

Submission to the JSCFADT inquiry into the benefits and risks of a Bipartisan Australian Defence Agreement

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Thank you for the opportunity to make this short submission to the committee on the [benefits and risks of a bipartisan defence agreement](#). We have each spent nearly a quarter of a century worrying about precisely the issues that lie at the core of the proposal before the committee. We have seen defence budgets ebb and flow with the vicissitudes of the political cycle, and we have watched major capability proposals go from concept to approval to delivery (or sometimes failure or cancellation). Given the sometimes decades-long timeframe required to deliver on defence initiatives, we can see the attraction of a long-term agreement that is quarantined from the politics of the day. But, for reasons we will explain below, we do not support the idea.

There are two broad issues that would presumably be at the heart of any bipartisan agreement—budget settings and capability priorities. Those two issues are obviously related, but we'll try to tease them apart and tackle them in turn. We'll begin by taking issue with the statement in the inquiry's [terms of reference](#) that the aim of strategic planning processes is to 'deliver the best and most capable Defence force that Australia can afford'. While there's little doubt that such an aim would be welcomed on Russell Hill, we think that it would represent a failure of strategic thinking. Under that approach it would be possible to keep adding capability beyond the calculus of strategic cost-effectiveness, at an increasing opportunity cost elsewhere in the government's budget. Defence and the ADF would almost always welcome more funds and more capability. The question that any government faced with a request for funds should always ask is whether the proposal represents the best available return on investment for the nation. Rational strategic planning would support investment in military capability only to the point where diminishing returns mean that further investment would cost more than the impact of the risk being retired.

What's more, the benefits of defence spending must be compared with the opportunity cost that that spending imposes elsewhere on Australian society. To be clear, if \$100 of additional defence spending delivers less benefit (in terms of reduced strategic risk) than, say, \$100 spent on schools, it's better to spend the money on schools. As circumstances change and the economic cycle evolves, the relative merit of alternative spending options will change. What looks to be a sound investment in defence today may be rendered a second or third best option by changing circumstances.

Australia faces many challenges beyond the strategic domain. The underlying forces that are reshaping our geopolitical environment are also reshaping our economic prospects and, indeed, to the socioeconomic fabric of Australian society. The character and severity of, and the possible responses to, these many challenges are only slowly being revealed. Such is the inherent uncertainty of the future. Consequently, governments need to have the freedom to respond with agility and, when necessary, to reallocate resources from one area to another. For example, if Australia were to be hit with a severe

recession, it's unlikely that our national interests would be best served by quarantining defence spending irrespective of the consequences for individuals and the economy as a whole.

As we see it, the strongest arguments for a bipartisan agreement that locks in planning parameters beyond the immediate electoral cycle are that it would allow Defence to make long-term plans with confidence and that it would provide industry with a more robust plan for future investment. To be honest, we're not sure what problem would be solved by that approach. Without a formal bipartisan agreement in place, Defence has still managed to launch a 35-year-long future submarine project, and is well down the road to a rolling production model for warships. The F-35 Joint Strike Fighter acquisition has survived two changes of the party in government (so far)—and, we might add, five prime ministers and even more defence ministers. Politics has caused some disruption to defence plans over the past 15 years—not least the decision of the government of the day earlier this decade to reduce Defence's budget—but it's hard to point to any change that has affected the ongoing development of capability in an enduring way.

In fact, and as we're fond of pointing out, changes in the strategic environment or the domestic political scene don't seem to have much impact on the development of Australia's armed forces. The ADF's force structure of today would seem very familiar to a defence planner from any of the past five decades. And the projects currently approved and underway will lock in a similar structure for the next few decades as well. It's hard to see how lack of continuity in defence planning represents a problem for the ADF—it continues to happily replicate itself.

So, while the pace of development of the ADF hasn't been as rapid as first envisaged in some instances, in the bigger scheme of things there has nonetheless been steady progress. At the same time, other areas of Australian society have benefited from the diversion of funds away from defence. It's all very well to lament the frustrations of Defence planners and defence industry executives, but they are no more deserving of pity than the hospital administrators, school teachers and taxpayers who might otherwise have carried a heavier burden.

Finally, we think that the proposal being considered is at odds with Australia's model of governance. Taking away the discretionary power of a future government to make different decisions about its strategic priorities would represent an unwarranted change to the executive powers of the Australian government. And there is a downside for the incumbent government as well: the negotiation of a bipartisan agreement would reduce the government's executive prerogative by forcing it to shape its defence policy to a lowest common denominator. Defence is too important for that. The government should be able to assert its position, and the opposition should be able to test and challenge and contest government policy in defence as it does in other areas. A robust policy debate with substantive points of difference is a strength, not a weakness, of our democratic system.

And we would go further to suggest that it would *create*, rather than retire, strategic risk. The chapter titles in history texts are often distilled from dislocations—events that fundamentally change the strategic landscape, which can be caused by factors as diverse as geopolitical shifts, an economic crisis or the advent of revolutionary technologies. Governments must sometimes deal with dramatic changes of circumstance, and there's no guarantee that the force structures and military hardware and software of today will be the right answer even a decade from now. (In that sense, all of our current multi-decade

projects represent taking a substantial gamble on their enduring relevance.) The amount spent on Australia's defence, and how that money is spent, should be subject to constant review and analysis. Locking in spending levels and capability priorities would render such analysis pointless.

Perhaps most importantly, our governments are elected by the people of Australia on the basis of the platforms they take to the polls, not appointed by Defence's planners for their convenience. If the Australian people want a different approach to our defence—whether more, less, or just different—they will have their reasons for doing so. We don't see why defence planners should have any more protection from changes in public and government priorities than those planning for the nation's health, education or energy requirements.