

Launch of the National Defence Strategy and Integrated Investment Program

April 17, 2024

Speech by the Minister for Defence, Richard Marles, to the National Press Club.

I begin by acknowledging the traditional owners of the land on which we meet, the Ngunnawal people, and pay my respects to their Elders, past and present.

As the Minister for Defence, I also pay my respects to Aboriginal and Torres Strait Islander men and women who have served our nation in the past and continue to do so today.

It is a great honour to be back at the National Press Club.

The 2023 Defence Strategic Review

On 24 April last year, the Albanese Government released the *National Defence Statement* and the *Defence Strategic Review*. Commissioned in the first 100 days of Government, the *Defence Strategic Review* set out a stark assessment of Australia's strategic circumstances and a bold agenda for necessary defence reform.

The *National Defence Statement* said that

A large-scale conventional and non-conventional military build-up without strategic reassurance is contributing to the most challenging circumstances in our region for decades.

And the *Defence Strategic Review* observed:

As a consequence, for the first time in 80 years, we must go back to fundamentals, to take a first-principles approach as to how we manage and seek to avoid the highest level of strategic risk we now face as a nation: the prospect of major conflict in the region that directly threatens our national interest.

The most complex strategic circumstances since the end of World War II has demanded the biggest reassessment of our strategic posture in 35 years: the

foundational thinking about the fundamental task of the Australian Defence Force and what kind of an ADF we need to perform it.

Over the last few decades, the ADF has been a 'balanced' force capable of undertaking a broad range of functions in a broad range of environments, be it participating in a multinational effort in Afghanistan led by others, through to leading regional missions in Timor-Leste or Solomon Islands.

The essential thesis of the *Defence Strategic Review* demanded a shift from this 'balanced' force to a 'focused' force. There is now one job at hand: transforming our future capability such that Australia can resist coercion and maintain our way of life in a much less certain region and world. The ADF needs to be entirely focused on this.

Of course Australia is part of a larger world. The strategic landscape in the Indo-Pacific is intimately connected with the success of Ukraine in its efforts to resist Russian aggression. A threat to the freedom of navigation in the Red Sea is a threat to the freedom of navigation in the South China Sea. It is important that Australia plays its global part and we are and, we will continue to do so.

But equally, the call for focus means that we simply have to make the difficult decision to keep the vast bulk of our effort in our region. This is what the world would expect of us. It is what our ally the United States does expects of us. But far more significantly and importantly it is where our national interest unambiguously lies. To make any other call would be to ignore the *Defence Strategic Review* at the first juncture and for Australia not to be taken seriously.

Our nation has a growing economic connection to the world. Trade is an increasing part of our national income. In 1990 trade represented 32 per cent of our GDP. By 2020 that had risen to 45 per cent of our GDP. Most of this trade is with our region: China, Korea and Japan being three of our top five trading partners. The great bulk of it is by sea.

We have key exposures. For example, at the beginning of this century we satisfied most of our liquid fuel needs by refining locally sourced crude oil in one of the eight oil refineries which then operated in Australia. Today there are just two refineries left. Around 80 per cent of what they refine is imported crude oil. Today, around 85 per cent of our liquid fuel needs are supplied by imported refined product, most of it from just three countries: Korea, Singapore and Malaysia. We are literally dependent upon this sea line of communication.

Our national security and our national prosperity are based on a stable peaceful region where the global rules-based order is preeminent and respected. Indeed

the rules of the road at sea are everything for us. When the rules-based order is under pressure, Australia is under pressure.

Crucially, this narrative paints the picture of the geography of our national security. And it does not lie on the coast line of our continent. It lies further afield. An invasion of Australia is an unlikely prospect in any scenario, precisely because so much damage can be done to our country by an adversary without ever having to step foot on Australian soil.

Our national security actually lies in the heart of our region. Because the defence of Australia does not mean much without the collective security of the region in which we live.

And so to give effect to the focus the *Defence Strategic Review* demands, it in turn recommended the development of an ADF with a much greater capacity to project.

To contribute to regional security we must be able to project. To resist the coercion that would come from the disruption of our sea lines of communication we must be able to project. And to defend Australia's interests in the geography-less domain of cyber we must be able to project.

Impactful projection through the full spectrum of proportionate response is our task. We must be able to do this in a way which denies any adversary the ability to operate against Australia's interests: a strategy of denial.

And building a defence force capable of this is now the Albanese Government's historic mission.

The *Defence Strategic Review* recommended that the process of intermittent Defence White Papers be abandoned for a more structured and regular process of strategic update and renewal. It proposed a biennial National Defence Strategy accompanied by a refreshed Integrated Investment Program: Defence's ten-year procurement plan. It asked for the first of these to be released in 2024.

Today we are doing just that.

The *2024 National Defence Strategy* is an evolution of the *2023 Defence Strategic Review*. The *2024 Integrated Investment Program* is the first version of Defence's ten-year procurement plan since the *Defence Strategic Review*, and it looks very different to Integrated Investment Programs of the past.

The 2024 National Defence Strategy

Unsurprisingly, the *National Defence Strategy* reaffirms the complexity of our strategic circumstances.

The optimistic assumptions that guided defence planning after the end of the Cold War are long gone. Our environment is characterised by the uncertainty and tensions of entrenched and increasing strategic competition between the United States and China; large-scale war has returned to the European continent; and conflict is once again gripping the Middle East.

This competition is accompanied by an unprecedented conventional and non-conventional military build-up in our region, taking place without strategic reassurance or transparency.

The effects of this military build-up are occurring closer to Australia than previously, including a competition for security partnerships in Australia's immediate region.

This intensifying competition is creating an environment where the risk of miscalculation is more ominous and the consequences more severe.

The *National Defence Strategy* states:

China has employed coercive tactics in pursuit of its strategic objectives, including forceful handling of territorial disputes and unsafe intercepts of vessels and aircraft operating in international waters and airspace in accordance with international law.

Australia no longer has the luxury of a ten-year window of strategic warning time for conflict.

The *National Defence Strategy* observes that the combined effect of this has seen our strategic environment deteriorate over the last twelve months.

Against this strategic backdrop, the *National Defence Strategy* emphasises the need for impactful projection that can enable a strategy of denial which in turn is capable of deterring a potential adversary from projecting force against Australia. This includes the capability to hold the military assets of an adversary at risk at greater distance from our shores.

Equally important, this strategy aims to ensure that Australia can work with our partners to help deter broader conflict in our region that would be disastrous for us all. In this way, the Government seeks to invest in a sustainable strategic balance in the Indo-Pacific. A balance where no state is militarily predominant, and in which no state judges that the benefit of conflict might outweigh the risks.

Defence People

People are Defence's most important asset, and like many other Australian industries, we face a profound workforce challenge.

Between 2020-21 and 2022-23 Defence achieved only 80 per cent of its uniformed recruiting requirements and, when combined with a strong external labour market draw for our people, this has resulted in a shortfall of around 4,400 personnel today.

Of course, we are focused on attracting and retaining the highly specialised and skilled workforce required to meet Defence's capability needs. This is not easy in a highly competitive labour market with record low levels of unemployment.

There have been fundamental shifts already to make Defence an employer of choice.

We are investing more in the education of our ADF personnel through the Defence Assisted Study Scheme and have expanded the ADF Health Program to include additional services. We have also introduced \$50,000 continuation bonuses to encourage personnel to stay in the ADF beyond their minimum service obligation requirements.

The Government acknowledges the importance of addressing cultural shortcomings within Defence, including those highlighted in the 2020 Inspector-General of the ADF Afghanistan Inquiry. The Government will also consider the findings of the forthcoming final report of the Royal Commission into Defence and Veteran Suicide, which will include informing strategies to improve Defence's culture.

We have taken meaningful steps to address Defence's workforce crisis, but there is more work to do to improve recruitment and retention, and to ensure Defence's workforce planning is informed by our capability requirements.

Defence will undertake a new, comprehensive workforce plan that will be aligned with the *National Defence Strategy* and the *Integrated Investment Program* – one that will deliver an effective and achievable approach to workforce planning.

This plan will look to how we can streamline recruiting practices and have them more focused on the skills that Defence needs the most. It will look at ways we can retain existing personnel for longer.

Significantly it will look at how the ADF can recruit from a wider pool of people. This means ensuring that Defence reflects the full diversity of Australia such that it is drawing on the talents of the entirety of Australian society. But like the defence forces of our friends and allies, we also need to look at ways in which we can recruit from among certain non-Australian citizens to serve in the ADF.

As a Government, we are committed to meeting the current and future needs of the Defence workforce – whether that be our ADF, Australian Public Service, or external workforce.

The 2024 Integrated Investment Program

The 2024 *Integrated Investment Program* is a complete rebuild of the Integrated Investment Programs of the past. While it contains more money, it also required the reprioritisation of \$22.5 billion over the next four years and \$72.8 billion over the decade.

It is impossible to overstate the significance and difficulty of the task of rebuilding the *Integrated Investment Program*. I particularly want to pay tribute to Vice Admiral David Johnston – our next Chief of Defence Force – who led this work and the dedicated team that supported him.

The *Integrated Investment Program* accelerates spending on the critical capabilities that will enable the ADF to project.

Front and centre is a \$53-63 billion commitment over the next ten years to acquire a nuclear-powered submarine capability under the banner of AUKUS. This will see the first Australian flagged Virginia class submarine take its place in the Royal Australian Navy in the early 2030s. It will also see the establishment of the most high tech manufacturing facility in the country and work commence on the building of the first of the Australian built SSN-AUKUS submarines. These will start to roll off the production line at the Osborne Naval Shipyard in the early 2040s.

A nuclear-powered submarine capability represents the biggest leap in Australia's military capability since the establishment of the Royal Australian Navy. More than any other capability, this platform will give an adversary pause for thought and hold their assets at risk further from our shores.

Our future submarines define projection.

In addition, \$51-69 billion of investment will build and support the Navy's future surface combatant fleet and continuous naval shipbuilding. The six Hunter class

frigates will be the most capable anti-submarine warfare frigates in the world. The 11 general purpose frigates will ultimately see the size of our surface combatant fleet double to the largest fleet Australia will have operated since the Second World War. Together with the six Large Optionally Crewed Surface Vessels, our Navy's vertical launch missile capacity will more than triple from around 200 cells to over 700 cells.

We are a maritime trading island nation. Having the most capable Navy in our history will be at the heart of our projection and, our strategy of denial.

A key emphasis of the *Defence Strategic Review* and now the *Integrated Investment Program* is the investment in longer range strike and targeting. \$28-35 billion is being directed to this effort.

A new range of missile systems will be integrated into our Navy's surface combatants which includes: Tomahawk, Evolved Sea Sparrow and Naval Strike Missiles.

Our Army will acquire 42 High Mobility Artillery Rocket Systems which will be equipped with Precision Strike Missiles and Guided Multiple Launch Rocket Systems. This will take Army's firing capacity from a tactical range of 30 kilometres today, to operational and strategically relevant ranges beyond 500 kilometres and will be at the heart of the Army's new Long Range Fires Regiment.

The Royal Australian Air Force will acquire longer range missiles for the Joint Strike Fighters, the Super Hornets and the Growlers. These will variously include: the Long Range Anti-Ship Missile, the Joint Air-to-Surface Standoff Missile – Extended Range and the Advanced Anti-Radiation Guided Missile – Extended Range. Work will also continue on the development of hypersonic air-launched weapons for employment on the Super Hornets.

The war in Ukraine has placed into sharp relief the pressure on global defence industry in producing missiles. Accordingly, ensuring Australia has access to the required quantity of new long-range missiles will be greatly assisted by the establishment of a domestic guided weapons and ordnance manufacturing capability.

Working closely with industry, the Government is committing \$16-21 billion over the next decade, including almost a quarter of that over the next four years, to see this industrial uplift become a reality. Defence is continuing to work with industry on initiatives to grow our domestic industrial base, building on recent

commitments such as its \$37.4 million contract with Lockheed Martin Australia to commence manufacturing missiles in Australia from next year.

The Australian Army must become far more amphibious and mobile in order to be able to project and contribute to the collective security of our region. Investing in a more mobile army is central to the *Integrated Investment Program*. \$7-10 billion is being invested in over 26 new landing craft – both medium and heavy – which will transform the mobility of the Army building on the restructure of the Army that was announced last year.

The platform for Australia's projection is our northern bases. The *Integrated Investment Program* devotes \$14-18 billion over the decade to the enhancement of bases from the Cocos (Keeling) Island airfield through Darwin and Tindal to RAAF Base Scherger in Far North Queensland.

\$3.6-3.8 billion over the decade is seeing the establishment of the Advanced Strategic Capabilities Accelerator. ASCA will ensure that Australia remains at the cutting edge of military technology and asymmetric military developments.

Cyber is now a critical domain of conflict. Through both the ADF and the Australian Signals Directorate, Australia genuinely punches above our weight in this domain. A further commitment of \$15-20 billion over the decade will ensure that Australia builds this capability such that we remain at the forefront of developments in the cyber domain.

We have all seen the prevalence of drones in combat, including in Ukraine and the Red Sea. So we are increasing funding for Australian drone and counter-drone capabilities. To make this happen, we are providing an additional \$300 million over the next four years and \$1.1 billion over the decade.

Reallocating spending cannot occur without difficult decisions. Just as important as what we are doing are the decisions we have taken about what we are not. Meaningful change and meaningful focus cannot happen without meaningful choices. To proceed on the basis that we can do it all, when no Government has ever funded it all, is both a fantasy and dishonest. But most critically, a weakness in not being able to make a difficult decision fundamentally compromises strategic planning.

In the Government's response to the *Defence Strategic Review* last year we announced the reduction in the number of new Infantry Fighting Vehicles from 450 to 129. This was on the basis that there was no capacity to ever move 450 Infantry Fighting Vehicles off our shores. This meant they would never

contribute to Australia's ability to project. This is just one example of the decisions we have been prepared to take.

We are taking \$1.4 billion from planned enhancements to Defence facilities across Canberra and re-investing this in our operational bases, including northern base infrastructure such as those at RAAF Bases Darwin, Townsville and Learmonth.

Defence had planned to acquire two large support vessels to increase the capacity of our Navy's sea lift and refuelling support. The focus on improving our maritime lethality means these support vessels are no longer a priority. This action will generate savings of \$120 million over the next four years and \$4.1 billion over the decade.

These are all examples of difficult decisions to delay projects, reduce the scope of projects, to cancel projects.

Of vital importance these decisions will see the over-programming of the *Integrated Investment Program* come down to manageable levels. We are heading to that sweet spot of 20 per cent over-programming and with it a defence budget which is under control. After a decade of negligent defence budgeting under the Coalition, which robbed our defence establishment of the ability to plan and acquire critical capabilities on schedule, the Government has regained agency over the nation's fundamental security.

But overall we are increasing the Defence budget, and today I can announce that the Government will provide a further \$1 billion for Defence capability over the next four years.

This additional funding will provide for further investments in the near term that will go towards accelerating long-range fires, in particular the earlier purchase of the Precision Strike Missile.

It includes over \$200 million to enable Defence to go after more cutting-edge, asymmetric robotic and autonomous systems, so they can be tested and deployed in the field earlier. This includes autonomous aerial munition delivery vehicles; Blue Bottle, an uncrewed surface vessel; and Ghost Shark, an extra-large autonomous underwater vehicle and a great example of Australian defence industry innovation.

This funding will allow Defence to uplift long-overdue upgrades to its theatre logistics like storage, logistics networks and infrastructure to be ready in times of need.

And it will go towards enhancing our fuel resilience, particularly across our northern bases.

Not all of these investments will be headline grabbing. But they are also the kinds of necessary investments that cannot be delivered quickly when you need them most.

The Defence Budget

Almost two years into this job let me tell you that the centre of strategic policy is Defence funding. History will judge us not by what we say, but by what we do. And you can only **do**, if you properly **fund**.

In last year's Budget we announced an additional \$30.5 billion in Defence spending over the decade. Some have argued this is not real, but this is funding that has been contested and decided through all the cabinet processes. Accordingly the first tranche of this – \$3 billion – will appear in the forward estimates of this year's budget.

This year, on 20 February the Government announced it will provide an additional \$11.1 billion over the next decade to deliver an enhanced surface combatant fleet including \$1.7 billion over the next four years.

Including today's announcement of an additional \$1 billion in defence spending, the total increases in defence funding since the Albanese Government came to office has been, \$5.7 billion over the next four years to 2027-28 and over \$50 billion over the next decade to 2033-34 – compared to the previous government's plan for the exact same period.

This financial, year spending in Defence will be \$53 billion. These increases will see annual Defence spending almost double over the next ten years to \$100 billion in the financial year 2033-34.

It will see Defence spending as a proportion of Gross Domestic Product projected to increase to around 2.4 per cent by 2033-34. Prior to the Government commissioning the Defence Strategic Review in 2022, the previous trajectory of the Defence budget over the same period was to plateau at around 2.1 per cent of GDP.

Putting aside adjustments like foreign exchange and operations, the additional \$5.7 billion will be the biggest lift in Defence expenditure over a forward estimates period in decades.

The growth from 2.0 per cent to around 2.4 per cent of GDP in defence spending is the largest growth since defence spending went from 2 per cent to 5 per cent between 1949 and 1953 as Australia engaged in the Korean War. But taken over a ten year period it will be the largest sustained growth in the Defence budget since the Second World War.

These are facts which have been and will be in the Budget. And it doesn't matter how often the Liberal Party and their cheer squad try to deny them, they will remain the facts of Australia's strategic policy under the Albanese Government.

Rather than deny them, it is time for the Liberals to commit to them. Because as it stands this level of Defence spending is not bipartisan. The Liberals remain stuck in 2022 and a policy of spending 2.1 per cent of GDP on Defence.

The Liberals were a Defence Disaster

When the Albanese Government came to office we inherited a mess.

A Defence budget that included \$42 billion of spending commitments without the provision of a single dollar. Over-programming which was on track to average around 36 per cent over the next four years.

28 major projects were running a total of 97 years over time.

The Coalition being in and out of a submarine deal with Japan and then in and out of a submarine deal with France had seen a ten-year capability gap open up on our most important and potent military platform.

The Royal Australian Navy's surface fleet was the oldest since the end of the Second World War.

The ADF was shrinking in size.

We saw six – really seven – different Defence Ministers in nine years with Defence Ministers churning at a rate of one every 18 months.

There was no consistency in government action ... a strategic void ... a lost decade.

The Liberals were one of the worst Defence governments in our nation's history at a time when Australia could least afford it

Two Years of Dramatic Reform

Over the last two years our Government has taken AUKUS from a concept and turned it into reality.

The acquisition of the Virginia class submarines from the United States- a decade earlier than planned has closed the capability gap on our future submarines. The decision to operate the same future class of submarines with the United Kingdom means we will be sharing the risk of the biggest industrial endeavour in our country's history.

Infrastructure at *HMAS Stirling* in Perth and the Osborne Naval Shipyard in Adelaide is being built today. The Australian Submarine Agency exists today. Australian submariners are being trained to operate our future nuclear-powered submarines in the US today. Our industrial workforce which will maintain and build our submarines is being trained in the US and the UK today. And the sovereign submarine partners that will build and maintain our future submarines have been chosen and are up and running today.

We commissioned and delivered the biggest reassessment of our strategic circumstances in 35 years through the *Defence Strategic Review*.

This in turn has seen a restructuring of the Australian Army and the first real funding for a domestic Guided Weapons and Explosive Ordnance Enterprise.

We have a fully funded plan for a future surface fleet which more than doubles the current size of our Navy's surface combatant fleet.

We are revitalising our international defence relationships from Korea to the Philippines, from Japan to Indonesia, from the UK and France to India. We have put the Pacific at the heart of our strategic policy where it belongs. And we have deepened relationships with New Zealand, Singapore and of course the United States.

Legislation to establish a seamless defence industrial base between the United States and Australia has passed the US Congress and our own parliament. Breaking down these barriers had been a generational dream. Now it is done.

For the first time we have articulated the kind of defence industry we will need to underpin our future force through the *Defence Industry Development Strategy*.

We have responded to the interim findings of the Royal Commission into Defence and Veterans Suicide. And we are committed to fulfilling the promise of the Royal Commission by following through on improving defence force culture.

Later this year we will move forward on the biggest reform to the Defence estate in memory.

And most importantly these reforms have come with the biggest increases in defence funding in decades.

I am very fortunate and privileged to work alongside Pat Conroy, Matt Keogh and Matt Thistlethwaite in the Defence portfolio. Together I believe we have overseen a dramatic period of Defence reform in the first two years of the Albanese Government.

And in a very difficult world, this consistent vision, backed up by meaningful action and real funding gives Australia genuine agency over our future security.