counter-Terrorism Committee.

Senator JOHNSTON—The National Counter-Terrorism Committee—I declare a bit of ignorance about that. If it is the same as SAC-PAV, it is really to foster interdepartmental cooperation and incorporate a relationship with the states. You say that it has no advisory role, so that in terms of formulating a national security strategy it is not ideal and probably ill-suited to such a role. Let us talk about these models. You have adverted to a number of models. What is your preferred model and why do you prefer it?

Dr Ryan—I am open to being convinced. This is a debate going on and I believe it is in its early stages. I do see the advantages of putting a national security council into Prime Minister and Cabinet.

Senator JOHNSTON—Who is going to be on that?

Dr Ryan—We would probably need ministerial level responsibility of some sort; obviously, a political oversight. You would certainly need a permanent appointment to oversee the operations of the organisation. If you are looking at the functional areas that come within it, that is where it gets interesting, because at the moment when we create the defence white paper it happens out of step with what Foreign Affairs and Trade does. They happen at different times. They are often in conflict, because the circumstances will have changed in the intervening period. There does not appear to be a great deal of coordination about what happens within that. I would like to see national security policy made in the one spot; military strategy made at a military level. What we have at the moment is that the military or the Department of Defence are making national security policy by default. You will find that in the white paper.

In fact what the Department of Defence should perhaps be doing is focusing on military strategy, and national security strategy should be made in this higher organisation. Then we would need to look at, as I said, the composition of the organisation, which would need to look at not only military issues and foreign affairs issues but the whole range of security issues which I have spoken of in my submission. That would include issues that have previously been considered to be not within the security realm at all—environmental issues, border control, customs, policing and other issues such as those. Again, it needs to be small groups of these people who talk to each other, who are not spread out around the suburbs of Canberra and elsewhere around the country. This is the organ that is responsible for national security policy. It would not necessarily need to be a vast load in the sense that the Department of Homeland Security is.

One of the things I do find interesting is that if you look at the American model, it changes with every administration. The National Security Adviser's role is as dependent on the character of the National Security Adviser as it is on any rigid institutional organisation. There are perhaps some advantages in that, because the security environment and the issue of the significant elements of the characters who are making national security policy are going to change with each government.

The one thing I would not want to do is to set the making of national security policy in stone. This is a problem we have had in the past with the writing of strategic documents. A document achieves a certain authority and it get word processed solidly over the next 15 years; then 15 years down the track you find that the document bears little resemblance to the strategic reality. What we need to do is to put the best and brightest—the realities of the strategic environment and the people who are reacting with those strategic realities on a day to day basis—back into the process. That is not saying, 'We are going to put a white paper out and, by God, it's going to stand for the next three to five years, because it's there, written.' The reality is, as we have found time after time, that white papers are very rapidly superseded by events.

Senator JOHNSTON—The director of this organisation is going to formulate an overarching strategy. What attributes would you be looking at for this coordinator, director, whatever you want to call him? Do you see an emphasis on military background, intelligence background, diplomatic service? What aspects would you consider important, given the terms of reference we are discussing here? If we decide a national security strategy is something that we need, what would you be looking for in the person who is charged with the responsibility of formulating and coordinating that strategy?

Dr Ryan—That is an interesting question. Again, if you look at American national security advisers you would see a very interesting collection of characteristics and qualifications come forward. I would like to see a polymath—a person who combined a wide range of expertise and capabilities in the one package. I would not necessarily want to see someone who was a soldier, an intelligence officer, a long service public service officer or, God help us, an academic. I would like to see someone who perhaps had broad experience and was able to bring those things together. The job of running a security council across such a wide disciplinary framework is going to require someone who can walk the walk and talk the talk of a number of disciplines. I would be expecting a great deal. Such people exist. Certainly the Americans have been very good in attracting such people. We perhaps need someone with the characteristics of the Secretary-General of NATO, perhaps the most unenviable job in the world.

Mr BEVIS—Earlier on you mentioned interoperability, and that is obviously integral to the earlier question I asked on the way in which we operate with our partners in the region and in far-flung places around the world. You correctly pointed out that we struggle and have to find a lot of money to maintain interoperability with the United States, with the UK, NATO type forces. But we also need to have interoperability with regional partners that are operating on a very different level. We are, in a global sense, a small player in the defence market.

How do we grapple with that in the reality of a limited budget and limited resources, when there is a serious argument about the extent to which we can be interoperable with the United States? How is it that you see us being able to maintain or establish that interoperability and with a host of regional partners? If we are dealing with the war on terror and we are doing this as part of a genuine partnership with most countries in the world, then we are talking about interoperability with any one of half a dozen countries to our north, north-west. How do we do that?

Dr Ryan—I would argue that we cannot do it. Interoperability is a very precise and defined word in a number of military texts and it comes down essentially to the ability to exchange services and products, to conduct operations on a perfectly integrated scale. That is a fairly rough rendition, but you get the sense. As we have found in recent operations, we cannot do that

with most of our regional neighbours. It is very difficult to do it with the United States. What I argue is that we need to forget about achieving perfect interoperability. We have been a member of an organisation called the ABCA—American, British, Canadian, Australian—Armies Program since 1948. We do not seem to have become interoperable in any sense over that period.

Our weapons remain different, our radio sets remain different. There are good and solid reasons for this, because we operate in very different environments and there are different demands made on our armed forces. So we have that. We have the technical cooperation program between the science arms of the various countries. I have been to conferences where they cannot even get the software to work in each other's computers to give a PowerPoint presentation.

Mr BEVIS—Defence, I am sure, would argue that there is a high level of operability in at least Australia, US and UK and Australia and New Zealand.

Dr Ryan—Perhaps the word is not 'interoperability' so much as 'cooperability'. We can certainly conduct a number of operations very well together. The Navy and the Air Force, for instance, can conduct air and sea operations with a high level of interoperability. They are platform based; there are a number of limited variables. The minute we move into the land environment, there are significant problems. The United States found in Somalia back in 1993-94 that their own armed forces were not interoperable. The marines could not talk to the army; the army could not talk to the air force.

Mr BEVIS—The one thing they knew was they wanted us there and they wanted us to stay there.

Dr Ryan—Indeed. When we look at coalition operations, it is very important that there be flags on the ground. I argue that it is very important that those flags on the ground do more than simply add legitimacy, that they bring real capability to the operation. The real challenge of contemporary operations, running the full gamut from humanitarian relief through to war fighting, is the fact that once you have deployed land forces their ability to interoperate is very limited.

Timor offers some wonderful examples. We did actually end up with a coalition brigade in Sector West, with an Australian-New Zealand headquarters, a number of Irish people and Fijian people also in the headquarters, an Australian battalion on the ground, a New Zealand battalion on the ground—and that New Zealand battalion at different times had sub-units comprising Fijians, Irish troops, Canadian troops and Nepalese troops.

What we found from that was that we could do it. We did it not by being wholly interoperable but by understanding the limitations on interoperability and conducting our operations accordingly. So my argument is that when we look towards interoperability, we do not see it as some sort of Holy Grail. It is something we may strive for in every regard, but there comes a point when we have to deploy the troops, the operations are going to occur—and at short notice, as they inevitably do—and we are going to have to accept the limitations and construct our task forces accordingly and assign forces to missions.

CHAIR—Dr Ryan, it looks like we have exhausted the questions here. I thank you for your attendance here this afternoon.

Dr Ryan—Thank you, Chairman.

[3.50 p.m.]

BROWN, Mr Gary Maurice (Private capacity)

CHAIR—Thank you, Gary, for appearing just a couple of minutes early. Although the subcommittee does not require you to give evidence on oath, I would advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submissions or make an opening statement to the committee?

Mr Brown—Yes, I do have a short opening statement.

CHAIR—Please proceed.

Mr Brown—Thank you. I do appreciate the opportunity to give evidence to the committee today. The first point I would like to make is that one should not address a topic like maritime strategy in isolation but only in the broader context of Australia's overall military security strategies. As a nation with no land frontiers, maritime issues are always going to be important to us. Even so, maritime strategies should be closely integrated into our overall strategic approach. This is particularly important because we have tended on occasion to give maritime issues attention at the expense of, instead of as well as, other aspects of national security. With this in mind, my submission draws attention to some basic facts which have important implications for military strategy, including its maritime component.

First, Australia is no more likely today to be involved in one-on-one military conflict with an aggressor country than previously. In fact, Australia has never been involved in such a conflict. Second, developments in regional military capabilities, including those of China, do not appear to pose traditional military threats to core Australian security interests. I conclude that, in the absence of these one-on-one conventional military threats, maintaining large force components with this as their principal justification is open to some question.

The third factor to which I draw attention is the relative insignificance of Australian capabilities in the context of large overseas coalition operations. For example, if there is a war against Iraq, it will make no difference at all to the outcome whether or not we are there. Nevertheless, a lot of Australian maritime capabilities seem geared for coalition warfare, specifically for interoperability with the United States.

Moreover, these interoperable capabilities are disproportionately expensive. Furthermore, the interoperability decision on the submarine combat system is high risk and is further delaying the time when we can finally say that we have an effective submarine arm. Therefore, I argue that excessive emphasis on sophisticated major surface combatants, with their large procurement and operational costs, denies resources to tasks more directly relevant to our security, especially in the maritime surveillance and interdiction roles. If there were some de-emphasis of the priority accorded major combatants such that, for instance, instead of the 14 that I think are planned for 2015 the Navy had 10 or 11, substantial resources could be made available to meet other pressing needs.

In essence, my submission is that Australian maritime strategy, like the rest of our military security strategy, requires adjustment. This does not involve the abandonment of capabilities now available but it does involve some de-emphasis. Capabilities which can be de-emphasised are those intended primarily for conventional war fighting against military aggressors seeking to attack Australia—this threat is acknowledged to be of low priority—and those intended primarily for coalition operations. Such operations are too large for Australia to make effective contributions. We should therefore devote sufficient resources to coalition operations to satisfy the need to signal support to allies, but no more.

These measures would release significant resources which can be applied to strategic challenges characteristic of the new environment in which we now live. Border protection is one such challenge that requires enhanced maritime surveillance and interdiction, with an adequate number of vessels and indeed aircraft designed and equipped for this task. Deployment of Australian troops overseas on so-called peace support missions is another. An increased maritime, heavy lift and troop transport capability also confers greater strategic mobility generally, especially for the Army. The remaining major surface combatants in this proposal would still be 10 or 11 and would provide more than adequate capabilities for coalition warfare and defence against the highly improbable conventional direct attack. What has happened since the end of the Cold War is that the nature of our security environment has changed radically. Simply put, my case is it will require equally radical changes to strategies and force structure priorities if we are going to have capabilities relevant to the changed circumstances.

On a final point: in framing maritime strategy we should recognise the fact that since the end of 1999 the submarine arm has not been not effective, and that will continue for some considerable time to come. Strategies relying on fully combat capable submarines should therefore be avoided at all costs.

CHAIR—Thank you, Mr Brown. I will now open the hearing to questions from our committee.

Senator HUTCHINS—Mr Brown, in your submissions you talked about how we should de-emphasise. I think you mentioned two areas: conventional operations and coalition operations. You said we should support our allies. How do you measure how we should support our allies and at the same time de-emphasise?

Mr Brown—The contributions we can make to large coalition operations are not militarily significant. For example, if we had not gone to the first Gulf War in 1991, the outcome would have been the same; if we had not gone to Afghanistan recently, the outcome would have been the same; if we do not go to Iraq, the outcome will still be the same. Given that that is the case, our presence is not for military effect but for political symbolism. Therefore, the level of capability we commit and, more importantly, the level of resources we invest in such capabilities should be sufficient to support the symbolism rather than any vain attempt to provide military effect on the ground in a significant way.

Mr PRICE—What are the capabilities you think we should be emphasising? Can you be more specific?

Mr Brown—I cannot be excessively specific, but essentially I think there are too many major surface combatants in the Navy, and too many planned and too many with advanced

capabilities—the air warfare destroyer, for example. These combatants suck up vast resources at the expense of important initiatives. Your party recently announced a coastguard policy. You were only able to fund three coastguard vessels in the context of existing force structure priorities. If we had fewer major surface combatants inside the same budget, we could then fund a significantly greater number of coastal patrol type vessels, which I think are increasingly needed in the strategic circumstances we now face. The only alternative to that is to pump yet more money into defence. Frankly, given defence's track record of managing major projects, I would not be entirely confident about doing that.

CHAIR—How would you describe our operation in East Timor? Would you describe it as a large military operation?

Mr Brown—In our terms it is a significant military operation but in terms of the first Gulf War or the likely future Iraq war, clearly it is not. That was an operation you would say, with troops on the ground, was probably on the scale of a full division, if you added up everybody. Of course the Americans will be committing several divisions to Iraq. They committed probably 10 or more to the first Gulf War.

CHAIR—Would you have seen our presence as making a significant difference?

Mr Brown—Absolutely. That is the sort of operation in which we should be involved and in which we do need to invest resources, rather than elaborate overseas coalition operations to which we cannot make a significant contribution. It is a question of relativity. Relative to our own capabilities, Timor was a major operation; relative to US-led coalition operations, Timor was a very small show.

Mr HAWKER—Mr Brown, what value do you put on the alliance with the United States?

Mr Brown—I put value on it in that it provides us with access to technology which we would otherwise not get. It provides us with a deal of supplementary intelligence which otherwise we would not get. The United States is the world's unchallenged greatest military power and it is clearly a good idea to have good relations with them. I would not, however, put such weight on the relationship that we should allow our force structure priorities to be significantly distorted away from essential national security interests in order to signal support for such a relationship.

Mr HAWKER—In your submission you say:

> Al Qaeda may be severely damaged by the response to 11 September 2001, but it is probably only a matter of time before a terrorist group attempts to emulate or 'improve' on the Al Qaeda precedent.

On what basis do you make that observation?

Mr Brown—As far as the damage to al-Qaeda goes, whether bin Laden is alive or dead we do not really know. I suspect he is probably alive but the organisation has been severely damaged. They have lost their friendly regime in Afghanistan; their leaders are on the run. Nonetheless, they may still be dangerous. However, what al-Qaeda did in America in September 2001 has set a new precedent for future terrorists. All I am saying is that, although one cannot point a finger and make a definite prediction, I believe that future terrorists will take the al-

Qaeda lesson, learn from it and 'improve' upon it. Every Western democracy now faces the threat that there will be a further catastrophic or strategic-scale terrorist attack.

Mr BEVIS—Mr Brown, in talking about some of the things that Defence might better use its resources for, you listed some increase in deployable infantry and maintenance of the means to deploy, protect and, if need be, extract them. How do we reconcile that with a reduced surface fleet? I would have thought the surface fleet was integral to each of those tasks.

Mr Brown—The surface fleet is integral to those tasks but I would suggest that a major surface combatant fleet of 10 or 11, plus enhanced troop lift capabilities, would be adequate for any reasonably expectable deployment in our region. I scale that estimate on the worst case, where we go into, say, a peace support operation, the thing goes bad and we find ourselves in the middle of a renewed war. It might take significant military operations to get us out of such a mess—it did not happen in Timor but it might have. Therefore, we have to have the capabilities to not merely insert these people and support them in a peace support role but to support them in a full war fighting role if the thing goes bad. Given that the putative enemy in such a scenario is not going to be highly capable or high-tech, a surface fleet of the type I have mentioned, with enhanced infantry and troop lift capability, should be able to help our people fight their way out of such a mess.

Mr BEVIS—I suspect Navy would have a different view of the assets required.

Mr Brown—I would be astonished if Navy didn't, too.

Mr PRICE—When you say 'troop lift', what are you talking about? What sort of troop lift?

Mr Brown—It is essentially the kind of troop lift that we have now with the LPH vessels. I am not sure that we have enough troop lift in the existing infantry and I am sure we do not have enough troops.

Mr PRICE—I think we have about a battalion capacity, don't we?

Mr Brown—We probably do. I would be looking at lifting about twice that many but of course that would be in the context of an expanded ground force.

Senator JOHNSTON—Mr Brown, it seems to me the underlying premise in a lot of your submission is that there is no conventional threat with high capability or having high technology at its disposal. I am wondering whether, given the rapidly changing international situation in the last five to eight years, that is not a bit of a high-risk view. Isn't the safe money to maintain a high-end capability force?

Mr Brown—I am not suggesting that we dispense with the high-end capability entirely but merely de-emphasise it. As to whether it is a high-risk view, I do not think it is. Both the Prime Minister and the Minister for Defence have placed themselves on record, saying that there is no significant threat of conventional military attack. As far as the development in the future of high-tech capabilities against us goes, the states in our region, including China, are starting off such a low base that it is going to be a very long time before they have significant military power projection capabilities, certainly in the maritime environment.

When I looked at the US defence department's latest paper on China's military power that came out some time last year, it was full of records of Chinese attempts to make major improvements. But its overall assessment is that the Chinese, at present and for the predictable future, have significant problems of credibility and power projection in a maritime environment. I do not dissent from that judgment, nor do I dissent from judgments made by the minister and the Prime Minister as to the threat.

Senator JOHNSTON—What, practically, does the word 'de-emphasise' mean?

Mr Brown—One could have said 're-emphasise' almost. It is a case of shifting the emphasis. For example, I do not want to eliminate major surface combatants from the Navy and go to some sort of brown water coastal patrol. Instead of 15 major surface combatants in 2015, including three air warfare destroyers, I might be looking at 10 or 11 major surface combatants and no air warfare destroyers.

Senator HUTCHINS—I got the impression from you that by 'de-emphasise' you meant 'scale down'.

Mr Brown—That is right.

Senator HUTCHINS—Not to change priorities but to scale down. You may wish to comment on this observation: except for strategic reasons, our involvement in coalition operations is nothing more than that—it is not military. In terms of other priorities, it would appear to me that you would be advocating that our defence forces may have a role just as some sort of supra police force in the future.

Mr Brown—Firstly, 'scale down'—

Senator HUTCHINS—I just said it is an observation of what you are saying. Part of this inquiry is to work out where we might need to be in 20 years time.

Mr Brown—'Scale down' really equals 'de-emphasising' in my language. I said 'de-emphasise' because I did not want to be taken as saying 'eliminate', which would be foolish in the extreme. As far as the rest goes, all I can say is that the force structure and strategic priorities we have at the moment are putting pressure on the defence rota, which I do not think is sustainable in the long run.

We have demands for additional regional surveillance. We do have demands, I think, for playing a greater role in the region in so-called peace support. We have had to turn down requests from some South Pacific states which are now in serious trouble, because we simply did not have the resources to support deployments there as well as the deployments we already had on our plate at the time. It is for that reason that I want to see more infantry so that we can support these things. But I would emphasise that this is not a case of saying, 'That is going to be the sole future role of the Australian Defence Force.' Again, that would be foolish. One can take these arguments very easily to extremes. In one sense I think we have gone to an extreme and I am trying to retreat from that to a more moderate position.

CHAIR—That completes our questions. Mr Brown, thank you very much for your submission and your evidence this afternoon.

Proceedings suspended from 4.11 p.m. to 4.28 p.m.

GRIFFETT, Mr Trevor, Member, Australian Maritime Defence Council; and Manager, Policy Development and Labour, Australian Shipowners Association

HIRST, Mr John, Member, Australian Maritime Defence Council; and Executive Director, Association of Australian Ports and Marine Authorities

MOFFITT, Rear Admiral Rowan Carlisle, RAM, Chairman, Australian Maritime Defence Council; and Deputy Chief of Navy

MORRIS, Mr Peter, Member, Australian Maritime Defence Council; and Senior Director, Minerals Council of Australia

RUSSELL, Mr Llewellyn Charles, Member, Australian Maritime Defence Council; and Chief Executive Officer, Shipping Australia Ltd

ACTING CHAIR (Mr Price)—I welcome representatives of the Australian Maritime Defence Council to today's hearing. We have received your written submission. Is it your wish to make an opening statement to the committee before we proceed to questions?

Rear Adm. Moffitt—I would like to make a brief opening statement. I begin by saying thank you on behalf of the Australian Maritime Defence Council and its members for the opportunity to discuss issues raised in our submission to the inquiry into Australia's maritime strategy. The breadth of maritime experience available within our membership, which is represented by the four gentlemen from industry who have joined me here today, makes the Australian Maritime Defence Council uniquely positioned to provide advice to the committee on the subject. Our submissions represent the collective view of the industry based members of the council, highlighting issues of specific interest to some areas of the maritime sector as well as themes common to all. I add that although Defence is represented on the council, our advice deliberately does not purport to reflect Defence's view, which is the subject of a separate submission.

ACTING CHAIR—Which we have not received yet.

Rear Adm. Moffitt—I understand that is the case. A number of issues of significant interest and concern to the full membership of the council were discussed in the submission, and I would like to take a moment to highlight those.

As you are aware, the maritime industry is crucial to Australia's transport task for both interstate and international trade and the supply of essential goods. Given Australia's geographic isolation from its major trading partners, uninterrupted and secure sea lines of communication are essential to our economic prosperity and security. In the current strategic environment, the likelihood of armed conflict on Australian soil or in proximate Australian waters appears remote. However, should this occur, there would likely exist a requirement to ensure the supply of raw materials for manufacturing, both domestically and to our allies, in addition to the imperative to sustain Australia's export income.

Defence protection and support to shipping during times of hostility will be vital, both at sea and in harbour. Incidentally, the extent to which shipping and ports need to increase their own security arrangements is currently under very active review, in line with implementation of the new international ship and port facilities security code developed through the International Maritime Organisation. But the far more likely and topical scenario remains Australian participation in coalition operations within our region and further afield. In this context, there may be a requirement for Defence to either charter or lease merchant navy shipping for logistic support. The Australian merchant fleet is relatively small and the number of ships on the Australian shipping register has fallen significantly during the last decade. The view of the Australian shipping industry is that it remains subject to a legislative regime which renders it uncompetitive with its foreign competition in coastal trade and this is inhibiting investment in new and replacement tonnage.

The declining levels of indigenous ship ownership and suitably trained personnel may increase Australian reliance upon foreign-owned and crude vessels for heavy sea-lift tasks beyond the capacity of present naval forces. It should, therefore, be recognised that it may be more difficult for the Australian government to requisition foreign-owned assets as compared with domestic. The type of merchant vessels that could be required by Defence is highly dependent upon the nature of the contingency, the size and duration of the operation and, just as importantly, the infrastructure available in the area of operations.

A large proportion of Australian coastal trade vessels are of a size commonly used for international shipping. These ships require deepwater ports. Therefore an eventuality in which such a port was not available in the area of operations would preclude use of a large proportion of Australian merchant vessels. This would likely necessitate the use of foreign flag vessels or the lease of specialised vessels, as was the case with the catamaran HMAS *Jervis Bay* used by Navy in support of operations in East Timor.

In addition to shipping, access to commercial port facilities within Australia is essential to support of Australia's defence forces. Ports are operated on a commercial basis these days, with most being state government owned. Many facilities within ports are leased to private operators. In all key ports around Australia, defence cooperation with the civilian port authorities remains the basis for ensuring access to berthing, to refuelling and to materiel handling facilities in support of defence operations.

Over 99 per cent by volume of Australia's imports and exports pass through Australian ports. With the commercialisation of ports, the growing number of specialised berthing facilities and the lack of surplus berth capacity, the implication for Defence may be that surge capacity in ports which are not purely naval facilities during a time of contingency could be limited. Of particular concern to ports currently is their vulnerability to security related incidents and the lack of protection provided in terms of indemnities for Defence activity in port.

Finally, our members encourage maintenance of a sustainable and affordable industrial base for the procurement, charter and through-life support of ships and equipment. From an economic standpoint alone, the benefits of fostering indigenous shipbuilding, repair and maintenance are considered significant. From the council's perspective, it is fundamental to Australia's security that Defence has ready access to these facilities to meet ship maintenance and modification requirements and, in the case of war, repair possible battle damage.

The Australian Maritime Defence Council welcomes the committee's comments on our submission to the inquiry, and the opportunity to further discuss issues that have been raised therein.

CHAIR—Thank you, and my apologies for not being here for the commencement of your presentation. Does anyone else want to make a statement?

Rear Adm. Moffitt—No, thanks, Mr Chairman.

Mr PRICE—Regarding section 67 that you referred to, in terms of requisitioning ships what is the legal standing when you try to requisition a foreign ship in our ports? Does section 67 have sufficient weight?

Mr Griffett—It is my understanding that there is no power to requisition a foreign vessel per se.

Mr PRICE—Whatsoever?

Mr Griffett—A foreign owned, foreign flagged vessel. It is less questionable, I suppose, given that it is a fairly recent occurrence in terms of operation within this country, in terms of Australian controlled but foreign flagged vessels. That is a fairly recent commercial occurrence that has been driven because of other legislative reasons.

Mr BEVIS—What is the situation with respect to those vessels—that is, Australian owned and foreign flagged?

Mr Griffett—Any Australian owned vessel has to be Australian flagged. The significance is where you have an Australian controlled vessel. That sounds like a subtle difference but, for example, within a global group of companies you may have a vessel owned overseas but in terms of the cargoes it is carrying domestically it is controlled from Australia.

Mr BEVIS—I notice in the Australian Shipowners Association submission—and that is where I misunderstood the comment you made—there was reference made there to changing the Shipping Registration Act to enable Australian owned ships to be foreign flagged. Were that change made, what would your understanding be of the government's prerogatives in requisitioning those ships?

Mr Griffett—I would not presume to know what Defence's thinking might be in terms of requisitioning, which has been an extreme measure historically. The recent practice—certainly over the last 10 years—has been for commercial chartering or hiring of vessels on an as-required basis with a preference for Australian controlled or Australian flagged tonnage where available. It certainly would not impact on that at all. As it might apply to Australian requisitioned vessels, I suspect that would be a question that would be looked at very closely in the circumstances. A longer-term interdiction or major conflict—current Defence thinking is that that is an unlikely event—could bring that question to the fore, given the impact on longer-term charters that might bring with it.

With a limited ability to charter foreign flagged vessels with foreign crews for longer periods of time where there is a drawn-out conflict, for example—where the foreign crews might not be available; a bare boat chartering circumstance that would need to be supplemented with Australian crews—and where, because of taxation circumstances in the country presently, there is a limited number of available Australian crews, that could quite conceivably force a situation about the question of requisitioning Australian controlled but foreign flagged vessels.

Mr BEVIS—This is on the same point. That really does raise the other important question: assuming you could requisition the vessel, it is not much good to you without the crew. I do not think we would be particularly interested in press-ganging foreigners in the sort of scenario that you would paint where you would want those ships. Can you expand on the problem that is referred to in the Australian Shipowners Association submission in respect of the taxation issue and how that impacts on our indigenous crewing arrangements: the numbers of crew and the recruitment of people into the industry?

Mr Griffett—Certainly. It is worth putting it very briefly into perspective. Over the last six to seven years there has been somewhat of a void of government policy as it applies to shipping—a shipping policy for want of a better description. The uncertainty that has caused has meant that—

Mr PRICE—Do you mean indigenous shipping or do you mean shipping per se?

Mr Griffett—Indigenous shipping—by that I mean Australian controlled shipping. As a consequence of that, a number of Australian companies involved in one manner or form in Australian shipping have been deferring reinvestment decisions on tonnage. At the same time there has been, initially for industrial reasons but increasingly as the number of Australian vessels has declined, an increase in the tonnage capacity of those vessels, so the vessels are becoming more efficient. The ultimate impact, however, has been a reduction in total crews across the Australian fleet.

The significance of that has meant that with the deferral of investment decisions, the pressure on investment availability in this county has increased. Increasingly, under the Australian flag foreign investment availability has greatly declined. That is at the essence of the Australian Shipping Registration Act amendments; the availability of foreign finance which now, with significant capital outlays, is pretty much the only available way of financing Australian controlled vessels. At the same time, there has been a marked decline in maritime skills, not just within Australia but internationally. It was well documented as recently as January this year in an OECD report. There is approximately 10 per cent overdemand for skilled maritime officers internationally. Australia is no exception there. That has been reflected in AMSA studies that have been conducted over the last 12 months: there is a shortage of skilled maritime labour.

We have a situation presently where there is an anomaly which has occurred in the Income Tax Assessment Act 1936, section 23AG specifically. An amendment was brought into that act in the late 1980s replacing what was then 23Q of the Income Tax Assessment Act. The explanatory memorandum introducing the amending bill quite clearly stated that it was intended to reflect changed double taxation agreements that were coming into play at the time and there was intended to be no adverse impact to any seafarers who currently enjoyed the exemption. It is an exemption that is readily obtained by accountants, lawyers, engineers—many different

occupations—when they are working overseas and paying taxation in that country for a requisite 91 days.

What became apparent, however, in the mid-1990s was that for seafarers trading on international vessels, where those vessels plied the international trades and moved through the high seas as a consequence, there was a question as to whether they accrued the requisite 91 days. Late last year the full Federal Court held that the high seas did not constitute a foreign country within the definition of that section. As a consequence, every time the vessel moved through the high seas, the 91-day clock reset itself. That is the simplest way of describing it.

That has meant Australian seafarers, Australian officers—engineers primarily—who are seeking employment internationally are subject to Australian taxation; their international incomes would be subject to that taxation. The problem is that in the international markets it is commonplace that seafarers are employed on a gross contract basis. That gross contract anticipates taxation in the regime where the contract is being entered into—for example, Hong Kong, the Philippines and Singapore, where there are large manning markets—that is markedly below Australia's personal income tax regime.

For Australian seafarers to engage themselves in the international trades and to pay Australian taxation, they do so at a marked disadvantage. To seek a comparable net income which takes into account their Australian taxation they price themselves out of the international marketplace. As a consequence, one of two things tends to occur: the legislation and the anomaly that was inadvertently created with the 1986 amendment has meant that Australians are either encouraged to avoid the taxation directly, remaining Australian residents; or, alternatively, they are forced to cease residency within Australia.

There is certainly no encouragement for new trainees to come through, seeking not only the Australian trades but also the international trades as their career path. The amendment that ASA has been seeking—or correction of the anomaly is perhaps a better way of coining it—is, for all intents and purposes, to create an international marketplace for Australian seafarers operating in the foreign trades so that they—like their land based counterparts—would enjoy the same exemptions. It is about creating consistency within the same tax class. They can then compete, only where they are paying tax in the foreign country, on comparable internationally competitive terms with equally skilled or sometimes lesser skilled officers from foreign countries.

Mr PRICE—In terms of that policy anomaly, is this the refusal to allow foreign flags to ply the Australian—

Mr Griffett—No, that is quite a separate argument.

Mr PRICE—What is the policy issue? Is this the taxation issue? Is this the only policy issue that you referred to, Rear Admiral, in your opening remarks?

Rear Adm. Moffitt—No, there were a couple of policy issues there which Mr Russell might also care to talk to in addition to the taxation one which has just been discussed.

Mr PRICE—Could you explain, if we did allow Australian owned ships to be foreign flagged, what sort of percentage of Australians would man those ships?

Mr Griffett—Yes, I can answer that.

Mr PRICE—And be able to fix up your taxation problem—sorry, Mr Scott is able to fix up—

Mr Griffett—There is a process under way presently that is being referred to as the Independent Review of Australian Shipping, or IRAS, that is co-chaired by previous ministers for transport, John Sharp and Peter Morris. It is an independent forum on which sit shippers, the owners of cargo who have to move their cargoes, ship operators, independent ship operators and each of the three maritime unions.

Among a raft of other things that have been discussed in that forum has been how Australian controlled foreign flag vessels might be crewed. Even though we are talking 'ifs, buts and maybes' at the moment, it is anticipated that there would be an Australian contingent on board that vessel. There would be a predominant number of Australian deck officers and engineers. There would be a certain number of what are known as 'ratings', the traditional crew members on board a vessel. The balance of those crews could comprise a variety of different nationalities. They may be required under certain arrangements for training; for example, in bilateral arrangements with other developing areas. Those things are far from certain. John Sharp and Peter Morris are in the process of wrapping up that report. Certainly those sorts of things have been canvassed.

Mr PRICE—Will the report be published or does it go straight to the minister?

Mr Griffett—That will be made public.

Mr PRICE—What is the expectation on this publication?

Mr Griffett—In what respect?

Mr PRICE—The time line.

Mr Griffett—It is anticipated that late April to May is the expected time line, or thereabouts.

Mr PRICE—Did you wish to talk about the other difficulties?

Mr Russell—There are a number of issues there in terms of manning. Shipping Australia primarily represents foreign flags, although we do have some Australian flag members. In the situation we are talking about here, you are also looking at possible naval personnel manning bare boat chartered vessels. In terms of chartering vessels, we saw that up to 17 foreign flag ships were chartered to support the ADF in East Timor. From the point of view of Australian flag and Australian manning, it is an issue that we believe rests with the Australian government. If they make that decision to change and make them more competitive, we certainly would have no problem with that.

On the issue of coastal—in other words, cabotage—there is a single-voyage permit issued. They have expanded quite rapidly in recent years. More foreign flag vessels are carrying Australian domestic cargo and competing with road and rail, particularly rail, for example

between east and west Australia. From where we are coming from it is a question of efficiency and economic approach to it. Really, in terms of availability, one can look at the types of vessels serving the Australian trades. To my knowledge, all the foreign flag vessels that were chartered in the East Timor situation were not serving the Australian trades at that time.

Mr PRICE—It has always surprised me that we have allowed so much of our international trade to be dominated by foreign carriers. From a defence point of view you could argue about a percentage of that merchant fleet being Australian controlled but does the council have a view about that? What is required to get a higher percentage of Australia's international trade carried in Australian controlled ships?

Rear Adm. Moffitt—It is probably not the case that the council will have a view. The council, being made up of a selection of industry peak bodies, will call on the advice of appropriate peak bodies and facilitate an information exchange on the issue. Defence will certainly have a view and that is a position for Defence to proffer, rather than me on behalf of the council. The specific bodies represented here today as membership of the council may wish to represent their peak body views on that question.

Mr Russell—In my view of economic efficiency, if Australian controlled vessels can provide what our shippers require—exporters in particular—in terms of service, reliability and efficiency at a competitive cost, that would increase the percentage of Australia's trade carried in Australian controlled vessels. Having said that, we share with the Australian Shipowners Association a concern at the lack of expertise in Australia, particularly deck officers and engineers. All of us require harbourmasters, tug masters and pilot boat officers. As mentioned before, there is a worldwide concern that the experience required for those types of jobs is declining. As countries are becoming more developed, fewer and fewer people are wishing to go to sea. We are seeing similar action in the trucking industry in Australia, where there are fewer and fewer young people wishing to be long-distance truck drivers. I think there is a similar issue, and that is a concern we certainly share.

Mr Griffett—Mr Price, you asked the question as to what would be the trigger to increase the percentage of Australian controlled vessels operating particularly in the international trades. There is a series of legislative dominoes that exist with respect to Australian operators. The primary question that triggers the dominoes is when a vessel is imported and when a vessel is registered. That is at the heart of the position on the Shipping Registration Act. It currently requires any Australian company that owns an Australian vessel to register that vessel in Australia. Once that vessel is registered in Australia, it must be imported. As a consequence of it being imported and becoming an Australian vessel, it triggers the series of legislative dominoes that apply.

You have further issues such as the Workplace Relations Act, the Seafarers Rehabilitation and Compensation Act, the Income Tax Assessment Act and so on. All of these various pieces of legislation consequently apply to the Australian operation of that vessel, whether that vessel is operating around the coast in what is known as the coasting trade or whether that vessel is operating internationally. The problem is that they all add layers of costs.

So while Australian operators have for many years been encouraged to operate to international best practice to be more competitive, they are constantly trying to do so with a legislative shackle around their ankles vis-a-vis their competitors at the next berth. That is at the

core of the reasons underlying the sought-after legislative amendments; not to seek some form of financial handout or subsidy to prop up the industry. Quite the contrary: rather to remove the shackles that are preventing us entering into the trades in the same manner as the competitors we are being challenged to compete with; to operate in exactly the same manner as those companies we are being challenged to compete with.

Senator JOHNSTON—Gentlemen, it seems to me your collective submissions are fairly narrowly based with respect to industry viability issues. I suggest the current security climate means that we are likely to be adversely affected through a group of people not state based, who are acting in a way we describe as asymmetrical—that is, out of the ordinary, unexpected et cetera. Your collective assets would seem to be on the front line of any such activity. I am very surprised, when I read your submissions, that there is no reference to a view as to how your council and your members should participate in maritime strategy, and security issues generally, given the international significance that we note the Americans are placing on container surveillance and other port security activities. Do you not have a view? Is it a view held individually by your peak body groups? Why are the submissions not referring to that subject matter?

Rear Adm. Moffitt—From a Defence point of view, I am aware that in Defence's session with you this morning the Chief of Navy did in fact respond on behalf of Defence to what I understand was a line of questioning similar to the one that you have just mentioned, specifically mentioning issues relating to container searches and so on and Defence's role and, equally importantly, capacity.

Senator JOHNSTON—There is an enormous expense going to be imposed upon your membership in this new regime. We have to look at containers full of premium explosives that are going to take out not just ships but whole ports. I would have thought maritime strategy discussions here and now would have been an ideal opportunity for your members to come along and say: 'Well, we have great difficulty in funding and participating in this. We need assistance and we're looking forward to how we deal with this.' On looking through your submissions, I do not see anything and it concerns me. Are we saying it is a defence matter?

Rear Adm. Moffitt—I think that is a question best referred to Defence. However, the peak bodies represented through the membership of this council here today are very welcome to make their own comments in relation to their views and perspectives. I have no issue with that as the chairman of the council, if the committee does not.

Senator JOHNSTON—There is the further issue of piracy. I would have thought that your members need to have a say when we are discussing strategic outlook, when we have 120 million-odd kilometre tonnes or something that we do every year. I would have thought you would have something to say about that. I am happy to be told why not.

CHAIR—Would any other members of the council like to say something that might help in answering Senator Johnston's query?

Mr Hirst—Yes, Chairman, I will make a start. Representing ports, obviously we are very much at the front line of any security initiatives that are taking place. The Australian government has decided that maritime security will be handled primarily by the Department of Transport and Regional Services. They have set up a body internally to handle this and a

number of us are members of the various committees. The response that the Australian government will be taking is based on the initiatives agreed to by the International Maritime Organisation last year. That provides for a series of mandatory arrangements and also guidelines for ports and for shipping operations.

I could go into the detail of all of this, if you want it, but it might take quite a bit of time. Suffice it to say, I think collectively—I hope so, anyway—we are fairly happy with the way the department of transport is running security, but that is security at a commercial level. Separately, I am having extensive talks with Defence over the interrelationship between Defence and ports on security matters. There could well be issues there where Transport is going down one particular path, Defence may be going down another path, and we are going to be inevitably the meat in the middle. We have to resolve that. But I would like to assure you that this issue is being very extensively discussed at every level possible.

Senator JOHNSTON—When you talk about 'indemnities for defence activities in port', what precisely do you mean and what, practically, does that mean for the taxpayer?

Mr Hirst—I will attempt to answer that. Up until recently, the Department of Defence indemnified all ports in Australia against any damage incurred by defence activities in ports. This could be as the result of a navy vessel hitting a wharf but possibly, even more importantly, third party damage where people on a wharf visiting a naval vessel fall off a gangway or something. The port authority is going to be one of the first groups sued, so we required some indemnity from government on that, which they willingly gave.

We see this issue as now having even greater importance with the possibility of demonstrations and the potential for terrorist activity. Regrettably, the Commonwealth financial management act has taken away all indemnities that previously were given. This is an issue that we are very troubled by and we are having discussions with Defence on that because we feel we are entitled to some level of protection.

Mr PRICE—I want to understand what you have just said. If someone falls off that gangplank now, you are liable, not Defence?

Mr Hirst—No; a scenario could be that we have a defence vessel visiting a port and it has an open day. Sometimes there are thousands of people going down there. You need only one or two people who might trip or fall, or somebody to create some disturbance, and there can be human damage. In a very litigious society, somebody is going to sue someone. The group seen to have the deepest pockets and the most immediately available group will be a port authority or a port corporation. We do not see, providing we are not negligent in any way, that we should have to carry that burden alone: we should have some indemnity from the government for that. Similarly, if a defence vessel is operating at a berth—loading cargo or even arriving at or departing from a berth, and most RAN vessels do not use a commercial pilot—we feel that we need to have some level of protection.

Mr PRICE—Which you do not have now.

Mr Hirst—Which has now been taken away from us because the indemnity has become null and void.

Senator JOHNSTON—What about Liberian registered freighters and things like that?

Mr Hirst—Those vessels have protection and indemnity insurance. In most situations we check on the viability of the insurance company before allowing some of those vessels into ports.

Senator JOHNSTON—I suggest that there is a very high probability that a significant proportion of them do not have adequate indemnity.

Mr Hirst—That is quite correct. Some of them will not.

Senator JOHNSTON—Why would we demand of our defence forces a level higher than we would of our commercial operations?

Mr Hirst—Because with the commercial vessels arriving and departing at a port, we are putting a commercial pilot on board that vessel; a pilot who has very considerable experience in handling similar vessels coming into and out of a port and specific berths on that port. We do not necessarily have that protection with RAN vessels.

Senator JOHNSTON—Do you need it?

Mr Hirst—We think we do.

Senator JOHNSTON—They don't.

Mr Hirst—That is a matter of opinion.

Senator JOHNSTON—I agree with you: it is a matter of opinion. But we have some of the most highly trained naval seamen operating multibillion dollar pieces of equipment and you want to put a pilot on board so they can come into their own port. I find that quite interesting.

Mr Hirst—We believe that some of the naval people—with all due respect to Rear Admiral Moffitt—are not trained adequately for specific ports. Every port is different and the approaches to and departures from a berth in a port are all different.

Senator JOHNSTON—Isn't that their job? Isn't that what they specialise in—going to places where they have not been before and getting it right?

Mr Hirst—Yes, they are specialised in it but you need an intimate knowledge. If you have high flooding tides and ebbing tides, you may not have somebody who is experienced with that. It might be all right coming into a fair weather port like Sydney but in other ports it is not quite as easy.

Senator JOHNSTON—What is the fee and cost structure owed to ports by having a pilot on board? What do you make out of that?

Mr Hirst—We do not charge. If we put a pilot on board a vessel or the Navy requests us to put one on board, we do not charge.

Senator JOHNSTON—So there is no cost advantage to your port authority, other than the cost detriment of having someone occupied bringing that ship to port.

Mr Hirst—There is a cost advantage because we are minimising, in our view, the chance for damage and disruption to our trading activities through a port.

Senator JOHNSTON—What is the history like with respect to naval damage in ports?

Mr Hirst—It is reasonably good. We have a lot of trouble with foreign naval vessels and we have reached agreement with defence that we will put commercial pilots on all foreign naval vessels coming into Australia. That has helped.

Senator JOHNSTON—Let me just clarify this for the sake of *Hansard*. Foreign naval vessels you have had a problem with?

Mr Hirst—Yes.

Senator JOHNSTON—And you are now putting pilots on all of those?

Mr Hirst—Yes.

Senator JOHNSTON—You have had no real problems with Navy that you can think of?

Mr Hirst—I will not say that we have had no real problems with the RAN but I do not know that I am at liberty here to discuss some of the problems we have had. I would have to seek advice.

Rear Adm. Moffitt—There is no great secret of the fact that from time to time the perfect world does not prevail. There have been problems, undoubtedly so.

Senator JOHNSTON—So we have a collision between civil port operators and the naval arm of the service as to access to our ports.

Mr Hirst—No, I do not see it as a collision. We have made our views known and defence have made their views known. The arrangements that are in place are quite amicable at the present time. We accept that defence are not going to agree to us putting commercial pilots on vessels but we have an accommodation with them that we might make a suggestion, if a particular set of circumstances are prevailing in a port, that it might be advisable if they had the advice of a pilot and they may invite a pilot to come on board. Similarly, the commanding officer of a naval vessel, if he has not been into that port, may decide to be cautious and ask for a pilot to come on board to assist in the entry or the departure.

Senator HUTCHINS—Admiral Moffitt, in your submission there is a comment and a quote:

Among Australian ports there is a lack of surplus berth capacity.

Can you comment on what implications this has for defence needs during a time of heightened operational tempo? What are the solutions? How do you propose to deal with this?

Rear Adm. Moffitt—There are a number of ports around Australia which we use quite frequently, particularly places like Townsville, proximate to significant army bases where we take our amphibious ships in for loading troops and cargo. Townsville is a particular case in point, where there is only a very small number of berths. The commercial activity of the port is at a very high tempo. Mr Hirst can confirm the sorts of numbers, but ships are often booked for significant periods of time in advance of their arrival. They are locked into a tight schedule of arrivals and departures for specific specialist activities. Where Defence places an additional burden on access to those port facilities, it compounds an already tight set of circumstances—a very similar set of circumstances to your average airport. Were Defence to require frequent random access to Kingsford Smith airport, you would confront the same sorts of problems.

There is very little that can actually be done about that in practical terms other than maintaining a very robust, open dialogue with the port authority, to make sure that we cooperate to the maximum extent possible. That is exactly what we do, and one of the significant benefits of this council is that we have, through the life of the council, developed very open and useful channels of communication between key organisations to make that work. Short of building additional port facilities, which would not always necessarily be an economically viable thing to do, this is really the only thing it is possible to do and it does seem to work quite well, I think. Mr Hirst might care to add some more to that.

Mr Hirst—Yes. The issue is that ports are now operated on a purely commercial basis, like a company, except that ports are owned by state governments, in the main. They have to adhere to financial disciplines set out by state governments: return on investment, return on capital, dividend payouts, et cetera.

Management of capital is a very important issue with ports. Quite simply, like any business, ports are trying to utilise their capital equipment to the maximum capacity possible and then develop further berths or loading and unloading facilities when that is needed by the market. Generally there would be, depending on the type of port, some underwriting sought by users of those facilities to assist in further development.

We have a situation now where we would like to be able to operate our berths at, say, 90 per cent capacity. In some cases we do. Many of these berths are leased to private corporations because they have provided funds for specific or specialised loading equipment, unloading equipment, storage and that type of thing. In return for their contribution or assistance and trade, they are given basically unfettered access to that berth—priority of access. In turn they say, 'We've got a ship coming down' on such and such a date and generally that notice is given two to four weeks ahead, with as much notice as possible. We have a fair degree of certainty as to how those berths are going to be used.

When we have a situation when the RAN need to come into a port, we then have to endeavour to meet their requirements by juggling arrivals of other vessels around, but also we have to look at the issue of which berth the RAN can use. Sometimes we have to say, 'I'm sorry, your preference might be to use a certain berth, but we have a shipping program that that is going to be used fully'—for a period of a week or so around the time that the RAN vessel will arrive.

Senator HUTCHINS—What happens in a period of heightened operational tempo?

Mr Hirst—We work harder to meet their needs.

Senator HUTCHINS—I am quoting from your submission where you say that there is 'a lack of surplus berth capacity'. This is your statement; you do not offer a solution.

Mr Hirst—We do offer a solution in that we do our best—

Senator HUTCHINS—That you were going to work harder.

Mr Hirst—We do our best to—

Senator HUTCHINS—I am sure you work hard all the time. This is in your submission. We are seeking some sort of advice from you as to what happens in a period of heightened operational tempo—other than you are 'going to work harder'.

Mr Hirst—If, for example, there is a period of heightened tension and we have a clash between a commercial ship and a naval ship, there is going to be a cost to hold off a commercial ship from a berth so the RAN vessel can come into that berth. The issue we have is: who meets that cost? The commercial vessels are chartered by perhaps a mining company and the cost per day of a vessel can range, depending on the size, from about $US12,000 a day up to $US30,000 a day. If you hold off a ship from a berth, that ship is going to charge the charterer that amount of money.

Senator HUTCHINS—I can understand that. What is the solution to the lack of surplus berth capacity which you say to us is a problem?

Mr Hirst—There is no simple solution, other than to have surplus capacity that meets the Navy and everybody else's requirements.

Senator HUTCHINS—How do you do that?

Mr Hirst—Somebody has to pay for it.

Senator HUTCHINS—I assumed that, but what do you mean? Admiral Moffitt mentioned Townsville. Are we looking at specific ports when we are talking about this difficulty or this capacity for berth?

Rear Adm. Moffitt—Some ports are more crucial to Defence than others in this respect: Townsville is one, Darwin is another. There is, in fact, another approach which we have used in both those places—Townsville specifically—where Defence have entered into an agreement with the port authority to share in the cost of establishment of certain particular specialist facilities, with a return to Defence being that there would be some element of priority access for us to those facilities. But in some of these places, even if you were able to find the funding necessary to provide surplus capacity that you were happy to allow to sit idle, the geographic ability to do that does not exist. In Townsville, the scope for growth without enormous financial investment is very limited without going to land reclamation and other such very expensive alternatives. That would potentially provide some relief from the limitations that we mentioned, but at enormous cost, which would not necessarily be an economically viable outcome into the

future. The port itself might not necessarily have any moneymaking capability from such facilities.

Mr PRICE—Whilst one would commend MOUs in enabling a process of sitting down and working these issues out—it is obviously infinitely the preferred method of operation—is there anything in the Defence Act that allows you to insist on having berth A at Townsville, or berth 2 at Darwin?

Rear Adm. Moffitt—I am not certain. Mr Hirst tells me that perhaps in a declared emergency there might be some legal framework under which we could do that. I am not aware of it, if there is.

Mr PRICE—What do you mean by a declared emergency?

CHAIR—A state of emergency declared.

Rear Adm. Moffitt—Yes.

Mr PRICE—We have 2,000 troops predeployed on war and terrorism, and there is nothing in force in Australia. That is why I am interested to know what the mechanics of 'declared' mean. You can see, for example, Darwin may very well be required but there may not necessarily be a declared emergency. Please take that question on notice. I am interested in what the mechanics are and what the legal position and processes are that we are required to go through.

Rear Adm. Moffitt—Certainly.

Mr PRICE—But I would commend the current approach. This is not a criticism; I just would like to know what the fall-back position is.

Rear Adm. Moffitt—I understand.

Senator HUTCHINS—Has a heightened operational temperature occurred at this stage at all? Was it for East Timor? Did you have to go into a heightened operational situation there?

Rear Adm. Moffitt—The operations that we mounted for East Timor certainly demanded a greater than normal level of port activity specific to the operation. To my knowledge, even though much of that focused around Darwin specifically, we did not confront any insurmountable difficulties at all, largely because our very close liaison with the port authorities facilitated us getting the access we needed without unnecessarily hindering the access that commercial activities needed. I think it is fair to say that we probably confronted a number of relatively minor teething problems related to specific issues, but nothing of a general nature that hindered Defence in conducting its business in relation to Timor.

In relation to the war on terror and the current deployments to the Middle East, those levels of activity really are not significantly greater than the normal level of activity in relation to Australian ports. We have not increased our burden of activities in any of our ports as a consequence of those activities.

Senator HUTCHINS—I imagine there is a plan that exists in each port if it does get to a stage where a ship cannot go out tomorrow and has to go out today. Would that be the case?

Mr Hirst—There is no specific plan. It is looked at on a day-by-day, even hour-by-hour, basis. We get clashes with US naval vessels coming into some of the ports. Some of their requests are a little difficult for us to meet. But it is a case of management to see what can be done. If the vessel—like a US naval vessel—has to stay off the port for 24 hours until a commercial vessel completes loading or whatever it is doing, that might just have to be the case. That is in normal circumstances.

Senator HUTCHINS—Or, as my colleague was saying to me, if they want to come in earlier and punt that vessel, then they have to pay.

Mr Hirst—In normal circumstances and non-emergency situations, commercial vessels have priority over any vessel in our ports.

Senator HUTCHINS—This may be a different point, but does that include when we are not on heightened operational temperature but the Americans are? What is the situation then?

Mr Hirst—We have delayed some US vessels because it has not been possible to berth them when they have wanted to come in.

Mr SOMLYAY—How does that experience compare with the situation in the USA, UK and Europe? Do they have the same problem in those countries?

Mr Hirst—The United States have a system where there are 'declared naval ports'. That term basically refers to berths within a commercial port where the navy has some degree of priority of access. I do not know the full details, but it is agreed annually on expected number of naval visits—when they will come in and that type of thing. The port actually manages it in conjunction with the navy. As far as the UK is concerned, I am not sure at all. I think there are probably more dedicated naval facilities in ports there than certainly we have in Australia.

Rear Adm. Moffitt—From my experience, albeit somewhat limited, in a number of UK and American ports with an Australian Navy ship, I think I would be correct in saying that we were accorded very similar treatment to that which those nations' own navies were accorded. The access and treatment that warships of any nation coming to Australian ports get is notably more sympathetic than in either of those countries. But the same basic principle still applies: where you enter a commercial port the port's principal focus is commercial activities, and if you are not a moneymaking venture for them—and naval ships tend not to be, for the port authority, anyway—then your priority is a bit down the pecking order.

CHAIR—There are no further questions. I thank you for your attendance here this afternoon.

Resolved (on motion by Senator Hutchins):

That this subcommittee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 5.29 p.m.