Australian Government
Department of Defence
2016
DEFENCE
WHITE PAPER

© Commonwealth of Australia 2016

ISBN: 978-0-9941680-5-4

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968* (Cwth), no part may be reproduced by any process without prior written permission from the Department of Defence.

2016 DEFENCE WHITE PAPER

Table of Contents

Minister's Introduction 9

Executive Summary 13

- Strategy 14
  - Australia's strategic outlook 14
  - Australia's defence strategy 17
- Capability 18
  - A more capable, agile and potent future force 18
  - Australian defence industry and innovation 20
  - Shipbuilding 21
  - Defence posture – more active and internationally engaged 21
  - International engagement 22
  - Defence preparedness 22
  - People 23
- Resources 24
  - Reform 24
  - Funding 24
  - Implementation 25

Chapter One: The Government's Approach to Defence 29

- The purpose of this Defence White Paper 29
- Why now? 30
- Managing strategic risk 32

Chapter Two: Strategic Outlook 39

- Australia's security environment 39

The United States and China . . . 41
The rules-based global order . . . 44
The threat of terrorism and foreign terrorist fighters . . . 46
State fragility . . . 48
Military modernisation . . . 49
Cyber and space . . . 51
Regional security environments . . . 53
Australia's borders and offshore territories . . . 53
Our immediate neighbourhood . . . 54
South East Asia . . . 56
Indonesia . . . 59
North Asia . . . 60
South Asia and the Indian Ocean Rim . . . 61
The Middle East . . . 63
Weapons of Mass Destruction . . . 64
Chapter Three: Australia's Defence Strategy . . . 67
Australia's Strategic Defence Framework . . . 68
Strategic Defence Interests . . . 68
A secure, resilient Australia, with secure northern approaches and proximate sea lines of communication . . . 68
A secure nearer region, encompassing maritime South East Asia and the South Pacific . . . 69
A stable Indo-Pacific region and a rules-based global order . . . 70
Strategic Defence Objectives . . . 71
Deter, deny and defeat attacks on or threats to Australia and its national interests, and northern approaches . . . 71

Make effective military contributions to support the security of maritime South East Asia and support the governments of Papua New Guinea, Timor-Leste and of Pacific Island Countries to build and strengthen their security 74

Contribute military capabilities to coalition operations that support Australia's interests in a rules-based global order 75

Implications for force structure and force posture 77

Chapter Four: The Future Australian Defence Force 83

Designing the future force 84

Capability priorities 86

Intelligence, Surveillance and Reconnaissance, Space, Electronic Warfare, and Cyber Security 86

Maritime Operations and Anti-Submarine Warfare Forces 89

Strike and Air Combat 94

Land Combat and Amphibious Warfare 97

Key Enablers 100

Air and Sea Lift. 106

Industry, innovation, research and development 108

A new approach to Australian defence industry policy 108

A new approach to defence innovation 111

Shipbuilding 113

Chapter Five: Positioning Defence for Tomorrow's Challenges 117

International engagement. 117

International defence relationships 120

The Australia-United States Alliance 121

New Zealand 124

Indonesia 125

The South Pacific 126
Timor-Leste 128
South East Asia 128
North Asia 132
South Asia 134
Global relationships 135
Defence preparedness 140
Current operations 141
Chapter Six: People 145
Growing the integrated Defence workforce 146
Permanent Australian Defence Force 146
Reserves 148
Australian Public Service 149
Recruiting the people we need 150
Developing our people 152
Retaining our people 153
Defence culture 154
Looking after our people 156
The Defence community 159
Delivering the future workforce 160
Chapter Seven: Reform of Defence 165
The First Principles Review – The Government's reform program 165
A strong strategic centre 168
Capability development life cycle 170
Corporate and military enablers 172
Implementing the First Principles Review 174

Chapter Eight: Funding Defence 177
The Government's plan for funding Defence 177
The funding model 177
How will Defence funding be spent? 181
Budgeting in Defence 182
Chapter Nine: Implementing this Defence White Paper 185

Minister's Introduction

The *2016 Defence White Paper* represents the Government's firm commitment to the Australian people that we will keep our nation safe and protect our way of life for future generations. This is a fundamental responsibility of the Australian Government; the safety and security of the Australian people and the defence of our territory and interests is our first and abiding priority.

The *2016 Defence White Paper* is the most rigorous and comprehensive in Australia's history – it is the culmination of a thorough process of review and assessment of Australia's security environment spanning the next 20 years.

Over the next two decades, we face greater security uncertainty and complexity, globally. This White Paper, together with the accompanying *2016 Integrated Investment Program* and *2016 Defence Industry Policy Statement*, sets out the Government's vision to enhance Australia's defence capability, deepen our international security partnerships and collaborate with defence industry and science and technology research partners in support of our nation's security.

The Defence White Paper presents the strong strategic argument for Australia's future defence based on seizing opportunities while managing strategic challenges. An important part of the Government's strategy is to continue to strengthen our alliance with the United States, as well as our other regional and international partnerships, to meet shared security challenges such as the pervasive threat of terrorism.

We have been careful in this White Paper to match our strategy and capability plans with appropriate resources. This is the first Defence White Paper to be fully costed, with external private sector assurance of the White Paper's investment plans. The Government will fund the White Paper goals by increasing the defence budget to two per cent of Australia's Gross Domestic Product by 2020–21, providing an unprecedented investment in Australia's defence capability of approximately $195 billion over ten years.

The Australian Defence Force is already highly capable and respected for its professionalism world-wide. Our challenge is to maintain our capability edge and prepare for the more complex and high-tech conflicts of the future. To achieve this, the Government has prioritised the development of a more capable, agile and potent force structure. We will invest in modern space and cyber capabilities and the infrastructure, information and communications systems that support defence capability. Australian Defence Force personnel will continue to be appropriately trained, equipped and supported to undertake their diverse, critical roles.

The *2016 Defence White Paper* sets out the most ambitious plan to regenerate the Royal Australian Navy since the Second World War. The White Paper reaffirms the Government's commitment to a strong, internationally competitive and sustainable Australian naval shipbuilding industry.

Key to the successful delivery and sustainment of our enhanced defence capabilities will be a new level of collaboration with Australian defence industry and science and technology research organisations. Positive new opportunities for enhanced collaboration and partnering between Defence and Australian defence industry will allow us to harness the leading-edge Australian innovation and technological expertise that can provide unique capability advantages for the Australian Defence Force. The Defence Industry Policy Statement accompanying this White Paper transforms the framework for effective engagement between Defence and defence industry.

The Defence organisation is undergoing a once in a generation level of change through implementation of reforms recommended by the First Principles Review of Defence. Successful implementation of this significant reform program, including a genuine commitment to effective cultural reform across Defence, will be critical to realising the Government's White Paper goals. Defence has made good progress in implementing cultural change and there is more to be done. A more diverse and inclusive workplace, with a focus on gender equality in professional development and progression opportunities, will be important to enhance the Defence organisation's capability and improve its standing as an employer of choice within the Australian community.

Our highly dynamic and interconnected world enables the Government to adopt an active and engaged approach in ensuring security and defence policy remains relevant and responsive. We will review our policy to meet the pace of change, through regular national security statements and defence updates to the Parliament. We will also ensure the availability and accessibility of current information on Defence's capability and industry plans and programs.

I am optimistic about Australia's future prosperity and security; the Government will continue to provide the direction and resources to protect and promote our nation and its interests, including through an enhanced capacity to shape Australia's security environment. I look forward to continuing an open dialogue with the Australian people as we implement this important White Paper.

Marise Payne
Minister for Defence

Executive Summary

This Defence White Paper explains how the Government is investing in Australia's defence capabilities to strengthen Australia's security in the more complex strategic environment Australia will face in the years ahead.

The Government's policy is to align Australia's defence strategy with capabilities and resourcing, grow our international defence partnerships to support shared security interests and invest in the partnership with Australian defence industry to develop innovative technologies and deliver essential capabilities.

Because decisions about our defence capabilities taken now will determine our capacity to manage the challenges of the future, it is important that defence decision making and planning take a clear long-term view. This Defence White Paper looks out to 2035 to identify where and what sorts of security challenges are likely to arise and what capabilities Defence – the Australian Defence Force (ADF) and the Department of Defence – will need to meet them. While Australia has effective defence capabilities to draw on to meet current security challenges, significant under-investment in Defence in the past and the deferral of decisions about future major capabilities need to be fixed. Defence's capability plans have become disconnected from defence strategy and resources, delaying important investments in Australia's future security and frustrating Australian defence industry.

In April 2014, the Government announced that it would deliver a new Defence White Paper to align Defence's strategy, capability and resources.

This Defence White Paper is based on a comprehensive review of Australia's strategic environment, including the changes underway in the Indo-Pacific region, encompassing the Indian Ocean to the Pacific Ocean, and across the world and the implications of these changes for Australia and for Defence. This includes an assessment of the different challenges created by the complex

dynamics between states and the ongoing threat posed by non-state actors, including terrorists that seek to launch attacks internationally, regionally and within Australia.

A fully-costed Force Structure Review underpins the Defence White Paper. The Force Structure Review assessed Defence's future capability needs and developed the force structure required to achieve Australia's defence objectives.

An Expert Panel supported the development of the Defence White Paper together with a comprehensive consultation process which incorporated input from across Government, Australian defence industry, the Australian public, the United States, New Zealand and our other international partners.

The Defence White Paper sets out in three sections the elements of the Government's defence policy in response to this comprehensive analysis and consideration: Strategy, Capability, and Resources.

Strategy

Australia's strategic outlook

Australia and the Indo-Pacific region are in a period of significant economic transformation, leading to greater opportunities for prosperity and development. Rising incomes and living standards across the Indo-Pacific are generating increased demand for goods and services. By 2050, almost half the world's economic output is expected to come from the Indo-Pacific. This presents opportunities to increase Australia's economy and security as the Indo-Pacific region grows in economic and strategic weight.

The growing prosperity of the Indo-Pacific and the rules-based global order on which Australia relies for open access to our trading partners are based on the maintenance of peace and stability. Over the last 70 years that peace and stability has been underpinned by a strong United States presence in our region and globally as well as active engagement by regional states in building a rules-based order.

Australia's strategic outlook to 2035 also includes a number of challenges which we need to prepare for. While there is no more than a remote prospect of a military attack by another country on Australian territory in the foreseeable future, our strategic planning is not limited to defending our borders. Our planning recognises the regional and global nature of Australia's strategic interests and the different sets of challenges created by the behaviours of countries and non-state actors such as terrorists.

The roles of the United States and China and the relationship between them will continue to be the most strategically important factors in the Indo-Pacific region to 2035. A strong and deep alliance is at the core of Australia's security and defence planning. The United States will remain the pre-eminent global military power and will continue to be Australia's most important strategic partner. Through this Defence White Paper, Australia will seek to broaden and deepen our alliance with the United States, including by supporting its critical role in underpinning security in our region through the continued rebalance of United States military forces.

The stability of the rules-based global order is essential for Australia's security and prosperity. A rules-based global order means a shared commitment by all countries to conduct their activities in accordance with agreed rules which evolve over time, such as international law and regional security arrangements. This shared commitment has become even more important with growing interconnectivity, which means that events across the world have the potential to affect Australia's security and prosperity. The Government is committed to making practical and effective military contributions to global security operations to maintain the rules-based order and address shared security challenges where it is in our interest to do so.

Australians will continue to be threatened by terrorism at home and abroad. The spread of extremism and violence will be worsened by foreign terrorist fighters returning from conflicts to their countries of origin, including Australia and other countries in our region, and terrorist attacks by individuals inspired and radicalised by extremist messages. Over the next 20 years, it can be expected

that terrorism will continue to evolve in ways which threaten Australia's interests.

Australia is one of the most successful and most harmonious multicultural societies in the world. The highest priority of the Government is to keep the Australian community safe. To do this, the Government is working with our international partners and with Australian state and territory governments. The Government is committed to contributing to international efforts to meet the threat of terrorism, including maintaining Australia's significant contribution to the United States-led coalition to disrupt, degrade and ultimately defeat the terrorist threat from Daesh. Within Australia, Defence will provide important capabilities as part of our national counter-terrorism arrangements.

Instability in our immediate region could have strategic consequences for Australia and we will continue to take a leading role in providing humanitarian and security assistance where required. Within the South Pacific, variable economic growth, crime and social, governance and climate change challenges will all contribute to uneven progress and may lead to instability in some countries.

Maintaining Australia's technological edge and capability superiority over potential adversaries is an essential element of our strategic planning. The capability superiority that Australia has traditionally maintained in the wider region will be challenged by military modernisation. Over the next 20 years a larger number of regional forces will be able to operate at greater range and with more precision than ever before. The growth in the capability of China's military forces is the most significant example of regional military modernisation, but other countries are also undertaking extensive modernisation programs.

New and complex non-geographic security threats in cyberspace and space will be an important part of our future security environment. The cyber threat to Australia is growing. Cyber attacks are a real and present threat to the ADF's warfighting ability as well as to other government agencies and other sectors of Australia's economy and critical infrastructure.

Australia's defence strategy

The Government's defence strategy will ensure that Defence is prepared to respond if the Government decides the pursuit of Australia's interests requires the use of military force. This strategy sets out three Strategic Defence Interests which are of fundamental significance for strategic defence planning. To provide more detailed guidance for planning, each Strategic Defence Interest is linked to a Strategic Defence Objective which sets out the activities the Government expects Defence to be able to conduct if it decides to use military power in support of the Strategic Defence Interests.

Our most basic Strategic Defence Interest is a secure, resilient Australia. The first Strategic Defence Objective is to deter, deny and defeat any attempt by a hostile country or non-state actor to attack, threaten or coerce Australia. The Government is providing Defence with the capability and resources it needs to be able to independently and decisively respond to military threats, including incursions into Australia's air, sea and northern approaches.

Our second Strategic Defence Interest is in a secure nearer region, encompassing maritime South East Asia and the South Pacific. The second Strategic Defence Objective is to support the security of maritime South East Asia and support the governments of Papua New Guinea, Timor-Leste and of Pacific Island Countries to build and strengthen their security. In South East Asia, Defence will strengthen its engagement, including helping to build the effectiveness of regional operations to address shared security challenges, and the ADF will have increased capabilities to make contributions to any such operations. The Government will continue its commitment to strengthened regional security architectures that support transparency and cooperation. Australia will continue to seek to be the principal security partner for Papua New Guinea, Timor-Leste and Pacific Island Countries in the South Pacific.

Our third Strategic Defence Interest is in a stable Indo-Pacific region and rules-based global order which supports our interests. The third Strategic Defence Objective is to provide meaningful contributions to global responses

to address threats to the rules-based global order which threaten Australia and its interests. Australia will work closely with our ally the United States and other international partners to play an important role in coalition operations wherever Australia's interests are engaged.

Recognising the interconnected nature of the global environment and the fact that Australia's security and prosperity is directly affected by events outside our region, all three Strategic Defence Objectives will guide force structure and force posture decision-making in, and flowing from, this White Paper.

Capability

A more capable, agile and potent future force

The Government will ensure Australia maintains a regionally superior ADF with the highest levels of military capability and scientific and technological sophistication. The future force will be more capable, agile and potent. The future force will be more capable of conducting independent combat operations to defend Australia and protect our interests in our immediate region. This force will also enhance Australia's ability to contribute to global coalition operations.

More emphasis will be placed on the joint force, bringing together different capabilities so the ADF can apply more force more rapidly and more effectively when required.

To provide our forces with comprehensive situational awareness, the Government is strengthening Defence's intelligence, surveillance and reconnaissance capabilities. Defence's imagery and targeting capacity will be enhanced through greater access to strengthened analytical capability, enhanced support and space-based capabilities.

The Government will strengthen the Defence cyber workforce and systems to deter and defend against the threat of cyber attack.

Modernising our maritime capabilities will be a key focus. The submarine force will be increased from 6 to 12 regionally superior submarines with a high degree of interoperability with the United States. The surface naval capability will include three *Hobart* Class Air Warfare Destroyers and a new class of nine future frigates supported by new replenishment vessels. Defence's ability to contribute to border protection will be enhanced with the introduction of more capable offshore patrol vessels, new manned and unmanned aircraft and a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector.*

The ADF will be equipped with a potent air combat and air strike capability centred around the F-35A Lightning II and the E/A-18G Growler that builds on its current fleet of F/A-18 Super Hornet, Wedgetail Airborne Early Warning and Control and air-to-air refuelling aircraft. More air-to-air refuellers will be acquired to support future combat, surveillance and transport aircraft.

The land force will be equipped with new personal equipment for soldiers and a new generation of armoured combat reconnaissance and infantry fighting vehicles, as well as new combat engineering equipment. A new long-range rocket system will further enhance fire power, and armed medium-altitude unmanned aircraft will enhance surveillance and protection for the land force. The ADF's capacity for amphibious operations will be strengthened by the introduction of new weapons and equipment for our amphibious ships. New light helicopters will be acquired to support Special Forces operations.

To ensure the ADF is able to perform at the highest level of effectiveness, the Government will fix the underinvestment in the vital enabling capabilities that bind military capabilities together. The Government will upgrade ADF bases and logistics systems, including fuel and explosive ordnance facilities, and upgrade training and testing facilities, health services and information and communications technology.

The ADF's air lift capability will be increased to comprise 8 heavy lift C-17A Globemasters with additional heavy lift aircraft to be considered in the longer term, 12 upgraded C-130J Hercules, 10 C-27J Spartans and 10 CH-47F

Chinook helicopters. Sea lift capability will be strengthened by extending the life of and upgrading our current logistics ship.

With this Defence White Paper the Government has released for the first time a 10-year *2016 Integrated Investment Program*, a detailed capability investment plan for the future force covering all of its major elements. It includes major acquisitions of new weapons, platforms and systems and investment in information and communications technology, infrastructure and the enabling workforce. The Integrated Investment Program is underpinned by a rigorous cost assurance program undertaken by private sector experts to provide higher levels of confidence that our plans are affordable.

Australian defence industry and innovation

The Government recognises the vital contribution to defence capability provided by Australian defence industry and science and technology research organisations. Australian defence industry provides a range of critical direct and support services and is a fundamental input to Defence capability. Innovation drives the development of defence capability. Defence, Australian defence industry and our national research community have a proven record of collaborating on leading-edge innovation that enhances the ADF's capability. This includes developing new technologies and transforming the maintenance of Defence capabilities.

The Government is committed to forming a new partnership with Australian defence industry to ensure Defence gets the equipment, systems and personnel it needs on time and on budget. The Government will strengthen Defence's collaboration with Australian defence industry, cut red tape and invest in new technologies to help build Australian defence industry competitiveness, create economic opportunity for Australians and support our nation's defence. The Government will better link our capability needs with Australian defence industry's capacity to deliver, and ensure that the decisions we make about defence capability take proper account of Australian defence industry.

With this White Paper the Government is releasing a new *2016 Defence Industry Policy Statement* focused on maximising the defence capability necessary to achieve the Government's defence strategy. Fragmentation of current Australian defence industry programs will be addressed by consolidating numerous industry and innovation initiatives into two key initiatives that have clear and measurable outcomes for defence capability. The Government will streamline its approach to tendering and contracting to reduce red tape and make it easier for Australian defence industry to support Defence.

Shipbuilding

The Government's shipbuilding plans are based on long-term continuous builds of surface warships, commencing with construction in Australia of offshore patrol vessels from 2018 and future frigates from 2020. These plans will transform Australia's naval shipbuilding industry, generate significant economic growth, sustain Australian jobs over the coming decades and assure the long-term future of this key Australian defence industry.

The Government will ensure that the future submarine project provides a regionally superior capability and value-for-money for Australian taxpayers while maximising the involvement of Australian defence industry. The competitive evaluation process, which is underway, will provide a clear pathway for Australian defence industry to maximise its involvement in the project, without compromising capability, cost or the project schedule. More detail on the Government's shipbuilding plans are set out in Chapter Four.

Defence posture – more active and internationally engaged

The Government will reshape Defence's posture to ensure Defence is best positioned to protect Australia's security and prosperity. This includes strengthening Defence's international engagement and international defence relationships and arrangements, enhancing the ADF's preparedness and investing in upgrades to the ADF's basing and infrastructure.

International engagement

As Australia's strategic environment becomes more complex it is important to further develop our international partnerships including with our allies the United States and New Zealand, and with Japan, Indonesia, India, Singapore, the Republic of Korea, China and other key partners. Defence's international engagement is an important part of the Government's approach to building international partnerships, which also includes trade, diplomacy, foreign aid and economic capacity building in a range of government and non-government sectors.

Defence will increase its investment in international engagement over the next 20 years to help reduce the risk of military confrontation, build interoperability with key partners and improve the coordination of responses to shared international challenges including terrorism and humanitarian assistance and disaster relief.

International engagement will become an integrated core function across the entire Defence portfolio, aligned with the Strategic Defence Objectives. The Defence Cooperation Program, currently providing defence assistance to 28 countries, will be enhanced to build the confidence and capacity of our important regional partners. The ADF will participate more regularly in multinational exercises and the overseas presence of Defence personnel will be gradually increased over time.

Defence preparedness

Higher levels of Defence preparedness will be required to support increased ADF activity in the region, while maintaining the ADF's ability to make meaningful contributions to global security operations where our interests are engaged. The Government has directed an increase in the ADF's preparedness level, based on raising its overall capability and improving its sustainability on operations. More funding is being provided to ensure that the ADF has greater capacity and agility to respond to strategic risks.

People

The quality of our people is the foundation of Defence's capability, effectiveness and reputation. Defence is an integrated workforce with military and civilian personnel working together across the spectrum of Defence activities. All parts of the Defence workforce will need to upgrade their skills as part of building a more capable, agile and potent future force. To meet the demands of the higher-technology future force set out in this Defence White Paper, the Government will undertake the largest single rebalance of the Defence workforce in a generation.

The Permanent ADF workforce will grow to around 62,400 over the next decade to return it to its largest size since 1993. A new contemporary workforce management model will increase the ability of ADF members to move between the Permanent ADF and Reserves to better meet their individual circumstances and best harness their skills and expertise. This will provide ADF members with more opportunities to contribute to Australia's defence.

This Defence White Paper provides for a future Australian Public Service (APS) workforce of around 18,200 Full Time Staff Equivalent (FTE), down from 22,300 FTE in June 2012. This workforce will be rebalanced with around 1,200 new APS positions in areas critical to Defence's future capability, including intelligence, cyber security and space-based capabilities, offset by ongoing reductions elsewhere in the APS workforce.

The strength of Defence's leadership, and its ability to adapt and embrace a more diverse and inclusive culture, will be critical to attracting and retaining the workforce it needs for the future. Gender equality and increasing female participation in the Defence workforce and in senior leadership roles is fundamental to achieving Defence capability now and into the future. Defence has confronted the need for behavioural and attitudinal change with the release in 2012 of *Pathway to Change: Evolving Defence Culture*. The cultural change program continues to strengthen Defence's capability through creating an organisational climate focused on diversity and inclusion that will attract the best people for the job. Further details can be found in Chapter Six.

The Government is committed to investing in better health care systems for ADF members, including more medical personnel, and we will improve the links between Defence and the Department of Veterans' Affairs to better support current and former ADF members. Additional resources will provide more specialist mental health care, including for ADF Reservists and their families.

Resources

Reform

In August 2014, the Government commissioned the First Principles Review to ensure that Defence is appropriately structured and organised to meet the challenges of the future. Implementing the Review will ensure Defence becomes an integrated organisation driven by a stronger strategic centre rather than a federation of separate parts. The strategic centre will set priorities, manage resources and be responsible for steering the whole organisation to implement the Government's defence plans. The reforms are essential to delivering the Government's plans to implement the substantial force modernisation program set out in this Defence White Paper.

Funding

Central to the development of this Defence White Paper has been the Government's direction to align defence strategy, capability and resources. Addressing the growing gap between planning and resourcing by increasing defence funding will provide a sustainable basis for future investment and procurement decisions.

To deliver the capabilities set out in this Defence White Paper, the Government's long-term funding commitment provides a new 10-year Defence budget model to 2025–26, over which period an additional $29.9 billion will be provided to Defence. Under this new budget model, the Defence budget will grow to $42.4 billion in 2020–21, reaching two per cent of Australia's Gross Domestic Product (GDP) based on current projections.

The long-term nature of defence force structure planning, acquisitions and sustainment means this long-term funding commitment is critical to executing the Government's plans for Defence. The 10-year funding model is based on a fully costed future force structure, including its equipment, infrastructure and workforce, with external validation of those costs by private sector experts. This is the first time this has been done for a Defence White Paper. This program of external validation has provided assurance that our defence strategy is affordable and achievable within the budget that has been allocated.

Implementation

Implementation of this Defence White Paper will be driven by Defence's stronger strategic centre. The Minister for Defence will consider a formal strategic assessment of the alignment between Defence's strategy, capability and resources every six months to drive the Government's annual Defence budgeting and priority setting. These biannual reviews of our defence strategy and plans, including First Principles Review and cultural reform implementation, will ensure the Government and Defence have the flexibility to seize opportunities and manage risks as our strategic circumstances change.

SECTION ONE
STRATEGY

CHAPTER ONE The Government's Approach to Defence

CHAPTER TWO Strategic Outlook

CHAPTER THREE Australia's Defence Strategy

1

Chapter One: The Government's Approach to Defence

The purpose of this Defence White Paper

1.1 This Defence White Paper explains how the Government is strengthening Australia's defence capabilities to meet the challenges of the more complex strategic environment Australia is likely to face in the years ahead. The Government's plan is for a more capable, agile and potent future force that has greater capacity to respond to strategic risk wherever Australia's defence interests are engaged.

1.2 This Defence White Paper provides the right balance between investment in modern warfighting capabilities and the critical enabling infrastructure and services needed to support and maximise the effectiveness of the joint force. To support these decisions, the Government has determined that substantial new investment is required to ensure Defence is fully equipped for the challenges of the future.

1.3 Because decisions made today determine our capacity to manage the challenges of the future, it is important that defence decision-making and planning takes a clear long-term view. Some of the new capabilities discussed in this White Paper will not come into service until the next decade and beyond, and some will still be operating beyond the middle of this century. The decisions in this White Paper are the culmination of a rigorous process of review and assessment of Australia's future security environment spanning the next 20 years.

1.4 The White Paper explains how the Government will ensure that Australia has the critical industrial, scientific, technological and innovation capabilities outside of Defence that will be necessary to underpin

Australia's security. A sustainable national support base that enables and sustains Defence and adds to Australia's resilience will be fundamental to our future security and prosperity.

1.5 The Government will meet its commitment to increasing defence spending to two per cent of GDP by 2023–24, and will reach this target in 2020–21. The Government's plans for new investment have been fully costed and subjected to the most comprehensive private sector cost assurance of any Defence White Paper. The plans set out here are affordable and achievable within the budget that Defence has been allocated.

Why now?

1.6 Events during the three years since the release of the last Defence White Paper in 2013 demonstrate how rapidly Australia's security environment can change. The relationship between the United States and China continues to evolve and will be fundamental to our future strategic circumstances. Territorial disputes between claimants in the East China and South China Seas have created uncertainty and tension in our region. The Democratic People's Republic of Korea continues to be a source of instability. State fragility has helped enable the rise of Daesh (also known as Islamic State of Iraq and the Levant) terrorists in the Middle East, incidents across the world have demonstrated the pervasive nature of the threat of terrorism, and a violation of international law led to the deaths of Australians in the skies over Ukraine. Some matters that previous Defence White Papers have described as longer-term issues, such as the impact of military modernisation in our region, now fall to this White Paper to respond to.

1.7 While Australia has a range of very effective defence capabilities to draw on to meet current security challenges, significant under investment and the deferral of decisions about future major capabilities need to be fixed. Defence's capability plans have become disconnected from defence

strategy and budget, delaying important investments in Australia's future security and frustrating Australian defence industry.

1.8 Defence's capability planning will be reformed by implementing the recommendations of the First Principles Review to establish a single end-to-end capability development function within Defence. The capability planning process will be strengthened through the introduction of strong contestability to ensure that the acquisition of military capability is aligned with strategy and resources and is delivered on time and on budget.

1.9 In the past, the capability investment planning process has been too heavily focused on individual military platforms such as ships, aircraft and vehicles. This has often been at the expense of funding the vital enabling and integrating systems that allow the ADF to bring capability elements together to deliver more potent and lethal joint combat effects. Enabling and integrating systems – such as intelligence, surveillance and reconnaissance systems, information and communications technology, facilities and workforce – ensure we get maximum performance from the ADF's military platforms.

1.10 In line with the recommendations of the First Principles Review, this Defence White Paper and accompanying Integrated Investment Program provide a single, coherent vision of Defence's future investment strategies across the major elements that make up defence capability. The Integrated Investment Program brings together, for the first time, the major capability-related investments, including weapons systems and platforms, facilities such as military bases, information and communications technology, and workforce. This will ensure that the full cost of all major defence capability proposals are managed within one investment portfolio. The fully costed Integrated Investment Program, coupled with the Government's long-term funding commitment to increase Defence spending to two per cent of GDP, will give much needed clarity and certainty to Defence in implementing this White Paper.

Managing strategic risk

1.11 Australia is one of the most prosperous and secure countries in the world. Our economy will continue to benefit from the economic transformation in the Indo-Pacific. There is no more than a remote chance of a military attack on Australian territory by another country. This does not mean that the Government can be complacent about our responsibility to protect Australia and its national interests. Australia's strategic circumstances can change quickly, and we must be prepared to respond quickly and effectively when our interests are threatened, either by state or non-state actors.

1.12 Competition between countries and major powers trying to promote their interests outside of the established rules-based global order have implications for free and open trade and can lead to uncertainty and tension, raising the risk of military confrontation. The 13 November 2015 attacks in Paris, along with the international urban attacks of 2015 and early 2016 in cities around the world, have demonstrated that terrorist groups continue to have the willingness and ability to launch attacks anywhere, including in Western countries such as Australia.

1.13 We can expect greater uncertainty in Australia's strategic environment over the next two decades as a consequence of: the changes in the distribution of power in the Indo-Pacific and globally; the continuing threat of terrorism from groups like Daesh and from foreign terrorist fighters; the modernisation of regional military capabilities; the introduction of new military technologies such as cyber systems; and the proliferation of weapons of mass destruction and ballistic missile technology. Chapter Two discusses the strategic outlook that forms the backdrop for our future plans for Defence.

1.14 Chapter Three sets out Australia's Defence Strategy, based on a new strategic framework which sets out three Strategic Defence Interests.

1.15 **A secure, resilient Australia, with secure northern approaches and proximate sea lines of communication** is Australia's first Strategic Defence Interest. The self-reliant defence of Australia's territory remains the highest priority for this Government, and protecting Australia from the threat of armed attack or coercion is the primary mission for Defence.

1.16 We cannot effectively protect Australia if we do not have **a secure nearer region, encompassing maritime South East Asia and South Pacific (comprising Papua New Guinea, Timor-Leste and Pacific Island Countries)**, our second Strategic Defence Interest. Australia must play a leadership role in our immediate neighbourhood spanning Papua New Guinea, Timor-Leste and Pacific Island Countries in support of our national interests. We must strengthen our defence engagement with regional countries with interests in the security of maritime South East Asia, particularly Indonesia, including helping to build the effectiveness of regional operations to address shared security challenges, including the threat of terrorism, and increasing the capability of the ADF to make contributions to any such operations.

1.17 Australia has global interests across a broad range of strategic, economic and foreign policy issues. Our security and prosperity depend on **a stable Indo-Pacific region and a rules-based global order** in which power is not misused, and threats to peace and stability from tensions between countries can be managed through negotiations based on international law and the threat from terrorism can be addressed by concerted international action. This is our third Strategic Defence Interest. In the Indo-Pacific region Australia must continue to work with the United States and regional partners to make a positive contribution to security and stability in ways that advance our national interests. Australia must continue to play its part in responding to challenges to the global rules-based order beyond the Indo-Pacific, as Australia is currently doing in Iraq, Syria, Afghanistan and in maritime security and peacekeeping operations in the Middle East and Africa.

1.18 The new strategic framework set out in Chapter Three explains why these three Strategic Defence Interests are of significance for Australia, what they mean for the roles the Government expects the ADF to undertake and the shape of the future Defence force structure.

1.19 In line with the Strategic Defence Interests, the Government has determined that Defence must be better prepared to meet a broader range of security challenges in the coming years. Defence must be prepared to: defend our territory, borders and sovereign rights in our Exclusive Economic Zone; provide domestic counter-terrorism support when necessary and contribute to domestic disaster relief and other peacetime national support to the states and territories; contribute to regional stability and global security; manage the security consequences for Australia of non-geographic threats in cyberspace and in space; and undertake humanitarian assistance and disaster relief operations in the Indo-Pacific and beyond.

1.20 Defence must have the capability, agility and potency required to meet this broad range of contingencies. Australia cannot afford to equip, train and prepare our military forces solely for the unlikely event of a major attack on our territory. This would leave Defence much less capable of addressing the wide range of more likely threats and challenges we face to 2035. The ADF must have higher levels of preparedness so that it can quickly and effectively respond to emerging circumstances and be better able to manage strategic risk.

1.21 The Government's plans for developing the more capable, agile and potent set of military capabilities Australia needs for the future are explained in Chapter Four.

1.22 Chapter Four also deals with the critical supporting capabilities provided by Australian defence industry, academia and others. The Government recognises that Australian defence industry and scientific and technological research and development institutions have a critical

role in providing the national support base upon which Defence relies to manage strategic risk.

1.23 Australia's armed forces have also relied on technology and innovation to maintain their capability edge. The contribution of Australian defence industry to that technological and innovative edge has been an important part of our national security over many years. Into the future, a highly skilled and internationally competitive Australian defence industry base will continue to be an essential enabler of our defence capability. To have the most effective military force, Defence must improve the way its capability requirements are linked with Australian defence industry's capacity to deliver. This Defence White Paper is accompanied by a new Defence Industry Policy Statement. The Statement focuses on a more direct and earlier role for Australian defence industry in capability development and sustainment, a collaborative approach to innovation, and a strategic and closer relationship between Australian defence industry and Defence.

1.24 Australia has the capability to make a difference in the world wherever our Strategic Defence Interests are engaged. Australia cannot expect others to bear, on our behalf, the burden of ensuring that the world is a safe and secure place. While the Government will increase Australia's capability to undertake independent operations in our region, we will continue to need to work with other countries to protect and further our global interests. Australia must work in partnership with our alliance partners the United States and New Zealand, friends and like-minded countries to address common threats and security challenges.

1.25 Chapter Five sets out the Government's plan to deepen our partnership with the United States, including enhancing our already high levels of military integration and interoperability, cooperation in intelligence sharing, continuing the implementation of the United States Force Posture Initiatives in northern Australia and participating in United States-led operations against shared challenges such as the global threat of terrorism.

1.26 The Government will increase Defence's international engagement, particularly with the countries of the South Pacific and South East Asia, to support our collective capacity to address common threats and security challenges. The Government will increase the pattern of regular ADF deployments into the region, enhance the ADF's program of international exercises, and support increased capacity building and the security architecture of the region.

1.27 Defence is able to respond to the unexpected when it operates as an integrated organisation of accountable, professional and capable ADF and Australian Public Service personnel, supported by contractors and Australian defence industry. Defence must be underpinned by cultural reform, sound business processes and strong information flows. The recommendations of the First Principles Review, released by the Government in April 2015, provide the means by which Defence will reform its business processes and structures to achieve an organisation capable of implementing this Defence White Paper. Chapters Six and Seven discuss how the Government's reforms will create a more agile Defence organisation.

1.28 The Government's commitment to a 10-year funding model provides the certainty needed to deliver the long-term plan outlined in this Defence White Paper. The long-term nature of defence planning means budget certainty is essential to achieve the Government's objective of strengthening Australia's defence capabilities in a more complex strategic environment. The 10-year funding model set out in this Defence White Paper will not be subject to any further adjustments as a result of changes in Australia's GDP growth estimates. Chapter Eight details the Government's funding model for Defence. Finally, Chapter Nine outlines how the Government will implement this White Paper.

Intentionally blank

2

Chapter Two: Strategic Outlook

2.1 Australia's security, and the future challenges we must be prepared for, are intimately tied to developments in both our regional and the global environment. This chapter describes Australia's strategic outlook for the next two decades based on a comprehensive analysis of the security challenges most likely to affect defence planning and capability decisions in the coming years. Chapter Three outlines the Government's strategic defence policy in response to these challenges.

2.2 Our nearer region, which encompasses Australia's borders and offshore territories, Papua New Guinea, Timor-Leste and Pacific Island Countries and maritime South East Asia, is of most immediate importance for Australia's security. The wider Indo-Pacific region, from the Indian Ocean to the Pacific Ocean connected by South East Asia, through and within which most of Australia's trade activity occurs, will be central to our national security and economic prosperity. Beyond our region, Australia's security and prosperity depends on a stable rules-based global order and the flow of goods, services and finance free from threats such as terrorism.

Australia's security environment

2.3 Australia is well placed to benefit greatly from the economic growth in the Indo-Pacific region. We are a major advanced economy with strong bilateral and regional ties, and we are building those ties to provide more economic opportunities for Australia. Three Free Trade Agreements, with Korea, Japan and China, have entered into force since December 2015. The Trans Pacific Partnership between 12 regional nations, which account for 40 per cent of global trade, including the United States, Japan and Australia, has great potential to further drive opportunities for growth in Australia. Beyond the Indo-Pacific the global

economy presents opportunities for Australia to build and deepen partnerships to pursue economic development.

2.4 In order for Australia and other countries to take advantage of the unprecedented economic growth of the Indo-Pacific region and beyond, we must be willing and able to meet the threats to the peace and stability that has underpinned these positive developments. Chapter Five provides more detail on how we will continue developing our international partnerships to cooperate in meeting these threats.

2.5 While there is no more than a remote prospect of a military attack on Australian territory by another country in the period to 2035, the environment within which Australia pursues its objectives of security and prosperity will see new complexities and challenges over the next 20 years. Our strategic planning recognises the regional and global nature of Australia's strategic interests and the different sets of challenges created by the behaviours of states and non-state actors such as terrorists.

2.6 Six key drivers will shape the development of Australia's security environment to 2035:

- the roles of the United States and China and the relationship between them, which is likely to be characterised by a mix of cooperation and competition
- challenges to the stability of the rules-based global order, including competition between countries and major powers trying to promote their interests outside of the established rules
- the enduring threat of terrorism, including threats emanating from ungoverned parts of Africa, the Middle East and Asia. Australians will continue to be threatened by terrorism at home and abroad. The spread of extremism and violence is likely to be worsened by foreign terrorist fighters returning from conflicts to Australia and other countries in our region

- state fragility, including within our immediate neighbourhood, caused by uneven economic growth, crime, social, environmental and governance challenges and climate change
- the pace of military modernisation and the development of more capable regional military forces, including more capable ballistic missile forces
- the emergence of new complex, non-geographic threats, including cyber threats to the security of information and communications systems.

The United States and China

2.7 The roles of the United States and China in our region and the relationship between them will continue to be the most strategically important factors in the security and economic development of the Indo-Pacific to 2035.

2.8 The United States will remain the pre-eminent global military power over the next two decades. It will continue to be Australia's most important strategic partner through our long-standing alliance, and the active presence of the United States will continue to underpin the stability of our region. The global strategic and economic weight of the United States will be essential to the continued stability of the rules-based global order on which Australia relies for our security and prosperity. The world will continue to look to the United States for leadership in global security affairs and to lead military coalitions that support international security and the rules-based global order. The United States is committed to sustaining and advancing its military superiority in the 21st century, including through its Defense Innovation Initiative.

2.9 Australia welcomes and supports the critical role of the United States in ensuring stability in the Indo-Pacific region. Australia's relationship with the United States is broadly based and we build on that relationship

on a day to day basis across many joint endeavours, discussed further in Chapter Five. The levels of security and stability we seek in the Indo-Pacific would not be achievable without the United States. The United States is committed to enhancing collaboration with its allies and partners. Australia will continue to work with the United States under the Australia, New Zealand and United States (ANZUS) Treaty to support the United States' strategy of focusing resources and attention towards the Indo-Pacific through its strategic rebalance, which includes strengthening its alliances and ties with countries in the Indo-Pacific. The rebalance demonstrates the commitment of the United States to the long-term security of the Indo-Pacific.

2.10 While China will not match the global strategic weight of the United States, the growth of China's national power, including its military modernisation, means China's policies and actions will have a major impact on the stability of the Indo-Pacific to 2035.

2.11 China's Navy is now the largest in Asia. By 2020 China's submarine force is likely to grow to more than 70 submarines. China also possesses the largest air force in Asia, and is pursuing advanced fifth-generation fighter aircraft capabilities. China's military modernisation includes more-capable special forces, aviation and command and control networks and it is also investing in new technologies including space and cyber capabilities.

2.12 As China grows, it will continue to seek greater influence within the region. As a major power, it will be important for regional stability that China provides reassurance to its neighbours by being more transparent about its defence policies. In that regard the Government notes the publication in May 2015 of China's Defence White Paper.

2.13 China's military modernisation means it has greater capacity to share the responsibility of supporting regional and global security. The Government welcomes China's growing participation in United Nations

peacekeeping, humanitarian assistance, disaster relief and anti-piracy operations. Australia will expand its defence relationship with China over coming years, as outlined in Chapter Five.

2.14 The relationship between the United States and China is likely to be characterised by a mixture of cooperation and competition depending on where and how their interests intersect. The United States and China share important interests in deepening their economic integration. The governments of both countries have publicly committed to a constructive relationship and it is not in the interests of either country to see an unstable international environment in which the free and open movement of trade and investment is compromised. The United States and China already cooperate in many security areas where their interests intersect, demonstrated by their joint exercises in search and rescue, counter-piracy, humanitarian assistance and disaster relief operations.

2.15 In recent years the United States and China have also increased senior-level dialogue on defence matters and have developed a range of bilateral mechanisms to increase transparency, reduce misunderstanding, and de-escalate tension. This includes the November 2014 agreement on rules of behaviours for safe military encounters at sea and in the air. Both countries also actively participate in the evolving regional security architecture, including the East Asia Summit, the Association of South East Asian Nations (ASEAN) Regional Forum and the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus).

2.16 While major conflict between the United States and China is unlikely, there are a number of points of friction in the region in which differences between the United States and China could generate rising tensions. These points of friction include the East China and South China Seas, the airspace above those seas, and in the rules that govern international behaviour, particularly in the cyber and space domains.

2.17 For Australia, our relationships with both countries will remain crucial in different ways. The way the Government approaches our defence strategy reflects these differences. Australia's alliance with the United States is based on shared values and will continue to be the centrepiece of our defence policy. The Government will continue to strengthen the alliance including by supporting the United States' role in underpinning the stability of our region through its rebalance. The Government will also continue to work closely with the United States and coalitions of like-minded countries to address common global security challenges, such as in Iraq, Syria and Afghanistan.

2.18 Australia welcomes China's continued economic growth and the opportunities this is bringing for Australia and other countries in the Indo-Pacific. Formally elevating Australia and China's bilateral relationship to a Comprehensive Strategic Partnership during President Xi Jinping's visit to Australia in 2014 was a reflection of the importance both countries attach to our expanding political, economic, strategic and people-to-people ties. The Government will seek to deepen and broaden our important defence relationship with China while recognising that our strategic interests may differ in relation to some regional and global security issues.

The rules-based global order

2.19 Australia's security and prosperity relies on a stable, rules-based global order which supports the peaceful resolution of disputes, facilitates free and open trade and enables unfettered access to the global commons to support economic development.

2.20 The current global environment is more interconnected than ever before, including communications, trade, global supply chains and the mobility of finance and labour around the world. Interconnectivity means that events in our immediate neighbourhood, the Indo-Pacific region more broadly and in more distant places like the Middle East, Afghanistan

and Ukraine can affect Australia's security and prosperity. The global nature of the challenges we face have been demonstrated by the rise of Daesh in Iraq and Syria. Daesh's violent extremism has attracted foreign terrorist fighters from around the world including Australia. Terrorists acting in the name of Daesh have perpetrated attacks in several countries including Australia. Never before has there been a time when external threats so distant from our shores have had the capacity to so quickly affect our direct interests. In the decades ahead, we are likely to face new challenges to our interests across the globe.

2.21 While Australia is the world's twelfth largest economy and has sophisticated and growing military capabilities, Australia does not have the capacity to unilaterally protect and further our global security interests. This means we will be working with our alliance partner the United States, ASEAN countries, the North Atlantic Treaty Organization (NATO), the United Nations and other partners to achieve our common goals in protecting and promoting a stable rules-based global order.

2.22 Underpinning the rules-based global order is a broad architecture of international governance which has developed since the end of the Second World War. This governance framework, including the United Nations, international laws and conventions and regional security architectures, has helped support Australia's security and economic interests for 70 years.

2.23 The framework of the rules-based global order is under increasing pressure and has shown signs of fragility. The balance of military and economic power between countries is changing and newly powerful countries want greater influence and to challenge some of the rules in the global architecture established some 70 years ago.

2.24 While it is natural for newly powerful countries to seek greater influence, they also have a responsibility to act in a way that constructively contributes to global stability, security and prosperity. However, some

countries and non-state actors have sought to challenge the rules that govern actions in the global commons of the high seas, cyberspace and space in unhelpful ways, leading to uncertainty and tension.

2.25 Refusal to act in ways consistent with international law and standards of behaviour, such as Russia's coercive and aggressive actions in Ukraine, and the Democratic People's Republic of Korea's proliferation of weapons of mass destruction, creates international uncertainty, endangers populations and impacts economic activity.

2.26 In addition to the actions of countries, non-state actors have the growing ability to adversely impact the global commons through activity such as terrorism, piracy and people smuggling and the use of readily available and highly disruptive technology including cyber capabilities. Terrorist forces have demonstrated an ability to conduct coordinated attacks with relatively unsophisticated planning such as took place in Paris in November 2015, as well as one-off acts of mass violence though the use of small arms, suicide bombs and improvised explosive devices, as seen in the urban attacks of 2015 and early 2016 in cities around the world.

2.27 It is important that the existing rules-based global order be able to adapt and respond to these challenges. The coercive use of economic or military power can diminish the freedom of countries such as Australia to take independent action in our national interest. The Government is committed to working with the United States and like-minded partners to maintain the rules-based order by making practical and meaningful military contributions where it is in our interest to do so. Australia has a long history of contributing to international efforts to maintain the rules-based global order and address shared security challenges including the threat of terrorism and state fragility.

The threat of terrorism and foreign terrorist fighters

2.28 The threat of terrorism and terrorist groups to Australia's security and our interests in a stable international order is growing. There are now

more extremists fighting for terrorist causes in more countries than ever before. Terrorist attacks around the world increased by 35 per cent from 2013 to 2014. The United States State Department has estimated that more than 32,000 people were killed in terrorist attacks in 2014. The major threat we are currently facing is from violent extremism perpetrated or motivated by terrorist groups such as Daesh, al-Qa'ida and others that claim to act in the name of Islam. The anti-Western narrative of terrorists means that Australians will continue to be targeted at home and abroad.

2.29 The rise of Daesh in Iraq and Syria and the group's rapid spread across the Middle East, North Africa and South and South East Asia has resulted from Daesh's ability to exploit weak central government authority and local ethnic, social and economic grievances to undermine stability and expand the group's extremist ideology. The violent extremist ideology promoted by Daesh is rejected by the vast majority of Muslims, and it is Muslims who have suffered the most at the hands of Daesh. Daesh's control of territory challenges the territorial integrity of some Middle Eastern states and undermines the international system of rules and cooperation. Daesh uses its control of territory to train fighters, spread its propaganda message, foster international terrorism and ferment conflict.

2.30 These conflicts, particularly in Iraq and Syria, will continue to attract foreign terrorist fighters, including from Australia and countries in our region. As these foreign terrorist fighters return from conflicts with new skills and networks, the risk of instability and attacks in their home countries will rise.

2.31 The terrorist threat extends to individuals motivated and radicalised by extremist narratives, often via the internet, who do not themselves travel overseas. Daesh, and other terrorist groups such as al-Qa'ida and Boko Haram, are becoming increasingly adept at using the internet and social media to promote their narratives of hate, build support and engage with

disaffected people in Western countries. This propaganda machine is effective and inexpensive and has contributed to the radicalisation of individuals and groups throughout the world, including in Australia.

2.32 Radical groups have the potential to pose a wider threat to the domestic fabric of countries, potentially resulting in tensions between ethnic and religious groups.

2.33 The lack of capacity in some countries to take action against terrorism will continue to require intervention by countries willing to provide military, intelligence, political, diplomatic, economic and humanitarian support to deny terrorists safe haven. Australia's participation in the international coalitions fighting terrorism in Afghanistan, Iraq and Syria are examples of such interventions.

State fragility

2.34 The ability of terrorist organisations to organise, train, spread their propaganda and mount operations is supported by state fragility, weak borders and an increasing number of ungoverned spaces through parts of North Africa, sub-Saharan Africa, the Middle East and Asia including in Libya, Iraq, Syria and elsewhere. State fragility in North Africa and the Sahel is also leading to the widespread distribution of weapons which are used in conflicts in other parts of Africa.

2.35 The South Pacific region will face challenges from slow economic growth, social and governance challenges, population growth and climate change. Instability in our immediate region could have strategic consequences for Australia should it lead to increasing influence by actors from outside the region with interests inimical to ours. It is crucial that Australia help support the development of national resilience in the region to reduce the likelihood of instability. This assistance includes defence cooperation, aid, policing and building regional organisations as set out in Chapter Five. We will also continue to take a leading role in providing humanitarian and security assistance where required.

Military modernisation

2.36 It is natural for countries in the Indo-Pacific, including Australia, to modernise their military capabilities as their economies grow, technology develops and new capabilities become available. The pace of military modernisation in the Indo-Pacific is underpinned by the very positive economic transformation of the region.

2.37 Asia's defence spending is now larger than Europe's. In 2014, military spending in Asia increased by five per cent, reaching around $439 billion in total, compared to spending in Europe which in 2014 grew by 0.6 per cent, reaching around $386 billion in total.

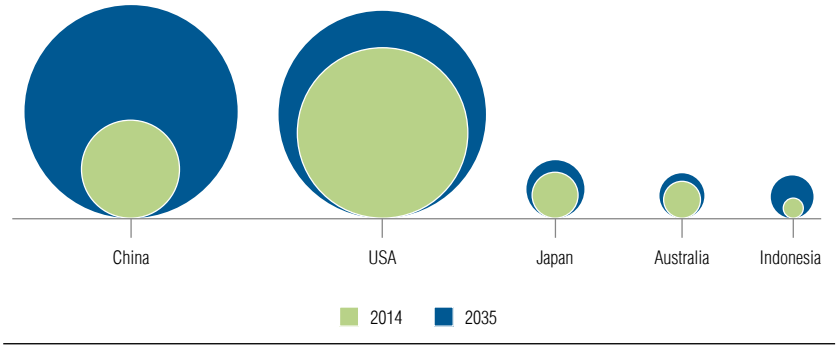


Figure 1: Indicative Defence Spending to 2035

2.38 Military modernisation in our region will not be directed against Australia, but it will mean the defence capability edge we have enjoyed in the wider region will significantly diminish.

2.39 Successive Governments have identified maintaining the ADF's technology and capability superiority over potential adversaries as an essential element of our strategic planning. Our ability to do this has been based in a large part on our access to the advanced capabilities developed by the United States. However, our future ability to maintain this superiority will be challenged by the growth towards more-capable and modern military forces in the Indo-Pacific region to 2035 and beyond.

2.40 As a result of this military modernisation, a larger number of regional forces will be able to operate at greater range, and with more precision, especially in the maritime and air environments supported by more advanced intelligence, surveillance and reconnaissance networks.

2.41 Within the broader Indo-Pacific region, in the next two decades, half of the world's submarines will be operating in the region. Within the same period, at least half of the world's advanced combat aircraft armed with extended range missiles and supported by highly sophisticated information networks, will be operated by Indo-Pacific countries.

2.42 Some regional countries will acquire longer-range precision-guided missiles, including ship-based missiles, over the period to 2035. Advanced intelligence, surveillance and reconnaissance systems, including both space and high altitude capabilities, will be prevalent, reducing the effectiveness of stealth capabilities. The region will see more autonomous systems, such as unmanned combat vehicles, in operation in the sub-surface, surface and air environments.

2.43 Over the next two decades, other technological advances such as quantum computing, innovative manufacturing, hypersonics, directed energy weapons, and unmanned systems are likely to lead to the introduction of new weapons into our region.

2.44 While the threat of an intercontinental ballistic missile attack on Australia is low, the quality and quantity of cruise and short and medium range ballistic missile forces in the Indo-Pacific is rising and relevant technologies are spreading. By 2035, more countries in our region will have access to ballistic missile technology and it is possible more countries may have acquired them. The difficulty of countering ballistic missiles increases their threat, including to deployed Australian forces.

2.45 To respond to these developments we must increasingly develop capabilities which can protect our forces when they are deployed across large geographic areas, particularly in air and missile defence

and anti-submarine warfare, and better link the ADF's individual capabilities to each other.

2.46 As countries in the Indo-Pacific continue to develop their military capabilities, opportunities will emerge for increasingly sophisticated practical military cooperation. The more advanced technologies being brought into service will improve the ability of regional countries, including Australia, to share situational awareness, communicate and cooperate in response to shared security challenges.

2.47 Military modernisation also has the potential to increase strategic competition as countries seek military advantages over their neighbours and the likely consequences of conflict in the event of any miscalculation.

2.48 Sustained and genuine commitment by all countries in our region to transparency and to cooperation through strengthened regional security architectures is essential to ensure that strategic competition does not escalate through miscalculation or misadventure into tension and conflict.

Cyber and space

2.49 Beyond the increasing regional military modernisation, the strategic environment over the next 20 years will be shaped by complex non-geographic threats, such as the threats in cyberspace and space. The security environment of the future, both in peacetime and during armed conflict, will feature increased threats from offensive cyber and space-based capabilities.

2.50 Cyber attacks are a direct threat to the ADF's warfighting ability given its reliance on information networks. State and non-state actors now have ready access to highly capable and technologically advanced tools to target others through internet-connected systems and we are seeing greater use of offensive cyber operations. This trend is likely to continue.

2.51 Cyber threats also have impacts well beyond Defence, with the potential to attack other Australian government agencies, all sectors of Australia's economy and critical infrastructure and, in the case of state actors, conduct state-based espionage including against Australian defence industry. The Australian Signals Directorate detected over 1,200 cyber security incidents in 2015, including attacks on government agencies and non-government sectors. Australian defence industry was one of the key non-government sectors targeted in that period, along with energy, banking and financial services, communications and transport. Cyber attacks also threaten Australia's secure access to the global communications system which is critical to Australia's prosperity.

2.52 The next 20 years will see the continuing expansion of space-based and space-enabled capabilities, including military capabilities.

2.53 The ADF and our partners are reliant on space-based satellite systems to support our networked capabilities and to communicate and fight when deployed on operations. Some countries are developing capabilities to target satellites to destroy these systems or degrade their capabilities, threatening our networks.

2.54 Space-based capabilities also offer potential state adversaries advanced information gathering opportunities, including imagery gathering. The availability of commercial space-based systems also means that smaller countries, private interests and non-state actors can access sensitive information about our security arrangements, such as imagery of Defence bases.

2.55 To ensure the security of our space-enabled capabilities, the Government will strengthen Defence's space surveillance and situational awareness capabilities, including through the space surveillance radar operated jointly by Australia and the United States, and the relocation of a United States optical space surveillance telescope to Australia.

Limiting the militarisation of space will also require the international community to work together to establish and manage a rules-based system – a prospect that does not seem likely in the immediate future.

Regional security environments

Australia's borders and offshore territories

2.56 Safeguarding Australia's maritime approaches, offshore territories and borders is essential for Australia's national security. Over the next 20 years, we expect the threats to our maritime resources and our borders to grow in sophistication and scale. Australian fisheries remain relatively abundant, particularly in the Southern Ocean, making them appealing targets for long-range illegal fishing fleets.

2.57 Conflict, insecurity and economic factors will continue to dispossess millions across the world, and our borders are likely to continue to be challenged by international criminal syndicates seeking to smuggle illegal migrants. Criminal elements will also continue to seek ways of smuggling other cargoes, such as illegal drugs and guns across our borders.

2.58 Defence will continue to share responsibility with other government agencies, principally the Department of Immigration and Border Protection, for the security and defence of our maritime domain and borders. Operation Sovereign Borders is a military-led border security operation to stop people smuggling and is supported and assisted by a wide range of government agencies. Defence's ability to contribute to border security operations will be enhanced with the acquisition of new and more-capable offshore patrol vessels, a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector*, and through enhancements to our maritime surveillance capabilities including manned and unmanned aircraft.

2.59 These enhancements to Defence's maritime capabilities will provide Australia with enhanced situational awareness of activities in our maritime domain, earlier detection of emerging threats to our border security and faster responses to deter and defeat any such threat.

2.60 The Australian Antarctic Territory faces no credible risk of being challenged in such a way that requires a substantial military response for at least the next few decades. It is in our interest to work with like-minded countries to prevent any militarisation of Antarctica which could threaten Australia's sovereignty over the Australian Antarctic Territory and its sovereign rights over its offshore waters. Australia is a strong supporter of the Antarctic Treaty System, which expressly prohibits any mining in Antarctica. Australia also strongly supports the Convention on the Conservation of Antarctic Marine Living Resources, which regulates fishing activity in Antarctic waters.

2.61 Defence will continue to support maritime resource protection operations, particularly in the fisheries of our Heard and McDonald Islands Exclusive Economic Zone, and will provide niche support to the Australian Antarctic Division's operations, including Royal Australian Air Force heavy air lift missions in support of Australia's stations in Antarctica.

Our immediate neighbourhood

2.62 Geography, shared history, business and interpersonal links tie Australia's interests closely to stability and prosperity in our immediate neighbourhood spanning Papua New Guinea, Timor-Leste and Pacific Island Countries in the South Pacific.

2.63 Australia places a high priority on our defence relationship with our closest neighbour, Papua New Guinea, with which Australia has an increasingly broad-based relationship. The Government plans to increase our cooperation with the Papua New Guinea Defence Force and Department of Defence in the decade ahead.

2.64 Recent years have seen a commitment by Pacific Island Countries to collaborate to address shared challenges. The region's security architecture has been strengthened, including through the Pacific Islands Forum, the Forum Fisheries Agency and the South Pacific Defence Ministers' Meeting. This security architecture provides Pacific Island Countries with mechanisms to discuss and agree how to respond to regional security threats.

2.65 Pacific Island Countries have demonstrated a commitment to practical cooperation on regional security, such as contributing to the Regional Assistance Mission to Solomon Islands. The Pacific Islands Forum's Biketawa Declaration of 2000 authorises regional action to address security crises.

2.66 Countries such as Papua New Guinea, Fiji and Tonga have demonstrated a willingness to make important contributions to maintaining the rules-based global order, including in our region through their contributions to the Regional Assistance Mission to Solomon Islands and more broadly through commitments to United Nations or other multinational peacekeeping operations.

2.67 Some Pacific Island Countries are well placed to benefit from the growth in South East Asian economies and have the opportunity to harness natural resources to support economic development. Despite this opportunity, the next two to three decades will bring increasing challenges to Pacific Island Countries. These challenges include population growth, ethnic tensions, political instability, governance capacity, environmental degradation and natural disasters, which can set back progress and development by many years. Countries from outside the South Pacific will seek to continue to expand their influence in the region, including through enhanced security ties.

2.68 Climate change will be a major challenge for countries in Australia's immediate region. Climate change will see higher temperatures,

increased sea-level rise and will increase the frequency and intensity of extreme weather events. These effects will exacerbate the challenges of population growth and environmental degradation, and will contribute to food shortages and undermine economic development.

2.69 To help countries in our immediate neighbourhood respond to the challenges they face, Australia will continue to play an important regional leadership role. Our strategic weight, proximity and resources place high expectations on us to respond to instability or natural disasters, and climate change means we will be called on to do so more often. We will continue to play that role in close collaboration with New Zealand, France, the United States, Japan and other partners.

2.70 Australia is committed to further strengthening the capabilities of Pacific Island Countries so they can act in support of shared interests. The Government will invest in providing more practical assistance through the Defence Cooperation Program, especially the Pacific Maritime Security Program, and we will work with regional countries to strengthen the regional security architecture.

South East Asia

2.71 Australia has deep strategic security and economic interests in South East Asia. The geography of the archipelago to Australia's immediate north will always have particular significance to our security. Any conventional military threat to Australia is likely to approach through the archipelago as are other threats involving transnational crime including people smuggling and drug trafficking. The strong cooperation we have, and continue to build, with our close northern neighbours is crucial to guard against such threats.

2.72 Australia also has deep economic security interests in South East Asia. The region's growth presents significant opportunities for Australia's economy and prosperity. Two-way trade with ASEAN countries was worth over $100 billion in 2014. The waters of South East Asia carry

the great majority of Australia's international trade including to our three largest export markets in China, Japan and the Republic of Korea. Nearly two thirds of Australia's exports pass through the South China Sea, including our major coal, iron ore and liquefied natural gas exports.

2.73 Proximity and economic interests mean that instability in South East Asia, whether internal to countries or between countries, has the potential to affect Australia's security. The return of foreign terrorist fighters from conflicts in the Middle East to their countries of origin in South East Asia exacerbates internal instability and raises risks to Australians living in or travelling to that region.

2.74 South East Asia's stability is underpinned by the pivotal role of the United States in supporting stability and promoting economic growth, including through its close defence partnerships with Thailand and the Philippines. Australia strongly supports the contribution of the ASEAN-led regional security architecture to security and stability in South East Asia. This includes continued progress in fostering practical defence cooperation within the ADMM-Plus framework.

2.75 Major region-wide interstate instability is unlikely over the next 20 years, but competing claims for territory and natural resources in South East Asia will continue to provide a potential source of tensions that could undermine stability. Over the next 20 years, as their economies continue to grow, South East Asian countries will continue the natural process of military modernisation currently underway, albeit at differing paces across the region.

2.76 This combination of competing territorial claims and growth in military capability has the potential to destabilise the region and threaten Australia's interests. Australia has a strong interest in the maintenance of peace and stability, respect for international law, unimpeded trade and freedom of navigation and overflight. It is important that disputes are resolved peacefully and in accordance with international law.

2.77 Australia does not take sides on competing territorial claims in the South China Sea but we are concerned that land reclamation and construction activity by claimants raises tensions in the region. Australia opposes the use of artificial structures in the South China Sea for military purposes. Australia also opposes the assertion of associated territorial claims and maritime rights which are not in accordance with international law, including the United Nations Convention on the Law of the Sea (UNCLOS).

2.78 Australia has called on all South China Sea claimants to halt land reclamation and construction activities, which involves the dredging of sea floor material for use as landfill in creating artificial structures. Australia has also called on all claimants to exercise self-restraint, take steps to ease tensions and refrain from provocative actions that could increase tension and uncertainty in the region. Australia is particularly concerned by the unprecedented pace and scale of China's land reclamation activities.

2.79 It is important that claimant countries are open and transparent about the end state purposes of land reclamation activities. The absence of an agreed framework for managing the competing claims in the South China Sea highlights the importance of ASEAN and China agreeing to a Code of Conduct for the South China Sea as soon as possible.

2.80 Australia is committed to working with the countries of South East Asia, and with the United States, Japan, the Republic of Korea, New Zealand, India and China to support security, development and growth. The further development of regional forums, including the East Asia Summit, as mechanisms for supporting security and facilitating transparency and cooperation will be important for future stability. We will also continue to work with the United States to support its strategic rebalance which is an essential part of the enduring role the United States will play as a stabilising force in the Indo-Pacific.

Indonesia

2.81 As our near neighbour, Australia's relationship with Indonesia is vital. By 2035, Indonesia should be a major world economy. Its rapid economic development has seen it become the largest economy in South East Asia, with a growing middle class and increased demand for goods and services. This growth presents opportunities to build prosperity for both Australia and Indonesia.

2.82 With continued economic growth Indonesia has the potential to increase its regional and global influence. Over the same period, and commensurate with its economic growth, Indonesia will probably become the largest defence spender in South East Asia. Australia and Indonesia share many common security interests, including a shared maritime border, a commitment to combatting terrorism, promoting peace and stability in our region and working to strengthen the regional security architecture.

2.83 The modernisation of the Indonesian armed forces and Indonesia's growing influence are positive developments that will add to Indonesia's security, and that of the region. A secure Indonesia is in Australia's interests and its growing military capabilities will offer Australia and Indonesia opportunities for more effective cooperation to respond to regional challenges, including terrorism, transnational crime such as people smuggling and humanitarian disasters as well as search and rescue operations.

2.84 Australia will continue to broaden our defence cooperation in ways that benefit both countries. More information on Australia's defence cooperation with Indonesia is provided in Chapter Five.

North Asia

2.85 Australia has a deep and abiding interest in peace, stability and security in North Asia. More than half of Australia's exports are to North Asia, with China, Japan and the Republic of Korea being three of Australia's four biggest trading partners. Almost all of that trade, by volume, moves by sea. While our interests in peace and security in North Asia are vital, our capacity to influence events acting alone is limited. Our defence engagement in North Asia will continue to be based on partnerships, including with Japan, the Republic of Korea, and our alliance with the United States. The Government will seek to enhance Australia's growing defence relationship with China.

2.86 Over the next 20 years, economic interdependence, particularly in maritime trade and energy security, will provide incentives for countries in the region to cooperate with each other. But economic interdependence does not guarantee stability and political and historical issues will remain sources of tension.

2.87 North Asia is home to some of the largest military forces in the Indo-Pacific. The Korean Peninsula is one of the most heavily militarised environments in the world, and will probably remain so to 2035.

2.88 The Democratic People's Republic of Korea will continue to be a major source of regional instability. North Korea's threatening behaviour includes its nuclear weapons program, its ballistic missile tests, and its proliferation of weapons of mass destruction and their delivery systems. North Korea's behaviour especially threatens its immediate neighbours, particularly South Korea and Japan. Frequent cycles of inter-Korean tensions are likely to continue as Pyongyang seeks to engineer crises, often using threats of nuclear escalation or ballistic missile tests, to try to extract aid and concessions from the international community.

2.89 Unresolved territorial disputes also contribute to tensions in the area. China's 2013 unilateral declaration of an Air Defence Identification Zone in the East China Sea, an area in which there are a number of overlapping Air Defence Identification Zones, caused tensions to rise. Australia is opposed to any coercive or unilateral actions to change the status quo in the East China Sea.

2.90 Australia welcomes positive developments in North Asia to improve relations, including meetings between the Chinese President and Japanese Prime Minister, and between the foreign ministers of China, Japan and South Korea. Enduring commitment to such efforts, to avoiding provocative behaviour and to transparency about strategic intentions and military modernisation will be essential to resolving the status of territorial and other disputes peacefully.

2.91 Japan is a major power in North Asia with advanced self-defence forces and is an important contributor to regional and global security. Australia welcomes the prospect of Japan playing a larger role in international security and will continue to deepen and broaden our growing security cooperation with Japan. More details on the Australia-Japan relationship can be found in Chapter Five.

South Asia and the Indian Ocean Rim

2.92 The Indian Ocean has become an important focus for Australian strategic policy in recent years. Vital trade and energy routes for Australia and many of our most important economic partners transit the Indian Ocean. Half of the world's container traffic and one-third of bulk cargo traverses the Indian Ocean. Around 40 per cent of the world's offshore oil production comes from the Indian Ocean. Over the next 20 years, the Indian Ocean will see a substantial increase in intra-regional maritime trade, including in energy, food and other natural resources. The Indian Ocean region is also likely to become a more significant zone

of competition among major powers, with China, India and the United States all increasing their levels of military activity in this region.

2.93 India is an increasingly important economic and security partner for Australia and we share key interests in regional stability and order. India's modernisation of its armed forces and participation in the regional security architecture, particularly through the Indian Ocean Naval Symposium and Indian Ocean Rim Association, supports Australia and India's shared interests in Indian Ocean security. India is also increasing its security partnerships, including with Australia, the United States, Japan, Indonesia and Vietnam.

2.94 In addition to having a stronger role in the Indo-Pacific region, India is also likely to become a more active and influential global power, supported by its economic growth. India could be the world's third-largest economy before 2030. India's relationships with other major powers including China, the United States and Japan will help shape the global security environment out to 2035.

2.95 Over the next two decades, Pakistan is likely to continue to face a range of security challenges as it struggles with an internal insurgency. Following the historic elections in 2013, it will be important that Pakistan continues to strengthen its democratic institutions. The institutional strength of Pakistan's armed forces will continue to play an important role in the Pakistani state.

2.96 The India-Pakistan relationship remains one of the region's major points of tension. The fact that both India and Pakistan are nuclear powers underscores the continuing need for mutual dialogue and restraint. Tensions between India and Pakistan, potentially fuelled by terrorist activities, could have a wider regional and possibly global impact that would affect Australia's security.

2.97 Since 2001, Australia has made an important contribution to Afghanistan's security, to help prevent Afghanistan again becoming a safe haven for terrorism that threatens Australia and the wider world. After more than a decade of ADF commitment, Afghan security institutions continue to make progress. But the security environment in Afghanistan will remain challenging and international assistance will continue to be required to solidify security gains.

The Middle East

2.98 Instability and threats to global security in the Middle East have engaged Australia's interests since the First World War. Australia has long-standing strategic interests in preventing the spread of violent extremism from the Middle East to our region and globally and in supporting stability and the security of vital trade and energy flows through the Middle East.

2.99 Turbulence in the Middle East will continue to be a feature of the global strategic environment to 2035, with implications for countries around the world including Australia. Sectarian tensions are worsening, internal and regional dynamics are in flux and ungoverned spaces are spreading across the Middle East and North Africa and the Sahel. Current conflicts in the Middle East and North Africa and the Sahel are significant sources of global insecurity promoting terrorism and threatening global trade and energy flows.

2.100 Australia is committed to supporting the Government of Iraq with its efforts to defeat Daesh. Daesh has proven to be a resilient and adaptive fighting force. While the extreme nature of Daesh appears medieval, Daesh has proven to be adept at attracting foreign terrorist fighters to Iraq and Syria and at using the internet and social media to encourage terrorist activities in countries around the world including in Australia.

2.101 Russia's involvement in the Syrian conflict increases the complexity of the United States-led international coalition's effort to disrupt, degrade and ultimately defeat the terrorist threat from Daesh. Australia has said consistently that the crisis in Syria requires a political solution and it is important that all countries, including Russia, play a constructive role in achieving such a solution.

Weapons of Mass Destruction

2.102 Over coming decades, the challenges of weapons of mass destruction will continue to be of concern to the international community.

2.103 While the number of countries with declared weapons of mass destruction, particularly nuclear weapons, has remained relatively stable, weak or fragile countries may resort to using weapons of mass destruction, as demonstrated by the use of chemical weapons in Syria by the Syrian Regime. Terrorists will also continue to seek the means to conduct a mass casualty chemical, biological, radiological or nuclear attack.

2.104 The international community has a track record of unified action to address the threat associated with the proliferation of weapons of mass destruction. Australia has historically been a prominent supporter of this international effort, which includes the Non-Proliferation Treaty, the Chemical Weapons Convention, the Australia Group which seeks to control the export of chemical or biological weapons and the Proliferation Security Initiative framework aimed at preventing the illicit trade of sensitive weapons of mass destruction technologies. The international community's actions to remove Syria's chemical arsenal under United Nations Security Council Resolution 2118 demonstrates the resolve against the possession and proliferation of chemical weapons.

2.105 Australia welcomes the comprehensive plan of action negotiated between the Permanent Five members of the United Nations Security Council (the United States, Russia, China, France and the United Kingdom) plus Germany and Iran, on Iran's nuclear program.

Compliance by Iran to the terms of the comprehensive plan of action could be a critical factor in safeguarding long-term non-proliferation regimes and Middle East and global security.

2.106 The international community must continue to bring together defence, law enforcement, export control, customs and counter-proliferation agencies to manage the security challenge posed by weapons of mass destruction. Australia will continue to play its part by contributing to international counter-proliferation initiatives and by controlling the export of technologies, goods or services which could contribute to the development of weapons of mass destruction.

3

Chapter Three: Australia's Defence Strategy

3.1 As outlined in Chapter Two, over the next two decades Australia's strategic outlook will change as the shift in global economic and political power to the Indo-Pacific continues. Australia is fortunate to be part of the most dynamic region in the world and we are benefiting from the economic transformation in the Indo-Pacific and the opportunities it is bringing to build Australia's prosperity. In order for Australia to continue to benefit from our region we will need to address the challenges of a more complex and uncertain strategic environment.

3.2 In response to this complex and uncertain strategic environment, the Government's strategic defence policy is to manage strategic challenges by: developing Defence's capabilities and agility to take a more active role in shaping regional affairs and to respond to developments which threaten our interests; while strengthening our alliance with the United States and developing our partnerships with other countries. This policy is articulated in the Government's new strategic framework for Defence to ensure the ADF is better prepared to respond if the Government decides the pursuit of Australia's interests requires the use of military force.

3.3 The new strategic framework is set out in the table below and explained in the rest of this chapter. The strategic framework explains **why** Australia's Strategic Defence Interests are of fundamental significance for Defence planning, **what** they mean for strategic defence planning – Strategic Defence Objectives – and **how** they will be reflected in the future Defence force structure.

Australia's Strategic Defence Framework

Strategic Defence Interests		
A secure, resilient Australia, with secure northern approaches and proximate sea lines of communication.	A secure nearer region, encompassing maritime South East Asia and the South Pacific.	A stable Indo-Pacific region and a rules-based global order.
Strategic Defence Objectives		
Deter, deny and defeat attacks on or threats to Australia and its national interests, and northern approaches.	Make effective military contributions to support the security of maritime South East Asia and support the governments of Papua New Guinea, Timor-Leste and of Pacific Island Countries to build and strengthen their security.	Contribute military capabilities to coalition operations that support Australia's interests in a rules-based global order.

Strategic Defence Interests

3.4 The Strategic Defence Interests drive Australia's defence strategy. They set out that sub-set of Australia's national interests in a secure and prosperous Australia for which the Government may want to use its military power and guide the future development of Defence's capabilities.

A secure, resilient Australia, with secure northern approaches and proximate sea lines of communication

3.5 Our most basic Strategic Defence Interest is a secure, resilient Australia. This means a nation protected against attack or the threat of attack

and coercion and where Australia exercises full sovereignty over its territories and borders. A secure, resilient Australia extends into our northern approaches, our Exclusive Economic Zone, and our offshore territories, including our Southern Ocean and Antarctic territories. A secure, resilient Australia includes protection from non-geographic threats such as cyber attack, anti-satellite weapons and ballistic missile systems.

3.6 Our interest in a secure, resilient Australia also means an Australia resilient to unexpected shocks, whether natural or man-made, and strong enough to recover quickly when the unexpected happens.

A secure nearer region, encompassing maritime South East Asia and the South Pacific

3.7 Our second Strategic Defence Interest is in a secure nearer region. Australia cannot be secure if our immediate neighbourhood including Papua New Guinea, Timor-Leste and Pacific Island Countries becomes a source of threat to Australia. This includes the threat of a foreign military power seeking influence in ways that could challenge the security of our maritime approaches or transnational crime targeting Australian interests.

3.8 Instability or conflict in South East Asia would threaten Australia's security and our vital and growing economic relationships in that region. Stability in South East Asia is important to countering other threats including transnational crime and terrorism. Australia's reliance on maritime trade with and through South East Asia, including energy supplies, means the security of our maritime approaches and trade routes within South East Asia must be protected, as must freedom of navigation, which provides for the free flow of maritime trade in international waters.

A stable Indo-Pacific region and a rules-based global order

3.9 Our third Strategic Defence Interest is in a stable Indo-Pacific region and rules-based global order which supports Australia's interests. The Indo-Pacific includes North Asia, the South China Sea and the extensive sea lines of communication in the Indian and Pacific Oceans that support Australian trade. A stable rules-based regional order is critical to ensuring Australia's access to an open, free and secure trading system and minimising the risk of coercion and instability that would directly affect Australia's interests. A stable rules-based global order serves to deal with threats before they become existential threats to Australia, and enables our unfettered access to trading routes, secure communications and transport to support Australia's economic development.

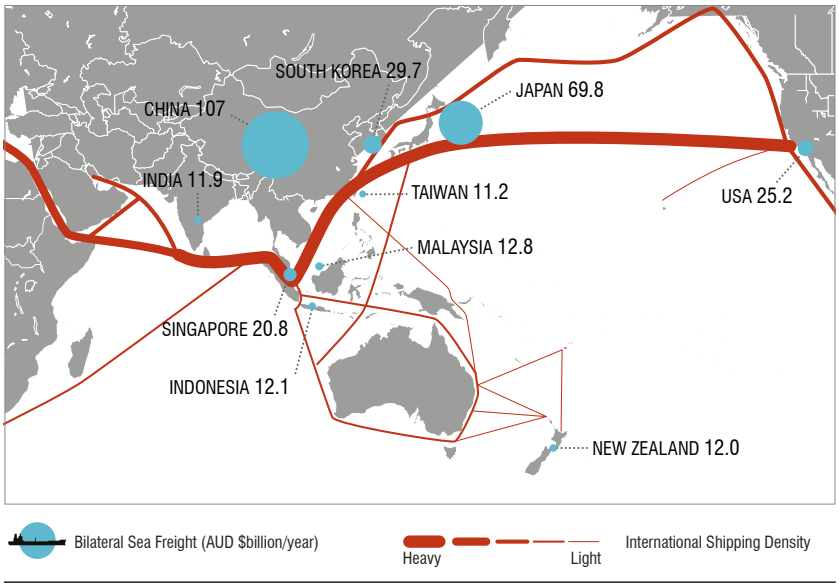


Figure 2: Sea Freight: Australia's top ten trading partners

Strategic Defence Objectives

3.10 To ensure Defence has the necessary force structure and force posture to defend and further Australia's Strategic Defence Interests, the Government has agreed to three equally-weighted high-level Strategic Defence Objectives to guide the development of the future force set out in this White Paper. The Strategic Defence Objectives outline the activities the Government expects Defence to be able to conduct if the Government decides to use military power in support of Australia's Strategic Defence Interests.

3.11 The Strategic Defence Objectives are to:

- Deter, deny and defeat attacks on or threats to Australia and its national interests, and northern approaches.
- Make effective military contributions to support the security of maritime South East Asia and support the governments of Papua New Guinea, Timor-Leste and of Pacific Island Countries to build and strengthen their security.
- Contribute military capabilities to coalition operations that support Australia's interests in a rules-based global order.

Deter, deny and defeat attacks on or threats to Australia and its national interests, and northern approaches

3.12 In support of a secure, resilient Australia, the first Strategic Defence Objective is to deter, deny, and defeat any attempt by a hostile state or non-state actor to attack, threaten or coerce Australia.

3.13 While there is no more than a remote chance of a military attack on Australian territory by another country, Australians rightly expect that our military force be capable of the self-reliant defence of our territory from attack or coercion by another country. The Government is

providing Defence with the capability and resources it needs to be able to decisively respond to military threats to Australia, including incursions into our air, sea and northern approaches. Investment in Australia's military bases will be increased so they can support new capabilities that would be used to defeat any attack on our territory. Investment in our national defence infrastructure – including the Army, Navy and Air Force bases in northern Australia, including in Townsville and Darwin, as well as the Air Force bases Tindal, Curtin, Scherger and Learmonth – will be a focus of this Defence White Paper.

3.14 The Government is also providing Defence with enhanced domestic security capabilities to help respond to the threat of complex terrorist attacks within Australia. Australian states and territories lead the response to any attacks within their jurisdictions, but can request assistance from the Commonwealth as required, including the provision of specialist Defence support to prevent, assist in response to, and recover from a terrorism incident.

3.15 This specialised support includes: protection of Australia's offshore oil and gas infrastructure; special forces Tactical Assault Groups, which can rapidly deploy to support local law enforcement operations; explosive detection and disposal; contributing to security at major events (such as the G20 Leaders Summit in Brisbane in 2014); chemical, biological, radiological and nuclear response operations; and intelligence cooperation with other government intelligence and law enforcement agencies, to identify and disrupt foreign terrorist threats.

3.16 The Government will invest in the ADF's capabilities to ensure that it can continue to effectively contribute to domestic counter-terrorism operations. This includes enhancing the weapons, equipment, tactical mobility, and situational awareness of our Special Forces and strengthening Defence's intelligence and air lift capabilities.

3.17 Defence shares its responsibility for safeguarding the security of our maritime borders with other agencies, particularly the Department of Immigration and Border Protection. This Defence White Paper will provide Defence with the capabilities necessary to ensure its maritime border security responsibilities can be met. Defence will also need to be prepared to help protect Australia's offshore resource extraction activities, maintain Australia's sovereignty over our offshore territories and Exclusive Economic Zone and fulfil our international search and rescue obligations. The Government has acquired a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector*, in addition to HMAS *Choules*, to provide further capability to safeguard the security of our maritime borders.

3.18 Defence will continue to support the states and territories to respond to national disaster relief efforts. ADF personnel work alongside emergency response personnel in providing disaster relief. The Government will ensure the provision of specialist equipment, including air lift and supplies and coordination activities, to enable a close working relationship between Defence and state and territory emergency response services.

3.19 To counter the growing threat of cyber attack, the Government is improving our national cyber security capabilities. Defence's cyber security capabilities will be strengthened to protect the ADF's warfighting and information networks. Defence will contribute to the Government's enhanced national cyber security efforts, which include better coordinated cyber security capabilities and working with industry and academia to counter the threat of cyber attack.

Make effective military contributions to support the security of maritime South East Asia and support the governments of Papua New Guinea, Timor-Leste and of Pacific Island Countries to build and strengthen their security

3.20 The second Strategic Defence Objective is to work with the governments of South Pacific Island Countries to support stability in the South Pacific and to support the security of maritime South East Asia.

3.21 Australia will continue to seek to be the principal security partner for Papua New Guinea, Timor-Leste and Pacific Island Countries, by deepening our security partnerships, including through our Defence Cooperation Program. The most significant element of this program, the Pacific Maritime Security Program, will provide replacement patrol boats to 12 Pacific Island Countries from 2018.

3.22 The Government will work with Pacific Island Countries to strengthen their ability to manage internal, transnational and border security challenges, including natural resource protection, and to build their resilience to natural disasters. This includes working to limit the influence of any actor from outside the region with interests inimical to our own.

3.23 Protecting the lives of Australians abroad in our region is a priority for the Government. Defence must have the capability to conduct evacuation operations for Australians under threat in our immediate region and other areas as directed, whether in response to natural disasters or as a consequence of instability.

3.24 Defence must also be prepared to cooperate with Pacific Island Countries to conduct humanitarian assistance and disaster relief, security or stabilisation operations in our immediate region as it has done successfully in Solomon Islands and in Bougainville and in response to the devastation of Tropical Cyclone Pam in Vanuatu in

March 2015. The ADF's enhanced maritime forces and amphibious capability set out in this White Paper means the ADF will have more capability and will be more responsive and flexible in providing assistance to our neighbours when requested.

3.25 Australia has a strong foundation of longstanding bilateral and multilateral partnerships with countries in South East Asia which have an interest in maritime security in the region. This includes Indonesia, Singapore, Malaysia, Brunei, the Philippines, Thailand and Vietnam. Defence will have enhanced capability to make meaningful contributions to operations addressing shared regional security challenges and humanitarian assistance and disaster relief efforts. Defence will help build the capacity of regional countries to respond effectively to security challenges through contributions to bilateral and multilateral activities such as exercises, training activities and the Defence Cooperation Program.

3.26 The Government will help shape security in the South East Asia maritime environment through a strengthened commitment to a strong security architecture that supports transparency and cooperation. This architecture includes the East Asia Summit, the ADMM-Plus and the ASEAN Regional Forum. Australia's Defence contributions to these forums will reflect the importance we place on the value of being active in regional institutions such as Australia's participation in all six ADMM-Plus Experts' Working Groups.

Contribute military capabilities to coalition operations that support Australia's interests in a rules-based global order

3.27 The third Strategic Defence Objective is to work closely with our ally the United States and other international partners to provide meaningful contributions to global responses to emergent threats to the rules-based global order that threaten Australia and its interests.

3.28 While Australia has sophisticated and growing military capabilities, Australia does not have the capacity to unilaterally protect and further our interests in maintaining a rules-based global order. Our current military contribution to the multinational United States-led Combined Maritime Forces in the Middle East region, targeting terrorism, piracy and drug smuggling, is an example of how we can address security threats to Australia by working with other like-minded partners. The ADF will continue to play an important role in coalition operations where Australia's Strategic Defence Interests are engaged including our role in international efforts to prevent the spread of weapons of mass destruction.

3.29 Australia will continue contributing to coalition operations with like-minded countries to combat terrorism. Our Special Forces, Air Task Group and Building Partner Capacity training mission will continue their role in the international coalition to defeat Daesh, with progress to be regularly reviewed. Future contributions to combat terrorism could draw on a range of defence capabilities, including combat capabilities, command, intelligence, communications or logistics.

3.30 Within the Indo-Pacific, future operations could include contributing to security in North Asia and helping to protect the extensive sea lines of communication that support Australian trade where our interests are sufficiently engaged. Australia will make important contributions to the provision of humanitarian assistance and disaster relief at short notice in the Indo-Pacific region or further afield when required.

3.31 Australia remains one of the most active supporters of the United Nations and Defence will continue to make tailored contributions to United Nations operations in the future where it is in Australia's interest to do so. In addition to possible contributions to peacekeeping operations, Defence will continue working with the United Nations to build its capacity to lead international efforts to respond to global

security challenges. Our efforts will include providing targeted funding and expertise to help the United Nations develop standards and training for its future peacekeeping operations.

Implications for force structure and force posture

3.32 To ensure Defence is capable of achieving the Strategic Defence Objectives, this White Paper sets out the types of forces that Australia will develop – the force structure – and the disposition and deployment of those forces – the force posture.

3.33 The Government has directed Defence to use all three Strategic Defence Objectives to guide force structure and force posture decision making. The Government recognises the interconnected nature of the global environment and the fact that Australia's security and prosperity is directly affected by events outside our region and is not just linked to our geography or confronting threats solely in our maritime approaches. The direction to use all three Strategic Defence Objectives to guide decision making also recognises the reality that Australia has the responsibility and the capability to respond to threats to the rules-based global order. Over many decades, the ADF has deployed and will continue to deploy outside of our immediate region in concert with the United States and other like-minded partners, to pursue Australia's Strategic Defence Interests and in response to shared global challenges.

3.34 To be able to achieve the Strategic Defence Objectives, Defence will need to be more agile and adaptable with a broader set of capabilities from which to draw so that it is able to conduct the full range of tasks which might be required by Government. The ADF will also need to maintain a high degree of interoperability with the sophisticated capabilities which the United States deploys when it leads international coalitions to address global security challenges.

3.35 The Government expects Defence to be able to achieve the three Strategic Defence Objectives with the force structure and funding set out in this White Paper. This will require a balanced joint force structure and increased international cooperation and engagement. The Government's specific force structure decisions – based on the Strategic Defence Objectives – are outlined in Chapter Four. The priority placed on international defence cooperation and engagement to meet the Strategic Defence Objectives is discussed further in Chapter Five.

Intentionally blank

SECTION TWO
CAPABILITY

CHAPTER FOUR The Future Australian Defence Force

CHAPTER FIVE Positioning Defence for Tomorrow's Challenges

CHAPTER SIX People

4

Chapter Four: The Future Australian Defence Force

4.1 A more capable, agile and potent future force supported by an effective Defence organisation is essential to protect Australia's security and prosperity over the coming decades. Through this Defence White Paper the Government will provide Defence with the funding necessary to develop a more potent and capable set of options to respond to emerging and unexpected challenges to Australia's three Strategic Defence Interests.

4.2 To ensure Australia maintains an ADF with the highest levels of military capability, the Government is making a significant long-term investment in Defence's warfighting equipment and supporting systems, research and development, and the skills and training of our Defence people.

4.3 With this new level of capability, the future ADF will be better able to achieve the three Strategic Defence Objectives. The future ADF will be more capable of operations to deter and defeat threats to Australia, operate over long distances to conduct independent combat operations in our region, and make more effective contributions to international coalitions that support our interests in a rules-based global order. The increased capabilities of the ADF will also enhance our ability to operate with the United States.

4.4 A major investment will be made in modernising and enhancing the potency, range and capacity of our maritime capabilities. New investments will include the next generation of submarines, surface warships, surveillance aircraft and support vessels. Our Army will have more firepower, mobility and amphibious capabilities, while soldiers will receive more lethal weapons and improved protection. Our Air Force will operate new strike, reconnaissance and transport aircraft with new investments focusing on better integrating their capabilities.

4.5 There will be more emphasis placed on the joint force – bringing together different land, air, sea, intelligence, electronic warfare, cyber and space capabilities so the ADF can apply more force more rapidly and more effectively when called on to do so. A new permanent future force design function in Defence will strengthen Defence's capacity to deliver joint and integrated capabilities.

4.6 As well as investing in high-end warfighting equipment, the Government will increase investment in the vital enabling capabilities that bind military capabilities together to maximise Defence's operational effectiveness. Key enablers include ADF bases, logistics systems (including fuel and explosive ordnance facilities), upgraded training and testing facilities, health services and information, communications and technology equipment.

4.7 The Government will recognise the fundamental input to defence capability provided by Australian defence industry to ensure it delivers the support Defence needs.

Designing the future force

4.8 The Government's plans described in this White Paper will build on the strong foundation of the current ADF to deliver a more capable, agile and potent high-technology force that can achieve the Strategic Defence Objectives.

4.9 The Government will strengthen Defence capability in six capability streams:

- the Intelligence, Surveillance, Reconnaissance, Space, Electronic Warfare and Cyber capabilities that ensure our forces have superior situational awareness

- the Maritime and Anti-Submarine Warfare capabilities that will enable our forces to operate in more challenging maritime threat environments
- the Strike and Air Combat capabilities that will provide our forces with greater flexibility in responding to threats independently or as part of coalition operations
- the Land Combat and Amphibious Warfare capabilities that will provide our forces with greater capacity to conduct both combat and non-combat operations
- the Key Enablers essential to supporting the operation and sustainment of Defence
- the Air and Sea Lift capabilities that will help overcome the huge distances over which the ADF is deployed and has to be supplied.

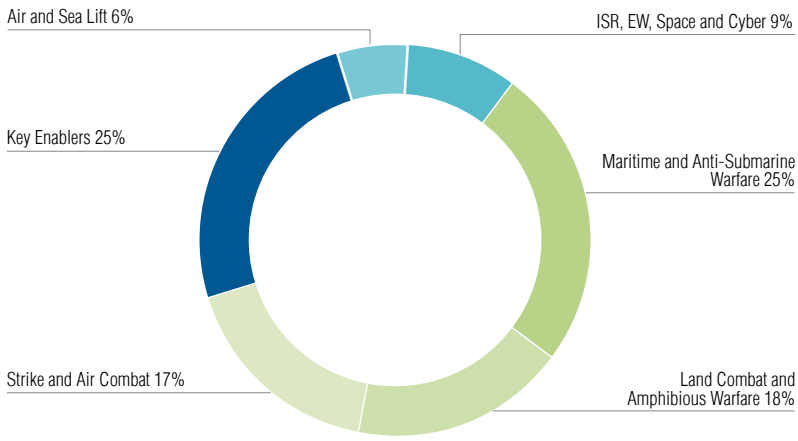


Figure 3: Ten Year Division of Investment by Capability Stream to FY 2025–26

Capability priorities

4.10 The Government's major capability priorities against each of the six capability streams are outlined below. A more detailed account of the ADF's capabilities and equipment is provided in the 10-year Integrated Investment Program accompanying this Defence White Paper. The Integrated Investment Program allocates approximately $195 billion in the decade to 2025–26 for investment in new and enhanced capabilities. The significant investment in new capabilities means that Defence will also need to increase the numbers and skills of ADF and Australian Public Service personnel. The Defence personnel implications are explained in Chapter 6.

Intelligence, Surveillance and Reconnaissance, Space, Electronic Warfare, and Cyber Security

Intelligence, Surveillance and Reconnaissance

4.11 To ensure our forces can continue to operate effectively and safely in our region and globally, they need a comprehensive understanding, or situational awareness, of what is happening around them. Having situational awareness is essential to making sure our forces have decision-making superiority – knowing more about a situation and knowing it sooner than an adversary does so that our forces have an advantage in planning and conducting operations.

4.12 To ensure the ADF has decision-making superiority and to enhance the ADF's ability to effectively and safely conduct operations, the Government will make a substantial new investment to strengthen Defence's intelligence, surveillance and reconnaissance capabilities. This includes upgrading our current air defence network (including the Vigilaire air surveillance system and the Jindalee Operational Radar Network) and introducing new, modernised all-source intelligence systems supported by enhanced information processing capabilities.

4.13 The Government will increase the capacity of the ADF to monitor the approaches to Australia with the P-8A Poseidon maritime surveillance and response aircraft and the high altitude MQ-4C Triton unmanned aircraft. Short-range maritime tactical unmanned aircraft will be acquired to improve the situational awareness of our ships on operations.

Space

4.14 Space-based systems for intelligence collection, communications, navigation, targeting and surveillance play a vital role in all ADF and coalition operations. Defence's imagery and targeting capacity will be enhanced through greater access to allied and commercial space-based capabilities, strengthened analytical capability and enhanced support systems. Enhancements to our imagery capacity will provide the basis to further develop our intelligence, surveillance and reconnaissance capabilities in the longer term, including through potential investment in space-based sensors.

4.15 Satellite systems are vulnerable to space debris, which could damage or disable satellites, and advanced counter-space capabilities, such as anti-satellite missiles, which can deny, disrupt and destroy our space-based systems. It is therefore important to be able to detect and track objects in space so Defence can plan to manage the effects of any possible damage to our space-based capabilities.

4.16 In cooperation with the United States, Australia is strengthening its space surveillance and situational awareness capabilities. At the centre of this work is the establishment of the space surveillance C-band radar operated jointly by Australia and the United States, and the relocation of a United States optical space surveillance telescope to Australia. Both assets will be located at the Harold E. Holt Naval Communications Station near Exmouth in Western Australia. The radar and telescope will increase our capacity to detect and track objects in space, including space debris, and predict and avoid potential collisions. Additional

investment is planned in ADF space capability, including space-based and ground-based intelligence, reconnaissance and surveillance systems.

Electronic Warfare

4.17 The ability of our forces to control the electromagnetic environment can provide a decisive tactical advantage. Defence must be able to protect and defend electronic systems, such as radar, command and control and the communications and intelligence systems that the ADF relies on to conduct operations, while denying or degrading the electronic systems of an adversary.

4.18 The Government will enhance command and control, and other spectrum management systems, to support a joint approach to electronic defence and attack. The Government will strengthen electronic warfare support to naval, air and land forces for operations in hostile electromagnetic environments including through the introduction of new long range electronic warfare support aircraft based on a long-range commercial business jet in the early 2020s. The fleet of 12 E/A-18G Growler electronic warfare aircraft to enter service from 2018 will be periodically upgraded over their operational lives to maintain commonality with the Growler fleet operated by the United States.

Cyber Security

4.19 The Government is committed to ensuring that Australia can address the growing cyber threat including through enhanced cooperation with the United States and our other international partners. Defence makes a critical contribution to Australia's whole-of-government cyber-security efforts, ensuring the integrity of Australian government information and systems. This includes the invaluable work of the Australian Signals Directorate. Defence will continue to work closely with other agencies to protect Australian interests in the cyber domain, including through the multi-agency Australian Cyber Security Centre.

4.20 The Government will strengthen Defence's cyber capabilities to protect itself and other critical Australian government systems from malicious cyber intrusion and disruption. Enhancing the resilience of Defence networks, including networks used by our deployed forces, and the capability of the Australian Cyber Security Centre are key areas of focus in strengthening Australia's cyber defences. This will include considerable new investment in strengthening the Defence cyber workforce, including new military and APS positions and training programs.

4.21 The Government will also establish a research and development capability to help strengthen the defences of the ADF's military information systems against cyber attack.

Maritime Operations and Anti-Submarine Warfare Forces

4.22 Highly capable and versatile naval and maritime forces are vital to our defence strategy. Australia's naval and maritime forces must be able to undertake a wide range of activities in support of the Strategic Defence Objectives and operate across huge distances. The area of Australia's maritime zones, including our Exclusive Economic Zone, is one of the largest in the world, with a total marine area of around 10 million square kilometres. Australia is also responsible for covering one of the largest search and rescue areas in the world, some 53 million square kilometres of the Indian, Pacific and Southern Oceans. Our naval and maritime forces deploy around the world for training, exercises and to participate in coalition operations to support the rules-based global order.

4.23 Modernising our maritime capabilities will be a key focus for Defence over the next 20 to 30 years. Our maritime forces will become more potent through the acquisition of more capable submarines, ships and aircraft and better integration of combat and supporting systems across Defence. These forces will help to protect our maritime borders, secure our immediate northern approaches and proximate sea lines of communication and enable us to project force in the maritime

environment. Increasingly, these capabilities will provide an ability to undertake anti-submarine warfare throughout the maritime environment.

4.24 Defence's ability to contribute to border protection will be enhanced with the introduction of larger, more capable offshore patrol vessels with greater range, endurance and improved carrying capacity and a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector*. The Government will invest in enhancements to multiple layers of the maritime surveillance system including new manned and unmanned aircraft.

Submarines

4.25 Submarines are an essential part of Australia's naval capability, providing a strategic advantage in terms of surveillance and protection of our maritime approaches. The Government has determined that regionally superior submarines with a high degree of interoperability with the United States are required to provide Australia with an effective deterrent, including by making a meaningful contribution to anti-submarine warfare operations in our region. The key capabilities of the future submarine will include: anti-submarine warfare; anti-surface warfare; intelligence, surveillance and reconnaissance; and support to special operations.

4.26 The Government will increase the size of the submarine force from six to 12 boats. The doubling in size of the submarine fleet recognises that Australia will face a more challenging maritime environment in the decades ahead. By 2035, around half of the world's submarines will be operating in the Indo-Pacific region where Australia's interests are most engaged. Australia has one of the largest maritime domains in the world and we need the capacity to defend and further our interests from the Pacific to the Indian Oceans and from the areas to our north to the Southern Ocean. Submarines are a powerful instrument for deterring conflict and a potent weapon should conflict occur.

4.27 Australia's new submarines will be supported by upgrades to enablers and facilities such as wharves and port facilities, as well as simulators, training and submarine rescue systems. The key strategic requirements for the future submarines include a range and endurance similar to the *Collins* Class submarine, sensor performance and stealth characteristics which are superior to the *Collins* Class, and upgraded versions of the AN/BYG-1 combat system and Mark 48 MOD 7 heavyweight torpedo jointly developed between the United States and Australia as the preferred combat system and main armament. The new submarines will have advanced communications systems to link with other Navy ships and aircraft to conduct anti-submarine warfare operations.

4.28 The acquisition of the 12 future submarines will commence in 2016 with the first submarines likely to begin entering service in the early 2030s. Construction of the 12 new submarines will extend into the late 2040s to 2050 timeframe. The length of the construction process will mean that Australia will need to be planning the follow-on submarine well before the last new submarine enters service. To ensure no capability gap and the ability to progress development of a replacement submarine in the 2050s, the Government has decided to implement a rolling acquisition program for Australia's submarine fleet. A rolling acquisition program will ensure that Australia is able to maintain a fleet of 12 regionally superior submarines as submarine and anti-submarine technologies develop over the coming decades.

4.29 During the long life of the new submarines, the rapid rate of technological change and ongoing evolution of Australia's strategic circumstances will continue. As part of the rolling acquisition program, a review based on strategic circumstances at the time, and developments in submarine technology, will be conducted in the late 2020s to consider whether the configuration of the submarines remains suitable or whether consideration of other specifications should commence.

4.30 The future submarine program is the largest defence procurement program in Australia's history. The Government has already committed to maximising Australian industry involvement in the submarine program, without compromising cost, capability, schedule or risk. The Government will announce the results of a Competitive Evaluation Process in 2016.

4.31 The Government will also continue to make appropriate investments in the existing *Collins* Class fleet, including priority capability enhancements, obsolescence management and fleet sustainment, to ensure Australia's potent and agile submarine capability is maintained until the introduction of the future submarine fleet. This will include upgrades to the *Collins* Class communications and sensor capabilities.

4.32 This investment will build on recent improvements to *Collins* Class availability. In 2011–12, *Collins* Class availability was about half that of the international benchmark and in the past there had been up to three submarines undergoing long-term maintenance. Following the 2012 Coles Review and implementation of a comprehensive and innovative transformation plan, there has been a major improvement in the availability of the *Collins* Class, and Defence is on track to reach the international benchmark for submarine availability by mid-2016. By mid-2016, the submarine HMAS *Farncomb* will have completed the first two-year full cycle docking in Adelaide – a maintenance activity that formerly took over three years to complete. From then onwards only one *Collins* Class submarine will be in Adelaide for full cycle docking. Defence will continue to work closely with industry to implement reforms to optimise *Collins* Class availability, reliability and capability.

Surface Vessels

4.33 Surface vessels will continue to play a critical role in protecting our sovereignty, maintaining presence and projecting force into the region and beyond. They are an important component of our joint force and will operate as a highly integrated part of our force with enhanced situational awareness, communications and data sharing between maritime, air and

land-based systems. Our surface vessels must be capable of independent Australian operations, as well as operating in coalition taskforces. They must also contribute to a wide range of whole-of-government priorities, including border security, search and rescue, and humanitarian assistance and disaster relief operations.

4.34 Key elements of new naval capability will include 12 major surface vessels. The three *Hobart* Class Air Warfare Destroyers to enter into service in the early 2020s will provide Australian or coalition maritime task groups with defence against air and missile attack. The *Hobart* Class will be equipped with new advanced surface to air missiles to enter service by the middle of the next decade. Nine new future frigates optimised for anti-submarine warfare will be introduced into service from the late 2020s to replace the existing fleet of eight *Anzac* Class frigates, with construction to start in 2020.

4.35 The Government will acquire 12 new offshore patrol vessels that will provide greater reach and endurance than the existing *Armidale* Class patrol boat fleet. The new vessels will be capable of undertaking several different roles including enhanced border protection and patrol missions over greater distances than is currently possible with the existing patrol boat fleet, with construction to start in 2018. All 12 offshore patrol vessels will be delivered by 2030. The *Armidale* Class will be supplemented by additional patrol craft as required until they are replaced by the offshore patrol vessels, to ensure there is no gap in Navy's border protection capability.

4.36 The mine countermeasures and military hydrography capability will be updated to support the future force. The life of four of the current *Huon* Class mine hunters will be extended while new technologies are developed to counter the threat of maritime mines. Defence will seek to replace the hydrographic capability with an efficient combination of military and commercial hydrographic and oceanographic survey capabilities.

Maritime Aviation

4.37 Eight P-8A Poseidon maritime surveillance and response aircraft will be introduced in the early 2020s, with seven additional aircraft to be acquired in two tranches to bring the total to 15 aircraft by the late 2020s. These aircraft have a range of over 7,500 kilometres, and can be refuelled in the air by Australia's KC-30A air-to-air refuelling aircraft, extending their range even further. In addition to being able to undertake sophisticated surveillance operations at great distances, the P-8A can undertake offensive operations against submarines and ships, as well as supporting search and rescue operations.

4.38 To complement the surveillance capabilities of the Poseidon, the Government will acquire seven high altitude MQ-4C Triton unmanned aircraft from the early 2020s as part of the Intelligence, Surveillance and Reconnaissance capability stream. The Triton is an unarmed, long-range, remotely piloted aircraft that will operate in our maritime environment, providing a persistent maritime patrol capability and undertaking other intelligence, surveillance and reconnaissance tasks. Short-range maritime tactical unmanned aircraft will be acquired to improve the situational awareness of our ships on operations.

4.39 Currently entering into service, 24 MH-60R Seahawk naval combat helicopters will enhance the anti-ship and anti-submarine warfare operations undertaken by our destroyers and frigates. Navy will also employ MRH-90 utility helicopters, and will work closely with Army for amphibious operations.

Strike and Air Combat

4.40 A potent strike and air combat capability is essential to our ability to deter attempts to coerce or attack Australia and our national interests, including the ability to seize the initiative, and defeat potential threats as far from Australia as possible.

4.41 The ADF must be prepared to carry out offensive strike operations against the military bases and in-transit forces of a potential adversary. It will achieve this through strategic strike capabilities, including air strike and special operations capabilities. More potent strike capabilities allow Australia flexibility in rapidly responding to threats against Australia and providing military contributions to coalition operations in our region and globally.

Strike and Air Combat

4.42 The ADF will be equipped with a potent and technologically advanced strike and air combat capability over the next decade, building on the current fleet of 24 F/A-18F Super Hornets, six E-7A Wedgetail Airborne Early Warning and Control aircraft and five KC-30A air-to-air refuelling aircraft. In addition to 12 EA-18G Growler Electronic Attack aircraft which will enter service from 2018, 72 F-35A Lightning II Joint Strike Fighters will begin to enter operational service from 2020 to replace the Classic Hornets. Options to replace the Super Hornets in the late 2020s will be considered in the early 2020s in light of developments in technology and the strategic environment and will be informed by our experience in operating the Joint Strike Fighters. The Government will also acquire new air combat training systems as part of the Key Enablers capability stream.

4.43 The Government will increase investment in capabilities to better connect the communications, sensor and targeting systems of various ADF platforms, including the Joint Strike Fighters, Wedgetail, *Hobart* Class Air Warfare Destroyers and Growlers. Being able to quickly exchange information, such as the location of threats, means the ADF can combine its already potent individual capabilities more effectively during joint operations – generating greater combat weight and lethality.

4.44 The Government will acquire advanced air defence and high-speed, long-range strike weapons for the air combat fleet capable of attacking land and maritime targets. Two additional KC-30A air-to-air refuellers

will be introduced into service before the end of this decade, for a total of seven, to extend the range and endurance of our combat aircraft and surveillance platforms. Consideration will be given to a follow-on acquisition of further air-to-air refuellers, to take the refueller fleet to nine aircraft, to support new aircraft types such as the P-8A Poseidon maritime surveillance aircraft.

4.45 To enhance the defences of our deployed forces against attacks, new deployable short range ground-based air defence weapons will enter service by the early 2020s to replace the existing RBS-70 system. New medium-range ground-based air defence weapons will be acquired in the mid to late 2020s to help protect valuable assets, including deployed airfields and command centres.

Other Strike Capabilities

4.46 The Government will ensure that our maritime and land forces have improved strike capabilities. This will include acquisition of new deployable land-based anti-ship missiles to support operations to protect deployed forces and vital offshore assets such as oil and natural gas platforms.

Missile Defence

4.47 The Government is concerned by the growing threat posed by ballistic and cruise missile capability and their proliferation in the Indo-Pacific and Middle East regions. While the threat of an intercontinental ballistic missile attack on Australia is low, longer-range and submarine-launched ballistic and cruise missiles could threaten Australian territory, and shorter-range ballistic and cruise missiles pose a threat to our deployed forces.

4.48 Australia is committed to working with the United States to counter the ballistic missile threat. Australia and the United States have established a bilateral working group to examine options for potential Australian contributions to integrated air and missile defence in the

region. Australia's priorities for the working group are to develop a more detailed understanding of options to protect our forces which are deployed in the region from ballistic missile attack.

4.49 The Government will upgrade the ADF's existing air defence surveillance system, including command, control and communications systems, sensors and targeting systems, which could be used as a foundation for development of deployed, in-theatre missile defence capabilities, should future strategic circumstances require it. The Government will also acquire new ground-based radars from around 2020 and will expand Australia's access to situational awareness information, including space-based systems.

Land Combat and Amphibious Warfare

4.50 Achieving Australia's Strategic Defence Objectives requires land forces that have the mobility, firepower, protection and situational awareness to deploy quickly to where they are needed, achieve their missions and return home safely. The Government will make significant new investments in our land forces, including new combat vehicles, long-range fire support, amphibious capabilities and Special Forces.

Land Forces

4.51 The soldier is at the heart of land force capability. The last decade of operations has seen substantial investment in equipping soldiers with leading-edge equipment to help them to achieve their missions. The Government will invest in a program for continuously improving the personal equipment soldiers use, including their weapons and targeting equipment, digital communications systems, body armour and self protection equipment (including for chemical, biological and radiological threats), and night fighting equipment.

4.52 Soldiers in the future Army will be supported by new vehicles and manned and unmanned aircraft with increased firepower, protection, mobility, situational awareness and logistics support. The Government

will replace the Army's current ageing fleet of mobility and reconnaissance vehicles with a new generation of armoured combat reconnaissance and infantry fighting vehicles, as well as tank upgrades and new combat engineering equipment. New general purpose and Protected Mobility Vehicles will be acquired, including 1,100 Australian designed and manufactured Hawkei vehicles. The Hawkei's innovative design will provide improved protection for soldiers and the vehicle can be transported by helicopter and will include advanced communications systems. A replacement for the Bushmaster Protected Mobility Vehicle will be introduced from around 2025.

4.53 The Government will enhance Army's firepower with a new long-range rocket system in the mid-2020s to complement Army's existing artillery capability. The new system will be capable of providing fire support to defeat threats to our personnel at ranges of up to 300 kilometres.

4.54 A riverine patrol capability will be re-established from around 2022, based on a fleet of lightly armed small patrol boats to allow mobility in a wide range of riverine environments.

4.55 The Government will introduce enhanced intelligence, surveillance and reconnaissance capabilities, including armed medium-altitude unmanned aircraft in the early 2020s, with regular capability upgrades to follow. The new armed medium-altitude unmanned aircraft will provide enhanced firepower and intelligence, surveillance and reconnaissance support to a range of missions including counter-terrorism missions overseas, while augmenting our surveillance capability for search and rescue, humanitarian assistance and disaster relief and other tasks.

4.56 The Government will replace the 22 Tiger Armed Reconnaissance helicopters with a new armed reconnaissance capability from the mid-2020s.

Amphibious Capability

4.57 The ADF's capacity for amphibious operations will be substantially strengthened. This will be centred on the two *Canberra* Class large amphibious ships, HMAS *Canberra* and HMAS *Adelaide*, and enhanced amphibious capabilities. The *Canberra* Class provides the ADF with the capability to undertake a range of operations, including supporting the security of maritime South East Asia and Pacific Island Countries and addressing emergent threats in the broader Indo-Pacific region.

4.58 The Army's restructuring and development over the last decade has provided a foundation for further enhancement so that our land force is compatible with amphibious operations involving the *Canberra* Class amphibious ships. The *Canberra* Class ships provide Australia with a highly capable and sophisticated amphibious deployment capability. Capable of transporting over 1,000 personnel, their weapons, vehicles and stores, and deploying these forces by helicopter and watercraft, the *Canberra* class vessels have highly capable medical facilities, including a primary casualty reception facility, as well as an ability to command and control forces ashore. The Government will further invest in enhancements to the ADF's amphibious capability, including to the sensors, countermeasures and weapons on board the *Canberra* Class ships. This capability will be developed further over time, taking account of our experience in operating the *Canberra* Class.

Special Forces

4.59 Australia's Special Forces are able to undertake complex tactical operations across a range of combat environments. This includes a range of specialist response options while deployed overseas, including supporting air strikes, reconnaissance and rescue missions. Special Forces are also responsible for domestic counter-terrorism roles when required.

4.60 Australia's Special Forces will draw on a range of new capabilities from across the capability streams. Special Forces will be provided with new weapons and situational awareness, communications and target acquisition equipment for combat operations. A new capability for the ADF will be introduced with the acquisition of dedicated light helicopters to support Special Forces operations. These light helicopters can be rapidly deployed in C-17s, and can insert, extract and provide fire support for small teams of Special Forces undertaking tasks ranging from tactical observation through to counter-terrorism missions, or hostage recovery.

Key Enablers

4.61 Enabling capabilities include critical infrastructure (such as bases, training ranges, ports and airfields), information and communications technology, logistics, science and technology and health services. These capabilities are fundamentally essential to the effective operation of the ADF's most potent and capable combat systems, including its ships, aircraft, land forces and other systems.

4.62 Funding cuts in recent years have led to under-investment in the enablers essential to building a joint and networked force. The Government's decisions in this Defence White Paper recognise the importance of balanced investment in modern advanced technology warfighting systems and the enablers needed to operate and sustain them.

Defence Bases

4.63 Reliable access to essential military bases, wharves, ports, airbases, training ranges and fuel and explosive ordnance infrastructure underpins the ADF's ability to conduct and sustain operations in Australia and into the region. Defence also requires secure facilities to support the development of sensitive new technologies and capabilities, such as the Woomera Prohibited Area, the largest weapons testing land range in the

world. The Government will implement a range of Defence infrastructure initiatives to support future ADF operations.

4.64 Over the next 10 years HMAS Stirling (Western Australia) will be enhanced though wharf upgrades and new training and support facilities. Garden Island (New South Wales) will also be upgraded to enable it to continue to support an expanded fleet and accommodate larger platforms such as the *Canberra* Class amphibious ships and *Hobart* Class Air Warfare Destroyer.

4.65 New and upgraded facilities and infrastructure will be established over the course of this decade at RAAF Bases Williamtown, Tindal, Townsville, Darwin, Curtin, Scherger, Learmonth, Pearce and Edinburgh, and Defence Establishment Myambat, including in support of the operation of the Joint Strike Fighter.

4.66 The Government will similarly upgrade RAAF Bases Edinburgh, Darwin, Pearce, and Townsville and the airfield at Cocos (Keeling) Island to support introduction of the new P-8A Poseidon maritime surveillance and response aircraft.

4.67 The Government will complete the Defence Logistics Transformation Program in 2016 that provides a once in a generation opportunity to transform Defence's logistics contracts, facilities and systems to drive efficiency. The project is modernising and enhancing Defence's wholesale storage, distribution and land materiel functions and providing enhanced logistics facilities at Moorebank (New South Wales), Bandiana (Victoria), Amberley and Townsville (Queensland), Palmerston (Northern Territory), Edinburgh (South Australia) and Guildford and HMAS Stirling (Western Australia).

4.68 Defence fuel installations are critical enablers for the generation of defence capability. The Government will continue to remediate Defence's fuel storage and distribution installations and improve

Defence's fuel resilience and capacity to transport bulk fuel to support our bases and operations. This will include upgrades to existing Defence fuel infrastructure as well as improvements to our ability to utilise commercial fuel supplies.

4.69 As previous reviews have highlighted, basing requirements to support the larger and heavier ADF to be introduced over the coming decades will place significant pressure on Defence and civilian infrastructure in Australia. Climate change will also place pressure on the Defence estate, with sea level rises having implications for Navy bases and more extreme weather events more frequently putting facilities at risk of damage.

4.70 Beyond 2025, the Defence estate footprint will need to be further developed to accommodate our new high technology capabilities and ensure that Defence is appropriately postured for future strategic requirements and the implications of climate change. This will involve developing new bases, wharves, airfields and training and weapons testing ranges. It will also include considering the long-term future of some Defence bases, such as Garden Island in Sydney Harbour, as issues such as urban development, encroachment and capacity constraints within existing infrastructure affect the ADF's ability to safely and effectively execute its mission.

4.71 Effective environmental management is an important part of successfully managing and ensuring the long-term sustainability of the Defence estate. The Government expects Defence to take its environmental stewardship responsibilities seriously, and to comply with relevant environmental legislation and regulations, including the protection of biodiversity on Defence bases.

4.72 Further details on the Government's major capital facilities plans are included in the Integrated Investment Program accompanying this White Paper.

Northern Australia

4.73 As outlined in the White Paper on Developing Northern Australia released on 18 June 2015, the Government is committed to a strengthened Defence presence in northern Australia.

4.74 Defence's presence and investment in northern Australia over the next decade will gradually increase to support the needs of the more capable, high technology future force that Defence will bring into service and a more active defence posture.

4.75 Investment in infrastructure in northern Australia to support the ADF's strike and air combat capabilities, including Joint Strike Fighters, Wedgetail airborne early warning and control aircraft and air-to-air refuellers, will include upgrades to RAAF Tindal in the Northern Territory, RAAF Scherger in Queensland, and RAAF Bases Learmonth and Curtin in Western Australia.

4.76 Infrastructure works at RAAF Tindal and Cocos (Keeling) Islands will be needed to ensure airfields and associated facilities can support the new fleet of P-8A maritime surveillance and response aircraft.

4.77 In support of Australia's Strategic Defence Objectives, Navy requires access to secure bases in northern Australia. As Navy's fleet becomes larger over the years, both in the number and size of ships, Navy bases in northern Australia will require significant upgrades. This includes upgrades to support the introduction of the larger and more capable offshore patrol vessels. Consideration will be given to constructing a roll-on/roll-off wharf in Darwin to support our amphibious capability based around our two *Canberra* Class amphibious ships.

4.78 A number of ADF training areas in northern Australia will receive upgrades by 2020, including Shoalwater Bay (Queensland), Bradshaw Field Training Area (Northern Territory) and Yampi Sound (Western Australia)

along with a range of ADF bases such as Lavarack Barracks (Townsville), Robertson and Larrakeyah Barracks (Darwin) and RAAF Darwin.

4.79 These investments will support the future force's heightened program of international engagement, including the annual rotation of United States military forces under the United States Force Posture Initiatives. The Government will expand the range of training, exercises and other activities with our international defence partners in northern Australia.

4.80 The Government will upgrade facilities at the Harold E. Holt Communications Facility in Exmouth, Western Australia to support our enhanced space situational awareness and communications capabilities, and will similarly upgrade the Jindalee Operational Radar Network and other surveillance and air-defence related facilities in northern Australia over the next decade.

4.81 In the longer-term, the Government will consider a new Northern Advanced Joint Training Area to support large-scale, joint and combined amphibious training and a potential rail link to RAAF Tindal to support the transporting and handling of explosive ordnance and bulk fuel. The Government will carefully consider the positioning of major Defence bases in northern Australia, commensurate with operational requirements in the north and as broader development places greater pressure on Defence facilities.

Information and Communications Technology

4.82 The Defence information and communications technology system is one of the largest in Australia. Modern, secure, and highly effective information and communications technology is critical to maximise the combat effects of an integrated and networked ADF. This includes the dispersed, fixed, deployable and mobile networks that underpin ADF operations and the information that enables intelligence, surveillance, reconnaissance, communications, logistics, command and control and enterprise management.

4.83 Underinvestment in information and communications technology over the last decade, coupled with the lack of a coherent enterprise-level strategy for Defence's complex and rapidly evolving information and communications requirements, has led to serious degradation across the information and communications capabilities of Defence. Key capabilities need urgent remediation, in particular to address the shortcomings of out-dated, and in some cases obsolete, systems that inhibit the conduct of day-to-day business within Defence, with overseas allies and partners, and with industry and the community more broadly.

4.84 Defence will need to be more agile and flexible if it is to meet its information and communications requirements in the decade ahead. As technology life cycles continue to shorten, Defence must be able to move more quickly to acquire contemporary information and communications systems; this will ensure that Defence maintains a technological edge, while also simplifying maintenance and security.

4.85 The Government will modernise the Defence information and communications technology architecture that supports war-fighting and secure Defence communications, which will involve a challenging digital transformation effort. Defence will work with the Digital Transformation Office to ensure that Defence's plans to modernise its information and communications technology architecture reflect best practice.

4.86 Defence networks will be made more secure and key information management and operational communications and command and control systems will be upgraded. Priority will be given to strengthening the resilience and redundancy of satellite-based communications.

4.87 The Government will make a significant new investment in information management capabilities to ensure that the right information is available to Defence decision makers, at the right time. These investments will ensure that our armed forces are able to respond quickly to emerging threats, as well as ensuring Defence's business processes become more effective and efficient.

Training Systems

4.88 The ability of the ADF to successfully conduct operations is underpinned by its world class training. The introduction of new high technology capabilities into the ADF in the coming decades, and the more complex strategic and operational environment of the future, means it is critical to invest in new training systems to prepare ADF members to operate these systems and conduct complex missions.

4.89 To support the new types of equipment and weapons systems being acquired, our simulators, training ranges and testing facilities will be upgraded. Advanced joint training systems will include platform simulators and systems that link multiple real-life activities and simulators together to allow for large-scale joint training and mission rehearsal. Training ranges and testing facilities such as experimentation and proofing ranges will be upgraded.

Strategic and International Policy

4.90 Defence's strategic and international policy capabilities and international engagement are an important part of building Defence capability and ensuring Defence's posture protects Australia's security and prosperity. More information on how the Government will reshape Defence's posture, including international engagement, is set out at Chapter Five.

Air and Sea Lift

4.91 The ADF operates over vast distances wherever Australia's interests are engaged at home or overseas. The transit from Sydney to Perth alone is almost as far as the transit from Bangkok to Beijing. Australia's maritime zones, one of the largest in the world, are greater in size than Australia's land mass. The ADF must be able to operate over even greater distances into our region and across the world to protect Australian interests.

4.92 The long distances over which the ADF is required to operate means capable, flexible and high endurance air lift and sea lift capabilities to lift, move, and sustain the ADF are an essential force element. The ADF also needs to have the lift capacity to be highly mobile within any area of operations.

4.93 The ADF's air lift capability will comprise eight heavy lift C-17A Globemasters with additional heavy lift aircraft to be acquired later, 12 upgraded C-130J Hercules, 10 C-27J Spartans, and 10 CH-47F Chinook helicopters (involving the acquisition of an additional three Chinooks in the near term) which will complement the Army's MRH-90 battlefield lift capability. The future acquisition of two additional KC-30A air-to-air refuellers, for a total of nine, will provide substantial additional air lift support.

4.94 Currently, the ADF does not have a dedicated capability for combat search and rescue, and has limited battlefield aero-medical evacuation capabilities. The Government will acquire enhanced aero-medical evacuation and search and rescue capabilities, commencing with upgrades to Chinook helicopters to improve their ability to conduct aero-medical evacuation. In the longer-term, the Government will investigate options to enable the ADF to undertake combat search and rescue tasks more speedily and at longer range.

4.95 Sea lift capability will be strengthened by upgrading the logistics support ship HMAS *Choules*, including improved command and communications equipment and new self-defence systems for protection against torpedoes, anti-ship missiles and fast attack craft. HMAS *Choules* and the two *Canberra* Class amphibious ships will offer flexible options to conduct sea lift and support amphibious operations. We have also acquired a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector*, in support of border protection and resource security operations.

4.96 The surface fleet will be supported by two new replenishment vessels to be introduced into service by the early 2020s. These vessels will replace the current mixed fleet of one replenishment ship and one oiler which carries fuel only. A third replenishment or additional logistics vessel will follow in the late 2020s.

Industry, innovation, research and development

4.97 Defence's ability to achieve the Strategic Defence Objectives relies on its access to high levels of capability and technology. This requires a focus on critical support from Australian defence industry to deliver warfighting equipment and partnering with Defence to deliver leading-edge innovation and research.

4.98 Australian defence industry is a fundamental input to the Government's plan to strengthen defence capability. Australian defence industry provides a range of critical direct and supporting services to defence capability and operations. Australian defence industry builds and services Defence equipment and bases, and provides and supports Defence's information and communications technology. Australian defence industry underpins our national defence support base, delivering logistics services, health support, fuel, energy and other support that enable the ADF to operate effectively. Australian defence industry is a major contributor to innovation in how defence equipment is employed and upgraded.

A new approach to Australian defence industry policy

4.99 The Government's approach to Australian defence industry and innovation policy aims to maximise the defence capability necessary to achieve the Government's defence strategy supported by an internationally competitive and innovative Australian industrial base. The focus will be on the small to medium enterprises that are the incubators for advanced defence capability in Australia.

4.100 The Government recognises that Australian defence industry has faced major challenges as a result of underinvestment in Defence, and the accompanying volatility in Defence funding. This Defence White Paper, the Defence Industry Policy Statement and the Integrated Investment Program provide Australian defence industry with a comprehensive policy framework to inform the contribution industry will need to make to Australia's long-term security, including the development of capability, infrastructure and skills for the future.

4.101 The Government will better link our capability needs with Australian defence industry's capacity to deliver and we will ensure that the decisions we make about defence capability take proper account of Australian defence industry. For the first time, the Government will recognise the vital role of an internationally competitive Australian defence industry as a Fundamental Input to Capability. The Fundamental Inputs to Capability are those essential inputs which together combine to achieve capability – reflecting that it requires more than simply purchasing equipment to achieve capability.

4.102 Recognising that an internationally competitive Australian defence industry is a Fundamental Input to Capability means that it will be mandatory to consider Australian defence industry in the formal capability development process, helping to better match the development of new capabilities with Australian defence industry's ability to deliver them. Australian defence industry will be given the same consideration as the existing Fundamental Inputs to Capability: Personnel; Organisation; Collective Training; Major Systems; Supplies; Facilities and Training Areas; Support; and Command and Management.

4.103 The Government requires Defence to be a smart buyer to maximise Defence capability and value for money for the Australian taxpayer. Defence's ability to be a smart buyer relies on a stronger relationship with Australian defence industry to provide expertise in managing projects. The Government has strengthened Defence's relationship

with Australian defence industry and cut red tape by creating the new Capability Acquisition and Sustainment Group, and will streamline tendering and contracting processes and create more opportunities to tailor and fast track projects.

4.104 The Government is replacing the previous Priority Industry Capability and Strategic Industry Capability framework with a clearer and simpler framework to prioritise and direct Defence's support to Australian defence industry. We have streamlined the numerous industry and innovation programs operating in Defence into two key initiatives that have clear and measurable outcomes for defence capability – a new Centre for Defence Industry Capability and a new approach to Defence innovation.

4.105 The Centre for Defence Industry Capability, funded at about $230 million across the decade to 2025–26, will connect Defence needs with the innovation and expertise of Australian defence industry, as well as help grow a competitive, sustainable Australian defence industry base. The Centre for Defence Industry Capability will be co-chaired by a senior private sector representative and a senior executive from Defence. The Centre for Defence Industry Capability will help build defence capability and promote Australian defence industry competitiveness by providing:

- advice and funding to help Australian defence industry build its skills and capabilities
- development support for small to medium enterprises, including assisting industry to access global supply chain markets
- information about Defence's innovation requirements, to support the development of innovative capabilities by Australian defence industry.

4.106 Australian defence industry will have a critical part to play in building a new relationship with Defence, delivering world-class capabilities and enhancing competitiveness. Defence industry will be responsible

for achieving globally competitive productivity, quality and process benchmarks, including through participating in the programs run by Defence and the Centre for Defence Industry Capability.

4.107 The Government is committed to providing a clear and transparent framework for its partnership with Australian defence industry. The Defence Industry Policy Statement sets out a clear link between Defence's capability needs and the industrial base that is an integral part of achieving capability.

A new approach to defence innovation

4.108 Innovation drives defence capability. Defence, Australian defence industry and our national research community have a proven record of collaborating on leading-edge innovation to raise the ADF's capability. This record includes providing enhanced combat potency by extending the range of RAAF weapons, increasing protection for our personnel by providing Bushmaster and Hawkei vehicles and building situational awareness through the Jindalee operational radar network. Innovation also includes developing new and more efficient ways of maintaining ADF equipment, such as transforming the management of the *Collins* Class submarines to maximise their availability for operations.

4.109 Australia must continue to harness and maximise the use of technology, people skills and novel solutions if we are going to meet the strategic challenges in the years ahead. The Government is committed to better supporting our industry and research community to promote, harness and translate innovative ideas into practical capability. We will collaborate with Australian defence industry, cut red tape and invest in new technologies to help build industry competitiveness, create economic opportunity for Australians and support our nation's defence.

4.110 As described in Chapter Two, some of the technological advantages the ADF has traditionally enjoyed in the region will be challenged over

the period to 2035. Defence will better harness Australian expertise by working with Australian defence industry and academic partners to provide the ADF with the best technological edge when it needs it to meet the range of new and evolving threats and challenges.

4.111 The Government's new approach to Defence innovation is focused on promoting the strong partnerships and collaboration necessary to maximise the benefit for Australia's capability. The Defence Science and Technology Group will expand its collaboration with partners here and overseas for this purpose.

4.112 A new virtual Defence Innovation Hub, with funding of around $640 million across the decade to 2025–26, will replace existing separate programs to help deliver a capability edge to Defence through innovative technologies. The Hub will enhance the ability of Defence, the Commonwealth Scientific and Industrial Research Organisation, academia and key industry partners to work collaboratively to accelerate the transfer of innovative technologies into Defence capability. The Hub will be managed by Defence to focus innovation activities on priority capability development requirements, some of which require high levels of security classification.

4.113 In addition to the priority capability development focus of the virtual Defence Innovation Hub, Defence will invest $730 million over the decade to 2025–26 to better position Defence to respond to strategic challenges and develop the next generation of game-changing capabilities. The Defence Science and Technology Group will lead this research in collaboration with academia, publicly funded research agencies, Australian defence industry – especially small to medium enterprises – and its international counterparts. Should this research lead to the potential for promising new capabilities, the relevant project will be transferred to the Defence Innovation Hub.

Shipbuilding

4.114 A strong, viable, and sustainable Australian naval shipbuilding industry is a vital element of Australia's defence capability to manage Australia's strategic challenges to 2035. The Government is delivering a long-term plan for Australia's naval shipbuilding industry to ensure the retention of a sovereign Australian shipbuilding industry and the jobs that go with it.

4.115 For the first time in the history of Australian naval shipbuilding, the Government has committed to a permanent naval shipbuilding industry. The Government's strategy is centred on a long-term continuous build of surface warships in Australia, involving construction of our future frigates and offshore patrol vessels in Australia. A continuous build of our major warships and minor naval vessels will see Defence better manage the demand for naval vessels to ensure continuous construction over the long term. This will end the boom-bust cycle for shipbuilding, lower the costs of acquiring naval vessels and provide a long-term, sustainable plan for the shipbuilding industry.

4.116 The Government is bringing forward the future frigate program to replace the *Anzac* Class frigates. A continuous build of the Navy's future frigates will commence in 2020. The future frigates will be built in South Australia following completion of a Competitive Evaluation Process.

4.117 The Government is establishing a continuous build production line for smaller navy vessels. This will commence with construction of a fleet of 12 offshore patrol vessels to replace the *Armidale* Class patrol boats, with construction to start in 2018 following a Competitive Evaluation Process.

4.118 This strategy will transform Australia's naval shipbuilding industry, generate significant economic growth, sustain Australian jobs over the coming decades and assure the long-term future of this key Australian defence industry. The acceleration of the future frigate and offshore

patrol vessel projects will sustain around 1,000 jobs over the next few years, as the Air Warfare Destroyer project winds down and the preliminary work on these two shipbuilding projects is undertaken, before construction work commences in 2018 for the offshore patrol vessels and 2020 for the future frigate. Over the long term the Government's shipbuilding plans will guarantee around 2,500 Australian surface shipbuilding jobs for decades to come. The Government has already announced 500 dedicated jobs in the new submarine program for combat system integration, design assurance and land-based testing.

4.119 The Government is committed to delivering this long-term strategy and is prepared to invest in the skills and knowledge base of the Australian naval shipbuilding industry to help build a strong and sustainable naval shipbuilding industry.

4.120 The Government is confident in the ability of Australian defence industry to play its part in building a sustainable shipbuilding industry. Moving to a continuous build program will require unprecedented reform of the Australian naval shipbuilding industry focused on significant improvements in productivity. This will require industry to embrace the necessary changes and institutionalise the reforms that will lead to an industry that is structured to operate effectively and efficiently.

4.121 France, Germany and Japan, are participating in the future submarine Competitive Evaluation Process, which will assess their ability to partner with Australia to deliver the future submarines. These potential international partners have been invited to provide options for an overseas, Australian or hybrid build program, and to seek opportunities for Australian defence industry participation in the future submarine Program. A decision on which international partner will be selected will be made in 2016.

4.122 The Government will also ensure a long-term industrial capability to deliver support to Australia's submarines in both construction and

sustainment. A rolling acquisition program for the submarine fleet means managing the acquisition of submarines to ensure Australia maintains, over the long term, a fleet of 12 regionally superior boats that are fit for purpose in the period in which they will be operating. A rolling program of acquiring submarines will provide long-term planning certainty for Australian industry, allowing those Australian companies involved in the submarine program to invest in the capabilities needed to support their involvement in the construction and sustainment activities.

5

Chapter Five: Positioning Defence for Tomorrow's Challenges

5.1 As outlined in Chapter Two, Australia's security and prosperity are intimately tied to developments in the strategic environment of our immediate neighbourhood, the broader Indo-Pacific and across the globe.

5.2 Defence must be postured to help shape our strategic environment so it supports our security and prosperity, including strengthening our contribution to security and stability in the South Pacific and maritime South East Asia. Defence posture is the foundation of how the Government's strategic defence policy will be achieved. This White Paper provides for a more active and internationally engaged Defence posture.

5.3 Defence's posture includes: its international engagement, relationships and arrangements; the ADF's preparedness (how ready the ADF is to undertake and sustain a range of operations at the same time); the ADF's basing and infrastructure (addressed in Chapter Four); our overseas operations; and Defence funding arrangements (addressed in Chapter Eight). Australia's significant presence in northern Australia, as outlined in Chapter Four, is an important part of Defence's posture.

5.4 This chapter addresses how the Government will reshape Defence's posture to ensure Defence is best positioned to protect Australia's security and prosperity.

International engagement

5.5 Australia can better pursue its objectives of growth and prosperity and protect its interests in our region and globally by working with

others, bilaterally, regionally and multilaterally. Defence's international engagement – its physical footprint overseas and pattern of collaborative activities such as joint exercises and training – is an integral component of Defence's posture. Defence's international engagement also contributes significantly to Australia's strategic weight – our perceived global standing and our ability to exert influence in pursuit of our interests. Our strategic weight is also built on our economic and trade links with other countries, our diplomatic ties around the world and our extensive network of other government-to-government linkages such as law enforcement.

5.6 Defence's international engagement builds the relationships and cooperation which Australia requires to contribute to a more stable and secure international environment and to respond to strategic risk. Effective international engagement maximises the effectiveness of our contributions to coalition operations, including in Iraq and Afghanistan. Defence's international engagement will continue to be closely coordinated with other government agencies, especially the Department of Foreign Affairs and Trade, which support the development of Australia's strategic weight.

5.7 Defence will increase its investment in international engagement over the next 20 years to build cooperation with key partners and improve the coordination of responses to shared challenges such as terrorism and humanitarian disasters and help reduce the risk of military confrontation. International engagement will become an integrated core function across the entire Defence portfolio, aligned with the Strategic Defence Objectives.

5.8 The Government will increase investment in the Defence Cooperation Program to build confidence and the capacity of countries in the Indo-Pacific region to contribute to our collective security, including by doubling the training Defence provides in Australia for international military students over the next 15 years.

5.9 The Government will increase the number of multinational exercises the ADF participates in across our immediate region and the broader Indo-Pacific, working closely with the United States, Japan and other regional countries and international partners. This will result in a more regular surface and airborne Australian maritime presence in the South Pacific, South East Asia, North Asia and the Indian Ocean and an increase in land-based exercises.

5.10 The Government will increase the number of Defence personnel overseas to conduct more liaison, capacity building, training and mentoring with partner defence and security forces. We will also seek to increase the number of liaison personnel from other countries in Australia in areas such as strategic policy development, intelligence analysis and operational coordination.

5.11 To support these initiatives, Defence will increase investment in training ADF and Australian Public Service personnel responsible for undertaking international engagement. This will increase our capability to operate in the region and to work with a wider range of international partners. Defence will provide more opportunities for its personnel to train in different environments and better develop and sustain the skills needed to respond to security contingencies.

5.12 This enhancement to our international defence engagement is based on four objectives.

- To **enhance ADF capability** by maintaining access to high-end intelligence, technology and military capability from our alliance partner the United States, and by maintaining the ADF's ability to operate effectively with the United States and other partners in our region and further afield.
- To **generate and sustain Australia's regional and global influence**, that is, our ability to influence international security outcomes and to maintain our status internationally as a respected and capable security actor.

- To **generate active and effective security partnerships** that enable Defence to quickly and effectively deploy in our region and further afield, sustain these operations, and to support the capacity of partners to operate in concert with the ADF.
- To **enhance international security resilience** by supporting a rules-based global order, including strong regional and international security architectures, which protects Australia's interests by minimising the risk of coercion, instability, tensions or conflict and resolving conflicts through lawful and peaceful means.

5.13 These objectives will also inform our approach to our international defence relationships over the next two decades as addressed below.

International defence relationships

5.14 To achieve the Strategic Defence Objectives, Defence will maintain and build on Australia's security relationships, including existing bilateral defence relationships and multilateral security arrangements.

5.15 The benefits of practical defence engagement were demonstrated by the cooperation between Australia and countries including the United States, Japan, China, Malaysia, the Republic of Korea, New Zealand and the United Kingdom during the search for the missing Malaysia Airlines flight MH370 in the Southern Indian Ocean in 2014. Our investment in developing our relationships with these partners meant we could move more easily into operational cooperation.

5.16 Efforts to strengthen our ability to cooperate in responses to security challenges will provide further opportunities for collaboration with regional partners. Military modernisation within the Indo-Pacific will improve the ability of regional countries to cooperate in areas such as counter-terrorism, shared maritime awareness, science and technology, capability development, intelligence, surveillance and reconnaissance, and integrated air and missile defence.

5.17 The Government's highest priority will continue to be our alliance with the United States. We will look to mature and deepen practical engagement with partners across the Indo-Pacific, particularly Indonesia, Japan, South Korea, New Zealand, India and China. We will also maintain global partnerships including with NATO to respond to threats which engage Australia's interest in a stable rules-based global order.

The Australia-United States Alliance

5.18 A strong and deep alliance is at the core of Australia's security and defence planning. The ANZUS Treaty, signed in 1951, provides the formal basis for our relationship. The ANZUS Treaty recognises that an armed attack in the Pacific Area on Australia or the United States would be dangerous to both countries and obliges each country to act to meet the common danger.

5.19 The Government is committed to meeting our obligations under the Treaty. The ANZUS Treaty was invoked by Australia in response to the 9/11 terrorist attacks. In 2011, the Governments of Australia and the United States agreed that the mutual obligations in the ANZUS Treaty would be extended to apply to cyber attacks.

5.20 Australia's security is underpinned by the ANZUS Treaty, United States extended deterrence and access to advanced United States technology and information. Only the nuclear and conventional military capabilities of the United States can offer effective deterrence against the possibility of nuclear threats against Australia. The presence of United States military forces plays a vital role in ensuring security across the Indo-Pacific and the global strategic and economic weight of the United States will be essential to the continued effective functioning of the rules-based global order.

5.21 Access to the most advanced technology and equipment from the United States and maintaining interoperability with the United States is central to maintaining the ADF's potency. Australia sources our most

important combat capability from the United States, including fighter and transport aircraft, naval combat systems and helicopters. Around 60 per cent of our acquisition spending is on equipment from the United States. The cost to Australia of developing these high-end capabilities would be beyond Australia's capacity without the alliance.

5.22 The Government will continue to invest in capabilities that maintain high levels of interoperability with the United States. Interoperability allows our forces to integrate when they are working together on operations and enhances the effectiveness of our combined capabilities. We will emphasise capabilities that allow us to operate more seamlessly with United States forces in maritime sub-surface and surface and air environments, as well as across the electro-magnetic spectrum.

5.23 The Australia-United States Defence Trade Cooperation Treaty represents a significant contribution to our bilateral relationship in achieving and sustaining interoperable forces, and also represents significant opportunities for the partnership between our respective defence industries and defence organisations.

5.24 The alliance, and Australia's membership of the Five-Eyes intelligence community (comprising Australia, the United States, New Zealand, the United Kingdom and Canada) provides Australia with information superiority and intelligence cooperation that is a vital input into our defence planning. The Joint Defence Facility Pine Gap makes a critical contribution to the security interests of Australia and the United States, delivering information on intelligence priorities such as terrorism, the proliferation of weapons of mass destruction, and military and weapons developments, while contributing to the verification of arms control and disarmament agreements. All activities at Pine Gap are governed by the Australian Government's long-standing policy of full knowledge and concurrence, ensuring that all activities at the Joint Facility are consistent with Australia's interests.

5.25 Australia welcomes and supports the critical role of the United States in ensuring stability in the Indo-Pacific region. The levels of security and stability we seek in the Indo-Pacific would not be achievable without the United States.

5.26 The United States' strategic rebalance to the Indo-Pacific region, strongly supported by Australia including through the United States Force Posture Initiatives, will be an essential ingredient in preserving stability and security over the coming decades. The United States Force Posture Initiatives in northern Australia are being implemented under the legally-binding Force Posture Agreement signed at the 2014 Australia-United States Ministerial Meeting. They will expand our cooperation, increase opportunities for combined training and exercises and deepen the interoperability of our armed forces.

5.27 Under the Force Posture Agreement, Australia and the United States will continue to work towards the full United States Marine Air-Ground Task Force of around 2,500 personnel and equipment rotating through Australia by 2020, during the six month dry season, while at the same time expanding our Air Force cooperation. We expect more rotations of United States aircraft through northern Australia and increased combined training and exercises. We will also continue to build our already strong naval cooperation through increased training and exercises.

5.28 The United States Force Posture Initiatives will also provide opportunities for broader collaboration between the United States, Australia and partners in the Indo-Pacific, including Japan, improving the response to contingencies in the Indo-Pacific region such as humanitarian assistance and disaster relief operations.

5.29 United States leadership of international coalitions to respond to global challenges provides the strategic weight, combat power and influence to bring countries together to effectively address these challenges. The United States will continue to look to other partners, including Australia,

to share the burden of international security and make meaningful contributions to international coalitions. Australia's shared interest with the United States in a stable rules-based global order has seen us operate side by side in every major conflict since the First World War. In recent years Australia has worked with the United States: in combat operations in Iraq and Afghanistan to respond to the global threat of terrorism; to uphold maritime security; and to respond to natural disasters in the Philippines, Japan and Pakistan.

5.30 While the interests of Australia and the United States will not always align, the capabilities outlined in this White Paper will allow us to continue contributing meaningfully to United States-led operations in response to regional and global security challenges wherever our interests are engaged.

New Zealand

5.31 Australia's defence relationship with New Zealand is built on deep mutual security interests, shared values and long-standing people to people linkages. We share our immediate region, the South Pacific, a reliance on the stable rules-based global order for our prosperity and a willingness to make positive contributions to regional and global security and stability operations. We are close partners and ANZUS allies. Our close defence relationship is reflected in regular Ministerial and senior officials strategic dialogues, personnel exchanges, exercises and cooperation to meet regional and global security challenges.

5.32 The deployment of a combined Australia-New Zealand Task Group to the current Building Partner Capacity mission in Iraq, and our cooperation in the Regional Assistance Mission to Solomon Islands and humanitarian assistance and disaster relief operations, underscores the shared regional and global interests of both countries. Our ability to cooperate so closely with New Zealand in these operations reinforces our high levels of interoperability. This interoperability includes close cooperation on strategic planning and intelligence.

5.33 We recognise that New Zealand will make its own judgements on its national interests, and that New Zealand's military capability choices may not always reflect Australia's. Despite this, we will continue to coordinate our efforts with New Zealand in the South Pacific and in supporting our shared interests in a secure region and a rules-based global order.

Indonesia

5.34 A strong and productive relationship with Indonesia is critical to Australia's national security. Australia and Indonesia share maritime borders and enduring interests in the security and stability of South East Asia. We are neighbours in a dynamic region. We have a mutual and abiding interest in the security and stability of the maritime domains that we share, the free movement of trade and investment through these domains, and countering terrorism and people smuggling in our region. Australia welcomes Indonesia's increased focus on maritime affairs and Australia will seek greater cooperation on maritime security activities that contribute to a stable and prosperous region.

5.35 The strength of our security relationship with Indonesia is built on a framework set out in the 2006 Lombok Treaty, the 2012 Defence Cooperation Arrangement, and the 2014 Joint Understanding on intelligence cooperation. The relationship is underpinned by strategic dialogue, including combined Defence and Foreign Affairs 2+2 Ministerial talks, the Chief of the Defence Force-led High Level Committee, Indonesia-Australia Defence Strategic Dialogue, and Navy, Army and Air Force talks.

5.36 Through our long-standing defence relationship Australia works with Indonesia to counter mutual security threats. Key areas for cooperation include counter-terrorism, maritime security, humanitarian assistance and disaster relief, peacekeeping and intelligence. Our training and professional military education partnership includes staff college exchanges, mobile training teams and English language courses which build common approaches and mutual understanding.

5.37 Australia will build on the strong foundation of our defence relationship to support Indonesia as it modernises its defence forces. Opportunities for more sophisticated training will become available as this happens. We will continue to deepen our defence partnership with Indonesia through: navy, army and air force cooperation; expanding our comprehensive pattern of training, exercises, and operations; more frequent policy and planning dialogue; and intelligence exchanges. Recent activities have included navy, army and air force exercises and training, including counter-terrorism exercises, and enhancing defence industry cooperation. Our joint efforts to increase cooperation will continue in 2016, including a new joint humanitarian assistance and disaster relief exercise.

The South Pacific

5.38 Maritime security cooperation remains a cornerstone of Australia's defence engagement across the South Pacific. Australia is committed to supporting Pacific Island Countries to protect their security and resources. We will achieve this by contributing to the development of shared maritime domain awareness and by strengthening the capabilities of the defence and security forces of Pacific Island Countries to act in support of shared interests.

5.39 We will coordinate our efforts, particularly in relation to maritime security and disaster relief, with New Zealand, France, the United States and Japan.

5.40 Through the Pacific Maritime Security Program, the follow-on to the highly successful Pacific Patrol Boat Program, Australia will provide replacement patrol boats to 12 Pacific Island Countries from 2018. The Program will also expand upon the scope of the Pacific Patrol Boat Program by including enhanced aerial surveillance and support for the regional security architecture. This will help maximise the best use of the patrol boats by Pacific Island Countries to protect their national

sovereignty and resources. Current Pacific Maritime Security Program partners include Papua New Guinea, Solomon Islands, Palau, the Federated States of Micronesia, Kiribati, Samoa, Vanuatu, Fiji, Tuvalu, Tonga, Cook Islands and the Republic of the Marshall Islands.

5.41 Geographical proximity means the security, stability and cohesion of **Papua New Guinea** contributes to a secure, resilient Australia with secure northern approaches. Our relationship is underpinned by the 2013 Joint Declaration for a New Papua New Guinea-Australia Partnership, which recognises that Australia and Papua New Guinea have a proud history of working closely to address common security challenges. Defence will continue to support the development of a more professional and capable Papua New Guinea Defence Force that can act in support of the interests which Papua New Guinea and Australia share. Australia's Defence Cooperation Program with Papua New Guinea is already our largest. The Government will further increase this program, in particular by assisting with the rebuilding of the Papua New Guinea Defence Force's maritime security capability, including through its participation in the Pacific Maritime Security Program and strengthening our relationship with the Papua New Guinea Department of Defence.

5.42 A constructive bilateral defence relationship with **Fiji** will support Australia's interests in a secure immediate region and a stable Indo-Pacific. Following the lifting of sanctions against Fiji in 2014, Australia will seek to rebuild defence cooperation with Fiji at a pace both countries are comfortable with, including establishing links between the ADF and the Republic of Fiji Military Forces, including through providing training and through Fiji's participation in the Pacific Maritime Security Program.

5.43 Australia welcomes **Tonga's** participation in regional and global security operations, including in Solomon Islands and in Afghanistan. The Government will continue to support the development of Tonga's armed forces, such as the gifting in late 2015 of a landing craft to improve the capacity of Tonga's military forces to conduct supply and humanitarian assistance and disaster relief missions.

Timor-Leste

5.44 **Timor-Leste** has achieved considerable social and economic progress since the Australian-led International Stabilisation Force concluded operations in 2013. Our proximity, historical links, and shared stake in regional stability means Australia retains an enduring strategic interest in supporting Timor-Leste's growing capacity to meet its own security needs. The key objective of our substantial defence cooperation partnership will be to provide continued support to the development of a capable and responsive Timor-Leste Defence Force and Ministry that are able to contribute to the country's growth and stability.

5.45 Maritime security is a growing focus of our partnership, given our mutual interest in addressing illegal fishing, transnational crime, and related security challenges. Timor-Leste has been invited to participate in the Pacific Maritime Security Program. Under this program, Australia has offered Timor-Leste two new patrol boats packaged with sustainment, training for Timor-Leste naval personnel, and advisory support. Defence will also continue to work with the Timor-Leste Defence Force land component, through cooperative activities including exercises and its extensive English language training program, to strengthen the ability of the Timor-Leste Defence Force to operate effectively and professionally.

South East Asia

5.46 As well as our important defence relationship with Indonesia, Australia has strong and longstanding bilateral and multilateral partnerships with countries in South East Asia, founded on a history of practical cooperation and dialogue. The Government considers that the security architecture of the region and our strong bilateral partnerships with countries in South East Asia can be strengthened further.

5.47 Military modernisation has increased the ability of South East Asian countries to contribute to shared security responsibilities and

provided opportunities for increasingly sophisticated practical military cooperation with Australia. The Government will build on these developments to strengthen our security partnerships and support regional responses to shared security challenges. In particular, we will work with regional partners to develop shared maritime domain awareness capabilities that provide a basis for greater maritime security cooperation.

5.48 The **Five Power Defence Arrangements** (FPDA) with Malaysia, Singapore, New Zealand and the United Kingdom is the longest standing regional security mechanism for Australia. The FPDA is the only multilateral security agreement focused on practical cooperation of its kind in the South East Asian region. Since 1971, the FPDA has been an enduring and important feature of Australia's efforts to advance its interests by working with partners to promote security in South East Asia.

5.49 Participation in the FPDA increases habits of cooperation and interoperability between its members and makes a practical contribution to regional security resilience. Australia will continue to seek to promote military interoperability through the conduct of complex, high-end combined FPDA exercises that have the greatest benefit for Australia and the FPDA's other members.

5.50 **Singapore** is Australia's most advanced defence partner in South East Asia and shares Australia's interest in a secure maritime trading environment. We have a long history of defence engagement, including supporting Singaporean military training in Australia and cooperating as partners in operations in Afghanistan.

5.51 The Comprehensive Strategic Partnership signed on 29 June 2015 sets out how Australia and Singapore will further strengthen our relationship, including our economic, security, foreign policy and people to people links. Under the Comprehensive Strategic Partnership, our expanding defence cooperation will be based on five areas: more exchanges of

military and civilian personnel; new training initiatives and greater collaboration on shared challenges including terrorism and cyber security; greater intelligence and information sharing; expanding science and technology cooperation; and co-development of training areas. The Government will also seek to cooperate with Singapore in multilateral forums to promote practical regional security cooperation and a rules-based regional order.

5.52 The Government will prioritise enhancing our participation in the **ASEAN Defence Ministers' Meeting-Plus** (ADMM-Plus). The ADMM-Plus focuses on practical measures to build better understanding and to promote practical cooperation on security challenges including counter-terrorism, maritime security, humanitarian assistance and peacekeeping. Australia will continue to make substantive contributions to multilateral practical exercises to help increase interoperability between ADMM-Plus members to address these challenges. Australia is also helping to build the region's collective capacity to combat terrorism as the current co-chair with Singapore of the ADMM-Plus Counter Terrorism Experts' Working Group. We will continue to engage in security dialogue through other multilateral security frameworks, including the ASEAN Regional Forum, to discuss cooperation to address regional security issues.

5.53 Australia and **Malaysia** have a long standing defence relationship based on shared interests in promoting regional security cooperation and a rules-based regional order. Malaysia is an important member of ASEAN, a capable partner in the ADMM-Plus framework and a member of the FPDA. Malaysia hosts the Integrated Area Defence System which coordinates FPDA activities. Defence's presence at Royal Malaysian Air Force base Butterworth is an important part of our commitment to the FPDA.

5.54 Under the Australia-Malaysia Joint Declaration of Strategic Partnership agreed by Prime Minister Turnbull and Prime Minister Najib in November 2015, both countries agreed to ongoing collaboration on

defence matters, including their commitment to the FPDA and to the Malaysia Australia Joint Defence Program.

5.55 The Government will seek to enhance our cooperation with Malaysia including through maintaining the level of access we have to Butterworth to support efforts to maintain security and stability in maritime South East Asia. Defence will continue to build on its extensive program of dialogue, education and training with Malaysia's armed forces.

5.56 Australia has a long-standing defence cooperation program with **Thailand** in the fields of counter-terrorism, countering Improvised Explosive Devices, peacekeeping, maritime security, logistics, capability development, aviation safety and airworthiness, law and leadership, and English language training. The Government is committed to continued defence cooperation, subject to progress in Thailand's return to democracy.

5.57 Australia and **Vietnam** are continuing to build our defence relationship. We conduct regular strategic dialogue to exchange views on issues of regional security. Our practical Defence Cooperation Program with Vietnam includes professional military education, peacekeeping, maritime security, and Special Forces cooperation. Australia welcomes Vietnam's increased role in multilateral security cooperation, including its contributions to United Nations peacekeeping operations.

5.58 The **Philippines** is an important regional partner due to its strategic location in South East Asia and similar approach to security issues, including our shared interest in countering terrorism in our region. Australia's engagement with the Armed Forces of the Philippines and the Department of National Defense will focus on the fields of maritime security, counter-terrorism, law and leadership, airworthiness and logistics. Australia will also support Philippines capability development through targeted training and capacity assistance, such as the current program to gift two amphibious vessels and offering an additional three for sale to the Philippines.

North Asia

5.59 **Japan** is a major power in North Asia with advanced military forces and an increasingly active approach to regional security. Australia and Japan have a deep and broad relationship. We share democratic values, have been close economic partners for decades and more recently we have become close strategic partners. We each have alliances with the United States and we have common strategic interests in secure and free-flowing trade routes, a stable Indo-Pacific region and a rules-based global order. We welcome the Japanese Government's recent decision to adopt policies that will enable it to contribute more directly to regional and global security and stability.

5.60 Australia has a growing security relationship with Japan. In recent years we have signed treaty-level agreements on cooperation in defence science and technology, information sharing and logistics support. These agreements provide the basis for further developing our defence cooperation based on the 2007 Joint Declaration on Security Cooperation.

5.61 Australia and Japan are implementing a broad range of initiatives to further enhance practical defence cooperation. These initiatives will strengthen defence cooperation in a number of areas including: increased training and exercises between all three Services, increased personnel exchanges, deepening cooperation on humanitarian assistance and disaster relief, maritime security, peacekeeping, capacity building and increasing trilateral cooperation with our common ally the United States. We will enhance strategic dialogue between Australia and Japan, which includes joint Defence and Foreign Affairs 2+2 dialogue held at Ministerial level, as well as senior officials' level dialogue. We will continue to explore opportunities to expand cooperation with Japan in areas such as intelligence, developing common capabilities like the Joint Strike Fighter, air and missile defence and maritime warfare technologies.

5.62 To underpin our growing cooperation, we will work towards an agreement with Japan that improves our administrative, policy, and legal procedures to facilitate joint operations and exercises.

5.63 We will continue to expand trilateral defence cooperation between Australia, Japan, and the United States for our mutual benefit. This includes practical trilateral activities such as the Southern Jackeroo exercise and strategic dialogue including the Security and Defence Cooperation Forum.

5.64 **China** has a central role to play in contributing to the peace and stability of North Asia and the Indo-Pacific. Australia and China have built a productive defence relationship based on our annual Australia-China Defence Strategic Dialogue, working-level exchanges, strategic policy discussions, practical exercises, maritime engagement and peacekeeping. Our cooperation in the search for missing Malaysia Airlines flight MH370 in the Southern Indian Ocean reinforced the practical benefit of our defence cooperation.

5.65 The Government is committed to continuing the development of Australia's defence relations with China, and working to enhance mutual understanding, facilitate transparency and build trust. We will do this through increased personnel exchanges, military exercises, and other practical cooperation in areas of mutual interest, such as humanitarian assistance and disaster relief and countering piracy. We will continue to build on the positive outcomes of Exercise Kowari, the Australia-China-United States military exercise first held in the Northern Territory in October 2014. A second iteration of Exercise Kowari was held in August and September 2015.

5.66 Australia and **the Republic of Korea** have had shared interests in regional security since the Korean War. The April 2014 bilateral Vision Statement for a Secure, Peaceful and Prosperous Future highlights our shared intention to further develop our patterns of bilateral exercises and

to strengthen practical cooperation. Australia will look to strengthen our strategic dialogue, training and exercising as well as our cooperation in capability development and defence materiel acquisition.

5.67 Our strong defence relationship is underpinned by a mutual interest in working together with the United States and Japan to contribute to security in North Asia and shared concern about the threat posed by the Democratic People's Republic of Korea's nuclear and ballistic missile programs. Australia has increased its participation in Republic of Korea-United States led multilateral exercises and will maintain this commitment. Australia will continue to collaborate with the Republic of Korea on non-proliferation, disarmament and arms control measures that uphold the rules-based global order, including through the Proliferation Security Initiative.

South Asia

5.68 **India** is a rising major power and Australia welcomes its increasingly active role in Indo-Pacific security. Our shared interests with India in areas such as Indian Ocean maritime security, regional stability and countering terrorism – in addition to our shared democratic values – form a solid basis for engagement.

5.69 Australia sees India as a key security partner in the Indian Ocean and broader Indo-Pacific region. The Framework for Security Cooperation announced in November 2014 reflects the deepening and expanding security and defence engagement between Australia and India.

5.70 In line with the Framework for Security Cooperation, the Government will seek to further mature our defence relationship with India in support of our shared strategic interests. This will include pursuing a regular program of strategic dialogue, bilateral training, and exercise opportunities – including our first major bilateral maritime exercise which was conducted in 2015. We will strengthen our cooperation in maritime security, counter-terrorism, capability acquisition and defence science and technology.

5.71 India's 'Act East' policy provides opportunities for greater bilateral and multilateral cooperation in the Indo-Pacific particularly through our common membership of the East Asia Summit and ADMM-Plus. We will also deepen our cooperation in the Indian Ocean Naval Symposium and Indian Ocean Rim Association.

5.72 **Pakistan's** potential to influence security dynamics in the Middle East, Central and South Asia, and its proximity to key Indo-Pacific sea lines of communication engages our interest in a stable Indo-Pacific region and a rules-based global order. Australia has a long-standing defence relationship with Pakistan focused largely on capacity building, enhancing professionalism and strategic dialogue. We will continue to expand our engagement on building Pakistan's counter-terrorism capacity, including expanding collaboration on countering Improvised Explosive Devices.

5.73 **Sri Lanka's** location on a vital maritime corridor in the Indian Ocean has seen Australia gradually increase defence cooperation, including establishing a resident Defence Adviser in Colombo. The focus of our engagement will be on maritime security, maritime policy, emergency management and humanitarian assistance and disaster relief.

5.74 Australia attaches great importance to the development of **regional security architectures** among Indian Ocean countries to create a stronger framework for the region's stability and security. Australia will continue to be a key contributor to institutions like the Indian Ocean Rim Association and the Indian Ocean Naval Symposium, which provide mechanisms for advancing common security objectives, providing transparency and building confidence in the Indian Ocean region.

Global relationships

5.75 Chapter Two noted that the rules-based global order on which Australia relies for its security and prosperity is being increasingly challenged, including in areas such as cyber and space.

5.76 Working with partners around the globe, Australia will continue to pursue security and stability, wherever our interests are engaged. Through partnerships with like-minded countries, we generate and sustain defence capabilities with a far greater reach than we could achieve alone. Australia contributes to multinational responses to threats around the world to prevent terrorists from establishing and maintaining safe havens and to counter piracy, proliferation of weapons of mass destruction, transnational crime and people smuggling.

5.77 We actively cooperate with international security organisations, such as the **North Atlantic Treaty Organization** (NATO) in order to bolster the rules-based global order. Australia's willingness to contribute to NATO operations to address shared challenges, including in Afghanistan and counter-piracy operations in the Indian Ocean has seen NATO recognise Australia as an Enhanced Partner. Being an Enhanced Partner will improve Australia's strategic engagement with NATO and strengthen Australia's ability to partner with NATO in the future to address shared security challenges. The Government will ensure that our relationship with NATO continues to grow on the basis of reciprocity and collaboration where the interests of NATO members and Australia align.

5.78 We will continue to work with the **United Nations** as a demonstration of our commitment to multilateral action to maintain a rules-based global order. Defence will make appropriate contributions to United Nations missions, including our contributions of ADF personnel to the United Nations Mission in South Sudan and to the United Nations Truce Supervision Organisation in the Middle East. Our support to the United Nations includes providing strategic airlift support to United Nations peacekeeping operations in crisis situations where and whenever we can. In addition to our United Nations commitments, we will maintain our contribution to the Multinational Forces and Observers mission in the Sinai.

5.79 Defence will continue to support United Nations training and education activities and will provide expertise to support the *Australian National Action Plan on Women, Peace and Security 2012–2018* that implements United Nations Security Council Resolution (UNSCR) 1325. UNSCR 1325 recognises that security, stability and peace can only be achieved through a gender inclusive approach to conflict resolution and peace building. Defence is responsible for implementation of 17 of the 24 actions in the National Action Plan. The National Action Plan sets out what Australia will do, at home and overseas, to integrate a gender perspective into its peace and security efforts, protect women and girls' human rights and promote their participation in conflict prevention, management and resolution. Under the National Action Plan, ADF women are playing a more prominent and influential role on operations in which the ADF is involved.

5.80 Australia is promoting the active participation and integration of Afghan women in Afghanistan's national security institutions. In recent years, ADF personnel have performed the role of Gender Adviser to the NATO-led Resolute Support Mission in Afghanistan, providing guidance on the provision of safe and appropriate facilities and equipment for women serving in Afghan security forces, and training for men and women in the prevention of gender-based violence and harassment.

5.81 The relationship between Australia and the **United Kingdom** is based on deep historical and cultural ties, which have been reinforced over time, most recently in Afghanistan and Iraq. We share common interests in supporting and defending a stable rules-based global order and our approaches to global security issues are closely aligned. We cooperate closely as members of the FPDA and the Five-Eyes intelligence community. The United Kingdom has global military reach and the capacity to help respond to global security challenges.

5.82 Australia and the United Kingdom will continue to work together to address common threats to a peaceful, prosperous and rules-based global order, including terrorism, the instability in the Middle East and

violent extremism. Australia is committed to growing our partnership through strategic dialogue led by the Australia-United Kingdom Ministerial Consultations (AUKMIN) and cooperation on intelligence, science and technology and high-end defence capabilities.

5.83 Australia and **France** share a longstanding and close defence relationship with a shared commitment to addressing global security challenges such as terrorism and piracy. We are strong partners in the Pacific where France maintains important capabilities and we also work closely together to support the security of our respective Southern Ocean territories. Under the FRANZ Arrangement between France, Australia and New Zealand the three partners coordinate humanitarian and disaster relief operations in the Pacific. Australian and French defence forces worked alongside each other to provide life-saving humanitarian assistance to Vanuatu in the wake of Tropical Cyclone Pam.

5.84 Following the 13 November 2015 terrorist attacks in Paris, Australia has expressed its unwavering solidarity with the people of France. Australia will continue to work with France and other like-minded countries to combat Daesh as part of the fight against terrorism.

5.85 The defence forces of Australia and **Canada** are of comparable size, and we share a willingness to respond to global challenges, such as our contributions in Iraq. Australia and Canada cooperate closely as members of the Five-Eyes intelligence community. Although geographically distant, our strategic outlook and approach towards security and defence matters is similar and is reflected in a growing relationship, including: intelligence cooperation, operational cooperation, working level exchanges, senior-level dialogue and science, technology and materiel cooperation.

5.86 Australia will also work with other partners, where cooperation is required to improve global security wherever Australia's interests are engaged, including in the Middle East. Only through concerted

international action can we defeat threats such as those posed by terrorists in Iraq and Afghanistan. This includes cooperation with a broad coalition of concerned countries, including countries such as the Netherlands, Spain and Germany.

The Middle East

5.87 Australia will have strategic interests in the Middle East for the foreseeable future, including preventing the spread of violent extremism, supporting stability and the security of vital trade and energy flows. To support these interests, in addition to our current operations in the region (discussed below), Australia will continue to build relationships with countries in the region including providing targeted capacity building support where it is in our interest to do so.

5.88 Australia has a strong defence relationship with the **United Arab Emirates**. Our defence engagement with the United Arab Emirates will continue to grow and will include increased training, personnel exchanges and high-end exercises, including Special Forces and air combat exercises.

Africa

5.89 The African continent engages Australia's interests in upholding the rules-based global order and promoting the stability of the Indo-Pacific, including maritime security. Australia has sustained contributions to a number of United Nations operations in Africa, including to the current United Nations mission in South Sudan. Defence activities in Africa will continue to be proportionate to our interests in the continent. Our ongoing contribution to United States-led Combined Maritime Forces operations will help address terrorism, piracy, drug smuggling and other challenges to maritime security off the north-east coast of Africa.

Defence preparedness

5.90 A more active and internationally engaged regional and global posture requires an appropriate Defence presence in Australia and overseas and suitable ADF preparedness levels. Preparedness is about having forces that can be deployed and sustained on operations in a timely and effective way. Higher levels of ADF preparedness will be required to support greater activity in the region and to make meaningful contributions to global security activities where our interests are engaged.

5.91 The Government has directed an increase in the ADF's preparedness level, based on raising its overall capability and improving its sustainability on operations. This will require an increase in training and more funding to support increased activity.

- The overall capability of the ADF will be raised through the new more capable, agile and potent force structure set out in Chapter Four.
- New transport and logistics capabilities, including new aircraft and navy support ships mean the ADF will be better supported with supplies and more easily reinforced when deployed on operations.
- ADF personnel will receive enhanced training opportunities, with investment in advanced training enabling capabilities, including training and testing ranges, equipment and simulation systems.
- The ADF will be more active, including through the increased defence engagement activities set out earlier in this chapter such as regional exercises and other engagement activities. Our more active international engagement will contribute to building the skills of our people. Dedicated funding has been allocated for the additional costs associated with higher preparedness such as more fuel being used on exercises as well as more frequent repairs and maintenance of equipment.

5.92 Increased preparedness will ensure that the ADF has greater capacity and agility to respond to strategic risks and to undertake a range of operations at the same time.

Current operations

5.93 ADF operations are critical to the Government's strategy for protecting Australia's security and prosperity. Around 2,500 ADF personnel are currently deployed on operations overseas and on border protection duties.

5.94 Since coming to office, the Government has deployed ADF personnel to protect our borders as part of Operation Sovereign Borders, to the Southern Ocean to protect our natural resources, to the Indian Ocean to search for flight MH370 and to Iraq, Afghanistan and Ukraine as well as on peacekeeping missions. The ADF has also been deployed to a number of humanitarian assistance and disaster relief missions in Australia, providing support to the Australian community in the wake of storms, floods and bushfires. In our immediate region, the ADF provided a significant contribution to humanitarian assistance and disaster relief and recovery efforts in Vanuatu following Tropical Cyclone Pam in March 2015, in Nepal following the earthquake in April 2015 and in Myanmar following floods in August 2015.

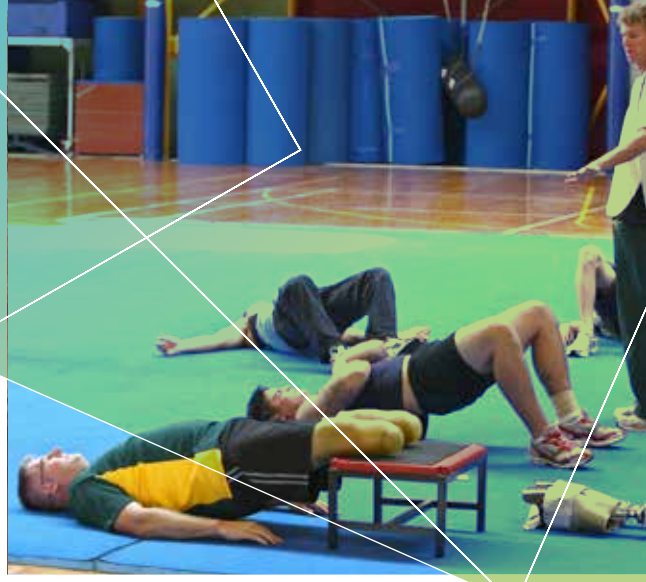
5.95 Defence will continue to make a major contribution to Operation Sovereign Borders to stop people smuggling, along with a wide range of Government agencies, including providing maritime patrol aircraft, patrol boats and large Navy ships, including a new large-hulled multi-purpose patrol vessel, the Australian Defence Vessel *Ocean Protector*. Defence also helps protect Australia's maritime area from other threats, such as illegal exploitation of our natural resources, including illegal fishing. The ADF's maritime area of operations covers approximately 10 per cent of the surface of the world, and includes Christmas, Cocos (Keeling), Norfolk, Heard, Macquarie and Lord Howe Islands.

5.96 The Government is fully committed to maintaining Australia's substantial contribution to the United States-led coalition effort to disrupt, degrade and ultimately defeat the terrorist threat from Daesh. Daesh threatens stability in Iraq and the Middle East and the security of Australians at home and in our region. Our contribution supports our direct security, and our commitment to counter the global terrorist threat. The Government will maintain Australia's contribution of an Air Task Group conducting air combat and support operations in Iraq and Syria and our joint contribution to the Build Partner Capacity training mission with New Zealand in Iraq. The Build Partner Capacity mission is focused on training Iraqi forces to defeat Daesh and restore Iraqi territory to the control of the Iraqi Government. Our Special Operations Task Group will continue providing military advice and assistance to the Counter-Terrorism Service of the Iraqi Security Forces.

5.97 Australia is committed to working as part of the international community to provide long-term support to the Government of Afghanistan as it seeks to consolidate the hard-won security and governance gains since 2001. Australia is one of the largest non-NATO contributors in Afghanistan. Australia will continue to contribute to the NATO train, advise and assist Resolute Support Mission in key roles, including providing training and mentoring to develop the future leadership of the Afghan National Defense and Security Forces at the Afghan National Army Officer Academy in Kabul. We are also providing embedded personnel in NATO headquarters and in critical force protection, medical and logistics roles. Australia is committed to providing funding to the Afghan National Defense and Security Forces through our contribution of US$100 million a year from 2015 to 2017.

5.98 Australia will continue to contribute a Navy vessel to support the United States-led Combined Maritime Forces. The Combined Maritime Forces is a multinational effort to prevent terrorism, piracy and drug smuggling, encourage regional cooperation and promote a secure maritime environment in the Middle East and off the north east coast of Africa.

Intentionally blank



6

Chapter Six: People

6.1 The quality of our people is the foundation of Defence's capability, effectiveness and reputation. Defence has an integrated workforce of ADF and Australian Public Service (APS) personnel who work together to deliver defence capability.

6.2 Within Australia, this integrated workforce conducts a diverse range of essential activities to help defend Australia and its national interests. This includes planning, preparing and training for future security challenges, producing intelligence, conducting scientific research, developing and maintaining high-technology capabilities and systems, contributing to national cyber security operations and delivering critical enabling services.

6.3 Since 1999, over 76,000 ADF members have deployed on domestic, border security, humanitarian and international operations, with some individual members deploying on multiple occasions. Today, around 2,500 ADF personnel are deployed on operations defending Australia's interests in Iraq, Afghanistan, in the Middle East, on peacekeeping missions and domestically to help keep our borders secure. APS personnel also deploy on operations with their ADF colleagues.

6.4 Defence also supports state and territory emergency response personnel to help communities respond to natural disasters such as floods and bushfires.

6.5 One of the most important and challenging jobs Defence will have in the coming decades will be maintaining the capability of the ADF and APS workforce to achieve the Strategic Defence Objectives set out in this Defence White Paper. This chapter sets out Defence's plans to develop and support its integrated workforce to meet this challenge.

Growing the integrated Defence workforce

6.6 Defence's total workforce is currently made up of around 58,000 Permanent members of the ADF, around 19,500 paid and active Reservists, and around 17,900 full-time equivalent APS employees. This integrated workforce has a diverse range of skills, including in combat and combat support, capability development and sustainment, technical, strategy, policy, intelligence and planning, and engineering, scientific and language skills.

6.7 As Defence adopts new and more complex capabilities, the demands on the integrated workforce will increase. New technologies will require new skills and will rely even more than now on the diverse range of skills of the integrated workforce. To meet these demands, the Government will undertake the largest single rebalance of the integrated Defence workforce in a generation through the implementation of the First Principles Review.

Permanent Australian Defence Force

6.8 Under the plans in this Defence White Paper, the Permanent ADF workforce will grow to around 62,400 personnel over the next decade. This is an increase of around 2,500 over previous plans and will support the introduction of new capabilities. The new ADF positions will cover air, land and sea combat roles as well as intelligence, cyber security and enabling capabilities. This will return the Permanent ADF to its largest size since 1993. In addition to overall growth, the transition to the future force will require the reallocation of around 2,300 existing ADF positions to higher priority activities as new capabilities are delivered in this decade and beyond.

6.9 The scale of the rebalance of the ADF workforce reflects the importance of continually reviewing and matching our people to the highest priority

tasks for our country's future defence. The changes will occur over the next decade and beyond across all six warfighting and enabling capabilities outlined in Chapter Four.

- Enhancements in intelligence, space and cyber security will require around 900 ADF positions, including in intelligence collection and analysis, communications, supporting the information requirements of new platforms like the Joint Strike Fighter, surveillance aircraft and navy ships, and to better support Special Forces and cyber security. The significant growth in ADF personnel reflects the White Paper's emphasis on strengthening intelligence, space and cyber security capabilities to meet our future challenges.
- The larger maritime and anti-submarine force will require an increase of around 800 ADF positions, with further growth beyond the decade to operate the larger submarine fleet in particular. The generation of crews with the appropriate mix of skills and experience must be carefully managed to meet the challenging growth needed to operate Navy's new submarines and surface ships.
- The strike and air combat workforce will increase by around 500 ADF positions to support the acquisition of deployable ground-launched air defence capabilities and advanced command and control for Integrated Air and Missile Defence.
- Around 700 additional ADF positions will support enhancements to capabilities in land combat and amphibious warfare, including unmanned aircraft, the new long-range rocket capability for land forces and combat support systems.
- Enabling capabilities will require around 1,100 additional ADF positions. This includes logistics, operational support, training systems and ranges, enhanced support to Navy engineering, force

design, analysis and assurance and strategic and international policy. Defence will gradually increase the number of overseas military attaches to support the program of enhanced international engagement.

- Enhancements to the current and planned air and sea lift fleets will result in the need for around 800 additional ADF positions.

6.10 Defence will undertake further work to identify the ADF positions that will be reallocated from lower priority roles to support the operation of new or enhanced capabilities. This work will be informed by the implementation of the First Principles Review, as discussed in the next chapter, which will help maximise efficient use of the ADF workforce within Defence. This will include ensuring that ADF members are only employed in roles outside of the Navy, Army and Air Force within Defence when it is critical to achieving the Strategic Defence Objectives.

6.11 Further reshaping and growth of our military workforce is likely to be required beyond the next decade to operate the new capabilities the Government will acquire during this time. This reshaping will take into account the implications of new technologies, such as increasing automation and the introduction of more unmanned systems.

Reserves

6.12 The ADF is increasingly drawing on the skills and expertise of Reservists to deliver defence capability. Many Reservists have critical specialist expertise not readily available within the Permanent ADF, such as specialist medical and technical skills. Reservists are an important part of the ADF's deployed capability on operations within Australia and overseas. Around 14,000 members of the Reserves have deployed on operations within Australia and overseas since 1999, around 18 per cent of all ADF personnel deployed.

6.13 The Government is committed to maintaining the role of the Reserves in the ADF's force structure. This will be achieved through a new more flexible contemporary workforce model, Project Suakin. Project Suakin will increase the ability of members to move between the Permanent ADF and Reserves to better meet their changing needs as they progress through their working life and as their personal circumstances change. The new workforce model will better support the employment of Reserves in roles suited to their skills and knowledge across the ADF. Project Suakin is being implemented through legislation passed in 2015 which introduced a new category of flexible service in the permanent ADF, and cultural reform and business process reform to make it easier to transition between the Permanent ADF and Reserves.

6.14 The Government has reformed the ADF Reserve Allowance structure to reflect the increasing integration of reservists within the total ADF workforce.

Australian Public Service

6.15 Defence has a professional APS workforce which fills roles critical to delivering Defence's capability. Around 43 per cent of the intelligence workforce in Defence are APS employees. Other important roles filled by APS employees include engineers developing and maintaining defence capabilities, air traffic controllers at RAAF bases, psychologists and social workers supporting ADF members and their families, capability project managers, strategic policy advisers providing advice on planning and executing operations and managers and planners in a range of corporate roles including financial, personnel, information management and facilities.

6.16 The APS workforce in Defence will be rebalanced in accordance with the Government's First Principles Review and the future force structure. The Defence White Paper provides for a future Australian Public Service

(APS) workforce of around 18,200 Full Time Staff Equivalent (FTE), down from 22,300 FTE in June 2012.

6.17 Within this total workforce of around 18,200 FTE, enhancements to intelligence, space and cyber security capabilities will involve 800 new APS positions. Four hundred new positions will be created in information technology support, simulation, support to Navy engineering and logistics, security, force design and analysis, and strategic and international policy, including civilian policy officers posted overseas.

6.18 These new APS positions in areas of high priority will be offset by ongoing reductions elsewhere in the APS workforce, including through the reform of service delivery areas of Defence's business, as part of the implementation of the Government's First Principles Review.

Recruiting the people we need

6.19 As our defence capabilities become more technologically complex, recruiting Australians with the right skills mix for these capabilities will be even more important. It is not enough to have the best equipment – it needs to be operated and supported by the best people.

6.20 Attracting and retaining the future Defence workforce will be a major challenge. Being an employer of choice for Australians in a more competitive labour market will require fundamental changes to how Defence plans, manages, and supports its people. A concerted program of recruitment, training and targeted retention will be required to support this growth.

6.21 Attracting young Australians to an ADF career is a vital investment in our country's future. The Government reintroduced the ADF Gap Year Program in 2015 and it will continue to grow. In 2015, the ADF Gap Year was available for Army and Air Force and it is also available for Navy in 2016.

6.22 Defence is expanding programs focused on recruiting and retaining Australians with the science, technology, engineering and mathematics skills it needs. Defence is reintroducing the Defence Technical Scholarships program for Year 11 and 12 students to support ADF recruitment and expanding APS cadetships to provide a career pathway in Defence for science and technology professionals. Defence will seek to attract people with the skills it needs in this area with enhanced employment offers. These programs will have a particular focus on attracting and recruiting women and Indigenous Australians.

6.23 There is strong competition to recruit people with the technical, analytic, and project management skills and experience needed for important intelligence and security roles within Defence. Defence will continue to create flexible new initiatives to compete effectively for people such as those needed for intelligence and security roles.

6.24 Women are under-represented in Defence. Presently, 15 per cent of the ADF workforce and 41 per cent of the APS workforce are women. Increased female participation in the Defence workforce, and in senior leadership, will continue to be a focus in order to broaden Defence's access to the considerable skills and capabilities within the Australian community. To grow and advance the female workforce in Defence, the organisation is focusing on attraction, recruitment and retention of women, the removal of barriers to progression, and facilitating development through mentoring and development opportunities. Defence APS graduate recruitment will continue to include a focus on increasing the representation of women at this important entry point to the APS.

6.25 Defence will increase the attractiveness of a military career for women, including through targeted recruitment initiatives, retention measures and career support. Defence will improve the representation of women across Defence, including in leadership and technical areas, and has already removed the gender-based barriers preventing women from

serving in ADF combat roles. This commenced with the opening up of combat roles that have previously been restricted to women already serving in the ADF. From 2016, all ADF combat roles will be open to new female recruits and Defence Force Recruiting will market all Defence roles to all prospective ADF members.

6.26 Defence will also seek to enhance the recruitment of Indigenous Australians and Australians from culturally and linguistically diverse backgrounds in both the ADF and APS. A specialist recruiting team has been introduced to support Indigenous Australians and targeted initiatives are being introduced for Australians from culturally and linguistically diverse groups seeking an ADF career. The Defence APS has increased its annual intake of Indigenous trainees and is making greater use of special measures to attract Indigenous staff. These initiatives will be complemented with retention measures, including career development and mentoring programs.

6.27 Defence has developed a number of additional strategies to enhance its ability to attract Australians from culturally and linguistically diverse backgrounds. Defence will improve its future marketing strategies and engagement in communities that are more diverse. Defence is investigating expanding its ADF cadet and short-term Defence work experience programs for students from a range of diverse backgrounds to gain exposure to a range of ADF and APS jobs.

Developing our people

6.28 Our rapidly changing strategic environment requires us to continually build the skills of our people. Defence will improve its comprehensive program of professionalisation and development to support careers in the ADF and the APS.

6.29 Joint military education across the ADF is growing in importance. Defence must ensure that our Defence colleges and educational institutions are best equipped to develop the future leaders of the ADF. Specific priorities for the APS are to professionalise the workforce in roles that are critical to delivering and sustaining Defence's capabilities, and to build greater leadership capability in the executive level workforce. Defence APS graduate development and training will bring more emphasis to improving policy skills.

6.30 Defence will continue partnering with accredited academic institutions so that Defence personnel are provided the best education in relevant specialised fields such as national security policy analysis, intelligence, capability development, engineering and a range of technical training. Defence will ensure personnel who need to acquire new skills can do so efficiently through improved technology to enhance flexibility and innovation in training, education, and skilling.

6.31 Defence will expand cultural and language capabilities to increase its effectiveness in operating in the region and collaborating with international partners. Defence will develop higher levels of cultural understanding of our region, including more intensive training for those who work routinely with regional partners. Defence will increase the number of personnel with intermediate and advanced language skills to support our enhanced international engagement, with a focus on languages in the Indo-Pacific region.

Retaining our people

6.32 Retaining the high-quality, experienced staff that Defence has developed over time is as important as attracting new talent. The Government is not complacent about the challenges in retaining and growing the highly skilled workforce Defence needs to deliver the plans set out in this White Paper.

6.33 We will continue to ensure that the employment offers to Defence staff remain competitive to attract and retain the right number of people with the skills Defence requires. Should particular critical skills requirements emerge, Defence will use targeted employment strategies to ensure that it recruits and retains people with those critical skills. Defence must also ensure that the employment conditions it offers are relevant to people who are currently under-represented in Defence, including women, Indigenous Australians, and people from culturally and linguistically diverse backgrounds. Defence should seek to represent the community it protects and from which it recruits.

6.34 Further, as set out earlier in this chapter the Government will introduce a contemporary workforce model for the ADF to provide greater organisational flexibility and agility, and provide ADF members with more options and mobility. It will enable the whole ADF workforce to be used more effectively, drawing on both Permanent and Reserve workforce components and skills more flexibly in the delivery of defence capability.

Defence culture

6.35 Defence is rightly proud of its mission-focused mindset. Unwavering service to our country underpins the ADF's reputation as a world-class fighting force. At the same time, Defence must operate to the highest ethical standards in leadership and management for all people in Defence. This means acting with fairness and integrity, promoting diversity and inclusion, and maintaining a zero tolerance stance towards unacceptable behaviour. The strength of Defence's leadership model and its ability to adapt and embrace a more diverse and inclusive culture will be critical to attracting and retaining the workforce it needs for the future. *Pathway to Change* drives and reinforces Defence's cultural change, and its theme – we are trusted to defend, proven to deliver and respectful always – is being delivered across Defence. In 2016, *Pathway to Change* marks its fourth year of implementation. Over the last

four years, Defence has established the Sexual Misconduct Prevention and Response Office; released the ADF Alcohol Management Strategy; established mechanisms to increase diversity and inclusion within leadership groups and Defence more broadly; conducted Defence-wide discussions on values and behaviours; delivered Defence education and training programs informed by agreed values and behaviours; and enabled expedited corrective processes by simplifying responses to, and management of, unacceptable behaviour.

6.36 Defence has made substantial progress in addressing a range of cultural issues, but the organisation cannot become complacent. Through continued and visible commitment from Defence's senior leadership, and a number of supporting cultural programs, efforts are ongoing to increase diversity and inclusion in Defence. Defence will continue to implement its *Pathway to Change* strategy, supported by Navy, Army and Air Force programs, and culture initiatives across the APS. This will give further attention to career opportunities for women, people from culturally and linguistically diverse backgrounds and people with disabilities. Accountability for cultural reform will be required across all levels of leadership in Defence. Additionally, Defence will continue its four-year collaboration with the Australian Human Rights Commission to progress cultural change throughout Defence.

6.37 Considerable work remains to address the very serious issues raised through the Defence Abuse Response Taskforce. Defence must care for its people, particularly those affected by abuse, and continue to make the systematic and cultural changes necessary to deliver a safer and more professional workplace.

6.38 Defence will continue to implement initiatives such as the Restorative Engagement Process, and the Sexual Misconduct Prevention and Response Office. This work is guided by the requirement that any process should not traumatise victims. Defence will continue to identify ways to support our people who have been affected by abuse to move forward

with their lives. Defence understands that actions against perpetrators of abuse are a clear indication of the organisation's commitment to defend the rights of Defence members. There will be a continued emphasis on identifying and dealing with perpetrators of abuse.

Looking after our people

6.39 The Government is committed to providing members of the ADF with leading health care. The Government recognises that new approaches are needed to properly care for our ADF members throughout their career, in particular those who have been wounded or injured or who fall ill in the course of their service to our country.

6.40 A new $133 million Defence eHealth System has been launched, linking ADF members' health data from recruitment to discharge and enabling better continuity of health care for all Defence personnel. Defence will improve the operation of this system by incorporating the pre-2014 paper-based health records of ADF members into the new electronic system, making them accessible wherever they serve. This process will take a number of years to complete. To support improved health services, additional military medical officers will be available at major ADF bases.

6.41 The mental health of our people in Defence is as important as their physical health. We now better understand the impact Post Traumatic Stress Disorder is having on serving members, their families and loved ones. This impact can affect members and their families both during and following their service. Defence will continue to improve the use of screening, education and awareness programs to care for and support Defence members seeking help as early as possible, and will provide additional resources for more specialist medical mental health care.

6.42 In 2014, the Government established a program where the Department of Veterans' Affairs will pay for treatment for any ADF member with

at least three years continuous full-time service who is experiencing diagnosed Post Traumatic Stress Disorder, anxiety, depression or alcohol or substance abuse without the need to establish that their mental health condition is related to their service.

6.43 The Government has launched the innovative 'High Res' smart phone app that will help serving and ex-serving ADF members manage stress and build their psychological resilience. High Res is particularly designed to improve mental health outcomes for the current generation of ADF members and younger veterans who engage with health services differently to older veterans.

6.44 A pilot of the Reserve Assistance Program is underway. This program provides confidential, cost-free, professional counselling services to help Reserve members and their immediate families who have mental health issues, regardless of whether those issues are directly related to military service.

6.45 The Government will continue to improve linkages between the Departments of Defence and Veterans' Affairs in support of our veterans and ADF members as part of our strategy to provide a continuum of support. Defence and the Department of Veterans' Affairs have developed a joint program of work, the Support for Wounded, Injured and Ill Program, which is improving and simplifying the way in which government supports wounded, injured and ill members. Further improvements will include improved electronic systems to better share information, on the service of ADF members, between Defence and the Department of Veterans' Affairs and building closer ties between Defence and the Department of Veterans' Affairs.

6.46 The Government has extended access to the Veterans and Veterans Families Counselling Service to include current and ex-serving members who have served on border protection duties, in a disaster zone in Australia or overseas, and for members medically discharged from the ADF.

6.47 To inform the way we support members of the ADF and veterans, the Government is conducting the Transition and Wellbeing Research Program. This is the largest and most comprehensive study of its type undertaken in Australia. This research program is examining the impact of military service on the mental, physical and social health of serving and ex-serving personnel, who have deployed to recent conflicts, and their families.

6.48 Defence will partner with the Department of Veterans' Affairs, Australian defence industry, and other ex-Service organisations to support those who have been affected by their service to our country to find a new career, ensuring that they are treated with the respect and dignity that their service deserves. Finding a new career will enable our veterans to continue making valuable contributions to their communities once their military service is completed. The Government will make available to all ADF members the current Army initiative that supports wounded or injured soldiers, who can no longer remain in service, transition to a new career.

6.49 The Government will enhance the existing Career Transition Assistance Scheme to better support members transitioning out of the ADF, with less than 12 years service, to find new employment.

6.50 The Government has made changes to the indexation of the Defence Forces Retirement Benefits and Defence Force Retirement and Death Benefits superannuation schemes to ensure pensions keep pace with the cost of living.

6.51 The Government will introduce a contemporary superannuation scheme for new ADF members from July 2016. The new superannuation arrangements will provide additional flexibility for members of the ADF. The new scheme will allow ADF members to join the superannuation fund of their choice and will improve flexibility and portability of the benefits provided.

6.52 The Government will continue to support the activities of ex-Service organisations that assist current and former ADF members who have served our country.

The Defence community

6.53 The Government understands the pressures that ADF members, and their families, face during and after their service to Australia. The Government will ensure that Defence families receive enhanced health care support during periods of transition and high-quality housing.

6.54 For family members of current and former ADF members the Government will deliver improved electronic access to information on the range of services and support available to them from government agencies as well as the broader community. This measure will build on the implementation of improved on-line support, services and information for ADF members, including Reservists.

6.55 In January 2014, the Government introduced the National Australian Defence Force Family Health Program, providing free General Practitioner and basic allied health care to all ADF dependants, as well as the ability to claim up to $400 a year for health services, such as physiotherapy, dentistry and mental health support.

6.56 We will continue to support ADF families who relocate because the ADF member is posted and while their loved ones are deployed. We will continue to assist spouses with finding new work, particularly where their employment has been affected through a posting or deployment of their serving partner.

6.57 The Government recognises the importance of quality housing for ADF families. Helping to ensure Defence members and their families are suitably housed when they are posted to a new location is a key part of supporting mobility and retention within the ADF. The Government will

ensure that Defence Housing Australia continues to provide high-standard housing that delivers the best outcome for ADF members and their families.

6.58 The Government, in partnership with the community, will continue to support the ADF cadet program. This personal development program for young people builds personal skills including leadership and teamwork, and promotes Defence as a potential career pathway for its participants. Cadets are an important element of Defence's engagement with the community and the program plays an important role in building community awareness of Defence and the roles of the ADF.

Delivering the future workforce

6.59 To deliver the White Paper's plans for the future workforce, Defence will develop a 10-year Strategic Workforce Plan in 2016. The Strategic Workforce Plan will set out the skills Defence needs and detail how Defence will attract, retain and develop its people. The Strategic Workforce Plan will provide workforce priorities, practical initiatives and resources for attracting, growing, and retaining the people Defence needs.

Intentionally blank

SECTION THREE

REFORM, RESOURCING & IMPLEMENTATION

CHAPTER SEVEN Reform of Defence

CHAPTER EIGHT Funding Defence

CHAPTER NINE Implementing this Defence White Paper

7

First Principles Review

CREATING ONE DEFENCE

Chapter Seven: Reform of Defence

7.1 The more complex future strategic environment Australia faces will place greater demands on Defence, particularly its ability to adapt to change, to innovate and to integrate reform into its core business processes.

7.2 The Government's plans to deliver a more capable, agile and potent future force involve bringing strategy, capability, and resources back into alignment through this White Paper and the Integrated Investment Program, and by reforming the Defence organisation to deliver these plans through implementation of the First Principles Review.

The First Principles Review – The Government's reform program

7.3 In August 2014, the Government commissioned the First Principles Review to ensure that Defence is appropriately structured and organised to meet the challenges of the future.

7.4 The challenges Defence will face over the period to 2035 require a highly professional, well-governed and agile organisation that can respond to changing environments, seize opportunities and manage increasing strategic, political, cultural and technological complexity.

7.5 The Review directly addressed the need for a unified Defence organisation, including a joint force that is more consistently linked to its strategy. In the past, reform has been difficult because the organisation has not been unified in the way it conducts business. Despite the reforms that Defence has undertaken over the last few decades, the First Principles Review found:

- An organisational model that is complicated, slow and inefficient operating as a loose federation with a weak centre.
- A proliferation of structures, processes and systems with unclear accountabilities.
- External stakeholders portraying Defence as inward looking, complicated and difficult to deal with.
- An organisational culture that is risk averse and resistant to change.

7.6 The Review focused on looking forward and on designing an integrated organisational model to address these issues so that Defence as a whole can shape and respond quickly to changing strategic circumstances over the period to 2035. The fundamental tenet of the Review is that Defence needs to operate as One Defence, a unified and integrated organisation that is more consistently linked to its strategy and clearly led by its centre.

7.7 Through the Review's implementation, the Government is undertaking a once in a generation redesign of the way Defence does business. A fundamental redesign must be implemented now – an incremental approach will not deliver the Defence organisation Australia needs to achieve the long-term plans in this Defence White Paper including the more capable, agile and potent ADF.

7.8 The Review made 76 recommendations for reform. The Government has agreed, or agreed in-principle, to 75 of these recommendations. The Government did not agree to the integration of the Defence Science and Technology Group into the new Capability Acquisition and Sustainment Group, but will further consider this recommendation after the first year of implementation.

7.9 Implementing the Government's reforms will ensure Defence will become an integrated organisation driven by a strong strategic centre rather than a federation of separate parts.

7.10 This single integrated organisation will be agile and able to manage greater complexity, while delivering its outcomes in a more effective and efficient way. It will be more capable of adapting quickly to changing circumstances, including in response to further technological or social changes of relevance for Australia's strategic defence interests.

7.11 Substantial changes across Defence will be made to ensure delivery of the future requirements outlined in this Defence White Paper. The changes involve organisation-wide structural, system and process changes, combined with clearer personal accountabilities and a requirement for a significant shift in business culture, particularly in the behaviours of leaders at every level.

7.12 As Defence implements the First Principles Review, it will focus on developing leadership, accountability and behaviours to drive organisational performance. The business culture will focus on building a workforce that explores opportunities, solves problems, builds teams and at every level makes judgements that are in the best interest of Defence. The performance of Defence's senior leaders will be measured not only in terms of outcomes delivered but the effectiveness of their leadership behaviours and alignment with Defence's values. A unified leadership team, willing to take individual accountability for improving organisational outcomes will be fundamental to Defence's success.

7.13 The two year implementation timeframe for the First Principles Review drives a focus on tangible actions that address workplace behaviour. This is called the *One Defence Behavioural Model* and its focus on changing workplace behaviours is consistent with the core longer-term cultural change goals of *Pathway to Change*, particularly improving personal accountability. Defence will institute a performance management system that links employees' roles and actions to Defence's goals and deliverables. This will be supported by effective learning and development programs, and improved performance measures that support a high performing organisation.

7.14 A new and simplified business model for Defence will be introduced which focuses on its core business. It has three key features:

- A stronger strategic centre able to provide clear direction, contestability of decision-making as well as enhanced control of resources and monitoring of organisational performance.
- An end-to-end approach for capability development. Capability Managers will be assigned clear authority and accountability for the delivery of capability outcomes to schedule and budget, supported by an integrated capability delivery function and subject to stronger direction setting and contestability from the centre.
- Enablers that are integrated and customer-centric with greater use of cross-functional processes, particularly in regional locations.

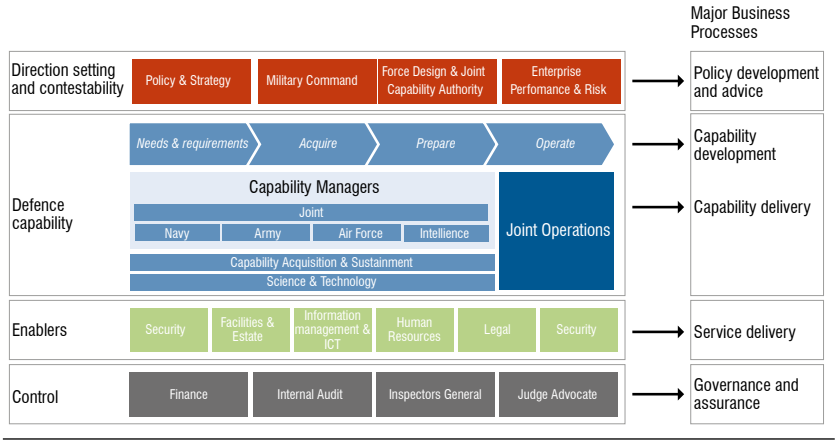


Figure 4: One Defence Business Model

A strong strategic centre

7.15 The Government will strengthen accountability and top-level decision making in Defence by creating a stronger strategic centre. The strategic centre is the senior management structure in Defence that sets

priorities, manages resources and is responsible for steering the whole organisation to implement the Government's defence policies. The strategic centre includes the Secretary of the Department of Defence, the Chief of the Defence Force and the Vice Chief of the Defence Force, the Associate Secretary, the Deputy Secretary Strategic Policy and Intelligence and the Chief Finance Officer. This group forms the Defence Committee which is the primary decision-making committee in Defence.

7.16 The stronger strategic centre will have more power and authority to set direction for all of Defence's activities and will maintain close oversight of the delivery of the strategy, capability, and resources set out in this Defence White Paper.

7.17 Defence will reduce top-level management and the number of committees, while strengthening its planning and performance monitoring to improve accountability. These reforms will fundamentally change the way Defence makes decisions and implements them, positioning Defence to better manage the threats and challenges for Australia to 2035.

7.18 The Government has made legislative changes to recognise the command authority of the Chief of the Defence Force over the ADF and its three Service Chiefs and the command and administrative authority of the Vice Chief of the Defence Force.

7.19 The Government will ensure the accountabilities of the Secretary of the Department of Defence reflect the Secretary's responsibility for managing the Defence budget and overall investment management. The Secretary will have primary accountability for coordinating the provision of timely advice to Government, including on policy aspects of operational deployments.

7.20 Defence will establish a permanent future force design function, under the Vice Chief of the Defence Force, to strengthen Defence's capacity to deliver the joint and integrated ADF outlined in Chapter Four. The Vice

Chief will be empowered to ensure new projects proceed on the basis of relevance and importance to the joint force.

7.21 A strong internal contestability function will be built and led by the Deputy Secretary Strategic Policy and Intelligence with responsibility for strategic, scope, technical and cost contestability. Strong internal contestability will ensure that Defence expenditure is aligned with the Strategic Defence Objectives.

7.22 The Associate Secretary's role as the integrator of Defence's corporate enterprise functions and as the central authority to deliver strategic centre-led enterprise planning and performance monitoring will be strengthened. Making the right decisions means getting the right information to decision-makers in a timely way. The Associate Secretary of Defence will be empowered to strengthen enterprise-wide information management. Stronger information management outcomes will help ensure Defence is better managed.

7.23 Defence will improve the quality of its strategy and policy advice to Government. Defence's policy and intelligence functions will be consolidated under the Deputy Secretary Strategic Policy and Intelligence.

Capability development life cycle

7.24 Under the plans set out in this Defence White Paper, Defence will implement a substantial force modernisation program, which will bring major organisational and cultural challenges. This modernisation will introduce new capabilities that will carry within them the requirement for new ways of working, particularly as Defence integrates complex and globally networked systems into the joint force. The reforms being implemented under the First Principles Review are essential to delivering these plans.

7.25 Proper planning for the acquisition of complex equipment and systems takes years of analysis and careful decision-making before acquisitions can commence. This is only proper for the expenditure of billions of dollars involving decades of effort. New submarines and frigates, for example, will be brought into service from the 2020s until well into the 2040s and will operate into the second half of this century. It is therefore essential that Defence planning for the future force is consistent and predictable and is supported by consistent and adequate budgets.

7.26 The Defence Materiel Organisation has been disbanded and its core responsibilities in relation to capability delivery have been transferred to the new Capability Acquisition and Sustainment Group. The new Group is led by a Deputy Secretary reporting to the Secretary of the Department of Defence. The number one priority for the new Group is to work cooperatively with other parts of Defence to ensure the ADF has the necessary capabilities to fulfil its missions and operations.

7.27 The establishment of the 10-year Integrated Investment Program provides the framework for capability development and delivery functions in Defence. This will be reinforced by the strategic direction, force design, and contestability functions addressed earlier in this chapter to ensure an integrated capability development life cycle. This approach will enable Defence to better manage investment, set priorities and allocate resources in accordance with this White Paper.

7.28 Defence's acquisition processes will be improved to introduce more rigour and agility. Defence will introduce greater rigour to the development of projects before they enter the approval process to make sure they are aligned with the Strategic Defence Objectives. Defence will capitalise on the work done to cost assure this White Paper by introducing more fidelity of cost estimation into the capability development process, including ongoing independent external assurance of Defence project costs.

7.29 The Government will revise the current process for approving new projects to ensure a proportional approach is taken depending on the cost, schedule, technical complexity and overall risk of projects. Through these changes, Defence will be able to tailor the acquisition process to the capability being sought. This will give Defence more agility to acquire rapidly evolving technology and speed up less complex acquisitions. Efficient capability planning and procurement processes within Defence will ensure that the ADF has the capability it needs when it needs it, and the value for money Australia receives from its investment in Defence is maximised.

7.30 As highlighted in Chapter Four, the Government will ensure that Australian defence industry is considered as an early and core element of Defence's capability. Decisions about defence capability will take proper account of Australian defence industry at all stages of the capability life cycle.

Corporate and military enablers

7.31 The Government's investment in enablers, set out in this White Paper, such as information management and the Defence estate, including bases, wharves and runways, reflects how critical they are to the effective and efficient delivery of defence capability. Without these enablers Defence cannot generate the combat effects required to achieve the Strategic Defence Objectives. The First Principles Review will ensure that these enablers are fully integrated within a single Defence service delivery system.

7.32 Through the Integrated Investment Program accompanying this White Paper, the Government has clearly articulated its requirements of the Defence estate and facilities to support defence capability and the future force. We will invest the resources needed to ensure that the estate can support future ADF operations and capability. Estate rationalisation will continue to be considered on a case by case basis as part of the

implementation of this White Paper and the First Principles Review. Any savings realised through the sale of Defence bases will be reinvested in Defence capability.

7.33 Under the accountability of the Associate Secretary, the Chief Information Officer is the single authority for all Defence-wide information networks, including their design and management. The Chief Information Officer will have a mandate to ensure warfighting and corporate information management projects comply with required standards. All proposals for new information systems are to be agreed with the Chief Information Officer.

7.34 Information management providing common situational awareness and information superiority is essential to our war fighters. It is becoming even more important with the growing information needs of new sophisticated capabilities like the Joint Strike Fighter. Within the framework and standards set by the Chief Information Officer, the Vice Chief of the Defence Force will oversee the implementation of an information system which will better meet the needs of the joint force, including providing enhanced command and control, communications, and intelligence, surveillance and reconnaissance information.

7.35 Defence will establish more effective geospatial intelligence management with the Australian Geospatial-Intelligence Organisation having central control of all geospatial functions within Defence. This will strengthen the collection, analysis and distribution of geospatial information across Defence.

7.36 Defence will further consolidate its other enabling corporate services such as finance, human resource management and administration to minimise duplication and strengthen service delivery.

Implementing the First Principles Review

7.37 Implementation of the First Principles Review has commenced within Defence, based on an Implementation Plan, which sets out the specific initiatives and milestones to ensure the reforms are delivered.

7.38 The Secretary of the Department of Defence and the Chief of the Defence Force are leading implementation of the Review. This reflects the fundamental tenet of the Review that Defence needs to operate as a more unified and integrated organisation, which is led by a strong strategic centre. Implementation of the Review commenced on 1 July 2015 and is based on a two-year plan with key milestones.

7.39 Implementation is being supported by an external Oversight Board which is providing advice on implementation and regular independent reports to the Minister for Defence. The Minister will make annual reports on progress to the National Security Committee of Cabinet.

7.40 The Government recognises that implementation of this once in a generation complex and transformational reform process will take time. The Government will not initiate any additional reviews of the organisational issues covered by the First Principles Review for a period of five years. In addition, with the exception of Pathway to Change, the First Principles Review will supersede all past Defence reviews and reform initiatives. This will ensure that Defence implements a single, consolidated reform program moving forward.

7.41 The Government's reforms will establish a single, integrated Defence organisation that has the capacity and agility to manage the threats and challenges Australia will face to 2035.

Intentionally blank

8

Chapter Eight: Funding Defence

The Government's plan for funding Defence

8.1 Previous chapters have addressed Australia's strategic challenges to 2035, the defence strategy we need to protect our nation's security and prosperity, and the transformation in our defence capabilities and Defence organisation required to achieve the Strategic Defence Objectives.

8.2 This chapter outlines the Government's long-term funding commitment, which is critical to executing the Government's plans for Defence. A new 10-year funding model will see Defence funding increasing to two per cent of Australia's Gross Domestic Product (GDP) by 2020–21. Central to the development of this funding model has been the Government's direction to align defence strategy, capability and resources.

The funding model

8.3 Defence must have confidence in its funding so it can develop and implement long-term plans. Australian defence industry also needs funding certainty to confidently invest in infrastructure, skills and capabilities so that it can play its part as a fundamental input to defence capability.

8.4 Between 2009–10 and 2013–14, $18.8 billion of Defence funding was handed back to Government, resulting in the deferral of the acquisition of new capabilities. This has led to ageing equipment and underinvestment in critical enablers, including information technology, and the Defence estate such as military bases.

8.5 The Government has introduced a new 10-year funding model for Defence which gives Defence the long-term funding certainty it needs. The Government's long-term funding commitment to Defence will see the Defence budget grow to $42.4 billion in 2020–21, reaching two per cent of Australia's GDP based on current projections.

8.6 Substantial progress has already been made towards meeting this long-term commitment to grow the Defence budget. In the 2014–15 Commonwealth Budget, the Government delivered on its promise to not cut the Defence budget. In 2015–16, the Defence budget grew with an increase of $9.9 billion over the forward estimates. The Defence budget in 2015–16 is $32.3 billion.

8.7 The Government will continue to increase the Defence budget to reach $42.4 billion, which is two per cent of GDP, in 2020–21. Across the 10-year Defence budget model Defence will be provided with $29.9 billion more than was previously planned in the period to 2025–26. This provides Defence with long-term planning certainty it has not had since the Defence White Paper in 2000.

8.8 This 10-year funding model is based on a fully costed future force structure, with external validation of these costs by experts in cost assurance from private sector companies which are globally recognised for their cost analysis and assessment services. This is the most comprehensive cost assurance that has been undertaken for a Defence White Paper. The external cost assurance process included investigating the acquisition and sustainment costs for potential new capabilities, as well as significant existing equipment, facilities and information technology projects, the Defence workforce and the cost of our enhanced program of international defence engagement.

8.9 Collectively, around 80 per cent of the Defence budget has been externally cost assured by private sector experts, with the remaining budget subject to internal cost analysis and assurance. This has

provided assurance that our defence strategy is affordable and achievable within the budget that Defence has been allocated.

8.10 To strengthen Defence's long-term budget and planning certainty, the Government has decided that the 10-year funding model will be not be subject to any further adjustments as a result of changes in Australia's GDP growth estimates. This de-coupling from GDP forecasts will avoid the need to have to regularly adjust Defence's force structure plans in response to fluctuations in Australia's GDP.

8.11 The funding growth path to reach two per cent of GDP by 2020–21 will be aligned with the organisational and capability priorities in this Defence White Paper. Over the next two years, while the First Principles Review is being implemented and reforms are being institutionalised, the Defence budget will grow gradually. After this period of reform, the rate of funding growth will increase towards the end of this decade to deliver the capabilities set out in the White Paper.

8.12 As Chapter Four and the Integrated Investment Program accompanying the White Paper highlight, substantial new investment will be required in the first half of the 2020s, including for the acquisition of the future submarines and frigates, which will be major drivers of Defence expenditure. The majority of the additional funding to 2025–26 will be provided from 2019–20 to meet these requirements.

8.13 The Government's 10-year Defence budget model is illustrated in the table below, which shows the increase in Defence funding over previous plans.

	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	Total 2016–2017 to 2025–2026
	$m										
Funding Excluding Operations (Pre-ERC 2016–17)	31,532	34,180	36,709	38,486	40,585	42,588	45,193	47,337	49,477	51,540	417,627
Increased Funding	700	0	60	600	1,800	3,200	4,500	5,540	6,256	7,202	29,858
2016 White Paper Funding Excluding Operations	32,232	34,180	36,769	39,086	42,385	45,788	49,693	52,877	55,732	58,742	447,485
Operations (Pre-ERC 2016–17)	142	19	0	0	0	0	0	0	0	0	161
2016 White Paper Funding Including Operations	32,374	34,199	36,769	39,086	42,385	45,788	49,693	52,877	55,732	58,742	447,646

Table 1: 2016 White Paper Funding Profile 2016–17 to 2025–26

How will Defence funding be spent?

8.14 The Defence budget, not including its funding for overseas operations, comprises four major categories of costs: capital investment in new equipment; sustainment of capabilities; employees; and operating costs. Balancing these costs is essential to maintaining the ADF's capabilities. It is not enough to invest in sophisticated and costly equipment alone. Defence must also invest in the skills of our people to support the ADF's capabilities and in maintaining our equipment to the highest standards to maintain its overall capability. At the same time, Defence must spend the money it is provided efficiently and effectively to maximise the capabilities it can provide.

- Over the period to 2025–26, capital investment will grow from 29 per cent of the Defence budget ($9.4 billion) to 39 per cent in 2025–26 ($23.0 billion), recognising the priority the Government places on reinvesting in defence capabilities for the future. This includes major new capabilities like the Joint Strike Fighters, armoured vehicles, maritime surveillance aircraft and essential enablers such as information technology, Defence bases and communications equipment.
- Investment in sustainment costs will grow from 25 per cent of the Defence budget ($8.1 billion) to 28 per cent by 2025–26 ($16.4 billion). This funding will support the more active and regionally engaged ADF of the future, including increased expenditure on fuel, maintenance and other support costs associated with a higher tempo of ADF operations and exercises.
- Investment in Defence's people capability, as set out in Chapter 6, will grow from $12.0 billion in the Defence budget to $15.3 billion in 2025–26. The proportion of the Defence Budget allocated to personnel will reduce from around 37 per cent to around 26 per cent.

- Defence's operating costs, such as freight, travel and contractors will remain at around seven to nine per cent of the budget, and will grow from $2.8 billion in 2016–17 to $4.0 billion in 2025–26.

8.15 The breakdown of the new funding model by these major categories is illustrated in the chart below.

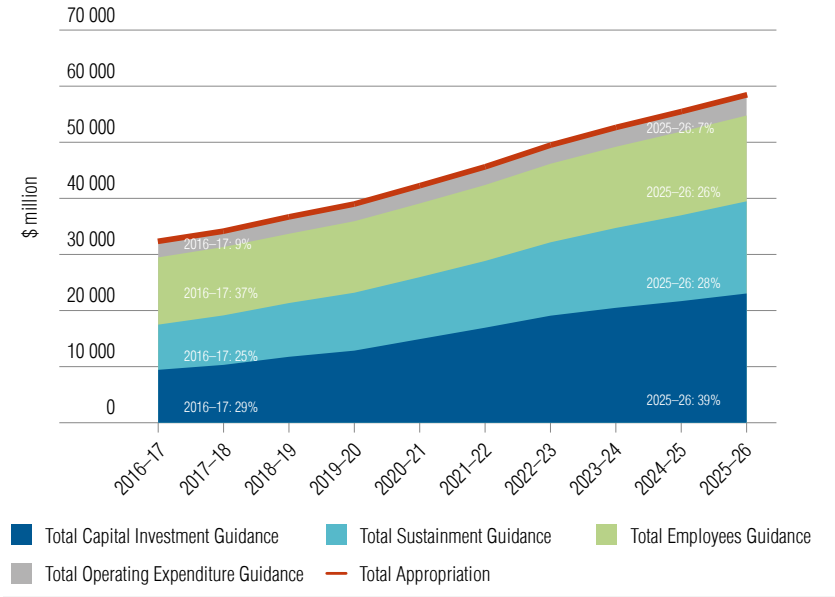


Figure 5: Guidance Expenditure by Category

Budgeting in Defence

8.16 The Government is determined that this Defence White Paper re-establish an affordable, achievable, and sustainable basis for our nation's defence and to rebuild our capabilities.

8.17 The commitments in this White Paper, and its supporting Integrated Investment Program, provide consistency and predictability in the design of the future ADF and the Defence budget. Defence must implement these plans effectively and efficiently.

8.18 Implementation of the Government's First Principles Review will deliver a new and simplified business model for Defence, which focuses on its core business. This includes a stronger strategic centre with enhanced control of resources and monitoring of organisational performance.

8.19 The First Principles Review will deliver fundamental reforms to the capability development life cycle to ensure that Defence capability is planned, delivered, and sustained more effectively. Lessons from the external cost assurance of this White Paper will also be embedded in the new capability development process and in Defence budget planning to deliver the plans set out in this White Paper.

8.20 Transforming Defence into an organisation that is strongly focused on its core business and outcomes will lead to efficiencies. Any savings obtained through these efficiencies will be reinvested in the capabilities outlined in this White Paper. The First Principles Review assessed that there are efficiencies to be obtained by:

- Improving the efficiency and effectiveness of the capability development and acquisition processes, as set out in Chapter Seven.
- Integrating the Defence Materiel Organisation into Defence, which will reduce the number and costs of financial and other transactions and support the full implementation of shared corporate services within Defence.
- Reducing middle management spans and layers to improve the structure of the enabling workforce. Savings will be generated as managers are given more responsibilities and the number of management roles is reduced.

8.21 The Government will periodically review our capability and funding plans to ensure that they remain appropriate to our strategic circumstances and objectives.

9

Chapter Nine: Implementing this Defence White Paper

9.1 The Government's decisions in this Defence White Paper will be implemented in the same deliberate, rigorous, and methodical way that we have approached the development of the White Paper. We have provided the budget certainty and consistency required by Defence, Australian defence industry and our domestic and international partners to deliver the long-term plans set out in this White Paper to safeguard the future security and prosperity of our country.

9.2 To deliver the Government's long-term plans, implementation must start now. To set Defence on the path to implementing the plans set out in this White Paper, Defence will develop an integrated two-year White Paper implementation strategy to be finalised within one month of release of this White Paper. The implementation strategy will ensure Defence maintains tight alignment of strategy, capability and resources.

9.3 Implementing the Government's direction in this White Paper will require strong coordination and sustained priority and energy. Implementation will be driven by Defence's stronger strategic centre. The Defence Committee has been repositioned to provide the Secretary of the Department of Defence and the Chief of the Defence Force with an effective strategic forum to make major organisational, capability and resourcing decisions. The Defence Committee will be responsible for leading and coordinating White Paper implementation across Defence.

9.4 The implementation strategy will be aligned with First Principles Review and cultural reform implementation. Under the First Principles Review we have directed the most sweeping structural and business process reforms since the 1990s so that we have an organisation capable of

meeting the challenges set out in this White Paper. This comprehensive reform program will be implemented in full.

9.5 The Minister for Defence will meet with the Defence Committee every six months to consider a formal strategic assessment of the alignment between Defence's strategy, capability and resources, together with First Principles Review and cultural reform implementation. These six-monthly reviews will be an important element in ensuring that implementation of this Defence White Paper is on track. The outcomes of these Ministerial reviews will drive the Government's annual Defence budgeting and priority setting, including through the four-year Defence Corporate Plan and the Defence Business Plan, which set out Defence's priorities.

9.6 These regular reviews of our strategy and plans, and implementation of business and cultural reforms, will ensure that the Government and Defence are positioned to adjust our plans to seize opportunities and manage risks as our strategic circumstances change.

Intentionally blank

Intentionally blank