



2012 RUSI WA BLAMEY ORATION

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Secretary of Defence**

Introduction

Ladies and Gentlemen, it is a great honour for me to be invited to my home town of Perth to deliver the Blamey Oration. It is great to be back in Western Australia, and amongst so many familiar and friendly faces.

In preparation for this Oration tonight, I discovered that Sir Thomas Blamey also had a connection with Western Australia. In fact not far from here, just down the road in Adelaide St, Sir Thomas Blamey served as an assistant teacher at Fremantle Boys School for three years from 1903, and it was from there that he applied for and won a commission in the Commonwealth Cadet Forces, posted to Melbourne in 1906, transferring his commission to the Australian Army in 1910. The start of an always distinguished and sometimes controversial military career.

While I believe it is often over-played, Blamey was not a figure to inspire in the same visceral way as some other battlefield commanders of the era were able to do. Prior to his promotion to Brigadier, he had not had significant experience of unit or sub-unit command. Blamey was first and foremost a staff officer and a strategic commander. He made his mark as Chief of Staff to General Monash in the latter stages of World War I, and faced his toughest test during World War II, both in the Middle East and then in the Pacific Theatre. Four weeks ago, I was at the ANZAC Day service in Port Moresby, and I had cause to reflect on Blamey's time in Papua New Guinea.

Blamey had to make some tough calls during his career. One of the most controversial occurred in September 1942, at the height of the Battle of the Kokoda Trail. There was intense concern being expressed by Government at the progress of the battle. With Japanese forces drawing closer to Port Moresby in the face of desperate defence from the New Guinea Force, which consisted of the Australian I Corps under the command of Lieutenant General Sydney Rowell (a graduate of the Royal Military College, Duntroon), Blamey was dispatched to Port Moresby in person where he took the decision to take personal command of New Guinea Force. Because both New Guinea Force and I Corps was effectively the same staff, Rowell was essentially sidelined, and was formally dismissed days

later. By this time, the Japanese advance had stopped. But Blamey's decision was final, and was backed by Prime Minister Curtin. Rowell played a limited part in the remainder of the war, but went on to become Chief of the General Staff from 1950 to 1954, ironically serving as Chief Mourner and pallbearer at Blamey's funeral in 1951.

It is the same theme of making tough choices that I want to pursue tonight. I will be speaking to you about the challenges the CDF and I struggle with today; the economic and budget context; our strategic environment; the 2013 Defence White Paper; positioning Defence for the future, and working with our allies and partners.

We are currently facing some very difficult decisions with regard to Australia's current and projected defence force structure. Economic times are tough everywhere in the Western world, as we are seeing in Europe and the United States. The strategic outlook for the next thirty years is uncertain. And we are seeing the proliferation of new capabilities, which have the potential to act as game-changers, giving smaller powers the potential to have disproportionate sway over global events. We are going to have to make some very tough choices in view of this uncertainty.

Economic and Budget Context

As Secretary, my most pressing concern in managing Defence today has to be the global economic outlook, which has a direct input on the Defence Budget. All of you would be aware that the Global Economic Crisis remains the biggest global uncertainty facing politicians and policy makers. In fact, I put it to you that the greatest and most immediate threat to Australia today is the threat to our continued economic prosperity. In order to curb levels of sovereign debt, defence spending in the West is being reduced as part of broader budget reductions.

On 26 January, US Defense Secretary Panetta announced that the US would reduce spending by \$USD 487 billion over ten years. The US has, however, confirmed that it will continue to contribute to security globally, and it will rebalance towards the Asia-Pacific region. The UK is also cutting its defence budget by eight percent. Defence spending by NATO's European members is expected to decline by about three percent between 2011 and 2015.

By contrast, other nations in our region have emerged well to date from the Global Economic Crisis, with continued growth in their military spending and modernisation. China is doubling its defence budget every five years, and, according to a recent report by the International Institute for Strategic Studies, India has announced a 17% rise in defence spending this year. Defence is not immune from Australia's fiscal challenges. Many of you would be aware of the recent Budget, which will result in Defence contributing around \$5.5 billion to the Government's fiscal strategy across the forward estimates, with nearly \$1 billion alone coming out of next year's budget. I should emphasise that there will be no impact to our current operations around the globe, with undiminished support to our deployed forces and no reduction in military staffing levels. But

the Budget means that we will have to be leaner and more efficient across our organisation. By leaving our operations and our military numbers unaffected, we have of course had to identify savings in the capital budget, Defence Capability Program, our Major Capital Facilities Program, civilian staff, and some operating costs.

We also have challenges in maintaining our current force structure. In addition to contributing \$5.5 billion to the Budget, we have had to re-prioritise and re-allocate approximately \$2.9 billion across the forward estimates to offset the cost pressures of maintaining crucial capabilities, including our Collins class submarines. To do this, we have made some hard choices to lay up things that we have assessed we won't be using in the immediate future, including some of our M-113 vehicles and M1-A1 Abrams tanks. All up, this Budget alone we have reprioritised in excess of \$9 billion across the Forward Estimates, a massive undertaking. The Government has delayed a decision on our purchase of additional Joint Strike Fighters, and delayed the delivery date of the 12 aircraft that we have already committed to purchase. The Government has also made the decision to cancel a project to deliver self-propelled artillery for the Army.

And, at the same time, we are transitioning from a long presence in Afghanistan, and bringing new capabilities that we have previously committed to purchase into operational service. Again, these don't come cheaply. Right now, in shipyards in Adelaide, Newcastle, and Melbourne, we have the hull blocks for our three *Hobart*-class Air Warfare Destroyers being completed. The hulls for our two *Canberra*-class Landing Helicopter Docks are being completed in Ferrol, Spain, with work on the superstructure for these two ships concurrently occurring in Melbourne. The LHDs will be the two biggest ships ever built for our Navy. We are buying new battlefield aircraft for the Air Force, with the purchase of 10 C-27J aircraft from the United States under a Foreign Military Sales arrangement recently announced. And of course we are now up to six C-17 heavy lift transport aircraft.

The Government has also announced the next stage of our future submarine project, providing \$214 million for studies and analysis to inform the design of the follow-on submarine to the Collins class. No other country does what we want a submarine to do and that makes the task for us complex, expensive and time-consuming. It is a truly national undertaking – a whole of nation project. It occurred to me the other day that the youngest crew members who will serve on these new submarines throughout their expected service lives have not yet been born.

It is also a very expensive undertaking, into the tens of billions of dollars. We need to proceed very carefully with this and with the other capability acquisitions that I have mentioned. We have to question very carefully and deliberately what Government will expect our Defence Force to be doing in the future, and look carefully at the threats that we expect to face.

Strategic Environment

As we look out to 2030 and beyond, the region is becoming a more challenging place. There are risks for our longer-term strategic interests that we need to consider.

The rise of China is a much cited example, and one that I'm not going to dwell on to a great extent tonight. Suffice to say, it's something no serious strategist can afford to ignore, both economically and strategically.

The situation in North Korea is a continuing concern for us. This is a nation with more than one million citizens under arms, and has shown a propensity to flout international norms and attack its neighbour. The potential for North Korea to develop a nuclear weapons capability and delivery system continues to be of concern to Australia and our allies. North Korea is also a country that is enormously poor, and the consequences of a breakdown or overthrow of the current North Korean Government merit sober reflection by us.

Throughout South East Asia, we are seeing growing programs of military modernisation, as countries such as Thailand, Vietnam, Malaysia, Indonesia and others replace older equipment and introduce new capabilities, such as submarines, to their order of battle.

The South China Sea continues to be a potential flashpoint for rival territorial claims. Even as I speak, Chinese and Philippine vessels are anchored off Scarborough Shoal to support competing claims for sovereignty of the Shoal, which is a rich fishing ground.

We still have ADF personnel in East Timor, supporting the International Stabilisation Force. We've just seen the peaceful conduct of Presidential elections there, with Parliamentary elections scheduled for July.

The Pacific region is one that I think many people take for granted. But there are many good reasons why it deserves our close attention. We've seen continued political instability in Papua New Guinea, combined with an attempted mutiny against the Commander of the Papua New Guinea Defence Force earlier this year. At one stage late last year we had two Prime Ministers claiming to have legal authority to govern. Two Police Commissioners upholding the law and two Chief Justices of the High Court. We're allocating ADF resources to PNG to assist in the peaceful running of national elections next month.

We shouldn't forget that we still have ADF and AFP personnel based in the Solomon Islands, as part of the Regional Assistance Mission. This particular Mission has achieved its goals, and we'll shortly be looking to withdraw the ADF element of that Mission.

In Fiji, we still have an unelected government, under the close supervision of the military. A lot of people forget that we lost two lives Captain Mark Bingley and Trooper Joshua Porter to ensure the safety of Australian citizens in response to

the coup in 2006. It is encouraging to see the positive steps that are being taken towards the return of democracy and the rule of law there. But we still have a long way to go, with elections not expected until late 2014.

Here on the west coast of Australia, I think it is also extremely timely that we consider the role that India may play in the future strategic environment. India is expected to overtake China as the world's most populated nation by 2030, with a population expected to be 1.4 billion.

India possesses a very strong maritime capability. They've operated aircraft carriers for many years, and they are building new ones. And the Indian Ocean is one of the great global commons of world trade. We have a very strong interest in ensuring that this particular highway remains secure, particularly in the face of increased problems from piracy emanating from the Horn of Africa.

White Paper 2013

I'm not the first speaker for this Oration, and I won't be the last, who has enunciated concerns about an uncertain strategic environment. In many ways, the Cold War was a much easier environment to predict. Our alliance with the United States has been one of the mainstays of our defence posture since World War II. And we are enhancing the Alliance, commencing a program of closer cooperation tied to the US Global Force Posture Review, and their 'pivot' to the Asia Pacific, evidenced by the new rotations of US Marines and US military aircraft to Darwin and Northern Australia.

The Government has announced the intention to produce a new Defence White Paper by the first half of 2013. This White Paper has to take account of all the financial, material and geostrategic challenges I've already mentioned. It's interesting to note that we went a long time between White Papers, nine years from White Paper 2000 to White Paper 2009 and now we've reduced the gap to just three years! This White Paper won't negate the central tenets of White Paper 2009. But, there have been undeniable changes, and you will see these reflected in this new document. We are just beginning work on this paper in Canberra now.

I want to stress at this point, that our future force posture and force structure simply cannot be developed in isolation from our national economic situation. One of my famous predecessors, more illustrious and erudite than me, Sir Arthur Tange, had a saying: *'Until you've talked dollars, you haven't talked strategy'*. And 30 years later he is still right. One of the key things that we have to do as part of this new White Paper is to establish up-front the funding envelope that Government will provide Defence. We have to ensure that the mix and scale of our current and any new capabilities are appropriate for our future strategic circumstances, and appropriate for the strategic posture that the Government wants us to have.

Some of you would be aware that we have, supporting the Minister for Defence, a White Paper Advisory Group of Allan Hawke, Ric Smith, and Paul Rizzo. Two

former Secretaries, and another who is very familiar with our business. And this reflects how we are going to run it. At our end, the White Paper generated within the Department is going to be core business. It's not going to be a cottage industry. We will be inclusive and not exclusive: we'll be approaching other agencies such as ONA, DFAT, Finance, Treasury and PM&C to consider seconding staff onto the Writing Team.

Positioning Defence for the future

But there are some things that we can and must do now to stand us in good stead for the future, even before we complete the White Paper. With the pending drawdown in our current operational theatres, we will have to repatriate and remediate our equipment fleets and spare parts holdings. For example, in Afghanistan alone, we have six million line items of equipment.

We already have the certainty of our Budget for the next financial year, and for the forward estimates. We need to adapt and develop our management and decision making systems to help us make the right choices, now and in the future. We're going to have to put in place a structure to implement the White Paper. We can say with some certainty that Defence is not going to get bigger. It's going to be leaner. Although our ADF personnel numbers will remain the same, we need to reduce our Australian Public Service numbers by 1000 over the next two financial years, in addition to reducing growth by a further 1000 in the current financial year. We're already looking at the program of shared services that we have implemented to date to see how much further we can extend it, for example, in the areas of unified and centralised personnel, IT, finance and base support.

Through reform to date, we have accomplished much. We've also had to lose some traditions in some instances: separate messing being a good example. Because it's just not economically feasible in many areas. These have been tough and unpopular choices. But these are the sorts of choices that we have to make. So far, under the Strategic Reform Program, we have made savings of \$797 million target in 2009-10, and \$1.016 billion in 2010-11. We expect to meet our \$1.284 billion target for the 2011-12 financial year. We have to face facts in this environment, we're not going to be receiving extra money. So we have to make trade-offs. And if we are faced with the hypothetical example of keeping one of our patrol boats in the water over keeping separate messes open, then the choice is an easy one to make, every time. That is what Government and the taxpayer expects of us.

At the same time, we have to get the balance right. If we make the wrong choices, such as focusing on new equipment without getting the support elements right, we end up with a hollow Defence Force. It might look good on the surface, but it won't be supportable over the long term. Nick Warner made this point very strongly after he became Secretary in late 2006 when he rightly spoke about Defence's 'broken backbone', the problems with our financial statements, blowouts in net personnel and operating costs, and our outdated ICT and logistics systems.

An ongoing challenge in achieving efficiency in Defence is accountability. Defence has spent 40 years becoming a highly integrated joint service and civil-military organisation. That's a powerful thing and is envied elsewhere in the world. The downside is that in such an integrated environment, accountability can become diffuse. We had Professor Rufus Black look at that issue, and we are implementing the outcomes of his Review. The CDF and I have been active in reducing the numbers of committees in Defence, and ensuring that the remaining committees have the right governance structures to allow for effective decision making. So far, out of the 335 committees that we had, we have disestablished 82, and work is continuing to further reduce numbers and streamline functions. We've established a unified committee secretariat for committees chaired by myself and the CDF, with a support and quality control function. The secretariat will ensure that decisions are promptly implemented and that there is consistency across the work of the committees. We are developing a five-year Enterprise Level Defence Corporate Plan that prioritises Defence activities and drives implementation with clear performance benchmarks and accountabilities for delivery. We're also simultaneously developing an Enterprise Risk Framework that identifies and addresses the key risks confronting Defence.

One of the major risks that I foresee has to do with people. We want to be an employer of choice for the younger generation. We're facing some very stiff competition for skilled workers, particularly here in the West, with the resources boom. Many of us in this room have been in the one career for 30 years or more, but that's not necessarily going to be the norm in future. We're faced with an ageing population in Australia generally, as a result of sustained low fertility and increased life expectancy. Just 4 per cent of Australians were aged 65 or over in 1901. That figure increased to 13 per cent in 2010, and the Australian Bureau of Statistics predicts that it will rise to 25 per cent by the year 2100. If we are going to bring large and expensive new capabilities into service, we have to ensure that we've got the people to staff and sustain them with, and this is not going to be easy. We're faced with a very mobile, ambitious and tech-savvy younger generation, and we're going to have to find new and clever ways of attracting them to the ADF, and keeping them for as long as we can. That's something that we are working on right now, as we look to improve the types of housing and other benefits for ADF personnel. And we have to keep this package of benefits relevant to the times.

Working with allies and new partners

There are other things that we can do to shape our future strategic environment, and we're doing them right now, through our program of international engagement. Many people forget that Defence is a major international policy agency of the Government. And we give effect to policy very directly by our influence, the spread of our activities and engagement, and through a wide range of operations and exercises overseas.

We have a well-established program of training for Defence counterparts in our region. From the 1950s and 1960's, military officers from Thailand and

Indonesia started to attend Australian military colleges. In 1964, an Australian military officer was the first foreign student to attend the Indonesian Army staff college. Since 1994, we have trained over 6,700 South East Asian Defence personnel in Australia. In addition, we deploy Mobile Training Teams to countries in the region to deliver niche training programs and participate in bilateral or multilateral military exercises. In fact, this morning I visited the Defence International Training Centre at RAAF Base Williams, in Laverton, Victoria. This facility represents the 'golden thread' in our international engagement program, in that it provides initial and advanced English language instruction to military officers from around the region. From here they get their first exposure to Australia and our customs before going on to attend other training or educational opportunities in Australia, including ADFA, RMC and CDSS. For a comparatively small expense, we receive potentially decades worth of return, as these officers return to their countries with fond memories of their stay here, a favourable impression of our country, a respect for our Defence Organisation, and lasting comradeship.

Many of the senior Armed Forces leaders in the region have trained in Australia. A couple of months ago, CDF and I visited Indonesia, where we attended a gathering of our Defence Alumni association (IKAHAN) in Jakarta. This was a big event, with 600 plus people, and the attendance by TNI officers at all levels (including the son of the President) demonstrated to me the positive links that we have created between our two armed forces.

We're working to enhance our Defence relationship with China through dialogue and practical activities. As part of our growing military cooperation with China, the frigate HMAS *Ballarat* conducted a reciprocal port visit last week to Shanghai, where it undertook communications and rescue exercises, and joint maneuvers with the Chinese Navy. And I'd like to quote the Commanding Officer of the *Ballarat*, Commander Jonathan Earley: "*This is diplomacy at its best. There is nothing more effective than face to face contact to build trust and friendship between navies and nations.*" I couldn't agree more, and I'm looking forward to visiting China next week, for my first visit in my current capacity.

We also have some longstanding ties, which shouldn't be forgotten. We're active in the Five Power Defence Arrangements (FPDA), with New Zealand, Malaysia, Singapore and the United Kingdom. The FPDA celebrated its 40th anniversary last year, and it is still going strong. The FPDA is the exemplar of an arrangement that is able to move with the times, as it now includes exercise scenarios relating to counter-terrorism, maritime security, and humanitarian assistance and disaster relief.

Our bilateral relationship with Singapore is also worthy of note in this context. Singapore has a training presence at RAAF Base Pearce, as many of you would know, as well as at Oakey in Queensland, and we continue to host annual unilateral training by Singapore at Shoalwater Bay Training Area.

We've continued our long and friendly ties with Malaysia, not only through our continued presence at Royal Malaysian Air Force Base Butterworth, but through

the ASEAN Defence Ministers Meeting Plus Maritime Security Expert Working Group, which we co-chair with Malaysia. The establishment of the ADMM-Plus offers real opportunities for practical military to military and defence to defence cooperation to improve maritime cooperation in the region and help address maritime security challenges as they emerge.

In Thailand, we have a strong program of education and training, including on international law and human rights, peacekeeping and counter-terrorism activities. We conduct an annual bilateral land exercise in Thailand involving Rifle Company Butterworth and personnel from the Royal Thai Army, and we conduct air and maritime exercises together each year.

We're increasing our strategic and practical engagement with Vietnam. We have annual Defence Cooperation Talks with Vietnam, and we even have some links between our Special Forces personnel. We're looking to do more in the area of peacekeeping over the next year.

And we're doing more with India. I visited India last year with Minister Smith. Australia has now joined the Indian Ocean Naval Symposium (IONS), an initiative of the Indian Navy, and we will host the IONS Conclave of Chiefs here in Perth in 2014.

In recent years, our two Defence Forces have begun to engage in joint exercises, particularly maritime exercises. Military engagement is now occurring across the full spectrum, including ship visits, professional exchanges, and collaboration in research and development. We host Indian officers on ACSC and CDSS, as well as sending ADF personnel on courses to the Indian National Defence University and the Indian Staff Course in New Delhi. And there is more that we can, and will do, to enhance our bilateral defence relationship.

Conclusion

Ladies and Gentlemen, to conclude, I'd like to come back to where I started. I talked about Blamey, and the tough choice he faced in 1942. We are facing some tough choices now with the global economic downturn, and a changing strategic environment. Maintaining a credible defence deterrent is an expensive undertaking, and we are going to have to do this in an increasingly more efficient manner.

At the same time, we can't lose sight of the expectations of our allies and partners: we are rightly seen as having a large responsibility in maintaining the stability of our region. The new White Paper process provides us with another opportunity to develop an affordable force structure which is capable of meeting the tasks that Government sets for us.

But in the meantime, we are not standing still. We are taking the opportunity to shape our future strategic environment right now through targeted international engagement. It is a very great privilege to be the Secretary of the Department of Defence in these challenging and important times.

Ladies and Gentlemen, thank-you very much for the kind invitation to deliver this Oration. As I stand here tonight speaking as Secretary of one of the great Departments of State, I can't help but reflect back over the years at the triumphs and the tragedies, the friendships and the experiences, and think that it is a long way from Armidale High School where I began this journey so many years ago. I would be happy to take your questions.