

Defence and the Need for Independent Policy Analysis

Richard Brabin-Smith

Perhaps it comes with the territory, but a lot of the public commentary on Australian defence policy tends to be more critical than supportive. Targets for criticism are many and varied. They can include what the government of the day has set out as its defence policies, how these policies are interpreted in terms of force structure or industry policy, the extent to which statements about funding levels are credible, and how well (or poorly) defence is being managed, especially the major capital acquisition program.

There are many examples of such criticism. The Winter 2009 edition of *Security Challenges* comprised a set of fifteen essays commenting on various aspects of the then-new 2009 Defence White Paper. These papers, written in many cases by former experienced Defence people, supported the new White Paper in some respects but were also quite critical of it in others.¹ Separately, Hugh White has commented that the White Paper's messages on China and the United States, and their changing relative strengths, are conflicting and unsettling.² And Paul Dibb and Geoffrey Barker have pointed to the inconsistencies in the White Paper in its treatment of China and its apparent policy position that Australia needs to plan to be able to stand alone in military operations against that country.³

Dibb and Barker have also argued cogently that Defence policy for industry, with its apparent strong predisposition to favour unfettered free-market competition for major defence contracts, is not appropriate for Australia.⁴ Andrew Davies at the Australian Strategic Policy Institute (ASPI) has argued that Defence needs greater levels of internal contestability, to help ensure higher levels of confidence in decision-making.⁵ ASPI has also published three essays that between them take well-measured swipes at the White Paper's strategic arguments, force structure conclusions, and funding

¹ 'Assessing the 2009 Defence White Paper', *Security Challenges*, vol. 5, no. 2 (Winter 2009).

² Hugh White, 'Punching Below Our Weight', *The Australian Literary Review*, 1 July 2009.

³ Paul Dibb and Geoffrey Barker, 'War with China is Unthinkable', *The Weekend Australian*, 24-25 October 2009.

⁴ Paul Dibb and Geoffrey Barker, 'Iron Colonels Fight the Invisible Hand', *The Weekend Australian*, 27-28 February 2010.

⁵ Andrew Davies, *Let's Test that Idea—Contestability of Advice in the Department of Defence*, Policy Analysis, no. 54 (Canberra: Australian Strategic Policy Institute, 2010).

assumptions.⁶ And there is anecdotal evidence that Defence Ministers are disturbed by the low quality of the advice often offered in support of recommendations for decision.⁷

It is in the nature of things, in a thriving democracy with a well-established culture of press and scholarly freedom, that any proposal or intention which a government brings forward is seen as fair game for public dissection. But the nature of criticisms referred to above—and much other criticism not quoted—goes beyond the level of routine grumbling to suggest that there are some serious and systemic problems with how Defence develops strategic policy and then draws conclusions for subordinate issues, such as how the defence force should be developed, and what policies Defence should pursue for industry support.

Why should this be, and what might be done to rectify the situation?

The Nature of the Problem

There are two principal points that should be kept in mind. The first is that such work is intrinsically difficult, not least because of the need to deal with the uncertainties inherent in long-term planning—and it is essential in Defence to address the longer term, because of the extended periods that it takes to develop defence capabilities. Examples are the imponderables of potential changes to geo-strategic circumstances (including regional modernisation programs), over which Australia itself has little direct control, or the way that emerging technology might change aspects of warfare, or the uncertainties of Australia's economic circumstances and the level of defence funding that future governments might consider appropriate.

The complexities that are so inescapable in such policy work mean that special steps need to be taken to ensure that there is a workforce capable of meeting the challenges. Individuals capable of success in difficult policy work need to be experienced, to have demonstrated that they have the aptitude, and to have high levels of professional interest in the field. Aptitude is particularly important: amongst other things, it connotes the ability to handle complexity and uncertainty, and the need to have high levels of analytical and conceptual skills—supported by good judgement.

Many parts of the Australian Public Service thrive on such talent, as having a workforce imbued with these characteristics is essential for the work that needs to be done, although it has to be recognised that the nurturing of such people can be a challenge and needs to be unrelenting. But in brief, while such staff can be at a premium, they are not so rare as to be impossible to

⁶ Andrew Davies, Rod Lyon and Mark Thompson, *Australian Defence Policy Assessment 2010*, Special Report, no. 30 (Canberra: Australian Strategic Policy Institute, 2010).

⁷ Obviously no references can be given. However, communications through Canberra's informal "company town" networks lead to such a conclusion.

find or to develop. In the context of the Defence Department, there is no *a priori* reason to conclude that such staff would be drawn only from civilian areas, to the exclusion of military staff. In fact, any person with the necessary aptitude, experience and interest should be considered for work in demanding policy areas. Nevertheless, a note of caution is needed: the same care should be exercised in selecting people with a military background for employment in policy areas as when selecting civilians. And it has to be said (but usually is left unsaid) that, for a good many individuals, the attributes needed for military operations and command, and the ways of thinking that such experience is inclined to reinforce, tend not to be those needed for success in policy work, and can moreover tend to be counterproductive.⁸

The second principal point is that, for the most part, impartial analysis and contestability are central to the processes of public-sector decision-making. They are an integral part of the machinery of government. Providing such impartial analysis is one of the key roles of the Department of Finance and Deregulation, when it runs its not-always-friendly ruler over new policy proposals from other departments.⁹

However, the extent to which Finance is in a position to do this to spending proposals from Defence is quite limited, for several reasons: the sheer volume of analysis would require a significant and specialised workforce, as otherwise the workload would be overwhelming; the more important arguments for defence spending are strategic in nature, and cannot readily be reduced to an economic (or surrogate economic) basis or comparison; and, it is said, one of the undertakings central to the implementation of the Tange Review in the mid-1970s was that the newly-integrated Defence Department would put its own mechanisms in place to provide the impartial analysis that Finance undertook for other departments.¹⁰

On this latter point, it is certainly the case that one of several aspects of US practice which the Tange reforms adopted was to set up the central policy division of Force Development and Analysis. (The parallel in the Pentagon

⁸ In reflecting on the reorganisation of the Defence group of departments "ten years on", the former Defence Secretary Sir Arthur Tange wrote that "It is not derogatory to suggest also that the Service Officer's antennae are differently tuned from the antennae of public servants to recognising policy indications that come out of Ministers in various degrees of imprecision. And why not when the military profession has its hands full in mastering the military art as its *raison d'être*?" A. H. Tange, paper given at the CDF Conference on the 1986 *Review of Defence Capabilities* (the "Dibb Review"), 26 August 1986.

⁹ While new policy proposals that originate from within Departments can expect a rigorous review by the Department of Finance, this is not always the case when new proposals originate from within the government itself.

¹⁰ Arthur Tange, *Australian Defence: Report on the Reorganisation of the Defence Group of Departments, November 1973* (the "Tange Review") (Canberra: Australian Government Publishing Service, 1974). Chapter 5 of this document addresses the characteristics and organisation proposed for Strategic Policy and Force Development.

was the Systems Analysis area, later renamed Program Analysis and Evaluation.) This Division had an experienced civilian head, and was answerable through a Deputy Secretary to the Defence Secretary. Tange and his immediate successors saw the work of this area as essential for the discharge of their responsibilities as Secretary of a complex, costly and nationally-vital portfolio. The Division had several responsibilities. They included the provision of impartial analysis of whether proposals for force structure development (i.e., new capability proposals) were individually and collectively consistent with *government-endorsed* strategic priorities, were affordable overall, and sufficiently well-developed to be fit for submission for consideration by government for approval and acquisition.

But with the passage of time, and a general move towards a more integrated culture (i.e., joint-service and military-civilian) in the Defence headquarters and policy areas, including a culture which put more value on cooperation and agreement than on contestability and disputation, the role of Force Development and Analysis become eroded to the extent that it has in effect ceased to exist. With its demise has come the virtual absence of either the procedures or the ability to conduct the systematic internal impartial analysis that was one of the strong characteristics of Defence administration from the mid-1970s to the mid- to late 1990s.

The net result is that, alone of the areas of major government expenditure, Defence spending is subject to very little systematic independent analysis. *Prima facie*, this is surprising and, one would have thought, not easy to defend.

Not only is Defence a major consumer of taxpayers' funds (some \$27 billion in the 2010-11 budget), but governments also routinely choose to emphasise the central importance of Australia's national defence effort.¹¹ The latter point alone would be sufficient to argue that, because getting it right is so important, Defence should be subject to *more* impartial and informed analysis, *not less*. And the sheer size of annual Defence budgets serves to sharpen this already compelling argument.

No refuge can be found in the argument that "professional military judgements" should be left to "the professionals". This is not the way that governments work. For example, governments do not leave the development of health policy in the hands of the medical profession or education policy in the hands of universities and schools. There is no reason to consider that defence should be treated any differently. Defence, in spite

¹¹ For example, the Minister's preface to the 2009 Defence White Paper starts with the observation that "There is no greater responsibility for a national government than the defence of the nation, its people and their interests". The Introduction of the 1976 Defence White Paper starts in a similar way: "The first responsibility of government is to provide the nation with security from armed attack and from the constraints on independent national decisions imposed by the threat of such attack".

of its complexities, is no more uniquely professional than other areas of major government policy-making and spending.¹² This is a sufficient argument even before such not-always-helpful (or accurate) comments about “who will guard the guardians” and “military organisations always prepare for the last war” are brought into play.

Where to Find a Solution

If, then, it is accepted that there is a case to reintroduce a process of systematic independent analysis and the contestability that goes with it, the question arises as how this should best be achieved. There are two basic options: within Finance, or within Defence itself. Either arrangement could be made to work. However, as in the past and for the reasons alluded to above, the better choice would be within Defence: staff with the requisite aptitude and background would be more readily available, and the extensive contact with other members of Defence that the progression of complex issues requires if the work is to be done properly would be facilitated. Further, it would give senior Defence people, including the Defence Ministers, the Secretary and the Chief of the Defence Force (CDF), a higher level of confidence that complex and highly-consequential issues had been thought through and thrashed out before proceeding to government for consideration.

The potential benefits could be far-reaching. They could include not only a greater level of confidence that individual proposals for major expenditure, especially the capital equipment program, were in a fit state for consideration by ministers (including with respect to risk) but that overall they fitted into a cogent, compelling and internally-consistent interpretation of strategic guidance—and were also consistent with realistic projections of costs and financial guidance. It is disappointing to have to say that drawing such a conclusion about much of what the 2009 Defence White Paper sets out on policies and plans, and what has emerged from Defence since, is close to impossible.¹³

Two further potential advantages merit mention. The first is that there is a need to judge the balance between strategic risk (i.e., the extent to which

¹² Nevertheless—and obviously—it is necessary to ensure that professional military judgement is taken into account in defence policy-making and planning. However, appeals to professional judgement will not always carry the day. For example, the author recalls that drafts of chapters of the Dibb Review were sent as a matter of course to the-then Headquarters of the Australian Defence Force (and to the civilian policy areas) for comment. Much of the comment thus elicited was very helpful, but it was also the case that on occasions the response would be along the lines that the drafting was “simplistic and naïve and lacking in professional military judgement”. The Dibb team came quickly to realise that such a response usually indicated that the Headquarters had by that stage run out of substantive argument.

¹³ See for example much of the commentary in *Security Challenges*, vol. 5, no. 2 (Winter 2009), including Mark Thompson’s paper ‘Defence Funding and Planning: Promises and Secrets’; Andrew Davies’ essay on contestability, *Let’s Test that Idea*.

Australia might not be able to pursue its interests in adverse circumstances) and technical risk (i.e., the extent to which new equipment might be “late” into service, “over budget”, or less capable than initially expected—the kind of issue that tends to attract popular and often strident criticism). An alternative way to look at this point is to see it in terms of the need to judge between risk on the battlefield and risk in the procurement phase. The challenge is to *manage* any risk, not automatically to be averse to it, especially in those cases where it is important to have an enduring capability edge. And a conceptual framework that developed further the concept of strategic risk would also offer the prospect of much surer decision-making in areas such as priorities for technological innovation and defence policy for industry. To judge by the White Paper, it is not clear that this has been thought through, either in terms of policy or in terms of robust mechanisms to ensure that policy gets implemented.¹⁴

The second further potential advantage is in the area of defence policy for industry. Whereas the policy principles that guide priorities for capability development have matured considerably over the past thirty-five years or so—that is, through a deeper understanding of self-reliance in the defence of Australia and operations in the region—the same cannot be said of defence policy for industry. In this regard, the 2009 Defence White Paper was a sharp disappointment.

There are perhaps two reasons why progress has been so slow. The first is that the work is intrinsically difficult, with there being many contributing factors: the contestability of the economic theories that might support or justify alternative policies; the modest size of Australia’s defence effort; the episodic nature of many if not most major procurement contracts; the modest capabilities of Australia’s defence industries and their domination by foreign-owned multinational companies; and the changing nature of global defence industries, as priorities, technology and budgets change. The second reason might be seen as more contentious: far too often “defence policy for industry” has been seen through more of an *industry* prism than a *policy* prism, with too few of the individuals charged with the development of the policy having the strong policy aptitude and vision that progress in this area has evidently required.¹⁵

It is for consideration, then, that there is a case to set up—in many respects to re-establish—an area within Defence charged with responsibility for progress on the three policy fronts outlined above: the interpretation of strategic guidance to provide an internally consistent framework within which

¹⁴ See, for example, Richard Brabin-Smith, ‘Scientific Support to Defence Decision Making and Capability’; Robert Wylie, ‘Supplying and Supporting *Force 2030*: Defence Policy for Australian Industry’, both in *Security Challenges*, vol. 5, no. 2 (Winter 2009).

¹⁵ Other factors having a bearing here include the setting up of the Department of Defence Support consequent to the 1982 Utz Review of the Higher Defence Machinery, and its subsequent retention by the in-coming Labor government in 1983.

to develop priorities for force structure development; the independent and impartial analysis of proposals for capability development; and, as a new departure, the development of defence policy for industry and its consistent application across the forward program of new capabilities.

In part, the justification for the latter is that the alternatives to date have proved less than satisfactory (such as the former Defence Industry and Materiel Policy Division set up after the 1973 Tange Review, the former Defence Support Division set up after the 1997 Defence Efficiency Review, and current arrangements in the arms-length Defence Materiel Organisation). Perhaps more to the point, new capability proposals offer both the need and the opportunity to focus in an integrated way on industry aspects, both for acquisition and for through-life support, within a context which is clearly consistent with strategic priorities and future-focused.¹⁶

Overall, this proposal is likely to attract comment that it is “re-inventing Force Development and Analysis Division”. Some of this comment would be supportive, based on the position that a return to impartial analysis and contestability is long overdue. Other reactions would be opposed to it—perhaps strongly by some members or former members of the ADF. It is, however, worth reflecting on the circumstances of the 1970s and 1980s when Force Development and Analysis Division was at its most influential—and most controversial.

That period saw what were in effect two simultaneous revolutions: the major changes in Defence processes that came from the integration of the Defence group of departments, a significant effect of which was to reduce the autonomy and status of the single Service headquarters; and the consolidation and further development of the concepts embedded in Government-endorsed strategic guidance, in particular the principles of the *Defence of Australia* and *self-reliance*. Unhappiness and disputation in these two areas led respectively to the 1982 Utz Review of the Higher Defence Organisation and the 1986 Dibb Review of Australia’s Defence Capabilities.¹⁷

¹⁶ This paper was written before the release on 25 June 2010 of the Government’s new statement on Defence policy for industry *Building Defence Capability: A Policy for a Smarter and More Agile Defence Industry Base* (Canberra: Commonwealth of Australia, 2010). The comment on its page 12 that “Defence’s Strategic Policy Division will also take on a role in developing defence industry policy, to ensure tighter alignment between Defence’s strategic and defence industry policy” is a welcome development (see also its paragraph 4.32).

¹⁷ *The Higher Defence Organisation in Australia: Final Report of the Defence Review Committee* (Canberra: Australian Government Publishing Service, October 1982) (known usually as the “Utz Review”, after its Chairman); *The Review of Australia’s Defence Capabilities* (Canberra: Australian Government Publishing Service, March 1986) (the “Dibb Review”). It might be noted that the conclusions of both of these reviews came down more in favour of the policies and practices being followed or advocated by the civilian elements of Defence than the alternatives proposed by the military component.

Further, it was the case more often than not that annual budget allocations were less than the sums hitherto included in the planning basis. The need to accommodate these reductions in funding, including in the forward program, often by “slipping” capability proposals to later years, could also be a major source of tension. In addition, there were personality clashes from time to time. It is not surprising, then, that Force Development and Analysis would often find itself at the centre of heated argument. But it should also be noted that, for many of the people involved (Service and civilian alike), their personal focus remained very professional: much more on playing the ball than the man.

In contrast, there is today far less disputation about the need for an integrated approach to Defence development and the processes that need in principle to be followed to achieve this. Similarly, there is less reluctance to give greater priority in defence planning to the defence of Australia and operations in the region than to operations elsewhere. And financial guidance these days is proving generally less volatile than in previous decades. So in this sense, many of the potential sources of tension are much reduced.

Nevertheless, it would be misleading to suggest that a reintroduced process of impartial analysis could always avoid tension: there would be no point in having such a process of independent review if it were not accepted that proposals could be challenged. Of course disagreement would arise from time to time: the big issues in Defence are usually complex, and to draw conclusions as to the best way ahead usually requires wide and sometimes detailed consideration and the reconciliation of competing factors. Further, unless the culture has changed radically in recent years, it will still be the case that many proposals for capability development will be based on tactical appreciations in search of a strategic interpretation in which to be relevant—and sometimes coloured by more than a little tribal loyalty to the capability being proposed.

If these arguments are accepted—and it is difficult to see how they could easily be refuted—Defence should proceed as a matter of some urgency to establish a strong central policy area with a remit to improve the application of strategic guidance to capability development and the associated industry support, and to conduct rigorous and independent analysis of capability proposals. The nature of the work and the need for impartiality imply that the workforce will need to be civilian-heavy (but not exclusively civilian) and the work-area institutionally secure. The workforce would need to be chosen with care and carefully supported. Complaints about “civilian control of the military” would be irrelevant: Australia is a democracy, so of course there is civilian control of the military, and the Australian Defence Force is not a state-within-a-state. Moreover, Australia’s citizens have a vital interest in knowing that the forces they pay for represent wise investment and are up to the tasks that the government has set for them.

To take these steps might require a significant level of commitment, political capital and courage, but that should not be used as an excuse for delay. Australia faces many challenges in the decades ahead: the potential for significant change in the strategic environment as the relative economic and military strengths of nations in our region head into uncharted waters, the chronic problem of ensuring consistency between strategic ambition and financial reality, and the long-term challenge of getting industry policy right. Defence should move now to ensure that it has the best mechanisms in place to ensure that it can meet these challenges.

Dr Richard Brabin-Smith AO is a Visiting Fellow at the Strategic and Defence Studies Centre of the Australian National University. His earlier positions in the Department of Defence included Deputy Secretary for Strategic Policy and Chief Defence Scientist. He spent the 1980s in or closely associated with the former Force Development and Analysis Division, of which he was Divisional Head for four years, and he worked with Paul Dibb on the "Dibb Review" in the mid-1980s. richard.brabin-smith@anu.edu.au.