

CHAPTER FIVE

STRATEGIC CONSIDERATIONS

5.1 Australia's strategic circumstances are a fundamental consideration in force structure planning and defence and foreign policy formulation. These circumstances have been reviewed at length, and advised to the public through recent policy documents such as the Foreign and Trade Policy White Paper *In the National Interest*, and in *Australia's Strategic Policy*. The Committee saw no need to repeat that analysis in this report, although some aspects are discussed where they hold implications for Defence funding determination.

The Basis of Strategic Planning

5.2 Some analysts are currently espousing the position that the current situation is the most stable in the last 100 years, as Japan, the US, Russia and China have all reached positions of increasing mutual accommodation. Recent economic growth has fuelled confidence within the region, and there is greater interdependence and participation in multilateral fora. Given this situation, some submissions to the inquiry proposed that Australia was able to reduce its current level of defence spending. However, although current prospects appear promising, DFAT assesses that there remains a number of threat perceptions within the Asia-Pacific community, stemming not only from internal conflicts (within the geographical boundaries of a country), but from perceptions of fellow Asia-Pacific members. These include the conflicting territorial claims over the South China Sea, the tension between the two Koreas, and the unresolved status of Taiwan.¹

5.3 DFAT warned that 'things can always change, and change quickly.'² Examples of this potential for rapid developments in intentions are common. The invasion of Kuwait in 1990, the Taiwan Straits crisis of 1996, and the struggle for primacy in Cambodia in mid-1997 were all examples where military forces were employed in rapidly-developing crises, giving little notice in terms of the timescales required for development of military forces.

5.4 Defence planners are frequently criticised for their pessimistic outlook and interpretations. However, this is their role. The function of those charged with planning of national Defence is to consider eventualities which may be more long-term than the prospects foreshadowed for the ensuing five to ten years. This is particularly important given that major new military capabilities commonly require up to 10 years to introduce into service. If security planning considered only those threats which were deemed likely, there would exist no margin of error, or additional surety against emergent security threats which may have been unforeseen or unthinkable in more benign times.

The Defence of Australia

1 Varghese, DFAT Transcript, p. 160.

2 *ibid.*

5.5 The point of greatest contention in the debate over Australia's defence requirements has been a perception commonly referred to as the 'Defence of Australia' policy. This emerged from previous strategic guidance documents, which stated unequivocally that:

The structure of the Defence Force is determined by its essential roles in providing for the defence of Australia.³

5.6 Even the titles of the 1987 and 1994 Defence white papers; *The Defence of Australia*, and *Defending Australia* emphasised a defence policy whose primary focus ostensibly was to defeat an attack on the Australian mainland. The central point of contention remained that Australia had never been under threat from foreign invasion, and the emergence of such a threat was not foreseeable. Strategic guidance has long maintained that, with the exception of the United States (and in earlier times, the Soviet Union), no nation possessed the military capabilities necessary to threaten an invasion of Australia, or even to sustain high level military operations against us.⁴

5.7 The ADF has never been envisaged as a force purely for the defence of Australia. The 1987 White Paper addressed a number of other scenarios which would involve a threat to Australia's *interests*, including military harassment, low-level conflict, and threats to Australian trade.⁵ Both earlier White Papers extended rationale envisaging that forces structured primarily for high-level operations (ie, the defence of Australia) would also possess the flexibility and versatility to meet shorter-warning, lower-level threats, and to support other elements of Australian defence policy.⁶

5.8 The strategic review *Australia's Strategic Policy*, released on 2 December 1997, clarified the concept of Defence of Australia. In earlier papers, capability requirements were predicated purely on the basis of their contribution to the defence of Australia. With the strategic review's changed emphasis, recognising that regional conflicts were more likely than direct attacks on Australia, there came an acknowledgment that the ADF needed 'the capability to make a substantial military contribution in many different possible circumstances'.⁷ While defeating attacks on Australia is still an essential task which could require the ADF to undertake combat operations, two others were defined; 'defending our regional interests, and supporting our global interests'.⁸ With the change of emphasis, the defence of Australian territory has now become 'the *first* task of our defence force'.⁹

3 *Defending Australia*, op. cit., p. 5, para. 1.12.

4 *The Defence of Australia 1987*, op. cit., p. 30, para. 3.38. See also pp. 25-26, para. 3.15-3.18. Also, *Defending Australia*, op. cit., p. 23, paras. 4.8-4.9.

5 *The Defence of Australia 1987*, op. cit., pp. 23-29.

6 *Defending Australia*, op. cit., p. 33, para. 4.48.

7 *Australia's Strategic Policy*, op. cit., p. 36.

8 *ibid.*, p. 29.

9 *ibid.*, p. 30.

Interoperability with the US

5.9 Continued US presence, and strategic engagement within South-East Asia is described as 'the linchpin of regional security'.¹⁰ It contributes to confidence within the region. Only the United States has the potential to provide a buffer to prevent ASEAN from domination by a hegemonic power, or by a hostile coalition of forces.¹¹ A weakened, disunited ASEAN dominated by some external power would not be in Australia's long-term geopolitical interests. The Asia Pacific region without the presence of the United States would present a hazardous and uncertain environment for Australia.

5.10 These circumstances provide the clear rationale for Australia's continued close military relationship with the US. Military alliances remain the foundation of regional security cooperation, and Australia's strong bilateral relationship with the US forms part of a network of mutually reinforcing security arrangements.

5.11 That the relationship between Australia and the US has persisted for half a century is due to the clear benefits accruing to both parties.¹² Both parties highly value the military and political support from the arrangement. While the benefits to Australia are largely material, or contribute directly to Australian security, the contribution which the US values most highly from its allies is their political and military support as coalition partners. In order for the partnership to function in the interests of both nations, the ADF must maintain modern forces interoperable with US forces.

5.12 In the past, a degree of interoperability was able to be maintained through the sharing of language, communications codes and operating frequencies. A level of Australian-US logistic compatibility has also been common over at least the last two decades, due to the prevalence of US-sourced equipment and weapons in the ADF inventory. By preserving commonality of vital war stocks, such as missiles and aircraft spares, Australia is able to take advantage of the preferential access enabled by its special relationship with the US, to seek rapid resupply and other essential non-combat support in time of crisis. The Committee was confident that continued commonsense force development decisions within Defence would see this beneficial arrangement maintained into the foreseeable future.

5.13 However, while the capability to interchange ammunition and aircraft and ship spares is a convenient attribute in coalition operations, platform interoperability will prove of secondary importance to the ability to exchange information in future conflicts. With the rapidly-growing dependence of modern weapon systems on information technology, interoperability now requires that the ADF maintain commonality of systems, or at least systems of similar technology levels, to those of our most important ally. This will become increasingly important in the 'continual real time communication of intelligence, surveillance, command and coordination information',¹³ as interoperability in these areas will provide the greatest enhancements to combat capability.

10 *In the National Interest*, Australia's Foreign Affairs and Trade Policy White Paper, 1997, p. 39, para. 91.

11 Dibb, Professor Paul, in *ANZUS After 45 Years - Seminar Proceedings*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, September 1997, p. 74.

12 For a discussion of these benefits, see *ANZUS After 45 Years - Seminar Proceedings*, op. cit., pp. 125-129 and pp. 153-160.

13 *Australia's Strategic Policy*, op. cit., p. 48.

5.14 Strategic guidance recognises that preservation and development of the US alliance 'is among our highest strategic priorities',¹⁴ and that:

the challenges in alliance management over the next few years will include sustaining our military capacity to operate with the United States by investing in necessary systems...¹⁵

But while this need to keep up with the level of information technology in currently-fielded US weapon systems is central to the ADF's capacity to operate with US military forces and so remains an important consideration in determining upgrades to current equipment,¹⁶ it is very demanding in budgetary terms. Again, strategic guidance recognises that:

[I]t will become increasingly difficult and expensive to maintain such interoperability with US forces, as the pace and level of their investment in such systems continues to grow.¹⁷

5.15 There are indications that the ADF is already beginning to fall behind in its efforts to remain interoperable with the US in some areas of equipment. In its report on a visit to the joint Australian-US Exercise Tandem Thrust in March 1997, the Committee noted that the ADF's communications interconnectivity capabilities lagged those of the US forces by a significant margin, and there was already evidence that Australia was at risk of being left behind technologically.¹⁸ This observation applied primarily to the land force, and such examples of the inadequate equipment levels emphasise the urgency of Army's equipment upgrade plans. The critical need for the ADF to remain interoperable with the US will remain a major influence on equipment acquisition programs.

5.16 Some interoperability problem areas will be addressed automatically in planned upgrades and replacement of a number of major ADF platforms, but there exists an urgent need for current generation command and control, communications, computers, information systems, surveillance and reconnaissance (C4ISR) assets. The Committee noted the current emphasis on projects specifically to address this area of deficiency in the listing of 1997-2001 Defence New Major Capital Equipment Proposals. The highly classified nature of some of these projects prevents analysis here of the improvements to ADF capability from these modernisation initiatives. However, the Committee agreed with the general prioritisation of C4ISR projects within Defence's Capital Equipment program. The Committee also welcomed Defence's assurances that funding for these projects had already been programmed, and that Defence would be able to invest heavily in command, control and communications systems and intelligence systems, providing considerable improvements in this area of capability, within the current level of defence spending.¹⁹ Accordingly, the Committee assessed that the obligation imposed by alliance with the US, to remain interoperable in key areas of military capability, was not currently a significant cost pressure

14 *ibid.*, p. 18.

15 *ibid.*, p. 19.

16 White, Dept. of Defence, Transcript, p. 248.

17 *Australia's Strategic Policy*, *op. cit.*, p. 48.

18 *Report of the Defence Sub-Committee Visit to Exercise Tandem Thrust 97, 12-14 March 1997*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Parliament of the Commonwealth of Australia, May 1997, p. 4.

19 White, Dept. of Defence, Transcript, p. 218.

on the ADF, except where interoperability projects displaced other required capabilities in acquisition prioritisation.

Long-range Ballistic Missiles

5.17 One major issue which has the potential to seriously erode Australia's current security position is the emergence of a ballistic missile threat within the region. Strategic guidance describes ballistic missiles as 'one particular possibility which we will need to keep under review'.²⁰ Although more a terror weapon than a means of conducting a military campaign, ballistic missiles, especially if carrying weapons of mass destruction as warheads, may be used as a means of placing military pressure on Australia in order to gain concessions. Physical defence against these missiles is difficult, and prohibitively expensive, especially for a country such as Australia, with widely scattered centres of population. Australia's defensive strategy against this capability to date has been to actively support international conventions aimed at limiting the proliferation of both the missiles and the weapons of mass destruction which would provide the most likely warhead for this class of weapon.

5.18 Defence acknowledges that any need to invest in ballistic missile defensive systems would have 'very substantial cost implications that could not be accommodated within our present Defence budget without a very serious distortion of the rest of our force structure',²¹ but judges that 'the potential ballistic missile threat to Australia is not great enough to warrant the very significant investments that would be involved in a theatre ballistic missile defence system'.²² While agreeing with Defence that the risk of these weapons being used against Australia's vital interests is currently low, the Committee noted that Defence's judgement in this case demonstrates a significant departure from the policy of basing Australia's defence planning on regional capabilities, rather than intentions. The increasing reliability, affordability and availability of this class of weapon is likely to contribute towards their gradual proliferation within the region, which has the potential to seriously disrupt current assessments of risk versus the costs of defence. This is an avenue of significant potential threat of which Defence needs to maintain a heightened awareness.

The Asian Economic Crisis

5.19 Although an event which developed largely after the Committee completed taking evidence for this inquiry, the financial crisis currently being experienced by several Asian nations is an important issue deserving of mention when considering strategic influences.

5.20 This situation is referred to in two recent strategic policy documents. *Australia's Strategic Policy* refers to the 'current problems in the economies of some regional countries',²³ implying that the present general downturn is merely a short term aberration in overall long term growth trends. The underlying validity of this assessment is likely to be proven, as healthy rates of economic growth are likely to resume following a potentially painful period of adjustment. However, the strategic review's evaluation was made before the full extent of the problem and the severity of its impacts became evident. As a result, the review did not consider the shorter-term problems for the region and the implications for

20 *Australia's Strategic Policy*, op. cit., p. 31.

21 White, Dept. of Defence, Transcript, p. 258.

22 *ibid.*

23 *Australia's Strategic Policy*, op. cit., p. 5.

regional security. In its turn, the foreign and trade policy white paper acknowledged (before the emergence of the current economic crisis) that:

The region could, however, move in a different direction. The dynamics of the region would be very different if, for example, economic growth were to falter seriously...²⁴

5.21 The current problems have altered some of the assumptions which underpin the most recent Government strategic guidance, and have produced a number of security negatives. Within those nations most severely affected, the impact of the crisis has seen the heightening of internal tensions, most commonly along ethnic divides, evidenced in food riots and instances of looting. Leadership within those countries has become less predictable, and as external causes are sought to which blame may be apportioned, public attitudes have tended towards increasingly nationalistic extremes.

5.22 The Committee saw the current crisis as an example of how uncertainty remains an enduring consideration in Defence planning, and serves as a persuasive demonstration of the short timeframes over which a benign security situation may seriously deteriorate. The most recently evidenced outcomes of the Asian economic crisis, even when considered in isolation, lend persuasive arguments to maintaining, if not enhancing, Australia's military funding levels.

Regional Engagement and Defence Cooperation

*From a foreign policy perspective, developments in our security and defence relations have contributed as much as growing commercial relations to engagement with our immediate region.*²⁵

Regional Engagement

5.23 The Australian Defence Force is one of the principle agencies for active promotion of Australia's national interests in the Asia Pacific region. A nation's military forces remain an important instrument of national influence, and the capability of the ADF provides an essential underpinning to our defence alliances and regional relationships.²⁶ This feature is particularly evident in the Asia-Pacific region, because of the prevalence and influence of military personnel in many of the governments in the region. One estimate of the total cost of the cooperative regional engagement activities conducted by Defence is between \$200 to \$250 million.²⁷

5.24 A particular utility of the defence-to-defence relationship between Australia and other regional partners is that it provides a channel of communication and a pattern of cooperation which tend to be less affected by temporary problems in the overall bilateral relationship.²⁸

24 *In the National Interest*, op. cit., p. 36, para. 85.

25 DFAT, Submission, p. S257.

26 *Australia's Strategic Policy*, op. cit., p. 17.

27 See Ball, Professor Des, in *ANZUS After 45 Years - Seminar Proceedings*, op. cit., pp. 161, 183, and 242-243.

28 Varghese, DFAT, Transcript, p. 164.

5.25 Regional cooperation activities are currently an expanding part of Defence's business, and there are several examples of where Defence has been making a greater contribution to foreign policy objectives. In July 1997, the Minister for Foreign Affairs announced the establishment of a formal regional security dialogue with the Philippines.²⁹ The existing relationship already includes a military-to-military component, and there is likely to be some enhancement in that field. Defence cooperation and strategic dialogues are the most dramatically expanding element of our relations with the Philippines, and DFAT was of the view that these dialogues were only able to be sustained with further resource inputs from Defence.³⁰

5.26 Other areas where DFAT considered that further resource burdens would be placed upon Defence were in the expanding pattern of policy consultations and bilateral defence cooperation programs aimed at enhancing our existing relationships with Malaysia and Singapore.³¹ There is also a growing level of activity where the ADF contributes to talks with Korea and Indonesia,³² and there is likely to be continuing growth in the defence relationship with Japan, including greater contact between the ADF and the Japanese Self Defence Force.³³ Finally, DFAT identified that the ADF is also an important contributor to the development of Australia's emerging relationship with China. DFAT's overall assessment was that dialogue was likely to increase with a number of regional nations over the next few years, involving greater levels of contact between the ADF and members of other regional military forces.

5.27 Given this expansion in foreign policy roles for the ADF, the Committee sought some estimation of the additional resources the ADF would have to expend to support these activities. Defence agreed that the level of one-to-one and force-to-force contact would steadily increase, a factor which will have to be taken into account in future Defence budgeting. However, the primary emphasis of this enhanced contact is the expansion of security dialogues, especially in areas aimed at improving transparency between the military forces in the region. Common forms of such initiatives are visits by senior military officers and participation in high-level political-military (Pol-Mil) discussions, while future initiatives could see the exchange of observers in national military exercises. DFAT assured that because only existing ADF skills, capabilities and resources are utilised, such activities have not distorted ADF structures or capabilities,³⁴ and in terms of a \$10 billion Defence budget, the steadily expanding set of security talks is not going to draw heavily on resources.³⁵

5.28 Another common mechanism for regional engagement has been increased defence contact through port visits by RAN vessels, and visits by RAAF aircraft. As warship steaming time is an expensive commodity, the Committee questioned whether the increased level of contact would produce a cost impost on the Navy. However, evidence showed that the additional visits to regional ports merely became a normal part of the fleet's activity

29 *ibid.*, pp. 160-161.

30 DFAT, Submission, p. S257.

31 *ibid.*

32 Varghese, DFAT, Transcript, p. 163.

33 *ibid.*, p. 164.

34 DFAT, Submission, p. S261.

35 Varghese, DFAT, Transcript, p. 149.

schedule, and such alterations had been accommodated within Navy's planning for a number of years.³⁶

5.29 As a final point on regional engagement activities, Defence points out that the recent Asian financial crisis has substantially reduced the capacity of some of Australia's regional partners to accommodate an increase in activity levels in the short term.³⁷ However, even given an increase in the level of regional engagement activities in the longer term, Defence was confident that this should not impact significantly on the Defence budget.³⁸

5.30 In light of the evidence presented, the Committee assessed that the ADF's increasing role as a vehicle for Australian foreign policy and regional engagement was unlikely to have a major influence on the total level of Defence funding.

Peacekeeping Operations

5.31 A further avenue of Defence participation in Australian foreign policy is in its contribution to peacekeeping initiatives. With the strategic review's revised emphasis on 'defending our regional interests, and supporting our global interests',³⁹ the clear provision has been made for the ADF to play an increasing role in the region in supporting peacekeeping operations, thereby contributing to regional stability well beyond Australia's shoreline.

5.32 Australia has contributed to over 20 of the 34 peacekeeping operations the UN has conducted since its inception. In the last decade, the Australian Government has sent forces to the 1991 Persian Gulf War and to peacekeeping missions in Namibia, Cambodia, the Western Sahara, Somalia and Rwanda, in support of UN resolutions aimed at supporting or re-establishing peace, or countering aggression.⁴⁰ This commitment reflects the view of successive Australian governments that UN members have an obligation to support efforts aimed at maintaining international and regional peace and security.⁴¹

5.33 ADF participation in major peacekeeping operations, however, does not provide a justification for significant increases to the Defence budget. The practice in previous major peacekeeping operations - for example, on the scale of the operation in Somalia - has been for the Government to supplement Defence where such an operation results in a net additional cost to the Department.⁴² Where Defence is unable to sustain a case for supplementation in the case of a smaller-scale or short-duration security operation, the cost of such an operation is usually encompassed by Defence's normal operating or training costs.

Defence Cooperation

5.34 Another regional security mechanism which falls under the purview of the Department of Defence is the Defence Cooperation Program. The 1997-98 Budget Estimate for DCP activities was \$67.9 million, which enables a number of training, construction, and technical support initiatives, primarily to assist South Pacific nations, ASEAN partners, and

36 Oxenbould, Dept. of Defence, Transcript, p. 191.

37 Dept. of Defence, Submission, p. S336.

38 *ibid.*

39 *Australia's Strategic Policy*, op.cit., p. 29.

40 DFAT, Submission, pp. 5-6.

41 *ibid.*

42 Tonkin, Dept. of Defence, Transcript, p. 26.

Papua New Guinea.⁴³ The Committee noted that many of the activities funded under the DCP are not specifically militarily oriented, as they encompassed English language training, de-mining activities, disaster relief, communications projects, and assistance with surveillance operations. A lot of the DCP would not commonly be defined as military aid at all, but it assists significantly in establishing linkages between the ADF and those countries, which flows directly back into Australia's security and into our security interests.⁴⁴

5.35 One argument highlighted to the Committee was that these arrangements were maturing, and were undergoing a transition to a stage where DCP partners, particularly those from within ASEAN, were more capable of sharing the cost of such activities. In some instances, cooperative training ventures with Singapore and Malaysia had already progressed towards 'user-pays' arrangements. Defence acknowledges the recent trend for regional partners to accept a greater share of the costs of regional engagement activities,⁴⁵ although comments that the current Asian financial crisis may slow, or even require reversal of that trend. Defence also points out that 'cost share' arrangements have never been extended to Papua New Guinea or South West Pacific nations, who are less able to afford the substantial costs involved. The Committee agreed with Defence's summary that:

It is likely that a significant level of Defence Cooperation (DC) funding will be needed for some time. But it is also *unlikely* that the level of [Defence Cooperation] funding will increase to an extent that it has a significant impact on the overall Defence budget.⁴⁶

ASEAN Regional Forum

5.36 The ASEAN Regional Forum (ARF) is a relatively new initiative for discussions on security issues within the region. While still early in its development, there is hope that the ARF will develop into an important regional security institution, able to take on a preventative diplomacy role. Given continued support, it is hoped that the ARF will later become involved in approaches to conflict resolution.⁴⁷

5.37 The Committee investigated the potential for current ship visits and shared training to develop into combined exercises, at which stage the cost of ARF support activities had the potential to escalate. The DFAT witnesses saw no immediate potential for such expansion, as the activities currently undertaken with ARF dialogue partners tend to be low level, and the ARF is not developing at a rate that is likely to see the emergence of major cooperative exercises in the near future.⁴⁸ DFAT's assessment is that a next step in development of activities under the ARF would be through initiatives aimed at increasing the transparency of exercises, through inviting other ARF members to attend national military exercises in an observer capacity. While conceding that the mechanisms of the ARF should be strongly supported by Australia, the Committee determined that Defence activities in support of the ARF are unlikely to be a significant determinant on the level of Defence funding required.

43 *Portfolio Budget Statements 1997-98, Defence Portfolio*, op.cit., Appendix 9, pp. 236-244.

44 Varghese, DFAT, Transcript, p. 151.

45 Dept. of Defence, Submission, p. S336.

46 *ibid.*

47 Varghese, DFAT, Transcript, p. 159.

48 *ibid.*, p. 153.

Five-Power Defence Arrangements

5.38 The Five-Power Defence Arrangements (FPDA) between Australia, the United Kingdom, New Zealand, Malaysia and Singapore, are long-standing, and 'an effective symbol of the strength of our engagement in Southeast Asian security'.⁴⁹ The importance of FPDA to Malaysia and Singapore extends beyond the symbolic value of maintaining the relationship with Australia, as it involves a clear commitment by Australia to support the security of those nations. To substantiate this commitment also obliges a level of continuing Australian Defence participation, which has resource implications. Active participation in FPDA activities has involved long-term Australian support (and command) of the FPDA Integrated Air Defence System (IADS), and continuing participation in exercises and training activities on the Malaysian peninsula.

5.39 The relevance of FPDA to the debate on Defence funding stems from the recent increase in the scale of activities under the aegis of the FPDA. With the handover of Hong Kong, the United Kingdom's desire to demonstrate a continued interest in regional security issues has seen some resurgence of UK interest in FPDA. The FPDA is now the central focus of British military involvement in the South Pacific. Although this renewed interest culminated in a major defence exercise in April 1997 - Exercise FLYING FISH - there is no evidence that the level of activity will further increase, consequently requiring supplementation of funding for Defence activity levels. Equally, there is no evidence that the intensity of UK interest in FPDA is likely to decline in the medium term.⁵⁰ On balance, the level of activity required to support FPDA is unlikely to significantly influence the requirement for Defence funding.

5.40 The ADF also plays a central role in maintaining our alliance with New Zealand under the Closer Defence Relations program. The ADF contribution to defence cooperation with New Zealand involves over 100 bilateral defence activities, including joint exercises and training initiatives.⁵¹ Since the rift between New Zealand and the United States over nuclear ships policy in 1985, the US declines to exercise jointly with New Zealand, forcing Australia to spend more to participate in separate joint exercises with each alliance partner than would be necessary if both nations would consent to exercise together. This involves a cost which might be reduced, should the US restriction on training with New Zealand be lifted, allowing some rationalisation of Australia-US and Australia-New Zealand combined exercises. However, this is an item of long standing, which has been the subject of continual discussion between the parties.

Strategic Planning Imperatives

5.41 Over the last decade, the clarification of Australian Defence strategic planning by successive governments has refined the areas of focus for Defence operations, which in turn has imposed additional costs on the ADF. Examples of these from the past decade are the Army Presence in the North (APIN) initiative, the completion of the chain of bare bases across the north and west of Australia to support RAAF operations, and the adoption of the two-ocean basing policy for Navy. These initiatives have imposed a significant premium to establish the necessary infrastructure, and ongoing increased operating costs. The increases

49 *Australia's Strategic Policy*, op.cit., p. 23.

50 Varghese, *ibid.*, pp. 162-163.

51 DFAT, Submission, p. S257.

in operating costs have resulted largely from the need to transport stores, to remove increased numbers of Service personnel and their families across long distances, and to supplement the limited services available in some remote areas.

5.42 However, as historical initiatives, these measures have received Budget supplementation, have been offset against efficiency dividends emerging over the same period, or have otherwise been included within the Defence costing base or absorbed within the Defence budget. Accordingly, while they consume a significant quantum of funding, and contribute to the pressure on the Operating Costs portion of the budget, they provide no justification for substantive adjustment to the level of Defence funding.

