

Hugh White
Defence Needs Discipline
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Five years ago John Howard and Peter Costello did a \$24 billion deal with the Defence Department. It was quite specific. Defence won a large and sustained real increase in its budget - 3 per cent every year for 10 years. In return, Defence would deliver the military capabilities that ministers had decided, after a lot of advice and careful thinking, were what Australia needed. The deal was formalised in the 2000 Defence white paper.

That deal is slowly falling apart. Ministers have delivered their side of the bargain. The money has been made available as promised, and more on top to cover the extra costs of operations such as Iraq. But Defence has not done its bit. It has allowed the costs of some capabilities to balloon. The cost of new helicopters went from \$500 million to \$1 billion, and new destroyers are going from \$3 billion to \$6 billion. This is real money.

Defence has also asked for new capabilities that were not in the deal, such as big tanks and aircraft carrier-size amphibious ships. The Government has agreed to these without being able to see how they fit into a long-term plan for the Australian Defence Force.

Of course, it's been a long five years since the deal was set out in the 2000 white paper. The September 11 attacks, Afghanistan, Bali, Iraq and the Solomon Islands have all made their mark. And the wider strategic balance in Asia has changed significantly. But there has been no fundamental rethink about how the events of the past five years have affected Australia's long-term defence needs.

Which makes it strange that Howard's Defence Minister, Robert Hill, has now said he does not think we need a new Defence white paper. In a speech a couple of weeks ago he said he was "not convinced that a rewrite of our primary strategic doctrine would do more than distract us". He argued that the 2000 white paper, and a short, inconclusive Defence Update published in early 2003, were a solid enough foundation for planning Australia's defences over the next decade.

This is wrong for two reasons. First, there are now some big unanswered questions about the kinds of operations we want our forces to be able to undertake. After September 11, does it still make sense to focus on defending our continent from conventional attack? Do we need heavy land forces to fight alongside the US in operations such as the invasion of Iraq? Are we well-enough prepared to take the lead in lower-level operations in our own neighbourhood such as in East Timor? Without clear answers to those questions, the Government cannot make good decisions about the equipment we need to buy.

Second, there is the question of money. A good Defence white paper is not just an abstract analysis of "primary strategic doctrine". It is a very practical exercise in aligning strategic objectives and financial resources.

This is where a new white paper is most urgently required. The Government needs to renew its discipline over Defence by reaching, and enforcing, a new deal with the department about how much money it is going to get, and what it will deliver for it.

You can see why Defence might not welcome this. A new white paper would require the department to face up to some tough realities. The past five years of growing budgets have been lotus years. Defence's leaders have been able to avoid hard choices between what might be useful and what is really essential. And they have got used to it. They have begun to think that this kind of financial latitude is normal, and will last forever. That is why costs blow out, and ambitious pet projects get pushed forward. It is time to restore a sense of reality.

Reality will intrude soon enough in any case. The 2000 white paper's golden decade of real growth from 2001-11 is half over. And that poses a tough question for ministers as well as for Defence. What happens after 2011? The key issue that needs to be resolved in a new white paper is whether the Government will promise Defence another five years of sustained real growth to 2016. If not, some of today's plans will need to be cut. In fact, Defence's current plans would need defence spending to grow even faster in the next decade, so cuts will be needed even if the Government does promise another five years of 3 per cent growth.

No doubt Howard would like to keep the Defence budget growing. His commitment to strong defence funding has been consistent and commendable since he won office in 1996, when Defence alone was spared from the razor in his first budget. But it makes no sense for him politically or strategically to promise more than he can deliver.

After last week's unsettling economic news, and uncertainty about the US economy, it would be bad strategy to base our plans on an airy assumption that the economy will keep growing indefinitely as fast as it has since 2000. And future economic growth will require big spending in other areas such as infrastructure. So ministers will be careful about locking themselves in to big-spending promises for Defence even further into the future. And Howard's support for defence funding is matched by his determination to see this money well spent. So I wonder if he agrees with his Defence Minister that a new white paper is not needed?

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