

THE
**CENTRE
OF GRAVITY**
SERIES

**A SOVEREIGN SUBMARINE
CAPABILITY IN AUSTRALIA'S
GRAND STRATEGY**

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He was made a member of the Order of Australia in 1989 for his contribution to Australia's defence policy and intelligence work. During the Howard Government, he was a member of the Foreign Minister's Foreign Policy Council. He has represented Australia at six meetings of the ASEAN Regional Forum's Experts and Eminent Persons Group since 2006.



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EXECUTIVE SUMMARY

- Australia needs a post-Afghanistan defence strategy.
- Tight fiscal conditions are here for the medium term, so defence priorities need to be challenged.
- A conventional submarine capacity of at least six to nine provides the best option for Australian security.

POLICY RECOMMENDATION

Submarines are Australia's most important strategic asset. Our future submarines will need long range and endurance and, if we are to retain a clear war-fighting advantage, they should be equipped with a US combat system and weapons. Nuclear submarines are not a credible option for Australia

My aim in this paper is to describe what I consider to be the principal policy issues, both military and non-military, surrounding the decisions to be made about Australia's future submarine. I shall begin with a description of Australia's strategic outlook and its implications for our future force structure and then turn to the key defence, political and economic considerations involved.

AUSTRALIA'S STRATEGIC OUTLOOK AND FORCE STRUCTURE PRIORITIES

Given our geography, Australia's future security will be inextricably linked to what happens as the global balance of economic and military power moves decisively to Asia. This means that next year's Defence White Paper needs to be a post-Afghanistan policy document, which spells out clearly that our defence focus must now shift to our own region of primary strategic concern.

That means a distinct move away from expeditionary forces in the Middle East and a renewed focus on the demands of operating principally in a maritime environment in a part of the world where increasingly sophisticated naval and air forces will operate. This is not to drum up the prospect of a direct military threat by a major power to Australia's security, as some commentators would have it. We need to focus on managing the peace as the regional balance of power shifts, but we also need to hedge our bets by financing a technologically advanced ADF.

Of course, we have a deep interest in avoiding armed conflict. However, history is littered with misjudgements about what happens when the balance of power fundamentally shifts in a strategic environment where arms races are occurring. As the *Australia in the Asian Century White Paper* notes, the risk of mistakes and misadventure remains high in our region.

This means having a potent submarine force that is better than most in the region and capable of independent Australian military operations. It also means building and maintaining in Australia through their expected 30-year life the most complicated platforms in the Defence Force. The majority of the costs of the new submarines will not be their acquisition but their through-life operating costs and maintenance.

Too many players, especially in Defence, have lost sight of the centrality of Australian sovereign independence when framing Australian defence priorities. This is a consequence of operating in a subordinate role to our great American ally over the last decade. Defence self-reliance for Australia does not mean doing everything ourselves, but for submarines it does mean having the domestic ability to use foreign intellectual property in undertaking our own through-life support and indigenous modifications.

The primary justification for a new submarine is its deterrent capacity because it is difficult to locate and fundamentally threaten enemy maritime operations. In my view, the central defining feature of our Future Submarine and the key to its operational superiority over other regional powers will be the high probability that it will have an evolvment of the US Virginia-class

combat system (AN/BYG-1(V) 8) and very advanced US weapons such as the ADCAP Mark 48 torpedo. We are the only other country in the world to operate such highly sensitive US combat capabilities already on the Collins class. This feature alone will very much determine what type of future submarine we acquire and where it will be built.

A new submarine may also provide strategic strike capability as a hedge against longer term strategic uncertainty. While the stealthy Joint Strike Fighter will deliver a potent and survivable strike capability with precision stand-off missiles and supported by AEW&C and tanker aircraft, the 2009 Defence White Paper stated that the Government places a priority on broadening our strategic strike options.

This will occur through the acquisition of maritime-based land-attack cruise missiles, fitted to the air-warfare destroyers, the future frigate and the future submarine.

THE REALITY OF ECONOMIC STRINGENCY

However, we need to recognise that we are probably in for a prolonged period of economic stringency. The Secretary of Treasury has made it plain that there is a structural and demographic challenge ahead of us. It is highly probable – whichever government we have in power over the next several years – that the Defence Budget will continue to be under severe constraints. It has also been the case historically that after previous long and expensive wars – including in Korea and Vietnam – the Australian Defence Force has been reduced in size.

Thus, having no money will force a certain realism on the drafters of the new Defence White Paper. The simple fact is that the force structure proposed in the 2009 Rudd white paper is no longer affordable. That means that some Single Service major projects will have to be axed or moved out to the never-never. By far the most expensive projects

in the current Defence Capability Plan are the Future Submarines with acquisition costs of about \$25 billion, the Joint Strike Fighters for at least \$16 billion, and the replacement of Army's armoured combat vehicle fleet for \$19 billion. For my money, the land combat vehicle bid is of lower strategic importance and more amenable to reconsideration.

“There is no strategic justification as to why we have suddenly decided to double our submarine force from 6 to 12.”

Although I am a strong proponent of the Future Submarines, the fact is that there is no strategic justification as to why we have suddenly decided to double our submarine force from six to 12, other than at the whim of former Prime Minister Kevin Rudd. I do not believe that we should conjure up the number of submarines we require based on highly unlikely scenarios of war with a major power adversary – namely

China – which we would attack with Tomahawk cruise missiles.¹ I would expect the new Defence white paper to move away from that sort of highly provocative language and to acknowledge that nuclear deterrence and the intensity of economic interdependence in Asia does put a brake on the potentiality for major power conflict.

However, I accept that there will probably be crucial classified advice going to the Government setting out credible contingencies, short of major power war, and deriving figures for the number of operational submarines we might prefer. For example, if we need two submarines continuously on patrol in our northern approaches this would result in an overall submarine fleet size of at least 6 submarines – depending upon the availability ratios used for modern submarine maintenance. If, instead, we opted for having two submarines available for operations in the eastern Indian Ocean and the South China Sea and also at least one on patrol in our northern waters a fleet size of nine submarines would be suggested.

In any event, we need to recognise that in our current, and likely future, straitened economic circumstances money is not a free good. Projects such as the Future Submarines cost anywhere from, say, \$1 billion each for a European design or anywhere from \$2 to \$3 billion each for an evolved Collins or a new design.

This means that those who are calling for Australia to spend between three and four per cent of GDP on defence are being unrealistic. The strategic drivers are simply not there, and the financial pressures are too severe. It would mean spending an additional \$25 billion to \$40 billion on defence compared with the \$24 billion spent under the current defence budget. Out of whose hide would this sort of money come? Take your choice – schools and universities, hospitals, aged and disability care, or national infrastructure such as roads and rail.

THE NATIONAL INTEREST AND SUBMARINES

I recognise that there are some broader national interest issues to consider when we are considering such issues as the future of naval shipbuilding in Australia. This is a contentious subject. Proponents on one side claim that it is in the national interest to have a naval shipbuilding industry and those on the other side assert that this will only lead to a waste of taxpayers' money, huge subsidies and wasteful economic protectionism.²

Both the Government and the Opposition have affirmed that the Future Submarines will be built in Australia and assembled in Adelaide. What has not yet been determined is whether we go for a European military off-the-shelf solution, modified or not, an evolved Collins class or even a new design. My view is that an evolved Collins is the more likely, but we shall see.

It is, however, important that we have a rigorous debate about whether we can have a viable naval shipbuilding industry in Australia and what the real costs and benefits are. The future of naval shipbuilding in Australia – including building the future submarines, new frigates and offshore patrol vessels – could involve building costs of at least \$40 billion, according to ASPI.³

What is needed is an independent analysis of the impact of such spending on Australia's gross domestic product, our skills and employment base and the multiplier effects of innovation. And subjecting it all to careful cost-benefit analysis. If the naval shipbuilding industry is to be sustained into the future it will need to manage the production workloads, so that there are not the peaks and troughs that have led in the past to the running down of scarce skills only to ramp them up again when a new burst of shipbuilding is required.

There is another matter of national security interest that I need to raise. And that is the issue of whether we should purchase nuclear attack submarines from the United States. I note that neither the Government nor the Opposition favour this course, but some individuals on both sides of politics apparently do.

My understanding is that at the highest levels the US has indicated very firmly to us that they prefer Australia to have quiet conventional submarines that can go places and do things that large nuclear submarines cannot do so easily. That was certainly the case in my experience as director of defence intelligence in the Cold War.

Moreover, from Australia's security perspective the fact that we have no experience with nuclear propulsion means that we would be totally dependent on the US for their regular maintenance. This could be a big problem if we ever wanted to use these submarines in a regional conflict where Australian and US interests were not aligned.

“The US has indicated very firmly to us that they prefer Australia to have conventional submarines.”

The US Ambassador has observed that we don't even have a nuclear energy program in Australia and unless we get that kind of infrastructure, "it's very, very difficult to maintain any sort of other nuclear industries".⁴ It is, in any case, simplistic to believe that the US would simply hand over sensitive nuclear military knowledge, even to its closest ally.

SOME CONCLUDING THOUGHTS

The last decade involved large-scale US ground force interventions in the Middle East that were aberrations because they were born of temporary necessity.⁵ Now the strategic driver of US defence policy, and our own, is the shift in the world balance of power to Asia. In our case, this means that our force structure and operational priorities will revert to our own region.

Australia's defence strategy is now principally a maritime one. We need submarines to defend our approaches, sustain a maritime presence in our region, to be able to sink other submarines and surface ships, and undertake certain strategic missions where stealth and endurance will be crucial, as well as having new strike capabilities – if that option is pursued.

Irrespective of which submarine we acquire it will have one of the world's most advanced US combat systems and weapons, which will assure us of a critical operational advantage. This will largely determine the type of submarine we acquire, where we acquire it from, and the task of integrating highly sensitive US equipment.

Very few nations in the world can build advanced modern submarines and Australia now has substantial experience in doing that. To be credible, however, Australia needs as much control as possible over its next submarine-building program, while recognising it will require overseas assistance in the design phase.

This will be a demanding nation-building project and it will require evidence that we have learnt from the lessons of Collins. The Future Submarine project will undoubtedly test industry's capacity to deliver. But – and let me stress this – the bottom line is that we need a submarine that is capable of supporting a posture of defence self-reliance and our requirement for independent submarine operations.

POLICY RECOMMENDATION

Submarines are Australia's most important strategic asset. Our future submarines will need long range and endurance and, if we are to retain a clear war-fighting advantage, they should be equipped with a US combat system and weapons. Nuclear submarines are not a credible option for Australia.

Endnotes

1. The white paper, *Australia in the Asian Century* (2012), does not see major power conflict in our region as likely (see page 227).
2. Here I must register a potential conflict of interest because I am an adviser to the South Australian Government's defence advisory board.
3. Davies, Andrew, Ergas, Henry and Thomson, Mark (2012) *Should Australia build warships? An economic and strategic analysis* Australian Strategic and Policy Institute 1 February 2012 p.5. <http://www.aspi.org.au/events/recentEventDetail.aspx?eid=478>
4. Rout, Milanda (2012) 'US denies defence cuts concern' *The Australian* 12 November 2012 <http://www.theaustralian.com.au/national-affairs/defence/us-denies-defence-cuts-concern/story-e6frg8yo-1226514732502>
5. Chaffin, Greg (2012) 'China's Military Challenge: An Interview with Ashley J. Tellis' *The National Bureau of Asian Research* 6 November 2012 <http://www.nbr.org/research/activity.aspx?id=291>

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