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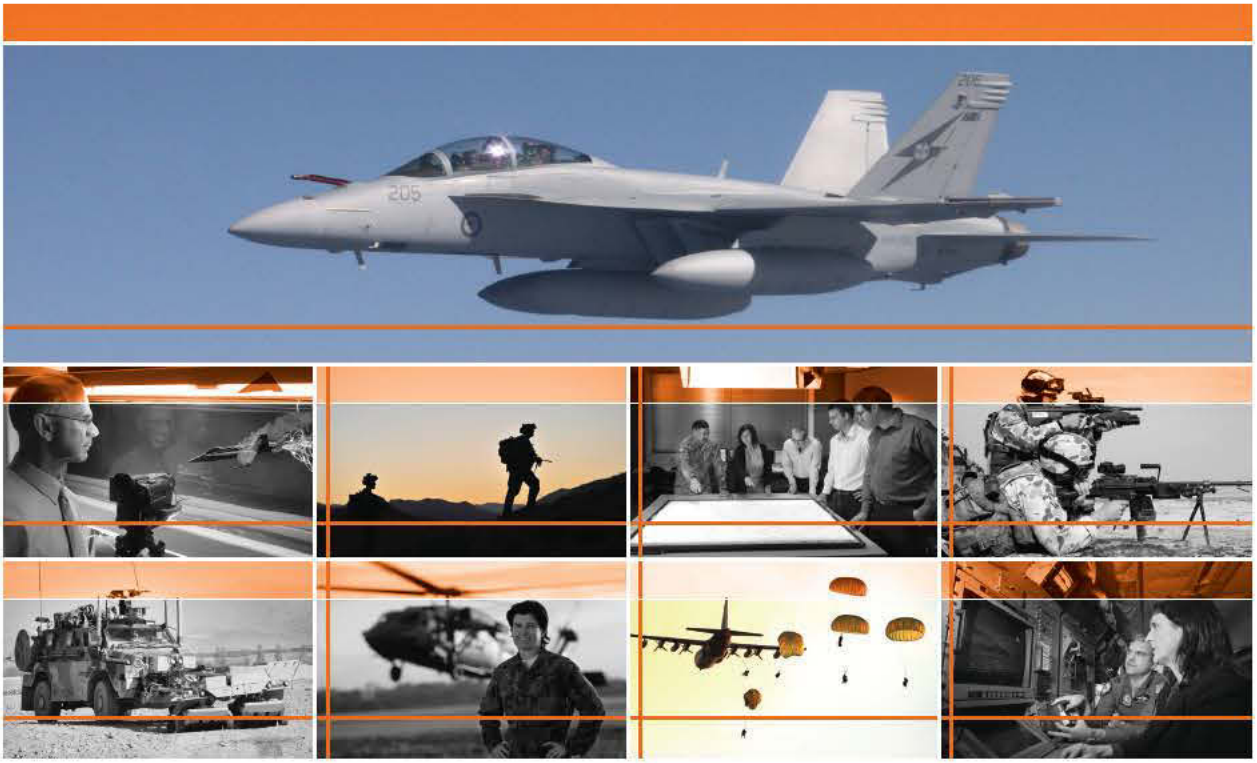

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2013 DEFENCE WHITE PAPER

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MINISTER'S FOREWORD

One of the fundamental responsibilities of any Australian Government is to protect and defend our people and protect and enhance our national security interests.

This requires making complex strategic judgements about risks and opportunities in the international strategic environment. It means providing for an effective and efficiently run Australian Defence Force which is able to make its contribution to meeting strategic challenges.

Government must make judgements about Defence posture, operational capacity, capability, sustainment and Defence budgets and finances.

This periodically requires an Australian Government to methodically review the international strategic environment and Australia's strategic settings and posture to ensure they are appropriate to changing circumstances.

This last occurred in 2009 – the first Defence White Paper in nine years, far too long a period.

That is why the Government committed in 2009 to Defence White Papers not more than five years apart and why the Prime Minister and I announced in May last year that the Government would deliver a new Defence White Paper in the first half of this year.

The 2013 White Paper addresses the range of significant international and domestic developments since 2009, which influence Australia's national security and defence settings, including their impact on force posture, future force structure and the Defence budget.

These include the ongoing economic strategic and military shift to the Indo-Pacific, the Australian Defence Force's operational drawdown from Afghanistan, Timor-Leste and Solomon Islands, the United States' re-balance to the Asia-Pacific, Australia's substantially enhanced practical cooperation with the United States pursuant to our Alliance relationship, and the ongoing adverse effects of the Global Financial Crisis, which have continued to see a significant deleterious impact on the global economy, domestic fiscal circumstances and Defence funding.

The Global Financial Crisis showed that strategic circumstances can change with little warning and can have significant implications for the Australian Defence Force. It also showed that it is not sensible planning to assume financial or economic circumstances will remain constant over time.

The 2013 White Paper outlines the capabilities that the Australian Defence Force will need in the coming years to address strategic challenges. The Government is committed to ensuring that the Australian Defence Force has the capability and culture it needs to effectively serve Australia's national security interests.

Initiatives and projects outlined in the White Paper will remain subject to change as strategic circumstances evolve, new challenges and opportunities emerge and priorities are updated to reflect the changing requirements of Government and the Australian community, and their implications for Defence and the Australian Defence Force.

An effectively functioning Australian Defence Organisation is a critical part of protecting and defending Australia's national security interests.

The 2013 White Paper outlines an integrated reform agenda to embed in Defence at all levels the significant and wide ranging reform program which this Government has commenced in the areas of individual personal and institutional accountability, budget processes, procurement and capability and Defence conduct and culture.

I thank all those who have contributed to the delivery of this White Paper.

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CHAPTER ONE:
WHY A NEW WHITE PAPER NOW?

1.1 We live in a part of the world that continues to undergo extraordinary economic and social change. Our region is the location of unprecedented growth that has seen some countries, including China, India, Indonesia, and the Republic of Korea transformed within a generation. This challenges how we think about Australia's national security and defence.

1.2 There is no higher priority for a Government than the protection of Australia's sovereignty, people and national security interests. To discharge this responsibility, the Government understands the need to meet the security challenges of the 21st Century.

1.3 The 2013 Defence White Paper complements the *National Security Strategy* released on 23 January 2013, and the *Australia in the Asian Century White Paper* released on 28 October 2012. These three documents should be seen together as a statement of the priority the Government places on Australia's security and prosperity, and on maintaining a strong Australian Defence Force (ADF) to meet Australia's national security challenges.

1.4 Australia must seek to shape an international environment favourable to Australia's future security and prosperity, addressing both our global interests and our vital interest in the security of our region. Defence contributes through providing Government with options for meeting threats to Australia's security, and through promotion of a shared sense of security interests within our region. This supports our national interests in practical ways, and helps establish an environment where countries can give priority to economic prosperity and social development.

1.5 At the core of Australia's national security lies the ADF, whose purpose is to deter or defeat attacks on our territory, contribute to the stability and security of Australia's immediate region and help meet our international obligations. A credible ADF gives substance to the principle of self-reliance in deterring or defeating armed attacks on Australia.

1.6 To provide for an effective ADF able to meet these challenges, the Government must make judgements about short-term and long-term strategic risks and opportunities, to help frame choices about defence policy, posture, operational capacity, sustainment, budgets and finances.

1.7 This requires the Government to review periodically the strategic landscape and Australia's policy, posture and capability to ensure they are appropriate for changing circumstances.

1.8 Profound strategic changes occurring across our region are altering the global strategic system. The economic and strategic dimensions of national security will continue to interact. The world economy, on which both our security and prosperity depend, remains the biggest strategic uncertainty. Economic problems and prospects – and international perceptions of these – underlie the movement in strategic weight from the West to the East.

1.9 The relationship between the United States and China, the region's and the globe's two most powerful states, will more than any other single factor determine our strategic environment over coming decades.

1.10 Other major developments include strong economic growth across our region and increasing military modernisation. As the *Australia in the Asian Century White Paper* reinforces, Asia's rise brings many opportunities for Australia. Rising regional prosperity is a common interest and provides a foundation for cooperation. Rising government revenues are allowing many regional states to modernise and increase the capabilities of their military forces, albeit unevenly. Some states are strengthening their defence industrial capacity with leading-edge technological innovation and boosting their defence exports. With economic growth, regional states are developing broader interests and responsibilities, including in global economic governance and in the security of resources such as energy, food and water. Access to resources and supply routes will increasingly feature in strategic considerations.

1.11 The United States has committed to a strategic rebalance to our region aimed at supporting long-term peace and stability. Enhanced cooperation between the United States and its regional partners is an important component of this rebalance.

1.12 China's continued rise as a global power, the increasing economic and strategic weight of East Asia and the emergence over time of India as a global power are key trends influencing the Indian Ocean's development as an area of increasing strategic significance. In aggregate, these trends are shaping the emergence of the Indo-Pacific as a single strategic arc.

1.13 Globalisation and new technologies are increasing the flows of information, people, services and goods. These are overwhelmingly positive developments. But with it comes the growing empowerment of non-state actors with malign intentions, such as terrorists, people traffickers and human smugglers, pirates, transnational criminals and hackers.

1.14 In addition to these long-term strategic trends, three other important developments must be considered.

1.15 First, the ADF has withdrawn from Timor-Leste and will undertake an operational drawdown from Afghanistan and Solomon Islands over the next two years. These transitions will require careful management. Australia must maintain a credible and capable ADF for the defence of our interests and to support security in our region. The emphasis on Australia's regional defence posture in this White Paper focuses on this objective.

1.16 Second, Australia has conducted its own *Australian Defence Force Posture Review*, the first in a quarter of a century, to assess whether the ADF is well positioned geographically to meet Australia's security challenges. This White Paper addresses the response to that Review.

1.17 Third, the White Paper includes a budget model for Defence that is realistic and appropriate for the times. As Australia's financial and economic circumstances allow, the Government will want to grow the Defence budget to around two per cent of Gross Domestic Product. As well, choices will be required over time about the balance of investment between our current force and our core capabilities for the future. In addition, as fiscal and strategic circumstances evolve, further consideration of the appropriate

balance of investment between the major components of Defence's budget – personnel, operating and capital – may also be required. These decisions will need to be cognisant of strategic opportunities and risks.

1.18 To ensure that Australia is best positioned to manage the strategic transformation in the Indo-Pacific at a time of significant fiscal challenge, the Defence Organisation itself must continue to reform. To quote Defence's *Pathway to Change: Evolving Defence Culture* Program, "speed, discipline and clarity on operations needs to translate to all domains of Defence's work." This is essential for Defence to respond to Government's priorities. The systemic defence reform and transformation agenda initiated by the Government will be sustained and strengthened for this purpose.

1.19 A critical priority within the *National Security Strategy* is effective partnerships across the national security community. Defence makes an important contribution to Australia's broader national security arrangements and as highlighted across this Defence White Paper, cooperation with other Commonwealth Departments and Agencies will intensify over the next five years as new whole-of-government arrangements in areas such as cyber security and national security science and innovation are institutionalised. Defence will play a key leadership role in these arrangements. Reflecting the national roles that the Defence Signals Directorate and the Defence Imagery and Geospatial Organisation play in support of Australia's security, these Agencies will be renamed the Australian Signals Directorate (ASD) and the Australian Geospatial-Intelligence Organisation (AGO).

Development of the 2013 Defence White Paper

1.20 The Government remains committed to the strategic planning process outlined in the 2009 Defence White Paper, which involves a new Defence White Paper at intervals no greater than five years. On a five year timetable, the next Defence White Paper would have been published in the first half of 2014. The significant developments in Australia's strategic circumstances since 2009 and the continuing adverse effects of the Global Financial Crisis have necessitated the bringing forward of this White Paper.

1.21 Australia's most basic strategic interest remains the defence of Australia against direct attack, and the security, stability and cohesion of our immediate neighbourhood. Australia also has a real strategic interest in the broader Indo-Pacific region and in a peaceful, rules-based international order.

1.22 Based on its assessment of our strategic environment, the 2009 White Paper envisaged an ADF more capable in: undersea warfare; anti-submarine warfare; surface maritime warfare; air superiority; strategic strike; special forces; intelligence, surveillance and reconnaissance; and cyber security. That assessment remains the case in the 2013 Defence White Paper. The Government remains committed to delivering the core capabilities identified in the 2009 Defence White Paper. That will see the ADF as one of the most capable defence forces in our region and enable it to help manage the strategic risks as our region undergoes transformation.

1.23 Capability is much more than the sum of platforms and systems. The White Paper reflects the priority the Government places on our people and our partnerships as vital components and enablers of Australia's defence capability.

1.24 Continuous strategic planning processes since 2009 have positioned Defence well to give effect to the decisions in this White Paper.

1.25 In the preparation of this White Paper, the Government was able to draw on a considerable body of work developed during 2011 and 2012, including:

- the *National Security Strategy*;
- the *Australia in the Asian Century White Paper;*
- the *Defence Planning Guidance*, a classified strategy document which articulates the priorities that guide Defence to produce the military outcomes sought by Government;
- intelligence assessments produced by the Defence Intelligence Organisation and the Office of National Assessments;
- the *ADF Force Structure Review*, which considered factors relevant to the force structure, including changing strategic circumstances and technological development;
- the *Australian Defence Force Posture Review*, the first major review of Defence's geographic positioning in Australia in over twenty five years;
- the *Defence Capability Plan Review*, which ensures procurement projects align with Government priorities, and that risks are understood and mitigated when decisions are made and implemented; and
- the *Defence Budget Review*, a comprehensive internal stocktake of Defence's budgeting system, taking into account all budget processes, estimation methods and underlying budget assumptions.

1.26 The Government also considered the views of the Australian public through a call for public submissions over the period 13 December 2012 to 28 February 2013. Over 100 submissions were received as part of that process. Consultation was also undertaken with key stakeholder groups including the States and Territories, defence industry groups and defence and national security think tanks.

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CHAPTER TWO:
STRATEGIC OUTLOOK

2.1 Australia's future prosperity is tied to the security and prosperity of our diverse region. This White Paper incorporates developments over the past four years that have affected defence policy, posture and capability. It also aligns with the Government's *National Security Strategy* and the *Australia in the Asian Century White Paper*, which together reinforce the need for Australia to engage actively across the region to help build sustainable security and prosperity.

The Indo-Pacific

2.2 The 2009 Defence White Paper judged that changing patterns of economic power and political influence would give rise to new strategic power relationships. This reflects long-term trends and developments that have begun to coalesce and give shape to an increasingly complex global order. Since 2009, the economic growth and broader international interests of Asia's larger powers, especially China and to a lesser extent India, have had more impact worldwide. As a result, some defining characteristics of the order foreshadowed in the 2009 White Paper are now becoming clearer.

2.3 First, developments since the 2009 White Paper have reinforced the critical importance of the US-China relationship in shaping our strategic environment over coming decades. The evolution of this relationship is being affected by the United States' commitment to the region through the rebalance and by the effects of China's rise.

2.4 Second, a new Indo-Pacific strategic arc is beginning to emerge, connecting the Indian and Pacific Oceans through Southeast Asia. This new strategic construct – explored in both the *National Security Strategy* and *Australia in the Asian Century White Paper* – is being forged by a range of factors. Notably, India is emerging as an important strategic, diplomatic and economic actor, 'looking East', and becoming more engaged in regional frameworks. Growing trade, investment and energy flows across this broader region are strengthening economic and security interdependencies. These two factors combined are also increasingly attracting international attention to the Indian Ocean, through which some of the world's busiest and most strategically significant trade routes pass.

2.5 The 2009 Defence White Paper made clear Australia's enduring interest in the stability of what it called the wider Asia-Pacific region. The Indo-Pacific is a logical extension of this concept, and adjusts Australia's priority strategic focus to the arc extending from India though Southeast Asia to Northeast Asia, including the sea lines of communication on which the region depends.

2.6 The Indo-Pacific is still emerging as a system. Given its diversity and broad sweep, its security architecture is, unsurprisingly, a series of sub-regions and arrangements rather than a unitary whole. But over time, Australia's security environment will be significantly influenced by how the Indo-Pacific and its architecture evolves.

2.7 Security in the region is subject to a mix of trends towards integration and competition. The region's strategic architecture, together with the rising capacity of states to focus on regional security issues, is developing through forums such as the East Asia Summit and the Association of South-East Asian Nations (ASEAN) Defence Ministers Meeting Plus. The habits of cooperation built through this architecture are establishing some of the positive foundations needed for regional security. At the same time, historical territorial or maritime disputes such as in the South China Sea and East China Sea, regional flashpoints, and the increasing military capacity of many states, increases the risk of destabilising strategic competition.

2.8 Third, the influence of other regional powers such as Japan, the Republic of Korea, and Indonesia, is becoming more important. Although the strategic environment will be shaped largely by the relationship between the United States and China, and by the rise of India in the longer-term, the increasing number of influential Asian states means we are witnessing the evolution of a more complex and competitive order.

2.9 The emerging Indo-Pacific system is predominantly a maritime environment with Southeast Asia at its geographic centre. The region's big strategic challenges will last for decades and their mismanagement could have significant consequences. Regional forums and multilateralism have proven well worth nurturing, even if they remain a modest supplement to long-practised bilateral statecraft. In this context, ASEAN political cohesion will be an increasingly important contributor to the effective management of the system as a whole.

2.10 Building on ASEAN's success in generating stability in Southeast Asia, Australia supports the development of these mechanisms through institutions including the East Asia Summit, the ASEAN Defence Ministers Meeting Plus and the ASEAN Regional Forum, alongside our bilateral partnerships. These forums have contributed to the region's long period of peace, stability and security through encouraging dialogue, cooperation and confidence building.

2.11 For Australia, this more complex environment will make it more challenging for us to achieve or influence outcomes. Asian countries will balance a broader range of interests and partners, and Australia's voice will need to be clearer and stronger to be heard.

2.12 As the *National Security Strategy* notes, "multilateralism is inherently difficult and requires perseverance in pursuit of sometimes seemingly incremental development. Australia is working with its partners to strengthen regional forums – especially the East Asia Summit and the ASEAN Regional Forum – so that they can better contribute to regional stability. At the same time, we are developing bilateral relations with our most important partners, and providing support for smaller or ad hoc groupings to gain traction on issues of shared concern." A credible ADF underpins Australia's influence and reach. While the task of achieving our security objectives may be more complicated, our legacy of building defence and military relationships within the region positions us well to work in this more complicated environment.

Adverse Effects of the Global Financial Crisis

2.13 The Global Financial Crisis was the most serious since the 1930s. In the first year of the Crisis from 2008-2009, global stock markets fell by more than 40 per cent, global trade by 17 per cent and global output by 19 per cent. The effects of these shocks are still reverberating. Many Western nations in particular are facing at least a decade of low economic growth. The World Bank has cautioned that there will be continued volatility and a risk of further financial crises.

2.14 These difficulties are reinforcing longer-term trends. Because the adverse impact of the Global Financial Crisis has been comparatively heavier on Western economies, it is accelerating the shift in economic and strategic weight to our region. Although China is entering a period in which it will have to tackle structural economic imbalances in order to maintain robust growth, China's defence budget continues to record significant year-on-year increases. Between 2000 and 2013, China's defence spending increased by over 140 per cent in real terms. We are also seeing growth in other defence budgets around the region, including in India, Japan, the Republic of Korea, and Southeast Asia.

2.15 Western governments, on the other hand, are reducing expenditure. The United States is reducing projected defence spending of at least US$487 billion over the next decade, albeit against a very large base budget. In 2010, the United Kingdom announced a 7.5 per cent cut in real terms over four years. Defence expenditure elsewhere in Europe has fallen and may decrease further due to debt reduction efforts.

2.16 But these challenges need to be kept in perspective. In 2011, the United States retained by far the largest share of world defence spending (41 per cent), while the United Kingdom remained in the top five nations worldwide for military expenditure. Australia remains in the top 15 defence spenders, which is consistent with our economic size and strategic reach.

2.17 Though US and European budget constraints will affect acquisition programs and in-service capabilities, Western nations will maintain formidable defence forces and retain the capacity to grow quickly in the future should strategic circumstances require. But Western nations are likely to be more selective in participating in expeditionary operations. For example, in its strategic guidance of January 2012, the United States announced that its forces would no longer be structured to conduct large-scale, prolonged stability operations such as we have seen in Iraq and Afghanistan.

2.18 As outlined in Chapter Seven, the Global Financial Crisis and ongoing volatility in the global economy have created new fiscal challenges for Australia. The combination of this and our strategic environment make further and ongoing reform of our Defence Organisation essential.

The United States and China

2.19 More than any other, the relationship between the United States and China will determine the outlook for our region. Some competition is inevitable, but both seek stability and prosperity, not conflict. On this basis, Australia sees the most likely future as one in which the United States and China are able to maintain a constructive relationship encompassing both competition and cooperation.

2.20 It will be important for the United States and China to grow their political and strategic relationship to match their deep economic integration. Both countries have a clear interest in preserving regional stability and security. We expect that both the United States and China will work hard to maximise cooperative aspects and minimise the competitive elements in the relationship. At the heart of continued stability and prosperity in the Indo-Pacific is a positive and enduring bilateral US-China relationship at every level – economic, political, strategic and military-to-military.

2.21 The United States will continue to be the world's strongest military power and the most influential strategic actor in our region for the foreseeable future. The role of the United States in the Indo-Pacific has been central to maintaining a stable Asian region for more than 60 years. The United States' alliances and partnerships in North and Southeast Asia and the United States' guarantee of extended deterrence – the commitment that it would come to the defence of any of its allies that were attacked – has provided a stable security environment underpinning regional prosperity.

2.22 Through its multifaceted rebalance, the United States is shifting its strategic posture to support a peaceful region where sovereign states can enjoy continued security and prosperity. This rebalance underlines an increased United States' focus on Asia. The United States has signed the ASEAN Treaty of Amity and Cooperation, joined the East Asia Summit, upgraded its relations with India and reviewed its military posture in Asia.

2.23 The US rebalance provides opportunities for deeper bilateral and multilateral political, economic, diplomatic and military cooperation with regional states. The United States has announced that its rebalance includes enhancing partnerships with India, Indonesia, Malaysia, New Zealand and Vietnam and has outlined a vision for substantive and sustained military-to-military engagement with China as part of its broader relationship.

2.24 In November 2011, Australia and the United States announced two force posture initiatives as a natural development in our bilateral relationship that will support increased regional security cooperation. These initiatives comprise the deployment of US Marine Corps personnel to the Northern Territory, to conduct exercises and training on a rotational basis with the ADF, and closer cooperation between the Royal Australian Air Force and the US Air Force that will result in increased rotations of US aircraft through northern Australia.

2.25 At the Australia-US Ministerial Meeting (AUSMIN) 2012 in Perth, Australia and the United States agreed to undertake a cooperative study to explore opportunities in the long-term for enhanced cooperation with the US Navy at a range of locations in Australia, including Australia's Indian Ocean naval base, HMAS Stirling. Decisions on future options for increased US naval cooperation in Australia require further consideration by both Governments.

2.26 While the rebalance is much broader than its military elements, it will also be reflected in US decisions on defence force structure, investments in technology and weapon systems, and operational plans and tactics.

2.27 Australia welcomes China's rise, not just because of the social and economic benefits it has brought China's people, but also in recognition of the benefits that it has delivered to states around the globe. China's continued economic growth has been a positive contributor to the economies of Australia and other states, helping to offset the economic troubles of Europe and relatively low growth in the United States.

2.28 The Government does not believe that Australia must choose between its longstanding Alliance with the United States and its expanding relationship with China; nor do the United States and China believe that we must make such a choice. Their growing economic interdependence and developing security cooperation reinforce this point. The Government does not approach China as an adversary. Rather, its policy is aimed at encouraging China's peaceful rise and ensuring that strategic competition in the region does not lead to conflict.

2.29 China's economic transformation is also changing the regional global strategic balance and is a major contributor to global strategic weight shifting to the Indo-Pacific. China's defence capabilities are growing and its military is modernising, as a natural and legitimate outcome of its economic growth. This will inevitably affect the strategic calculations and posture of regional countries and is changing the balance of military power in the western Pacific. With China's global interests expanding, it is becoming more active on a broader range of international issues.

2.30 The effect of China's rise is being felt in Southeast Asia, where China, Vietnam, the Philippines, Malaysia and Brunei have competing territorial claims. Many states are concerned by rising regional tensions since 2009, and have called for their management through a Code of Conduct in the South China Sea consistent with principles of international law.

Southeast Asia and North Asia

2.31 Southeast Asia and North Asia are home to a number of significant regional powers, including China, Indonesia, Japan and the Republic of Korea. There are also flashpoints – the Korean Peninsula, the Taiwan Strait, the East China Sea and the South China Sea. These have the potential to destabilise regional security owing to the risk of miscalculations or small incidents leading to escalation. Establishing effective mechanisms to help manage these pressure points will be increasingly important. Australia wishes to see a peaceful regional strategic order with deeper understanding, clearer communication and more effective and reliable rules.

2.32 The archipelago to Australia's north shapes our strategic geography. Denying an adversary our air and sea approaches in the archipelago is vitally important for deterring and defeating attacks on Australian territory. The archipelago is also vital for Australia's trade with seven of our top ten trading partners (China, India, Japan, Malaysia, Thailand, the Republic of Korea and Singapore). As Indonesia comprises much of this archipelago, Australia's strong partnership with Indonesia remains our most important regional strategic relationship and the partnership continues to deepen and broaden in support of our significant shared interests.

2.33 Southeast Asia is located in a geostrategically central position between the Pacific and Indian Oceans. It acts as the conduit for the intensifying exchange of goods, people and ideas between East, South and West Asia. The region straddles the Malacca Strait, the world's second busiest shipping channel. It is also a key region where cooperative strategic arrangements are essential. Events in the South China Sea may well reflect how a rising China and its neighbours manage their relationships.

2.34 With growing influence and capability, Indonesia has an opportunity to play an increasing role in building regional and global stability, as it is already doing through its leading role in ASEAN and its membership of the East Asia Summit, Asia-Pacific Economic Cooperation forum and the G20. Indonesia's evolution as an increasingly influential democratic regional power and emerging global influence has seen its importance to Australia as a key security partner grow from an already strong base. This will continue over coming years and decades.

2.35 Japan, a US ally, will remain a major power in the Indo-Pacific. Since 2009, Japan's concern about China's military modernisation has increased, particularly following tensions over the status of the Senkaku/Diaoyu Islands. Under its 2010 National Defense Program Guidelines, Japan outlined a concept of 'dynamic deterrence' under which it is enhancing its capacity to respond to incidents short of major conflict.

2.36 The Republic of Korea is a significant middle power and a US ally with a growing range of interests in wider regional and global stability. The Democratic People's Republic of Korea (DPRK) will remain Seoul's primary security focus, but there may be scope for greater cooperation between the Republic of Korea and other strategic actors in the region.

2.37 Tensions on the Korean Peninsula have heightened since 2009 as a result of increased provocations by the DPRK. These provocations have continued under Kim Jong-Un, who succeeded his father Kim Jong-Il as DPRK leader in December 2011. The DPRK's nuclear test of 12 February 2013 was followed by the adoption of UN Security Council Resolution 2094, which strengthened the sanctions and inspections regime in place against the DPRK. Recent rhetoric from the DPRK has included threats of strikes against the Republic of Korea and continental United States.

2.38 These developments are unlikely to change the DPRK's long-term strategic goals. The DPRK regime will attempt to maximise international aid and political concessions while remaining committed to its nuclear program, which it views as a vital bargaining tool and a deterrent to attack. DPRK behaviour will continue to be unpredictable, but we do not foresee regime collapse or widespread instability in the short-term. However, the Republic of Korea has signalled it will be less tolerant of future provocations, having shown great restraint, particularly in the face of the sinking of the *Cheonan* in March 2010.

2.39 Moreover, the DPRK's nuclear program and proliferation activities remain a major concern. In addition to the Yongbyon reactor, which has been used to produce plutonium, Pyongyang has confirmed the existence of a uranium enrichment facility. This will allow the DPRK to accrue more fissile material and potentially heightens the risk of nuclear proliferation. The DPRK also continues to expand its missile arsenal, including developing an intercontinental ballistic missile that may be able to deliver a nuclear warhead to the United

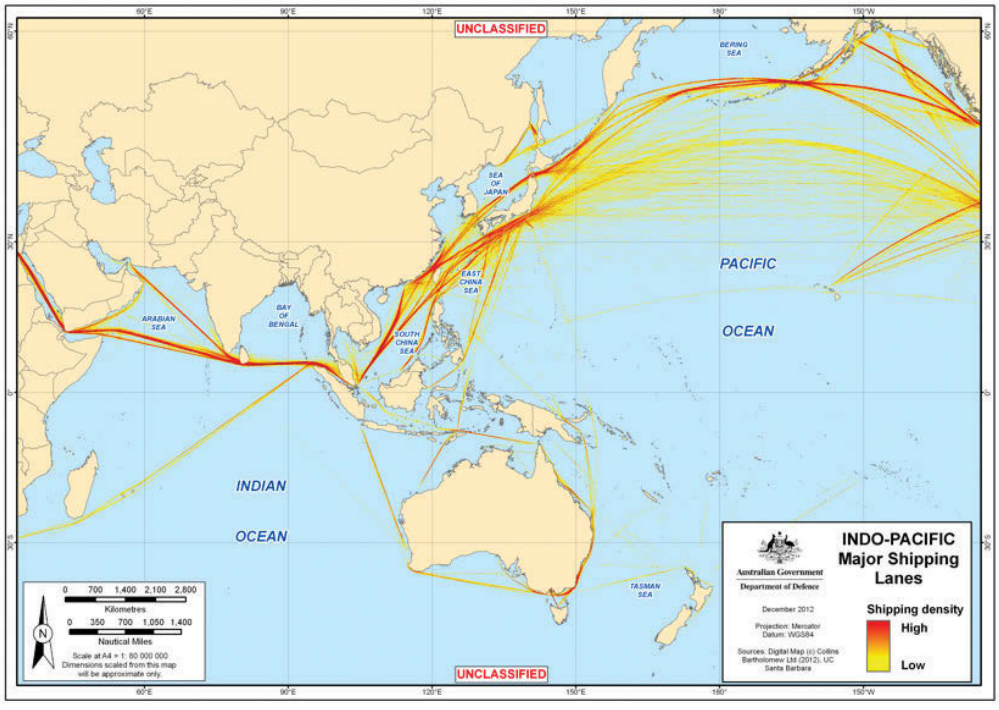
States and theoretically to Australia, noting that targeting Australia would require both the intent and the technical capacity to deliver long range missiles on target. A demonstrated DPRK capability to deliver a nuclear device on a long-range missile and accompanying DPRK threats to do so would alter the status quo on the Korean Peninsula and pose a threat to broader regional security. This makes sustained unified pressure on the DPRK regime not to take such a step in the interests of regional states.

2.40 Building on already deep and extensive relations with India and China, Russia is seeking to expand its influence in the Indo-Pacific beyond traditional partners, both politically, through consolidation and potential expansion of the Brazil, Russia, India, China and South Africa (BRICS) grouping and, in line with Russia's economic potential, as a supplier of oil and gas, nuclear technology and conventional arms.

2.41 Significant opportunities and challenges are emerging from the rise of Asian powers. In this more competitive global order, Australia needs to create and deepen defence partnerships and contribute to regional security architecture, while maintaining and enhancing our Alliance with the United States.

The Indian Ocean

2.42 The Indian Ocean is now surpassing the Atlantic and Pacific oceans as the world's busiest trade corridor. Rapid economic growth in South, Northeast and Southeast Asia is driving stronger economic links with the resource-rich Middle East and Africa. One-third of the world's bulk cargo and around two-thirds of global oil shipments now pass through the Indian Ocean. These increasing trade flows are highlighted in the chart below showing the density of trade flows through the Indo-Pacific waterways.



2.43 Australia has direct interests in stable trade routes through the Indian Ocean. Some of Australia's major trading partners – China, Japan, Singapore, India and the Republic of Korea – are heavily reliant on these routes for energy and raw material resources. Over 80 per cent of China's oil imports transit the area. States proximate to the major trade routes, such as Indonesia, are increasingly important to the region's strategic stability. As Australia further develops the North-West Shelf as a global source of liquefied natural gas and other petroleum resource exports, freedom and security of the sea lines of communication in the Indian Ocean will become even more important to us.

2.44 These shared economic interests will lead in turn to greater strategic interdependence, as those with a stake in this trade also share an interest in ensuring it flows freely. The United States is likely to remain the strongest maritime power and security guarantor in the Indian Ocean, but over the next two decades we can certainly expect to see an increased presence from the maritime forces of China and India.

2.45 Efforts to better secure economic interests in the Indo-Pacific will occur as the capabilities of regional states grow. It will be important for countries with an interest in Indian Ocean trade and energy flows to strengthen security collectively rather than individually, including by supporting the development of Indian Ocean regional architecture such as the Indian Ocean Naval Symposium and the Indian Ocean Rim Association for Regional Cooperation.

Regional Military Modernisation

2.46 Regional military modernisation is largely a consequence of rising national wealth, enabling many states to modernise their defence forces with more advanced capabilities. This presents significant new opportunities for partnering with other nations' defence and military organisations. But it also raises the levels of capability required by the ADF to maintain the edge that has historically underpinned the defence of our continent with a comparatively small population.

2.47 Although overall defence spending is growing in Southeast Asia, most states are spending a similar proportion of Gross Domestic Product on defence as they did prior to the Asian Financial Crisis of 1997. While much of the procurement of Southeast Asian countries is aimed at consolidating existing capabilities and upgrading professional standards, some countries – particularly Singapore, Indonesia, Malaysia and Vietnam – are introducing advanced platforms. These include beyond-visual-range air-to-air missiles, air-to-air refuelling, modern surveillance radars, digital data-links, highly capable airborne early warning and control platforms and electronic warfare systems. Together they can provide a significant increase in combat capability through improved situational awareness, better command and control and improved integration of defence networks.

2.48 In the maritime domain, some Southeast Asian countries are introducing advanced diesel-electric submarines that have highly capable systems, such as Malaysia's SCORPENE Class equipped with the Blackshark torpedo. The Indonesian Navy is seeking to introduce advanced corvettes, submarines and anti-ship guided missiles over the next 20 years.

2.49 The size of China's economy, combined with its domestic defence industry and ambitious military planning, has enabled its official defence spending to deliver significant capabilities, including modern submarines and cyber capabilities. Other capability programs include the continuing development of anti-ship ballistic missiles, two prototype fifth-generation fighter aircraft, carrier-based air power, counter-space systems and improved anti-submarine warfare capabilities.

2.50 India is also pursuing modernisation across its military forces. India's plans will strengthen its capacity for maritime operations in the Indian Ocean and Bay of Bengal through new classes of frigates and destroyers with stealth characteristics, new conventional and nuclear submarines, a submarine-based nuclear deterrent, an indigenously-designed aircraft carrier, large numbers of advanced fourth-generation fighter aircraft and the purchase of the US P-8A Poseidon maritime surveillance aircraft. India is also participating in Russia's fifth-generation fighter project and plans to introduce the Sukhoi/HAL Fifth-Generation Fighter Aircraft in 2022.

2.51 Over the next three decades, Australia's relative strategic weight will be challenged as the major Asian states continue to grow their economies and modernise their military forces. Australia will, however, maintain the capacity for effective self-defence and for an active regional posture. Militarily capable Asian partners will provide greater scope for cooperative activities and, if required, operations with us and with each other. An important task for all Indo-Pacific nations will be to develop the security structures in our region to help ensure cooperation rather than competition.

Challenges in the South Pacific and Timor-Leste

2.52 Some South Pacific states have opportunities to benefit from growth in the Indo-Pacific. Demand for the marine, mineral, energy and forestry resources of the South Pacific and Timor-Leste has the potential to place the more richly-endowed countries on a more sustainable development path.

2.53 But the region also faces major challenges. Fast-growing populations and 'youth bulges', together with high levels of unemployment and obstacles to effective governance, create the conditions for escalating crime and violence. These difficulties will be compounded by the effects of climate change. The security capacity of South Pacific states to deal with internal, external or transnational threats is generally limited, and is likely to be dependent on foreign assistance for decades to come.

2.54 As Australia plays a central role in the South Pacific, we will need to continue to be a source of economic, diplomatic and, if necessary, military support.

2.55 But we recognise that attitudes to our role are changing. While Australia provides half the region's total development aid and will be significantly increasing this contribution, the growing reach and influence of Asian nations opens up a wider range of external players for our neighbours to partner with. Australia's contribution to this region may well be balanced in the future by the support and assistance provided by other powers.

2.56 Nonetheless, shared history and deep business and people-to-people links have created close relationships between Australia and South Pacific states. Australia remains committed to strengthening

sovereignty and assisting with security and stability in the South Pacific and Timor-Leste when required, and will work with our neighbours and other partners to do so.

2.57 New Zealand will remain an important contributor to security in the South Pacific. New Zealand shares our interests in the region's stability, development and good governance. The New Zealand Defence Force is continuing to develop and enhance its capabilities with a focus on South Pacific contingencies and cooperation with Australia through initiatives such as the ANZAC Ready Response Force.

South Asia

2.58 Australia's key strategic interests in South Asia are counter-terrorism, nuclear non-proliferation and the maintenance of peace between India and Pakistan.

2.59 India has continued to grow since the 2009 Defence White Paper and, as stated in the *Australia in the Asian Century White Paper*, it is expected to become the world's third largest economy by 2025, by when it will also become the most populous state. With its economic growth and military modernisation, India will play an increasingly influential role in the Indo-Pacific. India is among our top ten trading partners and in 2011-12 was the leading source of migrants to Australia.

2.60 As India's economy grows and its trade interests expand, it is likely to develop and modernise its power projection capabilities. Over time, India will become a very important partner in building security in the Indian Ocean and broader Indo-Pacific region.

2.61 We also have important strategic interests in the security of Pakistan. Pakistan faces significant security challenges, including terrorist attacks, the use by global terrorists of Pakistan as a safe haven, growing radicalisation and potential threats to the security of Pakistan's nuclear weapons.

2.62 A large-scale India-Pakistan conflict cannot be ruled out. Neither side seeks conflict, but events such as an attack on India attributable to Pakistan-based terrorist groups, like the 2008 Mumbai attack, could trigger conflict between these two nuclear-armed states.

Afghanistan

2.63 Australia has maintained a sustained presence in Afghanistan since 2001. This commitment has come with a price. To date, we have suffered 39 ADF fatalities in Afghanistan, with 251 ADF personnel wounded since 2001. But our longstanding presence has served our interest in a secure and stable Afghanistan that does not host international terrorism able to reach into our own region.

2.64 Australia, with our International Security Assistance Force partners, is working to support Afghanistan as it assumes nation-wide security responsibility by the end of 2014. The ADF's support to Afghanistan has primarily been through its mentoring of the Afghan National Army's 4th Brigade, 205 Corps, in Uruzgan Province, with this support shifting from mentoring to advising as the Brigade commenced independent operations at the end of 2012. The ADF role in Uruzgan is set to conclude by the end of 2013 with the closure of Multi-National Base – Tarin Kot, and the completion of transition to an Afghan security lead.

2.65 Reflecting our long-term interests in a stable Afghanistan that can be responsible for its own security, Australia signed the Long-term Comprehensive Partnership with Afghanistan in May 2012. As part of this responsibility, Australia has committed US$100 million annually for three years from 2015 to support the continued development and sustainment of the Afghan National Security Forces. Beyond 2014, Australia has also committed to contribute to the North Atlantic Treaty Organization-led train, advise and assist mission to Afghanistan, including through provision of institutional trainers.

Middle East and Africa

2.66 The Middle East, with its enormous oil and gas reserves, will continue to have a critical influence on global energy security for the foreseeable future. The region is the source of around 20 per cent of Australia's petroleum goods and more than 30 per cent of global oil supply. Security and stability in this region, with its range of longstanding conflicts and tension points, is also critical to global security. Australia has a strategic interest in supporting Middle East stability, which is reflected in Australia's commitment to United Nations (UN) and US-led operations and our continuing participation in a range of regional peacekeeping missions and maritime security tasks. Australia's defence presence in the United Arab Emirates is essential to our current mission in Afghanistan and will also support Australia's other ongoing operations in the Middle East.

2.67 Iran's determination to advance its nuclear program in violation of UN Security Council and International Atomic Energy Agency (IAEA) resolutions, and its refusal to cooperate fully with the IAEA, continues to be a destabilising factor in the Middle East. Despite strong sanctions being levied against it, Iran is edging closer to a nuclear weapon breakout capability, which could trigger conflict or drive regional proliferation.

2.68 The 'Arab Spring' is significantly changing the Middle East, leading not least to the fall of regimes in Tunisia, Egypt and Libya, widespread violence in Yemen, and a violent and destabilising civil war in Syria. This sweeping change is likely to have implications for strategic issues that have long determined the course of the Middle East, including intra-regional security relationships, and for the security of global energy supplies.

2.69 While many African states have seen improvements in economic development and governance, parts of the continent will remain unstable and violent. Australia's direct interest in Africa's stability will grow as our businesses increase their investment there, particularly in mineral resources, and place more Australian nationals on the ground. Australia will remain committed to supporting international peacekeeping within our capacity and providing targeted defence cooperation to enhance regional peacekeeping capabilities on the African continent.

Terrorism

2.70 Improved counter-terrorism awareness and capabilities, sustained international effort and cooperation, and the death of key leaders such as Usama bin Laden have altered the nature of global terrorism. Terrorist networks maintain the intent to attack Western interests, but are increasingly decentralised, with sympathisers, including those located in Western homelands, more often seeking to attack without Al Qaeda's direct involvement or explicit guidance.

2.71 The bulk of Islamist terrorist presence and activity – to recruit, train, plan and attack – will remain in the Middle East, North Africa and South Asia, in states that offer permissive environments. Afghanistan and Pakistan will remain critical to global efforts to fight terrorism and deny terrorists safe haven. Centres of export of terrorist activity, mainly Yemen, Lebanon, the Sahel and now Syria, will increasingly affect Australia's security, including through experience and training given to individuals there. Islamist terrorism will also continue to exist in some form in Southeast Asia, especially in Indonesia and the southern Philippines. Although the reach and potency of Southeast Asian terrorism has been constrained by the success of regional counter-terrorism efforts – especially in Indonesia – it remains the case that it is in Southeast Asia that Australians are more likely to be targeted. Continued national vigilance and regional focus and cooperation is required.

Climate Change and Resource Security

2.72 Global energy, food and water resources are under pressure from population growth, rising affluence and climate change. Robust demand for commodities is underpinned by rapidly emerging economies such as China and India. Demand for key commodities is expected to remain robust over the long-term.

2.73 Resource insecurity is likely to grow in coming decades. Asia is expected to become 90 per cent dependent on imported oil by 2050, mostly from the Middle East. Once major exporters of oil and gas, ASEAN countries are now collectively net oil importers and within three decades may also become net importers of gas. Japan and the Republic of Korea have limited domestic supplies, rendering them vulnerable to major energy shocks. These changes are countered to some extent by the United States' rapid change from being a net importer to a net energy exporter.

2.74 This increased demand for imported commodities is unlikely to lead to major interstate conflict as long as the global market operates freely, since it is cheaper to pay for a commodity than to go to war for it. However, the likelihood of miscalculation is higher where conflicting territorial claims and resource imperatives overlap, such as in the South China Sea.

2.75 The risks associated with resource insecurity may be exacerbated by changes in the global climate system. The inundation of low-lying regions, more frequent and severe natural disasters and shifts in rainfall patterns would lead to loss of agricultural production in some areas and potentially large-scale human migration. The combination of the effects of climate change and resource pressures will increase

the risk of insecurity and conflict, particularly internal instability in fragile states, many of which have increasingly large populations in areas that will be affected by climate change. These factors, taken together, point to an increasing demand for humanitarian assistance, disaster relief and stabilisation operations over coming decades.

Antarctica

2.76 There is no credible risk of Australia's national interests in the Southern Ocean and the Australian Antarctic Territory being challenged in ways that might require substantial military responses over the next few decades. The Antarctic Treaty System provides for the international governance and management of Antarctica and sets aside use of Antarctica for peaceful purposes, with a particular emphasis on scientific research and environmental protection. The Antarctic Treaty's 'Madrid Protocol' prohibits any activity relating to mineral resource exploitation other than scientific research, and until 2048 can only be amended by unanimous consent. Australia is a strong advocate of the Antarctic Treaty System and its goals.

2.77 There is, however, increasing international interest in Antarctica, including in Australia's Antarctic Territory. Australia has forged operational and scientific cooperation relationships with several nations and will continue to monitor the strategic implications of international developments in the Antarctic region. To date, the Antarctic Treaty System has been well respected, but in coming decades it may come under pressure as resources become more scarce elsewhere.

Implications of Technology Development for the ADF

2.78 As with regional modernisation, technological trends around the world offer both challenges and opportunities for Defence. There is growing capacity around the globe, and increasingly in our region, to develop, purchase and reverse-engineer sophisticated systems for military applications. This can quickly offset the advantage in developing a leading capability. Rapid rates of technological change and global access to commercial off-the-shelf technology are reinforcing these trends and are expected to continue affecting defence capability options.

2.79 Significant technological advances with defence applications are likely to occur in the fields of biological sciences, materials, nanotechnology, computing and sensing, and simulation. Defence is likely to have to work harder to take advantage of rapid technological developments and to anticipate and adapt to advances by others. This is addressed in more detail in Chapter Eleven.

2.80 The importance of unmanned air, maritime and land platforms to future ADF operations and the future force needs further investigation. These platforms, particularly unmanned aircraft, are proliferating not only among national defence forces around the world, but also civil organisations and non-state actors. With stealth and the ability to loiter for extended periods, these systems have advantages for intelligence, surveillance and reconnaissance, including in support of Australia's border security needs. Armed unmanned systems will be available in greater variety and sophistication in years to come.

2.81 Semi-autonomous unmanned systems able to engage in both self-protection and offensive action are under development internationally. Although there are significant challenges in making these systems viable and operationally useful, it is possible that they will be deployed by defence forces in the mid-2020s. Domestic and international legal and policy considerations will be important factors associated with their employment. We will need to understand the increasing opportunities and risks arising from the use of greater autonomy in intelligence, surveillance and reconnaissance and electronic attack, including in the early stages of strike operations.

Cyber

2.82 The 2009 Defence White Paper acknowledged that national security could be compromised by cyber attacks on defence, government or commercial information networks. Cyber security continues to be a serious and pressing national security challenge. The seriousness of the cyber threat was affirmed in 2011 when Australia and the US confirmed the applicability of the ANZUS Treaty to cyber attacks. This further emphasised the need for capabilities that allow us to gain an advantage in cyberspace, guard the integrity of our information, and ensure the successful conduct of operations.

2.83 Australia, advantaged by the cyber dimension of our international strategic partnerships, should find that the rise of cyber power has at least as many pluses as minuses. But the net effect on Australia's position will depend on how well we exploit cyber power, including working with partners and integrating cyber power into national strategy and a whole-of-nation effort.

2.84 The potential impact of malicious cyber activity has grown with Defence's increasing reliance on networked operations. Reducing Defence's vulnerability to cyber attacks or intrusions in a crisis or conflict will remain a high priority. This includes protection of deployed networks and information systems. In a future conflict or escalation to conflict, an adversary could use a cyber attack against Australia to deter, delay or prevent Australia's response or the ADF's deployment of forces. This would probably include the targeting of information systems, networks and broader support infrastructure perceived to be integral to the ADF's decision-making and war-fighting capabilities. Once deployed, our forces will need to operate as a networked force in a contested environment.

2.85 It is equally important to protect information in peacetime. Australia's national security, economic prosperity and social wellbeing now depend on the internet and the security of information. Compromise of Australian Government information could allow an adversary to gain economic, diplomatic or political advantage over us. Compromise of commercial, government or private citizens' information would undermine public and international confidence in Australia as a secure digital environment.

2.86 Defence capability would be seriously undermined by compromised sensitive information on command and control, operational planning, platform design or weapon system performance. Additionally, without effective mitigation and protection measures in place, the costs to Defence of addressing cyber intrusions could far outweigh the effort expended by an adversary.

2.87 Understanding of the cyber threat has increased markedly since the 2009 Defence White Paper. The establishment of the Cyber Security Operations Centre (CSOC) within the Defence Signals Directorate (DSD) – to be renamed the Australian Signals Directorate – has allowed the development of a comprehensive understanding of the cyber threat environment and coordinated responses to malicious cyber events that target government networks. Through the CSOC, Australia has increased its intrusion detection, analytic and threat assessment capabilities, and improved its capacity to respond to cyber security incidents.

2.88 Within Defence, there is also a significant body of work to be done to ensure the security and resilience of defence systems in this environment. Network and system management, along with personnel and physical security need to be strengthened as part of our response.

2.89 Australia works within the framework of its traditional defence and intelligence and broader national security relationships to counter cyber threats. More broadly, Australia believes that the existing framework of international law, including the UN Charter and international humanitarian law, applies to cyberspace. Australia is participating in international efforts to achieve a common understanding of these laws.

2.90 In January 2013, the Prime Minister announced the establishment of a new Australian Cyber Security Centre to improve partnerships between government Agencies and with industry. The Centre will bring together cyber security capabilities from across the national security community, fully located in one facility. DSD's CSOC, other elements of DSD's Cyber Security Branch, the Attorney-General's Computer Emergency Response Team Australia, the Australian Security Intelligence Organisation's Cyber Espionage Branch, elements of the Australian Federal Police's High-Tech Crime Operations capability and all-source-assessment analysts from the Australian Crime Commission will be co-located. This will facilitate faster and more effective responses to serious cyber incidents, and provide a comprehensive understanding of the threat to Australian Government networks and systems of national interest. The Centre will be overseen by a Board, led by the Secretary of the Attorney-General's Department, with a mandate to report regularly to the National Security Committee of Cabinet.

2.91 Additional capability will be enhanced through participation of key industry and other private sector partners. Defence will play the principal role in the operation of the Centre and will continue to dedicate significant expertise to this important national capability.

CHAPTER THREE:
AUSTRALIA'S STRATEGIC POLICY APPROACH

Australia's Security and Defence Policy

3.1 Australia's national security interests are based on protecting Australia's sovereignty – which includes freedom from coercion by other states – people and assets, building sustainable security in our region, and shaping a favourable international environment. While Government uses all elements of national power to achieve these ends, the capability of the ADF to defend Australia and Australia's strategic interests is essential to Australia's national security. In this context, maintaining an appropriate mix of high-end ADF capabilities is essential. Our Alliance with the United States, and our partnerships with Australian defence industry and with the national security community, are all important enablers of our defence capability.

3.2 As the Government's *National Security Strategy* highlights, Australia's national interests extend beyond our geographic boundaries to include the welfare of Australian citizens and businesses overseas and the desire to shape the decisions and actions taken abroad that affect us. In this broad context, national security policy seeks options to respond to security threats and opportunities wherever they occur, while acknowledging the limits of our capabilities and reach. Choices must therefore be made to guide the allocation of finite resources to deal with challenges that are most likely or most dangerous, and where our response can be most effective.

3.3 Maintaining credible high-end capabilities enables us to act decisively when required, deter would-be adversaries and strengthen our regional influence. As highlighted in Chapter Eight, the Government remains committed to delivering core ADF capabilities, including: 12 future submarines; three Air Warfare Destroyers; two Landing Helicopter Dock amphibious ships; 24 MH-60R Seahawk naval combat helicopters; ten C-27J Battlefield Airlifters to replace the Caribou aircraft; six C-17 Globemaster III heavy lift transport aircraft; new maritime patrol aircraft; the Joint Strike Fighter; new armoured and logistics vehicles for the Australian Army as well as additional Bushmaster protected mobility vehicles; seven new CH-47F Chinook helicopters; replacements for our Armidale Class patrol boats, supply vessels HMA Ships *Sirius* and *Success* and Anzac Class Frigates; and the EA-18G Growler electronic attack capability. This commitment to prioritising core capability delivery will ensure that the ADF remains one of the most capable forces in our region and can deliver on the Government's priorities.

3.4 Australia's strategic policy needs to be geared towards building security by seizing the opportunities and managing the risks within the Indo-Pacific. Shaping the development of the Indo-Pacific is critical to our objective of long-term regional security and prosperity.

3.5 At the same time, our capacity to invest in defence will be governed by the strength of the Australian economy and fiscal circumstances. We must have clear priorities to guide our allocation of resources and defence effort, and maintain a clear understanding of strategic opportunities and choices about our posture, capability and Defence Organisation.

3.6 These decisions will continue to be guided foremost by the security of Australia and our immediate neighbourhood, especially in regard to the types of forces we build. These tasks remain our force structure determinants. The ADF also needs to remain able to contribute to security further from Australia where key interests are engaged.

3.7 Our contribution to regional security is not restricted to deploying forces in a conflict or crisis. Rather, our efforts are focused on reducing the risk of conflict through building trust and partnerships through regular interaction with other nations. This is a vital non-discretionary responsibility. An active regional defence posture is important to Australia's security and prosperity. We must ensure that the ADF can support these objectives continuously during peacetime, while maintaining the ability to manage greater risks if our strategic circumstances deteriorate.

Strategic Interests

3.8 Australia's defence policy continues to be based on four key strategic interests: a secure Australia; a secure South Pacific and Timor-Leste; a stable wider region, which we now conceptualise as the emerging Indo-Pacific; and a stable, rules-based global order. These interests are all interconnected and contribute to Australia's security.

A Secure Australia

3.9 Our most basic strategic interest remains the defence of Australia against direct armed attack, including attacks by hostile states and by non-state adversaries who possess substantial capabilities – including weapons of mass destruction. The scope of this strategic interest encompasses defence against attacks on continental Australia, our maritime territory, our offshore territories and the critical sea lanes in our approaches. It includes security against major cyber attacks on Australia beyond the capacity of civil Agencies to counter, and Australia's assured access to space systems.

3.10 The economic importance of northern Australia and our offshore resources has increased and this must be considered in our defence planning. An effective, visible force posture in northern Australia and our northern and western approaches is necessary to demonstrate our capacity and our will to defend our sovereign territory, including our offshore resources and extensive maritime areas. Implementation of the *Australian Defence Force Posture Review*, addressed in Chapter Five, will ensure that Australia and Defence is best placed to meet these responsibilities.

3.11 Although a direct armed attack on Australia remains unlikely, its consequences would be so serious that the possibility must be given priority in our defence planning. The defensive advantages of our geography remain, although they are being affected by the region's military modernisation.

3.12 As outlined in the *National Security Strategy*, Australia's responses to non-state threats such as terrorism, transnational crime, illegal immigration and illegal fishing are led by other Departments and Agencies in the wider national security community, including law enforcement and intelligence. But Defence must be able to play a supporting role in preventing or responding to these threats. This will remain an important continuing element of ADF operations and activities.

A Secure South Pacific and Timor-Leste

3.13 Our next most important strategic interest is the security, stability and cohesion of our immediate neighbourhood, which we share with Papua New Guinea, Timor-Leste and South Pacific states. Australia seeks to ensure that our neighbourhood does not become a source of threat to Australia and that no major power with hostile intentions establishes bases in our immediate neighbourhood from which it could project force against us.

3.14 Australia will continue to play a leading role in assisting South Pacific states and Timor-Leste to improve governance, security capacities and responses to natural disasters. This assistance serves both our strategic and humanitarian interests. We share these interests with New Zealand, with whom our strong defence and security relationship is important to ensuring a secure immediate neighbourhood.

A Stable Indo-Pacific

3.15 Beyond our immediate neighbourhood, Australia has an enduring strategic interest in the stability of the Indo-Pacific, particularly Southeast Asia and the maritime environment. Our national prosperity is underpinned by our ability to trade through Indo-Pacific maritime routes: the ADF needs to be prepared to play a role in keeping these sea lanes secure.

3.16 Central to this is the security of Southeast Asia. Our neighbours in Southeast Asia sit astride Australia's northern approaches – through which a potential aggressor would have to operate to sustain armed attacks against us – and major sea lanes that are critical to Australian and regional trade. We would be concerned if potentially hostile powers established a presence in Southeast Asia that could be used to project military power against Australia.

3.17 The stability and security of Indonesia, our largest near neighbour, is of singular importance, and is our most important relationship in the region. Australia benefits from having a strong and cohesive Indonesia as a partner to our north, as Indonesia does from a secure Australia to its south. Geographic proximity means that Indonesia's and Australia's security interests are intertwined. We have a shared aspiration for the stability and economic prosperity of our region that underpins our partnership and is driving increased breadth and depth in our defence cooperation.

3.18 Australia has interests in the peaceful resolution of territorial and maritime disputes including in the South China Sea in accordance with international law, the prevention of aggression within Southeast Asia, and freedom of navigation and maritime security in the region's sea lanes. We support a resilient regional community to help achieve these objectives and mitigate strategic risks and reduce the chances of misjudgement or miscalculation. Australia's continuing commitment to the Five Power

Defence Arrangements and our strong defence relationships with Singapore and Malaysia serve these interests, as does our commitment to maintaining a broad network of bilateral defence and security relationships and multilateral frameworks.

3.19 Both in and beyond Southeast Asia, Australia supports a rules-based regional security order that fosters cooperation, eases tensions between states and provides incentives to major powers like China and India to rise peacefully. In particular, it is in our interests that no hostile power in the Indo-Pacific is able to coerce or intimidate others through force or the threat of force.

3.20 To this end, Australia seeks to strengthen the regional security architecture so that it embraces the United States, China, India, Indonesia, Japan, the Republic of Korea and other regional states within a community that is able to discuss political, economic and security issues and act cooperatively to address them. We actively support institutions such as the East Asia Summit, the ASEAN Regional Forum and the ASEAN Defence Ministers Meeting Plus, which have significant potential to help achieve this objective.

3.21 Australia strongly supports the continued engagement and enhanced presence of the United States in the region. The United States underpins strategic stability through its network of alliances and security partnerships, its significant force posture, and its political, diplomatic and other contributions to regional cooperation.

3.22 Australia has a vital strategic interest in the security of the Indian Ocean, particularly its sea lanes. Australia seeks to develop its strategic partnership with India and its relationships with other powers to counter threats such as piracy and manage potential competition as major powers deploy growing naval capabilities to the region. The Indian Ocean will increasingly feature in Australian defence and national security planning and maritime strategy.

A Stable, Rules-Based Global Order

3.23 Beyond the Indo-Pacific, Australia has a strategic interest in an international order that restrains aggression and manages strategic risks and threats effectively such as proliferation of weapons of mass destruction, terrorism, internal conflict, state failure, climate change and resource scarcity. On occasion, Australia will use the ADF's capabilities to assist the international community in dealing with these risks and threats.

3.24 The UN and its Charter are central to the rules-based global security order. Australia is currently a member of the UN Security Council, which retains primary responsibility for international peace and security, and has authority to make binding decisions under international law and implement coercive measures to enforce those decisions, including authorising the use of force. During 2013-2014, this gives us additional opportunities to help strengthen rules-based institutions and behaviours in the international community. The expansion of our regional defence cooperation and confidence building highlighted in this Defence White Paper are important contributions to this objective.

3.25 Australia will continue to provide contributions to UN deployments where and when it is consistent with Australian national interests and where we have the capacity to do so. As an Alliance partner, we will also continue to support the United States in playing a leading role in maintaining global stability in ways consistent with our interests and priorities.

3.26 Australia is committed to counter-proliferation efforts to prevent the spread of weapons of mass destruction and related materials and delivery systems, such as ballistic missiles. To achieve counter-proliferation objectives, Australia plays an active role in the international community to support the Proliferation Security Initiative, uphold related UN Security Council resolutions and enforce our obligations under relevant treaties and export control regimes including the Treaty on the Non-Proliferation of Nuclear Weapons. The Defence Intelligence Organisation's unique expertise in the area of foreign conventional, nuclear, radiological, chemical and biological weapons proliferation also supports the full spectrum of Australia's counter-proliferation efforts.

3.27 The Indo-Pacific region poses key challenges for Australia's export control efforts as it generates a large portion of dual-use goods (which have both a civil and military purpose), and contains key trade routes and transhipment hubs. Australia and regional neighbours will need to work together to implement and strengthen export control measures, uphold UN Security Council resolutions and support regional counter-proliferation efforts.

3.28 In 2010 the Government reviewed decision-making processes under the *Weapons of Mass Destruction (Prevention of Proliferation) Act 1995*, and in 2012 the Government reviewed the Act itself. In 2012, the *Defence Trade Controls Act* was introduced to enable licence-free cooperation on sensitive controlled articles between Australian and US industry, and to introduce export control measures for arms brokering and intangible transfers of controlled technology as part of Australia's contribution to international counter-proliferation.

3.29 Australia remains committed to the international counter-terrorism effort. While significant counter-terrorism successes, including the death of Usama bin Laden, have diminished the ability of Al Qaeda's senior leadership to plan and direct major operations, there is still scope for groups such as Al Qaeda in the Islamic Maghreb to take advantage of regional turmoil to increase their influence. Southeast Asia will remain our priority but we will also maintain our global perspective. Our commitment to operations in Afghanistan signifies the strategic stake Australia has in countering global terrorism. We have a direct interest in denying terrorists safe haven to plan and train for attacks on civilians, including Australians, in our own region and beyond. It is therefore imperative that we remain focused on our objective to help prepare the Afghan National Security Forces to take lead responsibility for providing security for Afghanistan, and to provide continued support beyond 2014.

ADF Principal Tasks and Australia's Military Strategy

3.30 Australia's strategic interests establish the context for the four Principal Tasks for the ADF. These four tasks set out what the Government requires the ADF to be able to do, in priority order.

3.31 The Government expects the ADF to have the capacity to conduct:

- Principal Task One: deter and defeat armed attacks on Australia;
- Principal Task Two: contribute to stability and security in the South Pacific and Timor-Leste;
- Principal Task Three: contribute to military contingencies in the Indo-Pacific region, with priority given to Southeast Asia; and
- Principal Task Four: contribute to military contingencies in support of global security.

3.32 Australia's geography requires a maritime strategy for deterring and defeating attacks against Australia and contributing to the security of our immediate neighbourhood and the wider region. Our ability to generate a joint force for this strategy critically depends on the Royal Australian Navy, the Australian Army and the Royal Australian Air Force, supported by the full range of defence capabilities.

3.33 The Government recognises that we need clear priorities for building the ADF's capabilities so that Defence's resources are focused effectively. We therefore structure our forces around the first two Principal Tasks, on the understanding that the resulting force structure provides capabilities that can meet other needs.

3.34 In contrast, our posture and approach to shaping the strategic transformation occurring in our region must support all the Principal Tasks. This is addressed in more detail in Chapter Six. But, here again, prioritisation must apply: posture to enable operations in those areas where we have the greatest interest – the South Pacific and Southeast Asia – will remain the most important.

Principal Task One: Deter and Defeat Attacks on Australia

3.35 The highest priority ADF task is to deter and defeat armed attacks on Australia without having to rely on the combat or combat support forces of another country. Potential threats might range from minor raids or harassment up to a major sustained attack, possibly including attempts to seize Australian territory. A particularly difficult aspect of this task would be protecting our expansive maritime territory and strategically significant offshore territories and economic resources. If a potential threat could not be deterred, it would be essential to respond swiftly and decisively to any attack. Meeting these demands requires a strong and flexible ADF.

3.36 Australia's defence policy is founded on the principle of self-reliance in deterring or defeating armed attacks on Australia, within the context of our Alliance with the United States and our cooperation with regional partners. A commitment to self-reliance does not reflect any lack of confidence in our Alliance or partners. We would seek and expect help from our friends if Australia came under direct attack. But we should not rely on the combat forces of others to defend Australia.

3.37 Our defence policy is realistic about the limits to self-reliance. Australia continues to rely on significant support from the United States and other partners in enabling capabilities such as intelligence, surveillance and reconnaissance, communications, space systems and logistics. We also accept a degree of dependence on the global supply chain, as it would be too costly and impractical to develop an entirely self-sufficient domestic defence industrial base.

3.38 If Australia were threatened by a major power with military capabilities beyond our capacity to deter or defeat, we would depend on direct support from allied combat forces. We would, however, still seek to defend ourselves to the greatest extent possible, aware that it is very unlikely that a major power would attack Australia without entering into conflict with the United States and other regional states. This would limit the level of forces that an aggressor could bring to bear in operations against us.

3.39 In the event that a direct threat to Australia materialised – in the form of a concerted attempt to encroach on our sovereignty or annex our territory rather than an isolated or limited strike – we would require an even stronger ADF than is currently planned. Our diplomacy, regional engagement and intelligence efforts are important to manage this risk through awareness of the build-up of expeditionary capabilities and forces an adversary would require to undertake this sort of attack. This would allow us to adequately mobilise additional resources. We also continue to be alert to other indications of potential adversary intentions, including political shifts.

3.40 Central to this assumption is a defence intelligence capability that can identify factors and trends that may indicate adverse changes in our strategic environment or warn of the emergence of potential flashpoints. This involves gaining insights into other countries' policies, capability acquisition programs and political relationships. A strong defence intelligence collection and analytical capability is critical now, and will be even more so in the future.

3.41 Finally, as long as nuclear weapons exist, we rely on the nuclear forces of the United States to deter nuclear attack on Australia. Australia is confident in the continuing viability of extended nuclear deterrence under the Alliance, while strongly supporting ongoing efforts towards global nuclear disarmament.

Maritime Strategy

3.42 Controlling the sea and air approaches to our continent is the key to defending Australia, in order to deny them to an adversary and provide maximum freedom of action for our forces. This strategy is focused on the maritime domain, and aims to:

- deter adversaries from conducting attacks against Australia or attempting coercion;
- achieve and maintain air and sea control in places and at times of our choosing in our approaches, deny or defeat adversary attacks and protect key sea lines of communication;
- deny adversary forces access to forward operating bases or the freedom to conduct strikes against Australia from beyond our maritime approaches; and
- project power by deploying joint task forces in the Indo-Pacific region and support the operations of regional partners when required.

3.43 Such a strategy does not imply a purely defensive approach. The ADF would seek to undertake operations against an adversary's bases and forces in transit, as far from Australia as possible. This might involve using strike capabilities and the sustained projection of power by joint task forces, including amphibious operations in some circumstances.

3.44 This maritime strategy would use conventional land forces to control our approaches, protect bases, defeat any incursions onto Australian territory, secure offshore territories and facilities and, most likely in partnership with others, deny the adversary access to staging bases in our neighbourhood.

3.45 The geography of our continent and its maritime and littoral approaches poses a major challenge for any potential adversary to overcome, particularly if they sought to lodge and sustain land forces on Australian territory. An adversary would need to project power and exert control over long range and across large areas, in difficult operating environments, while attempting to protect and sustain extended lines of supply and communication. This strategic depth gives Australia significant advantages our maritime strategy seeks to optimise.

3.46 Military modernisation in our region, however, reduces these geographic advantages. Potential adversaries may have capabilities that can reduce the protection provided by distance and thereby reduce our early warning and mobilisation timeframes. At the same time, Australia's Alliance and regional defence partnerships play a valuable role in helping us shape the strategic environment to reduce, deter and deal with these threats if required, complementing our self-reliant capabilities. We would still expect substantial warning time of a major power attack, including dramatic deterioration in political relationships.

3.47 Australia's military strategy seeks to deter attacks or coercion against Australia by demonstrating our capability to impose prohibitive costs on potential aggressors and deny them the ability to control our maritime approaches. This requires a credible force with effective capabilities for sea and air control and denial, strike and power projection. It also requires an active and visible domestic and regional force posture based on adequate levels of ADF preparedness. A key theme across this White Paper is the need to ensure that these two key components are in place to ensure Australia can best influence the region's strategic transformation within a constrained Australian fiscal environment.

Supporting Domestic Security, Emergency Response and Peacetime National Tasks

3.48 The ADF also needs to provide capabilities in support of civil authorities in ensuring domestic security, including border protection, counter-terrorism and counter-proliferation operations, and disaster response within Australia. The ADF has made a significant contribution to the emergency responses to extreme weather events in Australia in recent summers. Defence support to these contingencies is available under either the 'Defence Assistance to the Civil Community' mechanism, or as 'Defence Force Aid to the Civilian Authority', as provided under Part IIIAAA of the *Defence Act 1903*. The ADF will also continue to undertake peacetime national tasks, such as providing a substantial component of Australia's air traffic management system, managing airfields used by the civilian aviation sector and providing hydrographic survey and maritime charting services.

Principal Task Two: Contribute to Stability and Security in the South Pacific and Timor-Leste

3.49 The second priority task for the ADF is to contribute to stability and security in the South Pacific and Timor-Leste. This involves defence cooperation with these countries and the conduct of military operations with others as required. Australia will continue to assist our neighbours with their stability and security in mutually agreed ways.

3.50 Operations under this task could include humanitarian assistance and disaster relief, evacuation operations to protect Australian and other foreign nationals, and stability operations such as those we have led in Timor-Leste and Solomon Islands. Stability operations may require sustained ADF deployments as part of a broader Australian Government response over a period of years.

3.51 The ADF's enhanced amphibious capability will provide additional options for cooperation and engagement activities in the South Pacific and Timor-Leste, including bilateral or multilateral exercises with regional security forces. Maintaining an enduring joint amphibious presence in the South Pacific through regular deployments within the region will also provide the ADF with practical experience, training opportunities and a more responsive force posture consistent with our maritime strategy.

3.52 Any operations or capacity building activities in the South Pacific need to be very closely integrated with Australia's civilian Agencies. Defence will take the lead in operations where there is a need to use force, or demonstrate our capacity and will to use force, and where the capabilities and planning required exceed the capacity of other Agencies. In other cases, Defence will support Agencies such as the Department of Foreign Affairs and Trade, AusAID, the Australian Federal Police (AFP) and the Australian Customs and Border Protection Service.

3.53 Defence's arrangements for enhancing interoperability and coordination with the AFP in such operations are a good example of the progress that has been made in operating effectively with other Agencies in our immediate neighbourhood. Defence will work closely with other Agencies such as the Australian Customs and Border Protection Service and the AFP as the current Pacific Patrol Boat Program is replaced by the Pacific Maritime Security Program, and continue to invest in enhancing civil-military coordination.

Principal Task Three: Contribute to Military Contingencies in the Indo-Pacific

3.54 The third priority task for the ADF is to contribute to stability and security in the Indo-Pacific region, with priority given to Southeast Asia. Contributions would be determined by Government based on consideration of Australia's direct interests. These may include assisting Southeast Asian partners with external challenges and meeting our Alliance commitments to the United States. Uncertainty surrounding strategic transformation of our region means Australia should be prepared to make substantial contributions if necessary.

3.55 At the less militarily-demanding end of the scale, the ADF will be ready to assist regional partners with humanitarian assistance and disaster relief, as it did in Indonesia in 2004-2005 and Japan in 2011, and to evacuate our nationals from trouble spots when necessary. Australia may also contribute forces to multi-national maritime security operations, including counter-piracy operations

and the protection of critical sea lanes, and counter-terrorism operations alongside regional partners, especially in Southeast Asia.

3.56 At the highest end of the scale, Australia may need to conduct conventional combat operations to counter aggression or coercion against our partners. The ADF's potent joint maritime capabilities, built to meet the demands of Principal Tasks One and Two, will allow us to make significant contributions to these contingencies if necessary.

3.57 Our planning for these contingencies needs to consider Australia's direct defence in the event that an aggressor takes retaliatory military action against us – such as coercive shows of force, strikes or raids against our territory or offshore facilities, attacks on our maritime trade, and major cyber attacks on our information networks. In these circumstances, the ADF would need to hold sufficient forces to defend Australia while contributing to operations in the wider region.

Principal Task Four: Contribute to Military Contingencies in Support of Global Security

3.58 The fourth priority task for the ADF is to be prepared to contribute to military contingencies in the rest of the world, in support of efforts by the international community to uphold security and a rules-based international global order. The scale of our contributions will be determined by our national interests and the limits of our capacity, given the priority of our other tasks.

3.59 The ADF needs to be prepared to contribute to UN peace and stability operations, enforcement of UN sanctions and operations to counter-terrorism. In some cases, Australia might provide small, tailored contributions using specialist elements such as command teams, logistics and communications capabilities or mine clearance personnel. In other situations, it may be in Australia's strategic interests to deploy more substantial forces, as we have done in Afghanistan.

3.60 The ADF will continue to contribute to Australia's support for Afghanistan beyond the end of the transition of security leadership in Uruzgan Province through the provision of training and support to the Afghan National Security Forces. Working with our partners in Afghanistan is a demonstration of Australia's commitment to tackling global security challenges.

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CHAPTER FOUR:
DRAWDOWN FROM MAJOR OPERATIONS AND IMPLICATIONS FOR THE ADF

4.1 There are currently some 2,892 ADF personnel deployed on 14 operations overseas and domestically in support of civil authorities in protecting Australia's borders and in support of our interests in regional security and a rules-based global order.

4.2 Current operations are part of a high tempo period that has seen the ADF undertake some 100 operations since 1999. These commenced with the INTERFET deployment in Timor-Leste in 1999 and continued with our Afghanistan (2001) and Iraq (2003) contributions. Over the same period, the ADF has been involved in restoring stability in our near neighbourhood, in Solomon Islands, Timor-Leste and Papua New Guinea (Bougainville), while supporting humanitarian assistance and disaster relief operations both overseas and at home.

4.3 We are now entering a period of transition. Over the next two years, Australia will conclude the most substantial of these operations. Defence will assess lessons-learned, implement observations drawn from those lessons and reposition for both current and future security challenges.

4.4 A key opportunity will be an enhanced capacity for Australia to contribute to stability and security in the Indo-Pacific. The ADF will also be better positioned to address potential humanitarian assistance and disaster relief operations in the South Pacific and Southeast Asia, should that be required.

4.5 The transition will also pose challenges to the ADF and necessitate a clear focus and investment in maintaining our defence capability. Principal Task One for the ADF remains the self-reliant defence of Australia against armed attack. Over the next five years, the ADF will be refocused to meet the challenges and uncertainty of the Indo-Pacific as outlined in Chapter Two. A capable and credible ADF will be essential and will play a vital role in the Government's comprehensive approach to sustainable regional security.

4.6 The ADF will remain a critical arm of the national strategy for engaging with an increasingly interconnected and dynamic region. Defence's very active contribution to a positive regional security environment is also a long-term investment in Australia's security and prosperity.

Drawdown from Current Operations

Operations SLIPPER and PALATE II (Middle East and Afghanistan)

4.7 The ADF has served continuously in the Middle East Area of Operations for more than 50 years through a continuous peace monitoring presence and periodic deployments for combat and other missions.

4.8 Operation SLIPPER is Australia's military contribution to the international campaign against terrorism, maritime security in the Middle East Area of Operations and countering piracy in the Gulf of Aden.

4.9 Australia's contribution to operations in Afghanistan commenced in December 2001, with the deployment of a Special Air Service squadron in support of the US Operation ENDURING FREEDOM. Since then, Australia's military contribution in Afghanistan has risen to an annual average strength of around 1,550 ADF personnel, with around 800 additional personnel providing support from locations within the broader Middle East Area of Operations. In October 2012, Australia assumed command of International Security Assistance Force (ISAF) operations in Afghanistan's Uruzgan Province.

4.10 The process of transition to Afghan security leadership in Uruzgan commenced in July 2012 and will conclude by December 2013 with the closure of Multi-National Base – Tarin Kot. This is in line with the transition strategy agreed with Australia's ISAF partners and the Government of Afghanistan at the NATO Summit in Lisbon in 2010. As part of this process, Australia's training and mentoring forces in Uruzgan commenced drawdown and began returning to Australia at the end of 2012. Our civilian Agencies in Uruzgan will also draw down towards the end of 2013, moving to a nationally focused effort.

4.11 Australia is committed to supporting Afghanistan beyond the end of the security transition in Uruzgan. We have an important interest in Afghanistan's long-term stability and security, and in supporting the Afghan National Security Forces to continue denying terrorists safe havens from which they can plan attacks on innocent civilians, including Australians in our own region and beyond. Beyond the completion of Afghanistan-wide transition at the end of 2014, the ADF presence will continue to support the development of the Afghan National Security Forces through the provision of training and advisory support. Under an appropriate mandate, Australia remains prepared to consider a Special Forces contribution, either for training or for counter-terrorism purposes, or both. The size of any ADF presence in Afghanistan beyond the end of 2014 has yet to be determined but will be substantially less than our current presence.

4.12 Australia's military contribution to the UN-mandated ISAF in Afghanistan is deployed under Operation SLIPPER. Under Operation PALATE II, two Australian Army officers serve within the Military Adviser Unit of the UN Assistance Mission to Afghanistan.

4.13 In addition to land force operations, Royal Australian Air Force elements also deploy as part of Operation SLIPPER. An Australian frigate is also deployed under Operation SLIPPER to conduct counter-piracy, counter-terrorism and other maritime security operations in support of Combined Maritime Forces, a multinational naval partnership involving around 26 other nations. As part of this contribution, the Royal Australian Navy takes command of Combined Task Force 150 under the Combined Maritime Forces for a period each year. This naval commitment will continue after 2014.

Operations ASTUTE and TOWER (Timor-Leste)

4.14 The Australian-led International Stabilisation Force (ISF), consisting of military personnel from Australia and New Zealand, commenced operations in Timor-Leste in 2006. The ISF was the latest element of a continuous ADF contribution over more than a decade to Timor-Leste's independence, stability and security.

4.15 The ISF operated at the invitation of the Government of Timor-Leste, and in support of the UN, to maintain stability and provide a secure environment for Timor-Leste's continuing development. It included nearly 400 ADF personnel with infantry, aviation and support elements.

4.16 The results of the ISF's contribution are evident in the dramatic improvement in Timor-Leste's internal security environment, and in the capacity of the National Police Timor-Leste and Timor-Leste Defence Force to manage security incidents without UN and ISF assistance.

4.17 The successful conclusion of the Timor-Leste national elections in July 2012 marked a turning point for the ADF's contribution. The ISF concluded its security mission in November 2012 and was drawn down in parallel with the UN mission in Timor-Leste. This occurred as a staged transition to Timor-Leste authorities, in close consultation and coordination with the Governments of Timor-Leste and New Zealand and with the United Nations. The ISF drawdown concluded in March 2013. Australia retains 24 Defence personnel in Timor-Leste as part of our bilateral Defence Cooperation Program.

Operation ANODE (Solomon Islands)

4.18 The Australian-led Regional Assistance Mission to Solomon Islands (RAMSI) was established in 2003. RAMSI's mission, at the invitation of the Government of Solomon Islands, is to assist in maintaining security, law and justice, and economic governance and improving the machinery of government. The ADF deployment operates as part of the multinational Combined Task Force, which is RAMSI's military component.

4.19 As with Timor-Leste, the results of the ADF's contribution are evident in Solomon Islands' significantly improved internal security environment. Furthermore, the contribution of other Pacific Island states to the Combined Task Force has provided the ADF with unique opportunities to operate with regional forces.

4.20 In view of the progress made in restoring internal security and stability, and following endorsement by the Government of Solomon Islands in November 2011, RAMSI is currently transitioning into a mission comprised almost entirely of police. Accordingly, the ADF component of RAMSI is planned to be withdrawn from mid-2013. RAMSI's Participating Police Force will remain in Solomon Islands beyond this date, where it will continue to support the development of the Royal Solomon Islands Police Force.

Other Operational Commitments

4.21 ADF personnel will continue to be deployed in a range of operations in Africa, the Middle East, and in our neighbourhood in support of UN missions, as directed by Government to serve Australia's broader security interests and regional security. The ADF will also continue to contribute to whole-of-government efforts to protect Australia's borders and offshore maritime interests, through Operation RESOLUTE. Australia's border protection arrangements are very robust with a tactical surveillance program that includes a range of aerial, sea and land patrols to safeguard, detect and respond to maritime threats in Australian waters every day of the year. The ADF has consistently maintained a number of platforms assigned to Operation RESOLUTE for Australian border protection duties. The assets have included AP-3C maritime patrol aircraft, Armidale Class patrol boats, one major fleet unit (large warship) on stand-by for long haul tasks, an embarked Transit Security Element and Army Regional Force Surveillance Unit patrols.

4.22 Defence has a long and successful history of working with Commonwealth, State and Territory Agencies and authorities in a wide range of contingencies and environments in support of Australia's national interests. As the ADF draws down from operations in Afghanistan, Defence's capacity to work closely with other Agencies across the national security community and beyond will be increasingly important as Australia seeks to work with other nations in building sustainable security in the region.

4.23 Defence will work very closely with the Department of Foreign Affairs and Trade and other Commonwealth Departments and Agencies in implementing the Government's enhanced regional force posture. As reinforced in the *Australia in the Asian Century White Paper*, to achieve maximum effect in positioning Australia for the strategic transformation underway in the Indo-Pacific, Defence must integrate its activities fully with a comprehensive whole-of-government regional engagement strategy.

Implications for the ADF

Maintaining ADF Capability

4.24 The end of the longstanding operational commitments in Afghanistan, Timor-Leste and Solomon Islands will allow the ADF more capacity to address other requirements set by Government, most significantly within our near neighbourhood where the ADF must be very active in its regional engagement and activities to help shape our regional security environment.

4.25 The ADF must maintain excellence in conventional combat operations. We must ensure that Australia maintains the capabilities needed to support the ADF's Principal Tasks of deterring and defeating attacks against Australia and contributing to security in the South Pacific and Timor-Leste. This requires that we maintain credible high-end capabilities that enable us to act decisively when required, deter would-be adversaries and strengthen our regional influence. This provides the base for our regional defence engagement and a hedge against future strategic risk.

4.26 This transition will require careful planning to avoid the adverse impacts on capability that followed the ADF's withdrawal from Vietnam in the 1970s, such as the loss of hard-won expertise in counter-insurgency operations. We will need to carefully reconstitute land force and other capabilities that have been on high tempo operations for more than a decade.

4.27 These operational drawdowns will be used to increase the ADF's capacity to conduct stabilisation, humanitarian assistance and disaster relief, reconstruction and peacekeeping operations in the Indo-Pacific region and particularly in the South Pacific, in line with our assessments of the continuing need for such assistance. The new joint amphibious capability will be brought into service as a priority. The challenges for training and institutional culture involved in developing the capability to conduct amphibious operations will be significant.

4.28 Drawdowns from overseas operations will also be used to enhance our presence in the north and north-west of Australia in line with recommendations of the *Australian Defence Force Posture Review*. The Review found that an enhanced presence could be achieved through targeted initiatives. The Government has decided that regular exercises will be conducted with a focus on maritime security and asset protection. The Government's response to the Review is addressed in more detail in Chapter Five.

4.29 It will also be crucial for the ADF to be able to work alongside civilian Agencies that specialise in law enforcement, development assistance, humanitarian relief, health and education. An essential feature of ADF missions since the turn of the century has been the increasingly close cooperation between Defence and civilian Agencies. Security and development are two sides of the same coin – both are necessary for lasting stability and prosperity.

4.30 From our experiences in the Middle East and the South Pacific, it is now accepted practice for the ADF and civilian Agencies to work together to achieve these ends. It is vital that these hard-won lessons not be forgotten with the operational drawdown. The Government will ensure that the anticipated

expansion of defence engagement in the region is carried out in partnership with civilian policy, security and development Agencies.

4.31 The ADF's substantial contribution to the AusAID-led mission in response to the 2010 Pakistan floods is an example of this coordination. The experience gained from recent operations of this kind will be taken forward through mechanisms such as the Australian Civil-Military Centre – which hosted the 8th International Lessons Learned Conference in Sydney from 3-6 December 2012 – and the ADF Peace Operations Training Centre, where doctrine and lessons-learned will be shared across the ADF and other Australian Government Agencies, and with international partners.

Reserves

4.32 The high operational tempo of the last decade has seen the Reserve component of the ADF transition from a strategic reserve to an operational reserve, making significant contributions to operations on a scale unparalleled since 1945. Reservists have contributed to operations ANODE, ASTUTE, SLIPPER and RESOLUTE, and domestic security and humanitarian assistance missions such as the 2012 Commonwealth Heads of Government Meeting (CHOGM) in Perth and the response to the Brisbane floods of 2011.

4.33 Reservists have brought not only their military skills and capabilities to these operations, but also knowledge, skills and experience acquired from their civilian careers. For example, Reserve medical specialists bring expertise not resident in the Regular ADF.

4.34 This extensive experience in operations has given the Reserve component renewed focus and relevance. With decreasing tempo, it will be important to ensure opportunities for Reservists to maintain this operational currency. The platform for the successful deployment of Reserve contingents to operations in Timor-Leste and Solomon Islands was the experience gained from peacetime deployments such as to the Rifle Company Butterworth. In a time of reduced tempo, comparable opportunities will assist to maintain a ready and responsive Reserve capability.

Retaining Lessons-Learned

4.35 Retaining and building on lessons-learned by Defence and other Government Departments and Agencies is an important task for the ADF, as is maintaining and improving capacity to contribute to joint operations. Defence has significantly improved the way it learns from operations and exercises by implementing procedures to identify, analyse, implement and validate lessons, including effective sharing of lessons across the single Services and with partners, and ensuring that they shape the training and equipping of our forces.

4.36 A key lesson from the experience in Afghanistan is ensuring that the capability development process meets the needs of current as well as future operations. Some capabilities used in Afghanistan experienced higher usage and more rapid wear and tear on deployment than was anticipated when they were first acquired. This has required these capabilities to be either reconstituted on return

from deployment, or replaced earlier than envisaged at the time of acquisition. More effective decision-making processes for reconstituting these capabilities or acquiring replacements earlier than planned have been put in place.

4.37 Rapidly responding to force protection requirements for deployed forces is one of the Government's highest defence priorities. Through experience in Afghanistan and other deployments, Defence has developed improved processes for monitoring and addressing force protection issues, including rapid acquisition and urgent operational requirement processes. Defence will maintain flexibility in internal resources and systems, including through rapid prototyping, development and evaluation and the Defence Capability Plan, to fund and acquire capital equipment rapidly for operations where required.

Intelligence Support to ADF Operations

4.38 Timely and accurate intelligence advice to decision-makers in the field has proven a critical enabler for the conduct of Australian operations in Afghanistan, Timor-Leste and Solomon Islands. Since 2009, Defence has enhanced the intelligence support arrangements for a number of overseas operations, most noticeably in Afghanistan, using tools including fusion, network, systems and behavioural analysis and new capabilities including target and identity intelligence. As the ADF draws down its major deployments, Defence will seek to retain the skills and capabilities developed in support of operations to support the ADF into the future. This will include maintaining and seeking to enhance intelligence capabilities gained through cooperation with Australian intelligence Agencies in Afghanistan.

4.39 High-quality intelligence material delivered in the appropriate form enhances decision-making by commanders, either in Australia or in overseas areas of operation. This support provides the advantage to commanders in the field and saves lives by minimising risks and protecting our men and women, and equipment.

Continuation and Development of Alliance Interoperability

4.40 Operations in Afghanistan and Iraq have enhanced longstanding cooperation with the United States. Australia will continue to seek opportunities to strengthen interoperability with the United States through regular training, exercising, exchanges, intelligence cooperation, improved ICT connectivity, and implementation of the Defense Trade Cooperation Treaty. Australia will also continue to pursue investment in US technologies and acquire and sustain interoperable and complementary capabilities such as the Growler electronic attack capability and MH-60R Seahawk naval helicopters, where this suits our needs and provides value for money.

4.41 Opportunities for building interoperability will also flow from enhanced defence cooperation with the United States in our region. In particular, this will be effected with US Pacific Command through the agreed force posture initiatives, including the US Marines' rotational deployments into northern Australia and enhanced aircraft and naval cooperation.

AUSTRALIA

CHAPTER FIVE:
FORCE POSTURE – PREPAREDNESS, DEFENCE ESTATE AND THE FORCE POSTURE REVIEW

5.1 Force posture – how and where we position our defence capabilities and personnel and the level of preparedness at which they are kept – is a key strategic management tool available to Government in balancing capability and risk. Australia's success in ensuring sustainable security is underpinned by a credible and capable ADF, supported by an appropriate force posture.

5.2 As outlined in Chapter Two, the shift of strategic and economic weight to the Indo-Pacific means that alongside growing prosperity and military modernisation in our region, there is also strategic uncertainty. Closely coordinated force structure and force posture planning to optimise the Government's ability to respond to threats and shape the strategic transformation of the region is all the more important in Australia's evolving strategic and fiscal circumstances.

5.3 Adjustments to preparedness levels in particular can take effect relatively quickly compared to longer-term basing and force structure decisions. Preparedness is therefore a lever for responding to changes in Australia's security environment and positioning the ADF for successful delivery of its required tasks over a given period.

5.4 In 2011, the Government commissioned the first major review of the ADF's posture in over 25 years, to assess whether the ADF is correctly geographically positioned to meet Australia's current and future strategic and security challenges. The review was undertaken by Defence and overseen by an expert panel comprising Dr Allan Hawke and Mr Ric Smith, both former Defence Secretaries. The Government released the final report of the *Australian Defence Force Posture Review* (ADF Posture Review) on 3 May 2012.

5.5 This Chapter outlines the principles underpinning Defence's force posture and the major findings of the ADF Posture Review as well as the work directed by Government to implement the recommendations from this Review and the associated Defence Estate Consolidation Project. It reflects the Government's broader theme of this White Paper of responding actively to the strategic transformation in our region and making choices about our posture and capabilities over time within our fiscal constraints.

Defence's Preparedness Posture

5.6 Preparedness ensures that Defence has a ready joint force to accomplish the Government's directed tasks when required. It remains the most important performance output Defence delivers to Government aside from success on operations.

5.7 Defence makes a substantial contribution to Australia's regional engagement in support of a favourable security environment, while at the same time providing an effective hedge against strategic risk and future uncertainty.

5.8 Preparedness levels enable the ADF to meet the requirements of the four Principal Tasks outlined in Chapter Three, including the full spectrum of operations that fall within these tasks. Increasingly, force posture and preparedness decisions play an important role in positioning the ADF to enhance engagement and contribute to security and stability in the Indo-Pacific, with priority given to Southeast Asia (Principal Task Three) as befits Australia's strategic environment (described in Chapter Two).

5.9 Preparedness planning involves careful management of the relationship between the availability of military capabilities to meet the Government's tasking directions and the associated personnel and operating costs – finding the right balance between capability and risk within resources. Maintaining a large number of ADF capabilities at high preparedness levels would reduce Australia's strategic risk but would not be desirable or affordable against our foreseeable strategic and fiscal circumstances. It would also place substantial stress on personnel, equipment and facilities. The lower end of the preparedness spectrum is equally undesirable, as Defence would be unable to meet the Government's tasking directions.

5.10 Intelligence assessments play a crucial role in identifying factors and trends that may indicate adverse changes in our strategic environment.

5.11 The longer the warning time afforded to decision-makers, the longer the lead-time to generate the force posture necessary to match any projected threat. Defence is cognisant of the tension between strategic warning time and capability realisation – there is no guarantee of sufficient warning time being available to enable generation of an optimal military response in any given situation. In this way, preparedness planning at its core requires effective risk management. We must be prepared for our known tasks and risks and the most likely future contingencies, but we cannot afford to ignore the less likely scenarios that may carry severe consequences for Australia if, against the odds, they were to eventuate.

5.12 While the Government does not consider it necessary or a wise use of resources for the ADF to remain at a high level of preparedness against the least likely but high consequence contingencies, it recognises the value in maintaining a sufficient base of ADF capability and preparedness that could be strengthened if needed.

5.13 Defence will continue to balance its finite capability, capacity and resources to meet current and short-term requirements while retaining a baseline of skills, knowledge and capability as the foundation

for force expansion and mobilisation should strategic circumstances deteriorate. In planning for mobilisation and future expansion if required, the Government must continue to make judgements about the strategic warning time that might be achieved with effective situational awareness and assessment systems in place. Defence's baseline preparedness remains a fundamental driver for force generation activities and capability development considerations.

5.14 If mobilisation of available forces is judged to be insufficient to meet a particular threat or contingency in the timeframe required, significantly greater contributions from within Defence, or possibly from broader Australian Government and civil resources, may be required to meet Australia's defence needs.

What Must Defence Be Prepared For?

5.15 Chapter Three sets out Government's expectations of the ADF. The Government expects Defence to be prepared to carry out potentially concurrent or carefully sequenced operations and activities, including:

- understanding and shaping Australia's strategic environment;
- conducting combined joint combat operations;
- conducting peace and stability operations;
- providing defence support to whole-of-government domestic security;
- providing humanitarian assistance and disaster relief at home and overseas;
- providing specialist support (domestic and overseas);
- evacuating non-combatants; and
- undertaking recovery operations.

5.16 Defence will continue to assess regularly how best to adapt its preparedness posture and geographic disposition to meet the challenges and opportunities presented by strategic transformation in our region. The drawdown of major operations in the next few years presents an opportunity to rebalance Australia's force and preparedness posture to refocus efforts in support of regional security.

5.17 Recent improvements have enhanced the effectiveness of Defence's preparedness management system. Defence will proceed with further improvements to ensure the availability of sustainable and credible capability options now and into the future, while also maintaining an appropriate expansion base for ADF mobilisation.

Reserves

5.18 The Reserve component is an integral part of ADF capability. Typically, Reserves provide lower-end and longer lead-time capabilities, and those that are related to the civilian skills of reservists. These include the following:

- Specialist capabilities that do not reside in the permanent force, either at all or in sufficient strength. This is especially the case for health professionals. These forces may be required for a first rotation, and some need to be maintained at high readiness.

- Complementary capability, typically at the lower end of the operational spectrum for which the full suite of military capabilities is not required. This frees more highly-trained regular forces for more demanding and shorter notice operational requirements.
- Supplementary capability, where Reserve units reinforce the regular component. For this purpose, Reserve forces usually require longer lead-times than Regular forces, so this role is better suited to predicted or long-term operations.
- Surge capability, where Reserves offer an expansion base for mobilisation in the event of a large-scale emergency.

5.19 The key to the employment of the Reserve component is their integration into Defence capability such that the Reserves and Regulars together cover a wide spectrum of operations that Government may seek of Defence. An effective Reserve component of the ADF frees higher-trained and higher-readiness Regular forces for higher-spectrum and/or short notice operations. An illustration of this is the use of Reserve force elements to support lower intensity winter operations in Afghanistan.

Basing and the Defence Estate

5.20 The defence estate consists of all the land and facilities required for the generation, development and sustainment of defence capability, including: the bases at which defence units are located; the office space required for efficient administration and support; accommodation for our people; and training and exercise areas – sea, land and air – that are crucial to operational preparedness.

5.21 Defence's estate planning is guided by the Government's strategic basing principles outlined in the 2009 Defence White Paper. These basing principles, listed below, also guided the work of the ADF Posture Review:

- ADF base locations should align with strategic requirements and ensure critical capabilities are dispersed for security reasons;
- functions at Joint and Service levels should be aligned to consolidate units into fewer, larger and sustainable multi-user bases;
- bases should be positioned near industry and strategic infrastructure to maximise opportunities for industry support;
- to improve personnel retention, bases should be located in 'family friendly' areas wherever possible; and
- the urban and regional disposition of bases should facilitate the provision of reservist and cadet capabilities.

5.22 The current disposition of the defence estate reflects the realities of history and Australia's demography, coupled with a more recent emphasis on basing to support strategic priorities in the north of Australia. A large number of older bases in the south and southeast of Australia were established to support the

generation of expeditionary capability in the two world wars, with newer base areas such as Townsville (from the 1960s) and Katherine (from the 1980s) part of a more recent emphasis on defending our north.

5.23 This disposition reflects the inherent tension in basing for the ADF – population and industry support factors tend to influence a south and southeast disposition, while strategic factors are weighted towards a north and north-west disposition. Recognising this tension, along with the substantial length of time since the last review of force posture, the Government commissioned the ADF Posture Review in June 2011 to examine ways to optimise the ADF's basing and posture.

ADF Posture Review

5.24 The ADF Posture Review identified at the outset that determining the optimal geographic location for ADF bases depends on the functions they are expected to perform. The report states:

"Bases are not intended to be used as permanent defensive positions. The ADF would not plan to defend Australia by using bases as a static line of defence along our northern coasts, or by establishing fortified strong-points to protect major cities or infrastructure…[as] this approach is not viable for modern defence strategy. Rather, bases are used to support a maritime strategy of manoeuvre, power projection and layered defence in Australia's Northern approaches."

5.25 The Review found that the ADF needs to be postured to support high tempo military operations in Australia's northern and western approaches and that other considerations included: stabilisation operations in our near neighbourhood; enhanced cooperation with the United States and regional partners; and the ability to support humanitarian assistance and disaster relief operations in our neighbourhood. The rapid growth and scale of resource development in the north and north-west of Australia is another factor in force posture considerations, although potential threats to Australia's resource and energy interests should not be overstated.

5.26 The Review concluded that although Australia's strategic environment does not necessitate widespread changes in the location of ADF bases, some ADF bases and training areas need to be upgraded to meet current and future needs.

5.27 These upgrades are largely longer-term in nature. They mostly relate to improving the capacity of ADF bases, facilities and training areas to support future capabilities, particularly in Australia's north and west, and to sustain high tempo operations in northern Australia and our approaches, the immediate neighbourhood and wider Indo-Pacific region.

Implementing ADF Posture Review Recommendations

5.28 The Government has commenced implementing ADF Force Posture Review recommendations.

5.29 Implementation is under way on recommendations relating to: developing campaign plans and operating concepts for deterring and defeating armed attacks against Australia, with these plans having a

strong focus on shaping and deterrence activities and supporting a whole-of-government approach to security; enhancing the ADF's presence in and familiarity with northern Australia; updating operational plans for defending the north; developing a better understanding of the ability of civil infrastructure and logistic capacity available to support ADF operations in the north-west; supporting border protection operations; and enhancing defence engagement with State and Territory Governments and industry.

5.30 The Review cited Operation RESOLUTE to demonstrate that the ADF maintains an ongoing and significant support to Border Protection Command to provide security for the north and north-west of Australia, including offshore facilities. The Review specifically noted that over a 12 month period from mid-2010 to mid-2011:

- Royal Australian Navy Patrol Boats were assigned to Operation RESOLUTE for 2,707 days, including 2,063 days at sea and 644 days ashore;
- Patrol Boats visited Darwin, Dampier, Port Hedland, Exmouth, Broome, Cocos (Keeling) Islands, Christmas Island, Gove, Weipa, Cairns, Mackay and Brisbane (and Indonesian ports in Jakarta, Bali, Cilicap, Kupang and Ambon);
- 2,520 AP-3C maritime patrol aircraft hours were flown (noting 1850 hours are programmed per year) with 320 flights, including 173 flights from Royal Australian Air Force Base Learmonth and 31 flights to/from Cocos (Keeling) Islands;
- The Australian Army's Regional Force Surveillance Units (RFSUs) conducted 208 patrol days: 89 days by 51 Far North Queensland Regiment, 95 days by the North-West Mobile Force (NORFORCE) and 24 days by the Pilbara Regiment;
- The Royal Australian Navy provided heavy landing craft on 61 days and medium landing craft on 106 days, and the Royal Australian Air Force provided two C-130 transport aircraft sorties, in support of RFSU patrols; and
- Transit Security Elements were embarked on Australian Customs and Border Protection Service vessels for a total of 244 days with a further 272 embarked days for specialists (primarily communications related).

5.31 The Review noted that while there is a greater level of ADF activity in the northern approaches than is publicly realised, largely through the ADF's extensive support to Border Protection Command, an enhanced and more visible presence in the north-west of Australia is nevertheless warranted in order to reassure the Australian community and industry that this vital region is adequately protected.

5.32 Work is also already underway to enhance the ADF's familiarity and preparedness for operations in the north-west. A strategic-level war game focused on the security of Australia's energy resources and infrastructure was undertaken in 2012, and more regular exercises and war games will follow. In addition, Defence's Joint Logistics Command will continue to assess, and where considered necessary improve, the capacity of civil and logistics infrastructure in the north-west to support ADF operations.

5.33 Defence liaison, exercise and engagement activities are also planned and conducted routinely throughout the training year in the north and north-west. These activities vary in scale and scope, but positively reflect an active defence presence in the region. Specific planning is under way to develop a joint activity in the 2014 training year to build on current single Service activities. This exercise will incorporate platforms and force elements from all three Services and the US Marine Rotational Force-Darwin.

5.34 Defence will continue to build upon existing strong relationships with regional communities and partners in the north-west. The ADF's presence and visibility in the north-west will be enhanced in close consultation with State and Territory Governments, industry and local communities.

5.35 The Government has also decided to implement ADF Posture Review recommendations through relevant Defence Capability Plan (DCP) and Major Capital Facilities Program (MCFP) projects relating to: enhancing Navy's force posture, including through expanding the capacity of infrastructure to meet Navy's future basing requirements; and upgrading airbases to better support aircraft operations, including for P-8A maritime surveillance operations from Cocos (Keeling) Islands.

5.36 Introduction of new Royal Australian Navy vessels and capabilities will result in substantially greater demands on the capacity of wharves, dockyards and support facilities at the Navy's main bases and associated industry facilities.

5.37 In accordance with the Review's recommendations, the Government will continue plans to develop Fleet Base East as the home port for the Landing Helicopter Dock ships and Air Warfare Destroyers and enhance Fleet Base West to support major surface combatant and submarine capability and operations. Infrastructure requirements for new capabilities such as the Future Frigate, Future Submarine and Armidale Class patrol boat replacement will be progressed through routine inclusion of associated facilities requirements in the scope of those projects in the DCP.

5.38 The Government has decided not to proceed at this time with long-term planning for establishing a supplementary east coast fleet base in Brisbane (which had been recommended by the Review). The significant preliminary cost estimate (in the order of $6 billion), challenges associated with land acquisition, environmental considerations, the need for extensive dredging and the wider dispersion to a third fleet base of Royal Australian Navy personnel and training, all suggest that establishing a fleet base in Brisbane would be challenging and require significant continued investment for it to remain sustainable.

5.39 Further detailed analysis and feasibility studies have confirmed that the fleet bases in Sydney and Perth will continue to meet the Royal Australian Navy's needs for the foreseeable future. Should existing fleet base arrangements or operational requirements change in future, the Government may again consider the need to plan for an additional fleet base on the east coast.

5.40 In March 2012, the Government released the report of the *Independent Review of the Potential for Enhanced Cruise Ship Access to Garden Island Sydney*. The report concluded that current and future Royal Australian Navy capability requirements are essentially incompatible with cruise ship access

over the long-term, except on an ad hoc basis. The recommendations of this Review remain under consideration by Government to inform a plan for the long-term needs of the cruise industry in Sydney.

5.41 As recommended in the ADF Posture Review, the Government will retain the current disposition of the Australian Army's 1 Brigade centred in Darwin and 7 Brigade in Brisbane. 6 Brigade will be consolidated in south-east Queensland as opportunities arise.

5.42 The ADF Posture Review concluded that the Royal Australian Air Force's main bases are well located to generate and sustain capability and deploy quickly to forward bases, with good access to industry support, training facilities and ranges. Nevertheless, although air bases are well located, some bases, particularly those in the north and west, need to be upgraded to support new aircraft requirements and protracted high tempo combat operations. Accordingly, the Government will:

- prioritise resources to upgrade Royal Australian Air Force bases Tindal and Learmonth to enhance KC-30 air-to-air refuelling tanker operations and Cocos (Keeling) Islands airfield facilities to support maritime surveillance aircraft;
- proceed with programmed infrastructure development to support P-8A operations from Royal Australian Air Force bases Darwin, Edinburgh, Pearce and Townsville, which will also significantly enhance KC-30 operational utility at Air Force bases Edinburgh, Pearce and Townsville; and
- proceed with programmed airfield upgrades to support Joint Strike Fighter operations at Royal Australian Air Force bases Darwin, Tindal, Williamtown, Amberley, Edinburgh, Townsville, Learmonth, Curtin and Scherger.

5.43 As recommended by the ADF Posture Review, Defence will continue to develop options for reducing the Air Force's footprint at Royal Australian Air Force base Richmond following the future retirement of the C-130J transport aircraft fleet. In doing so, Defence will consult relevant Agencies and stakeholders as part of broader Government considerations to address ADF requirements and aviation capacity issues in the Sydney region.

5.44 The Government will implement plans for enhancing amphibious mounting base capacity in Darwin through the development of a hardened barge ramp to allow the embarkation and loading of large amphibious vessels via watercraft, and in Townsville through the development of Townsville Port Berth 10A, which will provide a roll-on roll-off capability. Commercial arrangements using existing infrastructure will be used to allow large amphibious ships to embark Australian Army units based in Brisbane and Adelaide should this be necessary.

5.45 The significant cost, land acquisition challenges and environmental considerations have led the Government to decide not to seek in the near-term a new training area capable of supporting full-spectrum, integrated joint/amphibious and combined exercises as recommended in the ADF Posture Review. Rather, Defence will proceed with plans to optimise its existing primary joint amphibious training area at Shoalwater Bay and will also continue with planned enhancements to the existing Bradshaw and Cultana training areas.

5.46 Existing training areas, with the enhancements already programmed, will continue to meet the ADF's training needs. However, additional enhancements to maximise the utility of priority training areas to the future force will be pursued in the medium-to-long-term, subject to available resources. In addition, the Government will proceed with plans to increase the use of simulation to support and supplement training to enhance capability, reduce risk and save resources.

5.47 As recommended by the ADF Posture Review, studies are underway to assess the capacity of the logistics supply chain to meet strategic fuel and explosive ordnance requirements in northern Australia. Explosive ordnance limitations will be assessed through reviews and studies into supporting defence and civil infrastructure, as well as a major exercise planned in 2013. Further, the Government will proceed with plans to remediate Point Wilson for the importation of bulk explosive ordnance and assess the requirement for a back up bulk explosive ordnance importation site.

5.48 Previous fuel supply related studies identified deficiencies in Defence's supply network, which could be alleviated through improved planning and utilisation of the rail, road and sea supply chain. Potential improvements to the north and north-west Australian fuel network system will be tested through ADF exercises.

5.49 The Government has also decided that Defence will consider opportunities to work with the United States to identify opportunities for jointly funded improvements to base capacity and facilities at Darwin and Tindal, and to enhance training areas and supporting logistic infrastructure, as part of the enhanced practical cooperation measures between Australia and the United States announced in November 2011.

5.50 The ADF Posture Review recommendations will be implemented largely through the DCP and MCFP.

Defence Estate Consolidation

5.51 As noted above, the defence estate is in many ways a product of history that does not completely reflect modern strategic requirements and the fiscal realities addressed in Chapter Seven. Consequently, we have too many defence bases, many of which are small, inefficient, and not located in areas that are well aligned with current basing principles. Achieving a smaller and less dispersed estate disposition would provide significant savings in estate maintenance and garrison support, personnel travel and posting costs, and general administrative support for reinvestment in defence capability.

5.52 Recognising these factors, in 2009 the Government commissioned Defence to undertake a comprehensive analysis of the estate (the Defence Estate Consolidation Project) to develop a more contemporary defence estate profile. This analysis concluded that estate consolidation would require significant capital investment in the short-to-medium-term to produce medium-to-long-term efficiencies. While acknowledging that it will take time to achieve in full, the Government remains committed to consolidating the defence estate to meet current and future ADF needs.

5.53 Although the cost of achieving a strategically aligned estate footprint will be substantial, implementation costs over several decades will be outweighed by the long-term, sustained savings achieved by reducing the number of inefficient defence bases and facilities requiring ongoing maintenance and support. Estate consolidation, in line with the Government's strategic basing principles outlined at paragraph 5.21 above, will focus resources where they provide the most benefit to capability and to ADF personnel and their families.

5.54 To this end, the Government has directed Defence to pursue estate consolidation in accordance with the broad plan developed by the Defence Estate Consolidation Project. Defence will consult fully with stakeholders in implementing these plans and in bringing forward individual proposals for Government consideration. Defence will also continue to remediate its ageing bases and facilities, prioritising estate works based on safety of personnel and support to capability.

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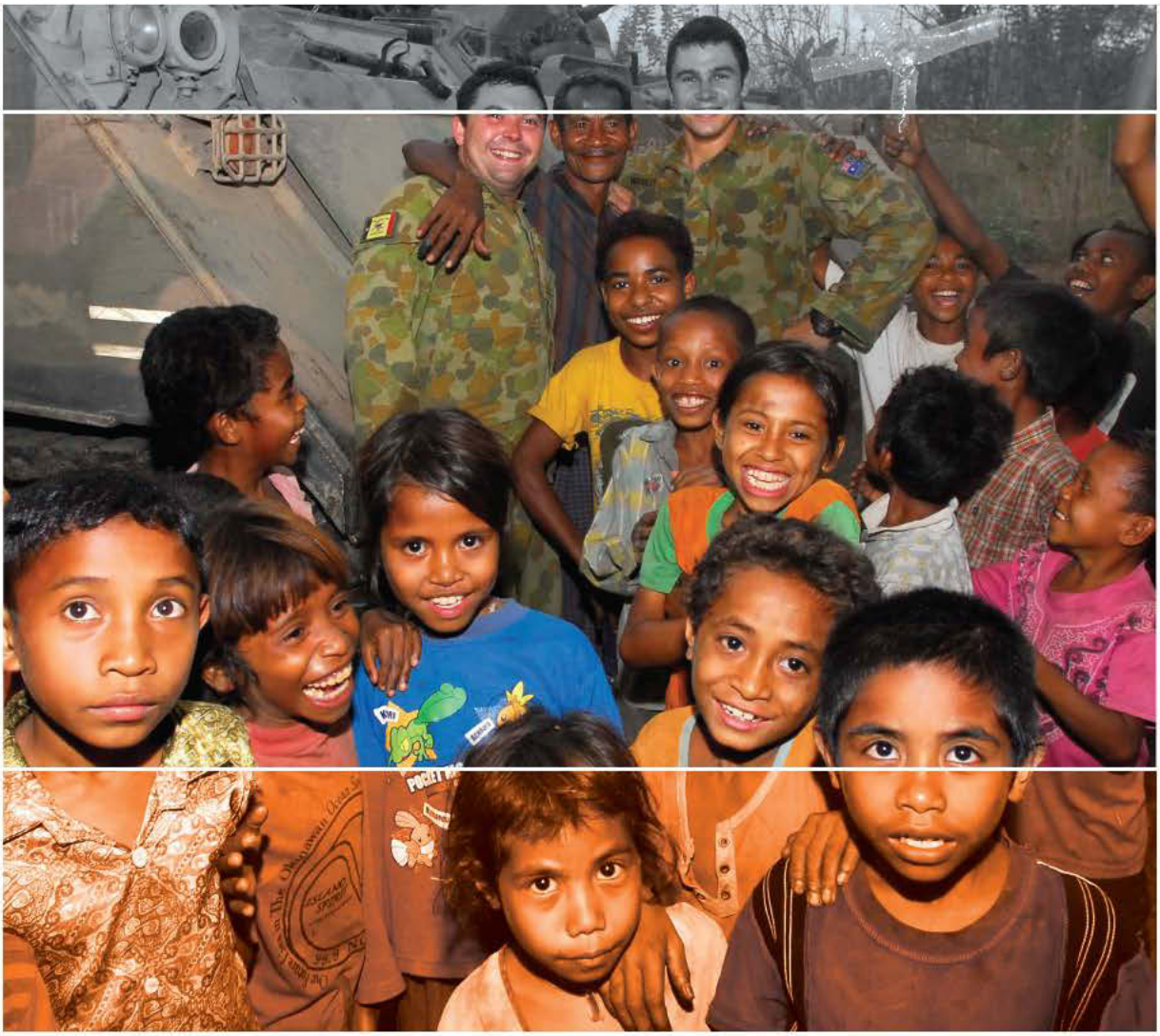


CHAPTER SIX:
AUSTRALIA'S INTERNATIONAL DEFENCE ENGAGEMENT

6.1 Australia's international defence engagement is a critical component of the Government's approach to managing the strategic transformation occurring in our region. As regional countries strengthen their military capabilities, Australia will build deeper strategic partnerships and contribute positively to the region's security and stability – while at the same time managing strategic uncertainty. A capable, prepared ADF is the essential foundation of our regional posture.

6.2 Australia's international defence engagement has supported security in our region for many decades. Our regional engagement policy has focused on building relationships with our close neighbours, and has involved a very significant investment by Australia in the development of regional defence forces through training and defence cooperation. Over the last decade counter-terrorism cooperation has been a prominent element, illustrating that the themes and goals of our international engagement have constantly evolved.

6.3 In the 21st Century, our defence engagement will need to continue to evolve in line with the changing character of our region and its distinctive challenges. Chapter Two described the emergence of a more complex and interconnected Indo-Pacific strategic system, underpinned by Asia's sustained economic growth and comprising a larger and more inclusive cohort of powerful Asian states. In this system, Asia's larger powers are having an impact on the strategic order, and broad-based military modernisation is occurring in line with growing affluence.

6.4 Over the next decade and beyond, Australia's defence international engagement will be geared towards grasping the opportunities of the Indo-Pacific region. Seizing opportunities to build deeper partnerships will be important because competition for access and influence will be greater, and consideration of Australia's interests and views less assured. Those partnerships can extend to defence industry cooperation, with Australian firms' relationships in the region forming part of the broader defence relationship. Chapter Twelve outlines this approach in more detail.

6.5 At the same time, Australia's defence international engagement must work towards helping to build effective mechanisms to manage regional and transnational security issues and risks arising from rivalries and the possibilities of miscalculation. This work will be carried forward in many areas, including through supporting the US rebalance to the region and through strengthening the multilateral security frameworks in our region, including the ASEAN Defence Ministers Meeting Plus, the ASEAN Regional Forum and the East Asia Summit. The goal will be to consolidate habits of cooperation and dialogue as the norm.

6.6 Australia's tradition of active middle-power diplomacy, with its focus on practical problem solving and effective implementation, will guide and underpin Defence's international engagement. As noted in Chapter Four, Defence will strengthen its operational engagement in the South Pacific. This engagement effort will be closely integrated within policy frameworks in which other Government Agencies, especially the Department of Foreign Affairs and Trade, AusAID and the Australian Federal Police, also work.

6.7 In sum, Australia's defence international engagement is both a strategic necessity and a strategic asset. This Chapter explains how the Government will direct increasing effort to the development of deeper defence cooperation, bilateral and multilateral exercises and other forms of defence and security engagement with our neighbours, particularly Indonesia, other Southeast Asian countries, Japan, the Republic of Korea, China and India. It also sets out how we will deepen our Alliance with the United States as a core element of regional security.

The US Alliance

6.8 Australia's Alliance with the **United States** is our most important defence relationship and is recognised in Australia's *National Security Strategy* as a pillar of Australia's strategic and security arrangements. Through the Alliance, Australia obtains access to capabilities, intelligence and capacity that we could not generate on our own. Our traditional activities – warfighting, training and exercising, intelligence cooperation and capability development – are enduring and underpin the Alliance. Cooperation in areas such as space and cyber demonstrate the Alliance's adaptability to contemporary challenges.

6.9 Similarly, cooperation on defence technology between our defence organisations and our defence industries is adapting to new demands, and being enhanced by mechanisms like the Australia-US Defense Trade Cooperation Treaty.

6.10 We consider a strong and consistent US presence in the region will continue to be as important in providing future confidence in the Indo-Pacific's rapidly changing strategic environment as it has in the past. The US network of relationships in the region, of which our Alliance is a crucial part, has underpinned the region's security and thus its economic prosperity for the past 60 years. Australia welcomes the shift in US strategic focus towards the region, and the US commitment to maintain its strong diplomatic, economic and security presence. It is unambiguously in Australia's national interest for the United States to be active and engaged in our region as economic, political and military influence shifts towards it.

6.11 The US rebalance provides Australia with new opportunities for cooperation with the United States and regional countries to build regional cooperation and capacity. The rebalance recognises that a community with a sense of shared strategic and security interests is most likely to emerge through shared activity based on clear assessment of national interests. It will also be important that we maximise multilateral engagement opportunities in the region to build a sense of community and trust.

6.12 The two force posture initiatives announced by Prime Minister Gillard and US President Obama on 16 November 2011 are an enhancement of longstanding and well-established defence cooperation between Australia and the United States. During their first rotation in 2012, the US Marines undertook a range of exercises in Australia and also travelled to Thailand, Indonesia and Malaysia for training.

6.13 The second company-sized rotation of around 200 US Marines arrived in Australia on 21 April 2013. The intention in coming years is to grow the rotation up to a 2,500 person Marine Air Ground Task Force. Defence is coordinating assessments of the social and economic impacts associated with the proposed rotational deployment of 1,100 US Marines to northern Australia in 2014. These assessments will help inform Government consideration of the size, nature and timing of the next steps.

6.14 The second force posture initiative involves enhanced aircraft cooperation, which is expected to result in increased rotations of US Air Force aircraft through northern Australia. This will enhance bilateral collaboration and offer greater opportunities for combined and multilateral training and exercises.

6.15 At the Australia-US Ministerial Meeting (AUSMIN) in Perth on 14 November 2012, Australia and the United States welcomed the success of the first rotation of US Marine Corps personnel and agreed to continue to progress the initiatives in an incremental and considered manner.

6.16 In recognition of the importance of the Indian Ocean and our combined focus on the global strategic significance of the region, Australia and the United States also agreed to continue exploring cooperation on Indian Ocean matters, reflecting our combined focus on the global strategic significance of the region. This will include potential opportunities for additional naval cooperation at a range of locations, including HMAS Stirling, Australia's Indian Ocean naval base.

Space and Communications Cooperation

6.17 The Government is committed to building on its history of defence space and communications cooperation with the United States.

6.18 Both these areas are increasing in significance and importance in defence and national security. Accordingly, these areas are a new focus of cooperation.

6.19 Space cooperation will focus on progressing the shared goal of enhanced space security. At the 2012 AUSMIN, Australia and the United States signed a Memorandum of Understanding to enhance our Space Situational Awareness Partnership through the re-location and joint operation of a C-Band Radar to Australia and made a joint commitment to work towards the relocation of a Space Surveillance Telescope to Australia over the next few years.

6.20 The relocation of these capabilities will strengthen the United States' global Space Surveillance Network's ability to track space assets and debris, and contribute to the global public good by making this information publicly available. This includes providing satellite operators around the world with warnings of possible collisions between space objects, thereby reducing the danger posed by space debris.

6.21 Australia and the United States will also explore ways to better leverage Australian space surveillance capabilities for combined benefit, as next steps under the Space Situational Awareness Partnership signed in 2010.

6.22 Other cooperative activities include the Australia-US Defence Satellite Communications Partnership under which Australia and the United States cooperate on defence communications projects.

6.23 The Government will explore further opportunities to support US defence communications capabilities, including through hosting capabilities and the possible establishment of a Combined Communications Gateway in Western Australia, which would provide both Australia and the United States greater access to the Wideband Global Satellite Communications constellation in which we are partners. This cooperation will build on the longstanding defence communications relationship, including at the Harold E. Holt Naval Communications Station at Exmouth which provides support to US and Australian submarine fleets, and which will host the C-band space object detection and tracking radar to be relocated from the United States.

Joint Facilities

6.24 The Joint Defence Facility Pine Gap, near Alice Springs, is an essential part of our national defence and our Alliance with the United States. Pine Gap contributes to the intelligence collection capabilities of both countries, providing Australia priority intelligence on issues such as terrorism, the proliferation of weapons of mass destruction, and military and weapons developments.

6.25 The Pine Gap facility supports monitoring of compliance with arms control and disarmament agreements, and underpins global strategic stability by providing ballistic missile early warning information to Australia and the United States.

6.26 All activities at Pine Gap are managed to ensure they are consistent with Australian interests. The activities take place with the full knowledge and concurrence of the Australian Government. This is an expression of sovereignty, and of the Australian Government's fundamental right to know and approve or deny the activities that foreign governments propose to conduct in, through or from Australian territory or national assets. These principles apply to all cooperative activities with the United States in Australia.

Southeast Asia

6.27 **Indonesia** and Australia are increasingly important and valuable partners with strong political, security, trade, investment, development and people-to-people links.

6.28 Australia's longstanding partnership with **Indonesia** remains our most important defence relationship in the region. In addition to shared security challenges, Australia and Indonesia maintain a common commitment to regional security, which is reflected in our wider governmental strategic partnership. Indonesia's importance to Australia will grow as its significant regional influence becomes global. Indonesia's success as a democracy and its economic growth will see it emerge as one of the world's

major economies. Its proximity to Australia and leadership role in ASEAN will continue to increase its importance to us as a security partner.

6.29 In recent years, Australia's defence relationship with Indonesia has developed significantly through a practical and effective engagement program. In 2012, Australian and Indonesian defence forces conducted the highest levels of training and exercising with each other since the mid-1990s. Personnel exchanges and combined training has generated people-to-people links, as has the Australia-Indonesia Defence Alumni Association. The Government is committed to further broadening and deepening our defence and security cooperation with Indonesia, including through greater engagement between areas of our defence organisations and our defence industries, and closer and more comprehensive strategic dialogue.

6.30 Australia and Indonesia now have a Defence Cooperation Arrangement, signed in September 2012, which provides a formal framework for practical defence cooperation under the Lombok Treaty. Through this arrangement, the Government will develop options to expand our existing program of maritime, counter-terrorism, peacekeeping and humanitarian assistance and disaster relief cooperation, including through expanding our bilateral exercise program and increasing the frequency and scope of personnel and unit exchanges.

6.31 **Singapore** is a key defence partner in Southeast Asia, as it maintains highly capable armed forces and has a strategic outlook on the region similar to Australia's. The Australia-Singapore Defence relationship is based on combined training activities and shared membership of the Five Power Defence Arrangements and the ASEAN Defence Ministers Meeting Plus, practical cooperation in Afghanistan, and respective contributions to counter-piracy operations. The Government will continue to explore options for enhancing bilateral defence cooperation, especially in more sophisticated field exercises, defence science and technology, and the sharing of perspectives on capability developments. Maintaining and developing people-to-people links through senior-level strategic dialogue and visits will also remain important.

6.32 Australia's significant bilateral defence relationship with **Malaysia** is based on mutual interests and a shared history of operational deployments both regionally and further afield. Australia's continued presence at Royal Malaysian Air Force Base Butterworth will allow the ADF to conduct maritime surveillance operations and humanitarian assistance missions in Southeast Asia. The Government will look to nourish the strong Malaysia-Australia people-to-people links through the Malaysia-Australia Defence Alumni Association, and by continuing our comprehensive program of education, training, officer exchanges and senior level dialogue. In particular, we will continue to increase our cooperation under the Joint Malaysia Australia Peacekeeping Training Initiative.

6.33 The **Five Power Defence Arrangements** with Malaysia, Singapore, New Zealand and the United Kingdom remain valued as a mechanism for engaging with important defence partners in the region. Membership of the Arrangements provides Australia with a strategically important presence in Southeast Asia that augments bilateral and other multilateral engagement. The Arrangements help

address contemporary security challenges in Southeast Asia and constitute a proven aspect of the region's security architecture.

6.34 The **Philippines** and **Thailand** remain important and longstanding defence partners for Australia. Our relations are based on common regional security concerns and shared interests. The Government will continue cooperative activities to enhance interoperability between our defence forces, a wide range of bilateral and regional multilateral exercises, training and dialogues to support defence reform. As part of the *Philippines-Australia Status of Visiting Forces Agreement*, effective from 28 September 2012, we will seek to enhance practical engagement with the Philippines, particularly in counter-terrorism and maritime security. We will also continue to work closely with Thailand to build regional peacekeeping capabilities and assist the development of its counter-improvised explosive device capability.

6.35 **Vietnam** is a growing defence partner for Australia. The *Australia-Vietnam Memorandum of Understanding on Defence Cooperation* was signed in August 2012 underlining the growing momentum in our strategic cooperation and our defence-to-defence and military-to-military relationship. The Government seeks to build its strategic and practical defence engagement with Vietnam due to its growing regional prominence and strong influence in ASEAN, including through maritime security and counter-terrorism activities. Australia will also expand cooperation through enhanced training and education, senior-level dialogues and people-to-people links with the Vietnam People's Army. We are committed to providing enduring specialist training to Vietnam as it prepares to play a greater role in UN peacekeeping.

6.36 Australia continues to work with the armed forces of **Brunei, Cambodia** and **Laos** as they modernise. Encouraging greater participation by these states in ASEAN Defence Ministers Meeting Plus Experts Working Groups is a priority. We will continue to provide assistance to Cambodia to strengthen its maritime security institution and counter-terrorism capabilities. We will also build on the progress made in the defence relationship with Brunei through a regular program of exercises, dialogues and cooperation in science and technology. Australia will increase its support for reform and engagement with **Myanmar**, in recognition of its progress towards democracy. The Government will lift some restrictions on defence engagement and will post a resident Defence Attaché to Myanmar.

6.37 The Government supports the development of effective regional security architecture to help meet challenges in the Indo-Pacific. Australia will continue to engage constructively with regional institutions, in particular the East Asia Summit, the ASEAN Regional Forum, and the ASEAN Defence Ministers Meeting Plus. Australia will continue to take a leading role in the ASEAN Defence Ministers Meeting Plus. This forum has a mandate for practical cooperation and secures the constructive engagement of key regional countries on critical security issues. Australia remains committed to participating in each of the five expert working groups covering counter-terrorism, maritime security, peacekeeping, humanitarian assistance and disaster relief, and military medicine. As these working groups develop, the ADF's participation will similarly be enhanced. Australia also supports closer linkages between the East Asia Summit, the ASEAN Regional Forum and the ASEAN Defence Ministers Meeting Plus.

6.38 As Australia's regional defence relationships continue to develop, new opportunities may arise for Australian defence industry to cooperate with regional partners. Such opportunities will always need to be balanced with Australia's national security interests and our international export control and counter-proliferation obligations. Defence industry partnerships can complement the formal partnerships between our defence organisations and deepen interoperability. Chapter Twelve outlines our broader approach to defence policy for industry.

North Asia

6.39 The defence and security partnership between Australia and **Japan** has strengthened in recent years. There is close policy dialogue at the Ministerial level, including 2+2 meetings between the Ministers for Foreign Affairs and Defence, in additional to officials' talks, facilitating exchanges on strategic perceptions and policy approaches, and setting priorities for practical cooperation. Practical defence interaction will continue to build upon the examples established during the ADF's participation in post-disaster operations in March 2011, and operational cooperation in Iraq, Cambodia, Timor-Leste and South Sudan.

6.40 The defence relationship will support the ability of Australia and Japan to work together to contribute to international responses in the areas of humanitarian assistance and disaster relief, and peacekeeping. In the region, Australia and Japan work to enhance the capacity of regional defence and security forces to improve their internal management and respond to challenges, including conducting humanitarian assistance and disaster relief.

6.41 Japan has a strong history of technology and manufacturing expertise; the Government will continue to develop a defence science and technology relationship with Japan to identify cooperative areas of mutual benefit. Opportunities to enhance defence science and technology cooperation will be explored in both the research and operational testing fields, as will opportunities for industry cooperation.

6.42 The bilateral exercise program continues to grow in both scope and sophistication and the Government will continue to deepen exercises with all three Services with a focus on naval and air force cooperation. The Government will also pursue closer trilateral cooperation involving the United States through the Trilateral Strategic Dialogue.

6.43 **China** is an important partner for Australia in the region and our defence relationship is a key component of our broader bilateral relationship. During Prime Minister Gillard's visit to China in April 2013, it was agreed to designate our bilateral relationship as a 'strategic partnership' in recognition of the relationship's breadth and complexity. Under that partnership, the two sides will conduct annual dialogues at leaders-level. Australia and China will also now hold annually a bilateral ministerial-level Foreign and Strategic Dialogue and a Strategic Economic Dialogue, to promote closer cooperation across a range of issues. These will be in addition to the longstanding Defence Strategic Dialogue held annually between the Department of Defence and the People's Liberation Army (PLA).

6.44 The cooperation between our defence organisations plays an important role in ensuring our relationship continues with a long-term, constructive outlook. Australia is committed to developing strong and positive defence relations with China through dialogue and appropriate practical activities. In 2013, this will include a strategic policy exchange to discuss regional security issues, and an inaugural Australia-China Military Friendship and Culture Week to be held in Canberra.

6.45 Australia has conducted senior-level defence dialogue with China for 15 years and is committed to discussing proposals to further deepen our practical defence cooperation. Australia is one of only a few countries that has an annual Defence Strategic Dialogue at the four-star level with China. Over the past few years, through the senior-level dialogue, we have enhanced our defence engagement with China to include working level exchanges, and practical cooperation in the areas of humanitarian assistance and disaster relief exercises, maritime engagement and peacekeeping.

6.46 As an example of this cooperation, HMAS *Ballarat* visited Shanghai and completed a maritime exercise with the Chinese Navy frigate *Anqing* from 17-21 May 2012, helping mark 40 years since the establishment of diplomatic relations between Australia and China. The ADF also hosted the Chinese PLA and the New Zealand Defence Force for the humanitarian assistance and disaster relief exercise Cooperation Spirit 2012 at Gallipoli Barracks, Enoggera from 29 October to 1 November 2012. The exercise enabled Australia, China and New Zealand to enhance mutual understanding of our respective approaches to a multinational humanitarian assistance and disaster relief scenario.

6.47 Our joint commitment to develop our defence relationship further is articulated in the Australia-China Defence Engagement Action Plan. The Plan includes initiatives to enhance our maritime engagement, peacekeeping cooperation, humanitarian assistance and disaster relief engagement, working-level activities, academic exchanges and senior level dialogue.

6.48 The **Republic of Korea** has long been a defence partner of Australia, and recent years have seen the deepening of defence relations. It is an important security partner for Australia and potentially one of our strongest partners in the region. It lies at the strategic crossroads between the United States, China, Japan, Russia and the Democratic People's Republic of Korea, and stability on the Korean Peninsula is critical to the stability of our broader region. Historically, opportunities for defence engagement have been limited, due mainly to the Republic of Korea's focus on Korean Peninsula security issues. In recent years, however, the Republic of Korea has increased its outward-looking international agenda commensurate with its growing economic weight and global interests – generating new opportunities to deepen the bilateral relationship.

6.49 The two key objectives for the Government's defence relationship with the Republic of Korea are to enhance our defence partnership to ensure we can work with together to contribute to regional security in the context of shifting strategic relativities in the Indo-Pacific and to understand the likely international response to any contingency on the Korean Peninsula. The Government will continue to pursue further practical defence cooperation with the Republic of Korea, including expanding the scope and sophistication of bilateral and multilateral military exercises, educational and professional exchanges, and defence

industry cooperation. The Government will explore opportunities to enhance maritime security and air force cooperation, both bilaterally and multilaterally involving the United States and Japan.

New Zealand

6.50 Australia and **New Zealand** share a close defence relationship, reinforced by our common strategic and security interests in the South Pacific. New Zealand is the country we are most likely to conduct operations with in our region, exemplified by our combined operations in Timor-Leste, Solomon Islands, and in support of the 2012 Papua New Guinea national elections. The Government is committed to working with New Zealand to enhance peace, security and stability in our region. As a result, we must align our defence postures and continue to coordinate our approaches to defence cooperation.

6.51 The Government welcomes the recent increase in cooperation between New Zealand and the United States, and will continue to work closely with both countries in the region.

6.52 In a time of resource and financial constraint, it is critical that we build a shared understanding of our respective capability plans, to cooperate in the development of capabilities where there is scope and increase interoperability, particularly in the areas that support us operating together in the region. Recent initiatives to facilitate mutual sea lift and afloat support cooperation, as well as air lift coordination, will remain a priority.

6.53 To that end, Australia and New Zealand have agreed to implement measures to deepen practical cooperation under the 2011 *Review of the Australia New Zealand Defence Relationship* – including at the Australia-New Zealand Defence Ministers meeting in November 2012. Australia and New Zealand will be pursuing a mutual sealift cooperation program, a 1.5 track dialogue, and eventual New Zealand participation in the Australia-US exercise Talisman Sabre.

South Pacific

6.54 Australia has a fundamental interest in the security and stability of the Pacific Island states. Australia will work closely with regional states and those with an interest in the region. The inaugural Annual South Pacific Defence Ministers meeting was held on 1-2 May 2013.

6.55 The ADF's joint amphibious capability will be a central plank in our ability to conduct security and stabilisation missions in the region. Defence's capacity to deploy and sustain humanitarian assistance, disaster relief and stabilisation missions will be substantially enhanced when two Canberra Class Landing Helicopter Dock ships enter service. These ships will be able to carry substantial quantities of personnel and equipment and both disembark them at sea via landing craft and helicopters and provide onshore support.

6.56 Australia recognises the importance of Exclusive Economic Zones to the economies of the Pacific Island states, and the challenges these states face in managing their Exclusive Economic Zones to ensure the security of their resources. Australia is committed to supporting them in this task including through implementation of a Pacific Maritime Security Program.

6.57 The Pacific Maritime Security Program will build on the success of the current Pacific Patrol Boat Program. The Pacific Maritime Security Program will broaden and strengthen the region's capability to respond to maritime security, fisheries protection and transnational criminal threats.

6.58 The centrepiece of the Program will be the gifting of a fleet of vessels to replace the existing Pacific Patrol Boats, which need replacing over the period 2018-2028. This fleet of vessels is planned to be provided across all states that currently have Pacific Patrol Boats (including Fiji upon a return to democracy). The Program will also propose to enhance practical cooperation across the South Pacific including through strengthening governance structures that support maritime security and the provision of aerial surveillance, advisory support and support to regional coordination centres. This will include exploring ways to strengthen the capacity of countries to develop a regional response capability. Timor-Leste would also be invited to join the program. The comprehensive network of Royal Australian Navy advisers in the region will also be maintained, and supplemented by a number of Defence and Security Advisers in consultation with host governments.

6.59 The Government is committed to deepening Australia's longstanding defence relationship with **Papua New Guinea**, to support its Defence Force's sustainability and ability to perform constitutionally mandated tasks professionally.

6.60 Australia will provide assistance to the Papua New Guinea Defence Force in the areas of maritime surveillance, professional skills development, defence planning and management, and mobility. Australia will also seek to strengthen engagement with the Papua New Guinea Department of Defence to ensure that our defence partnership with Papua New Guinea builds capability in support and sustainment, as well as front line areas of Defence. The Government will support this commitment through an expansion of the longstanding bilateral Defence Cooperation Program.

6.61 The transition of the ADF presence in **Solomon Islands** will see the focus of that relationship change from security support to primarily capacity building. Australia's interests in the stability of Solomon Islands will continue to be met through RAMSI's support to the Royal Solomon Islands Police Force, with Defence to maintain its longstanding program of bilateral engagement with the Police Force focused on maritime security and explosive ordnance disposal. This will include continued training and advisory assistance, and maintenance of close relations through the conduct of regular exercises in Solomon Islands.

6.62 The Government remains committed to the defence relationship with **Tonga**, and will continue to support the positive regional and global security contribution of the Tonga Defence Service. The Government will continue to work with the **Vanuatu** Government to enhance the professionalism and capacity of Vanuatu's security services. The Government plans to restore defence relations with **Fiji** once a credible election is held.

6.63 Australia's shared maritime security interests with **Timor-Leste**, and the importance of deepening bilateral cooperation in this field, will be recognised by an invtation to extend the Pacific Maritime Security Program to Timor-Leste's defence force. In response to improvements in the security situation,

the focus of Australia's defence presence has recently transitioned from the provision of a stabilisation force to a capacity-building role through a Defence Cooperation Program. This Program has been in operation since 2001, and aims to help build the professionalism and capacity of the Timor-Leste Defence Force.

The Indian Ocean – South Asia, the Middle East, and Africa

6.64 Australia's Indian Ocean coastline is longer than those bounded by the Pacific or Southern Oceans. Australia is responding to the rise of the Indian Ocean region as an area of global strategic significance, and as an integral part of the Indo-Pacific strategic system. The security of its waters, and the trade which flows through them, is important to global, regional and Australian strategic interests. As highlighted in Chapter Two, the Indian Ocean is surpassing the Atlantic and Pacific oceans as the world's busiest trade corridor.

6.65 The Indian Ocean is increasingly important to Australia, both in terms of our own trading interests and the fact that Australia's major trading partners rely on energy resources transported across the Indian Ocean to sustain their trade with Australia. The Government will engage closely with other countries with interests in the region to ensure that Indian Ocean dynamics are supported by the evolution, over time, of a more robust regional security architecture that provides mechanisms for the exchange of perspectives and management of the region's security challenges.

6.66 **India** and Australia have a shared interest in helping to address the strategic changes that are occurring in the region. Australia and India are also important trade partners and share a commitment to democracy, freedom of navigation and a global order governed by international law.

6.67 Australia and India are taking further steps to develop and expand upon the Strategic Partnership, under the framework of the 2009 *Joint Declaration on Security Cooperation*.

6.68 Strategic engagement between Australia and India has involved high-level visits and ongoing exchanges and dialogue, and defence cooperation occurs across a range of activities, including ship visits and professional exchanges. Our Navy to Navy relationship continues to grow – a natural progression given our shared maritime security interests as Indian Ocean littoral states – and Australia and India will work towards establishing a formal bilateral maritime exercise.

6.69 **Pakistan** is an important partner for Australia's international counter-terrorism and counter-insurgency efforts. Pakistan's stability, capacity and commitment to combating violent extremism are critical for regional and global security, as well as success in Afghanistan. Australia will continue to provide training to develop counter-insurgency related skills in the Pakistan military, and to help build that organisation's professionalism and management capacity.

6.70 Contributing to the capacity of **Afghanistan** to field effective security forces to ensure that the country does not again become a safe haven for international terrorism remains a priority for the Government. As noted in earlier chapters, beyond 2014 Australia has committed to providing support to the Afghan National Security Forces, and will also contribute financially to the sustainment of the Afghan National

Security Forces at least until 2017-2018. The Government will explore options for the establishment of a modest Defence Cooperation Program with Afghanistan to enhance the capacity of the Afghan National Security Forces and help Afghanistan to deny sanctuary for international terrorists.

6.71 The Middle East remains an area of significant strategic priority, not only for Australia and our national interests in the global energy trade, counter-proliferation and counter-terrorism, but also for the impact unrest there can have on global security. It is too early to determine what the strategic implications of the political changes in the Middle East since early 2011 will mean for Australia's interests in the long-term. But the region will remain important to Australia over coming decades not least because of energy resources, trade, the adjacent sea lines of communication, and the large number of Australian citizens living, working and travelling in the region.

6.72 The Government will continue to develop bilateral defence relationships with key Middle East countries and explore opportunities for further cooperation. The Government welcomes the opportunity to deepen cooperation in support of Australia's deployments to the region, particularly the hosting of Australia's deployments in the **United Arab Emirates**. Those deployments have provided the basis for our successful defence cooperation.

6.73 **Africa** remains important for international security efforts, including supporting Africa's own regional peacekeeping, stabilisation and counter-terrorism efforts. These include international efforts to address the transnational criminal threat posed by piracy off the east and western coasts of the continent, the African Union Mission to Somalia, and the African-led International Support Mission to Mali (AFISMA). Australia has committed $5 million to a UN Trust Fund for AFISMA, and will continue to develop defence relations that support regional security efforts, both with bilateral defence partners and multilaterally through the African Union and other African institutions.

The United Kingdom

6.74 Australia and the **United Kingdom** enjoy a deep defence relationship which has strong historic roots and continues to evolve to allow us to meet contemporary challenges together. In this increasingly complex global strategic environment, it is more important than ever for us to work together to address common challenges. The importance both countries place on the relationship was reflected in the signing earlier this year of the *Australia-United Kingdom Defence and Security Cooperation Treaty.* This Treaty formalises the existing bilateral defence relationship, and provides an overarching strategic framework for our bilateral defence and encapsulates our close practical cooperation.

Spain

6.75 The Government will continue developing increasingly close defence relations with **Spain**. Australia and Spain are collaborating closely on materiel projects, including the new Canberra Class Landing Helicopter Dock ships, Hobart Class Air Warfare Destroyers, amphibious landing craft, and the

multi-role tanker transport aircraft projects. The naval projects, together with the deployment of the Spanish Armada Ship *Cantabria*, will see a deepening of relations between the Royal Australian Navy and the Spanish Armada. In addition to this relationship, the Government will look to expand the bilateral defence relationship into new areas such as strategic planning.

Canada and Latin America

6.76 **Canada**, by virtue of its geography, is a Pacific country. The movement of economic and strategic power from West to East is influencing Canada's foreign and defence policy perspectives. Canada shares Australia's commitment to democracy, the rule of law and a global rules-based order. The Australia-Canada defence relationship will continue to deepen, with a focus on strategic dialogue, defence reform and professional exchanges.

6.77 **Latin America** is of growing international importance as a result of political and economic development of the region. Its connections with East Asia are also growing. The Government will explore options for modest developments with priority Latin American countries based around strategic dialogue, and targeted professional and educational exchanges.

Europe and the North Atlantic Treaty Organization (NATO)

6.78 **Europe** continues to be influential in global security developments and many of its states have significant military capabilities. Australia's bilateral defence relations in Europe will be characterised by defence capability cooperation and professional and educational exchanges. **NATO** and the **European Union** will continue to be important in leading responses to crises within Europe's region of strategic interest. Australia's defence engagement with these organisations will focus on understanding the dynamics within them and developing our capacity to work effectively with them where it is in Australia's national interests to do so.

6.79 Notably since the deployment of Australian forces in Afghanistan under the NATO-led International Security Assistance Force (ISAF) mission, Australia's relations with NATO and its member countries and partners have expanded considerably. In January 2012, Australia deepened its partnership with NATO when it appointed its first Ambassador to NATO. Regular high-level political dialogue also underpins cooperation. Australia's Defence and Foreign Ministers regularly attend NATO/ISAF meetings and meet regularly with NATO's Secretary-General.

6.80 The NATO and Australia are seeking to develop a long-term strategic relationship based on shared values and a common vision of global peace and security. The Joint Political Declaration by Prime Minister Gillard and NATO Secretary-General Rasmussen has set a strategic foundation for this future partnership. Areas of mutual interest include working together in Afghanistan, counter-terrorism, instability from failed states, countering the proliferation of weapons of mass destruction and their means of delivery, and countering cyber attacks.

The United Nations

6.81 A strong rules-based global order is in Australia's strategic interest, and the Government will continue to contribute to UN deployments where such a contribution is consistent with Australia's national interests and where there is capacity to do so. The focus of Australia's defence assistance to the UN will be in the form of specialist subject matter expertise and staff officer secondments, doctrinal development support, and the delivery of training and educational assistance.

6.82 Defence advice and support will be an important contribution to Australia's active participation in our work as a member of the UN Security Council, including through the provision of technical advice and advocacy of initiatives to enhance international security.

International Defence Engagement Capability

6.83 Defence's overseas workforce is central to achieving its international engagement goals. Defence staff working overseas, attached to Australian diplomatic missions, manage the cooperative activities undertaken as part of defence programs, ensure that our forces are fully prepared to undertake the military operations required by Government, assist in acquiring new defence capabilities with the people and support systems to make them fully effective, and help the Government understand Australia's strategic environment through effective diplomatic reporting.

6.84 In 2010, the Government commissioned Mr Martin Brady to undertake a review of Defence's non-operational overseas workforce.

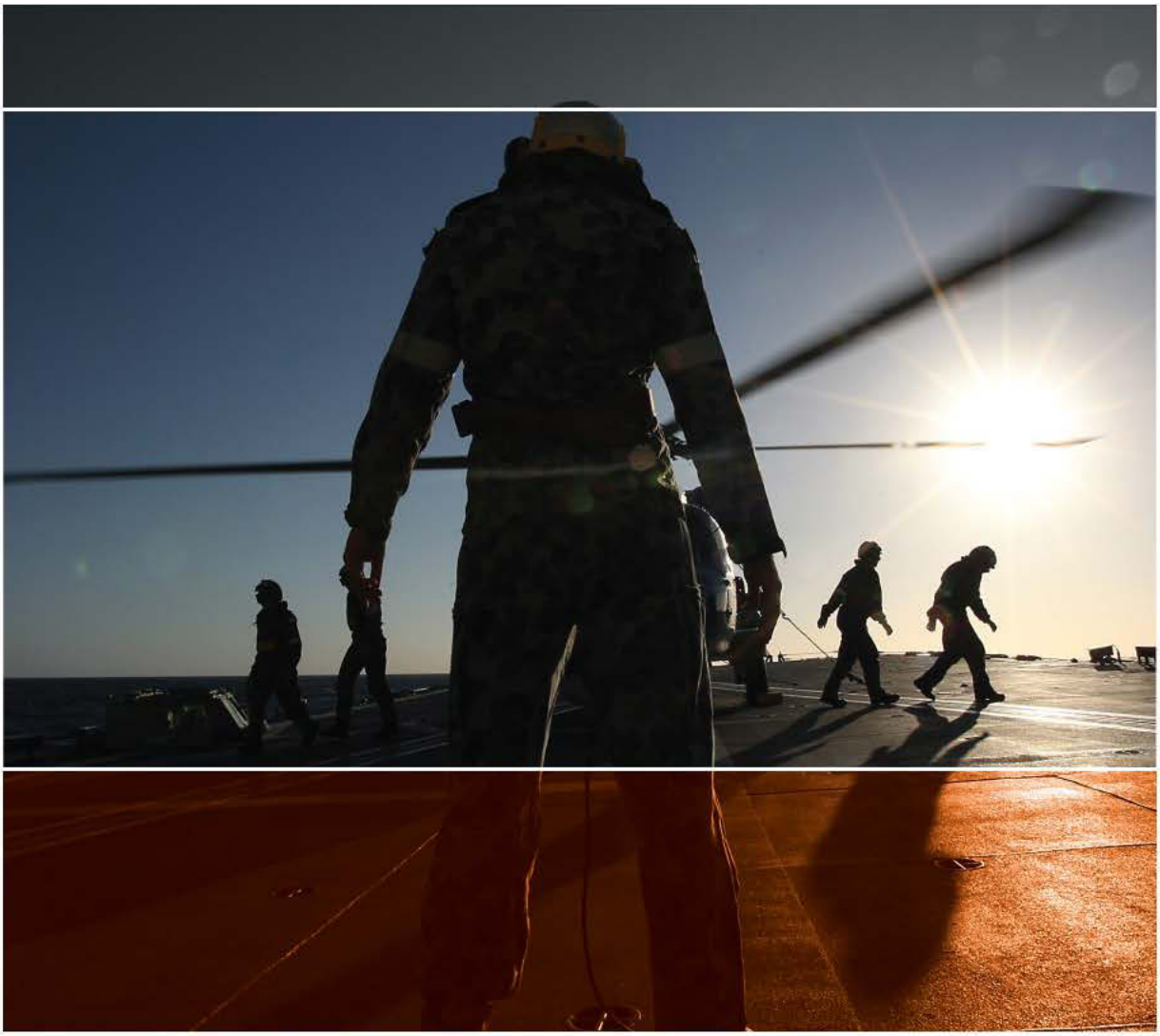
6.85 Just as the *Australian Defence Force Posture Review* considered how we position our defence capabilities and personnel and the level of preparedness in the context of current strategic circumstances, Mr Brady was asked to consider whether Defence's non-operational overseas footprint appropriately reflected Australia's current and future strategic focus.

6.86 Mr Brady found that Australia's disposition needed to be more agile in responding to Australia's increasing focus on our region, the Indo-Pacific, leading to a need to readjust the balance of that disposition with traditional partners including in Europe.

6.87 As recommended by Mr Brady, Defence is rebalancing its non-operational overseas workforce footprint towards the Indo-Pacific region, to be offset by reductions in positions in the United Kingdom and Europe. Defence has already placed additional positions in Tokyo and New Delhi. Defence has also implemented Mr Brady's recommendations in regard to improved governance arrangements for the management of Defence's non-operational overseas workforce, particularly in terms of responding more flexibly to emerging strategic priorities.

6.88 In line with the goals of the *Australia in the Asian Century White Paper*, the Government is committed to further investing in defence capability required to undertake engagement in Asia effectively. The Government will invest appropriately in the development of skills and establish additional defence

representation positions overseas to support Australia's increased international defence engagement. This will include the development of a skills-based cadre of ADF and Australian Public Service officers focused on supporting international engagement. Priority will be given to developing engagement capacity with our regional neighbours.



CHAPTER SEVEN:
DEFENCE BUDGET AND FINANCES

7.1 Historically, Australian Government spending on Defence has varied widely with peaks and troughs reflecting Australia's strategic and economic conditions, the ADF's operational tempo, changing demands on Commonwealth resources and periods of greater or lesser fiscal constraint.

7.2 In Australia, the historical annual average defence spending since the end of the Vietnam War is approximately 2.2 per cent of Australia's Gross Domestic Product (GDP). Since 2000, the annual average has been around 1.8 per cent of GDP with the Defence budget remaining below 2 per cent of GDP across this period.

7.3 The Government remains committed to fiscal discipline and improving the sustainability of the budget. This commitment is critical, because the ability of Australia to achieve its national security objectives is inextricably linked to the strength of our fiscal position.

7.4 As the Defence budget is a significant component of Government expenditure, national security objectives need to be considered in light of the constrained fiscal environment.

7.5 The current fiscal environment remains challenging. The Government is facing lower revenue than was expected, making it more difficult to return the budget to surplus.

7.6 Despite the challenges, the Government remains committed to fiscal discipline and improving the sustainability of the budget. The Government continues to implement the medium-term fiscal strategy to strengthen the fiscal position over time. The strength of Australia's fiscal position is inextricably linked to the ability to achieve national security objectives and other spending priorities.

7.7 Continued investment in a capable and credible ADF and greater defence engagement in the region is essential to help shape a favourable security environment for our region.

7.8 The Government remains committed to a Defence budget which ensures the ADF can meet the Government's operational, force posture and preparedness requirements and deliver the core ADF capabilities the Government requires to protect Australia's national security interests – and doing that with fiscal discipline and within the priority of improving the sustainability of the budget.

7.9 As this White Paper highlights, Defence will also face complex choices over time about the balance of Defence budget investment between our current force's preparedness, posture and operations and the future force's capabilities.

7.10 The Government remains committed to maintaining an ADF workforce of approximately 59,000 Permanent members, noting that in the aftermath of the drawdown from Afghanistan, Solomon Islands and Timor-Leste, retention will be a challenge.

7.11 Achieving greater efficiency and effectiveness in how we develop, operate and sustain the ADF and the Australian Defence Organisation is vital to the Government's capacity to properly balance this investment.

7.12 Planning for Defence investment also involves recognising that strategic circumstances can change with little warning, with significant implications for both Government and Defence funding.

7.13 In this context, the Government has decided that the Defence funding model will be based on the four-year Forward Estimates Budget cycle, determined on an annual basis taking into account contemporary strategic economic and fiscal circumstances.

7.14 This aligns Defence funding with the Commonwealth's broader budget process, which provides certainty for planning purposes in the short-term, and is consistent with the historical management of the Defence budget and the inherent difficulty in forecasting fiscal circumstances in the longer-term.

7.15 The Government has as well determined that Defence will manage its resources with the annually updated four-year Forward Estimates funding model and a subsequent six-year general guidance for Defence planning purposes. Any requirements for additional funding which emerge outside of this annual consideration will be met through prioritisation within the Defence budget.

7.16 This decision is consistent with the format of the four-year public Defence Capability Plan (DCP) and six-year Defence Capability Guide (DCG), developed in consultation with industry. The DCP and DCG format provide greater certainty to industry by focusing the detailed listing of project information on the Forward Estimates budget cycle and then providing a guide for the future.

7.17 As well, the Government is committed to increasing Defence funding towards a target of 2 per cent of GDP. This is a long-term objective that will be implemented in an economically responsible manner as and when fiscal circumstances allow.

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CHAPTER EIGHT:
DEVELOPING THE FUTURE FORCE

8.1 The *National Security Strategy* and the *Australia in the Asian Century White Paper* recognised the importance of a capable and credible ADF to Australia's national security. The ADF, and the Defence Organisation as a whole, will play a critical part in the Government's agenda to best position Australia for the strategic transformation occurring in the Indo-Pacific region.

8.2 Maintaining a capable ADF, including through appropriate force posture and preparedness settings, will be central to Australia's continued effectiveness in contributing to sustainable security in our region. The Government's intention to increase Defence funding as fiscal circumstances allow will enable Defence to meet current objectives, while building a solid foundation for future enhancements, if needed, as strategic and fiscal circumstances evolve.

8.3 As noted in Chapter One, the 2009 Defence White Paper envisaged an ADF more capable in: undersea warfare; anti-submarine warfare; surface maritime warfare; air superiority; strategic strike; special forces; intelligence, surveillance and reconnaissance; and cyber security. The 2012 Force Structure Review assessed capability priorities against the backdrop of Australia's contemporary strategic environment (as outlined in Chapter Two) and Defence's budget position in light of fiscal realities (discussed in Chapter Seven). The Review confirmed the need to deliver priority ADF capabilities within available resources in the near-term, while continuing to progress enabling capabilities essential to the ADF being a capable, integrated joint force.

8.4 Defence has enhanced coordination and strengthened linkages between strategy and capability planning across the organisation. This was most notably achieved through implementation of the *2010 Strategy Framework*, which synchronised the formulation of strategic guidance, operational planning, engagement, preparedness and capability development. This work will continue, as will implementation of defence capability and procurement reform. Together, these organisational improvements will ensure capability outcomes are optimised to give effect to the Government's strategic intent, and that value for money is achieved at every stage of the military capability life cycle.

8.5 This Chapter outlines the Government's core capability development goals for the ADF and Defence's progress in delivering them. It also reaffirms the importance of efficiency in all facets of capability acquisition and sustainment to achieve both near-term and long-term capability goals.

Structuring for a Secure Australia and Region

8.6 Force structure and posture (including preparedness) are equally important components underpinning Australia's military capability. The Government's force posture plans are outlined in Chapter Five.

8.7 The enduring capability goals outlined in this Chapter reflect the Government's continued commitment to an ADF that is structured and positioned appropriately to meet the demands of the Principal Tasks outlined in Chapter Three. These capability goals will support the increasing requirement for the ADF to operate in the Indo-Pacific region with partners in building cooperation, enhancing interoperability and helping to maintain a favourable security environment.

8.8 Australia's future force is designed to function and operate as an integrated, joint force capable of meeting contemporary and emerging security challenges while maintaining the flexibility to address future developments and technologies as they evolve. New platforms and systems are just one part of the capability picture. To maximise the output of our current and future force, Defence will continue to improve its planning and delivery across the organisation with a particular focus on the fundamental inputs to capability – organisation, personnel, collective training, major systems, supplies, facilities, support, command and management.

Delivering Defence Capability

8.9 Since 2009, the Government has approved more than 125 proposals for new or enhanced defence capabilities with a total value of over $17.3 billion. Over this period, Defence has taken delivery of a number of major systems, including C-17 heavy lift aircraft, F/A-18F combat aircraft, Bushmaster protected mobility vehicles and two large amphibious/sea lift vessels. By the end of this decade, the ADF will also take delivery of three Air Warfare Destroyers, two Landing Helicopter Dock amphibious ships and the initial two F-35A Joint Strike Fighter aircraft. All of these important capabilities enhance the ADF's capability and capacity to deliver against the Principal Tasks the Government has directed for the ADF as presented in Chapter Three.

8.10 In addition to the steady delivery of important defence capabilities since 2009, the Government has taken decisions over the last 18 months to acquire or progress such priority acquisitions as ten C-27J Battlefield Airlift aircraft, the EA-18G Growler electronic attack capability, Australia's new air combat capability, the replacement land vehicle fleet and future submarine capability. The major capability systems of the ADF are expanded upon below.

Joint and Enabling Forces

Delivering an Integrated and Joint ADF

8.11 Australia's maritime strategy as outlined in Chapter Three requires an ADF designed, developed and operated as an integrated, joint force across sea, land and air domains. In recognition of both the challenges and opportunities that this presents, the Vice Chief of the Defence Force has been appointed the Joint Capability Authority to strengthen the leadership, coordination and coherence of this work across the Defence Organisation. This appointment will better focus the continued development of a coherent joint maritime operational concept and architecture designed to steadily improve the integration of single Service capabilities and systems.

Amphibious Capability

8.12 Amphibious operations are joint by nature, requiring contributions from across the ADF, such as amphibious ships, combat air patrol and tactical air lift aircraft, amphibious vehicles and land forces. These major capability systems must be supported by effective command and control, intelligence, surveillance and reconnaissance and other support systems with the reach and flexibility to sustain forward operations.

8.13 The introduction of Australia's two new Canberra Class Landing Helicopter Dock ships in the middle of this decade will be a significant milestone in the development of the ADF's capacity to deploy and sustain military power across a range of contingencies. These highly capable ships, the largest ever operated by the ADF, will enable a step change in the way Australia deploys its land forces and their supporting systems in amphibious operations. They will improve interoperability with the United States and regional partners and enhance Australia's capacity to respond quickly and authoritatively in a range of crises – domestic, regional or further afield.

8.14 The ADF will develop an amphibious capability based around an Amphibious Ready Element, enabling growth to an Amphibious Ready Group if required in future. The Land Force element will initially be based on the Australian Army's 2nd Battalion, the Royal Australian Regiment, with supporting elements. Coordination and training will be critical to delivering a robust amphibious capability able to respond across the spectrum of contingencies. Initially however, Australia's amphibious capability will focus on security, stabilisation, humanitarian assistance and disaster relief tasks.

Strike

8.15 The ADF will provide Government with multiple strike options to deter military attack and provide an effective response capability. Australia's existing F/A-18A/B/F Hornet aircraft and future EA-18G Growler and F-35A Joint Strike Fighter aircraft will provide the principal ADF strike capability. Special Forces also provide covert strike options to Government, notably through the provision of targeting data, but also through kinetic strike. Australia's Air Warfare Destroyers, future submarines and future surface combatants will provide options for the Government to expand strategic strike capabilities if required.

Electronic Warfare

8.16 Understanding, controlling and shaping the electromagnetic spectrum has become increasingly important to winning on the modern battlefield. Advanced systems will provide improved protection and advantages for our forces by jamming, suppressing or otherwise denying an adversary the full use of the electromagnetic spectrum.

8.17 Recognising the importance of winning the electromagnetic battle, the Government announced in 2012 its commitment to a future fleet of 12 EA-18G Growler electronic attack aircraft for Australia. Since this announcement, the Government has decided to acquire 12 new-build Growler aircraft and retain Australia's 24 existing F/A-18F Super Hornet aircraft in their current configuration. This decision takes

advantage of a valuable opportunity to assure Australia's air combat capability during the transition period to the Joint Strike Fighter.

8.18 The Growler capability will be a transformational electronic warfare capability for the ADF, enhancing our technological edge. Australia's EA-18G Growler aircraft will provide the ability to dominate the battle space electronically, enabling tactical options and reducing risk to Australian and partner forces at the same time. As the only operator of the Growler capability outside the United States, Australia will gain a significant enhancement in relative capability across the spectrum of military operations.

8.19 Integration, command and control of electronic warfare capabilities and information activities are critical to ensuring the success of our land, naval and air forces whether operating individually or as a joint force. To expand and enhance the ADF electronic warfare capability, Defence has created the Joint Electronic Warfare Operational Support Centre in South Australia. This Centre will lead development of additional joint capabilities in this field.

Cyber

8.20 Cyber capabilities have continued their evolution toward being military capabilities of real value to states. The Government has provided substantial investment in new technology and analytical capabilities to protect Australia against cyber threats and preserve our edge in cyberspace.

8.21 The focus on cyber threats and the potential of cyber capabilities worldwide has increased substantially in recent years. Australia, the United States and the United Kingdom have committed to developing a comprehensive cyber partnership to address mutual threats and challenges emerging in and from cyberspace. As cyber threats evolve, Australia will continue to invest in technology and analytical capability to ensure our situational awareness and response capability remain ahead of the threat.

8.22 As noted in Chapter Two, Prime Minister Gillard announced in January 2013 the establishment of a new Australian Cyber Security Centre to boost Australia's ability to protect networks against cyber attacks, a five-year priority stated in the *National Security Strategy*. The Centre will harness the skills of the nation's best cyber security experts and combine existing cyber security capabilities across the Defence Signals Directorate (to be renamed the Australian Signals Directorate), the Defence Intelligence Organisation, the Defence Imagery and Geospatial Organisation (to be renamed the Australian Geospatial-Intelligence Organisation), the Australian Security Intelligence Organisation, the Attorney-General's Department's Computer Emergency Response Team Australia, the Australian Federal Police and the Australian Crime Commission. Defence will play the principal role in the operation of the Centre. The Centre will be overseen by a Board, led by the Secretary of the Attorney-General's Department, with a mandate to report regularly to the National Security Committee of Cabinet.

8.23 This will enhance understanding of the cyber threat and facilitate faster and more effective responses to serious cyber incidents, making Australia a harder target for malicious cyber activity. The Centre will be a hub for deeper collaboration with industry, international and State and Territory partners.

8.24 Defence will continue to integrate cyber capabilities into routine planning and command and control processes in addition to maintaining and remediating the networks and systems that provide critical information and communications technologies across Defence.

Intelligence Capability

8.25 Intelligence is a fundamental element of defence capability, providing awareness, warning, and an ability to target threats to Australia's national interests. It is critical to decision-making, planning and operations at all levels across the spectrum of conflict and also supports Defence's whole-of-government roles in counter-terrorism and counter-proliferation. Intelligence requires long lead-times to develop, produce and catalogue – a continual effort is required in peacetime in order to provide the quality and quantity of information required in wartime.

8.26 Strategic intelligence supports decision-making by identifying factors and trends that may indicate changes in our strategic environment and developments in military capability that may affect our own capability decisions. Such intelligence also helps Australia to work with traditional and regional partners and manage our engagement in areas of interest to support stability in the region. Defence intelligence Agencies will work with counterparts in the Australian intelligence community and with international partners to maximise the value of intelligence resources through collaboration and information sharing.

8.27 Reliance on technical intelligence will be increasingly critical for ADF operations. Intelligence support requirements of military systems are rapidly evolving, placing unprecedented demands on the intelligence community. Next generation systems will require far more intelligence data than current ADF platforms, not only in quantity but also in terms of the breadth and fidelity of information. Defence will continue to assess the intelligence support requirements associated with new capabilities and plan accordingly to meet the need.

Situational Awareness

8.28 Australia's intelligence, surveillance and reconnaissance requirement is widening across the Indo-Pacific region. Government will continue investment in a suite of intelligence, surveillance and reconnaissance capabilities, including manned and unmanned platforms, satellite systems and the Jindalee Over-the-horizon Radar Network. As situational awareness requires more than data collection, Defence will balance investment in collection assets with the systems and personnel needed to process, exploit and disseminate intelligence.

Unmanned Systems

8.29 Unmanned systems offer several advantages. More platforms can be acquired per dollar invested, they are stealthy, have significant range and endurance, carry an extensive sensor payload, and their operation reduces risk to personnel.

8.30 With a large primary operational environment and limited resources, these systems suit the ADF's requirements. They will continue to grow in variety and sophistication, and potentially supersede some comparable manned platforms over the medium-to-long-term.

8.31 Australia's operational experiences over the past decade have developed some expertise in the use of unmanned systems, particularly in operating unmanned aircraft and exploiting the intelligence, surveillance and reconnaissance data these systems are able to acquire. This experience has highlighted the value of unmanned systems to support forces.

8.32 Defence will investigate options for maintaining and enhancing the skills associated with operating and exploiting unmanned aircraft, in advance of the introduction of unmanned aircraft into service for maritime surveillance.

8.33 Defence will also analyse the value of further investment in unmanned aircraft for focused area, overland intelligence, surveillance and reconnaissance, including for use in border security operations. This will include the potential expansion of the role of these assets in the ADF to include interdiction and close air support, subject to policy development and Government consideration.

8.34 As noted in Chapter Two, domestic and international policy and legal considerations will be important elements of any Australian consideration of armed unmanned aircraft in the future.

Satellite Communications

8.35 Communications satellites provide an independent source of connectivity for deployed operational forces and are often the only available connection between ADF tactical areas of operations and the strategic networks used by the remainder of Defence. Defence will continue to invest in the ground and space-based elements of satellite communications capabilities, including the important Wideband Global Satellite Communications program.

Space Situational Awareness and Mission Assurance

8.36 Space-based systems are a critical enabler of a modern networked military capability. The evolution of counter-space capabilities and the more immediate risks to space-based systems posed by increasing space debris have heightened the priority of space situational awareness to ensure the protection of those critical space-based systems on which Australia relies. In 2010, Australia entered into a Space Situational Awareness Partnership with the United States, marking a significant milestone towards ensuring our continued access to critical space-based systems and achieving mission assurance.

8.37 Under this partnership, Government has subsequently announced tangible capability contributions that will significantly enhance Australia's Space Situational Awareness capability. At the 2012 Australia-US Ministerial Meeting, Australia and the United States signed a Memorandum of Understanding to govern the forthcoming relocation and joint operation of a US C band space object detection and tracking radar, and announced that the two countries will also seek to relocate a highly advanced optical US Space Surveillance Telescope, with both to be located in Western Australia. Cooperation could be

enhanced in the future through the potential use of niche Australian technologies. These capabilities will address a critical need to improve the surveillance of space within our region. More broadly, Australia is growing the number of space-trained personnel across Defence, in order to maximise the benefit of such investments in space and cooperation with the United States.

Information

8.38 Most advanced capabilities have a critical dependency on information, in areas such as electromagnetic spectrum, communications, data networking and precision navigation. Defence will continue to upgrade its information systems to provide a 21st Century information and communications technology backbone that can support increasing requirements for mobility, high information volumes and processing, information sharing and protection against cyber attack. An important milestone was reached in April 2013 with Defence signing a $1.1 billion contract with Telstra which will enable Defence to transform its telecommunications technology in coming years. The project will significantly improve network performance and better integrate fixed telecommunications with satellite and tactical networks.

Command and Control

8.39 Australia's vast area of interest in the Indo-Pacific region, and dispersed areas of operation globally, require a robust command and control architecture and communication systems. The Government has invested in terrestrial and satellite communications and command systems that deliver a digitised and better connected force. Enhancements to Defence's command and control capabilities will continue to be progressed to meet operational requirements as they evolve.

Simulation

8.40 As a fundamental enabling technology, simulation is increasingly important to Defence in developing and sustaining ADF capabilities and in providing considerable support to a broad range of business processes, decision-making, operations and training. Defence has developed a simulation strategy and roadmap to ensure optimal development of, and innovative approaches to, simulation technology.

Ballistic Missile Defence

8.41 Continuing development and proliferation of ballistic missiles as both conventional weapons and delivery systems for weapons of mass destruction represents a growing challenge to global security and stability, including for Australia and our deployed forces. The Government is committed to countering proliferation of ballistic missile systems and weapons of mass destruction through sustained multilateral, diplomatic and defence cooperation activities.

8.42 Australia recognises that the nature of ballistic missile threats is evolving, encompassing specific threats to Australian interests from states such as the Democratic People's Republic of Korea and Iran, and an increasing range of ballistic missile threats to deployed forces. While supporting the deployment of ballistic missile defence systems by the United States in response to such threats, Defence will also

continue to examine potential Australian capability responses – including for the defence of deployed forces and the defence of strategic interests, such as key population centres and infrastructure. Defence will continue to participate in exercises and research programs with key partners to ensure Government remains fully informed of global developments in ballistic missile defence.

8.43 Within this policy framework, Australia does not advocate the development of national ballistic missile defence systems that would potentially diminish the deterrent value of the strategic nuclear forces of major nuclear powers.

Naval Forces

8.44 Regional maritime security and unfettered access to key shipping routes are vital to Australian trade interests and the global economy. The delivery of future submarines and major surface combatants is an undertaking of significant strategic importance.

8.45 Recognising the strategic importance to Australia of maintaining a strong Australian shipbuilding industry, the Government is committed to a program of naval shipbuilding that will retain required national skills and capacity to support Defence needs over the long-term. Government decisions on specific maritime projects will take full account of this objective.

Submarines

8.46 Due to the strategic value and importance of Australia's submarine capability, the Government remains committed to replacing the existing Collins Class fleet with an expanded fleet of 12 conventional submarines that will meet Australia's future strategic requirements. The future submarines will be assembled in South Australia. The Government has ruled out consideration of a nuclear powered submarine capability to replace the Collins Class fleet.

8.47 The Future Submarine Program is a capability design, construction and sustainment challenge of unprecedented scale and complexity, and will span decades. Implementation will require a sustained and coordinated national effort. The Program will harness the knowledge, skills, expertise and lessons-learned over the last 50 years of Australian submarine ownership. Engagement and collaboration with relevant Commonwealth and State Agencies and authorities and our strategic partners during all stages of the program, along with suitable Australian industrial capacity, will be critical to success. In particular, the Government intends to continue close cooperation with the United States on developing undersea warfare capabilities.

8.48 Since 2009, the Government has approved expenditure of over $200 million to fund design, modelling, analysis and technology studies to examine in detail options for the future submarine capability.

8.49 The Government has directed further work on a new Submarine Propulsion Energy Support and Integration Facility in Australia. This land-based facility will substantially reduce risk in the Future Submarine Program by providing the capability to research, integrate, assemble and test the

propulsion, energy and drive train systems in all stages of the Future Submarine's design, build and through-life sustainment.

8.50 The Government has also taken the important decision to suspend further investigation of the two Future Submarine options based on military-off-the-shelf designs in favour of focusing resources on progressing an 'evolved Collins' and new design options that are likely to best meet Australia's future strategic and capability requirements. Australian industry and skilled workforce aspects of the Future Submarine Program are discussed in Chapter Twelve.

8.51 The first Collins Class submarine was commissioned in 1996, and the last in 2003. When they were commissioned, they had a planned operational life of 28 years. In 2012, an evaluation of the service life of the Collins was completed, which found that the Collins Class operational service could be extended for one full operating cycle – some seven years excluding a period of formal deep maintenance.

8.52 The Future Submarine Program will build on Australia's experience with the Collins Class. Guided by outcomes of the *Study into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability*, led by Mr John Coles, an extensive transformation program is being implemented to increase submarine availability to benchmark levels by 2017. Availability improvements are being achieved through a variety of mechanisms including the delivery of more efficient logistic support arrangements, implementation of performance based maintenance contracts with defence industry, and development of a revised approach to the programming of planned maintenance. Defence is establishing the long-term support arrangements necessary to ensure the Collins fleet will remain a viable submarine capability until replaced by the Future Submarine.

Surface Combatants

8.53 Australia's major surface combatants will remain the most versatile platforms of the naval fleet, with broad utility across the full spectrum of maritime operations. Defence will continue to investigate options for Australia's future frigate to inform Government consideration in coming years. This will include further investment in the Australian-developed phased array radar technology already in service in the ANZAC Class frigates.

8.54 The Government is committed to the Royal Australian Navy operating an effective future fleet of major surface vessels, comprised of the Hobart Class Air Warfare Destroyers and future frigates. The Adelaide and ANZAC Class frigates which form the current major surface combatant fleet will be progressively retired as part of a transition to the future surface fleet with a greater emphasis on anti-submarine warfare. Until its replacement by the future frigate, Government will continue to invest in the ANZAC Class sensors and missile systems to ensure it remains an effective warfighting capability. Government decisions on major surface combatants will balance carefully the capability, resource, workforce and industry factors, as well as potential implications for competing funding priorities.

Naval Combat Aviation

8.55 The Government has committed to acquiring 24 MH-60R Seahawk naval combat helicopters. This helicopter will operate primarily from ANZAC Class frigates, Hobart Class Air Warfare Destroyers and future surface combatants over the next 30 years, providing an advanced anti-surface and anti-submarine capability. These MH-60R helicopters will replace Australia's current S 70B-2 Seahawk fleet and will assist in ensuring Australia's continued access to sea lines of communication by contributing to the ADF's multi layered protection of the surface fleet, particularly against submarine threats.

Offshore Patrol Vessels

8.56 Defence will continue to have the capabilities to conduct patrol, mine-hunting and hydrographic roles. Government decisions on the scope and roles of future vessels will take account of the technological maturity of particular solutions, as well as the remaining life of current vessels. A modular multirole vessel remains a possible longer-term capability outcome, subject to technological maturity and an ability to provide operational flexibility with lower costs of ownership. However, in the shorter-term, Government will seek to replace the current Armidale Class patrol boats with a proven vessel to ensure that Defence can continue to provide a patrol capability. Similarly, Government intends to upgrade and extend the existing Mine Hunter Coastal and Survey Motor Launch Hydrographic vessels until the longer-term solution can be delivered.

Amphibious Vessels

8.57 The two new Landing Helicopter Dock amphibious ships, HMAS *Canberra* and HMAS *Adelaide*, will provide a substantial enhancement to Australia's capability and capacity in amphibious operations. As acknowledged earlier in this Chapter, the ADF's amphibious capability will not be provided by these new ships alone. Sustained effort across the Services will be required to build a capacity for ADF amphibious operations over time. The initial focus will be on developing the capability to contribute to humanitarian assistance and disaster relief efforts and support regional security and stabilisation operations.

8.58 The Government enhanced amphibious capability through the early acquisition of the heavy lift ship, HMAS *Choules*, and the purchase of the Australian Defence Vessel *Ocean Shield*. *Choules* and *Ocean Shield* were purchased to supplement the ADF's ageing amphibious fleet until delivery of the new Landing Helicopter Dock ships from the middle of the decade. Once the first Canberra Class ship is introduced into service, in 2016 Defence will transfer *Ocean Shield* to provide a long-term capability for the Australian Customs and Border Protection Service. The capability provided by *Choules* will now be retained to be a permanent part of the ADF's amphibious capability.

Sea Logistic Support and Replenishment Support Capability

8.59 Resupplying our deployed ships is an essential capability given the size of the area over which our naval forces operate and the extended periods they may be required to remain at sea. The Government

intends to replace the capability currently provided by the supply ships HMAS *Success* and HMAS *Sirius* at the first possible opportunity. This will include examination of options for local, hybrid and overseas build or the leasing of an existing vessel. The Spanish Navy vessel *Cantabria* is assisting Australia's afloat support requirements while HMAS *Success* is in refit. This operational experience, along with other information and activity, will contribute to Defence's understanding of relevant capabilities as options are developed.

Land Forces

8.60 As the ADF draws down from major current operations, lessons-learned from over a decade of high operational tempo will be critical to ensuring the Australian Army continues to be able to contribute agile land forces proficient in joint and multi-Agency operations for the security of Australia and the region.

8.61 The Government is committed to a range of capability improvements to ensure that land forces remain both highly credible and sustainable for their roles in support of the Principal Tasks.

Structure of the Australian Army

8.62 The Government-endorsed Plan BEERSHEBA will structure the Australian Army into three 'like' multi-role combat brigades to provide the widest range of sustained and effective land forces possible to meet future strategic circumstances. This plan draws on force development work such as the Adaptive Army and Enhanced Land Force initiatives, experimentation and the results of recent capability reviews.

8.63 In accordance with Government direction to review the balance of full and part time components of the Australian Army, Plan BEERSHEBA will further integrate the roles of the regular and reserve components to realise the 'Total Force' concept that will allow multi-role combat brigades to be deployed or elements of these to deploy separately on discrete tasks.

8.64 Plan BEERSHEBA also involves the dedication of the 2nd Battalion, the Royal Australian Regiment based in Townsville, to form the core of Army's contribution to a future amphibious force capable of conducting humanitarian and disaster relief and other operations, particularly in our region.

8.65 Plan BEERSHEBA will closely integrate full-time and part-time personnel. Each multi-role combat brigade will be supported by two Reserve brigades.

8.66 Over time, the geographic positioning of ADF capability and personnel will be consolidated into a more strategically effective and administratively efficient posture to best meet the needs of the force and support delivery of the Government's Principal Tasks in our evolving strategic environment. Realigning the defence estate with strategic requirements will be undertaken in accordance with the Government's response to the *Australian Defence Force Posture Review* and Defence Estate Consolidation Project outlined in Chapter Five.

Land Force Protection and Mobility

8.67 Force protection and the provision of appropriate equipment for ADF personnel to enable them to undertake their difficult and dangerous tasks remains of the highest priority to Government. Australian soldiers will continue to be among the best equipped in the world. Counter-Improvised Explosive Device capabilities that have proven valuable in Afghanistan will be retained and built into a sustainable capability for future tasks, in recognition of the fact that improvised explosive devices are now a part of the future operating environment of the ADF.

8.68 In response to the increasing complexity and lethality of land operations, the Government is committed to acquiring deployable protected and armoured vehicles offering improved firepower, protection and mobility compared to existing systems. This will include new medium and heavy trucks to replace Army's existing ageing fleet. It will also include the replacement of Army's armoured vehicles and associated fighting systems to equip each armoured combat regiment in Army's three multi-role combat brigades, based in Darwin, Townsville and Brisbane.

8.69 Noting the effectiveness of Bushmaster protected vehicles in Afghanistan, the Government decided to acquire additional Bushmaster vehicles which will continue the success of this Australian industry capability in protecting Australian soldiers in future operations. This will include the allocation under Plan BEERSHEBA of Bushmaster protected mobility vehicles to selected Reserve units. Protection and enhancement of individual soldier capabilities will continue to improve the lethality of small arms and other weapon systems, upgrade night vision capabilities and improve individual survivability and protection, including through enhancement of personal body armour.

Amphibious

8.70 The assignment of a dedicated amphibious battle group located in Townsville and based on the 2nd Battalion, the Royal Australian Regiment, when matched with the arrival of the Canberra Class Landing Helicopter Dock ships, will significantly enhance Army's capacity to undertake amphibious operations as part of a maritime strategy.

Fire Support and Communications

8.71 Recent operations have again reinforced the importance of protected mobility and fire support. The Government has approved the acquisition of M777A2 155mm howitzers to provide a total of three lightweight towed artillery regiments able to fire precision munitions at long ranges and high rates of fire.

8.72 Defence will also continue to modernise its communication, networking and battle management systems – the Australian Army will transition from a largely analogue force to a digital force by 2020.

Battlefield Aviation Capability

8.73 Battlefield air assault, aero-medical evacuation, joint personnel recovery and armed reconnaissance remain important aviation roles for our land forces. Government is continuing to replace the current

fleet of CH-47D Chinook utility helicopters with seven new CH-47F aircraft. This versatile helicopter will have improved electronic warfare and self-protection systems suitable to the modern battlefield. The Australian Army is also transitioning from the existing fleet of troop lift helicopters to the new MRH-90 helicopter fleet. In addition, Australia's Tiger armed reconnaissance helicopters provide an important close combat attack capability in support of ground troops.

8.74 The modern MRH-90 helicopters have been acquired to replace Australia's Blackhawk fleet in air mobile and special operations roles and Sea King fleet in maritime support roles. This multi-role helicopter will be a common platform between the Australian Army and the Royal Australian Navy, providing efficiencies in sustainment, and will be capable of operating from amphibious and replenishment ships.

Special Forces

8.75 Special Forces are, and will continue to be, a critical component of the ADF. The Government places a high priority on ensuring the ADF's Special Forces are among the best equipped and trained military personnel in the world.

8.76 Australia's Special Operations capability provides Government with unique response options that complement and enhance the capability of the wider Australian Army and ADF, including strike options and an important deployable chemical, biological, radiological, nuclear and explosive defence capability.

8.77 Special Forces conduct highly specialised operations at the tactical level that are designed to achieve broader operational and strategic effects. Lessons-learned from recent operations are an important input to adjusting tactics, training and equipment to meet evolving threats. Access to advanced equipment and training will ensure the ADF's Special Forces continue to perform their challenging roles exceptionally well, even in the most demanding operating environments.

8.78 The significant contribution of Special Forces personnel to the war in Afghanistan has greatly enhanced the ADF's established reputation for professionalism and excellence. The Government will continue to ensure the Special Operations capability is appropriately resourced to maintain an edge over emerging threats to Australia's national interests. This will include long-term sustainable capability options to support the full spectrum of Special Operations, particularly in tactical vehicles and networked communications.

Air Forces

Air Combat Capability

8.79 As a key part of Australia's defence strategy, the Royal Australian Air Force must be able to control Australia's air approaches and enable and support friendly operations in the land, sea and air environments. The delivery of Australia's F/A-18F Super Hornet aircraft and the supporting KC-30A air-to-air refuelling aircraft will ensure the continued potency of Australia's air combat system in projecting decisive air power in the defence of Australia and its interests.

8.80 Emerging advanced air combat and air defence capabilities within the region, together with the proliferation of modern electronic warfare systems, will make the air combat tasks of controlling the air, conducting strike and supporting land and naval forces increasingly challenging.

8.81 To meet this challenge, the Government remains committed to acquiring the fifth-generation F-35A Joint Strike Fighter aircraft, with three operational squadrons planned to enter service beginning around 2020 to replace the F/A-18A/B Hornet aircraft. The Joint Strike Fighter provides the stealth technology, advanced sensors and weapons, networking and data fusion capabilities required to maintain an air combat advantage into the foreseeable future. The Joint Strike Fighter will also provide a highly capable land and maritime strike capability.

8.82 Australia's air combat capability is a vital part of our national security framework. The Government will not allow a gap in our air combat capability to occur.

8.83 As a prudent measure to assure Australia's air combat capability through the transition period to the Joint Strike Fighter, the Government has decided to retain the current 24 F/A-18F Super Hornets (one operational squadron) in their current air combat and strike capability configuration.

8.84 A decision on replacing the Super Hornets with additional Joint Strike Fighters will be made closer to the withdrawal of the Super Hornets, which is not expected until around 2030.

8.85 The Government has also decided to acquire 12 new-build EA-18G Growler electronic attack aircraft instead of converting 12 of Australia's existing F/A-18F Super Hornet aircraft into the Growler configuration. 12 Growler aircraft will enhance significantly the ADF's electronic warfare capability and, together with the Joint Strike Fighter and the Super Hornet, will form a formidable air combat force capable of controlling both the air and electronic environments.

Maritime Intelligence Surveillance, Reconnaissance and Response

8.86 Defence will continue to provide effective intelligence, surveillance and reconnaissance capability across Australia's vast maritime area of interest. This will require ongoing sustainment of the frequently used but ageing AP-3C Orion fleet, along with the timely acquisition of a replacement capability.

8.87 The Government intends to replace the AP-3C fleet with P-8A Poseidon aircraft, complemented by unmanned aircraft capable of undertaking broad area maritime surveillance and fleet overwatch. Timings will facilitate a carefully managed transition between AP-3C and P-8A fleets. The goal is to provide long-range, long-endurance maritime surveillance and response and an effective anti-submarine and anti-surface warfare capability. Defence will continue to investigate options for a mixed manned and unmanned aircraft fleet to inform Government consideration later in the decade.

Air Combat Enablers

8.88 The Joint Strike Fighter, Super Hornet and Growler aircraft will require a base of supporting systems including command and control, intelligence, targeting and strategically located air bases to realise their full capability. The reach and effectiveness of Australia's combat aircraft will also be enhanced

by the air to-air refuelling and airborne early warning and control capabilities accepted into service in recent years.

8.89 The KC-30A multi-role tanker/transport aircraft provides the ability for the air combat fleet to extend strike range or combat air patrol endurance. The KC-30A's tanking and cargo lift capacity facilitates the rapid deployment of a fighter squadron from the national support base to a forward operating base to project decisive air power where needed. It is also a key enabler for air lift, surveillance and reconnaissance.

8.90 The E-7 'Wedgetail' airborne early warning and control aircraft has revolutionised Australia's control and coordination of the air combat fleet. Its highly capable radar and systems provide a situational awareness capability edge. Networked tactical data links will enable the common operational picture and high-quality sensor information to be available to other ADF and allied fighting units.

Air Mobility

8.91 Air mobility is critical to lift, deploy and sustain forces in Australia's north and offshore. The ADF operates a balanced air mobility capability with C-17 Globemaster III aircraft providing long-range, heavy air lift and the C-130J providing medium-to-long range tactical air lift and air drop. The KC-30A also provides a supplemental long-range, high-speed and large-payload air mobility capability.

8.92 The ADF has taken delivery of two more C-17 Globemaster III strategic lift aircraft to achieve a fleet of six in total. The utility of the C-17 in supporting operations has been demonstrated repeatedly in recent years, particularly in the Middle East Area of Operations and also closer to home in providing humanitarian assistance and disaster relief. The additional C-17 air lift has negated the need for the previously planned additional two C 130J transport aircraft.

8.93 The light tactical role previously undertaken by Australia's DHC-4 Caribou aircraft (retired in 2009) will in future be provided by ten C-27J Battlefield Airlifters. Recent natural disasters have demonstrated the flexibility and rapid response that air lift is able to provide. The acquisition of ten C-27J aircraft and seven CH-47F Chinook helicopters will significantly boost the ADF's tactical and heavy air lift capacity, including the ability to reach difficult access areas for which larger aircraft may be unsuitable.

Defence Capability Plan (DCP) and Defence Capability Guide (DCG)

8.94 The Government's public DCP is Defence's primary signal of major capability investment intentions to external stakeholders. The new format of a four-year Public DCP plus a six-year DCG has been developed in consultation with industry. The revised format provides greater certainty to industry by focusing the detailed listing of project information on the Forward Estimates budget cycle.

8.95 The Government intends to continue to publish updates to the Public DCP and DCG in order to provide industry with as much guidance as possible of Defence's acquisition intentions, while protecting the Commonwealth's interests.

PATHWAY
TO CHANGE

CHAPTER NINE:
REFORM

Introduction

9.1 The 2009 Defence White Paper emphasised that Defence must be effective in delivering its mission, and efficient across every aspect of its business. The Government established the Strategic Reform Program as part of the 2009 Defence White Paper to overhaul the Defence enterprise for this purpose.

9.2 Strategic and fiscal developments since 2009 have reinforced the importance of this transformation. Change in our region is accelerating at a time when Australia faces ongoing fiscal constraint. To support an ADF whose capabilities and posture can preserve our strategic interests in this changing environment, Defence must be more agile and adaptive in responding to changing currents – technological, economic and strategic. This must also translate into a defence industry partnership that supports innovation in capability and drives down acquisition and sustainment costs.

9.3 This reform program is also focused on closing the gap between our defence aspirations and the resources available to implement them. To that end, Defence must ensure that it is spending every dollar of the Defence budget wisely and well. This involves making the right decisions in shaping capabilities and delivering them on time and on budget. It means structuring Defence to be streamlined and efficient to eliminate waste and ensure maximum funding can be directed to defence capability.

9.4 The Defence Organisation's culture underpins defence reform, including strong and clear personal and institutional accountabilities at all levels of Defence, unity across the Defence Organisation, and removal of barriers to defence personnel contributing to their full capability. The Government and Defence's leadership will continue to focus on this critical component of the Government's reform agenda, which at its heart seeks to maximise the capability and performance of the defence workforce.

9.5 While there has been substantial progress in implementing the Government's strategic reform agenda for Defence since 2009, sustained, integrated reform will be necessary to transform Defence fully and maximise its effectiveness and efficiency in a challenging strategic and fiscal environment. This Chapter highlights progress since 2009 and the challenges ahead in this area.

Reform Achievements

9.6 Since 2009, the Government and Defence have worked to reform Defence's systems, processes and practices through the Strategic Reform Program and other major reviews and reforms, including:

- *Review of the Defence Accountability Framework* (Black Review) – the first comprehensive review of personal and institutional accountability across Defence;

- a series of reviews into the culture of Defence and the ADF, including: the treatment of women at the Australian Defence Force Academy and the ADF generally; the use of alcohol in the ADF; the use of social media; personal conduct of ADF personnel; the management of incidents and complaints; and Defence Australian Public Service women's leadership pathways – *the Pathway to Change: Evolving Defence Culture* is Defence's response to the reviews and is also addressed in Chapter 10;
- *Collins Class Sustainment Review* (Coles Review) – a review into the optimal support framework for Collins Class submarine sustainment and availability;
- *Plan to Reform Support Ship Repair and Maintenance Practices* (Rizzo Review) – a review of the repair, maintenance and sustainment of the Navy's amphibious and support ship fleet;
- project management accountability reforms – to accelerate the implementation of the *Defence Procurement and Sustainment Review* (Mortimer Review) and additional reforms to improve project management accountability;
- shared services reform – to reduce support costs in the form of corporate and administrative overheads; and
- defence budget reforms which followed a comprehensive internal stocktake of Defence's budgeting system, taking into account all budget processes, estimation methods and underlying budget assumptions.

9.7 The Government has made significant progress in implementing this agenda through major improvements in defence planning, accountability and productivity. This has achieved $3.3 billion of cost reductions from Defence's operating budgets in the first three years of the Strategic Reform Program, as well as capability and productivity improvements across Defence's operations, capability, organisation and culture.

Better Planning

9.8 A suite of reforms has been implemented to enhance defence strategic planning, control the cost of ADF preparedness, and improve forecasting and management of major defence acquisitions.

9.9 Implementation of a new Defence Corporate Plan and Defence Annual Plan has improved defence strategic planning, setting out key priorities over the next five years to deliver Government's defence priorities. Defence will continue to refine these plans and their guidance to major resource decisions. Implementation of a Defence Enterprise Risk Framework that establishes the material risks to Defence for achieving the outputs set by Government, and puts in place controls necessary to reduce the likelihood and consequences of a risk, is further strengthening Defence's effectiveness.

9.10 Significant reform of the preparedness management system is also underway. Greater alignment has already been achieved between Government guidance, preparedness goals, and ADF activity levels. In conjunction with capability development reforms, major improvements have been made to personnel and operating cost policies and processes.

Improved Accountability

9.11 To improve defence accountability, in 2010 the Government commissioned Dr Rufus Black to conduct a review of the Defence Organisation's accountability framework. Specifically, the Government sought information on the efficiency and effectiveness of Defence's governance and accountability framework, and the associated decision-making arrangements.

9.12 The Black Review recommendations included reforms to: personal and institutional accountability; planning and decision-making; performance management; accountability and contestability in capability development; defence committees; financial management; the delivery of services across different parts of the Defence Organisation; and skills development. Changes have already been implemented to Defence's structures and processes in response to the Review's recommendations.

Greater Productivity

9.13 The 2009 Defence White Paper reinforced the need for Defence to become more efficient and prudent in its use of resources to remove waste and achieve better economies of scale. Increased efficiency and reform across Defence is a critical success factor.

9.14 Shared services reform is focused on realising workforce reductions and increased process efficiency in corporate functions such as ICT, finance and non-materiel procurement, without reducing service standards in support of operations or capability development. In the last two years, the Government has increased the scope of shared services reform and accelerated its implementation. Accountability for driving the greater uptake of a shared service delivery model, within the accelerated timeframe, has been assigned to specific senior Defence officers and is incorporated within the Strategic Reform Program senior governance arrangements to ensure delivery and integration with other major reform efforts.

9.15 Since 2009, successful reforms have also been implemented through improvements to business processes and contracting, increased innovation, demand management and sustainment practices. As noted earlier in this Chapter, this has yielded $3.3 billion of cost reductions from Defence's operating budgets in the first three years of the Strategic Reform Program – a very successful result by any measure.

Cultural Change

9.16 The Government's strategic transformation of Defence is not just about achieving efficiencies. It is about transforming the way Defence does business. In April 2011, the Government announced a number of reviews to commence a far-reaching cultural appraisal and change program.

9.17 In response to the findings from each of the reviews into Defence's culture and the *Review into the Treatment of Women in the ADF* by the Australian Human Rights Commission, led by Sex Discrimination Commissioner Elizabeth Broderick, Defence is implementing *Pathway to Change: Evolving Defence Culture*. This five year strategy will ensure Defence fosters the culture to deliver lasting reform in

addressing the findings from each of the reviews. The strategy includes the establishment of a dedicated Sexual Misconduct Prevention and Response Office in Defence to coordinate timely responses, victim support, education, policy, practice and reporting for any misconduct of a sexual nature, including sexual harassment and abuse. At its heart is a statement of cultural intent that describes how Defence personnel must think about their work and behaviour towards others: *"We are trusted to defend, proven to deliver, respectful always."*

9.18 Defence will build on important personnel reform initiatives including New Generation Navy, the Army Cultural Framework, and the Air Force New Horizon Program. The statement of intent sets out Defence's enduring cultural aspiration which defence personnel must work towards and strive to emulate every day. Success in cultural change is a key enabler of Defence's efficiency and effectiveness reform endeavours.

9.19 On 26 November 2012, the Government announced its response to the report of the *DLA Piper Review* into allegations of sexual or other forms of abuse in Defence. This response included the establishment of an independent Defence Abuse Response Taskforce headed by the Hon Len Roberts-Smith RFD QC. The Taskforce publicly released its Terms of Reference on 21 January 2013. It will conduct enquiries and liaise with those who have made an allegation to determine an appropriate response, and investigate whether a Royal Commission would be warranted into any categories of allegation raised with DLA Piper or the Taskforce, in particular alleged events at the Australian Defence Force Academy in the 1990s. The Government and Defence leadership are committed to the reform necessary to ensure zero tolerance of inappropriate conduct.

Procurement Reform

9.20 Continuing to improve the relationship between Defence and industry is one of the most important components of the Government's transformation agenda for Defence. The Government has made clear its expectations that Defence's procurement and sustainment systems should demonstrate greater transparency and accountability, improved efficiency and effectiveness, and better value for money for ADF capability.

9.21 This includes implementation of a number of major reforms arising from the Mortimer, Rizzo, Coles and Black Reviews. Together, these reforms provide a strong platform for deep and sustained change of the Defence Materiel Organisation (DMO) and its relationships within Defence and with Government and defence industry. Key elements of these reforms within the DMO have included:

- greater accountability in the procurement and sustainment processes for defence equipment, including initiatives such as Project Directives and Quarterly Personal Accountability Reports;
- a stronger role for capability managers in procurement and sustainment processes in particular through formal Materiel Acquisition Agreements (MAAs) and Materiel Sustainment Agreements (MSAs);
- expansion of the use of Gate Reviews for all DMO major projects;

- establishment of the Independent Project Performance Office to improve project performance by driving cultural change across the DMO through early identification and remediation of issues via the Early Indicators and Warning System;
- greater input by DMO into the pre-first and pre-second pass stages of acquisition and sustainment projects;
- The Chief Executive Officer (CEO) of the DMO providing Government with independent, expert advice on cost, schedule and risk for acquisition and sustainment matters, as well as commercial issues;
- reforms to ship repair and management practices and development of Defence's naval engineering capability; and
- changes to the processes and management of the Projects of Concern list, which was established by the Government in 2008 to focus attention of the highest levels of Government, Defence and Industry on remediating problem projects.

9.22 The Government has made regular public statements on progress in implementing Defence's major capability and procurement reforms, demonstrating its long-term commitment to driving greater efficiency and effectiveness in both acquisition and sustainment practices.

9.23 A further important initiative announced by the Minister for Defence in February 2013 was the implementation of a new regime of reporting on variations to original project approvals. This will improve accountability and transparency in project delivery by requiring Defence to seek agreement from the original decision-maker (for instance the Minister for Defence or the National Security Committee of Cabinet) to make changes beyond pre-agreed thresholds for a project's cost, scope and schedule. These thresholds will be set on a project by project basis dependent on a number of factors including criticality and risk.

9.24 These reforms have had a positive impact. For example, over the past decade the DMO has reduced the average time to deliver major capital equipment projects by about 25 per cent to be broadly comparable with the private sector. This has mainly been achieved by halving the average rate of slippage and doubling the number of projects delivered on or ahead of time. The majority of projects continue to be delivered under budget at about 98 per cent of available funding – almost 25 per cent better than comparable private sector projects. These and other findings were made by Independent Project Analysis Inc in its 2012 report which benchmarked the cost and schedule performance of DMO projects against private sector project performance. The report made a number of positive findings, including that:

- schedule performance of recent DMO projects is comparable with global industry;
- there was a statistically significant improvement in the schedule benchmarks following implementation of Kinnaird's *Defence Procurement Review 2003*;
- few DMO projects overrun their budgets, whereas cost overruns of more than 25 per cent are common in similar commercial projects;

- DMO projects, even military off-the-shelf, are more difficult to deliver than the average industrial project (confirming an earlier independent study conducted by the Helmsman Institute); and
- the establishment of DMO as a central Defence materiel project office is consistent with best practice.

9.25 Reforms have been applied across the full spectrum of the capability life cycle, from initial identification of a capability gap to the retirement and subsequent disposal of equipment. Many improvements in the DMO's performance are directly attributable to the work that occurs in Capability Development Group prior to second pass approval by Government.

The Way Ahead: Integrating Reform

9.26 The Government places an absolute priority on Defence maintaining its long-term pursuit of reform. The reform objectives of the Strategic Reform Program announced in the 2009 Defence White Paper remain current, both in the transformational aspirations and cost reduction measures.

9.27 The Government and Defence are fully committed and focused on continued delivery of the defence reform agenda, building on and updating the original Strategic Reform Program. Strategic and fiscal developments since 2009 have reinforced the imperatives of an agile, innovative, efficient and networked Defence Organisation. Defence will continue to integrate the reforms initiated since 2009 into the existing reform framework to achieve a comprehensive and coordinated reform agenda.

9.28 A more integrated reform agenda will align governance frameworks and better link business-as-usual planning and reporting cycles. It will facilitate clear accountability and transparent linkages between reform programs and enable Defence to leverage the opportunities generated by individual reforms. Integrating portfolio-level management of reform will provide transparent oversight and coordinated management of capability risks and cost pressures.

9.29 Within this integrated model, Defence will continue to pursue reforms across the Defence Organisation, particularly in service delivery, capability delivery, and capability development and materiel. Each category is to be led by an accountable senior defence officer. The Defence Reform Board, chaired by the Chief Operating Officer as the decision-maker, and supported by the Vice Chief of the Defence Force and the CEO DMO, will integrate effort not only for the Strategic Reform Program, but also other applicable major defence reforms.

9.30 Implementation of Defence's shared services agenda will be a continuing major priority for Government. Defence will continue to evolve its structures and processes to deliver this transformational reform program, including through leveraging ICT service delivery technologies. Enhancement of defence senior officer accountabilities and processes will also be matched by the strengthening of defence corporate governance. These will focus on creating a stronger performance based culture in Defence.

9.31 As noted earlier in this Chapter, Strategic Reform Program cost reduction targets from 2009 are now in place and their impact is challenging at a time of significant fiscal constraint. Australia's difficult fiscal circumstances have affected the planning assumptions underpinning the savings targets

established in 2009, including through the re-phasing of some defence equipment capability plans and changes to operating fund allocations, resulting in pressures on general operating and equipment and sustainment budgets.

9.32 The Government and Defence leadership team will continue to implement strategic reform as a fundamental underpinning of the Government's priorities for Defence outlined in this White Paper. The integrated reform approach will focus on delivering substantive improvements to defence efficiency and effectiveness. Progress against the Strategic Reform Program will be regularly reviewed to ensure that it continues to deliver the required outcomes in these challenging circumstances. The Minister for Defence intends to provide an annual report to Parliament on Defence's progress in implementing its extensive reform program.

CHAPTER TEN:
PEOPLE

Investing in People – A Strategic Priority

10.1 People are integral to the Government's agenda to best position Australia for the region's strategic transformation. The calibre of our personnel – their training, leadership, professionalism and technical expertise – has helped preserve Australia's defence capability edge for many decades. The quality and effectiveness of our integrated ADF and Australian Public Service workforce will be critical to supporting ADF capability, while delivering both the strategy and capability priorities of this White Paper.

10.2 The Government's investment in people as a significant component of the Defence budget reflects the continued requirement for a professional, highly skilled and adaptable workforce. This investment is critical at a time when our capability edge is becoming more difficult to maintain and the technical complexity in operating our defence capabilities is increasing. In this environment, the defence workforce will be decisive in Australia's ability to deliver capability for operations and activities in conflict and in peacetime.

10.3 We have significant advantages in the quality, diversity and resourcefulness of the Australian community we draw from. The specialist skills and expertise we need in the defence workforce must continue to be targeted and nurtured, particularly in Australia's highly competitive labour market. The Government recognises that Defence's approach to its people must be flexible and reflect contemporary and future employment conditions and expectations within Australian society if Defence is to remain an employer of choice. It is only through attracting and retaining the skills and qualities we need in our people that Defence will be able to deliver the Government's priorities.

10.4 The 2009 White Paper recognised the need for the full-time military workforce to grow. An ADF workforce of approximately 59,000 Permanent members will be maintained over the next decade as new and replacement capabilities are brought into service. Although the Government is committed to maintaining the ADF at around this size, it recognises that adjustments to the balance of investment in the capability, personnel and operating components of the Defence budget may be needed over time, as fiscal and strategic circumstances continue to evolve.

10.5 The Government is also committed to implementing an ADF workforce model that is flexible and responsive to Defence personnel needs, provides appropriate opportunity to all its members and reflects the great diversity within the Australian community. This is critical to the continued health and capability of the ADF in a challenging workforce environment.

10.6 Further reform will see the civilian workforce, including contractors, reduce from around 21,700 to around 20,000 over the next decade. This includes continuing implementation of shared service arrangements within Defence, described in Chapter Nine, resulting in the removal of duplication and the streamlining of processes.

10.7 Maintaining and reforming both the full-time military and civilian workforces will be challenging. Demographic changes, skills shortfalls and demands from the minerals and petroleum resources sector are already impacting on Defence's ability to achieve the workforce it requires with the appropriate mix of skills. This was recognised in the 2009 White Paper which directed new investment into people initiatives in the areas of remuneration, supporting ADF families, housing and accommodation, health and rehabilitation, and diversity. This new strategy to maximise the diversity and effectiveness of the defence workforce is now reflected in the comprehensive Defence People Strategy.

Strategic Workforce Management

10.8 Defence's workforce is large and complex, comprising Permanent and Reserve uniformed members and the civilian workforce. Success will depend on Defence's ability to provide a sustainable workforce of the right size and with the required skills. The following strategic initiatives will provide greater flexibility to ensure that defence resources are targeted on meeting Government's direction, particularly for core capability priorities.

Total Force Employment Model

10.9 The Government has directed Defence to adopt a Total Force employment model, in which ADF members and Australian Public Service employees are used as a single integrated workforce to deliver capability outcomes. This model, comprising flexible career pathways, competitive remuneration and benefits and workplace flexibility will enable Defence to improve its retention and recruitment rates by offering improved career opportunities and ease of movement between the Permanent and Reserve components of the force.

10.10 This model will also address a range of recommendations proposed in the *Review into the Treatment of Women in the ADF* by the Australian Human Rights Commission, led by Sex Discrimination Commissioner Elizabeth Broderick.

Managing the Employment Offer

10.11 To attract and retain the workforce we need, Defence must ensure that the employment offer is invested in areas that meet workforce requirements and offer value for money. Defence's employment offer will continue to be attractive and competitive within available resources to improve workforce satisfaction, increase attraction and retention, improve cost-effectiveness and support the contemporary Total Force employment model.

10.12 Defence will also employ targeted offers to retain its people in areas critical to capability. These measures will be designed to improve job satisfaction and thereby increase attraction and retention in areas of critical skill.

Recruiting

10.13 To ensure that we have the high quality people needed to deliver Government's priorities in this White Paper, Defence will focus its recruiting effort on performing strongly in three key areas: competing for talent; broadening the recruiting base; and efficient, effective and accountable implementation of recruiting plans.

10.14 As Australia's workforce ages and competition for skills increases, the demand for people, particularly from the age group that provides most new ADF members, is expected to intensify. To achieve recruiting targets, Defence must continue to attract and enlist new members by marketing a competitive employment offer and operating an agile, candidate-focused recruiting system. Defence is also reforming Australian Public Service recruitment processes to provide a contemporary, consistent and integrated service.

10.15 As the composition of Australia's workforce becomes more diverse, Defence will broaden its recruiting base. Identifying and mitigating impediments to the enlistment or employment of individuals from a wide cross-section of Australian society will be important.

Supporting Defence Capability through an Inclusive Workforce

Diversity

10.16 *Pathway to Change: Evolving Defence Culture* makes clear the significance of a diverse workforce in building Defence's organisational capability.

10.17 Key activities to achieve a more inclusive organisation include the creation of a Diversity Council, the appointment of a Diversity Champion and the development of a Diversity Strategy. Further, in line with this Government's commitments, specific activities are underway for improved recruitment of women and diverse groups such as Indigenous Australians and Australians from culturally and linguistically diverse backgrounds. The cultural diversity of the ADF Cadets provides another avenue for Defence to engage more broadly. There are also specific initiatives being implemented to improve the representation of people with disability in the Australian Public Service workforce.

Women

10.18 The Broderick Review and *Pathways for Women in APS Leadership* Review, undertaken by then Deputy Public Service Commissioner Ms Carmel McGregor, established a strong capability imperative to improve the treatment of, and enhance career opportunities for, women in Defence. Implementation of the recommendations of the Broderick and McGregor Reviews will address issues which presently stall women's progress in Defence, particularly to senior leadership positions. For instance, Defence

will increase women's training and promotion opportunities by setting gender targets for increased participation at the Australian Command and Staff College and the Centre for Defence and Strategic Studies. In addition, ADF promotion boards and selection panels for senior ranking positions will include at least one woman and one external (non-ADF) member. Specific targets have also been set to significantly increase women's overall participation in the ADF's permanent force by 2023.

10.19 The Government is committed to the removal of gender restrictions in the employment of women in the ADF and to implementation of the recommendations of both Reviews. This will allow all members of the ADF and Australian Public Service to contribute to the full extent of their potential.

10.20 Over the next three years, Defence will continue the phased implementation of the removal of gender restrictions. This initiative will be supported through introduction of appropriate physical employment standards to ensure that all ADF members, regardless of gender, have the physical capacity to perform the full range of their assigned duties safely and effectively.

10.21 These and other measures that Defence is taking to increase the participation of women in its workforce and enhance the promotion and breadth of employment opportunities available to women, will also contribute towards the Government's broader commitment to the *Australian National Action Plan on Women, Peace and Security 2012-2018*.

Aboriginal and Torres Strait Islanders

10.22 In line with increasing the diversity of the workforce, Defence is implementing both the *Defence Indigenous Employment Strategy* and the *Defence Reconciliation Action Plan*. The *Defence Indigenous Employment Strategy* aims to increase representation in Defence as directed by the Government and to support and retain Aboriginal and Torres Strait Islander people. The *Defence Reconciliation Action Plan* provides a number of supporting strategies, which include Indigenous development programs to build on Defence's contribution in community engagement and development.

Defence's Integrated Workforce

10.23 The maritime, land and air capabilities provided by each of the single Services and the capabilities and support provided by the Australian Public Service are necessarily different, even though they are employed in an integrated manner. Due to their differences, each Service and the Australian Public Service has its own challenges in maintaining an appropriately skilled and diverse workforce.

Royal Australian Navy

10.24 The ADF operates in a labour market shaped by technological and demographic change and increased competition for skilled people. In this environment, meeting operational commitments while introducing new surface and sub-surface warfare, amphibious and air warfare capabilities, will be challenging for the Royal Australian Navy.

10.25 Generating the required Navy workforce and training people in core skills to professional standards across all future capabilities will continue to be key challenges. In the medium-term, the Navy will address shortages in some supervisory ranks through increased emphasis on lateral recruitment, direct entry specialists and Reserves. Attention will be focused on growing an inclusive and diverse workforce as part of the New Generation Navy program. Rizzo reforms highlighted in Chapter Nine have the potential to drive changes to Navy workforce requirements. Attracting people with diverse talents from across the Australian community will assist the Navy to operate at peak performance to achieve maximum capability delivery.

Australian Army

10.26 The changing demographics of Australian society mean that diversifying the workforce and becoming a more inclusive organisation is of increased priority for all three Services. In its case, the Army will increase the total percentage of women in the Army from the current level of approximately 3,000 to 3,600 by 2014 by seeking to double the recruitment of women from 300 to 600 per year.

10.27 The Government's decision to lift gender restrictions on combat trades will be important for ensuring a viable force structure disposition comprising three multi-role combat brigades. These brigades are the primary focus of Plan BEERSHEBA addressed in Chapter Eight. In addition to the multi-role combat brigades, Plan BEERSHEBA will ensure the combat support and combat service support brigades have personnel with the right ranks and trades to deliver balanced capabilities.

10.28 Under Plan BEERSHEBA, increased synchronisation of the effort and effects of the Army's Permanent and Reserve components in a Total Force construct will be necessary. The Army Reserve will generate a set of defined capabilities in partnership with regular Army brigades and through integration of the Reserve workforce in the enabling formations. This will strengthen the land force capability Army provides to the Government.

Royal Australian Air Force

10.29 The Royal Australian Air Force will continue to adapt its workforce to support an unprecedented level of capability transition over the coming decade and beyond. As noted in Chapter Eight, this transition includes introduction of the F-35A Joint Strike Fighter air combat aircraft, the C-27J Battlefield Airlifter aircraft, an enhanced intelligence, surveillance and reconnaissance capability based on the P-8A Poseidon aircraft, supplemented by large high-altitude, long-endurance unmanned aerial systems, as well as the electronic warfare Growler aircraft, now with twelve new-build aircraft being acquired.

10.30 To support the transition, Air Force has embarked on a major program of workplace change. In addition to re-skilling the current workforce and adapting training to the new capabilities, an organisational change program entitled 'New Horizon' will be pivotal to attracting and retaining highly skilled people in a highly competitive market.

Australian Public Service

10.31 The Australian Public Service workforce is in a period of transition to a leaner model in support of the Government's defence reform agenda highlighted in Chapters Seven and Nine. A number of organisational initiatives along with the Australian Public Service Core Capability Framework will facilitate transformation of the workforce, in line with whole-of-government public service skills improvement initiatives.

Health and Safety

10.32 The Government is committed to ensuring that ADF members continue to receive top quality and timely health care, including mental health support, under Defence's health care system. At sea, in the field and on operations, health care must be responsive and effective. Through clinical currency of health care providers, the right equipment and facilities and the use of health knowledge management systems, Defence will deliver integrated, synchronised health support to its people.

10.33 As outlined in Chapter Four, the ADF is transitioning through the drawdown of major operations following an extended period of high operational tempo. We will see more Australian combat veterans returning home to their families and communities than since the end of the Vietnam War. The Government has made clear the priority it places on ensuring appropriate support is in place to care for our returning service men and women.

10.34 Stronger ties between the Departments of Defence and Veterans' Affairs, formalised through a *Memorandum of Understanding for the Cooperative Delivery of Care and Support to Eligible Persons* signed in February 2013, will enhance the coordination and delivery of support and services to all ADF members and their families during their service or after their transition from Defence.

10.35 The Government is committed to providing ADF members with a world class health system. Defence's health system must support operational capability by both maintaining the fitness of individuals in compliance with ADF preparedness requirements and ensuring ill and injured members are provided with timely and high quality care and rehabilitation as required. In February 2013, the Government announced the successful transfer of contracted services to Medibank Health Solutions under a $1.3 billion contract to deliver a comprehensive suite of high quality health services to ADF personnel.

10.36 Continued implementation of reforms including the Government's Simpson Assist Program will ensure that ADF members are cared for, returned to service where possible, or, when required, fully supported when transitioned from Defence. Under the Support to Wounded, Injured or Ill Program, Defence and the Department of Veterans' Affairs are working jointly to implement a member-centric support system that extends from a member's enlistment, operates throughout their service, and continues after their transition from the ADF.

10.37 Defence has been recognised as a leader in work health and safety. Defence continues to develop a work health and safety management system that reduces the risk of injury at work to as low as reasonably practicable.

Mental Health and Post Traumatic Stress Disorder (PTSD)

10.38 Defence continues to enhance its comprehensive approach to screening, assessment and treatment of mental health concerns, including PTSD.

10.39 Operational experience continues to demonstrate that PTSD can develop in otherwise highly functioning people. ADF personnel are considered a high-risk group due to their involvement in challenging combat, peacekeeping and humanitarian deployments.

10.40 ADF members dealing with PTSD have access to the full range of mental health services and rehabilitation services. Significant improvements in these services have been made and will continue to be made. Defence will also see what further comprehensive education and support might be offered across all levels of the ADF and at all stages of a career – from pre-recruitment to completion of service. This initiative will help ensure all members of the ADF are aware of the risks associated with mental health issues, including PTSD and know how to address this risk.

10.41 Through the current ADF mental health reform program, described in the *2011 ADF Mental Health and Wellbeing Strategy*, a range of initiatives to improve mental health awareness are in place.

10.42 This initiative will help ensure all members of the ADF are aware of the risks associated with mental health issues including PTSD and know how to address this risk.

10.43 Acknowledging that awareness of mental health is a key factor in preventing future problems, the Government has directed work to identify opportunities for additional enhancements to current programs that might be offered across all levels of the ADF and at all stages of an ADF career. This will help to ensure that ADF members and their families are aware of the risks associated with mental health disorders and are encouraged to seek help early. It will also ensure that appropriate support is in place and available once sought.

Education and Training

10.44 Education and training is important in positioning Defence for the challenges in the decade ahead. Defence will maintain and enhance international training opportunities in support of the objectives in Chapter Six through joint and combined training with partners. Engagement with the wider national security community will be increased, including by enrolling students from other Departments and Agencies in Defence's educational programs, and by Defence participation at the National Security College.

10.45 Defence will enhance Australian Public Service workforce capability by applying a consistent approach toward describing occupations and a structured approach to recruitment, education and training, and career development and management. Increased emphasis will be placed on supporting employee knowledge and skill development and transfer through on the job learning.

10.46 Defence will develop further the Australian Defence College as a provider of shared education and training services and ADF and Australian Public Service joint and common education and training programs.

Support to Defence Families

10.47 The Government is committed to supporting Service members and their families in accessing government services and building strong social and community networks in order to enhance family functioning and resilience. The Defence Community Organisation will continue to enhance its services and consolidate its efforts, consistent with the Government's social inclusion agenda.

10.48 The 2009 Defence White Paper announced a three-year extension to the trial health care arrangements for the provision of basic medical and dental care to Defence families living in remote and regional locations. In the 2012-13 Budget, the Government decided to extend the trial until 30 June 2013. The Government intends to continue the trial until 31 December 2013 and then cease the trial and make the program available to all dependants of permanent ADF members and dependants of Reserve members on Continuous Full-Time Service from 1 January 2014.

10.49 In addition to reaffirming essential government and defence services and support, the Government acknowledges the continued importance of the longstanding contributions of organisations such as the RSL and Legacy, as well as newer organisations, to the care and assistance provided to ADF members and their families.

10.50 The Government has also contributed capital funding towards Trust funds established to support the families of ADF members killed or disabled as a result of operational service.

10.51 The Special Air Service Resources (SASR) Fund and related Trusts began with the first SASR Trust in 1996 and together now: provide relief to the dependants of current and former members of the Special Air Service Regiment who have died or become disabled as a result of operational service or training; promote the comfort, recreation and welfare of serving members of the Special Air Services Regiment; and provide relief of poverty and financial hardship for current and former members of the Regiment.

10.52 The Commando Welfare Trust was established in 2010 to support both initial emergency funding and long-term financial requirements of qualifying families in times of hardship where existing funding, grants or entitlements do not otherwise provide support.

10.53 The Australian Defence Force Assistance Trust was established in 2012 to assist families not covered by the terms of the existing Special Air Services Resources Trust and the Commando Welfare Trust.

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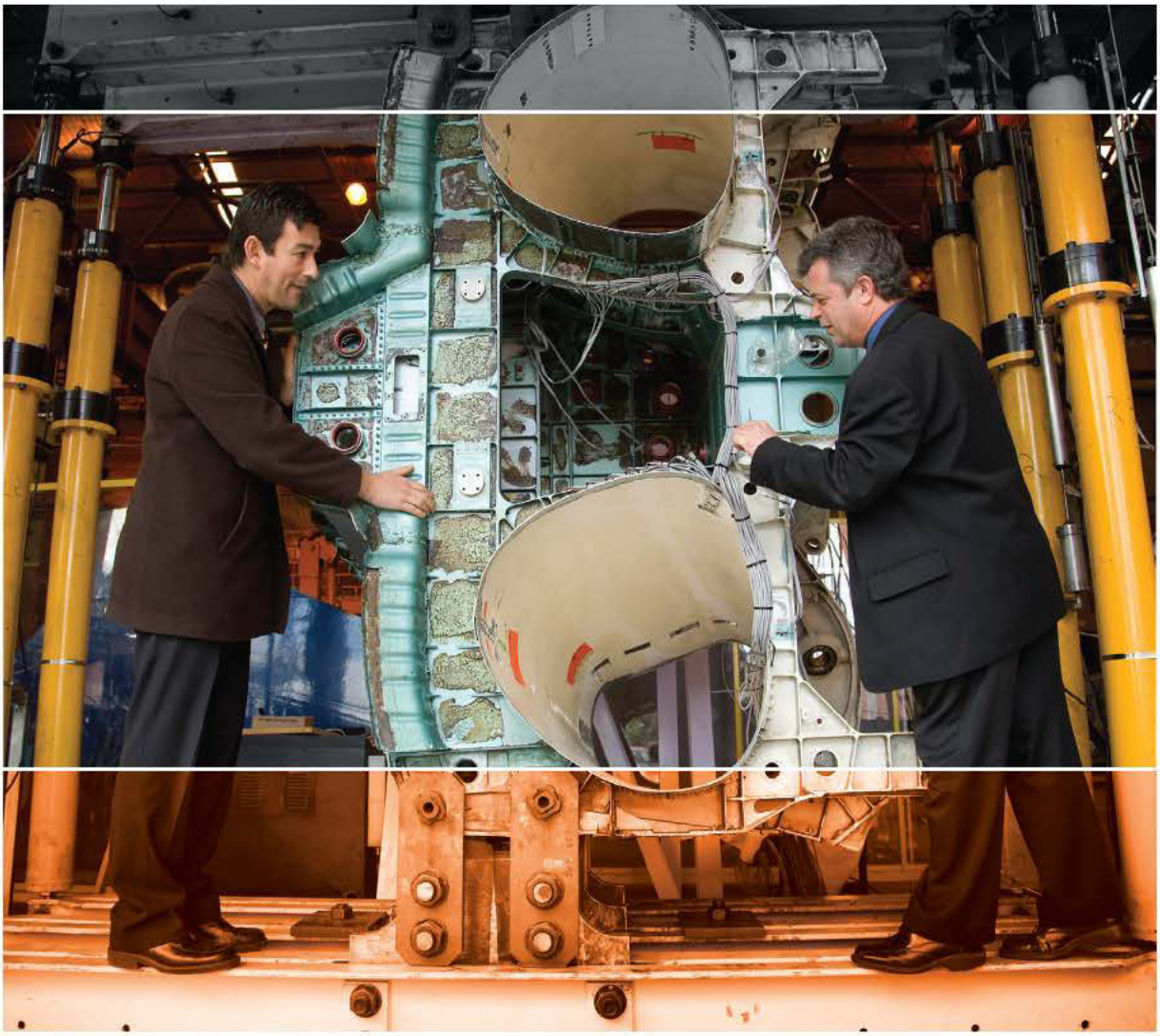

CHAPTER ELEVEN:
SCIENCE AND TECHNOLOGY

11.1 Defence science and technology has long played a vital role in ensuring that the ADF can rely on a capability edge, and it will continue to do so as a key enabler of Government's plans for developing the future force. This will require new approaches to maximise science and technology outcomes to support the Defence Organisation.

11.2 As highlighted in Chapter Six, developments in regional capability provide opportunities for broader and deeper defence partnerships. The Government is committed to strengthening science and technology partnerships as part of this strategy.

Science and Technology Landscape

11.3 Many technologies are advancing at a rapid rate and developments are difficult to predict. Maintaining the ADF's capability edge will require rapid integration of commercial and military off-the-shelf equipment. As outlined in Chapter Two, superiority in combat and other military operations will hinge on continual technological advancement. It will need to focus on research providing significant strategic, operational and tactical advances to offset our strategic and fiscal challenges.

11.4 The Government will continue to place a high priority on our science and technology advantage, including through its significant investment in the Defence Science and Technology Organisation (DSTO). The DSTO will ensure that it retains its edge in defence and national security through the *DSTO Strategic Plan 2013-18*, released by the Minister for Defence Science and Personnel on 12 April 2013. The Strategic Plan focuses DSTO's efforts towards future defence capability and, through partnerships, taking a stronger role in knowledge integration and innovation.

11.5 The scale of advanced technological expertise required to implement the Government's capability priorities is unprecedented in Australia's history. The technical capability of our people in the DSTO, the ADF, and broader defence domestic and international partners is our greatest advantage. The Government will continue to invest in our people to ensure that we have the skills and expertise for current and future needs. The DSTO will work closely with academia to raise and maintain the level of scientific expertise in Australia and to assure a pipeline of PhD-qualified staff to support defence research requirements.

11.6 The DSTO will further develop its horizon-scanning capability and its ability to anticipate the path of emerging defence-related technologies. This will include monitoring, in partnership with intelligence Agencies and academia, global developments that affect Australia's capability advantage and the development of new technologies such as nanotechnology, biotechnology, quantum effects in chemistry and physics and energy futures.

11.7 In recent years, emerging technologies have been increasingly driven by commercial and consumer applications. Defence must capture and integrate these developments into its systems to develop new mechanisms through which it can promote and encourage the exploitation and transition of new technologies. Collaboration is increasingly required to turn unique systems into ADF capability. To this end, the DSTO will partner with academia and industry through a concerted program of strategic alliances, research agreements, research programs and collaborative arrangements.

Building a Defence Science and Technology Enterprise for the Future

11.8 The DSTO's technical capabilities are shaped to meet the specialised needs of Defence and are not readily available through other public or private science and technology organisations. An internal defence science and technology provider is crucial to collaborate with partners and facilitate trusted government-to-government transfer of advanced technology and developmental capabilities. The DSTO also provides, and will continue to provide, direct support to current ADF operations, including attaching staff from the DSTO to deployed units.

11.9 The DSTO will maintain its core activity to deliver and facilitate expert impartial advice for current and future capabilities. For current capabilities, the DSTO will achieve this by increasing operational effectiveness, improving safety, maximising asset availability and reducing the cost of ownership of assets. DSTO will support future capabilities throughout the planning and development phases using expertise in evaluating Defence Capability Plan projects, and advise on all aspects of technical risk – including risk mitigation – in partnership with Capability Development Group (CDG) and the Defence Materiel Organisation (DMO).

11.10 The DSTO will use science and technology to future-proof defence capabilities and will conduct strategic research to anticipate capability opportunities. To achieve this, enabling research will be undertaken in the areas of undersea warfare, over-the-horizon radar, integrated intelligence, surveillance and reconnaissance, future electronic warfare, cyber systems, bio-preparedness, trusted autonomy, and the viability of space technologies.

Science and Technology International Partnerships

11.11 Australia's cooperation with allies and regional partners is a very important component of Australia's defence science and technology capability and our regional posture. It is vital to the Government's agenda for managing the strategic transformation in our region. Furthermore, by undertaking collaborative world class research in certain niche areas, Australia is able to access overseas capabilities which would otherwise not be available to the ADF. The DSTO will continue to strengthen bilateral relationships, the most significant of which continues to be with the United States, where the focus will be in intelligence, surveillance and reconnaissance, cyber, electronic warfare, undersea warfare and emerging technologies.

11.12 Collaboration with closely related external organisations will be strengthened. The DSTO already has strong multilateral relationships through the Technical Cooperation Program with the United States,

United Kingdom, Canada and New Zealand. These relationships maximise value and reduce otherwise prohibitive costs through the mutual conduct of tests, trials and systems analysis.

11.13 The Government's intent to enhance engagement within the region will also manifest through new and re-invigorated science and technology relationships. These relationships will be based on science and technology capabilities that can bring mutual benefits to all parties.

Driving Capability Innovation through Science and Technology

11.14 Defence will improve the transition of innovative ideas from conception through to capability. The DSTO, with CDG and the DMO, will develop an integrated innovation program seeking to capture new ideas and realise them as a capability. This program will have a senior steering group managing and coordinating these initiatives across Defence.

11.15 Through the Defence Innovation Realisation Fund, technology at varying stages of development may be fast tracked through to capability. The Fund will complement existing programs such as the Capability Technology Demonstrator Program.

11.16 The Defence Innovation Forum will be established to bring industry and academia together to generate innovative proposals with Defence. These will closely align with similar initiatives being established under the Government's *A Plan for Australian Jobs: the Government's Industry and Innovation Statement* released on 17 February 2013, such as the Innovation Precincts and Enterprise Solutions Program.

11.17 A new program for science and technology challenges will be implemented to facilitate national and international collaborations on research into defence and national security problems of national significance. The initial theme will focus on key science and technology challenges to support Australia's future submarine program and increase knowledge in the science and technology of undersea warfare.

11.18 This Program will complement science and technology studies being undertaken as part of the Future Submarine Program. The strategy in this Science and Technology Collaborative Program is to invest in high-risk, high-payoff, technologies that will contribute to the creation of a capability edge that can evolve throughout the life of the fleet. Activity areas will be selected which could serve as key enablers for Australia's future war-fighting capability.

Defence and National Security

11.19 The expertise that resides in the DSTO represents a unique capability to support the Government's broader national security requirements. The DSTO has an important role to play in realising all three priorities in the *National Security Strategy* – enhancing regional engagement, an integrated cyber policy and effective partnerships to achieve innovative and efficient national security outcomes. It will lead coordination and delivery of the science and technology activities aligned with the eight national security pillars identified in the Strategy.

11.20 The DSTO will continue to maintain research strengths in areas such as: chemical, biological and nuclear defence; explosives effects and improvised explosive devices; and intelligence related technologies. Cyber research will be bolstered, in line with the direction in the *National Security Strategy.*

11.21 As the lead Agency for national security science and technology, as noted in Chapter One, the DSTO is responsible for implementing the Government's 2009 *National Security Science and Innovation Strategy.* This role includes the management of international national security research agreements with the United States, United Kingdom and other partners.

11.22 The DSTO also manages a Defence-funded program to enable non-defence Agencies to access and benefit from science and technology capabilities to enhance whole-of-government national security. In this and other ways, the DSTO marshals science and technology capabilities within the organisation, universities, industry and other research Agencies to meet the science and technology support needs of national security Agencies.

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CHAPTER TWELVE:
INDUSTRY AND INNOVATION POLICY

12.1 As highlighted in Chapter Eight, Australia's defence industry is a major partner in the Government's plans for the current and future ADF. It is vital that Australia maintains a defence industry capable of supporting the ADF's acquisition and sustainment requirements during peacetime and operations. Defence's approach to working with industry reflects a shared policy agenda to support the growth and competitiveness of Australian businesses so that Australia's defence industry is in a position to respond effectively, both now and in the future.

12.2 A highly skilled and capable Australian defence industry is necessary for Defence to achieve its strategic objectives. Large-scale and complex projects, such as the Future Submarine Program, require access to significant Australian skills and capabilities for design, construction and sustainment activities. It is critical to the success of these projects, and therefore to the achievement of Defence objectives, that careful planning to ensure the availability of the required skills and expertise along with building strong partnerships with industry be progressed as a matter of priority. These partnerships extend to defence industry cooperation more broadly within our region.

12.3 Defence will continue to strengthen its relationship with Australian industry through collaborative partnerships that empower industry to assume a leadership role. To this end, measures such as the Government's Industry Innovation Precincts, announced in *A Plan for Australian Jobs: the Government's Industry and Innovation Statement*, will establish a dedicated defence hub through the Manufacturing Precinct in Adelaide. This precinct will be industry led and will help businesses and researchers to collaborate, share knowledge, deploy technology and create products and services that will support the ADF.

12.4 From a domestic perspective, the *Australian Defence Force Posture Review* highlighted the challenges associated with seeking to conduct and sustain operations across vast distances in northern Australia. Support from defence industry is crucial. Defence will continue to review its arrangements to ensure that Government's requirements in this area can be met.

12.5 The strategic transformation in our region, combined with the fiscal reality that Defence and industry together face, means that a competitive, efficient and skilled Australian defence industry is vital to support Australia's defence needs. Our defence industry's ability to compete internationally and contribute to Australia's defence partnerships in the region through its competitive ability and technical skill is becoming increasingly important with the strategic and economic shift to the Indo-Pacific. Because of the size of the Australian population and industry base, it is unrealistic to aspire to achieve total self-sufficiency in all possible defence industry capabilities. And as this White Paper highlights,

choices will be required over time about the balance of investment in the preparedness, posture, and operations of the ADF and the core capabilities of the future force.

12.6 Internationally, the *Australia in the Asian Century White Paper* identifies opportunities for Australian business to contribute to and benefit from growing regional prosperity. Such opportunities can provide a broader market for Australian defence firms to sustain and grow the capacities that are essential for the equipping and operation of the ADF.

12.7 The Government strongly supports local acquisition of military equipment, and will continue to employ open and effective competition wherever possible in order to ensure value for money in its defence capability spending and provide incentives for the development of innovative, competitive industry. The Government's procurement decisions will continue to consider the appropriate mix of cost, capability, schedule and risk.

12.8 The Kinnaird and Mortimer Reviews recommended that off-the-shelf solutions for Defence's capability requirements must be considered during the project approvals process. Off-the-shelf solutions will continue to provide the basis against which the risks and benefits of more developmental or bespoke procurement proposals will be assessed. This will result in a proportion of our military equipment continuing to be sourced from overseas.

12.9 Australian defence industry firms will succeed by positioning themselves to compete for markets in Australia and overseas by building organisational capability, enhancing competitiveness and increasing their capacity for innovation. Government policy and programs can help to create the environment for this.

Global Defence and Broader Industry Trends

12.10 The Australian economy is resilient and underpinned by strong fundamentals that, unlike many developed economies, have allowed our economy to continue to grow since the Global Financial Crisis. However, industry still remains affected by profound and rapid structural change brought about by trends such as the high Australian dollar. Government is aware of the need to continue to build productivity and foster innovation and collaboration to support the competitiveness of Australian defence industry.

12.11 In real terms, defence procurement expenditure in the United States and across the European Union is expected to be lower in 2016 than it was in 2010. Over the same timeframe, procurement expenditure is forecast to rise strongly across Asia and the 'BRICS' (Brazil, Russia, India, China and South Africa). Sustained pressure on the defence procurement budgets of the United States and Western nations creates significant uncertainty for the global defence industry.

12.12 The global defence industry may seek to respond to decreased opportunities through a range of strategies including consolidation, divestment and diversification of defence companies. Companies may seek to establish new markets for sales and support in countries that have not traditionally been accessible to United States and European armaments firms.

12.13 While noting Australian industry's involvement in collaborative international equipment development programs and the strong local presence of some of the world's leading defence companies, the domestic defence industry continues to be affected by a general reduction in global defence procurement spending. Although this poses real challenges for Australian industry, opportunities exist to target markets in the Indo-Pacific region where defence spending is generally rising. Australian industry has a logistic competitive advantage when engaging with these nearby markets.

12.14 Within the domestic defence market, Australian small to medium enterprises (SMEs) are encouraged to best consider their role in collaborating with Defence to deliver capability for the ADF. In this, Defence notes that for a number of SMEs a primary consideration is assured flow of work. In these cases, SMEs may wish to focus on working with Defence to deliver sustainment, support and upgrade of Defence's existing platforms and systems.

12.15 In the fiscal circumstances likely to apply for some years, the Government may elect to extend the service life of existing equipment as an alternative to immediate replacement for some lower priority capabilities. In such an eventuality, sustainment, repair and refurbishment activities will be even more important.

The Relationship between Defence and Industry

12.16 In order to achieve the priorities in this White Paper, the Government will establish truly collaborative partnerships based on open and effective communication with industry that is not just consultative in nature but promotes industry taking a leadership role in delivering world class capabilities to the ADF. As part of this, industry's involvement will extend from seeking to provide solutions for specific capability requirements to Defence's strategic policy development.

12.17 Defence is broadly delivering projects on budget and to the required capability, but schedule performance, while improving greatly, needs continued improvement. Building upon the collaborative partnerships between Defence and industry will also help to address instances of unplanned procurement slippages. Fostering a strong sense of trust between parties combined with clear and open communication forms the basis of a successful commercial relationship. History has shown that the successful delivery of project acquisitions requires a marrying of Defence's requirements with industry's capacity not just at the start of the project but throughout its life cycle. Defence must clearly articulate its requirements and industry must provide an honest assessment of its ability to complete a contract successfully within the schedule and price it advises in its tender responses.

12.18 In practical terms, Defence will build upon the success of previous acquisition projects through the use of mutually beneficial contracting arrangements. This includes appropriate use of measures such as collaborative contracting structures for acquisition projects, for instance the Air Warfare Destroyer Alliance, performance incentives, rolling wave contracts and group maintenance arrangements for sustainment work. These will continue to form the basis of Defence's commercial partnership with industry and deliver better value for money for the Commonwealth and industry.

12.19 Defence's engagement with industry will continue to be undertaken within a strict legislative and ethical framework, in compliance with its responsibilities under the *Financial Management and Accountability Act 1997*. This framework protects both the Commonwealth's commercial interests and provides it and industry with a secure environment in which to operate, particularly in regards to confidentiality and management of intellectual property.

12.20 The Government has prioritised earlier engagement with industry on acquisition and sustainment requirements. As noted in Chapter Eight, the new format of the public Defence Capability Plan (DCP) was developed in consultation with industry. It provides greater certainty to industry through a detailed, four-year focus in line with Government's Forward Estimates budgeting cycle, and is accompanied by the necessarily less detailed Defence Capability Guide (DCG) which covers the six-year period beyond the Forward Estimates. Together, the public DCP and DCG signal the Government's broad capability development intentions for the next ten years, assisting industry to plan ahead and engage early with Defence.

12.21 Early consultation will ensure Defence's expectations are well understood and that industry is able to introduce its considerations into the capability planning process. Defence will continue to liaise with industry at key junctures of the capability development life cycle, as well as through routine engagement between project managers and industry representatives.

12.22 The Government will release an updated Defence Industry Policy Statement during 2013. The Statement will set out how Defence and industry will work together to achieve the outcomes stated in this Defence White Paper.

Priorities for Industry Capability

12.23 The Government has set priorities for defence industry to ensure industry can meet Defence's capability needs. These priorities provide industry with the business intelligence it needs to make appropriate investment decisions.

12.24 In order to provide more specific guidance, particularly for programs supporting the growth and development of industry, Defence will continue to place emphasis on investment in Priority Industry Capabilities (PICs). PICs are those capabilities which confer an essential strategic advantage by being resident within Australia and which, if not available, would significantly undermine defence self-reliance and ADF operational capability.

12.25 The Government has recently assessed the 'health' of the PICs; that is, their ability to deliver designated capabilities to an acceptable technical standard at a reasonable price. Over the last 12 months, there have been several occasions where Defence has intervened to address a specific health issue.

12.26 To ensure that any future PIC health issues can be addressed, a Priority Industry Capability Development Fund will be established within the DCP. The PICs will be reviewed systematically to ensure they remain aligned with Defence's strategic priorities.

12.27 Complementing the PICs, the Government will develop Industry Roadmaps, setting out the Government's vision for strategically important components of Australian defence industry. These Roadmaps will extend the work recently completed for the *Future Submarine Industry Skills Plan* to other areas of local defence industry.

Defence Industry and Innovation Policy Priorities

12.28 Growing the defence sector's capacity and competitiveness continues to be a strategic policy objective of the Government. To thrive, Australian industry must be able to compete in the global defence marketplace. The Government recognises the barriers and difficulties faced by local industry as a result of current global trends, and will continue to encourage Australian industry to compete for participation in major projects and for sustainment and support activities and services both in Australia and overseas. The Government will assist Australian defence industry by continuing investment in three key areas: enhancing innovation, building competitiveness, and developing skills.

Enhancing Innovation

12.29 As outlined in *A Plan for Australian Jobs: the Government's Industry and Innovation Statement,* innovation is not only investing in research to create knowledge and technology, but applying knowledge and ideas in new ways to create value. This type of innovation plays a key role in delivering ADF capabilities that provide operational superiority in our environment, or provide capabilities at reduced cost. This innovation has the potential to deliver significant technological and capability dividends. The best innovation involves not just new or upgraded hardware, software capability, systems or individual platforms, but also improved business models and sustainment outcomes as well as a culture that fosters continuous improvement. The Government's vision is for Australia to have an innovation system in the top ten globally by 2025.

12.30 While it does bring significant benefits, innovation may also entail significant risks for Australian industry, particularly the risks involved in developing new technology to a reasonable cost and schedule. The challenge for Defence is to encourage innovation while managing those risks within the available resources.

12.31 As innovation is a key driver of productivity, the Government recognises the importance of innovation in the defence industry sector and will continue to support it. Innovative work attracts important problem-solving skills into the sector, and will help in sustaining and enhancing ADF capability. It will also assist industry to support high technology equipment procured from overseas and compete in the global market.

12.32 Innovation in Australian industry must be focused on products that have a clearly defined path into defence capability. The Global Supply Chain Program offers an avenue by which Australian companies can build their innovative products into the supply chains of the overseas prime contractors and their

international customers. Opportunities also exist in targeting the mid-life upgrades of ADF equipment, which are likely to be conducted in Australia. The Government will continue to provide support to assist industry in this endeavour.

Innovation Support Programs

12.33 Our capability edge is increasingly reliant on advanced technology. The speed of technological change and the broad accessibility of many new technologies must be embraced if we are to maintain our capability edge. Defence must therefore be able to identify and take advantage of innovation more widely and rapidly to ensure its ongoing advantage.

12.34 There is an inherent tension between developing and introducing innovation and reducing risk in the capability development process. Innovation activities are not always successful, so relying on them for delivery of ADF capability carries a certain amount of risk.

12.35 Defence is a strong supporter of fostering innovation within the Australian defence industry through joint Defence-industry initiatives such as the Rapid Prototyping, Development and Evaluation Program and through programs supporting the development by industry of innovative capabilities. The Government's support of innovation within the defence industry will continue to be managed under an integrated approach, to mitigate risk while ensuring successful ideas can be generated and developed into ADF capability. Defence will develop an integrated innovation program with a senior steering group managing and coordinating all the various innovation initiatives across Defence.

12.36 As highlighted in Chapter Eleven, the Government will establish the Defence Innovation Realisation Fund within the DCP to help support the maturation of innovative defence technologies at varying stages of development from basic research to acquisition under a major or minor project. The Fund will be managed by the Defence Science and Technology Organisation (DSTO) on behalf of the proposed defence steering group, with the Committee assigning funding on a prioritised basis to innovative projects that existing innovation programs are unable to transition into capability.

12.37 As referenced in *A Plan for Australian Jobs: the Government's Industry and Innovation Statement*, collaboration is an essential aspect of innovation because it enables the breadth and novel combination of ideas, spreads risk, propagates skills and builds critical mass. The Australian Bureau of Statistics Business Characteristics Survey also shows that those Australian businesses that collaborate, as well as innovate, are more likely to demonstrate increased productivity performance. To this end, the DSTO will host the Defence Innovation Forum, drawing on input from industry and academia to consider innovation within Defence. The Forum will provide a single point of entry for industry and academia into defence innovation programs.

12.38 The Government continues to provide assistance to Australian industry to commercialise the products that will help ensure the ongoing competitiveness of world class Australian businesses. This supports Australia's defence industry to deliver innovation which enhances the ADF's capability outcomes. For example, Commercialisation Australia is a Government initiative which provides a competitive,

merit-based assistance program offering funding and resources to accelerate the business building process for Australian companies, entrepreneurs, researchers and inventors looking to commercialise innovative intellectual property.

Building Competitiveness

12.39 Australia's defence industry plays a critical role in supporting the ADF to achieve the Government's strategic policy objectives. It is therefore vital that industry considers all available and appropriate business options as strategies for current and long-term success.

12.40 Australian defence companies continue to prove their world class expertise in delivering innovative defence solutions in domestic and world markets. Defence will continue to assist companies to access information on working with prime contractors and obtaining advice on how to become more competitive. This is being achieved through a range of initiatives, including the Australian Military Sales Office, which assists with export opportunities and increasing industry capacity. Defence also continues to provide advice and support to small and medium Australian defence businesses to help them transform and reach their full potential.

12.41 The Australian Military Sales Office was established in 2012 as a 'one stop shop' for Australian defence manufacturers seeking to export their products. It incorporates the functions previously undertaken by the Defence Disposal Agency, the Defence Export Unit and the Global Supply Chain Program. As a priority, a system will be developed to allow the Australian Government to sell Australian made defence equipment directly to other governments on behalf of Australian manufacturers.

12.42 In order to assist companies further, the Government has strengthened the Australian Industry Capability Program, which aims to maximise opportunities for Australian industry to participate in domestic and international supply chains, under defence capital equipment acquisition program contracts.

International Materiel Relations and the Defense Trade Cooperation Treaty

12.43 Positioning Australia to benefit from the strategic transformation in the region requires that Australia leverage its domestic and international partnerships. This applies across all aspects of Defence, including science and technology, and to our defence materiel objectives. The Defence Materiel Organisation (DMO) maintains relationships with the United States and other partner nations to ensure access to the most effective technology capability available to support the ADF. These relationships also assist Australian defence industry to access overseas markets through international agreements.

12.44 One of the ways the Government is helping local industry access overseas markets is through the *Treaty between the Government of Australia and the Government of the United States of America concerning Defense Trade Cooperation*. This Treaty will commence in May 2013. It provides a mechanism for access to and sharing of controlled equipment, technology, information and services within an 'Approved Community' of US and Australian government Agencies and private defence companies.

12.45 The Treaty provides a single assessment process for admission to the Approved Community and, once admitted, companies can transfer eligible articles within the Approved Community without the need to apply for additional export licences or authorisations. This will make it easier for Australian firms with complex licensing requirements to access the US defence market.

12.46 The Treaty aims to assist timely Australian access to US technology, expedite delivery of new defence projects and improve whole-of-life sustainment of military equipment. It will also offer enhanced opportunities for Australian industry to bid on support work for equipment the Australian Government acquires through the US Foreign Military Sales program and improve the prospects of supporting US-origin equipment domestically.

12.47 Defence will also continue to build upon its regional partnerships in this area, including with Japan, to support the Government's defence capability objectives in this White Paper.

Developing Skills

12.48 Australia needs a skilled, efficient and competitive industry to support Defence. The Government acknowledges that Australian defence industry needs support to build the skills required. The Government continues to support the up-skilling of Australia's defence industry through initiatives such as Defence's Skilling Australia's Defence Industry (SADI) program. The SADI program is part of the Government's investment to grow the skills base of the defence industry, create pathways into the sector and address the skills capability gap. SADI funding priority is considered for skilling activities in areas identified as PICs.

12.49 Defence will continue to provide assistance to support improvements in these areas through programs that target skills acquisition and retention. To ensure a coordinated approach, the Defence Industry Innovation Board was established by this Government to provide independent oversight and direction to Defence on its industry programs and relationships. It has separately endorsed the need to support innovation and the PICs as the foundation for enduring industrial capacity.

12.50 Industry support programs will focus on helping industry to develop skills in new fields, building skills in the maritime industry and developing greater linkages between industry and the education sector.

Skills Development in New Fields

12.51 A fundamental way of improving industry's productivity and competitiveness is to improve workforce skills. It is important that both Government and industry take an active role in the development of a skilled workforce. Defence will assist industry by supporting the development of skills and capacity not readily available in the broader market.

12.52 As it is anticipated that the majority of opportunities for local industry will emerge in the sustainment of military equipment in service, a particular focus of the skilling support programs will be to generate capacity in local industry to support industry's contribution to the ADF's sustainment requirements. PICs will also remain a priority for skilling support.

Building Skills in the Maritime industry

12.53 As outlined in Chapter 8, the Future Submarine Program represents the largest and most complex project ever undertaken in Australia's history. This project represents a true nation building endeavour which presents both challenges and significant opportunities for Defence and Australian industry. To complete this program successfully, the Government will need to support the Australian naval shipbuilding industry in developing and maintaining a workforce skilled in a wide range of specialist activities, including systems engineering, design, production engineering, construction and project management.

12.54 While building new skills within the maritime sector is important, it is equally important to maintain the skill level of the existing maritime workforce. The Government is committed to a program of naval shipbuilding that will ensure that the skills developed during construction of the Air Warfare Destroyers and Landing Helicopter Dock ships will be available to be applied to the Future Submarine Program and Defence's broader long-term needs. To do otherwise would result in a later delivery of the future submarines at a higher cost than is necessary, thereby resulting in a loss of capability for the ADF.

12.55 The Government will assist the maritime industry to develop and retain the specialist skills required to ensure that the Australian shipbuilding workforce remains capable of undertaking assembly of the nation's future submarines. Assistance will include developing a plan to improve productivity in Australian shipbuilding, considering initiatives such as a 'rolling build' approach to shipbuilding where this is cost-effective and may assist skills development and retention, utilising Government industry support program arrangements where appropriate, and developing a skills profile for the Australian shipbuilding workforce to guide skills development sponsorship. In recognition of the importance of meeting this objective, the Government has released the *Future Submarine Industry Skills Plan* alongside this Defence White Paper.

12.56 As noted in Chapter Eight, the Government will bring forward the replacement of the two supply vessels, HMAS *Success* and HMAS *Sirius*. The range of procurement options will be considered by Government, including the leasing of an existing vessel, the construction of an existing design, either wholly built overseas in the parent shipyard or partial construction in both parent shipyard and Australia, as in the Landing Helicopter Dock project, or a full Australian build. A combination of options may be considered for the construction of the two vessels.

12.57 Government will also bring forward the replacement of the Armidale Class patrol boats, seeking local construction. As highlighted in Chapter Six, the upcoming acquisition of replacements for the Pacific Patrol Boats will also take account of the Government's objective in retaining national shipbuilding skills.

12.58 With projects such as the Future Frigate Program, the Government will also support priority Australian science and technological activities. In the case of that project it will include the development of a phased array radar demonstrator for these ships. Such programs are important for the retention of systems skills and the development of technologies and products for future platforms.

12.59 These decisions will ensure that Australia maintains the maritime shipbuilding skills and expertise we need for our requirements both today and over the coming decades.

Greater linkages between Industry and the Education Sector

12.60 The supply of skills critical to defence industry is underpinned by the study of science, technology, engineering and mathematics at all levels of the education system.

12.61 Enrolments in these subjects, which form the basis for careers in fields such as engineering and technical trades, are declining. In a demand-based higher education system, students will make course choices that do not necessarily accord with defence industry demand for specialised technical skills.

12.62 In recognition of this trend, and in response to the Chief Scientist's report *Mathematics, Engineering and Science in the National Interest*, the Government announced in the 2012-13 Budget that $54 million would be provided over four years towards improving participation in the study of mathematics and science at schools and universities.

12.63 In addition, the Government will sponsor skills and training programs designed to retain and develop specific skills that are not supported by current programs but which will be critical to the success of the Future Submarine Program.

12.64 Reversing the decline in enrolments will increase the workforce that is available for the defence industry. The shortfall in students with these skills is also problematic for the ADF and Australian Public Service, as Defence personnel will require higher levels of technical skills in order to use the equipment being procured and sustained for the ADF's use effectively.

12.65 The Government will continue to support programs to improve the study of these subjects across the education continuum.

12.66 As with all Government purchases, Defence needs to ensure that it receives value for money for the support provided to industry. For this reason, the Government will continue to review Defence's industry support programs and activities to ensure that they provide the required level of support for the ADF.

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CHAPTER THIRTEEN:
STRATEGIC PLANNING AND WHITE PAPER IMPLEMENTATION

Improving Strategic Planning in Defence

The Five-Year Planning Cycle

13.1 As highlighted in Chapter One, the 2009 Defence White Paper introduced a new strategic, risk-based approach to defence planning involving the production of White Papers at intervals no greater than five years. This more regular and disciplined planning cycle allows the Government to assess changes and challenges in our strategic outlook and mandates improved alignment between strategic guidance, capability decisions and resource allocation.

13.2 The Government also directed Defence to establish a number of planning processes within this strengthened five-year planning cycle, including regular development of the Defence Planning Guidance and reviews of strategic risk, force structure and the budget prior to releasing a new White Paper. These supporting steps have been crucial in allowing Defence to bring this White Paper forward one year earlier than originally planned.

The Defence Planning Guidance (DPG)

13.3 The DPG is the Government's principal classified strategy document for defence planning. It is produced regularly between Defence White Papers to provide detailed, updated guidance to Defence and develop the strategic priorities to shape the next White Paper.

13.4 It articulates the strategic priorities that guide Defence, consistent with the *National Security Strategy*, to produce the military outcomes directed by Government. It guides subordinate strategies and plans for force structure, force posture and preparedness, international engagement and critical enabling functions. Supported by intelligence input, it analyses the future strategic environment, in both the short-term and the long-term (20 years or more), identifying the contingencies Australia might face and their implications for defence planning.

13.5 There is now a tight nexus between the DPG and Defence's corporate planning processes, the Defence Corporate Plan and the Defence Annual Plan, which are described later in this Chapter. This ensures that the DPG can influence Defence's resource allocation and priority-setting. It also provides a means for measuring progress in implementing strategic guidance and making trade-offs within the Defence enterprise, which is particularly important for achieving strategic reform in constrained fiscal circumstances.

13.6 Additionally, every three months, Defence undertakes its Quarterly Strategic Review (QSR), which identifies potential contingencies that may occur during the next two years, thereby providing any necessary 'mid-course correction' for the DPG. The QSR also examines how Defence can respond to these contingencies through adjustments to operational plans, preparedness levels, force posture and international engagement activities.

13.7 The Government's risk-based approach to improved strategic planning ensures that Defence can manage effectively both risks in the strategic environment and enterprise risks to the Defence Organisation. A Strategic Risk Assessment process has also been established to identify these risks and strategic options for managing them before each Defence White Paper.

Force Structure and Capability Planning

13.8 The Government has made improving force structure planning one of its defence policy priorities since the 2009 Defence White Paper. Defence is developing a more rigorous force structure review process, building on the lessons-learned from the 2009 White Paper.

13.9 A Force Structure Development Directorate has been created within Defence's Strategy Executive to ensure that individual capability decisions are aligned with strategic guidance, thereby strengthening the link between strategy and capability. Experience in implementing the 2009-19 Defence Capability Plan (DCP) has demonstrated that closer links between the DPG and the DCP will improve the prioritisation and scheduling of capability projects.

13.10 Force Structure Reviews examine relevant considerations and options for the force structure, informed by analysis and testing. The work of the Force Structure Review has supported the development of this White Paper.

13.11 The continuing reform of capability development and procurement processes will make long-term capability planning and implementation more effective and efficient. This will be crucial to successful delivery of the capability priorities in this White Paper.

Defence Budget Review

13.12 The 2009 Defence White Paper called for an independent audit update to be conducted as part of the five year Defence White Paper cycle. It was intended that this audit would review expenditure plans, review the performance of reform activities and identify opportunities for further improvements.

13.13 The 2011 Defence Budget Review involved a comprehensive stocktake of the defence budgeting system, taking into account all budget processes, estimation methods and underlying budget assumptions. There was also a comprehensive review of defence expenditure as part of the development of the 2012-13 Defence budget. The five-year planning cycle will continue to involve either a budget review or independent budget audit to support future White Papers.

Defence Corporate Plan

13.14 Development of the Defence Corporate Plan, released in 2012, is a significant milestone in the improvement of Defence's strategic planning and management system. The Defence Corporate Plan and its annual implementation plan, the Defence Annual Plan, describe what Defence will do to implement the Government's strategic direction. Together they set out a comprehensive plan for defence enterprise management that, importantly, holds individuals accountable for its delivery.

Implementing the Defence White Paper

13.15 Defence will work with other Government Agencies to monitor progress in achieving this White Paper's goals. The Government and Defence's senior leadership will maintain close oversight of implementation to make sure that key initiatives remain on track and risks are identified and managed early. Defence will also release an update of the *Strategy Framework* by the end of 2013. This is a public document that explains how strategy guides planning for operations, capability development, preparedness, international engagement and the budget. It also describes the connections between Defence's planning processes and strategic planning at the whole-of-government level.

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