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Sold the dummy on the Defence budget?

Posted By [David Fawcett](#) on November 2, 2012 @ 11:28 am

Have we been sold a dummy pass on the impact of the defence budget cuts?

Statements by the Defence Minister that that future plans are merely delayed may seem reasonable when money is tight and [claims](#) ^[1] that 'we are not going to allow our fiscal restraint to adversely impact on our overseas operations' indicate that in the short term, capability is not affected.

The Minister's claim however is a bit like saying that we will support our Olympic Team in London with everything they need, while behind the scenes cutting funding to the Australian Institute of Sport and sports development programs around the country. To then claim that our performance at the next Olympic Games will be at least as good if not better than the current standard is to defy credibility.

It is important in this debate to understand the consequences of large overseas operations being funded through 'Operational Supplementation', which is provided by Government over and above the normal appropriation for Defence. As a result of supplementation, Australian forces in Afghanistan do in fact have world's best practice and equipment, significant parts of which have been purchased as an 'urgent operational requirement'. That means, however, that forces remaining in Australia do not necessarily have access to such high-end equipment. It also means that after the draw down in Afghanistan, those capabilities will not necessarily be transferred back to Australia as the supplementation ends and there is no budget established to support them here.

There is another catch to operational supplementation—it only applies when the cost to Defence exceeds \$10m. Take as an example the extensive deployment of defence capability in support of border protection tasks. The unplanned operational costs associated with this (which are only just under the \$10m threshold) have to be absorbed by Defence using the budget they had planned to use for ongoing activities such as training and maintenance. The high operational tempo coming on top of implementing numerous reviews means that there are many such Government-directed activities that Defence has had to pay for by deferring other planned expenditure. It is instructive to look at how many new initiatives announced by the Government are in fact 'absorbed measures'.

This is why we are now starting to see aircraft flying less hours, vehicles being mothballed and facilities slowly degrading with only essential safety-related maintenance being completed. These additional demands on the budget for the 'existing force' are compounded by the fact that the Government's own reports show that there was not enough money to start with.

The Government commissioned [Pappas report](#) ^[2] (PDF) was delivered in 2009. The report provided a detailed examination of the cost-growth pressures in defence for sustaining the existing force as well as buying new capability. The Government and Defence both endorsed the findings as accurate and they were reflected in the 2009 Defence budget which promised 3% real growth in anticipation of the new capabilities of Force 2030. Many commentators have highlighted that the 3% was never delivered. Little mention is made of the fact that budgets since 2009 have not even provided real growth of 1.8% which Pappas had identified was required just to sustain the current force.

The 2012 Budget papers indicate that the funding shortfall just for maintaining existing military equipment (DMO SME sustainment) is in excess of \$4bn over the forward estimates. If all inputs to capability are taken into account (eg. facilities maintenance and personnel costs), the shortfall is over \$25bn. Add to that the deferred expenditure to upgrade equipment and you start to understand the extent of the impact on defence now and into the future.

The Chief of Army, Lieutenant General Morrison, highlighted in a [speech in Canberra last week](#) ^[3] the dangerous historical amnesia about the underfunding of defence which followed the end of the Vietnam War. He describes how this hollowing out led to the strategic shock of East Timor where it became clear that Australia was barely capable of sustained operations against a lightly armed militia. This realisation led to the increased investment in Defence capability during the decade to 2009 to build and sustain the current force structure. The General also emphasised that having built a competent force, it must be carefully maintained or else much of its effectiveness may atrophy surprisingly rapidly.

The other lesson of East Timor is that unlike the Olympics, there is no 'match-schedule' for armed conflict and no four year period to prepare. The lesson of history is that whenever future conflict arises, we will be putting young Australian lives on the line with what we have been prepared to pay for today.

If we believe that what was achieved in East Timor was important and we wish to be able to play a similar role in our region into the future, sustaining our existing force is as important as plans for future capability.

The Australian public should ignore the dummy pass and ensure the debate is had to prevent the nation suffering from what has been described as historical amnesia which is breathtaking in its complacency.

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URLs in this post:

[1] claims: <http://www.abc.net.au/worldtoday/content/2012/s3593406.htm>

[2] Pappas report: <http://www.defence.gov.au/publications/DefenceBudgetAudit.pdf>

[3] speech in Canberra last week: <http://www.army.gov.au/Our-work/Speeches-and-transcripts/National-Security-Lecture>

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