AUSTRALIA'S NATIONAL SECURITY

A DEFENCE UPDATE 2007

CONTENTS

DEFENCE UPDATE 2007 1

PREFACE 7

INTRODUCTION 9

1: AUSTRALIA'S STRATEGIC ENVIRONMENT 13

THE STRATEGIC FRAMEWORK 13
- Globalisation and its security consequences 14
- Terrorism 14
- Fragile states 15
- WMD proliferation 15
- The use of force in the 21st century 16

REGIONAL IMPACTS 17
- Territorial threats 17
- The South Pacific and East Timor 18
- The broader Asia–Pacific 19
- The Middle East and Central Asia 21

A MORE CHALLENGING STRATEGIC ENVIRONMENT 22

SUMMARY 23

2: AUSTRALIA'S DEFENCE POLICY 25

WHERE AUSTRALIA MUST LEAD 26

WHERE AUSTRALIA SHOULD CONTRIBUTE 27

SUMMARY 29

3: APPLYING AUSTRALIA'S MILITARY POWER 31

INTERNATIONAL SECURITY PARTNERSHIPS 31
- Australia's role as a security leader 31
- Australia's role as a security contributor 32
- The US alliance 34
- Long–term relationships 35

WHOLE–OF–GOVERNMENT RESPONSES 37

A JOINT AND INTEGRATED ORGANISATION 39

SUMMARY 39

4: UPDATE ON OPERATIONS 41

MARITIME ENFORCEMENT AND BORDER PROTECTION : OPERATION RESOLUTE 41
EAST TIMOR/TIMOR–LESTE : OPERATION ASTUTE AND OPERATION TOWER 42
SOLOMON ISLANDS : OPERATION ANODE 42
IRAQ : OPERATION CATALYST 42
AFGHANISTAN: OPERATION SLIPPER AND OPERATION PALATE II 43
ISRAEL/LEBANON : OPERATION PALADIN 44
SINAI : OPERATION MAZURKA 44
SUDAN : OPERATION AZURE 45
SUMMARY 45

5: UPDATE ON CAPABILITY 49

MARITIME 50
LAND 51
AIR 52
COMMAND, CONTROL AND NETWORKING 53
INTELLIGENCE 53
SUPPORTING AND SUSTAINING OUR FORCES 54
SUMMARY 54

6: UPDATE ON PEOPLE AND RESOURCES 57

RECRUITMENT AND RETENTION INITIATIVES 57
RESERVES 58
DEFENCE ACQUISITION AND INDUSTRY 58
THE DEFENCE ESTATE 60
INTELLIGENCE UPGRADES 62
DEFENCE MANAGEMENT REFORM 62
SUMMARY 64

AUSTRALIA'S NATIONAL SECURITY

A DEFENCE UPDATE 2007

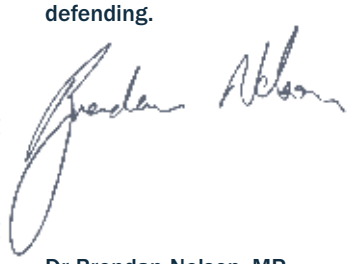
PREFACE

How we defend our sovereignty, our citizens and our interests – and our success in doing so – shapes the future of our nation. This, the third Defence Update since the White Paper of 2000, provides an update on the Government's efforts to meet that responsibility.

The Update describes Australia's current strategic outlook. We are experiencing significant change in the international security environment. Serious threats to stability continue to emerge from the Middle East while in the Asia–Pacific the strategic landscape is shifting. Relations between the major powers – the United States, Japan, China and India – shape Australia's security environment. At the same time, we are contending with instability in our immediate region, as well as the global threat of terrorism and the proliferation of weapons of mass destruction. This Update points to the increasing complexity of our strategic situation and it details our Defence policy response. It's a challenging business. The demands placed on Defence, and its consequential responsibilities and tasks, are unique.

To meet these demands, the Government is building a balanced, adaptable and integrated Defence Force. We are responding to the change in the international security environment by making the necessary investments in Defence capability, including recruitment and retention of personnel. Defence is working with other agencies in support of a 'whole–of–government' national security response. Internationally, we work closely with our friends and allies to promote stability. And we are deepening our relationship with our key ally, the United States, and with partners in our region and globally.

The military tasks undertaken by the men and women of the Australian Defence Force and the Department of Defence have increased substantially in diversity, intensity and tempo. Australia should be proud of the dedication, professionalism and versatility these military and public service professionals have shown in response. At the time of this Update, Australia has over 4,000 personnel engaged in counter–terrorism, counter–insurgency, stabilisation, border protection, and humanitarian operations in countries as diverse as Afghanistan, Iraq, East Timor and Solomon Islands. The Government is committed to making sure we have a Defence Force that is well equipped, well trained, ready to lead in our region and able to contribute to coalitions around the world wherever Australia's people, interests and values need defending.



Dr Brendan Nelson, MP

Minister for Defence

THOMAS

INTRODUCTION

Australia's strategic outlook remains challenging and dynamic. Since the last Defence Update, issued in December 2005, Australia has deployed military forces on a number of operations in the South Pacific and further afield. These have included sending Australian Defence Force (ADF) personnel to both Solomon Islands and to East Timor in May 2006 when rioting threatened stability in these close neighbours. As of mid–2007, significant Australian forces remain in both countries, working with police and military personnel from a number of countries.

Together with New Zealand, we sent a small force to restore stability in Tonga after riots broke out late last year in the capital. In November 2006, we prepared to help evacuate Australians from Fiji after that country's fourth military coup in 20 years. Defence worked with the Department of Foreign Affairs and Trade to help evacuate 5,300 Australians and 1,300 foreign nationals from the conflict in Lebanon in mid–2006. The ADF also provided medical evacuation after the May 2006 earthquake in Indonesia, and after an earthquake and tsunami in Solomon Islands in April 2007.

In the Middle East in July 2006, Australian forces handed over responsibility for the security of Iraq's Al Muthanna Province to Iraqi authorities. Our forces in the south of Iraq now provide a security overwatch role and are helping to train the new Iraqi Army. Our ships and aircraft are doing essential work in the northern Gulf to protect Iraq's oil installations, and our Security Detachment in Baghdad protects Australian Embassy staff and other officials.

In Afghanistan our Special Forces are again performing dangerous operations against a resurgent Taliban in the south of the country. An ADF Reconstruction Task Force is working with forces from the Netherlands and other NATO countries to rebuild basic services and help bring stability to this remote part of

OUR FORCES ARE MORE ACTIVE ON OVERSEAS OPERATIONS THAN AT ANY TIME SINCE THE VIETNAM WAR.

Afghanistan. Good progress has been made, but reconstructing the economy and social services in Afghanistan and making the country safe from the Taliban and al Qaeda will take years.

These activities mean that the ADF has been going through a very busy period. Our forces are more active on overseas operations than at any time since the Vietnam War. The strategic situation in Australia's immediate region – and beyond that the wider Asia–Pacific and across the world – is changing in important ways. Key concerns include how we deal with the fragile island states of the South Pacific and how we help East Timor and other near neighbours who are struggling with internal problems that weaken their stability.

Terrorism is still a major threat, not just in the Middle East, but also in Southeast Asia. We have done a lot to make Australia more secure against the threat of terrorist attack but we know that terrorist groups will attack us at home or target our interests abroad if they get the opportunity. Australia's interests are also threatened by the dangers of proliferating weapons of mass destruction (WMD), including the risk that such weapons might fall into the hands of terrorist groups.

There have been no developments since the last Defence Update that suggest that we face a direct military threat either now or in the foreseeable future. However, military forces in the Asia–Pacific region are becoming increasingly sophisticated and Australia must work harder to ensure that our forces retain an edge in leading military capabilities.

The 2003 Defence Update detailed a rebalancing of military capabilities and priorities to give our forces extra flexibility, mobility and the readiness to deal with the new strategic environment. In 2005, the Update emphasised the ability to respond to a wide range of eventualities, including conventional conflict, as well as the importance of working with other government agencies such as police and aid workers. The 2007 Update is a logical successor to these earlier documents and takes them further. Because of the increasing complexity of the international security environment, Australia must prepare for a range of possible events, both close to home and further afield, with lessened forewarning of crises. In determining our response, the Government has carefully assessed our national interests and how we might best use our armed forces in pursuit of those interests. In particular, we recognise that working in partnership with allies and friends builds our own security, and enhances regional and global stability.

The Government continues to back its commitment to Defence, and to ensure it has the capabilities and resources it needs to protect Australia, its people and national interests. The 2007–08 Defence Budget is $22 billion which is an increase of $2.1 billion or 10.6 per cent on the 2006–07 Budget, and represents 9.3 per cent of the Australian Government outlays and 2 per cent of GDP. Across the ten years to 2017, the 2007–08 Budget delivered an additional $18 billion, which provides for the continued investment in the ADF of today and the immediate future. This funding will see an investment in a number of capability areas such as the purchase and support of 24 F/A–18 Super Hornet multi–role aircraft to ensure that Australia maintains its air combat capability edge during transition to the F–35 Joint Strike Fighter. The funding will also improve the preparedness and sustainability of 18 high–priority ADF capabilities such as the Collins submarines, Anzac ships and F/A–18 fighter aircraft. Recruitment and retention, a critical issue facing the ADF, will also benefit from this budgetary increase.

SUMMARY

Australia faces a challenging and dynamic environment, changing in many important ways. In response, the ADF has been busier overseas than at any time since the Vietnam War. The rebalancing of the ADF continues, and we are continuing to work with allies and friends to build our own security.

CHAPTER 1

AUSTRALIA'S STRATEGIC ENVIRONMENT

At present Australia does not face any conventional military threat to our territory nor, on current trends, is this likely in the foreseeable future. But we cannot be complacent. Defence must plan for a full range of possibilities even if they seem remote right now. There are also serious security challenges in our nearer region that require Australian military power to help build stability today. Our national interests as a democratic, trading and globally engaged country are threatened by the rise of terrorism and by instability in areas such as the Middle East. In a globalised world, ignoring problems further afield only invites these threats to come closer to Australia. While we all benefit from globalisation, a more integrated world and ongoing technological and demographic change magnifies the range and number of potential threats and the strategic effect of events, including some distant ones, on Australia's security.

THE STRATEGIC FRAMEWORK

The Defence 2000 White Paper highlighted two basic factors that shape Australia's defence outlook and will continue to do so for years to come. They are the continuing predominance of the United States, which acts as a stabilising force in the Asia–Pacific, and secondly, the security impact of globalisation. Subsequent Defence Updates identified terrorism, the proliferation of WMD and the risks arising from fragile states as being immediate threats to Australian interests. Combined, these factors created a more complex strategic environment for Australia. Since the East Timor crisis in 1999, we have frequently had to use the ADF as well as engage other elements of national capability, such as the police and other agencies, and implement economic and diplomatic measures, in the pursuit of our strategic interests.

IN A GLOBALISED WORLD, IGNORING PROBLEMS FURTHER AFIELD ONLY INVITE THESE THREATS TO COME CLOSER TO AUSTRALIA.

IT WILL TAKE A SUSTAINED EFFORT OVER MANY YEARS TO OVERCOME THE DANGERS POSED BY TERRORISTS.

GLOBALISATION AND ITS SECURITY CONSEQUENCES

Globalisation has provided many community, social and economic benefits to Australia and other countries. Australia has gained economic growth, new export markets, and new immigrants to Australia with their skills and ideas as consequences of globalisation. Australians today are more connected with the wider world than at any other time in our history, but the negative side of globalisation is that this connectedness brings potential security threats closer to us. Globalisation speeds up the impact and significance of existing and new threats, shortening response times, and increasing uncertainty. People, money, and ideas now move faster around the world, not always for the good. While globalisation offers significant opportunities, it also can help the spread of extremist terrorism and diseases such as avian influenza.

These changes are reshaping our security environment. Some major global powers have declining fertility rates, which puts pressure on labour force numbers, resources and budgets. In much of the developing world, rapid population growth is producing youth bulges, but their economies struggle to create sufficient jobs to enable these young people to make a productive living. In much of the developing world, too, there is a massive relocation of rural people into large cities which lack adequate infrastructure and opportunities for their growing populations. In some parts of the world this situation is contributing to a rise in support for extremist ideologies. As urbanisation increases, so too does the risk of health pandemics, a potential source of great harm to Australia.

Natural events – such as the 2004 Boxing Day tsunami or severe cyclones in the Pacific – can cause food, water and resource shortages. Such disruption may result in calls for Australian military intervention and humanitarian relief. In our region Australia can expect that we will often be called upon to help in these circumstances.

TERRORISM

Violent extremist terrorism will remain a threat around the world for at least a generation, and probably longer. This war is very different from those we have fought in the past. Terrorism ignores borders and has no frontlines. It has no capital that can be captured, nor government structure that can be compelled to surrender. It often sets out to attack civilians, and it increasingly uses the openness of our societies against us.

No terror group has the power to invade or take territory from Australia. But that does not mean we can afford to ignore groups such as al Qaeda or Jemaah Islamiyah (JI). Terrorists threaten our national interests, including the safety of Australian citizens, businesses and Australian government activities abroad. Terrorism can have a strategic effect. A particularly severe threat would arise if terrorists were to obtain WMD. It will take a sustained effort over many years to overcome the dangers posed by terrorists. Military operations against terrorism are only part of the story. We must undercut support for terrorism by promoting stable, democratic societies, including in those countries where organisations like the Taliban once flourished.

...THE PRIMARY WORRY ABOUT WMD TECHNOLOGY TODAY IS THE PROLIFERATION OF SUCH WEAPONS BY COUNTRIES LIKE NORTH KOREA AND IRAN AND TO SO–CALLED 'NON–STATE' GROUPS, SUCH AS AL QAEDA.

FRAGILE STATES

Fragile states are especially vulnerable to the damaging effects of transnational crime and insurgencies. Such states can potentially become havens for criminals and terrorists who want to operate without being harassed by governments. In our immediate region, the cost of dealing with fragile states includes expensive military and police deployments and aid programmes designed to strengthen the ability of fragile states to run their own affairs. Our aim is to help build strong, cohesive, democratic states, because these are best placed to meet their citizens' needs and contribute to a stable neighbourhood.

In our region some vulnerable states are struggling to deliver basic services to their citizens because they lack the economic capacity, and because government systems are weak and often corrupt. These are not easily solvable problems. Many weak states wait until disaster strikes before seeking assistance, most often in some form of military support.

The ripple effects of fragile states on security can reach around the world. The proximity of weak states in our region means that Australia must take their vulnerabilities seriously and work with governments and others to offer help. Building and restoring nations can take many years and will cost many millions of dollars to help overcome economic and security weaknesses, pay for our ADF operations, and provide policing and assistance to improve the quality of government. But these costs will be far less than attempting to reconstruct small states that have been shattered by conflict because we failed to intervene at an earlier stage.

WMD PROLIFERATION

Unlike the Cold War, when the danger of nuclear warfare between the superpowers was a realistic concern, the primary worry about WMD technology today is the proliferation of such weapons by countries like North Korea and Iran and to so–called 'non–state' groups, such as al Qaeda. Australia criticised North Korea's nuclear test last year. Not only did

it raise tension in a strategically vital part of the world, but it has made the challenge of non–proliferation and counter–proliferation more urgent.

As we noted in the 2003 Update, WMD are the ultimate asymmetric threat. We know that terrorist groups, al Qaeda among them, are interested in buying or developing rudimentary WMD. Increasingly we see that military capabilities which were once available only to states are being used by terror groups and other non–state actors. Nowhere is this more worrying than when it might involve WMD. Non–state groups, particularly extremist, decentralised, cellular networks, are unlikely to be deterred from using such weapons by the threat of retaliation. So Australia has an over–riding interest to prevent the spread of WMD by backing arms control agreements and applying active counter–measures with our allies – such as the Proliferation Security Initiative (PSI) – where proliferation is discovered.

THE USE OF FORCE IN THE 21ST CENTURY

Al Qaeda's attacks in the United States on 11 September 2001 brought home the changing nature of how force can be used to bring about political goals. The attacks on the World Trade Centre and the Pentagon were unconventional warfare at its most violent and indiscriminate worst.

On the conventional military battlefield a force like the ADF is easily superior in fire–power to non–state opponents. We are continuing to improve the lethality and precision of our forces. Yet we are constrained in ways non–state groups are not. Terrorist organisations like al Qaeda have no concern about targeting innocent civilians or about hiding their forces within the civilian population. The rapidly reducing costs of technology allow these groups to use technology as a force multiplier and to expand their reach. For example, the clever use of communications technology is helping terrorist groups to expand their support base and to spread propaganda among their opponents. The increased capability of terrorists and insurgents against a well–armed nation was illustrated during the Israel–Hezbollah conflict in 2006. The use of both civilian and conventional military capabilities by these groups in often innovative and non–conventional ways is particularly worrying.

The ADF will always need to retain a qualitative edge in its conventional military capabilities – a substantial challenge in itself. But military forces are increasingly expected to perform a variety of roles quite different from fighting other armed forces. These can include stabilisation activities similar to those we are undertaking in East Timor and Solomon Islands, peacekeeping and peacemaking, and general security operations like those the ADF provided during the 2006 Commonwealth Games in Melbourne.

The ADF increasingly will be called on to fight irregular opponents and must therefore be able to mount counter–terrorism and counter–insurgency operations, including hostage rescue tasks. Humanitarian relief missions are also taking on a higher priority. More generally, non–conventional and humanitarian missions will engage more military resources, time and effort. A credible and capable military remains a crucial complement to what some call 'soft power': diplomacy, aid, cultural ties, people–to–people contacts, trade, and institution building.

These developments have added a new dimension to the roles and responsibilities of the ADF. But we must also remain alert to more conventional military dangers. Because of the major power dynamics in our region and the existence of critical flashpoints, there is always the possibility of strategic miscalculation that could lead to conflict. Australia needs to watch these risks closely, because conventional conflict in the Asia–Pacific would almost certainly engage our national interests, and may do so with little warning.

Closer to home in Southeast Asia, the capabilities of military forces are increasing as states modernise their equipment and improve training. We expect that the focus of regional countries will continue to be on using their military forces to build national cohesion and domestic security. Our aim is to work with our friends and neighbours to promote regional security. One way we do this is by co–operating with the defence forces of many Southeast Asian states. Strong, stable military forces in our region that work together will enhance rather than weaken our security.

REGIONAL IMPACTS

TERRITORIAL THREATS

As in 2000, Australia does not face any direct threat to its territory. But although a conventional attack on Australia seems very remote, we must be able to defend ourselves and to be seen by friends and neighbours alike as taking this responsibility seriously. We can hardly expect allies to help us if we don't provide for our own security. The defence of Australia therefore remains

THE ADF INCREASINGLY WILL BE CALLED ON TO FIGHT IRREGULAR OPPONENTS...BUT WE MUST ALSO REMAIN ALERT TO MORE CONVENTIONAL MILITARY DANGERS.

a fundamental task. While our physical geography and maritime approaches give us a natural strategic depth, we are faced with much more immediate security challenges, including non–traditional threats that won't be deterred by our geography. These include extremist terrorists, backed by global networks of supporters; spill–over effects from weak and failed states; WMD proliferation; and potentially, the consequences of health pandemics.

many South Pacific states, weak governance, crime and social instability are a real threat to economic development. Papua New Guinea's (PNG) problems are compounded by its relatively large size – around 5.9 million people growing at around 2.7 per cent a year. Major efforts are needed to improve and rebuild infrastructure, law and order, education and health care if the PNG government is to meet the challenges of fast population growth, youth unemployment, and criminality, including raskol gangs. East

WE DO NOT BELIEVE THAT ANY REGIONAL POWER IS EAGER TO SEE FUNDAMENTAL GEO–STRATEGIC CHANGE...BUT THERE IS ALWAYS A POSSIBILITY OF STRATEGIC MISCALCULATION.

THE SOUTH PACIFIC AND EAST TIMOR

Many of the South Pacific island states and East Timor continue to be scarred by political, social and economic instability. For

Timor faces similar economic growth and population problems. One of the world's newest independent states, it must build the habits and practice of a sovereign nation while facing a significant task of reconciliation and reconstruction. Fiji's fourth coup in 20 years

has overturned parliamentary democracy, set back the country's economic prospects and heightened perceptions of increased instability in the region.

Australia is linked to the region by our history as well as geography, and we have a lasting commitment to help build stability and prosperity. There is no easy solution: some of these states lack the basics of sustainable economic, institutional and infrastructure development, and their limited budgets and porous borders make them potentially vulnerable to adverse influences. Australia will commit resources, including those of the ADF, and work co–operatively with our neighbours to overcome these problems.

THE BROADER ASIA–PACIFIC

Australia's future strategic landscape will be shaped by how the world's major powers – the United States, Japan and China in particular – deal with each other in the Asia–Pacific. Thus far the prospects are good. The Asia–Pacific has benefited from a status quo where the United States has been the predominant military power for over 50 years. This has underpinned the region's remarkable economic growth for decades. We do not believe that any regional power is eager to see fundamental geo–strategic change. Still, as China and India grow, and the United States re–balances its global commitments, power relations will change, and as this happens there is always a possibility of strategic miscalculation.

The **United States** will remain the dominant global economic, technological and military power at least for some decades. The 2000 White Paper recognised that US primacy was a foundation of the Asia–Pacific's stability, and that remains the case now. Through its military presence in the region and its bilateral and alliance relationships with key players, the United States will remain the major shaper of international security, including in the Asia–Pacific, as the United States adapts and modernises its military posture.

Australia has no closer nor more valuable partner in the region than Japan. **Japan**'s more active security posture within the US alliance and multinational coalitions is in keeping with its economic and diplomatic weight and has long been supported by Australia. In that role Japan has made valuable contributions to operations in East Timor and Iraq, and Australia welcomes its efforts to contribute more directly to regional and global stability. Japan's alliance relationship with the United States has been one of the stabilising features of post–World War II Asia, and will continue to play an important role. Trilateral cooperation between Australia, Japan and the United States will be increasingly important in this context. The Australia–Japan Joint Declaration on Security Cooperation marks an important milestone in the bilateral security relationship.

China's emergence as a major market and driver of economic activity both regionally and globally has benefited the expansion of economic growth in the Asia–Pacific and globally. But the pace and scope of its military modernisation, particularly the development of new and disruptive capabilities such as the anti–satellite (ASAT) missile (tested in January 2007), could create misunderstandings and instability in the region.

THE US–CHINA RELATIONSHIP IS CRUCIAL TO ASIA–PACIFIC SECURITY.

WE REMAIN COMMITTED TO THE TERRITORIAL INTEGRITY OF INDONESIA.

China has a legitimate interest in protecting its own security. It has tremendous opportunities to exert its claim as a responsible stakeholder in regional security. China is the nation with the greatest influence over North Korea, and we strongly encourage China's efforts to moderate North Korea's behaviour. Taiwan remains a source of potential strategic miscalculation and were that to happen it could have disastrous consequences for the region, and for global security. All parties should strive for a peaceful approach to the issue of Taiwan. Australia continues to support the status quo and the 'One China' policy as the basis of our approach to the issue.

The US–China relationship is crucial to Asia–Pacific security. Both countries are increasingly dependent on each other for trade and financial and economic prosperity. But while economic cooperation is high, there is also an element of strategic competition. The relationship must be managed carefully for the good of the entire region. China's relationship with Japan is also a complex mix of economic, security and political factors. As Japan increases its security role Beijing and Tokyo will have to work their way carefully through a changing strategic environment.

The **Korean Peninsula** lies at a strategic crossroads. Its geography makes it vitally important to China, Japan and Russia, and South Korea is an important ally of the United States. Australia strongly condemned North Korea's nuclear weapons test on 9 October 2006. The test has heightened tensions on the Korean Peninsula. A nuclear–armed North Korea threatens regional peace and stability. While diplomatic efforts have produced undertakings for North Korean denuclearisation, its policy of brinkmanship and belligerence continues to have a destabilising effect on North Asia.

India's expanding economy and greater international engagement, including closer relations with the United States, are giving New Delhi a stronger voice on international strategic matters. Australian and Indian interests converge on key issues of global stability, and we look forward to increasing defence and security cooperation.

In **Southeast Asia**, for the next few years the most pressing security issues will be about internal security matters. Terrorism, insurgency and communal violence fester in parts of the region, and we expect regional governments will continue to focus their security efforts on them. There have been some significant achievements. After four years where there had been at least one major, large–scale attack a year on Australian and Western interests in Indonesia, JI has failed to successfully conduct an attack since the second Bali bombings in October 2005. The following month an Indonesian police raid killed JI's chief bomb maker and Indonesian police and intelligence – in cooperation with Australia – foiled planned attacks and disrupted JI cells in Sulawesi and Java.

The consolidation of democracy in Indonesia is also a very welcome development and it has given that country its best chance for long–term stability and prosperity. As we indicated by our signature of the Lombok Treaty in November 2006, we remain committed to the territorial integrity of Indonesia. We see a stable and secure Indonesia as integral to the democratic and economic reforms under way, and that is also very much in Australia's

own strategic interest. Still, democratic government has not proven as resilient in other parts of the Asia–Pacific, as military coups in Thailand and Fiji show.

Australia also values our close dialogue and engagement with our other ASEAN partners, particularly Singapore, Malaysia, and the Philippines. This will help strengthen regional cooperation, and improve the capacity of states to look after their own security.

THE MIDDLE EAST AND CENTRAL ASIA

Many of the worrying strategic trends highlighted in this Update intersect in the Middle East. Terrorism inspired by religious extremism, WMD proliferation, environmental and demographic challenges, stagnant economies and, in some cases, poor quality political governance are all features of the region.

We expect Australia's strategic involvement in the Middle East to continue, reflecting the continuing importance of the region to our security and broader national interests. Three equally important factors drive that assessment. First, the United States will remain heavily engaged in the Middle East, including Iraq and Afghanistan. Although its strategies and military presence may adapt, the United States does not have a realistic option to withdraw from the region because to do so would undermine its own security, and that of its allies. Second, the

WE EXPECT AUSTRALIA'S STRATEGIC INVOLVEMENT IN THE MIDDLE EAST TO CONTINUE, REFLECTING THE CONTINUING IMPORTANCE OF THE REGION TO OUR SECURITY AND BROADER NATIONAL INTERESTS.

strategic interests and resource needs of emerging global powers such as China and India, as well as our major trading partners, are increasingly tied to the Middle East. Last, extremist terrorism continues to draw funding, support and people from the Middle East. For as long as that is true Australia and like–minded countries need to fight terrorism at its source rather than wait for it to come to our shores.

The stakes are high in Iraq and Afghanistan, not only for the peace and stability of those countries, but also because the outcome will influence how the United States uses its power in future to deal with security challenges. Ultimately our own security and that of the Asia–Pacific is tied to finding a sustainable balance in the Middle East that weakens terrorism and enhances stability. To help defeat terrorism Australia must have patience, a sustained military commitment, a willingness to adapt to conditions on the ground and work closely with our friends and allies.

Consideration of the security situation in the Middle East must also contend with WMD proliferation. Iran's nuclear plans remain a major concern. A nuclear–armed Iran would be a further cause of regional instability. Iran's activities have been condemned consistently by the United Nations Security Council. Sanctions have been imposed to enforce principles of nuclear non–proliferation. We recognise there is also a need for continued and increased diplomacy by concerned nations to counter Iran's nuclear ambitions.

A MORE CHALLENGING STRATEGIC ENVIRONMENT

Despite the security challenges posed by terrorism – as serious as they are – nation–

states are still the key players shaping our security environment. In Asia, we can see both strengthening nation–states as well as challenges to state sovereignty. In the Middle East, nation–states are under increasing pressure, including from non–state groups. Such changing patterns of power, force and capability have strategic implications for Australia. Since the White Paper of 2000, the Updates have tracked the emergence of new security structures and new challenges to stability.

So Australia must prepare prudently for a range of defence contingencies, from small–scale local concerns and possibilities, to unanticipated, state–based conflict. We are well placed to play a greater regional and global role in strengthening security, and we have a solid track record working with others to keep our region peaceful. The next chapter examines the key elements of our defence policy and the impact these have on the shape of our military forces.

SUMMARY

Globalisation, terrorism, the challenges posed by fragile states and the threat of WMD proliferation all continue to shape our security environment. We also need to take into account relations between the major powers in our region and the changes in the use of force by states and terrorists. Because of their importance to our interests and their potential to reshape global security, the Middle East and Asia–Pacific will continue to focus our attention for some time.

CHAPTER 2

AUSTRALIA'S DEFENCE POLICY

Understanding our strategic environment and the long–term trends that are changing the Asia–Pacific region is the starting point for the Government when it comes to making decisions about the size and shape of the ADF. The strength of Australia's economy is fundamental to our ability to provide for our defence. But budgets are always limited, so difficult choices have to be made about the priorities we set for our military forces. It is vital to have a clear defence policy framework that guides decisions about developing the ADF's capabilities and helps us to judge when, where and how we might use our military power.

The first duty of the Government is to guarantee Australia's national sovereignty, protect our citizens and promote Australia's interests. To uphold that duty, the Government must ensure:

- security at home, to keep Australia free from direct threat;
- continued favourable economic conditions, essential for a trading nation and to allow us to sustain our way of life; and
- a benign international security environment that promotes our national interests, including the safety of Australians overseas.

The Government's enduring strategic priority is to keep Australia and the Australian people safe from attack or the threat of attack, and from economic or political coercion. A secure Australia depends on a benign security environment; and in turn this depends on continued economic growth, and the security and stability of our allies and trading partners. Stability and prosperity at home allows Australia to contribute to the wider regional and global security environment, and so to promote favourable economic conditions.

The possibility of unexpected shocks to our security arising from some of the trends described in the last chapter is high, though the timing and effect of such events are hard

DEFENCE'S ENDURING STRATEGIC PRIORITY IS TO KEEP AUSTRALIA AND THE AUSTRALIAN PEOPLE SAFE FROM ATTACK OR THE THREAT OF ATTACK, AND FROM ECONOMIC OR POLITICAL COERCION.

WE LIVE IN AN UNCERTAIN AND CHANGING PART OF THE WORLD WHERE STRATEGIC SHIFTS ARE CHALLENGING OUR ASSUMPTIONS ABOUT STABILITY.

to gauge. Defence policy must be realistic about the limits of size and scale Australia faces. We have to take this into account in the design of the ADF. For example, maintaining a mass army on the same scale as some of our neighbours' is not possible given our demography, workforce and relatively small population. So the task of structuring Australia's defence policies and capabilities is a challenging one.

Our defence planning will always include a focus on our region. We live in an uncertain and changing part of the world where strategic shifts are challenging our assumptions about stability. For example, state–based conflict in North Asia – though a low probability – cannot be ruled out. We must rethink the amount of warning time we might receive about a strategic shock and closely watch the growth of military capabilities in other defence forces in our region. Still, our geographic distance from many conflicts can work to our advantage, as does the fact that we have good relations with our neighbours.

It is the Government's policy that our armed forces must be able to defend Australia without relying on the combat forces of other countries. We must be the sole guarantor of our own security. It is not healthy for a country to become dependent on another for its basic defence. That situation would not be good for Australia or our allies. Further, if Australia was ever to be directly threatened, our allies may well be engaged elsewhere, and unable to assist. This may sound unlikely, but it was a hard–learned lesson from the Second World War.

WHERE AUSTRALIA MUST LEAD

We must be able to limit the options of potential adversaries in our area of paramount defence interest. That means it is essential for the ADF to have the capacity to act decisively on security issues and be able to deter and if necessary defeat any aggressive act against Australia or our interests in that area. Our area of paramount defence interest

BEING ABLE TO REACH BEYOND OUR IMMEDIATE REGION FOR A VARIETY OF DEFENCE TASKS HELPS US SECURE OUR DEFENCE.

includes the archipelago and the maritime approaches to Australia to our west, north and east, the islands of the South Pacific as far as New Zealand, our island territories and the southern waters down to Antarctica.

Being able to reach beyond our immediate region for a variety of defence tasks helps us secure our defence. Such tasks might range from assisting civil authorities such as the police and Customs, to adapting to challenges posed by increasingly capable adversaries and to participate in large–scale coalition operations. Having a strong military capability reinforces our diplomatic and economic power and it reassures our neighbours that Australia is not vulnerable to an aggressor that could destabilise the wider region. It also contributes to the strength of our vital alliance with the United States.

A further consequence of the need to be able to play a leading defence role in our immediate region is that Australia's forces must maintain a high level of preparedness – that is, the capacity to be used on operations at short notice. The greater distance our forces may have to travel decreases the time available to respond to any event – it takes longer to get to the emergency and often longer for allies to assist. So it remains in Australia's interest to keep the initiative. Greater preparedness also deters would–be aggressors by complicating their task. The ability to control our air and sea approaches, as noted in Defence 2000, has evolved through necessity to cover our area of paramount defence interest. If need be, Australia must be prepared to assume the burden of maintaining peace and stability locally, not least as a bulwark for our own security.

WHERE AUSTRALIA SHOULD CONTRIBUTE

Further afield, Australia cannot expect to predominate as a military power nor ordinarily would it act alone. Australia will work to create a benign regional security environment and pursue our national interests in conjunction with allies and friends. Australia will aim to make significant ADF contributions to coalition operations where our national interests are closely engaged. Our range of potential military contributions covers the spectrum of ADF capability, from its core task of war–fighting, through to running stabilisation operations and humanitarian response missions. These tasks will often be performed in close cooperation with civilian elements and agencies such as the Department of Foreign Affairs and Trade, police and aid organisations. The nature of these individual contributions – their shape, size, complexity – will vary according to circumstance. For example, in the last few years, significant combat forces, including air and sea units, have been deployed regionally and to the Middle East. The security, capacity–building and training taskforces assigned under Operations Catalyst, Slipper, Astute and Anode also comprise significant contributions to the pursuit of Australia's strategic interests. The ADF has specific skill sets often requested for coalition purposes, such as special forces and air–traffic controllers.

Australia's national interests are not spread uniformly across the globe, but nor do they decline in proportion to the distance from our shoreline. For the foreseeable future, we can expect there will need to be a Defence focus on security in both the Asia–Pacific and the Middle East for the reasons outlined earlier: the Asia–Pacific is our neighbourhood, while our strategic interests are vitally engaged in the Middle East.

While Australia has a wide strategic outlook and a clear interest in promoting a peaceful global security environment, our limited resources mean that we must design the shape of ADF contributions to coalition operations carefully and without wasting resources. We must distinguish between issues in which our national interests are directly engaged and those where we have a general commitment because of our broader humanitarian responsibilities. Examples of discretionary contributions could include deploying medical teams or planning officers to UN missions. Australia has made and will continue to make such humanitarian contributions, but these clearly engage our security interests in a far less direct way than operations in our immediate region.

At a time of big strategic change it makes more sense to work with others to ensure peace and stability and to build a robust military force able to deal with many tasks and roles. We can expect to see more security partnerships and increased

AT A TIME OF BIG STRATEGIC CHANGE IT MAKES MORE SENSE TO WORK WITH OTHERS TO ENSURE PEACE AND STABILITY AND TO BUILD A ROBUST MILITARY FORCE ABLE TO DEAL WITH MANY TASKS AND ROLES.

cooperation with our regional friends and allies. This cooperation will range from local multilateral security assistance provided to nations such as Solomon Islands and East Timor, to participation in larger undertakings, such as our involvement in Afghanistan and Iraq, and our close cooperation there with the United States, the United Kingdom, Japan and deployed NATO forces. These partnerships enhance the ADF's capabilities, boost Australia's international standing and contribute profoundly to the security of our region.

SUMMARY

Defence's enduring task is to keep Australia and its people safe from attack and from military coercion. Defence policy will always have a home bias – we need certainty close to home, and expect to lead in shaping the security in our immediate region. But we also recognise our interests often must be secured in places distant from Australia. In those circumstances, we expect to work with allies and friends. Our contributions will reflect the importance of our interests and a 'best fit' with the task at hand and the nature of the overall operation.

CHAPTER 3

APPLYING AUSTRALIA'S MILITARY POWER

IT HAS ALWAYS BEEN THE AUSTRALIAN WAY TO CO–OPERATE WITH FRIENDS AND ALLIES.

In previous Updates we identified global terrorism, WMD proliferation and fragile states as major concerns for Australian security. We know these developments continue to shape Australia's environment, and Defence must respond to the security concerns they present. We also work to help the major powers in our region maintain a constructive dialogue with each other. Defence plays an active part in regional security dialogues with friends and neighbours.

INTERNATIONAL SECURITY PARTNERSHIPS

It is becoming hard to separate the global, regional and local dimensions of security threats. Australia's strategic interests can often be affected by events geographically far away. But partly because of geography, and partly because of limited resources, Australia mostly chooses to work in coalition with friends and allies when our interests are affected in places beyond our immediate area of paramount defence interest. It has always been the Australian way to co–operate with friends and allies. Whatever the military task, be it detection, deterrence, prevention, response, or reconstruction, we need partners to help promote our security interests on the wider world stage. Right now, that means we must work hard to boost our security partnerships, reinvigorate those already established, and explore opportunities for new partnerships to help us better deal with today's security problems.

AUSTRALIA'S ROLE AS A SECURITY LEADER

Defence, at government direction, has increased efforts to help stabilise dangerous situations in fragile states. Our approach is to 'lead, shape and engage': that is, we aim to be the leading power in our immediate region in bringing together military coalitions that will shape positive security outcomes. As much as possible we will do this by engaging

local communities in affected countries and working with our security partners. It is important that we try to build coalitions of friends and neighbours in our region. Australia's strategic leadership benefits greatly from our established partnerships in the region, particularly with New Zealand and the island states of the South Pacific.

Capacity building remains a focus of our efforts in the South Pacific. We are encouraging nations to establish more co–operative approaches to security, especially in maritime surveillance. We are helping regional security forces build the skills and professionalism, and the development of appropriate civil–military relations, to enable them to provide effective and appropriate responses to national security challenges. For example, we provide infrastructure assistance to PNG and ADF advisers to the PNG Defence Force. We also advise PNG on weapons security and control, organisational improvements and budget, expenditure and financial management. In the South Pacific, our defence cooperation programme offers training opportunities in areas ranging from English language skills to engineering, infantry and command. We also sponsor a range of multilateral exercises and activities, including humanitarian and disaster relief exercises, maritime surveillance, and communications projects. Through our efforts we aim to raise skills and awareness and so the ability of regional nations to work with us. That also helps develop a more cohesive response to security issues within our immediate region, in partnership with our friends and allies.

Still, our approach – particularly in Solomon Islands and East Timor – needs a lot of patience. Progress is not assured, and often depends on a willingness to bring together commitments to change the political, economic, social and security situation. Positive change takes time to gain momentum and to offer tangible and sustained benefits for local populations. The path will not always be smooth or assured, but by paying attention and committing to security and stabilisation efforts over the long term, we will build a more stable environment in Australia's near region.

We expect Australia will often be called on to act as a security leader within our immediate neighbourhood. We should not plan to rely on the security capabilities and resources of our friends and allies to assist in military operations in our immediate region. In many cases Australia will be called upon to lead other countries, and to provide them with key military resources – like logistic support and air and sea transport that will make it possible for smaller countries to participate in regional security missions. A strong network of regional defence cooperation links is an important foundation for successful regional coalition operations.

AUSTRALIA'S ROLE AS A SECURITY CONTRIBUTOR

Australia has for many years been an important contributor to security operations around the world. We aim to make sure the ADF operates where it can add the most practical value to missions that are important for global stability and our national interest. We work with allies and partners to achieve mutual security goals. The forces we offer to international operations need to be balanced against the demands on other ADF commitments and the impact they will have on our defence capabilities as a whole. Some elements of our forces will offer greater complementarity with partners than others. A key consideration is to make sure our contribution achieves the best effect given the circumstances, threats and

WE EXPECT AUSTRALIA WILL OFTEN BE CALLED ON TO ACT AS A SECURITY LEADER WITHIN OUR IMMEDIATE NEIGHBOURHOOD.

opportunities. So while the Asia–Pacific and the Middle East are both vital to Australian interests, our Defence involvement in each differs substantially.

In the Middle East, for example, we have committed substantial Defence resources. In Afghanistan, the ADF is working with NATO forces – a Dutch contingent – as part of the International Security Assistance Force. An ADF Reconstruction Task Force is helping to rebuild and improve local infrastructure, from schools to hospitals, roads and bridges. In a dangerous theatre of war, reconstruction helps to bring hope and promote stability by strengthening local capacity and increasing security. This substantial Australian contribution complements the efforts made by NATO and US forces to strengthen a weak state, disrupt terrorist operations and bolster security. The Government believes an ongoing commitment to Afghanistan is important. The Government believes it is vital we stay the course in Afghanistan. Retreat now would weaken Afghanistan's chances for democracy, strengthen terrorism and make it look as though we were not serious about our own security.

In Iraq, Australian forces were dispatched to uphold Australia's support for long–standing United Nations Security Council resolutions against the danger of Iraq regaining a WMD capacity. This reflected a fundamental Australian and global security concern. Our forces are now operating with a coalition of allies and partners that have a common interest in helping build a stable Iraq following the fall of Saddam Hussein's regime. Australia will continue to honour our obligations to the Iraqi people, and help them in building a more stable future. Defence

WE HAVE A VITAL INTEREST IN AMERICAN POWER, AMERICAN PURPOSE AND AMERICAN RELATIONS WITH THE OTHER POWERS OF OUR REGION.

is heavily focused on helping to build the capacity of the Iraqi Security Forces, so strengthening internal security, protecting the sovereignty of Iraq and aiding the prospects for political reconciliation.

Defence will continue to participate in multilateral operations with allies and partners. The Government will target its contributions such that they have greatest effect, given the inherent constraints on our force size and capability. Defence will continue to develop more security partnerships and engage in activities supporting Australia's national interests locally, regionally and globally.

THE US ALLIANCE

Our alliance with the United States will remain Australia's most important strategic relationship because we share many common values and many security interests, and have a similar strategic outlook. We are also prepared to participate, share risk and contribute to the overall security burden. The alliance provides our military forces with added reach: it deepens the ADF's capabilities and broadens our strategic knowledge. The alliance enhances the 'hard' (military) power the ADF brings to bear and the 'soft' (diplomatic) power we bring to the table. It complicates the planning of any potential adversary. We have a vital interest in American power, American purpose and American relations with the other major powers of our region.

Militarily, we obtain greatest effect by working with allies. While the United States will remain the predominant power in the region for at least a generation, and probably beyond, other countries in the Asia–Pacific are increasing in strategic importance. It is fundamentally important to Australia that the United States continues to be outward–looking and positively involved in the Asia–Pacific because the United States is still the key factor in regional stability.

Qualitatively, our alliance with the United States continues to deepen and broaden, with both partners increasingly focused on mutual interests, military integration and interoperability. The closeness is shown by our long–standing cooperation on intelligence,

NO OTHER COUNTRY MATCHES THE RANGE AND QUALITY OF DEFENCE ENGAGEMENT THAT WE HAVE WITH SOUTHEAST ASIAN NATIONS.

surveillance and reconnaissance. New protocols have allowed an increased sharing of information and personnel exchanges. In coalition missions ADF personnel have been given full operational control of US forces. Australia and the United States continue to explore technologies and strategies for ballistic missile defence, space cooperation and intelligence, surveillance and reconnaissance, and are working to enhance acquisition, logistics, and research and technology issues.

LONG–TERM RELATIONSHIPS

Australia has long pursued its security interests by maintaining security partnerships with regional friends and neighbours. Building security partnerships and engaging regional states in defence and security dialogues helps to reassure states and offers a means by which potential problems can be resolved. Over the past two years, Australia has formalised and strengthened some key security relationships. For example, we have concluded the *Australia–Indonesia Agreement on the Framework for Security Cooperation*, signed the *Australia–India Memorandum of Understanding on Defence Cooperation*, and, most recently, joined with Japan to make the *Australia–Japan Joint Declaration on Security Cooperation*. We have also deepened other long–standing relationships through the Trilateral Dialogue with the United States and Japan, and the Australia–United Kingdom Ministerial (AUKMIN) talks.

New Zealand is a close and longstanding security partner. Bilateral defence relations are underpinned by the Closer Defence Relations agreement (CDR). A key objective of CDR is for both countries to work together in combined and joint military operations. Interoperability between the two defence forces has been enhanced through a range of engagement activities, particularly for operations in our region.

Close to home, the Australia–**Indonesia** Agreement on the Framework for Security Cooperation was signed in November 2006. This agreement is the culmination of efforts by both countries to address common concerns such as terrorism, people–smuggling and illegal fishing. The treaty underscores the importance of defence ties and our efforts to revitalise those ties over the past few years.

The recent Australia–**Japan** Joint Declaration on Security Cooperation signed by the Prime Minister on 13 March 2007 is part of a developing regional security architecture. It signals that Japan has decided to take up more responsibilities as a security partner, and reaffirms Japan's status as one of Australia's indispensable partners in the region. The declaration formalises a security dialogue that has been under way for many years. The inaugural Japan–Australia 2+2 Ministerial meeting in June 2007 discussed key regional security issues and ways to further strengthen the bilateral relationship.

Australia's strategic engagement with **China** has been limited to date, but it is growing at a pace that recognises our substantial shared interests in regional security. We maintain a valuable dialogue with China and look forward to expanding the relationship at a pace comfortable to both countries.

Australia and **India** share a common interest in enhancing regional peace and security. In March 2006, the defence relationship took a significant step forward when the Prime Minister signed the Australia–India Memorandum on Defence Cooperation. Our defence relationship has a natural focus on maritime security while cooperation on counter–terrorism builds on our common interests and experiences in this area.

Australia's long–standing defence relationship with the **United Kingdom** remains a valuable strategic asset. Our close, often combined, participation in conflicts and wars as well as our intelligence–sharing arrangements show that we have overlapping strategic interests. Australia's defence relations with the United Kingdom enhance our strategic and operational reach and our ability to defend key national interests.

The **Five Power Defence Arrangements** linking Australia with the United Kingdom, New Zealand, Malaysia and Singapore continues to make a substantial contribution to regional stability as do our **bilateral defence relations** with many Southeast Asian countries. These relationships represent a significant strategic asset. No other country matches the range and quality of defence engagement that we have with Southeast Asian nations. Our defence ties go back many years. We regularly engage through high level contacts, dialogue, exercises, training and education, and personnel exchanges. These activities serve to improve our access to decision makers, enhance our mutual understanding, and improve the capacity of our defence forces to work together. In particular, they assist regional defence forces' capabilities in areas that matter to us, such as counter–terrorism,

THE ADF HAS A LEVEL OF REACH AND THE CAPABILITY TO SUPPORT OVERSEAS OPERATIONS NOT POSSESSED BY OTHER GOVERNMENT AGENCIES.

maritime security, governance, peacekeeping and disaster relief. The Status of Forces Agreement signed with the Philippines in May 2007 is indicative of our strengthening cooperation in these areas.

In the post–Cold War era, **NATO** is developing its links with global partners, such as those working in the International Security Assistance Force in Afghanistan. Australia has had valuable cooperation with NATO while not being part of that alliance. More recently, Australia and NATO have expanded this engagement to include practical cooperation on terrorism, WMD proliferation and on assisting weak states.

WHOLE–OF–GOVERNMENT RESPONSES

The term 'whole–of–government' is a way of describing the increasingly close cooperation that takes place between Defence, Australia's intelligence agencies, State and Federal police, the Department of Foreign Affairs and Trade (DFAT) and other agencies involved in internal and external security. Australia's whole–of–government effort was a major theme of the 2005 Update, and it continues to grow for two reasons. First, contemporary security challenges are complex and require comprehensive responses drawing on all facets of Australia's national power. Second, we have seen in East Timor and other places that the stability an ADF mission can provide will not last in the long term unless ways are found to create economic growth, improve the quality of government and build strong communities.

We expect that the ADF will be involved in many whole–of–government operations in coming years by providing on–the–ground stabilisation missions as needed, or by providing specialist support including military transport and logistic supply. But the long–term deployment of large forces is expensive, both financially and in terms of limiting our options for other ADF missions.

The ADF has a level of reach and the capability to support overseas operations not possessed by other government agencies. Defence can provide this support so that other agencies can do important tasks overseas. Strengthening nation–states and responding to humanitarian disasters requires a wide range of expertise in fields like policing, governance, economics, engineering, administration, health and education. Non–government organisations such as churches, charities, voluntary and youth groups also do vital work to help strengthen security in countries where government structures and services may be weak. Other government agencies are often better placed than Defence to build the right community relations. Defence will continue to co–operate closely with the Australian Federal Police (AFP), DFAT and AusAID on regional stabilisation missions.

Counter–terrorism concerns are also at the forefront of security initiatives. Defence is working closely with Indonesia and the Philippines to build stronger networks and counter–terrorism capabilities. Cooperation with Indonesia is a high priority for Defence, particularly in the areas of terrorism, border security and intelligence exchanges.

Defence is also an active participant in the Proliferation Security Initiative, a commitment by over 80 nations to impede or disrupt illegal trade in WMD to both state and non–state groups. Defence helps to plan and work to maintain the capabilities needed for WMD interdiction through involvement in regular PSI exercises. The ADF provides naval and

air interdiction capabilities, working closely with DFAT, law enforcement, Customs and intelligence, and jointly with PSI partners.

Defence's role is evolving also into a range of domestic security tasks dealing with 'non–traditional threats', such as pandemics, natural disasters and threats to national sovereignty in the form of illegal immigration and illegal fishing. While the States and Territories have increased funding in the area of counter–terrorism Defence has unique capabilities that may need to be deployed to meet such threats. Since 2001, the Government has committed more than $1.3 billion to enhance Defence's domestic security and counter–terrorism capability. The Border Protection Command works closely with key agencies including Customs to co–ordinate and respond to emerging offshore incidents, and to protect Australia's borders and critical infrastructure. Defence works closely with health authorities and state governments as a supporting agency to prepare for the possibility of a major pandemic. The ADF also plays an instrumental role supporting civil authorities in Government security operations at major events, such as the Commonwealth Games and Asia Pacific Economic Cooperation (APEC) meetings.

AN INTEGRATED FORCE...CAN RESPOND MORE RAPIDLY, PRECISELY, AND AGILELY TO CHANGES IN THE STRATEGIC, OPERATIONAL AND TACTICAL ENVIRONMENTS.

A JOINT AND INTEGRATED ORGANISATION

The term 'jointness' refers to the way the three Services – the Army, Navy and Air Force – work together on operations. (The ADF is moving from one form of 'jointness' where the Services work together but do so as three distinct groups to another where the Services retain their individual identity, culture and expertise but work as one entity.) Defence is exploiting communications and information technology to link sensors, weapon systems and commanders so that each shares an understanding of their environment – an approach to war known as 'network–centric warfare'. An integrated force comprising air, naval and land elements linked together in this way can respond more rapidly, precisely and agilely to changes in the strategic, operational and tactical environments.

Defence is working to ensure the ADF gains the full benefits of the network–centric approach to warfare. By enhancing our integrated command and control structures, including the creation of Headquarters Joint Operations Command, based at Bungendore, New South Wales, our forces will operate together more effectively. An integrated force will also provide improved intelligence, surveillance and reconnaissance data.

There remain a number of challenges to be overcome in developing an integrated force. Being integrated will improve the ADF's ability to operate as an agile and flexible force. For example, as land forces increasingly adopt some of the characteristics of special forces, then integration with air support will be essential to carry out their operations. And in the push for greater integration, individual Service personnel must retain their professional mastery, fundamental to the ADF's operational effectiveness. First and foremost the Services must retain their war–fighting skills to underpin the broader roles performed in many different missions over recent years. The ADF's reach, its understanding of different operational environments, its skill in the use of military force and its expertise in providing support and enabling capabilities collectively sustain Defence's core role as a war–fighting organisation.

Defence may not always be the lead agency for dealing with security or, more particularly, humanitarian challenges. The key to successfully dealing with these challenges in the future is through integrating the efforts of multiple agencies into a single, cohesive operation. The recent history of successful on–the–ground cooperation between agencies during previous operations provides an excellent basis for building such a capability.

SUMMARY

Australia has always cooperated with friends and allies – we need partners to pursue our interest globally. The alliance with the United States will remain Australia's most important strategic relationship, and will continue to grow. In the region, our defence partnerships continue to support our security interests, as is evident in our recent agreements with Indonesia and Japan. The business of working with others continues within the Government: increasingly, security engages a range of agencies from aid, police, foreign affairs as well as defence. And our effectiveness is enhanced through increasing integration between the elements of our own Defence Force.

CHAPTER 4

UPDATE ON OPERATIONS

SIGNIFICANT ADF RESOURCES ADD MUSCLE TO THE GOVERNMENT'S CO–ORDINATED EFFORT TO PROTECT OUR OFFSHORE ASSETS AND DETER AND RESPOND TO ILLEGAL IMMIGRATION, SMUGGLING, FISHING AND OTHER THREATS.

MARITIME ENFORCEMENT AND BORDER PROTECTION : OPERATION RESOLUTE

Defence contributes some 450[1] personnel to the whole–of–government operation protecting our borders. Operation Resolute provides greater flexibility in using assets such as ships and aircraft without reducing the number of ADF platforms on the operation or the hours they spend on task.

Under Operation Resolute the ADF supports the Government's Civil Maritime Surveillance Programme, which protects Australian fisheries (including in the Southern Ocean) and provides quarantine, customs and environmental security. This effort aims to deter and prevent unauthorised boat arrivals and provides an offshore maritime security response against maritime terrorism.

Operation Resolute is controlled by the Border Protection Command (BPC), which has assumed responsibility for operational co–ordination and control of both civil and military maritime enforcement activities within Australia's Exclusive Economic Zone (EEZ). The BPC is staffed by military and civilian officials from Defence, Customs, the Australian Fisheries Management Authority (AFMA) and the Australian Quarantine Inspection Service (AQIS). Significant ADF resources add muscle to the Government's co–ordinated effort to protect our offshore assets and deter and respond to illegal immigration, smuggling, fishing and other threats.

Our assets in Operation Resolute now include a standing maritime force comprising a major naval vessel, five (increasing to seven) patrol boats, a coastal minehunter, a heavy landing craft, elements from Army regional force surveillance units and a PC–3 Orion maritime patrol aircraft.

1 Numbers actually deployed on all operations listed at any one time may vary depending on timings of deployments, the size of naval units and other factors.

EAST TIMOR/TIMOR–LESTE : OPERATION ASTUTE AND OPERATION TOWER

Operation Astute is the ADF's stabilisation operation supporting the Government of East Timor and the UN Integrated Mission in East Timor (UNMIT). Police from Australia and 20 other nations provide security as part of the UN Police Force. Under Operation Astute, Defence provides support to these police operations as required. The Australian–led International Security Force (ISF) supported the UN Police and the East Timorese Government during the May 2007 presidential election period, and the 30 June parliamentary elections.

At its peak in June 2006, the Australian contingent numbered some 3,200 personnel. Earlier this year, the Australian deployment included approximately 1,100 personnel drawn from throughout the ADF. The ISF includes Australian Army Black Hawk helicopters and an Army Light Observation Troop with Kiowa helicopters.

Since first deploying in 1999 as part of the International Force in East Timor (INTERFET), the ADF has maintained a strong commitment to the government and people of East Timor. Operation Tower comprises the ADF's support to the current UN mission, UNMIT. The ADF has three personnel deployed as part of the Military Liaison Group (MLG) and the Joint Military Analysis Cell in the UNMIT Headquarters.

SOLOMON ISLANDS : OPERATION ANODE

Operation Anode is the ADF's contribution to the Australian–led Regional Assistance Mission to Solomon Islands (RAMSI). RAMSI is a multi–lateral grouping, which includes military, police and civilian advisers working on initiatives to restore security, law and justice, provide better economic management, and improve the machinery of government. The initial 2003 deployment was at the request of the Solomon Islands Government.

The military component of RAMSI comprises personnel from four nations: Australia, New Zealand, Papua New Guinea and Tonga. The military component's main task is to provide security for RAMSI's multinational Participating Police Force (PPF).

Approximately 140 ADF troops are now deployed in Solomon Islands. Deployments reached a high in April 2006, following riots in Honiara, when almost 400 ADF personnel deployed, including two infantry companies, two Iroquois helicopters, two patrol boats, logistics and headquarters staff.

IRAQ : OPERATION CATALYST

Operation Catalyst, the successor to Operations Falconer and Bastille, began in July 2003. It is the ADF's contribution to the international efforts to reconstruct and rehabilitate Iraq. In February 2007, the Government announced an enhanced ADF commitment to Operation Catalyst through an increased training effort. That raised the number of personnel assigned to Operation Catalyst to some 1,575 personnel. Operation Catalyst includes a number of elements, some of which are assigned to both Operation Catalyst and Operation Slipper in Afghanistan. The dual assignments include a major fleet unit, the AP–3C Orion Detachment, the C–130 Hercules Detachment and various elements of the National Headquarters.

Australia also has an ADF officer assigned to the United Nations Assistance Mission in Iraq (UNAMI), whose primary responsibilities include providing military advice to the United Nations Special Representative of the Secretary General (SRSG) and co–ordination of Multi National Force Iraq (MNF–I) support to UNAMI.

AFGHANISTAN: OPERATION SLIPPER AND OPERATION PALATE II

Operation Slipper is the ADF's contribution to the international coalition against terrorism. In February 2006, the Prime Minister announced the deployment of a Reconstruction Task Force (RTF) to Afghanistan to support coalition operations for a period of two years. In September 2006 the RTF commenced its deployment as part of the Netherlands–led Taskforce in Tarin Kowt, the capital of Oruzgan Province in the south of Afghanistan. The RTF consists of a mix of security and reconstruction personnel of approximately 385 ADF members.

The RTF is reconstructing and improving the province's infrastructure and providing community–based projects to help the Afghan Government build a stable and secure future for its people. To date, projects have been completed or are under way at the Tarin Kowt Provincial Hospital, the Tarin Kowt High

THE RTF IS RECONSTRUCTING AND IMPROVING THE PROVINCE'S INFRASTRUCTURE AND PROVIDING COMMUNITY–BASED PROJECTS TO HELP THE AFGHAN GOVERNMENT BUILD A STABLE AND SECURE FUTURE FOR ITS PEOPLE.

School, a major causeway over the Garmab Mandah River, the Yaklengah Health Centre, and the Tamai School Compound Wall. These projects are developed in consultation with local authorities. The RTF has established a Trade Training School (TTS) where the local civilian population is taught basic engineering and mechanical skills. The TTS also provides military engineering training for the Afghan National Army.

After comprehensive consultations with the government of Afghanistan and our key coalition partners, the Prime Minister announced in April 2007 that additional ADF elements would be sent to Afghanistan. These include a Special Operations Task Group to enhance force protection to the RTF; a Royal Australian Air Force air surveillance radar capability deploying to Kandahar Airfield; an additional C–130J Hercules aircraft and associated aircrew and support elements; and an increased command and logistics element to support the larger ADF force. These forces are now in place.

Australia also has an ADF officer deployed to Afghanistan under Operation Palate II, supporting the UN Assistance Mission in Afghanistan (UNAMA).

The total Australian commitment in Afghanistan following the additional deployment will be about 970 personnel by mid–2007, peaking at about 1,000 personnel in mid–2008 when the combined force in the Middle East will total around 2,500 personnel.

ISRAEL/LEBANON : OPERATION PALADIN

Operation Paladin is Australia's contribution to the UN Truce Supervision Organisation (UNTSO), established in 1948 to supervise the truce agreed at the conclusion of the first Arab–Israeli War. Australia has supported this operation since 1956, with people working in Israel, Syria, Lebanon and Jordan. Members of the Australian contingent – currently 12 personnel – may be employed as staff officers in the UNTSO Headquarters in Jerusalem and as military observers.

SINAI : OPERATION MAZURKA

Operation Mazurka is Australia's contribution to the Multinational Force and Observers (MFO) in the Sinai. The MFO is a non–UN organisation established in 1981 to oversee

the Camp David Accords of 1978 and the Egypt–Israel Peace Treaty of 1979. Today, the MFO is maintained by 11 participating nations including Australia, New Zealand, the United States, Canada, Fiji and France. ADF members support the peace process by monitoring the border between Egypt and Israel and supporting the MFO headquarters. Twenty–five personnel are deployed on the operation.

SUDAN : OPERATION AZURE

Under Operation Azure, the Government has deployed 15 ADF personnel to the United Nations peacekeeping operation in Sudan (UNMIS). Of the Australian contribution, six are military observers and nine support the Headquarters of the Peacekeeping Force as specialists in operations, aviation and logistics.

UNMIS was established in March 2005 under UN Security Council Resolution 1590, after the government of Sudan and the Sudan People's Liberation Movement agreed to end a civil war that had lasted for more than 20 years.

SUMMARY

Over 4,000 personnel are engaged in 10 operations, including Operation Resolute, in the pursuit of Australia's regional and global security interests.

GLOBAL OPERATIONS

OP SLIPPER
Afghanistan
OP ANODE
Solomon Islands
OP TOWER
Timor–Leste
OP ASTUTE
Timor–Leste
OP RESOLUTE
Border Protection

STEVE MURNIK
ROYAL AUSTRALIAN AIR FORCE

CHAPTER 5

UPDATE ON CAPABILITY

THE ADF MUST BE ABLE TO MOVE LARGE DISTANCES ACROSS OUR REGION AND BEYOND...AND BE ABLE TO BE SUPPLIED AND SUPPORTED A LONG WAY FROM AUSTRALIA OVER SUBSTANTIAL PERIODS.

The Defence Capability Plan (DCP) ensures the ADF is equipped and trained to meet the contingencies anticipated in Defence's strategic guidance. Fundamentally, Australia must be able to defend itself without relying on the support of allied combat forces, even though a direct threat to its territory is not likely in the near future. The ADF also must be able to lead and operate freely in our area of paramount defence interest, as well as operate with allies much further afield in pursuit of Australian national interests.

Those requirements mean the ADF must be able to move large distances across our region and beyond. And Defence must be able to supply and support ADF elements a long way from Australia over substantial periods – as is currently the case in Iraq and Afghanistan. Our ability to project forces in this way is highly valued within the region and by our allies. We can respond quickly and effectively to help relieve the devastating consequences of a tsunami, restore law and order in the Solomon Islands or help strengthen democracy in East Timor. Recent major decisions by the Governement on future capabilities for the Army, Navy and Air Force will increase the capacity of the ADF to undertake operations in the region and contribute to operations around the globe. Our capabilities are becoming more networked, allowing greater flexability, responsiveness and precision. Not only does that provide the ADF with greater strategic and operational weight but allows Australia to be able to make substantive contributions to allied efforts. Being interoperable with allies, particularly the United States, in terms of doctrine, communications and connectivity helps strengthen our own security and contributes to regional stability.

The dynamic nature of the strategic environment also means that a prudent Government must be ready to acquire new capability at short notice. Some of the capability decisions outlined below – the 'Enhanced Land Force' and the C–17 and Super Hornet decisions in particular – fall into that category. Such flexibility,

and determination, in decision–making is a necessary part of responding to strategic change and managing our defence posture responsibly.

MARITIME

Our Navy must be able to establish sea control and operate freely within our region, while denying such freedoms to an opponent. The Navy's roles and missions range from border protection, enabling and support of stabilisation and reconstruction operations to traditional warfighting. While normally achieving this goal in concert with the Air Force, for maximum flexibility our Navy must be able to undertake this task by itself and for sustained periods without undue risk.

To help fulfil this mission Australia is acquiring three **Air Warfare Destroyers (AWD)** based on the Spanish F–100 design, at a cost of nearly $8 billion. The AWDs can act as a defensive barrier by providing air defence either on their own or in concert with our fighter and Wedgetail Airborne Early Warning and Control (AEW&C) aircraft. A key element of network-centric operations, they will be a strategic force that will enable the Navy to operate freely in our area of paramount defence interest. Not only will the AWDs be able to undertake a range of traditional warfighting roles, but they will have a potential ballistic missile defence capability, and the versatility to provide command and control facilities in support of humanitarian missions and other tasks.

THE GOVERNMENT MUST BE READY TO ACQUIRE NEW CAPABILITY AT SHORT NOTICE – WHEN WE BELIEVE THE CIRCUMSTANCES WARRANT IT AND WE ARE IN A POSITION TO DO SO.

The acquisition of two new **amphibious ships**, at a cost of about $3 billion, based on the Spanish LHD design, will provide the Government with a greatly improved ability to act decisively in our national interest around Australia and throughout the region. Each LHD will be able to deploy around 1,000 personnel with the helicopters and watercraft necessary to enhance the ADF's reach and operational impact in the region. The LHDs can support the new MRH–90 helicopter, the CH–47 Chinook helicopter, and the Tiger armed reconnaissance helicopter now being delivered to the Army. Each ship will be equipped with significant medical facilities, including two operating theatres and a medical ward. In the event of regional humanitarian missions and support to stabilisation operations, and particularly when local infrastructure cannot meet needs, the amphibious ships will provide considerable secure and sustainable capability.

OUR NAVY MUST BE ABLE TO ESTABLISH SEA CONTROL AND OPERATE FREELY WITHIN OUR REGION, WHILE DENYING SUCH FREEDOMS TO AN OPPONENT.

Additionally, more than $3 billion is being spent on projects to upgrade the sensors and weapons of our **Anzac and Adelaide class** frigates, ensuring they remain at the forefront of regional naval capability. That includes a $500 million programme planned for the eight Anzac class frigates, to improve their air defence capabilities, to enable them to fire Harpoon II missiles, and so that in the future they will complement the capabilities of the AWD. To support general operations of the fleet, the Navy will replace the current Sea King fleet with **MRH-90 multi–role helicopters** and has recently commissioned new **Armidale class patrol boats** and the **under way replenishment ship, HMAS Sirius**.

Australia is working with the US Navy to develop large **unmanned air vehicles** (UAV) to support our maritime surveillance requirements. The DCP has made a provision of over $1 billion to acquire the UAVs, which will complement an ongoing manned aircraft fleet of the existing AP–3C aircraft. The Government has foreshadowed replacement of the AP–3Cs towards the end of the next decade at an expected cost of over $3.5 billion.

LAND

In a major strengthening of Australia's capabilities, the Government has provided around $5.6 billion to develop the ADF's Land Force. That includes the Hardened and Networked Army (HNA) initiative (approved at around $1.5 billion in 2005) and the recently approved '**Enhanced Land Force**' initiative (approved at around $4.1 billion in 2006) that increases the size of the Army by one, and in time possibly two, infantry battalions. The HNA initiative greatly strengthens the Army's protection, mobility, fire power and communications, to allow it to operate in more complex, dangerous and uncertain environments. Both programs reflect the increasing demand on the Army in supporting reconstruction and stabilisation operations, the need to be able to operate with allies in coalition operations as well as more traditional warfighting roles. Land forces are also being strengthened by the introduction of a range of **UAV**s.

The Government will soon consider replacing the current fleet of over 7,000 **ADF field vehicles** at a cost of more than $2.5 billion. Responding to challenges emerging from recent Middle East operations, the Government has introduced remote weapon stations for Army vehicles and strengthened vehicles against attack by rocket propelled grenades (RPGs) and improvised explosive devices (IED). Our deployed soldiers have

been equipped with the highest standards of combat body armour. The Government is also upgrading existing weapon locating radars, currently being used to great effect in Iraq.

Recent operations have reinforced the value of many traditional Army capabilities when operated as part of a combined arms team. Fifty–nine **M1A1 Abrams tanks** – the best in the world – are entering Army service at a cost of around $500 million. The Government is considering the next generation artillery system, which includes self–propelled protected vehicles and lightweight artillery, allocating over $400 million to this capability.

RECENT OPERATIONS HAVE REINFORCED THE VALUE OF MANY TRADITIONAL ARMY CAPABILITIES WHEN OPERATED AS PART OF A COMBINED ARMS TEAM.

AIR

Capability guidance for the Air Force emphasises the need for a qualitative air combat edge – indeed, one of the highest priorities for the Government is to ensure the Air Force's air combat capability is second to none in our region. This goal will be guaranteed by acquiring the Joint Strike Fighter (JSF), with the final acquisition decision to be considered by the Government in 2008. To guarantee our combat edge through the period of transition from the current fleet of F/A–18 A/B and F–111 aircraft, a squadron of F/A–18F **Super Hornet** aircraft has been acquired at a cost of over $6 billion. A highly capable multi-role aircraft, the Super Hornets will provide a more flexible operational capability than currently exists with the F–111, and a greater capacity to network with the other new capabilities being acquired for the ADF.

In the meantime, the current F/A–18 A/B Hornet fleet is undergoing a significant upgrade. Its life is being extended to maintain a high capability level through to the introduction of the JSF. The Government is improving the F/A–18 A/B's self–protection through a new radar warning receiver, jamming pod and flare and chaff dispensers. It is also being fitted with all–weather precision–guided munitions and stand–off missiles. The total investment in improvement to the F/A–18 A/B fleet is over $1 billion.

The arrival of the first **C–17 Globemaster** in December 2006, and the second in May 2007, represents a major boost to the ADF's strategic airlift. The C–17 is able to carry up to four times the load of a C–130 – including the M1A1 Abrams tanks, Australian Light Armoured Vehicles and Black Hawk and Chinook helicopters – over twice the distance and much more rapidly.

ONE OF THE HIGHEST PRIORITIES FOR THE GOVERNMENT IS TO ENSURE THE AIR FORCE'S AIR COMBAT CAPABILITY IS SECOND TO NONE IN OUR REGION.

The Air Force's reach is being extended through the introduction of five Multirole Tanker Transports from 2009, significantly enhancing the range and endurance of the fast jet fleet, AEW&Cs and C–17s.

The capacity to undertake strategic strike remains a key component of the Government's Defence strategy. Defence is currently moving from a strike capability built primarily around the F–111 to one based on the more stealthy and versatile JSF.

SIGNIFICANT FUNDING SUPPORT IS ESSENTIAL TO ENSURE OUR INTELLIGENCE CAPABILITIES KEEP PACE WITH TECHNOLOGY.

COMMAND, CONTROL AND NETWORKING

A key challenge faced by the ADF is to ensure it is able to perform complex military leadership roles in our own region and, when called upon, to participate in global coalitions. As mentioned, the Headquarters Joint Operations Command, currently being built in Bungendore, represents a decisive strengthening of a joint approach to planning and conducting operations. This will be further enhanced through the introduction of six **AEW&C aircraft** from 2009 and the Government's initiative to harden and network the Army. Defence continues to make good progress towards its force networking goals.

There is an emerging need to focus on 'cyber–warfare', particularly capabilities to protect national networks to deny information.

Space is increasingly critical to our command and control capabilities. Defence has been enhancing our maritime satellite communications and information connectivity. In Western Australia, Defence is examining the establishment of another satellite ground station to provide a more robust capability. Agility and adaptability in modern warfare rests significantly on advanced navigation systems, particularly Global Positioning Systems (GPS). The Government has invested around $100 million in navigation systems that are resilient to GPS jamming.

INTELLIGENCE

High–quality, timely intelligence is essential to enable Defence to meet the challenges of the new security environment. Significant funding support is essential to ensure our intelligence capabilities keep pace with technology. The Government has committed to strengthen Defence's intelligence and security capabilities to better protect Australia. This includes investment in strengthening Defence's cryptographic protection of communications.

Since 2001, the Government has invested heavily in the Defence intelligence capability. There has been around 30 per cent growth in civilian personnel as well as moderate increases in military staffing in the intelligence agencies. In the last six years an additional $165 million has been spent on intelligence capabilities, with a further $190 million to be invested over the next four years.

SUPPORTING AND SUSTAINING OUR FORCES

Defence's logistics agencies and supporting infrastructure play a vital role in sustaining our forces, providing the Government with increased options for the use of the ADF. Over the last year the Government invested significant resources to enhance the Defence logistics information management capability. Defence is also working to improve its financial and personnel management systems in line with the outcomes of the Defence Management Review.

SUMMARY

The Defence Capability Plan ensures the ADF is equipped and trained for the tasks demanded of it by the Government, as established in the Government's strategic guidance. Since the last Update, improvements have been made or are in train to improve the ADF's reach, flexibility, survivability and lethality, and to expand the range of options open to the Government in the use of force in pursuit of Australia's national interests.

ARCREW

CHAPTER 6

UPDATE ON PEOPLE AND RESOURCES

WE PLACE A HIGH PRIORITY ON MAINTAINING A DEDICATED AND PROFESSIONAL WORKFORCE, AND ON EFFICIENT AND EFFECTIVE SYSTEMS.

Defence is proud of its people, both military and civilian. It is our people who generate the capability, develop the knowledge and manage the resources necessary for Defence to do its job. We place a high priority on maintaining a dedicated and professional workforce, and on efficient and effective systems. Recruitment and retention are a strategic challenge: the contemporary ADF requires increasingly skilled personnel at a time of record employment in the Australian economy. This will require new and innovative approaches from managers across Defence and Government. The Government is investing in strategies aimed at ensuring the sustainability and effectiveness of the Defence organisation over the long term.

RECRUITMENT AND RETENTION INITIATIVES

As the ADF's commitments on operations grow, Defence needs to grow to about 57,000 full–time military personnel over the coming decade. A total of $3.1 billion is being invested in recruitment and retention initiatives for ADF men and women over ten years as they continue to protect and serve the nation.

In December 2006 the Prime Minister announced the allocation of $1 billion for an **initial boost to the number of full–time personnel serving in the ADF**.

An additional $2.1 billion has been allocated over ten years for the second phase of the programme. The **extra funding will benefit ADF personnel and their families**, by enhancing their remuneration and conditions of service.

Further, Defence has introduced a new strategic framework for **ADF personnel career management** with the goal of providing more flexibility and choice for both ADF members and the Defence organisation itself.

Defence aims to be recognised as an employer of choice. Achieving that goal is critical for the ADF if it is to grow to meet its planned **strength target of 57,000** over the coming decade.

RESERVES

Reserves make a significant contribution to ADF readiness and its ability to undertake the range and number of tasks in which it is engaged. Recognising their importance, in 2005 Cabinet approved recommendations of the **Reserve Remuneration Review**, and Defence has since implemented its key recommendations. These include

- the removal of the discounted rate of salary for Reservists;
- the introduction of health support allowances for Active and High Readiness Reserves (HRR); and
- payment of completion bonuses for HRR members.

A service allowance for Reservists of the rank of major and below has also been approved. As well, public sector leave policies now allow for paid military leave in both federal and state government departments.

AT ANY ONE TIME, DMO HAS ABOUT $100 BILLION DOLLARS OF PROJECTS AND SUSTAINMENT BUSINESS UNDER MANAGEMENT.

The Government recently approved a public awareness campaign that will specifically focus on the **reciprocal benefits to employers** of employing Defence Reservists. The campaign is part of the wider strategy undertaken by Defence to engage industry and assist in meeting specific 'capability gaps' that can be satisfied by Reservists with appropriate skills. A new '**Academic Support Policy**', under which institutions will provide academic and financial support to those Reservists who are undertaking tertiary study, has also been announced. The Government anticipates that the majority of Australia's 41 universities and TAFE colleges will have adopted the policy by end of 2007. All these initiatives underline the importance of the contribution Reserves make to Australia's defence and security needs.

DEFENCE ACQUISITION AND INDUSTRY

Australia runs one of the world's most efficient, effective, and ethical military acquisition and sustainment systems.

Government approved the Kinnaird reforms in 2003 and these were successfully implemented through 2004 and 2005. On 1 July 2005, the Defence Materiel Organisation (DMO) became a Prescribed Agency with direct accountability to the Minister for Defence for DMO's performance and financial position in acquisitions and sustainment.

For major projects above $20 million, Australia runs a two–pass Government approval process. Broad project definition and

acquisition strategy generally are agreed at first pass. Money is then allocated to de–risk projects and develop tender quality prices for Government at second–pass approval. The Government will invest money to retire certain risks in major projects before they reach final approval.

DMO has a budget to provide goods and services to the ADF approaching $10 billion per year. The Chief Information Officer Group, the Defence Support Group, the Defence Housing Authority, Defence Scince Technology Organisation (DSTO) and other groups invest a further $3 billion to $4 billion dollars per year in support of ADF capabilities.

AUSTRALIA'S DEFENCE INDUSTRY IS CRUCIAL TO OUR NATIONAL SECURITY AND IT UNDERPINS THE DEFENCE ORGANISATION'S ABILITY TO PERFORM ITS MISSION.

DMO is arguably the largest project management and engineering services supplier in Australia with responsibility for over 200 major projects, more than 100 minor projects, the ongoing maintenance and upgrade of several hundred fleets of equipment, and support to military operations, including rapid acquisitions as required. At any one time, DMO has about $100 billion dollars of projects and sustainment business under management. The DMO is charged with the responsibility for delivering some of the most advanced and complex military equipment available in the world today and as such must continue to assume and manage engineering risk. Without a calculated and measured approach to acquisition the Government risks the ADF's capability edge.

Australia's defence industry is crucial to our national security and it underpins the Defence organisation's ability to perform its mission. The Government released a new defence industry policy in March 2007 that sets out nine key strategies to achieve the goal of ensuring the men and women of the ADF are equipped and supported through an efficient and capable industry base. The Government will preserve and develop a strategic and cost–effective way to equip and sustain the ADF, and seeks to encourage Australian defence industry by providing business opportunities, boosting skills development, facilitating exports, and backing innovation.

It is important that Australian defence industry will continue to make a significant contribution to delivering the Defence Capability Plan (DCP) in a timely and cost–effective way. Approvals of several very large projects in the coming year will create opportunities for industry to gain valuable work in the aerospace, maritime, electronic systems and weapons and munitions sectors. For example, between them, the AWD and LHD projects will inject $4.5 billion into Australian industry, providing work for more than 1,000 contractors and 3,500 new jobs across the country. This significant increase in business will be a challenge for local industry to meet Defence's schedule and capability demands, and sustain a realistic share of Defence's acquisition and sustainment budgets.

THE DEFENCE ESTATE

The Defence Estate includes some 400 owned properties across the nation, encompassing both the built and natural environment. Through its responsibility for the infrastructure, facilities and training ranges contained on the Estate, the Defence Support Group (DSG) manages the living, working

THE AWD AND LHD PROJECTS WILL INJECT $4.5 BILLION INTO AUSTRALIAN INDUSTRY.

and training environment for the Defence organisation. This infrastructure and the broad range of DSG services that support them are a fundamental input to Defence capability. Pressures on Defence Estate funding has been partially offset by recent increases in funding for repair and maintenance functions and Defence continues to rationalise bases and facilities to ensure the most efficient use of facilities resources.

The Major Capital Facilities Program (MCFP) is a ten–year plan for Defence base infrastructure and facilities redevelopment. The current plan will see $4.5 billion invested in the Defence Estate in the coming ten years. In the last three financial years, Defence has sought and gained government approval for 24 major infrastructure projects at a total estimated value of over $2 billion. These include base redevelopments at:

- Lavarack Barracks in Townsville, Queensland;
- Simpson Barracks in Melbourne, Victoria;
- Kokoda Barracks in Canungra, Queensland;
- RAAF Base Amberley, Queensland; and
- RAAF Base Pearce, Western Australia.

Other projects include works at:

- HMAS Cairns, Queensland;
- HMAS Coonawarra in Darwin, Northern Territory;

- HMAS Creswell at Jervis Bay, ACT;
- RAAF Base Townsville, Queensland; and
- the Holsworthy Program of Works, Sydney, New South Wales.

The MCFP will see an additional $4.5 billion spent on facilities needed to support major capital equipment projects and major government initiatives such as the Hardened and Networked Army and Enhanced Land Force. That will increase the capital works projects to be managed by Defence and delivered by industry over the next ten years.

INTELLIGENCE UPGRADES

Intelligence remains the first line of defence in both traditional military operations and in combating terrorism. The Government has made investments to improve the ability of our intelligence agencies to gather, analyse and act on intelligence information. The relationship between the ADF and defence intelligence agencies has transformed over recent years with significant operational and tactical benefits being derived from those agencies' strategic intelligence capabilities.

To support the Australian Defence Force's current high level of activity in multiple theatres, the Defence Intelligence Organisation, Defence Signals Directorate and the Defence Imagery and Geospatial Organisation have expanded their activities to include direct support to the theatres of operations, providing timely fused intelligence products to support commanders and troops. This has significantly aided commanders' decision making and directly contributed to saving the lives of Defence personnel.

DEFENCE MANAGEMENT REFORM

The report of the Defence Management Review (DMR) team was released by the Minister for Defence in April 2007. The report noted the impact on Defence management of a continuing high operational tempo and pointed to the importance of building strong, flexible and responsive management and decision–making systems. The DMR was asked to assess Defence's organisational efficiency and effectiveness and make recommendations on its management structures, leadership, decision making, non–operational business processes and information systems and processes.

The Government's response to the DMR's findings forms the core of a comprehensive reform agenda designed to ensure that all areas of Defence and the supporting internal systems and processes are fully able to support current operations and to deliver Defence's future operational and military capability requirements.

The reform programme includes a range of existing and new initiatives that focus on four important themes. First, **accountability and governance** – ensuring our accountabilities are clearly defined and devolved to the lowest appropriate level under an agreed Defence Business Model. Second, **supporting our Minister** – strengthening the ability of Defence people to support the Minister and his portfolio colleagues, and whole–of–government decision making, with high–quality, timely and accurate advice. Third, **people management** – building a skilled, adaptable and responsive workforce, and strengthening our strategic personnel policy capacity. Finally, **business system reform** – ensuring our underlying business processes are focused on the efficient and effective delivery of Defence outcomes.

Some of the major initiatives now being implemented by Defence as a result of the DMR include the following.

Revising our governance framework. The existing governance framework will be reviewed and streamlined to ensure that accountabilities (including for joint activities) and resource ownership issues are clearly defined and governance processes are not overly burdensome.

THE DEFENCE MANAGEMENT REVIEW...POINTED TO THE IMPORTANCE OF BUILDING STRONG, FLEXIBLE AND RESPONSIVE MANAGEMENT AND DECISION–MAKING SYSTEMS.

Policy Development. A new policy development team has been established to work with subject–matter experts on particularly complex and sensitive policy issues to transfer policy skills throughout Defence.

Personnel Function. A new strategic personnel policy function is being developed to focus on policy, planning and evaluation in relation to key issues such as recruitment and retention, remuneration and reward, people development, leadership and the working environment.

Business Systems and Process Review. A more comprehensive business process review is under way to strengthen the business processes and systems which generate the information needed to manage Defence effectively, and to enhance the capacity of Defence to understand, estimate, and model costs.

Financial Reform. Existing financial reform, centred around financial statement remediation, building financial management skills, and improving resource management, will be expanded to improve visibility of costs for function, products and capabilities, and building predictive cost models to assess and advise Government on the long–term costs of Defence capability.

Information and Communication Technology (ICT) Reform. A substantial information technology reform agenda is being pursued to ensure that all areas in Defence have the technology and information system support to make informed decisions. The initiatives range from the development of a structured Defence–wide ICT strategy to benchmarking information technology in Defence against industry best practice and improving the engagement between customer and provider groups.

SUMMARY

Defence continues to improve the support provided to Government, particularly through its workforce and systems. People remain a priority, and the Government continues its efforts to ensure the Defence organisation has the workforce it needs to undertake the tasks assigned to it by Government.

DPS: APR013/07