COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE DEFENCE SUBCOMMITTEE

Reference: Australia's maritime strategy

MONDAY, 24 MARCH 2003

CANBERRA

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Monday, 24 March 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, Sandy Macdonald and Payne and Mr Beazley, Mr Bevis, Edwards, Hawker, Lindsay, Price, Scott and Snowdon

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 9.33 a.m.

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

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

GOLDRICK, Commodore James, Director-General, Military Strategy, Policy Guidance and Analysis, Department of Defence

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

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

CHAIR—I declare open this public hearing of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiring into Australia's maritime strategy. Today the subcommittee will take evidence from the Department of Defence. Before introducing the witnesses, I refer members of the media who may be present at this hearing to the need to report fairly and accurately 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. We received your submission to the inquiry during our hearing in Melbourne, where we took some evidence. Do you wish to present any additional submissions or make any opening statements to the committee this morning?

Mr Carmody—No, Mr Chairman.

CHAIR—As I said, we are in continuation, in a way, of the hearing which commenced in Melbourne. Given that only that morning we received Defence's submission, we needed more time for members of the committee to consider the submission, which is the reason we wanted to continue the hearing here this morning. I now open the hearing to questions.

Mr BEVIS—I have a few questions. I will start with a question I asked at the hearing in Melbourne about the sorts of scenarios and activities that you might envisage Australia being involved in where we would want to be self-reliant. You might recall the context in which I put the question. Have you now had an opportunity to give some thought to that? What advice can you give the committee?

Mr Carmody—We are putting together a response for you. If I recall my evidence in Melbourne, I believe we were trying to find a way to look through our scenarios to deal with the classified nature of some of them. We will be able to put forward a response to you, and we are trying to work our way through it now.

Mr BEVIS—I reiterate the point I made on that occasion: without some reasonable guidance from Defence in answer to that question, it is simply not possible, in my view, for the committee to come to any meaningful view about what elements within the full structure of the ADF may

or may not be desirable in dealing with maritime strategy. The rest of it is just poking around in the dark, and I think that it is better for everybody if the committee does not find itself in that position.

Mr Carmody—We will try to give you some scenario context to the extent that we can, bearing in mind, as I said in Melbourne, that there are some limitations, which we are working around.

Mr BEVIS—I have a related question, also in the area of self-reliance, on Australian industry capability. I suppose it depends on whether you anticipate in the scenarios a short-term conflict in which you may have stock available or a longer-term engagement. Does Defence have views on the issue of Australian industry capability? Where and in what circumstances would Defence think that it is in the national interest to maintain a domestic industry capability that may or may not be always the most cost-effective in a straight, financial analysis? Are there any circumstances in which something other than simple cost analysis should be a factor?

Mr Carmody—I will begin, but I might pass to one of my colleagues in a moment. I presume that we are not exploring the shipbuilding strategy, as we did the other day; or would you like to go down an element of that path?

Mr BEVIS—It is an element of it. It has been a high profile one because of the practices over the last 10 years or so, with the quite major shipbuilding activities that have been conducted here. That is one aspect of it, but my question relates more broadly.

Cdre Taylor—Would it be fair to ask if you are talking about stockpiling in the long term and issues like that?

Mr BEVIS—There are two aspects to this. One is: what is your stockpile; what do you have in store? You may not produce it here, but you have sufficient in store to deal with a range of contingencies, and you think that is the best result in terms of risk assessment. That is one scenario, but the other scenario is: what should we have the capacity to do, as part of the Australian industry capability, if we are going to provide, develop and maintain the sort of defence capability we want?

Cdre Taylor—You will be aware that we are presently looking at a number of sector plans, apart from the naval sector repair plan. One is electronics, one is aerospace, and the other is land and weapons. Those plans, including the NSR plan, will address the issues that you are raising. However, as far as stockpiling is concerned, I will have to take that question on notice; I have no knowledge of our policy on that subject at all.

Mr BEVIS—That project that you mentioned is under way now, is it?

Cdre Taylor—Yes. This is the first one that was developed, the NSR. The other three are being worked through at present.

Mr BEVIS—Can you give us some advice on what it is doing and where it is at?

Cdre Taylor—At this stage we have engaged industry in the development of the last three sector plans. With respect to the land and weapons plan, the one for which I am responsible, I am expecting that a draft of the plan would be ready to be forwarded to the minister's office for consideration by mid to late April. The other two plans should be ready at about that time as well. You will appreciate that within Defence a section develops a policy paper and then it has to be circulated for comment and input. We are involved in that process now on all three plans.

Mr Carmody—Your question also cuts across preparedness and sustainability issues. We do have monthly preparedness reporting. We have a range of statistics that are collected. Maybe Air Vice Marshal Blackburn can expand on that a little. In terms of preparedness and sustainability there is a lot of work done which leads you to the stockpiling type decisions. It leads you to, within particular scenarios, how much notice units are directed to be on; therefore, what their preparedness requirements are to maintain that level of readiness and what sits behind it. There is an enormous amount of work that is done to meet that.

Air Vice Marshal Blackburn—The readiness notice determines the level of consumption of stocks for training, for a work-up period to allow them to then be prepared to deploy, and then the sustainability of that capability once deployed is defined within our preparedness directives. An example of work we are trying to do right now is in relation to explosive ordnance stock holding—what is appropriate for us to hold given our capacity in Australia to manufacture, the lead times required to get in particular the high technology munitions from overseas, the likely usage rates, training rates and a risk factor. During the last six months we have been doing that for explosive ordnance, trying to prioritise our initial expenditure on that over the next few years. For the remainder of this year we are trying to then look at it over the next five-plus years to understand what an appropriate stock holding level will be. That takes into account the balance of industry and also lead times.

Mr EDWARDS—On page 5, under the heading 'Defending Australia' you make the point that—and I quote:

> ... certainty and predictability have decreased and that the strategic advantage offered by our geography does not protect Australia against rogue states ...

You then talk about WMD and terrorism. Therefore, how much more reliance does Defence put on our intelligence gathering agencies? How closely do you work with them? What capacity does Defence have to gather its own intelligence and what do you see as the future directions in this area?

Mr Carmody—I will take the intelligence question first. Defence has quite a robust capability to collect its own intelligence and to conduct analysis of that, whether it is threat analysis through DIO or intelligence collection through organisations like DSD, the Imagery Organisation and others. So we do have quite a capability to collect intelligence. Of course, it is networked internationally with other capabilities to see whether we can share information to give us the type of advantage that we need. I would argue that that is quite robust.

Mr EDWARDS—Do we have a good sharing arrangement with, for instance, the US?

Mr Carmody—An excellent sharing arrangement.

Mr EDWARDS—Can you give us a brief scenario as to how your intelligence gathering operations are carried out? Who does the assessments?

Mr Carmody—There is a range of intelligence collected. There is everything from open source intelligence, open source analysis through to human intelligence collection, signals intelligence, imagery and geospatial intelligence. They are all collected. We have the ability to collect in each of those domains. We have relationships with our allies—some of them are somewhat more highly classified than others—particularly the United States and the United Kingdom and, to an extent, New Zealand and Canada, on intelligence collection and intelligence sharing.

The military level analysis is conducted by the Defence Intelligence Organisation. The more strategic, or geostrategic, analysis is conducted at levels above that, by organisations like the Office of National Assessments. But they have access to the same information. They are drawing on the same information pool; they are just doing different things with it. The Defence Intelligence Organisation also has responsibilities in areas such as foreign materiel exploitation and those sorts of things to derive information for us on what capabilities exist, or could be fielded by adversaries in the region, and what capabilities we therefore need to have in place or need to develop to defeat those or to respond to them.

Mr EDWARDS—What assessments are you able to provide in relation to the lack of predictability? How do you see the current war in Iraq impacting on that?

Mr Carmody—That is quite a complex question.

Mr EDWARDS—I appreciate that.

Mr Carmody—There may be many dimensions in the answer. It depends on so many factors, Mr Edwards, at this early stage. Certainly it can have an impact on the region.

Mr EDWARDS—How do you then factor these things into your planning for acquisition, for deployment—all of these sorts of things?

Mr Carmody—It is early days, in a warfare sense, to look at the effect of ADF-type activities or of military activities in the context of what is going on in Iraq and to assess their effectiveness or otherwise. Therefore, it probably will take some time during and postwar to conduct the level of analysis that would indicate whether the threat environment in which we are operating has changed and what types of capabilities, tactics, techniques and training we might wish to build in to make ourselves more combat-effective. For example, we learned a range of lessons from activities in East Timor. Some of them have been discussed in the sense of logistics and what sorts of logistics we were able to provide in East Timor. We have learned a lot of lessons and our logistic support for operations in theatre is going particularly well. I have no doubt that some of the reason that our logistic support for current operations in Iraq is going well is because of the lessons we learned and developed from East Timor. But they do take time.

Mr EDWARDS—It would be fair to assume, however, given Iraq, that the certainty and predictability you mention would have further decreased.

Mr Carmody—It may well be. At the early stages it looks as though that could be the case. For example, some points have been made over the last six months, particularly in things like our defence update—it is reflected in this document as well—that major power relations are more stable, that there is a little more certainty in the world. But during the UN debate that preceded decisions for action in Iraq—if you decide to follow the line that the French and Germans and Russians were part of the great power base—there was a little bit less great power stability there than has been noticeable in the last 12 to 18 months. So certainly, depending on how the game plays out, there will be changes.

But my view is that the game has not played out. It has quite a way to go yet in terms of what nations will be involved, what any geostrategic change might be, who will ultimately be involved in Iraq. Who is involved in combat activities now is no real indication of who will be involved in activities in Iraq once the conflict is complete or even if the conflict is slightly protracted. So all of those scenarios will change. It is very difficult to work out what the impacts in terms of things like our maritime strategy or in the development of our capabilities will be. There is a lead time involved in strategic thinking and capability development. We will have ample opportunity, I would hope, to bring those lessons on board.

Mr BEAZLEY—Just after the September 11 event in the United States, the US released a new strategic doctrine that underpinned their force planning from this point on. One suspects their focus on it might have somewhat diminished in the course of the last 18 months; nevertheless it stands as doctrine. In the course of it they changed a deal of their strategy away from a focus on blue water operations to what you might describe as green water operations around the East Asian littoral and dramatically upgraded the East Asian littoral in terms of the priority for their force structure planning.

They also, in the course of it, talked comprehensively about the need to brace allies for the provision of forward positioning opportunities and to improve the capability of interacting with them. What effect has that doctrine had on discussions between our armed services and strategic planners and the United States? Have things been proposed to us that we might do? Are we looking at any changes or modifications to our force structure to meet what appears to be an allied intention to brace us at some point in time? Are they interested in any positioning of forward facilities here? What impact, if any, is all of this having on the way in which we view our priorities and our strategic requirements?

Mr Carmody—A short question with a short answer! Mr Beazley, as you will well understand, the dialogue that we have is ongoing, so we do not necessarily set points in a dialogue. Our relationship with the United States is quite close and continuous, so there are a range of discussions going on. ‘A range’ does not sound quite accurate; there are so many discussions going on at so many levels in terms of our relationship with the United States that it is hard to bring together a totally comprehensive answer.

No formal proposal has come forward to me for forward facilities and basing. At the same time, down at a working level, it has certainly been suggested. I am not sure whether it has been suggested by the United States or whether people are just thinking that it is a possibility given our review of the national security strategy. My understanding is that there are no formal proposals on the table but you would probably appreciate that, if there were to be any formal proposals, there would be lots of discussion.

In terms of stiffening or bracing allies, the new national security strategy was very strong in that regard. The point was also made very strongly that the United States wishes to put itself in a position where it is not challenged, which is one of the fundamental points that I took out of the strategy. It is going to place itself at such a point that it is unchallengeable, and seeks to do that. We have an expectation leading from that that the demands on us will be greater. We have that expectation but there is no reality that underpins that, although one might argue that the demands on us—and I am talking in a broad sense rather than about an actual demand—to carry the load are reflected a little in the way we are operating in Iraq, where we are operating at a reasonably high level. So in trying to answer the question—and I might have missed a piece but I am sure you will pick me up if I have—there is an expectation that we will need to do more. But at what levels do we have to do more? We are very effective in intelligence cooperation and intelligence sharing. We are one of the few allies that the United States has to train and operate with at the highest levels, and we need to be able to find ways to continue to maintain that.

We have been doing some quite comprehensive interoperability study work as a consequence of the last AUSMIN discussions. It was raised and agreed at the last AUSMIN that we would work a bit harder on interoperability. Again trying to slice and dice that, from my perspective there are issues of strategic interoperability—strategic decisions we make such as the joint strike fighter and being involved strategically as a long-term strategic ally of the United States—and then there is the operational and tactical level interoperability. The two things sometimes complement one another but not always, so it is happening on various levels. I expect that we will have to do more but I have no way of manifesting that—no way of explaining what that might mean to us.

Mr BEAZLEY—I am just wondering how, when you are looking at procurement of a particular item or at an upgrade of a particular platform, what you anticipate from those changes might be impacting on, for example, how you think about an air defence frigate for the Navy, what you think about in terms of any upgrades you might need to do to the F18s or the F111s and whether this shifts your priority or impacts at all on the priority you might assign to developing further capacity to support logistically Australian ground forces employed overseas. Or do you say, 'That's not so important as constructing or focusing on the platforms which can operate in a naval sense with the Americans,' on the assumption that if, for example, you were actually engaged with them with ground forces they, as they substantially did in Timor, would supply the logistics? I am just trying to get an idea about how this might be teasing up things in your minds at this time.

Mr Carmody—From my perspective at least, it is not having an impact upon our acquisition decisions, but if it were to have an impact on current decisions then it almost might have happened in my predecessor's time. When I look at the things that are impacting on the decision making process now, I am certainly very focused on things like air warfare destroyers and where that might fit in the battle space, how it might operate, how it might integrate with an environment that we expect to see from 2013 through to 2030, give or take, and how we might manage our battle space with that, with the joint strike fighter and with the follow-on systems that are well past or—depending on where you sit in the F111 debate—almost past F111 capability even if you stretched it. Those things are certainly part of our consideration; they are part of our planning processes now. But the new US doctrine has not had an appreciable impact on what we are thinking about. What is still driving our planning processes at the moment is what we think we might need to do, not what we expect they might in some future world ask us to do. Does that answer the question?

Mr BEAZLEY—Yes. I have another question which might be a bit harder.

Mr Carmody—They always get harder.

Mr BEAZLEY—I think we are a little a lucky that the one thing we have probably got out of this current war is that the Americans have stopped thinking about China. This is a help in the current context, but no doubt they will start thinking about it again in another few months. If you look at their maritime strategy you will see that, even though China is never named, when they describe the capabilities it is an exact replication of what they assume is the sort of planning that is going on for force structure deployments and the rest of it by the People's Liberation Army and associated naval elements. As I understand it, the political elements of our unrevised maritime doctrine start with the point that it has to be Australia's objective to ensure that there is no development of an adversarial relationship between China and the United States. In your discussions with them on how they are planning their future position in the Far East, to what extent does this first principle of our maritime strategic doctrine play upon your thinking in argument and discussion with them?

Mr Carmody—It plays quite heavily into my thinking, in that activities in our region—depending on how some people might wish to define North Asia as a bit of a stretch outside of our region—I do not think the geography matters that much. Ensuring that there is a cooperative relationship between China and the United States rather than a competitive one is critical to regional stability. I do not necessarily agree with your point that the United States has taken its eye off China. I am sure that some elements of Pacific Command have not taken their eye off China and nor have they taken their eye off North Korea. But I would endorse the view that probably at the political level it is not what is driving current thinking on a daily basis.

Mr BEAZLEY—Related to how they see China and how they see events in the Far East, they have recently increased their submarine capacity at Guam. Do you detect in their discussions with you that they have got a particular interest in integrated activity with the Australian submarines? So, if you take the numbers of Australian submarines and you take the advantage in green water type operations, do you see much indication that the Americans now want to enter into a joint plan or framework—given that our submarines added to theirs increases their capacity about 20 per cent?

Mr Carmody—You are ahead of me on the submarine elements, but maybe Commodore Goldrick or others might be able to respond. Certainly in aggregate there are clearly capability increases. It just depends on employment.

Cdre Goldrick—I think the issue of the forward basing in Guam is because the American navy is very preoccupied at the moment with the limitations it views it has on the number of its platforms and the job it has to do. Forward basing increases the efficiency of the operational deployment cycle by a very considerable factor. I forget what it is, but I think it is at least in the order of an extra 50 per cent time up-front if you forward base by comparison with having to go home to the United States. Indeed, that sort of argument is what has driven the Americans with that recent experiment they have been conducting in crew changes, in that they refit a destroyer in the United States, bring it up to the best material condition they can, send it out to the operational area, and it does not come back to the United States. In fact, I think the ships that are doing this will not come back until they are due to be scrapped in a few years time. But it does come back to a port; there was one in Stirling quite recently. There is a crew changeover,

the ship does a short work-up and then immediately redeploys, thereby not having to miss the best part of a year in a redeployment, reconstitution, refit, work-ups cycle.

Mr HAWKER—In your submission, under 'Defending Australia' you talk about the type of attack that we might have to anticipate. You say under 'Full-scale invasion' that it is highly unlikely. You go on to say:

It is expected that there would be sufficient warning to enable the ADF to expand to deal with the circumstance.

Given that the maximum warning you are likely to ever get on that is about two years, and it could be less, is there a risk of some complacency, given particularly that the time to get hardware is not short—and the delays that seem to almost invariably associated with obtaining that hardware—is there a risk that this is not getting sufficient emphasis?

Mr Carmody—I would hope, firstly, that we would have more than two years. I would think that—

Mr HAWKER—That is history.

Mr Carmody—But the world is a much more globalised place than it was. In terms of access to intelligence and open and closed source intelligence on developing capabilities, once we look at who might threaten us, and if someone who was going to undertake a full-scale invasion of Australia could develop the capability, or even had the interest, one would hope that we would get more than two years. That is my point.

Any changes are not, in my view, black and white; they tend to be a little bit more incremental. As our threat environment is changing, we are reviewing the capabilities that we do develop and we are changing them. We do modify them. We do not buy a platform and have it frozen at a point in time; there are new capabilities coming along. Air platforms, maritime platforms, subsurface platforms and ground capabilities are changed based on the threat, so they do evolve. They would evolve towards any perceived threat.

We thought the judgment that full-scale invasion was highly unlikely in the short to medium term was quite a reasonable judgment, because we cannot see a threat on the horizon now and we also anticipate that we have the level of capability to be able to anticipate to an extent the development of any motive and of an opportunity, if you will.

Mr HAWKER—On this question there is no risk of you feeling some complacency?

Mr Carmody—I do not think so.

Air Vice Marshal Blackburn—There is the reality of the budget funding there as well. If we look at a time slice, at what we have today and what the government wants to use us for, what we are going to have in five years time and the likely priorities of the government of the day, and then out to the 10-year mark, in the nearer term it is regional contributions or niche contributions to a coalition. We are now trying to ask, 'What is the most likely use in the mid term?' and we still do not see in that time frame threats to that sort of level.

Certainly as you go further out to about the 10-year point in time, the question is: what are the capabilities you would want in place to be able to deal with an emerging risk? We do acknowledge those needs and we put a greater priority, as you go out towards the 10-year mark, towards the defence capability plan. So we are taking that issue into account, but we frankly cannot afford, within the budgets that we have, to place a greater emphasis on some of those capabilities, given the priorities that the government places on the use of the ADF.

Mr HAWKER—But you are putting it back on the government. But if you are looking at it from your perspective—being charged with defending Australia—is there a gap there?

Air Vice Marshal Blackburn—There is a risk, but we believe that risk is low and it is an acceptable risk for us to take to ensure that we can deploy and sustain the capabilities that are going to be used. We have had a concern in the past that the force structuring based on a single priority of the defence of Australia constrains us in some ways in perhaps not allowing us to put adequate investment into those capabilities that are going to be used and deployed in the next five to eight years. It is that trade-off. We are comfortable enough in the balance of that trade-off. The issue is: what is the level of risk we are prepared to accept in the capabilities upon which we could expand in the future? The lead time is certainly a problem. You cannot rapidly expand a force of our size in a matter of a few years.

Mr HAWKER—In your role of advising governments, you obviously have to be taking this into account. Your advice ought to be including what you see as the level of risk. Are you happy with it?

Air Vice Marshal Blackburn—Right now, if we start to project forward at the budget pressures we are going to face, say, in the next five years and the potential capability changes that would be needed to be made in order to keep within our current percentage GDP allocation, we are concerned about those risks. We are doing work on that now to try and identify what the impact would be on our capability, say, in five years and if we sustained the current budget levels and the current priorities on the use of the force what the risks would be in the longer term—in the 2013 plus force—in terms of the potential to address emerging risks. We are developing that case study to provide those options and advice back to government.

Mr HAWKER—What sort of time frame will that be done in?

Air Vice Marshal Blackburn—Our intention is to include the initial answers to that by October in the next Defence management financial plan.

Mr Carmody—It ties back also to a question that Mr Bevis asked—and he has asked it repeatedly—about scenario planning. We have a range of likely scenarios against which we develop capabilities. We do not just say that there is absolutely no threat of full-scale invasion to Australia so therefore we will not think about it, or that it is unthinkable and therefore it will never enter the construct. We think about a range of possible scenarios, from operations very close to Australia, where we have less flexibility, to operations far afield. We ask, 'What are the balance of forces, what are the strengths and weaknesses and how do we develop our force structure?' We do that constantly.

So I suppose the point I am making is that we are endeavouring to provide advice that does not have any surprises in it, that says, 'We have done this analysis and we have made these

judgments. This is the threat environment and these are the capabilities; therefore we are recommending a defence capability plan that looks like this. And, if we had more money, it would look like this. But, based on the environment in which we are operating, it looks like this.'

Mr PRICE—Is it sensible for us to have an in camera discussion about what your thinking is on those matters?

Mr Carmody—It would be difficult. We are trying to see at the moment, Mr Price, whether we can work on the scenarios and see how far we can go. That is something I would have to take on notice and consider firstly whether the scenario ideas that we developed in an unclassified sense, and that we will try to find a way to give you, will give you enough. If it does not give you enough, I am quite happy to see if we can look at other options. But the short answer is that I do not know whether we would be able to go that far.

CHAIR—On page 6 of the Defence submission it states:

A key feature of Australia's Military Strategy in defending Australia is to achieve strategic control of Australia's maritime approaches.

Given the nature of Australia's maritime approaches and being mindful of the Australian Defence Force's current force structure and platform endurance, how is this key feature of our military strategy in defending Australia to be achieved?

Cdre Goldrick—It is laid out at a higher level, to keep away from scenarios quite deliberately, within the submission. We are trying to maximise our freedom of manoeuvre in the air and sea approaches while denying freedom of action to an adversary. That very much focuses back on this issue, which you have already heard about, of sea control. Obviously, our capability to do that is relative to the threat, whatever the threat is, in a particular situation. It is a complex thing in that it requires us to employ all the elements of a full structure, and that is why we keep emphasising that 'maritime' does not mean 'Navy'; it means 'joint'.

Would we look in more complex and demanding circumstances for coalition or alliance assistance? We certainly would, and, the more we are thinking in a regional sense, the more we would be hoping to cooperate with regional neighbours and the more we would be expecting to operate with our allies—the United States and New Zealand—in the appropriate circumstances. It is not a denial strategy. We do want to be able to manoeuvre ourselves to do things. It is not absolute. The whole point about control—this has already been indicated in, I think, the previous submissions—is that it is relative to what you need to do. So we are not necessarily thinking here about having hundreds of thousands of troops and hundreds of ships scattered around Australia—or indeed deployed within the region. We are talking about a strategy that allows us to control to the extent necessary to do what we need to do to protect Australia.

CHAIR—Given our operational tempo and our deployments—hypothetical at the moment—into the Middle East, Iraq and Afghanistan, do we have control of or denial of maritime approaches to Australia? Could that be achieved, given the operational tempo right now?

Mr Carmody—Let me answer it. Firstly, it depends on what the threat is—and our threat might change. Our threat environment would certainly indicate that we might need to structure

forces in a different way. Our judgment is that we are not really going to need to exert that level of strategic control in the shorter term. In thinking about this and in developing our force structure and our postures, that is why we have come to almost a systems approach with the procurement of AWACS, the new surface and the advantages in subsurface programs. That is why we are moving more directly towards network-centric warfare and networking our forces to make sure we actually have a strategic control envelope. If there were a direct threat to Australia—if the unthinkable occurred and there was a direct threat to Australia—I presume it would be a decision for government to determine what capabilities we have available. But we still have a range of capabilities available now.

Mr BEVIS—What assets would we deploy? What assets do we have that are combat-ready to be deployed in the sort of area that the chairperson asked about?

Mr Carmody—We still have fighter aircraft.

Mr BEVIS—You do not want to put a number on that?

Mr Carmody—No, I do not want to put a number on that.

Mr BEVIS—I did not think so!

Mr Carmody—We have available fighter aircraft. We have available surface and subsurface platforms.

Cdre Goldrick—We have available maritime patrol aircraft and the major component of land forces—because the special forces are currently deployed to Iraq. We have available the F111s. In fact, an enormous amount of the force structure is available. Would we need to surge? Yes. How long could we sustain it? That would depend upon the scenario. The difficulty is that it is getting into specifics.

CHAIR—What about pilots? How are we situated for the Hornet FA18 pilots?

Air Vice Marshal Blackburn—Over the years, depending on what the commercial demand is, we have had a challenge to generate and maintain a sufficient number of aircrew. Some of the downturn has assisted. I do not have the figures with me now—I can take that on notice—but I understand those figures have been presented to a variety of committees recently.

CHAIR—In the current environment would we be able to keep FA18s in the air as part of any strategy to defend our maritime approaches?

Air Vice Marshal Blackburn—If we had a scenario of a threat degree we would have to bring forces back in. We are limited as to how many areas of concurrent operations we can maintain. With the FA18, for example, we are limited in the number of concurrent areas that we can operate in. Therefore, depending on the level of threat, you have to make a priority decision as to which area you will operate in.

CHAIR—I would be interested in the number of pilots that we have available now.

Mr BEAZLEY—My question follows on from Mr Hawker's question. I have always thought that, if you have an inflexibility in your doctrine, it is best to have it at the end of a defence of Australia rather than at some other end. You might actually survive if something goes wrong. Also, the platforms that you require for the defence of Australia are likely to be quite substantial. I think this really gets to the nub of it. If you are serious about taking as your first order of priority the defence of Australia, in the assignment of priorities you must be terribly mindful of what needs to happen to the F18s and the F111s in the immediate to medium-term future. Before the joint strike fighter comes on board, you would have to be worried about the character of the air defence frigate or destroyer that you get.

The truth is that these are giant items. Those are, fundamentally, defence of Australia items. They can be used elsewhere, as we are showing in the gulf now, but they are fundamentally defence of Australia items. I would have thought that the Americans are rather easy to please. Basically what the United States looks for from us are flags—and it is not that hard to provide them. The force that is being provided at the moment from within this framework is doing an excellent job. We seem to have the perfect frigate for the Persian Gulf, and so on; you can go through all the other items in our kit.

But it seems to me that, if you want to let governments off the hook, you talk about something else and they can let the Air Force go to hell in a hand basket and they can ignore the requirement for an air defence frigate. Are you confident that in the next five years you will have available the resources in the Air Force to keep the aircraft in reasonable shape prior to the introduction of whatever emerges from this planning process with the Americans and the start-up on an air defence frigate? Do you have the resources to do that on current planning?

Air Vice Marshal Blackburn—Mr Beazley, I will address that as a whole of force issue—not just those particular areas. Those are the issues we are trying to come to grips with right now. With the current budget pressures and the bids that are currently before the government for what we need in the near term, and the emerging budget pressures we are starting to identify for the next five years, the answer to your question is what we are trying to pull together this year.

If I go back to what we were raising at our previous hearing in Melbourne, it is not just an issue of the budget now and in the near term; it is that the cumulative shortfall in budget, against what was originally planned in DOA 87, has left us with a force structure with certain holes, certain limitations, across it. It is not only an issue of trying to look at how we take on board new capabilities; it is how we fill the gaps in existing capabilities to have a balanced force. That is the pitch we are trying to get together. We have often tended to address budget issues in just the current or near term. We are now trying to take a forward look and to ask: in five years time, with the budget we have and the projected cost growths, will we have that capacity to maintain the current force, let alone bring on board the new capabilities? That is what we are trying to analyse now.

Mr BEAZLEY—As I look at the paper that the government has just produced—which is, to say the least, a hybrid paper—I am beginning to worry that the budget is going to determine the doctrine, that the doctrine is going to be driven by horror, when they take a look at the cost of those platforms and the other processes you are talking about that come into play, and that we are going to end up with a seriously degraded capacity to defend the country. While I am not worried about Mr Hawker's two-year scenario, the platform that you acquire is a 30-year job and the training of a decent force of personnel to support the platform is a five- to 10-year job.

If we start getting rid of or downgrading capabilities, we are going to start to get ourselves into long-term trouble. To your mind, to what extent is the budget beginning to drive doctrine?

Mr Carmody—To an extent we always have to operate in a budgetary envelope, and we have no option. Let me approach it from a slightly different direction. The two areas that I have focused on very much in the last 12 months are making sure that we identify and resolve logistic shortfalls and making sure that we identify and resolve things like explosive ordnance stockholding shortfalls—in other words, that we do not eat our young and that we regenerate those activities so that we have the necessary logistics in train and the necessary explosive ordnance to do what we might need to do to both train and operate. I think that issue is now a lot better managed than it was, because of the preparedness systems I was alluding to before. Preparedness has become a real focus for us. There is a downside to that: it consumes dollars. Getting your holdings up and working out what your stockholdings should be and making sure that you have appropriate logistics and appropriate spares and those sorts of things really consume dollars. That is certainly a challenge.

At the moment we are working on balancing our funding envelope—the percentage of GDP and what is available through white paper funding—with what we think our strategic circumstances are and what our logistics and shortfalls are and where we need to fill them—which we are doing—and what the long lead time items are and all of those issues that become important for us. We are then trying to balance our current and our future force. It really is a balance. It is a trade-off. At the extreme end, you could argue that our capabilities are being driven by the budget; but that is probably the same in any area of government in that there is only a certain amount of funding available. What we have to ensure—and we are at the moment—is that we can make the right sorts of trade-offs and decisions within that budgetary envelope to acquire and to continue to have the capability that we need. It really is a challenge. I can say that glibly but it is quite a complex debate and there are various interest groups in that debate who, be they industry lobbies or lobbies within the organisation, fight for a particular capability that they say will meet the capability gap. There is no simple answer. It is quite a complex debate. But at the moment the defence debate is not being driven by the budget anymore than any other department of state is being driven by what is the budgetary envelope, so it is not shaping my thinking.

Mr LINDSAY—I would be interested to hear your answer to the member for Kennedy's suggestions on the defence of Northern Australia. In a speech to the parliament in February, Mr Katter said that Northern Australia should have an additional four brigades, 15 submarines and 100 guided missile frigates and that we should also get rid of the 50,000 'silly plastic rifles' that we have. I ask this seriously, because I do not want to influence your answer.

Mr Carmody—The only one that missed out in that is the Air Force, I think. Looking through that, everybody else got a run.

Mr LINDSAY—In other words, we are doing the job well now. This is what I want to hear, if that is what you want to say.

CHAIR—You are leading the witness now!

Mr LINDSAY—I will not lead the witness.

Mr Carmody—That is an excellent and well-made point, but I think that we will continue to operate within the envelope that we have. We could always do with more. Everyone that I speak to in the Defence organisation would probably say that we could always do with more, and, again, most other departments would. We think, within the balance of resources available, we are doing well.

Mr LINDSAY—In relation to the scenarios that you have looked at to the north of Australia, my own view is that the scenario that you would first face is civil instability in perhaps somewhere like PNG. Do you agree that that scenario is in fact a very important scenario that you should be considering? Are you well prepared for that particular scenario?

Mr Carmody—Civil instability in PNG would certainly be a problem for the PNG government, I would think. The level of thinking that we would engage in in that regard relates principally and primarily to the safety of Australians and being able to be involved in some sort of an evacuation if a scenario like that did occur. That is what underpins certain elements, I suppose, of our scenario planning. I do not want to go into detail on the scenario planning because it inevitably leads us to a point where we cannot say any more about what possible scenarios would be without potentially causing offence in one way or another. But certainly you would argue that, in any country in the region, if Australian citizens were threatened or the environment deteriorated and Australian citizens were threatened, one of the things that we would need to be in a position to do—and one of the areas where we probably have less discretion—is to find ways to extricate those citizens and do that very quickly. If I might use a slightly different example but an example that relates, it is having the capability to do things like the Bali Assist activity after the terrorist incident in Bali, where we were able to turn on aircraft and move people in and out of that country very quickly. It is maintaining those sorts of capabilities, and they are important to us.

Mr LINDSAY—You refer to this in your submission, but just take it one step further. You may not want to comment on this. Civil instability could in fact result in a takeover of the government by somebody else outside PNG. Is that the situation or would you rather not comment?

Mr Carmody—I do not think that will lead me anywhere. There are so many possible scenarios that could occur that I would prefer to leave that one alone.

Senator HUTCHINS—The Shippers Council and the Maritime Union of Australia express almost a similar view about permits and flags of convenience. Do you have a view about their concern about the decline in Australian merchant marine? If you do, have you expressed a view to the government about it, particularly in relation to the taxation regime?

Mr Carmody— I am sorry but I will have to take that on notice. I would not be aware—maybe I should be aware, but I am not—aware that we have. I would be happy to take the question on notice and see whether I can get a response for you.

CHAIR—I think we have got a rod for the tax office and the transport department for some of these answers, which we can do. In terms of committing budget, and a large amount of it, towards Navy and the Air Force, Dr Alan Dupont said:

In committing so much of the defence budget to the Navy and the Air Force at the expense of Army, the architects of our strategic doctrine pursued a policy that severely weakened the Army's capacity to force projection ...

Do you agree with that? Can you give us confidence that the Army does have the capacity for force projection, or has it in fact been weakened?

Mr Carmody—I have read Alan Dupont's submission in the same way as I read Hugh White's that said 'I think we could do with an extra couple of battalions but you shouldn't take anything away from the Navy or the Air Force. You should create the money out of air in some way rather than out of an air force.' I would argue—and I have not got the Chief of Army sitting with me to see whether he would agree with me—that Army's capability is still quite robust. I would not completely agree that Army has been denuded in any way. When I look at force projection, or power projection, Army is never going to be in a position where it projects force in isolation. In the environment in which we are operating, it needs maritime and air cover. Where our maritime strategy takes us is being in a position to be able to provide that holistic capability.

I do not think I would agree with Alan except from the point that you could always have more and in some sense you always need to make trade-offs. Regardless of the strength of Army's capability to 'force project', without effective naval and air assets around it to conduct any force projection, if you wanted to go that far, the effect on Army's force projection capability would be reduced. It comes back to a question of balance and I would argue—but you would expect me to—that the capability balance is right.

Mr EDWARDS—You mentioned Bali and you also talk in your paper here about the need to respond to terrorist attacks. One of the very successful post-Bali attack moves was your ability to pull in medical people, to put them on the ground; your ability to move those people who required medical attention back to Australia fairly quickly. That scenario could of course be repeated. I am very concerned about the philosophy you have on outsourcing Army medical and medical services. How can you possibly respond in the future to another Bali scenario when you do not have that capacity to pull together the medical people and to get them off the ground quickly. It is a serious concern. I do not raise that as a political point. It also has another ramification and that is the quality of care that ADF personnel in the field get when they need it. How are you going to maintain that on a philosophy of outsourcing your health services?

Mr Carmody—It is quite a complex question. It certainly is a strategic issue. It stretches a bit beyond some of the things I have been more directly involved in, but I will make a couple of responses. The first one is that we are reliant on reserve specialists; we use them a lot. I am sure we used them in Bali; we have used them elsewhere. We use them all the time and I would be surprised if that reliance will ever change. It is not total reliance but we do call on specialists and they are highly skilled and very pleased to be involved.

When we go back to medical outsourcing—and it is certainly not entirely my area—there are some cases, I think particularly in the southern states, where we have difficulty in having enough medical personnel available in uniform. The medical personnel that we have available in uniform we would rather have in units that might deploy, rather than around bases where they might be what you would call 'providing routine medical support', which is similar in many ways to the type of support that is provided in the community generally.

So, if we were going to err in any way, it would be towards having enough people in uniform, either regular or reserve, who would be able to be deployed, and changing the way we deliver service in fixed locations and seeing whether or not we are, therefore, able to swing the balance with more people available in uniform to deploy. If I understand it correctly, that is the strategy. My colleagues might know a little more, but I am not quite as close to it as I possibly could be.

Air Vice Marshal Blackburn—We may take that on notice. There is a concern on the sustainability side because the reservists, obviously, have their own full-time practices. I know that Timor did stretch us considerably. People are now looking at the issue of response to terrorist attacks, the support of Bali and the ongoing sustainability of our health services. To get more detail of that we could take that on notice and get back to you.

Mr EDWARDS—I would be happy for you to take it on notice, but I would hope that we do not have to wait six or seven months to get an answer.

Mr Carmody—No, you will not have to.

Mr PRICE—What was different with East Timor and Darwin?

Air Vice Marshal Blackburn—I do not know the detail of that but it could be the length of time, the level of operation, the scale.

Mr PRICE—Was it the quantum?

Air Vice Marshal Blackburn—I will have to let you know that and take it on notice.

Mr BEVIS—Two issues came up that I want to go back to, one very quickly and which you will probably want to take on notice, in relation to the Army. I have a recollection that when we were last here in Canberra General Leahy referred to a capacity to deploy a brigade on a long-term basis, and I think a second subsidiary deployment of a battalion.

Mr Carmody—That is correct.

Mr BEVIS—I was hoping that he or someone may be able to expand on that to give us some confidence as to how it is we are going to maintain a brigade force and a battalion long term. We did not go into that at that hearing, but it is clearly a critical question of our maritime strategy. If we can do it I think the committee needs something other than the bald statement to be satisfied. I certainly do.

Mr Carmody—We could take that on notice. I would say, though, in response, that in terms of preparedness planning—and that is the capability requirement that came out of the white paper that is levied on the ADF, that is levied on both the Chief of Army in his ability to raise, train and maintain and also on Commander Australian Theatre in keeping his forces at either DLOC or at OLOC, depending on the level of force that is being managed and the period of notice to move—that is the target they have been given and that they work to.

Mr BEVIS—I think the advice we got was that the capability or the planning is there; that they are satisfied it can be done. I understand it is a target. There is a difference between a target

and the, 'Yes we can do it' and it is the 'Yes, we can do it' I am interested to know the detail of. Can I go back to the issue that the chair raised, which is the effect of our current high level of deployments. There is a personnel issue here and an equipment issue. Firstly, with respect to the personnel and some specifics in Navy, isn't it the case that in order to crew our naval deployment at war level we have had to strip people out of other branches of the Navy? Isn't that causing problems in other branches of the Navy, for example in the patrol boats and in the minehunters, the minesweepers?

Cdre Goldrick—I would certainly have to take on notice the details of any movements that were made to meet operational contingencies. Have people in other billets been deployed to the gulf? Yes, they have. But Navy has a priority order where operational ships, whether or not they are deployed, are pretty high up on the level. The sort of areas we tend to take people from if they need to deploy are headquarters jobs and shore jobs that are not high priority.

Mr BEVIS—I am certainly not in any way critical of the decision to crew those ships at war levels; that is obviously a necessity. What I am trying to get a handle on is what that has done for the balance of force.

Cdre Goldrick—We will take it on notice.

Mr BEVIS—In doing that, can you also look at what has happened to reserve day requirements in other branches of the Navy, particularly in the area of minehunters and patrol boats based in Darwin. You may also want to take this next question on notice: have there been related health issues? I have been informed that there have been suicides in the Northern Territory in recent times. I do not raise that flippantly; if it were true, it would be a matter for some alarm.

Mr Carmody—Suicides that are related to these alleged pressures or the tempo?

Mr BEVIS—The context in which it was presented to me was that the increased tempo had placed stresses which had been a contributing factor. I would be concerned if there were any suicides, irrespective of what may have produced them; so that is one issue. The second issue is: if indeed there is some connection, that would be a matter of serious concern to all of us, I am sure. Can you take that on notice? I do not expect you to answer that off the top of your head, but I think it is important that it be dealt with.

Finally, the other aspect of the question about the higher tempo of activity is equipment, given this higher rate of usage. We had a plan to use platforms for a period of time that was predicated on a usage that did not include the current high level of usage. What does that mean for the life expectancy that we now think they have? What does it mean for the maintenance of them, and what does it mean for replacement issues?

Mr Carmody—I will pass to Commodore Goldrick in just a moment, but may I say on the life expectancy issue and a range of issues that there could be an effect. I do not know whether there is an impact on the life expectancy of frigates, for example. They were going to be used operationally in some form or another; maybe the Navy is always on operations. I am not sure that that would change. The throughput of spares and logistics support would change. There is a bit more of a drain on the logistics backup and therefore that needs to be backfilled. However, these are all costs associated with running the operation. These are all unforeseen costs, I

suppose, related to running an operation. I would have an expectation that money would be forthcoming to meet those unexpected costs, because we had not planned for that level of operation.

Mr BEVIS—Would the money that you are talking about be for the cost of the exercise now, or are you saying that you would expect Defence to be supplemented not only for the actual costs borne this year but for some imputed cost of additional wear and tear and early replacement?

Mr Carmody—I would expect to be asking for supplementation for accelerated use of sparing, for example, but I would not necessarily be expecting supplementation for a faster depreciation of an airframe. I think that they are different issues. That calculation has to be made, but I would not see the calculation occurring the same way with Navy as it does with Air Force. However, in a logistics sense, if we are calling for more fuel, ammunition and spare widgets, I would include those above our forecasted level and I would be bidding for supplementation for them.

Mr BEVIS—I understand that. I am not so sure that the additional use of the naval platforms does not have some impact on their life expectancy, but I certainly would have thought the airframe issue would have cut in. I just wonder, therefore, what the planning is; what do we do about that?

Mr Carmody—The Air Force has real expertise—a lot more than I do—in calculating airframe usage and the fatigue life of airframes. Extended combat usage would probably reduce the life, and that is one of the considerations that will have to come into play. It depends on how much of the fleet is being deployed, how much of it is being used, how long the conflict goes for and a range of circumstances, but it certainly will come into play.

Cdre Goldrick—I think Mr Carmody summed up the issue of acceleration of stores usage. It is something that is calculated, and certainly supplementation would be asked for. From a naval point of view, the issue of depreciation is more complex than simply 'a ship has gone off on operations; it is spending more days at sea and therefore it is depreciating'. It depends upon what the ship is doing and in what circumstances it is operating. Are the ship's company in defence watches under constant threat, in which case people are not doing deep maintenance? On the other hand, if you are at sea for several weeks and you are not under constant threat, you get through an enormous amount of work and the ship is probably in better condition than it would have been had it stayed alongside. So it is not quite that simple.

Yes, there are increased usage rates for being at sea, in terms of machinery and equipment. Again, that would be factored in. Obviously, it needs to be factored in sooner rather than later to have it accepted as a justifiable part of supplementation. That is one of the reasons why the Navy went to the organisation it has now with force element groups: so that we can better understand the costs associated with complex platforms that the Australian Navy has to be the parent navy for.

Mr PRICE—I was interested in your earlier answer to Mr Bevis's question about the sustainability of a brigade in a concurrent battalion. You pointed out that that was in the Defence white paper more than two years ago. We always get speared on the answer that Defence is always going to respond to a government request and meet that request as best it can.

Given that the Army sustainability model is not yet complete, how does the committee have confidence that you are actually prepared and structured to do that?

Air Vice Marshal Blackburn—The readiness reporting system identifies readiness levels and sustainability, and that is reported by all three services and by Commander Australian Theatre, in terms of the readiness level that they are at, the impact that it is going to have on operations and alternatives—in other words, a way of looking across the force to balance any existing deficiencies. That is tracked every month, and we are also forward-projecting from that the likely readiness levels of each of those components over the next couple of years to give us an indication of, if we look at our stockholding or serviceability or usage rates, the impact down the line. Using the aircraft example, you would have a reconstitution period of increased maintenance, which means that your availability would drop. The way we get confidence in the ability to do this, or knowledge of the limitations associated with it, is through the preparedness reporting system.

Mr PRICE—If you have that, why do you need the sustainability model?

Air Vice Marshal Blackburn—Each of the services has to report, as a part of the preparedness system, on the model, the detail and the granularity of what it is reporting against the measurement systems. That is what we have been building over a period of time. That is the overview. But the Army needs to go down and look at what contributes that capability as a total system. Each of the services needs to have its model of capabilities so that it understands it, because each is different in some ways, and then we aggregate that in the overall preparedness reporting at the top. Each of the services needs to understand clearly its capability and how to sustain it.

Mr PRICE—Do the other services have problems with the sustainability model?

Air Vice Marshal Blackburn—I cannot speak for the Navy, but I know that, in the Air Force's case, sustainability models have been developed. I am not sure what the Navy has; it has similar models.

Mr PRICE—They are finished and up and running?

Air Vice Marshal Blackburn—In the case of the Air Force, it is still being introduced, to my knowledge. It was a system we started a couple of years ago to develop an understanding of all the components and how they fit into a capability and how that then feeds into both preparedness and the longer-term management of that capability.

Mr Carmody—Instead of the situation in the past where we relied on commanders to say that they were ready, we are now measuring that in a lot more detail and making sure that they are valid. That is why we speak with more confidence particularly about preparedness because we really do look at that quite diligently and we do press and ask the questions and look at alternatives and say, 'If this capability is not available to do this type of mission because it is in deeper maintenance, then, Theatre Commander, what other capability do you have that is available to meet that operational requirement?' Those things are covered in that preparedness model, and I now have far more confidence than I would have had two or three years ago. I think the sustainability model is just a way of reinforcing the inherent judgment of the single services with some numbers that you can rely on.

Mr PRICE—Thanks. Could we perhaps at a future date get some more words on the different service sustainability models and where they are at?

Mr Carmody—Yes; we would be delighted.

Mr PRICE—In relation to the Defence white paper, which in some ways was significant in some of the changes: to what extent has force structural capability changed as a result of *Defence 2000*?

Mr Carmody—I am just trying to work my way through the logic to see what has changed in the couple of years. In terms of overall force structure, many of the changes will take a longer time than the short two-year period. Many things have changed, not necessarily all related to the white paper. But I am just trying to put my head around the white paper reporting to see what elements in there might make sense to you.

Mr PRICE—You can take it on notice.

Mr Carmody—We will take it on notice and I think we can probably deal with the question in a very straightforward way and indicate what capabilities have changed. We very much tend to focus on elements of the white paper and when they are taking effect, and many of them do not really take effect until further into the 10 years than just two years. With regard to a decision such as the AWACS, which was finally taken in that white paper context, the project is under way and going well but it will not be fielded for some time.

Mr PRICE—Traditionally we have been used to planning for maybe six years or longer in terms of acquiring a capability and, when we acquire a capability, expecting a life service of 20, 30 or, in some cases 50 years, with upgrades. Are those still the time frames Defence is going to be able to operate in? If not, what do you see changing?

Air Vice Marshal Blackburn—I think we are going to see two elements of capability. One is the capability that will evolve over time—the larger platforms that take a lot of investment. But the way we have to think of those in the future is as a hulk, essentially. It is the intelligence systems we put on board that need to change quite rapidly and to be modified rapidly—that is where the industry issue comes in—so that we can adapt to a changing environment. But we are still going to be investing in a 20- or 30-year life for the hulk. As with the FA18, by the time you get 15 years into it you are not going to recognise a fair bit of the real capability of that platform.

The second part of it is something that I think will take a while for us to come to grips with, and that is—to use an American term—transformational capabilities. If you look at the command and control side, the intelligence, surveillance and some of these other areas, we need to be in a position to move very rapidly to counter or pre-adapt before a threat that we see emerging or to take advantage of a capability that is emerging. To do that, we are going to have to manage our capability in that area differently. We cannot take nine years and two passes to government to get it approved. You actually cannot budget 10 years out in great granularity about what you want to put in an area because you just do not know. That is one of the restrictions of the current planning system.

So we see it in two ways. One is that you have the foundation going forward. But, particularly as we look to network-centric warfare approaches and the future war fighting concepts that we are working on, the question is: how do you take that foundation and adapt it, change it, remodel it very rapidly so that you are not predictable, you do not have to respond symmetrically and you can maintain an advantage of some sort? That does not just come from having a very expensive platform; it is how you actually knit the system together. That is what we are trying to come to grips with now with our network-centric policies and our future war-fighting concepts that we have just published. That will then flow on to how we manage capability, how we acquire it and how government approves and budgets it. That latter part is still to be worked out and that is going to give us one of the biggest challenges, to say that a certain amount of funds has to be allocated that we will pull on very rapidly to make changes. There is a high degree of risk in doing that. But if we do not do that we are not going to be able to respond to the type of threats and the changing nature of warfare or security.

Cdre Goldrick—It has to be managed very carefully. There is a direct analogy between the economics of it—the old economy and the new economy. In the dot.com boom people forgot that the old economy was still there and would always still be there, was still important and still had to be looked after. Similarly, this two-fold approach is going to be absolutely essential, in the sense that we are still about applied violence; we are about effects. We are the ones who are actually using force to achieve national effects. Our job is the Defence Force. A large component of that is still going to be either an explosion or a person with a rifle on the ground. So there is that old economy. The reality is that it takes time to produce big objects that are very complex. We are to some extent, as are the Americans and as is everybody else, caught with parts of the cycle that will not shorten much. The other thing is that, as they are very complex large objects, it takes a lot of time to make sure that you get it right. When we haven't got it right it has been pretty obvious and sometimes fairly expensive. But that second level of activity, of being able to identify opportunities and move quickly to take them up, is going to be extremely important.

For example, five or six years ago, when I was commanding a guided missile frigate, we installed in the frigate a new computer for the combat data system and weapons systems. The computer was a military spec computer. It effectively doubled the capacity of the ship in terms of redundancy and capability for its combat data system. That fit happened over about 10 days, it was done without the ship having any other modifications whatsoever but, in computer terms, it vastly increased its power—totally opaque to anybody outside but something that has been a very important component of the guided missile frigates up to this point retaining real credibility as warships at sea. It is going to be this business. The reality is that most of it is not going to be easy to explain or to show to people: one, because we probably do not want to; but, two, because it simply is not obvious. It is all too easy to think of modern warfare as platforms, when it is not platforms; it is the networks and what they contribute to each other. I find it an exciting prospect—it is only a prospect at this stage—that you may have the aerial warning and control aircraft in a future situation, able, on its information, to fire the missiles from on board the air warfare destroyer at targets the air warfare destroyer might not be able to see, at 100 miles from the air warfare destroyer. That sort of force multiplication or complementarity is just fantastic in terms of the improvements it is going to achieve. But looking at the two systems—the two platforms—you would not necessarily guess that connection.

Mr PRICE—To what extent are AUSMIN and interoperability now going to influence purchases?

Air Vice Marshal Blackburn—In the first period we are looking at strategic level interoperability—I am tied up with three or four areas associated with that—and trying to define interoperability links in terms of current emerging technology operations and trying to get an understanding of what those linkages are and what is driving them. There is a defined way of doing it today and in the near term. The biggest challenge that we are going to face is when we get to the latter part of the decade. As the Americans progress at an incredible rate through to this networkcentric warfare approach they are taking in their transformation, how do we keep interoperable with them to the appropriate level? Can we afford to do it? Where do we focus on it? It is not only our concern; I know that both the Brits and the Canadians are very concerned about it as well. That work we are doing with AUSMIN allows us initially to define how we ensure interoperability but the work we are particularly concerned in now is looking at how they are designing the next stage of the force in the latter part of the decade, what is the architecture the force is putting together, and how well we are doing to interoperate where it is important to do so in an overall force architecture sense as well as the technology of the individual platforms, the data links and the commanding control systems. The AUSMIN interoperability work is important because it has raised the visibility of the issue and it has provided a much more coherent focus on both sides. It has certainly assisted us in identifying the right points of contact to help in that future force design.

Mr Carmody—It also makes interoperability more visible to the AUSMIN defence acquisition committee which sits under AUSMIN and is essentially run by DMO and which is looking at the acquisition decisions. The fact that there is some congruence there is very important. It brings those factors into more stark relief. However, there are judgments to be made on interoperability just as there are judgments to be made on procurement and on how interoperable we need to be.

Air Vice Marshal Blackburn—We are trying to develop the principles associated with that for the network warfare policy in the next couple of months because decisions are occurring, for example, in relation to air warfare destroyers. We have to establish our priorities and principles. Essentially, we think that our first priority has to be the interoperability of our joint force and a close second behind that is interoperability with our major coalition partners. There is no point in having an interoperable capability if that cannot interoperate with own joint force that we are designing for the future. In doing this, what are the kind of principles and guidelines that we need to put in place for every future capability decision? That is what we are considering. If you went back five or eight years and considered the simulation side, for every simulator there should have been a standard to make sure that they could connect to each other just to do the basic team training. It is the same approach here. What principles and guidelines are we putting in place? We are working on those now to ensure that we do not just say that everything must be interoperable when we cannot afford that. Where are we going to get the best return? What are the key capabilities that must have different defined levels of interoperability? We are going to try to do that through the force architecture approach. Where does the capability contribute to the systems we are building and to the various tasks on which they will be employed? We will determine the degree of interoperability needed depending on the complexity of the environment they will operate in.

Mr PRICE—In terms of the exercises that you plan and get involved in, which ones fully exercise maritime doctrine? What percentage of exercises does that represent? Given that Commodore Goldrick made the point that the maritime doctrine involves all three forces, which

exercises involve the three forces but may not necessarily fully exercise maritime doctrine? Again, I am happy for you to take that on notice.

Air Vice Marshal Blackburn—We need to take that on notice.

Mr BEVIS—I would like to pick up on the second last question that Roger asked about interoperability. I understand your answer. While I understand that we would expect only priority elements of the Australian Defence Force to be fully interoperable with the US, if for no other reasons than cost considerations, you touched on how those Australian elements then maintain interoperability with the rest of the Australian Defence Force. I would be interested to know how that is factored in. There is also the related question of how our interoperability with other regional allies is maintained. That must surely place additional demands on the ADF in terms of training and equipment and that is an added task on top of everything else you had to do before this came in.

Air Vice Marshal Blackburn—Yes. There are three levels to look at in a priority order. For example, if you considered the joint interoperability—let us take air, ground and sea for example—you would certainly want that to act as a node in the middle of a network that is connected to all the key elements such as the air warfare destroyers and some of the ground based systems. Those key nodes would need to be interoperable to a much higher level with the US force if they were the force elements that we were going to provide in support of a wide interest activity. Taken back into the joint environment, they are the high-level capabilities and they could be the core nodes of the network we are building. We do not necessarily see a network that is operating the whole time in the joint sense; it is a network that is there when you need it to get the information and to apply for it.

Mr BEVIS—But you have to train for that.

Air Vice Marshal Blackburn—Yes. The problem we are going to find if we have to train for it is that we will never be able to train to that scale as the particular network will not exist until you deploy the force to do it. Therefore, there will be an affordability issue. We think that the simulation training side of that will have a much greater emphasis in future to allow us to understand how the network will work. The elements in which we invest more funds because of the US interoperability could be thought of as the key nodes in a joint task force.

So then you come to the issue about how to manage coalitions, say, of a region. It involves the same problems that we have such as where we plug into the Americans and how, when we design our force, do we work with our regional partners to work out where we plug them in. The problem goes beyond the technology. Some of the early work we have done on this has highlighted to us, particularly on the Western coalitions, that the interoperability was thought of as being technology and procedures. It did not take into account the cultural differences of how people assimilate information, how their decision-making processes are made and the need, obviously, to compartmentalise some of that, not just because of intelligence levels but because of the way people make national decisions—that is an issue we have not looked much at yet. Basically, those are the three levels and we are going to have to identify those nodes. That is why—like it is with architecture—when we design the force, it is important to work out how the elements plug together to achieve a particular outcome. Essentially, we are going to have multiple architectures.

Mr BEVIS—It is a work in progress?

Air Vice Marshal Blackburn—Yes.

Cdre Goldrick—And it always will be.

Mr BEVIS—I understand it always will be—you do not reach the end point with this—but would you say that you have got those interoperability questions nailed down for today?

Mr Carmody—You have got some of the questions nailed down but not all of the answers. I would look at interoperability slightly differently. Taking into account all that my colleagues have said, when I go back to the strategic, operational and tactical level interoperability, we seek interoperability at all levels with our key allies. We continue to foster things like strategic interoperability with the United States. We want to be able to operate at a national level. We want to be able to connect our national systems to the extent that they can be connected. We want to have similar lines of high-end capabilities and similar sorts of equipment. We want to be able to share things like IFF. We want to be able to operate in the same battlefield environment. With countries operating at that end, we want to operate at the strategic, operational and tactical interoperability levels.

When I get down to regional activities, I am personally less worried about interoperability at the strategic level. I need to be able to work with them operationally and tactically. We need to be able to operate in the environment that we have to operate in, but I would like to think that at the strategic level, given that we already have a strategic interoperability network with the United States, we are operating at a plane above some of the regional countries.

Mr BEVIS—They may want to operate with us at the strategic level.

Mr Carmody—They certainly will but, in my view, their definition of the strategic level might in many ways be closer to our definition of the operational level. I think there is a trade-over. I do not think they are going to necessarily always have the same notions of what strategic interoperability is because our strategic interoperability is more about our national strategy. It is more about setting something in train to operate at the highest strategic level and be able to operate that way. I do not think they will necessarily want to operate that way with us—most regional countries won't—but they will certainly want to be operationally and tactically compatible. So I do think it operates on two planes.

Mr BEAZLEY—You are not having much problem with this in Iraq at the moment, are you? You seem to be getting on all right.

Mr Carmody—In terms of the strategic and operational interoperability?

Mr BEAZLEY—Yes.

Mr Carmody—I think we are getting on very well. I would have been surprised if it had been otherwise. I think there will probably still be issues; but, quite broadly, it is not surprising and it has validated a lot of the work that has been done.

Mr BEAZLEY—I am not surprised by the Navy. The Navy have been operating there and they would know the waters of the gulf better than they would know Australian waters. After 12 years, you bloody well should know it. You do not operate in such a narrow space in Australian waters and with that level of intensity. The way in which the frigates operate is a fair indication that they have very high levels of confidence in terms of the depth of the challenging waters in which they operate. This is the first time this has been attempted in terms of the FA18s of the Air Force. How have they found that?

Air Vice Marshal Blackburn—I have not read any of the reports back yet, but I am not surprised at the lack of problem—if you want to put it that way. Unusually, we are not only having air force to air force linkages; we have very strong linkages with the navy because they operate the same aircraft, with the marines and through our exchange programs. The connection of the three services in that fighter community is very strong. The level of the exercises we have been involved with, from Tandem Thrust to Pitch Black, over the years has built a very good understanding of the battle management systems that they employ. I was certainly not anticipating any problems with us integrating with what they are doing, but the scale of what they are doing is, I think, a challenge to everybody.

Mr BEAZLEY—Just keep away from patriot missiles.

Mr Carmody—One area in which we will become more interoperable is when we have AWACs and we can operate more naturally that way than we do at the moment because we do not have that capability. That will only make us more interoperable, not less. The level of Air Force interoperability though is quite effective, as it is for ground force. They have had a bit of practice over the last year or so.

CHAIR—Can I go back to some of the comments we have received in other submissions. In relation to the issue of force projection and land forces, Dr Alan Ryan commented that, if the ADF is to remain relevant in a contemporary global security environment, it must be capable of far greater degree of force projection than previously thought possible. In the white paper, which is pre 9-11, we decided against the development of a heavy armoured force suitable for contribution to coalition forces. If we are to have land based force projection and are able to manoeuvre over the littoral environment—the MOLE principle—do you think that an armoured force is part of Army's capability in force projection? I come back to September 11.

Cdre Goldrick—It is against the development of heavy armoured forces. That actually means something quite specific in Army terms. It refers to large-scale armoured forces as opposed to—as the Army would say—an all-arms force that is designed for the operations that we need to do.

Air Vice Marshal Blackburn—It would be fair to say that, if we put our Army into regional operations or to contribute, we must have adequate force protection. That is certainly an issue to justify concern of Army to make sure we are providing that adequate protection, and we should never assume, when we put those forces forward into even a peacekeeping operation, that they do not have the need to be able to escalate very rapidly. We have to have that punch to protect our forces. The analogy that we use sometimes is that Air Force can get out of the fight very rapidly at many hundreds of knots, Navy can steam away at a reasonable speed, but Army are there. If the situation deteriorates, they must have the force protection capability and fire power support. How best to do that is an issue for ongoing analysis in the Army.

CHAIR—We have had these submissions from eminent people who watch this very closely, such as Dr Alan Ryan and Dr Alan Dupont, who both talk about Army's capability to enforce projection. The environment that I think has changed since the white paper was written is to do with September 11.

Mr Carmody—The environment has changed. In regard to Alan Ryan's comments, I think that there are many ways to remain relevant. Army does not necessarily have to be structured the way that Dr Ryan thinks it has to to actually remain relevant. I think Chief of Army would say that it is pretty relevant now. It does depend a bit on what Army thinks its structure should be. I notice its MOLE concept—manoeuvred operations in littoral environment—and its thinking of how it might wish to operate, which is all good stuff. I think it easy for commentators to dismiss some of the capabilities that Army has and to say that Army will not be relevant. I do not think that would be Army's view.

CHAIR—If you look at the environment in Iraq, our force projection of land forces is through armoured divisions being able to move forward. Our contribution in Iraq is mainly the SAS, in a totally different environment.

Air Vice Marshal Blackburn—The question is: do we wish to invest to the degree necessary to be able to provide a large force element there or, where we have less discretion, a regional operation, say, a Timor or Timor plus? What is the level of organic fire power support and protection that we must provide to our Army to do that?

CHAIR—That is the question post September 11.

Mr PRICE—Could you comment on the defence theologians debate about whether we have a continental force or an expeditionary force?

Cdre Goldrick—I do not like the loose use of the word 'expeditionary' to convey things that it should not. I always liked General Connolly, who used to be Commander Australian Theatre, who made the point that Australia was a dry archipelago. The reality is that, even if you are into a purely Australian context, in order to be able to operate around Australia and in its area, around its territories and in what used to be defined as its area of direct military interest—but certainly within the inner neighbourhood—all those problems require you to move; they require you to be expeditionary. We have to be able to move all our forces around because the Air Force have to be able to forward deploy. To be able to forward deploy to those bare bases in the north of Australia is an enormous thing to do in itself. We are thinking in European terms about moving from London to Istanbul. The Army is going to operate in the north. For six months of the year, most of the north is impassable by vehicles, even when there are roads; therefore, it has to have a strong maritime component to be able to move around. The same applies if the Navy is going to go anywhere. This is why I do not like this blue-, green- or brown-water construct. Put your nose outside Sydney heads and you are in blue water all right, and it does not have to take you more than 500 yards away from South Head. In other words, we are a defence force that requires inherently to move long distances whatever the government wants us to do. We have to have that construct in mind at all times. So, frankly, the expeditionary/continental arguments are missing the main point, which is: is the Australian Defence Force sufficiently mobile to do what the government wants it to do? At the moment, my view, given the government's guidance, is yes, we are.

Mr BEVIS—Earlier there was some discussion about what the implications might be in the medical corps of having outsourced some of that ability. It prompted in my mind the situation with parts of intelligence now. Is it not the case that we have now contracted out to private companies some of the intelligence translation and/or interpretation of signals data that we get, which not that long ago was done in-house? What are the implications of that?

Mr Carmody—I am not sure how far I want to go in commenting on that.

Mr BEVIS—Well, they were publicly advertised and so on in the newspapers, so I do not know that it is classified. The tenders were publicly let.

Mr Carmody—I think I let one of them. The issue is that that does not change the nature of the intelligence collection and production process in any real way. It has not had an impact on the mobile assets that belong to the services. It was a Canberra-centric response, and it has enabled the intelligence community to make use of the skills inherent in a range of people who, for reasons known more to them than to anyone else, do not want to be mobile any more but want to take positions in places like Canberra and stay, not move. So what has happened with some of that external advertising and recruitment is that we have picked up people who have retired or resigned and who otherwise might have been lost to the community. They are being used—

Mr BEVIS—But the work is actually contracted out not to individuals but to another company. I think British Aerospace won the contract originally.

Mr Carmody—That is true, and the company has to provide people with the expertise to fulfil the task. My experience from when we were doing this—it might have changed over the last three years since I moved on from working directly in the intelligence community or being directly involved with them—was that by and large the people who the company picked up to do that work in very many cases were ex-servicemen.

Mr BEVIS—If we think it is an enhancement of our military capabilities to outsource to private tender and a private company that sort of what I would have thought was fairly core sensitive work—

Mr Carmody—I think it is a slightly different issue in that the ADF wanted to maintain as many people in uniform doing things closer to the point where they really need to do them—

Mr BEVIS—These people were not originally in uniform. The people they replaced were not in uniform; some were.

Mr Carmody—My experience is that they were all in uniform originally. When this process started, they were all in uniform.

Mr BEVIS—Certainly some were.

Mr Carmody—If we are talking about the same issue—

Mr BEVIS—We are.

Mr Carmody—I think they were in uniform and the tender was let. I think British Aerospace won the first. I do not know what the duration was.

Mr BEVIS—Where does that philosophy end? Do we outsource your jobs?

Mr Carmody—I do not know whether you could outsource mine.

Mr BEVIS—If we could outsource the people who actually get sensitive signals data and do the interpretation of it, and if that is something that we think can be outsourced, then why should we not be able to outsource the likes of the jobs that you guys are in?

Mr Carmody—The functions that were outsourced are routine activities—not the higher level management function of deciding what the organisation is going to do and how to manage its priorities but more the routine daily tasks that can be undertaken by somebody with the appropriate skill set. You would not outsource the management of the entire organisation, but you might outsource very easily, as we have done, some of the routine tasks.

Mr BEVIS—I will not pursue it further at the moment. If we look at another area of government that has long lead times, tertiary education, we fund it on a rolling triennial basis because we figure that you cannot start and finish courses each year, in and out. It has always struck me that Defence has the same dilemma, except on a longer time frame. Is there any value in looking at rolling triennial funding of Defence that provides, as it does for the tertiary education sector, a degree of certainty at least two or three years into the future?

Mr Carmody—I think there would be great value in looking at different funding regimes for us. In many ways it would make it easier. Certainly, though, it is a decision that is not mine to make.

Mr BEVIS—I appreciate that.

Mr Carmody—We are operating within the framework that we have to operate in and, of course, there are constraints as a consequence. We do try and mitigate that to some extent with the Defence Capability Plan over a long period and look at the forward estimates period and beyond the forward estimates period, making the types of judgments we need to make because of the long lead time. So, to the extent that we can, we have ways to deal with that. There are likely to be better solutions. I am not sure that they would always be agreed by my colleagues from other government departments that allocate money to us.

Mr BEVIS—No, I am sure they would have a different view.

Senator SANDY MACDONALD—You have an understanding, I take it, that the government has provided. You can have a three per cent increase in real terms over the next 10 years. It might be better than that or it might be worse, but that is the understanding.

Mr Carmody—Yes, that is the understanding. As I said, with the forward estimates period over the 10 years, and with the white paper funding, we certainly have some flexibility. We might have slightly less flexibility just because we sometimes still operate in annual financial years in some project senses. But we have a reasonable view of the amount of money that is

available over the decade—quite a reasonable view—and therefore we can bid against it and work against it.

Senator SANDY MACDONALD—When it comes to supplementation for a particular activity, how much haggling goes on about what is the supplementary nature of the activity and how much something should be incorporated into the existing budget?

Mr Carmody—There is a little haggling and, therefore, it is up to us to define very precisely what is current and what is new. We are becoming far more adept at that than we might have been in the past. What we do now at the start of an operation, which is what we did not do even a few years ago, is catalogue immediately what all the levels of expenditure are and make sure we say, 'That's new; that's not. This is additional; that's not.' Instead of doing it retrospectively, we define it from the beginning so that we are in a better position to justify our case. Whether that is haggling or whether it is being well placed to argue our case in a budgetary sense, I suppose, is a moot point.

Senator SANDY MACDONALD—Initially something like the MIF commitment is a supplementation, and then it becomes embedded as the years go by, presumably. Or is our MIF undertaking something that you haggle over?

Mr Carmody—I would have to take it on notice. I am not sure, to be perfectly frank.

Cdre Goldrick—Senator, I agree with you because we were not actually deploying ships absolutely continuously to the gulf under Operation Damask before September 11. It had happened practically but not every year for a period during that year. We will take it on notice.

Mr BEAZLEY—I want to get back to discussions you were having in response to a few other questions on the Army's MOLE concept and what sort of impact that is having on your thinking about Australian strategy and force procurement. I do not see what is going on in Iraq as having much to do with September 11. You can draw a straight line between where the allied forces are now and El Alamein, in all probability. Certainly, it is 1991 in continuation, going into the sorts of problems you would have had if you had gone on in 1991 as opposed to anything that has changed in the environment since September 11. I am not sure how enthusiastic Army was to put a battalion or a brigade in. The Americans obviously were successfully talked out of that after a few months. In terms of what sort of kit the Army is looking at in terms of how it wants to involve itself in operations in the littoral environment, what is getting the stress here? Is it maritime and air transport? Are there particular items—types of armoured vehicles or helicopter capabilities? What is the bid into the system from this thinking about strategic doctrine?

Mr Carmody—Have you read much of the MOLE?

Cdre Goldrick—I think that there is a lot of focus on the mobility aspects of it at the moment. The Army have been doing a lot of work through their experimental framework to look at MOLE. Last year's experiments really focused a lot on the future amphibious ship requirement, which was enormously useful for Navy as we tried to define exactly what would be the best way for that. I think that they are now stepping on to look at other issues—for instance, the fire support issue. In the longer term, the lift is a big issue, but also—here I am speaking for Army without being fully across it—it is this issue of how you have an all-arms

capability, a capability to actually operate to provide the protection you need in all the environments that they might expect to operate and how, if they go into a low-level situation, they can escalate sufficiently quickly. It is not simply so that they can do it; if they are able to do it, they have a deterrent effect and prevent the likelihood of things happening.

From what I see as Director-General Military Strategy, it is a work in progress at this stage. In the shorter term, it is issues of sustainment, preparedness and explosive ordnance holdings that we are really trying to get a good grip on to ensure that our forces have the resources they need in the shorter term for contingencies we might expect.

Mr BEAZLEY—So it is manifesting itself mainly now in what you might describe as readiness factors—how much ammunition you have?

Cdre Goldrick—I think that is a pretty fair way of putting it, and also we are trying to do more work on the amphibious capabilities as such—amphibiosity—to ensure that all elements of the amphibious force are practised in operating with each other. Obviously, that is subject to operational contingencies. The *Kanimbla* is currently in the gulf. That certainly is receiving a lot of attention at the moment.

Mr BEAZLEY—I remember that when I was defence minister it was a big contrast to where we are now: there was a massive stock of ammunition from the Vietnam War—there were weapons that were actually there. No-one sat down and worried too much about ammunition because there were tonnes of it hanging around all over the place. Then we went to a different rifle and different artillery pieces and all that suddenly changed dramatically, to a point where, given the rates at which you expend it, if you get involved in a conflict there is a serious problem now.

Mr PRICE—I am always interested in our region when we talk about operating in a coalition. If it is a United Nations endorsed thing then that is quite easy, but if it is an operation that is sanctioned by our regional partners, and we have the five-power arrangement which has been modified, are you satisfied that you have the diplomatic or treaty infrastructure with our neighbours to develop a coalition operation? Or are we still dependent on the regional engagement that Defence invests very heavily in in our region to do that?

Mr Carmody—We have a very active regional engagement posture.

Mr PRICE—I understand that.

Mr Carmody—The reason I started out by mentioning it is that, where we hope it leads us to is almost being the nation of first call for assistance—because it will. We know that we develop a wealth of trust, experience and exposure through our defence cooperation program. I am not sure about your point on the modification of FPDA.

Mr PRICE—It has evolved over time—that is what I am saying.

Mr Carmody—I suppose it has.

Mr PRICE—But it still precludes Indonesia, doesn't it?

Mr Carmody—It does. It is only the United Kingdom, Australia, Singapore, Malaysia and New Zealand. There seems to be a very strong commitment within the region to maintaining FPDA, and maybe FPDA will evolve more as time goes on. So the FPDA arrangements are solid. In terms of a coalition, I was going to say at the start that it depends on how you define 'coalition'. When we went in to provide the peace monitoring in the Solomons you could call that a coalition of sorts. A number of countries were involved. If you look at Bougainville, there is a UN element of Bougainville, but principally Australia is carrying more of the load than most other countries, even though the load has diminished, and what underpins the activities in Bougainville is us. Nothing is perfect, but we have as good a relationship as we could expect in dealing with most of our regional neighbours through the defence cooperation program. I would argue that we are well placed—you are never totally perfectly placed—in terms of our relationships with our regional neighbours, although I would think that we may, given the tempo of the last two years probably since INTERFET, probably operate slightly less with our regional neighbours than maybe we should.

Mr PRICE—I am not being critical, but we cancelled our security agreement with Indonesia but we do not seem to have replaced it with anything. On the other side, we seem to be much more involved with the Philippines than we ever have been before, but they are out of the five-power arrangement.

Mr Carmody—I am not sure whether we cancelled our arrangement with Indonesia or they cancelled it with us—

Mr PRICE—Whatever.

Mr Carmody—but, while Indonesia is a bit of a moveable feast, I would say that we have our counter-terrorism MOU with Indonesia, one with the Philippines, and a number of others are on foot. In fact, what started out as a counter-terrorism MOU underpinned the police cooperation that was so successful in Bali, so I think a couple of those instruments are flexible enough to assist in our arrangement. If the Indonesian government wanted to establish some more formal arrangement, I am sure the government would probably consider that. I would argue that things have moved on a little and that the level of cooperation we are getting out of that MOU and a range of others, because we are now operating in a slightly more globalised environment than we were prior to September 11, suits our purposes. I do not think it is that bad. I think our relationship is really quite reasonable.

CHAIR—As there are no further questions, we will end the hearing. I thank you for your attendance today—

Mr PRICE—Can we note that there are no representatives of the Army here—I want to get that on the record.

Cdre Goldrick—Can I just point out that every single officer here is here in a joint posting.

CHAIR—It is a joint force—we have Army behind us here.

Mr Carmody—I would have said that we would descend into tokenism, which would have been totally inappropriate.

CHAIR—As you have been asked to provide additional material, would you please forward that to the secretary. You will be sent a copy of the transcript of your evidence today, to which you can make corrections of grammar and fact. Thank you for your attendance and I thank our Hansard staff very much.

Resolved (on motion by **Mr Scott**):

That this committee 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 11.36 a.m.