

Security has to be about what we need, rather than what we fancy

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Up on Russell Hill, defence chiefs are looking forward to budget night. They have had little to fear from the Treasurer, Peter Costello, since the 2000 Defence White Paper, when John Howard announced that Defence spending would increase by 3 per cent a year in real terms over this decade.

But the decade is half over, and Defence had begun to worry about what would happen after June 30, 2011. Now they know.

In the past few weeks, as ministers have been preparing the 2006 budget, they have quietly taken a very important decision. On budget night, the Treasurer is set to announce that Australia's defence spending will keep growing at 3 per cent a year in real terms for the five years from 2011-16. So defence's long spell in clover is set to last for another 10 years yet.

Or so it seems. The celebrations on Russell Hill will be a little muted. The reason is simple: there still will not be enough money. Defence's expenses over the next 10 years are expected to rise much faster than 3 per cent a year.

No one knows for sure, but a fair guess would be that to achieve the Government's present plans for Defence, the budget would need to grow by 6 per cent or more a year over the coming decade. So even after five years of 3 per cent annual budget growth, and with another 10 years to come, Defence is still in financial trouble.

How come? Simple, really: with a growing budget, Defence's appetite has grown too, and its discipline has collapsed. Projects such as the air warfare destroyer have blown out from less than \$4 billion to probably more than \$8 billion. Events beyond Defence's control add to the resulting pressure, like the growing cost of the American-designed Joint Strike Fighter.

And cabinet has done nothing to rein Defence in. Ministers have encouraged Defence to bring forward extra spending on things such as the army's Abrams tanks, the navy's huge new amphibious assault ships and, just last month, four giant new C-17 transport aircraft for the air force, at a cost of \$2.2 billion.

Which is where the new Minister for Defence comes in. Dr Brendan Nelson is different, and proud of it. A couple of weeks ago, in his first major speech in the job, he charmed his audience of dour Defence types by telling them that (unlike other ministers, he implied) he likes to look at the "why" of things, not just the "what".

"I actually have a vision of Australia that I would like to see," he said. And, he made clear, a vision for Defence.

In his chatty, informal way he spelt out some elements of that vision in his speech. Two things stand out.

First, he declared an end to the "strategic culture wars" between those who give priority to supporting the United States on expeditionary operations in the Middle East, and those who think our main task is to defend the continent. Nelson put that problem behind him by pointing out what most Australians understand instinctively: we need armed forces that can do both. Who could doubt the defence of Australia remains the most important role for the Australian Defence Force?

Equally, who could deny that we need forces to help protect our wider strategic interests, near at hand as well as far away?

Second, he reminded his Defence audience that their budget remained vulnerable to wider economic and fiscal realities.

After 2011, he said, "it is difficult to imagine precisely what the economic position in this country is going to be". Do not assume, he implied, that Defence spending can just keep on growing to fit your wish lists. If the economy hits a bump, Defence will need to tighten its belt. It would be lucky to get 3 per cent, let alone 6 per cent.

In building his vision for Defence, Nelson will need to reconcile his sensible but ambitious concept of Australia's strategic interests, with his realistic view of the harsh fiscal reality. If he is aiming to lay the foundations for Australia's security, he needs to build a defence force that provides future governments with the widest possible range of strategic options to protect our interests at home and abroad, at a price that is realistically affordable even if our economy stops growing at record rates. Otherwise our defence policy becomes hostage to an economic gamble.

This all means that, even after budget night, some things will have to go. To decide which they are, Defence needs a new long-term plan that separates what is essential from what is merely desirable. It is Dr Nelson's job to develop such a plan.

He will need more than vision and charm. He will need the toughness to take hard decisions, and the political courage to argue for them against service chiefs, captains of defence industry and cabinet colleagues alike.

We haven't had a defence minister like that for some time. So now he has a chance to show that he really is different. I hope he takes it.

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