The cost of Defence

ASPI Defence budget brief 2025–2026

ASPI
AUSTRALIAN STRATEGIC POLICY INSTITUTE

MARC ABLONG PSM
AND ASPI STAFF

MAY 2025

About the author

Marc Ablong PSM is a Senior Fellow with ASPI's Defence Strategy Program.

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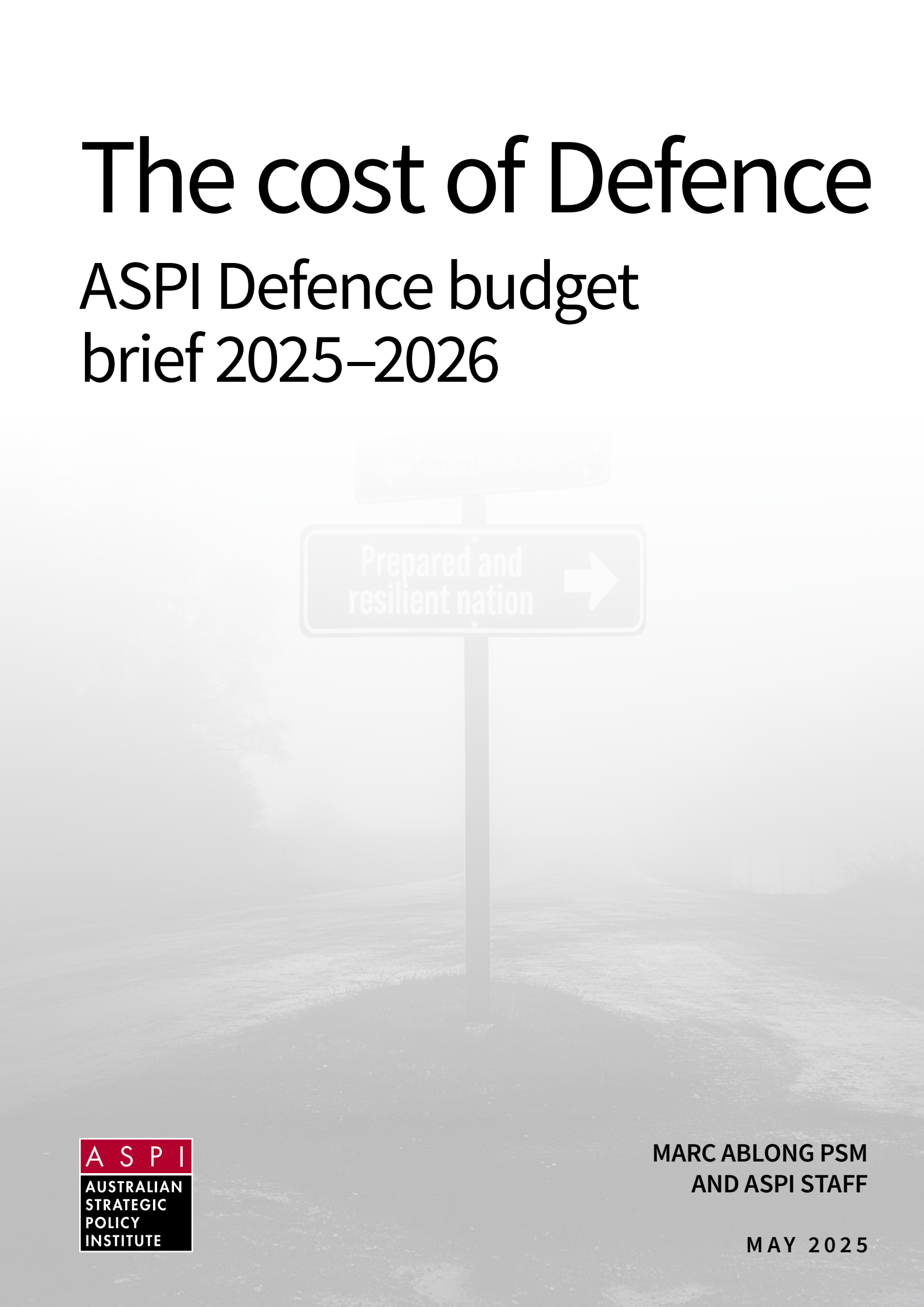

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Executive Director's foreword

Australia faces a perilous strategic environment with multiple threats overlapping and, in some cases, converging. We're confronted simultaneously by the rise of aggressive authoritarian powers, multiple conflicts around the world, persistent and evolving terrorism, foreign interference and the normalisation of cyber warfare.

Our largest trading partner, China, is increasingly aggressive militarily and has growing control of critical technologies integral to our societies. In Europe, the Middle East and the Indo-Pacific region, rearmament is underway, including increased prospects of nuclear proliferation. Australia is a part of that rearmament, though others are moving much faster.

Great powers flout the international rules-based system, either seeking to expand their spheres of influence, as Russia and China are doing, or pursuing a transactional and user-pays form of vassalage in the case of the US under the Trump administration. To be clear: the actions of the US are not comparable to those of Russia and China, but the administration's tendency to treat all countries the same, without separating friend from foe, is causing unhelpful disruption and adding to global uncertainty.

Many countries' politics are becoming more partisan and prone to populist movements, fuelled by social-media outrage and demagoguery. Hybrid attacks on critical national infrastructure, internet-connected systems and the political foundations and institutions of states are becoming more common. Trust in public institutions is eroding, and cynicism is rising and often turning into belief in conspiracies.

We're reminded in the ministerial forewords to almost all public national-security documents that there's no greater responsibility for the government than defending Australia. Part of that most fundamental responsibility is the obligation of government to resource the national-security community appropriately to prepare the nation for the challenges it faces.

That's why, this year, the Australian Strategic Policy Institute has broadened its budget brief, *The cost of Defence*, beyond its traditional focus on the budget of the Department of Defence. The security challenges that Australia faces cannot, and should not, be borne by Defence and our armed forces alone. For too long, Australian governments have partitioned Australia's security and failed to deliver a comprehensive approach to national security. ASPI has been vocal in calling for comprehensive national-security planning, and now we reflect that by examining the government's national-security efforts as a whole.

Moreover, *The cost of Defence: ASPI defence budget brief 2025–26* thoroughly examines the government's progress with, and spending on, the 2024 National Defence Strategy. The core of the strategy is the concept of national defence, defined as 'a coordinated, whole-of-government and whole-of-nation approach that harnesses all arms of national power to defend Australia and advance our interests'.

This year's *Cost of Defence* therefore asks some more fundamental and strategic questions and evaluates whether the government is paying enough attention to the traditional strategy calculation of ends, ways and means. Has it identified and articulated the objectives that meet Australia's strategic intents, as set out in the 2023 Defence Strategic Review and the 2024 National Defence Strategy? Has it chosen the best plans for meeting those objectives? And has it allocated enough resources for those plans?

We also examine whether the government is giving enough attention to the nation's preparedness and resilience. This is a major theme for ASPI in 2025. The *2025 ASPI Defence Conference: Preparedness and Resilience* will focus on those challenges for Australia, including how they bear on our industry, civil society and relationships with international partners. This year's *Cost of Defence* provides ASPI's views as a lead-in to that conversation.

Another issue is whether the government is too focused on future equipment acquisitions, rather than the preparedness and readiness of the current force. Given that most of the major acquisitions won't arrive until well into the 2030s and 2040s, we must ask the unnerving question of whether the ADF is too hollow for military operations this decade. Can the ADF we have now deter adversaries from attempting military domination in our area of primary interest?

The issue has been on the country's mind since a Chinese flotilla this year sailed close to Australia, conducted live-fire drills in the Tasman Sea and rehearsed strikes on Australia's cities, national infrastructure and joint military facilities.

Finally, this year's *Cost of Defence* asks the hard questions about whether the government's rhetoric about a once-in-a-generation investment in defence and about the criticality of Australia's defence industry base, national economic base and resilience is being matched by resources. This includes money in the latest Budget for 2025–26 and the forward estimates and, perhaps more importantly, human capital in the form of a larger skilled workforce. There are also the strategies, concepts and interagency, intergovernmental and international engagements that government must be delivering. We argue, as we did last year, that resourcing isn't matching the rhetoric. We suggest that, in part, that's because the implementation of strategy has been frustrated by bureaucratic, time-consuming and inefficient processes. In a first for the *Cost of Defence* series, we recommend ways for the government and the Defence Department to shift the dial towards agility, adaptability, effectiveness and efficiency.

That includes increased and more effective messaging on why defence investment is needed. Whatever percentage of GDP the government spends on defence, it is a large number, and not enough has been done to foster public support for the defence spending required to deter the types of conflicts we see in Europe and elsewhere. Governments shouldn't wait for public pressure to make security decisions, but a measure of social licence is needed for defence investment, and that in turn takes candour about the gravity of the threats we face.

ASPI's charter requires us to inform and nurture public debate on defence and security and to provide alternative advice for the government. *The cost of Defence* does so objectively, sharing the government's and Defence's aim of strengthening Australia's long-term security, prosperity and sovereignty. It's never been more important for experts inside and outside the Australian Public Service to speak truth to power frankly and fearlessly in order to give decision-makers the strongest possible suite of options. We don't expect all readers to agree with our positions. Indeed, we welcome debate and disagreement in the hope that Australia will be stronger, more prepared and more resilient for the challenges we confront now and will face in the future.

I commend this year's *Cost of Defence* to you.

Justin Bassi
Executive Director, ASPI

Executive summary

The 2025–26 federal Budget (the Budget) and the 2025–26 Defence Portfolio Budget Statements (the PBS) were released on 25 March 2025. The Budget provides little comfort for those concerned that Australia's strategic circumstances have deteriorated to the point where the likelihood of Australia needing to deploy its armed forces for their declared mission of defending Australia and its interests is now non-trivial.

That Australia's strategic circumstances have deteriorated has been a bipartisan view in Australia for several years, and the leaders of both the government and the opposition have referred to the current era as the most challenging or dangerous since the end of World War II.

As the authors of the 2023 Defence Strategic Review (DSR) noted 'Defence planning is about managing strategic risk. Defence spending must be a reflection of the strategic circumstances our nation faces.' They recommended that:

> Defence funding should be increased to meet our strategic circumstances. Lower-priority projects and programs should be stopped or suspended to free essential resources which can be allocated to projects and programs that align with the priorities in the Review. Funding should be released through the rebuild and reprioritisation of the Integrated Investment Program (IIP) and reinvested into priority Defence projects, programs and activities consistent with the Review.[1]

The contributors to this report agree with the assessment of the strategic circumstances and the need for defence funding to be increased to reflect the reality of the threats facing Australia. But, while the Australian Government claims to have made a 'generational investment in Australia's Defence', that investment has been put off for another generation. The Defence appropriation in the 2025–26 Budget cycle sees a 'bring forward' of only $1 billion from the 2028–29 financial year, shared across 2026–27 and 2027–28. The generational investment is still programmed for beyond the forward estimates, which means that we can't expect any significant uplift until after 2028–29.

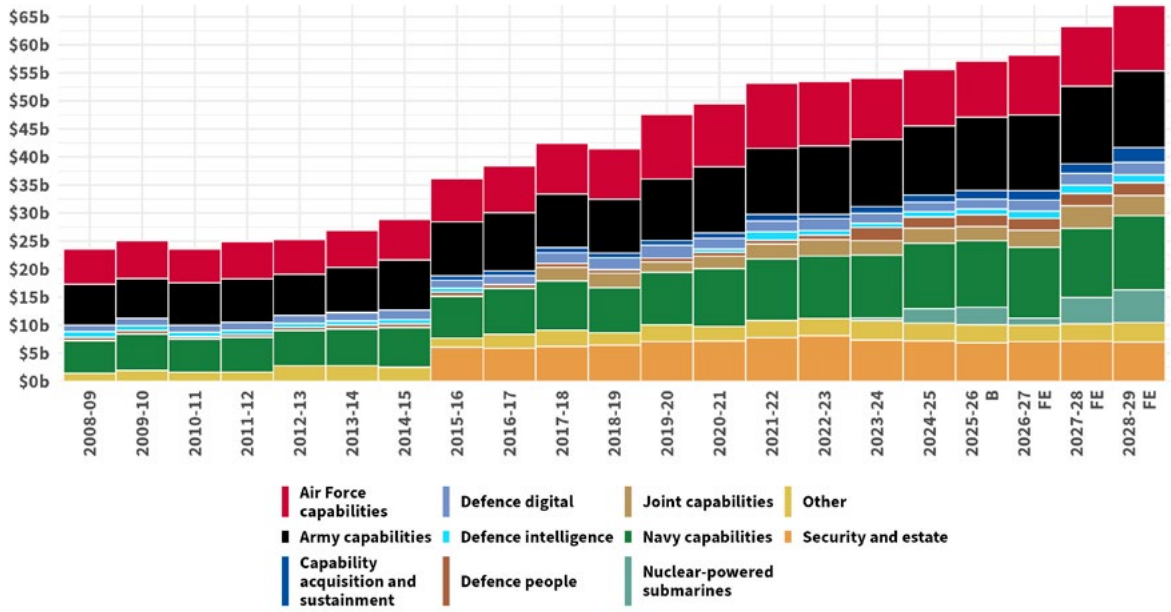
Total departmental resourcing, including prior year appropriations and equity injections increases from $53.51 billion in 2024–25 to $56.11 billion in 2025–26 (excluding working capital movements). The notable funding movement of $700 million from 2027–28 to 2024–25 is included to address Defence's ongoing working capital requirements, increasing short-term cash reserves to meet industry commitments. This is represented as an equity injection and not as increased funding.

Departmental budget measures result in a net reduction from last year's Budget projections for 2025–26 of $91.2 million in 2025–26, due primarily from savings such as the extension of savings from external labour ($196.8 million total over the forward estimates). Key cost categories and spending measures are consistent with the 2024–25 PBS estimates projections, including:

- workforce expenses increase from $16.2 billion in 2024–25 to $17.17 billion in 2025–26
- Capability Acquisition Program funding grows from $17.7 billion to $18.8 billion
- Capability Sustainment Program increases from $17.23 billion to $18.76 billion
- operating expenses see a slight decrease from $2.49 billion to $2.37 billion.

While consistency can often be a virtue, it reveals a business-as-usual approach to a world now in crisis and conflict. The rhetoric recognising the threats isn't translating into action to deal with the threats, meaning the government continues to deprioritise the readiness and sustainability of the current force-in-being, with the largest spending increases on capability sustainment tied to the F-35 Lightning force ($190 million) and Collins-class submarines ($235 million). While $133 million is allocated to sustainment of a new Defence Logistics program, there's little to no change overall to sustainment funding, usage and workforce from last year's budget (Figure 1).

Figure 1: Defence (non-operational) costs, 2008–09 to 2028–29 ($ billion)



Source: 2025–26 Defence PBS.

As many of the contributions in this report note, Defence has reduced the level of transparency in the PBS, and many of the metrics that have allowed analysts to evaluate the Defence portfolio's performance are no longer provided (for example, the boilerplate assurances that '80% or more of approved IIP projects across all domains are on track to deliver the scope approved by Government within Government approved cost and schedule'). This would be an appropriate conclusion or summary after the transparent outlining of the status of the individual projects. Instead, the generic language creates an immediate challenge in finding any useful indication of success or failure in the achievement of goals, with the exact same phrase found across the PBS. That's just not helpful in assessing the real progress of capability development. Key project information for capital projects, including across the Defence estate, has also disappeared in recent years. As the Australian National Audit Office (ANAO) noted in its most recent *Major projects report*, 'There continues to be a reduction in the level of transparency and accountability to the Parliament and other stakeholders.'[2]

This report highlights some of the major challenges Defence will need to address, recognising that the government has chosen to declare that Australia faces dire strategic circumstances while not funding Defence to meet those challenges. Within these pages, we identify challenges that span the strategic, organisational, industrial, workforce, cultural and technological domains, affecting Defence's preparedness and the effective implementation of the 2024 National Defence Strategy (NDS).

This year's *The cost of Defence* report broadens its traditional focus beyond the Defence Department and its budget. The NDS firmly establishes 'National Defence' as a 'coordinated, whole-of-government and whole-of-nation approach that harnesses all arms of national power to defend Australia and advance our interests'.[3] This demands a truly unified effort, extending far beyond the traditional boundaries of the Defence Department. National, or total, defence is a pursuit advocated and supported by the contributors to this report. So, while this report predominantly addresses the military capabilities and funding parameters of the Defence Department, it also examines, in part, the strategic frameworks and resource allocations some of the other elements of national power that are necessary to enable Defence to meet its primary mission, but also deliver Australia's national defence in their own right.

Strategic and capability delivery challenges

The Indo-Pacific region is undeniably an epicentre of a burgeoning rearmament. Australia is a part of that rearmament, although others are moving much faster than us. The current military correlation of forces between Australia and our region is growing. Consequentially, a central concern we express in this report is the gap between strategic intent and tangible capability delivery. The NDS emphasises a posture of 'deterrence by denial', focusing on defending Australia's northern approaches and projecting power effectively. However, there's a disconnect between the urgency of emerging threats and the protracted acquisition timelines for critical capabilities such as integrated air and missile defence (IAMD) and long-range strike systems. That slow pace risks leaving the ADF ill-prepared for current threats and unable to keep pace with future challenges, creating a 'no-man's-land' of preparedness.

The timelines for major acquisitions, especially the nuclear-powered submarines under the AUKUS partnership, extend well into the next decade and beyond. While those future capabilities are strategically important, they offer little immediate enhancement, thus creating a 'paper ADF' that lacks readiness for near-term conflict scenarios. That prioritisation of future over current readiness contributes to a hollowing out of the force, in which personnel shortages and limited munitions stockpiles exacerbate sustainability concerns.

Critical infrastructure vulnerabilities in energy, water, transport and communications networks pose risks to defence strategy, capabilities and broader national and societal stability. Cybersecurity threats have intensified with increased digitisation, demanding enhanced detection and response capabilities.

Climate change is exacerbating the risk environment with more frequent natural disasters, straining emergency services and defence resources. Social cohesion is threatened by disinformation campaigns that will undermine public trust, national unity and Defence's social licence during crises. Economic reliance on global trade and long supply chains introduces vulnerabilities to external shocks. Skills shortages across essential sectors further impede preparedness and Defence mobilisation requirements.

Whole-of-government challenges continue to frustrate the NDS's whole-of-nation national defence approach. Those challenges include poor interagency coordination and information sharing, policy incoherence, budgetary constraints, short-term political cycles that limit strategic foresight, outdated legislative frameworks, insufficient national-level exercises, and weak accountability and evaluation mechanisms. Those systemic issues hinder a cohesive national resilience and preparedness posture and compromise the effectiveness of deterrence strategies.

Organisational and structural challenges within Defence

The Defence Department itself faces significant structural and personnel challenges. We continue to suggest that Defence is overly complex and bureaucratic, with a senior leadership cadre that has expanded in recent years, impeding agile decision-making and clear accountability. The complex organisational structure hampers procurement processes and effective engagement with external stakeholders.

Recruitment and retention problems persist, especially for personnel possessing critical STEM skills necessary for managing complex acquisition projects and operating advanced technologies. Integration between military and civilian components remains problematic, with internal silos obstructing coordination for planning and support. Bureaucratic, risk-averse procurement processes delay capability acquisition, which is problematic, given today's rapid strategic shifts and shortened warning times for conflict.

Workforce challenges

A skilled and adequately sized workforce is critical, but Australia's defence workforce faces ongoing recruitment and retention difficulties. The ADF has operated below its average funded strength for several years, and there are high separation rates, particularly among mid-rank personnel. That personnel 'hollowness' impairs the ability to crew ships, maintain equipment and sustain operations.

Efforts to implement the Total Workforce Model, integrating permanent and reserve forces, face logistical and cultural obstacles, and there are few signs of effective operationalisation. Skills gaps, especially in fields such as cybersecurity, engineering and health care, are growing due to the increasing complexity of military technology and the extended time required to train personnel. Health and wellbeing challenges, including mental health and family support, add further strain on retention and operational readiness.

Collaboration between Defence and industry in workforce development is essential but remains problematic, and difficulties in personnel movement between the military and civilian sectors are limiting flexibility.

Defence industry and sovereign capability challenges

We note that—occasioned by Defence's inconsistent, risk-averse and lengthy industry policies and practices—Australia's defence industrial base remains small and fragmented, and is struggling to meet the demands of ambitious capability programs. Workforce shortages, particularly in engineering and technical trades, limit industry's capacity to scale rapidly in response to strategic imperatives. The lengthy pauses in Defence's acquisition and sustainment activities during the regular reviews of strategy and process over the past few years have exacerbated the cyclical nature of defence demand, resulting in financial instability, discouraging private investment and complicating long-term industry planning.

Procurement complexity and slow reform implementation have hindered industry growth and innovation. The balancing act between achieving sovereignty and integrating with international partners, notably through AUKUS, creates security and intellectual-property challenges. Australian companies face barriers in accessing export markets due to geopolitical sensitivities and regulatory hurdles. Additionally, the transfer of sensitive technologies, such as nuclear propulsion for submarines, presents unprecedented security and training challenges.

The Guided Weapons and Explosive Ordnance (GWEO) Enterprise, which is essential for sovereign munitions production, is progressing too slowly to meet immediate conflict requirements, leaving Australia reliant on foreign supply chains—a critical vulnerability.

A sovereign industrial base is referenced frequently but rarely explained. It doesn't mean only making things in Australia, but rather is about a trusted and reliable supply chain that can withstand crises. Some defence capabilities will always require allied support—and indeed those alliances strengthen, not weaken, our sovereignty. But our defence strategy—policy and practice—should involve the simultaneous investment in Australian small to medium-sized enterprises and start-ups to incentivise the production of defence materiel for which we shouldn't have to rely on foreign suppliers.

Cultural and leadership challenges

We note that the ADF has pursued cultural reforms for over a decade aimed at fostering a positive, inclusive and effective working environment. Yet, despite those efforts, significant challenges remain in embedding cultural change. Leadership consistency, which has been a clear positive, is hampered by frequent rotations, disrupting the continuity of reform initiatives.

Historical issues related to abuse and harassment continue to affect trust and workplace morale. Balancing military traditions with the need for modernisation and inclusivity remains complex. Resource allocations for cultural reform are inadequate, limiting the effectiveness of programs. Attracting and retaining a diverse and skilled workforce is also difficult, especially given competition from the civilian sector in STEM fields.

Technological and innovation challenges

Australia's current strategic environment demands the rapid adoption of emerging technologies such as artificial intelligence (AI), quantum computing, hypersonic weapons, drones and directed energy systems. While initiatives such as the AUKUS Pillar 2 cooperation program aim to foster innovation in undersea capabilities, cybertechnology and electronic warfare, challenges remain in transitioning research projects into deployable capabilities ('bridging the valley of death'), workforce development, secure information sharing, and setting clear success metrics.

Defence's digital transformation is underway but requires enhanced transparency and integration. Infrastructure supporting ICT and the Defence estate is ageing and fragmented, complicating capability generation and sustainment. Estate project delivery suffers from limited oversight, inadequate reporting, and risks of reprioritisation due to political and fiscal uncertainties.

Communications and messaging

In the age of social media and nations with expertise in propaganda, Australia needs a defence communications strategy. In the information war and narrative battle, the bureaucracy is being beaten by loud voices amplified by foreign adversaries. Australia must explain why defence investment is needed, and that requires the government to recognise industry, civil society and states and territories as core components of such a communications strategy. Europe's circumstances—involving a decade or more of deliberately reduced defence investment and a dependency on trade with Russia as the main deterrent—should be used as a prime example of why defence spending is required for deterrence, peace and security. The Australian Government should be more open with the public about the threats while being simultaneously reassuring on the basis that the system is on to the threats and prioritising the protection of the nation and public.

Recommendations

Australia faces a complex set of interconnected challenges in maintaining and advancing its defence posture amid a deteriorating strategic environment. A dual strategy of filling short-term gaps while preparing for a secure long-term future is required. Significant organisational reform is needed within the Defence organisation to reduce bureaucracy, enhance agility and improve capability delivery. Defence industry requires capacity building, workforce development and better integration with government strategies. Workforce shortages and shortcomings in cultural reform remain critical impediments to preparedness.

Without urgent, coordinated and well-resourced responses to those challenges, Australia risks a brittle and hollowed defence force, diminished industrial sovereignty, and compromised national security in a volatile Indo-Pacific region.

This year's Budget is therefore an opportunity lost. In failing to adequately fund defence, the government has lost the opportunity for another year to prepare the ADF for the missions that are becoming more likely in the immediate term. The Budget is also a lost opportunity for Australian industry, which is becoming increasingly frustrated at cancelled, reprioritised and delayed defence procurements. More and more companies are abandoning the defence market due to the risk-averse, overly bureaucratic and delayed or abandoned project cycles they're forced to deal with. Without market signals that Defence is seriously investing in Australian industry

and is committed to building the Australian national support and industrial base it needs to deliver capability, we stand to lose considerable expertise, workforce and sovereign industrial capability, that can never be replaced. This short-term failure automatically damages Australia's long-term defence and security—there's no ability to be negligent on investing now in the hope that we'll just suddenly catch up in the future.

Since the 2020 Defence Strategic Update, successive Australian governments have warned that the security environment facing Australia is worsening exponentially. Since that time, we've seen war in Europe, conflict in the Middle East and between India and Pakistan (two nuclear-armed states), as well as increased tensions created by an aggressive China in the South China Sea and over Taiwan. Recent events have demonstrated just how fragile peace and stability are and highlighted the need for Australia to have a force-in-being that's prepared and ready to defend Australia. The ministerial foreword to the NDS started with the axiom that there was no 'greater responsibility for the Government than defending Australia'. The failure of this year's Budget to meet that responsibility will make all Australians less secure.

Unlike previous *The cost of Defence* reports, this year's iteration includes a series of recommendations for the government in responding to the challenges outlined above. These recommendations reinforce and add to the recommendations of our recent *Agenda for change 2025* report.[4]

Recommendation 1: Enhancing deterrence and strategic posture

The 2026 edition of the NDS should explicitly address the mismatch between the NDS and the PBS acquisition and sustainment activities.

Recommendation 2: Increased defence funding and reprioritisation

Government should plan to reprioritise the 2026 editions of the NDS and IIP to ensure the readiness and sustainability of the current force-in-being and commit to funding national preparedness and national resilience measures across government, the economy and society that will ensure Australia is ready to manage potential national-security crises.

Recommendation 3: Reform Defence risk profiles, policies and practices

Defence should deliver a public reform plan, as laid out in the DSR and NDS, to streamline procurement processes, enhance project management, reduce redundant spending and strengthen domestic defence manufacturing.

Recommendation 4: Improved transparency, reporting and messaging

Defence should increase its public messaging, including through appropriate transparency measures that are explained by politicians and senior bureaucrats. Areas for increased transparency should include the following:

- AUKUS activities, including Australian infrastructure works related to AUKUS, should be reported separately as a distinct program of record.
- Defence should expedite the public release of the Defence Estate Audit Report and reinstate detailed reporting of proceeds from estate-related sales, broken down by specific asset categories, into the PBS in line with previous years.

As an element of this enhanced reporting, we recommend that the ANAO undertake performance audits focused on Defence estate project delivery, sustainment budget allocation, governance, staffing, contracting mechanisms, and alignment with strategic priorities.

Recommendation 5: Accelerated capability acquisition

The 2026 editions of the NDS and IIP should accelerate the acquisition of critical capabilities such as IAMD, long-range strike systems and autonomous systems at scale, as well as enhanced cyber, ICT, intelligence and digital transformation initiatives to maintain strategic advantage in contested domains.

Defence should accelerate investment in Defence estate infrastructure, particularly in northern Australia, improved capacity to manage large infrastructure portfolios, and greater transparency in budget allocation and project approvals.

Recommendation 6: Workforce development and retention

Defence should develop and release concrete strategies and funding to build a skilled and sufficient workforce across the Australian Public Service (APS), the ADF and the defence industry.

Recommendation 7: Strengthening sovereign defence industry

The government and Defence should issue a succinct statement defining what a sovereign defence industry means, including the combination of trusted and reliable international partners and investment in Australian-owned companies.

The 2026 editions of the NDS and IIP need to explicitly identify the sovereign defence industry requirements of the current and future force, and explicitly and publicly state the levels of sovereign defence industry in the major projects, including the AUKUS nuclear-powered submarine program.

Recommendation 8: Enhanced alliances and regional partnerships

The government should explain to the public that increased self-reliance doesn't mean independence from allies and partners. The US—regardless of political views—will remain key to Australia's security and sovereignty, as will simultaneously enhancing military relationships with partners across the broader Five Eyes, Europe and the Indo-Pacific. The 2026 edition of the NDS should set out achievable and practical steps to deliver on those regional partnership priorities.

With the second term of the Albanese government having just begun, there's an opportunity for the government and Defence to consider these recommendations seriously and for bipartisan support to be sought and provided, which, in turn, will help to build a social licence so often missing from Defence.

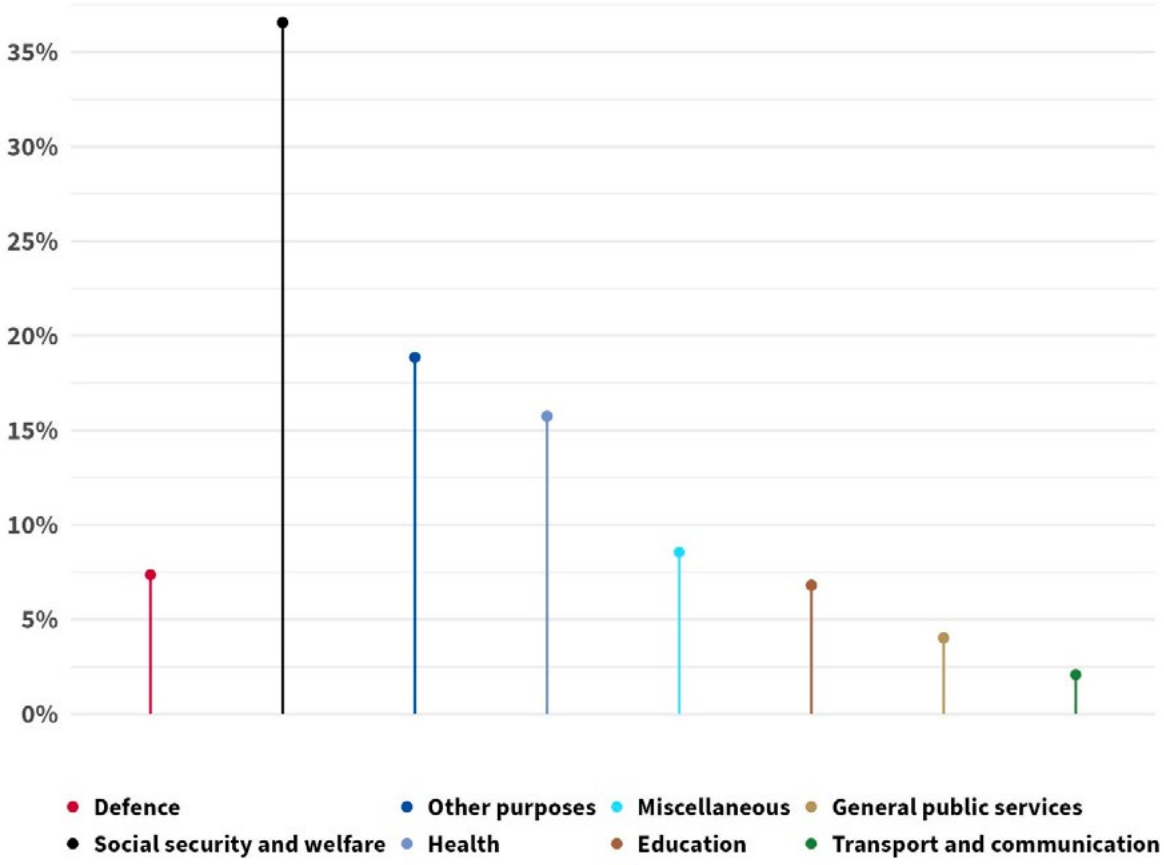
Defence in 10 figures

The 10 figures in this section outline the major implications of the PBS. The detailed analysis of these issues is dealt with later in the report.

The different time-series used in the figures throughout this report are based on the need to provide consistent data from across various PBS documents.

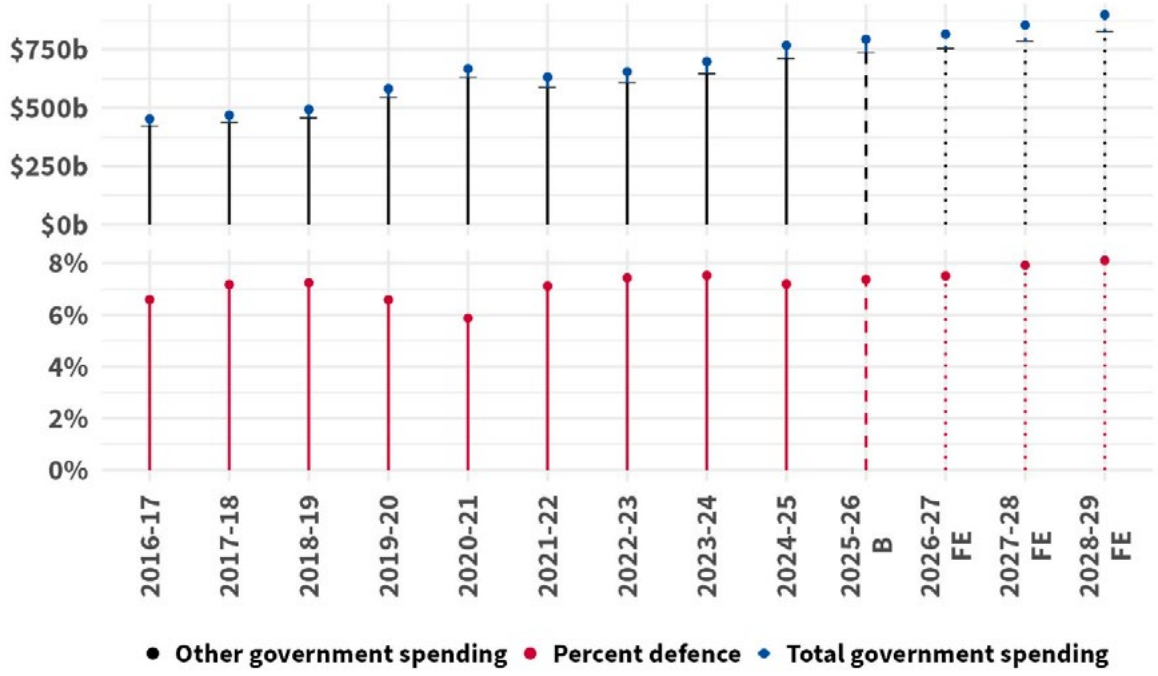
Note that for the figures below and throughout the report we've calculated the expenditures based on nominal GDP, adjusted via the Consumer Price Index to real dollars using Australian Bureau of Statistics data. Consequently, the exact values may appear slightly different from the figures reported in the PBS. We do this to be able to report on the trends in spending over time rather than the exact quantum of spending in the PBS. Where we report specific figures in this report, we use the 2025–26 Defence PBS and announced funding from other documents.

Figure 2: 2025–26 total government expenses, by function



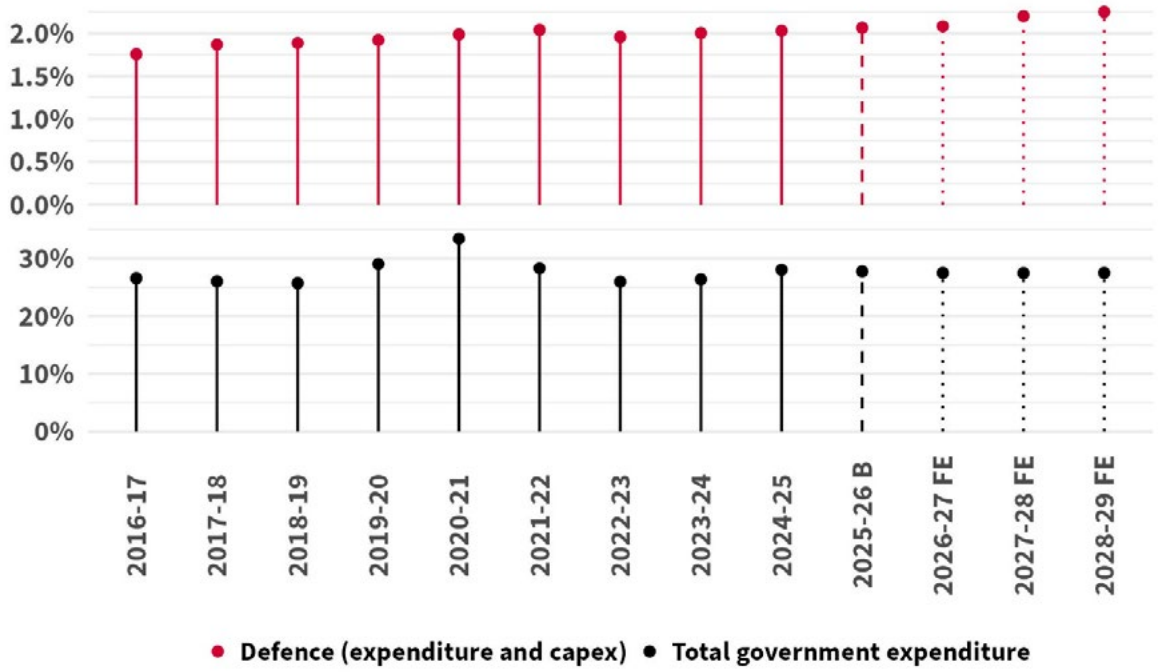
Note: Defence funding includes net capital investment.
Source: 2025–26 Defence PBS.

Figure 3: Defence spending as a percentage of government spending



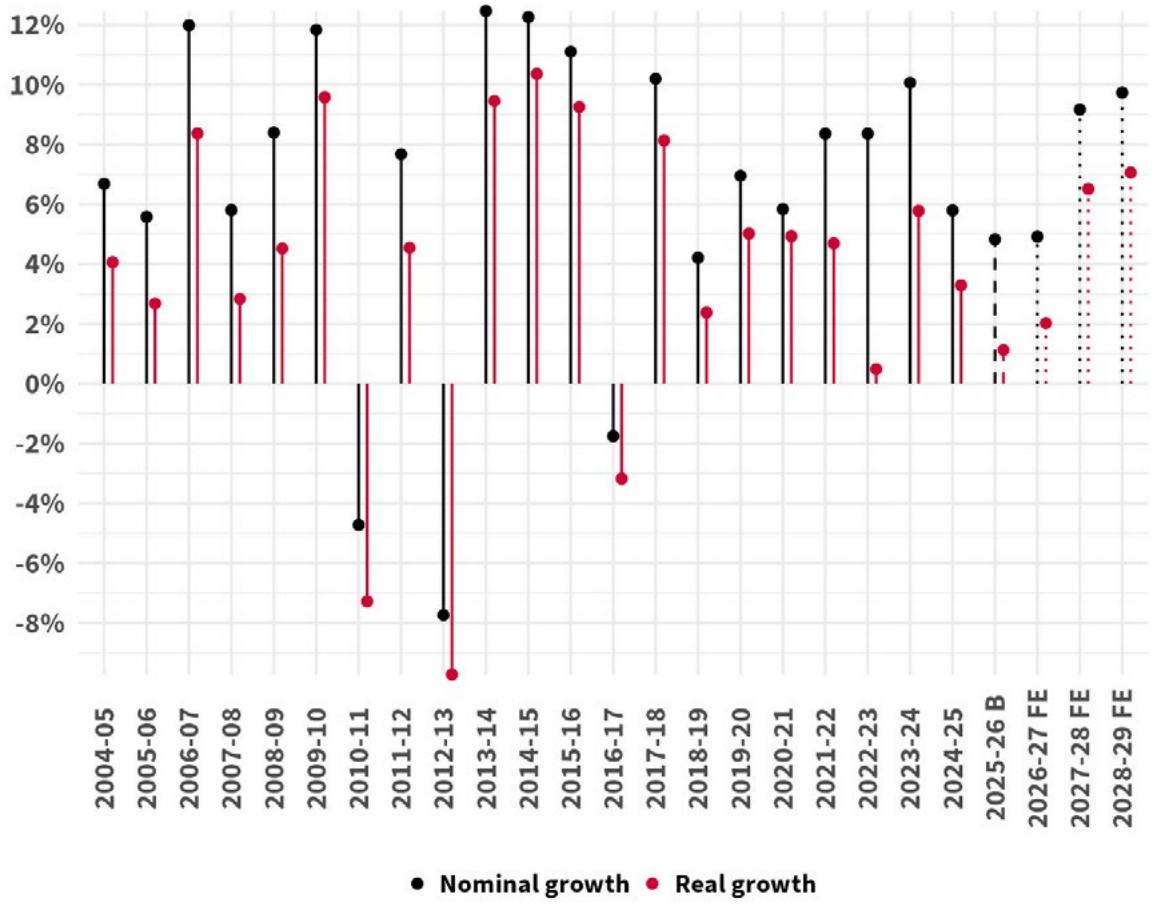
Note: Defence funding includes net capital investment.
Source: Aggregated from current and previous PBS.

Figure 4: Defence spending as a percentage of GDP



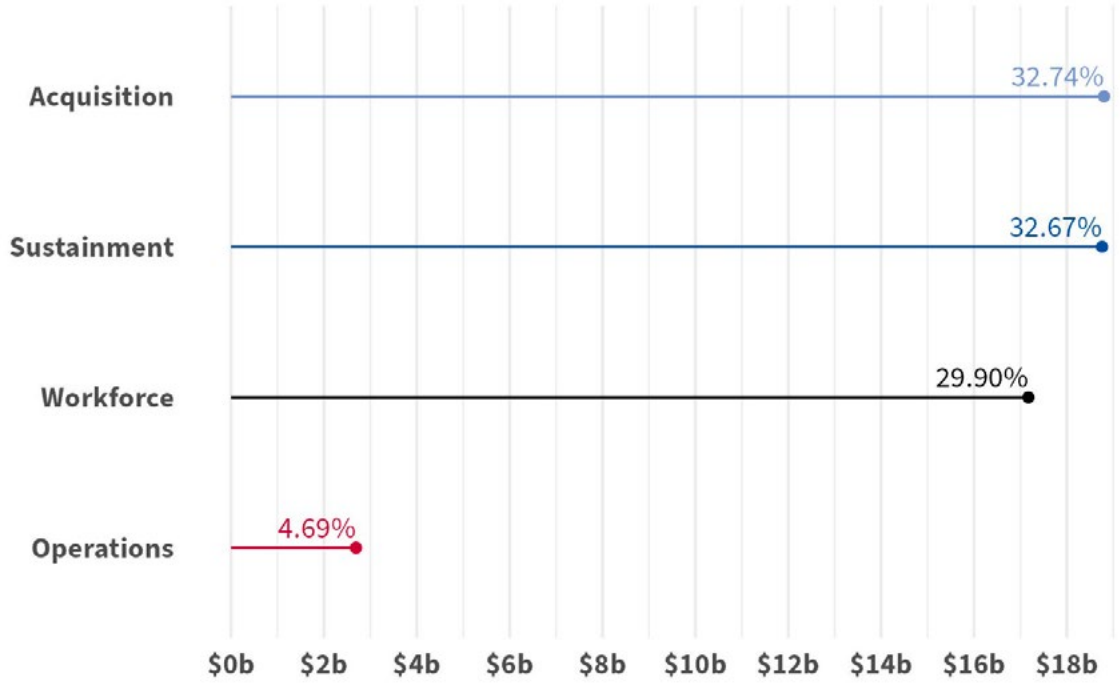
Source: Aggregated from current and previous PBS.

Figure 5: Year-on-year growth in Defence funding



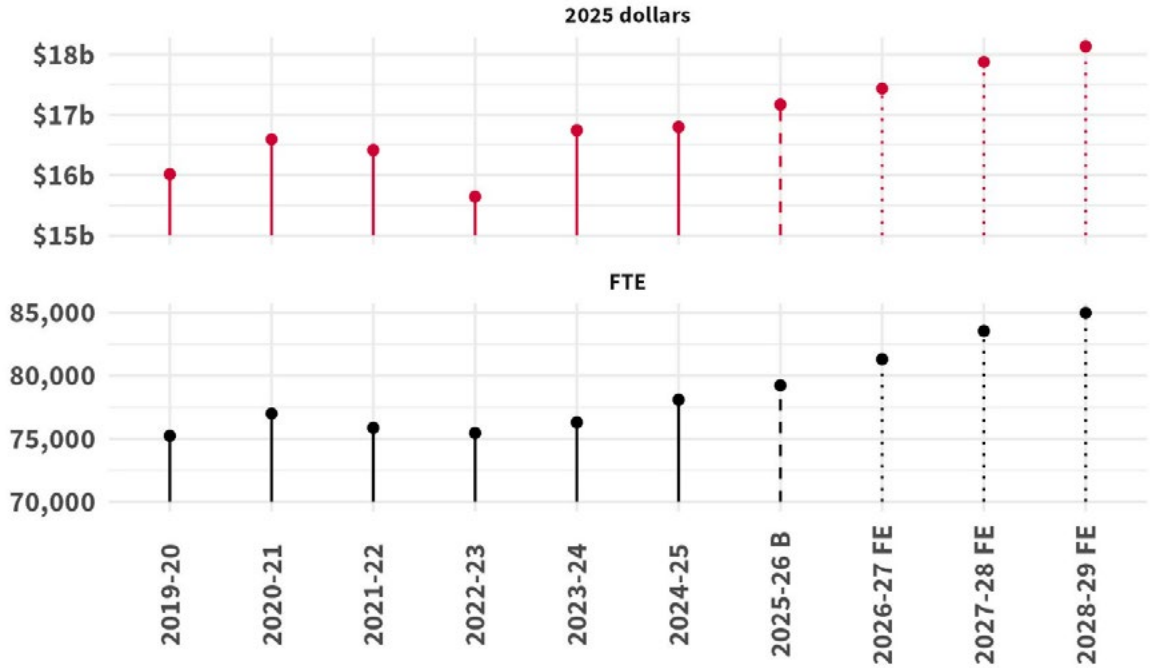
Note: Defence funding includes funding from government, ASA, ASD and foreign exchange adjustments.
Source: Aggregated from current and previous PBS.

Figure 6: Defence budget funding



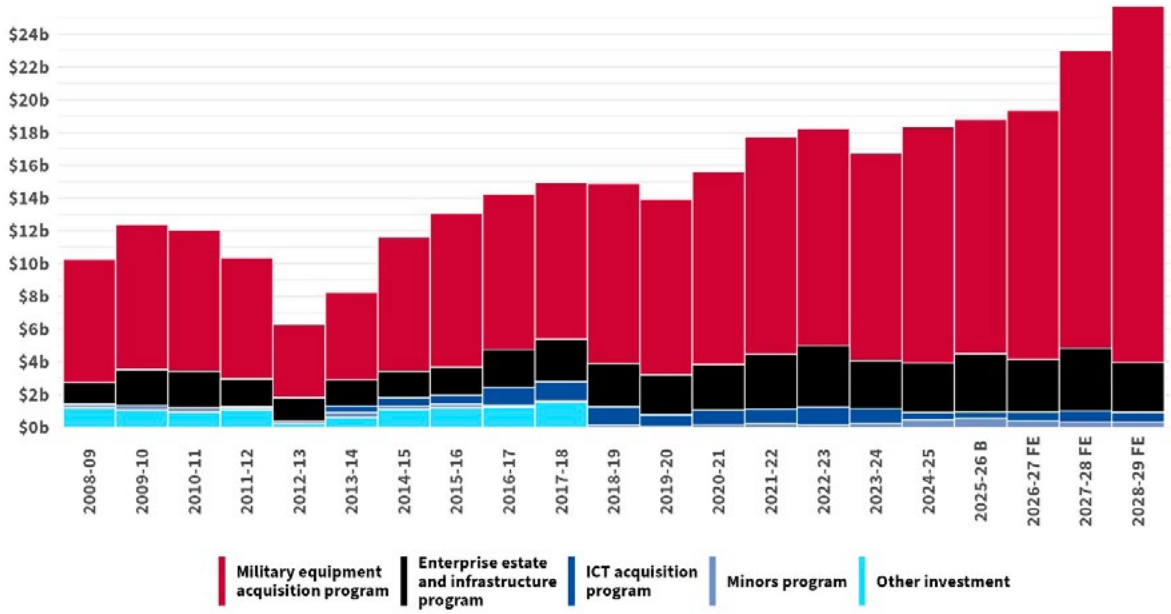
Source: 2025–26 Defence PBS.

Figure 7: Defence workforce numbers and costs



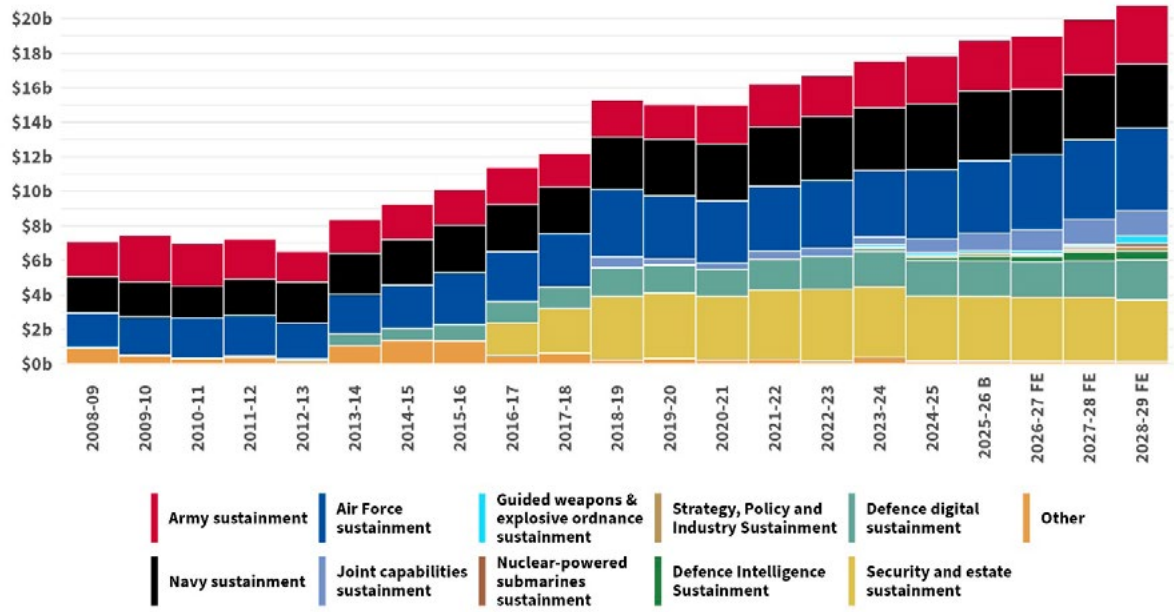
Source: Aggregated from current and previous PBS.

Figure 8: Capability acquisition program funding



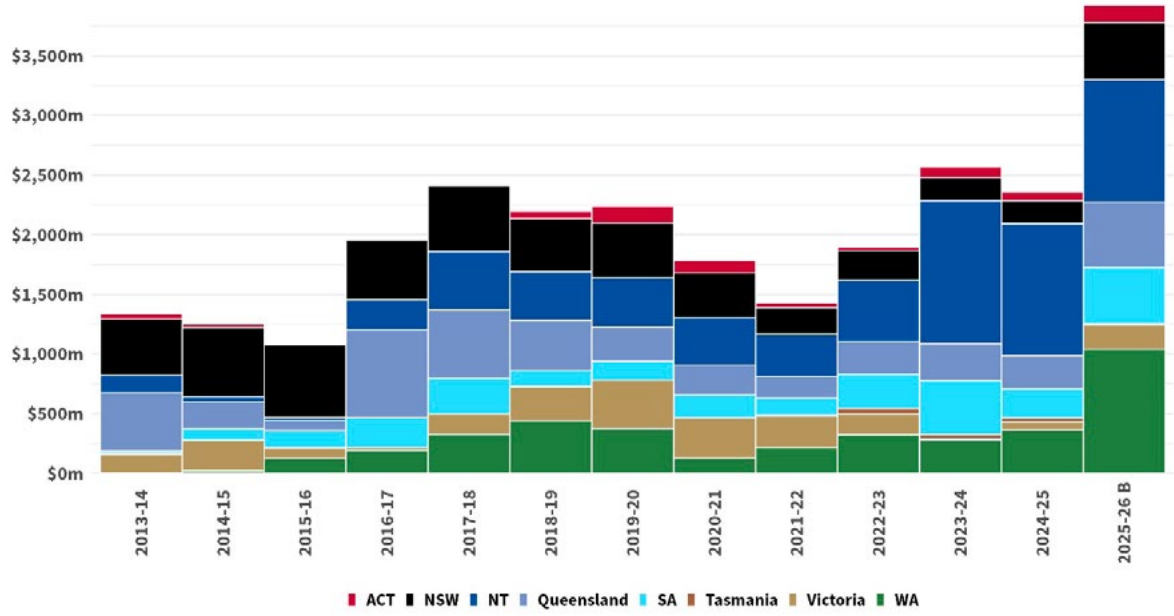
Source: Aggregated from current and previous PBS.

Figure 9: Capability sustainment program funding



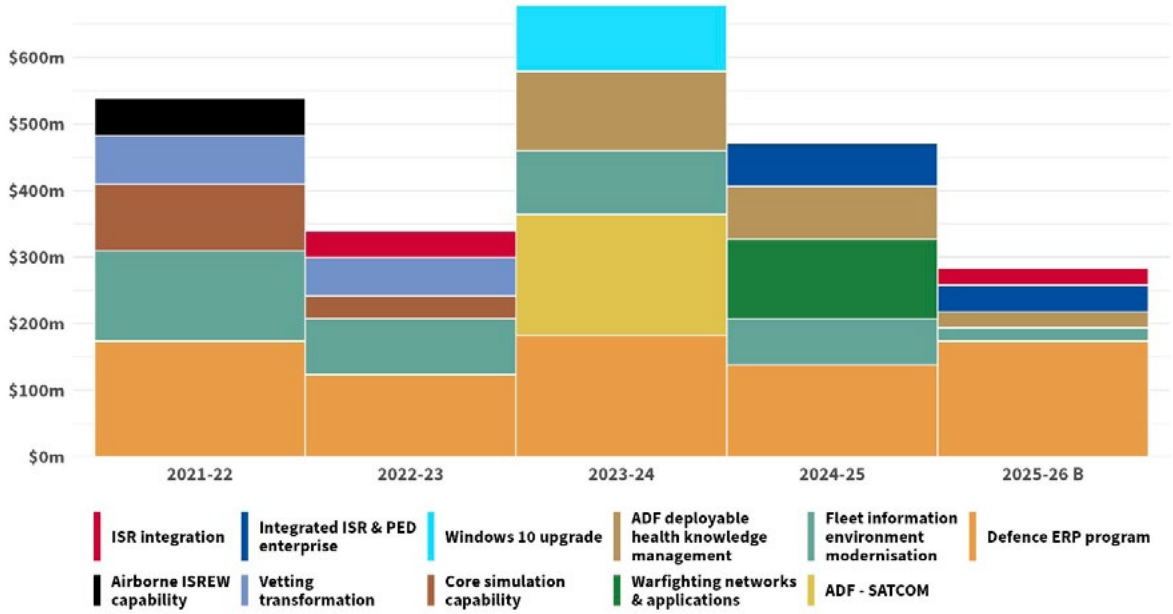
Source: Aggregated from current and previous PBS.

Figure 10: Infrastructure spending, by jurisdiction

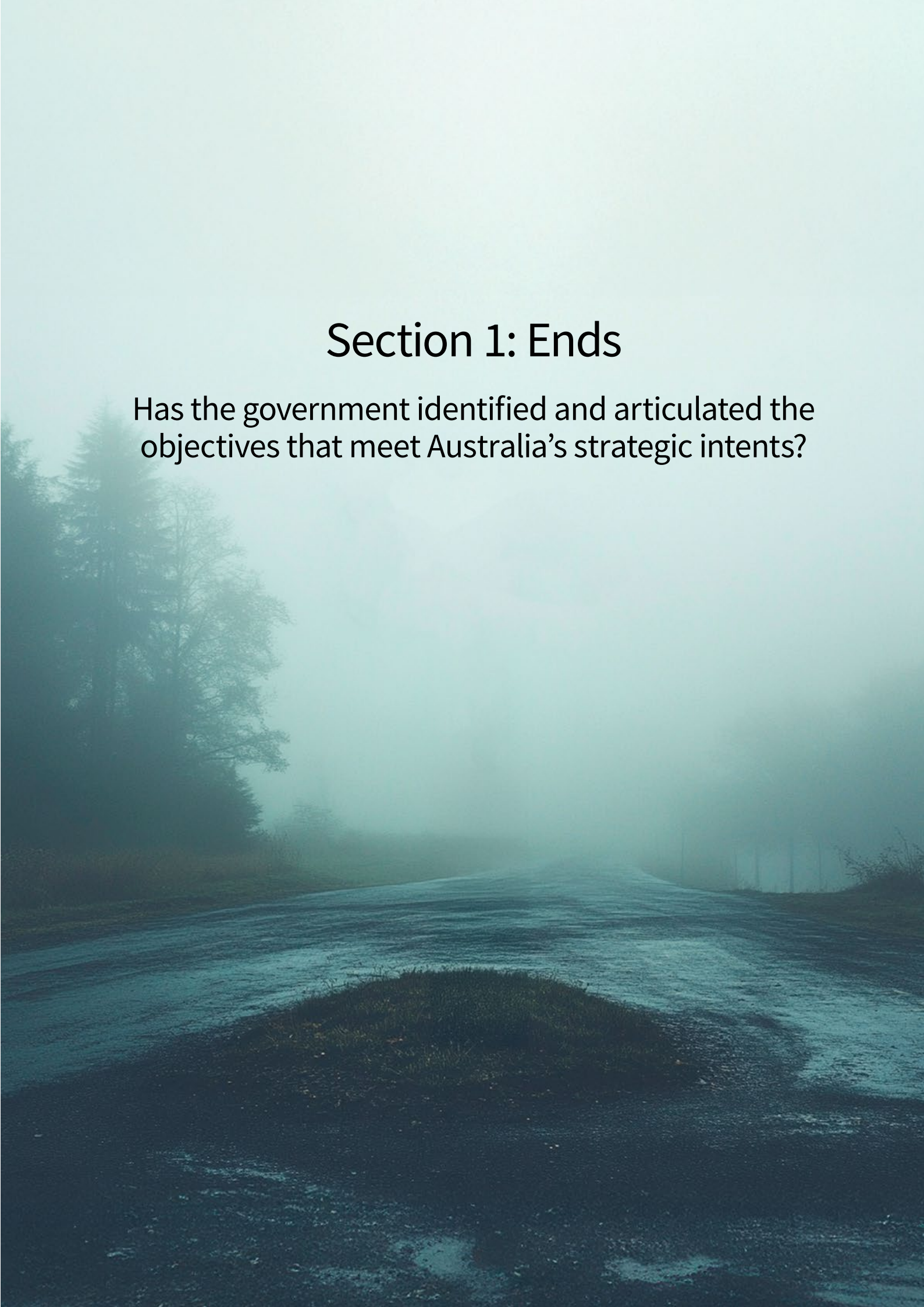


Source: Aggregated from current and previous PBS.

Figure 11: Top ICT programs



Source: Aggregated from current and previous PBS.



Section 1: Ends

Has the government identified and articulated the objectives that meet Australia's strategic intents?

Government context

The economy and the government's fiscal situation

This year's Budget was about a federal election in which the needs of Australia's defence barely figured. There was a flicker of interest in Chinese naval ships circumnavigating the country and a late Coalition promise to lift defence spending, but the Budget's new measures were exclusively targeted at lifting electoral support.

The Coalition's policy to lift defence outlays by $21 billion over five years failed to turn around its faltering fortunes. In the post-mortems, it was noted that the policy—its biggest single commitment—was launched without explanation of why the increase was necessary or what it would be spent on. Funding the promise with a proposal to cancel Labor's promised tax cuts put long-term fiscal responsibility ahead of short-term political appeal, just 10 days before the election.[5]

The 10-year plan for Australia's defence spending elaborated in last year's Budget, which included an additional $50 billion, mostly flowing beyond 2026–27, was left in place in the government's Budget with only the slightest of tinkering at the edges.

With the election over, questions about the adequacy of that funding plan will become acute; however, the Budget doesn't provide any comfort that additional support for defence could be provided within the projected resources.

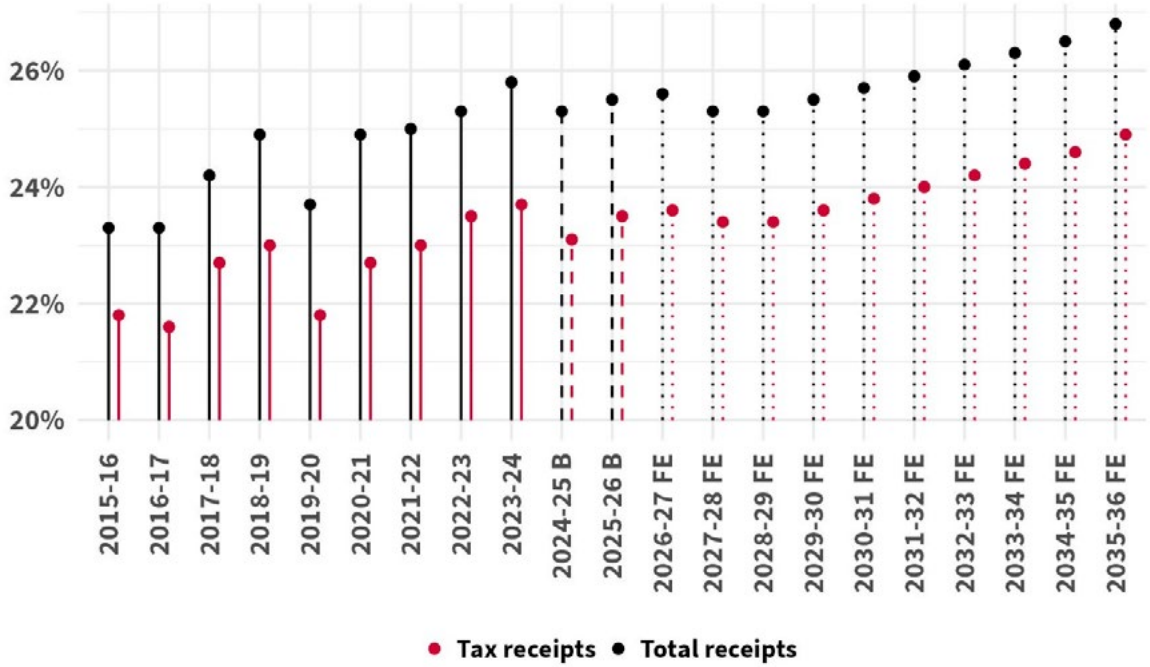
The election itself resulted in an additional $36 billion in policy commitments over the next four years. Those are supposed to be covered by $38 billion in lower outlays and improved revenue flowing from a stronger than anticipated economy; however, the election policy costs are more certain than their offsets.

There's concern across advanced nations that their defence spending is too little to manage growing geopolitical conflict, particularly given the Trump administration's challenge to the assumption that the US would automatically come to the aid of any allies facing external threats.

The federal Budget presents a medium-term outlook in which total government payments are expected to halt their relentless growth and hold steady as a share of the economy over the next 10 years, while taxes and other government receipts are supposed to rise from 25.3% of GDP this year to a record 26.8% (Figure 12).

The previous record for government receipts was during the Hawke government when they hit 26.1% of GDP in the boom year of 1986–87. Over the past 10 years, receipts have averaged only 24.6% of GDP.

Figure 12: Expected total government receipts and tax receipts to 2035–36

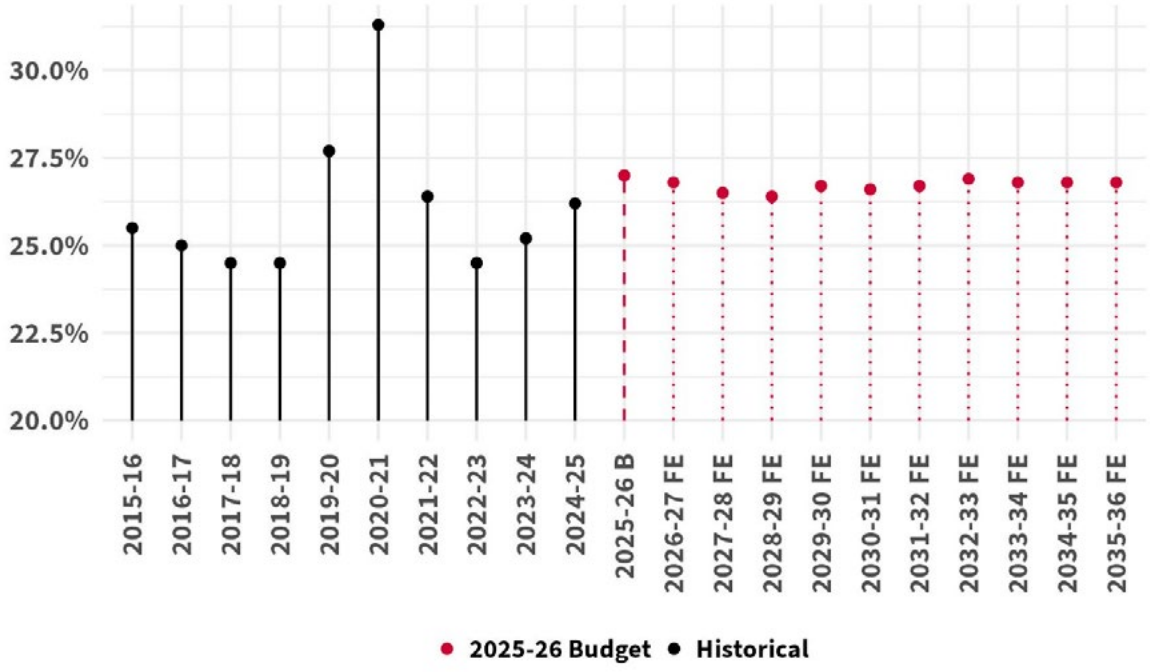


Source: Department of the Treasury, *Budget Paper no. 1: Budget strategy and outlook*, Australian Government, 2025, online.

The ability of the economy to generate the predicted revenue—which is required to achieve a return to Budget balance by 2035–36—assumes an uninterrupted return to healthy growth in national production and no further tax cuts over the next decade.

The medium-term prediction of a 10-year freeze on growth in payments is equally heroic (Figure 13). Over the past four years, government payments have soared by 24%, or $150 billion. That has lifted outlays from 24.4% of GDP to 27.0%. Apart from the extraordinary measures during the pandemic, it's the highest level of payments in almost 40 years.

Figure 13: Expected government payments to 2035–36



Source: Department of the Treasury, *Budget paper no. 1: Budget strategy and outlook*, Australian Government, 2025, online.

The rose-tinted hue is also evident in the short-term economic forecasts. The economy has weakened over the past two years as high interest rates have squeezed both household consumption and business investment. Both are predicted to return to normal from 2025–26 onwards with growth in the overall economy to recover from the 1.5% rate of both this year and last to 2.25% in 2025–26 and 2.5% beyond that. The return to normal growth is expected to boost revenue by $100 billion over the next four years.

One clearly positive development over the past year has been the moderation of inflation from 3.8% in 2023–24 and 6% in the previous year. Treasury expects inflation to be back to 2.5% by June this year. That relieves the concern of both Treasury and financial markets that additional government spending was fuelling inflation.

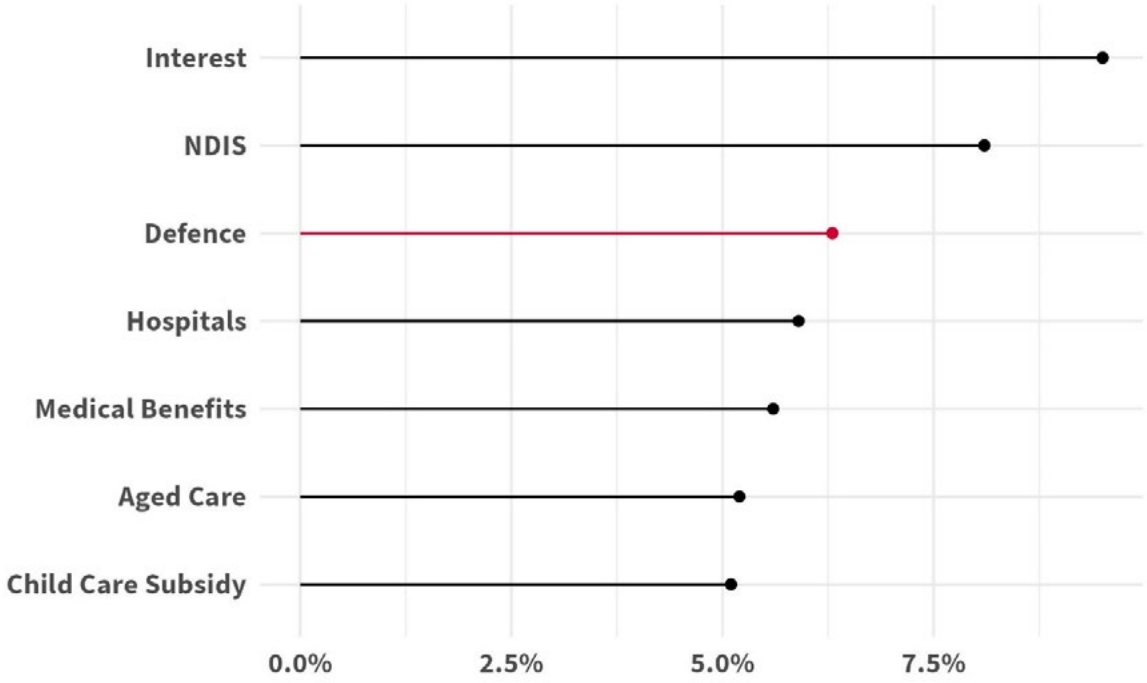
Treasury expects international economic growth of 3.25% over the next three years. While it described this as 'subdued', it's in line with the average for the 16 years since the global financial crisis. Treasury noted there was 'considerable uncertainty' over that forecast because of trade tensions, the slowing of the Chinese economy and conflict in Ukraine and the Middle East.

The Budget papers include an analysis of the possible effect of a trade war, and Treasury modelling shows that the imposition by the US of 25% tariffs on all its manufactured imports would lower Australia's GDP growth by negligible 0.1% if no one retaliates and by 0.2% if everyone does. That modelling doesn't take account of the impact on confidence. Financial market reaction to the implementation of heavy US tariffs last month points to the possibility of a global slowdown and possible recession.

Ensuring that government spending rises by no more than the economy's underlying growth over the next decade will require restraint in many government programs to allow for the more rapid growth expected in interest costs, the National Disability Insurance Scheme (NDIS), medical benefits, hospitals and defence.

Efforts to slow the escalation of NDIS costs have only trimmed their annual growth over the next decade from an expected 10.1% in last year's Budget to 9.2%. The government is also counting on slowing the average annual rise in hospital costs from 6.5% to 5.7%. Defence funding is forecast to rise at an average annual rate of 6.3% over the next decade, or slightly less than the 6.6% allowed in last year's Budget (Figure 14).

Figure 14: Medium-term major payments spending growth



Source: Department of the Treasury, *Budget Paper no. 1: Budget strategy and outlook*, Australian Government, 2025, online.

The fastest growing line item in the Budget is interest, which is expected to total $18.5 billion this year and rise by an average of 9.5% a year over the next decade. The budget papers don't include 10-year predictions for other areas of spending, but, over the next four years, health, social services and education are all expected to rise by less than nominal growth in the economy, while outlays for policing, law enforcement and border protection are expected to fall. Even with that spending control assumed, the Budget deficit will remain stuck at more than $35 billion a year over the next four years.

The level of government debt is an important constraint on government spending. Budgets under the Albanese government have been guided by a fiscal strategy that says spending growth will be limited until 'gross debt as a share of GDP is on a downward trajectory while growth prospects are sound and unemployment is low'. It also says that the majority of any improvements in tax receipts will be devoted to Budget repair.

That fiscal strategy is open to interpretation. While the 2024–25 Budget largely confined additional spending to short-term cost-of-living measures, apart from a $5.7 billion top-up for defence, this year's Budget includes election policy measures, including tax cuts and spending initiatives, costing around $9 billion every year out to 2027–28 and beyond, although they were offset by economic factors including lower unemployment benefits and delays in infrastructure construction.

The fiscal guideline was one reason why the 2023–24 Budget provided no additional funding for defence over the forward estimates period, despite the need to start paying for the AUKUS program, but included substantial increases from 2027–28 and beyond, when gross debt was expected to be falling.

This year's Budget anticipates that gross debt won't peak until reaching 37% of GDP in 2029–30. That marks a deterioration from last year's Budget, when debt was expected to peak at 35.2% of GDP in 2026–27, mainly reflecting increases in forecast Budget deficits. The possibility that revenue and payments may fail to meet the optimistic medium-term projections would spell further delays before debt starts to fall.

Labor's fiscal strategy was an election issue. Coalition Treasury spokesman Angus Taylor urged a return to the fiscal rules introduced by Treasurer Peter Costello during the Howard government, which called for keeping spending growth below growth in the economy, achieving a balanced Budget on average and capping tax receipts at 23.9% of GDP. Tax receipts haven't touched that upper limit since 2004, but the Budget projections show that they'll reach 24% of GDP in 2030 and continue rising to a record 24.8% by 2035–26.

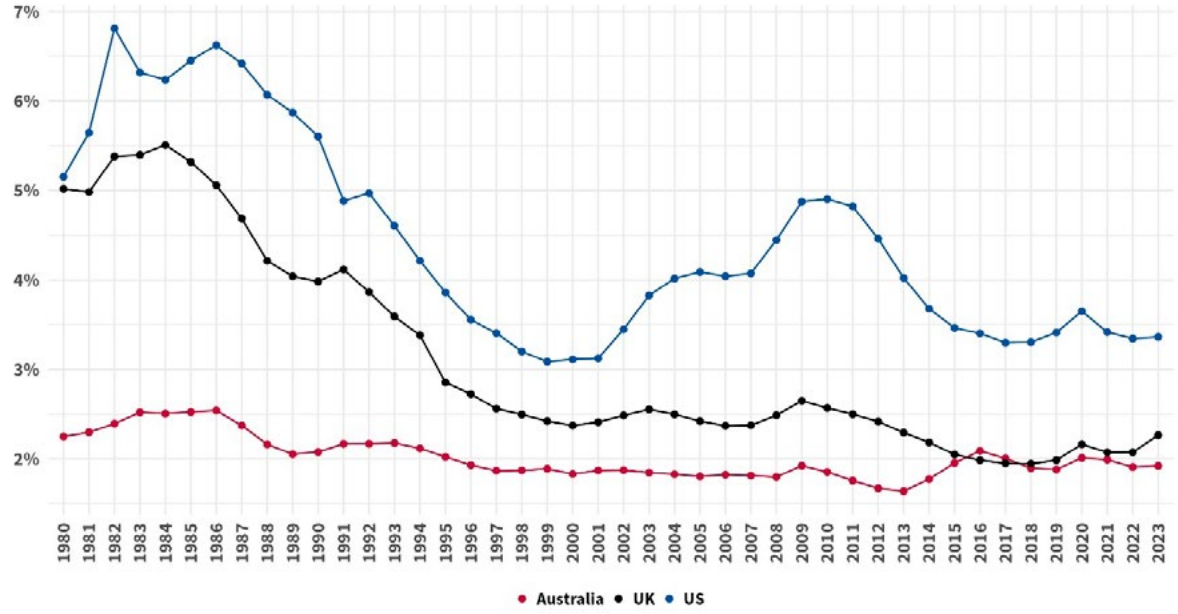
Constraining the growth of tax while keeping the growth of spending to less than the underlying growth in the economy and aiming for an average Budget balance would have been a tough target, when the starting point is a 2025–26 deficit equivalent to 1.5% of GDP. It would have required significant spending cuts before considering any increase in the defence budget.

How to fund defence

Advanced nations worldwide are wrestling with the problem of how to lift defence outlays. Few nations have the luxury of surplus budgets with spare cash to spend.

Defence spending fell sharply as Cold War tensions eased through the latter half of the 1980s and the 1990s. In the US, defence spending dropped from 6.6% of GDP in 1986 to 3.1% by the end of the 1990s, while UK spending fell from 5.5% to 2.1% in the same period. Australia never had the same level of Cold War spending, but defence outlays still dropped from 2.5% of GDP in the mid-1980s to 1.8% by the end of the 1990s (Figure 15).[6]

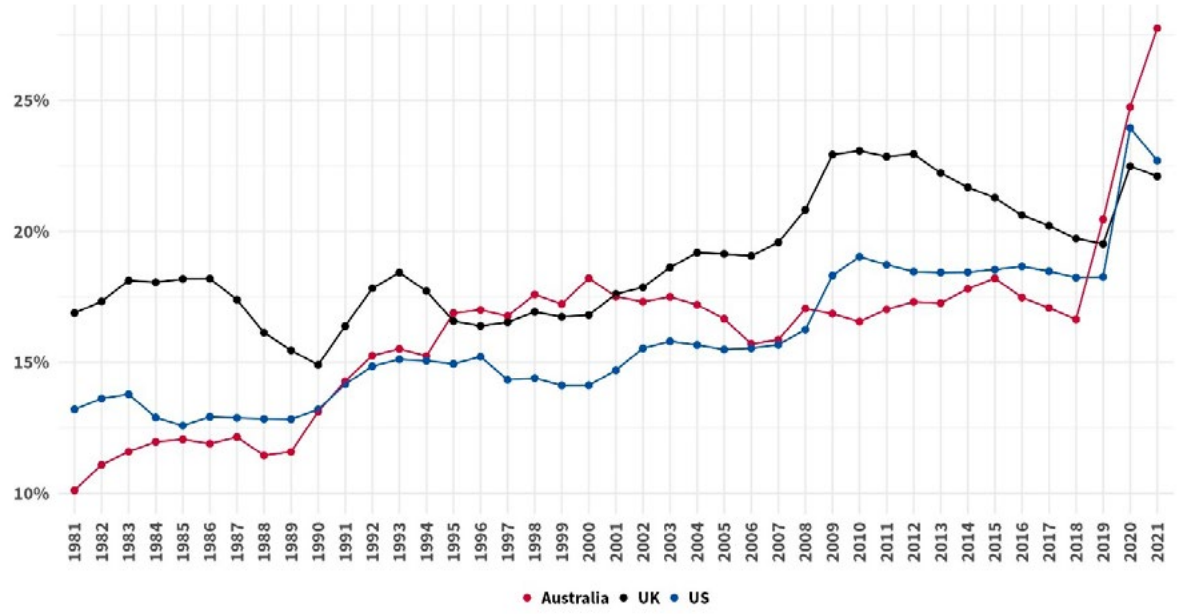
Figure 15: Defence spending as a percentage of GDP, Australia, the UK and the US, 1990 to 2023



Source: The World Bank, online.

The 'peace dividend' was instead devoted to social outlays, which, in Australia, rose from 11.9% of GDP in 1986 to 19.2% by the end of the 1990s. There were similar increases in other nations (Figure 16).

Figure 16: Social support payments as a percentage of GDP, Australia, the UK and the US, 1981 to 2021



Source: Organisation for Economic Co-operation and Development (OECD), online.

The pressure to lift defence spending is most intense in Europe because of Russian aggression and the expectation that the US will wind back its military support through NATO. Two main approaches to funding increased defence spending have emerged.

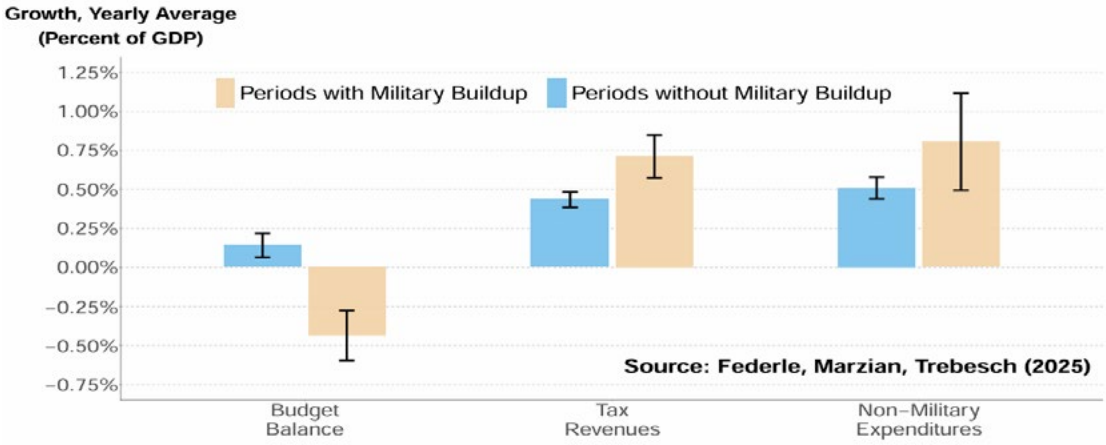
The UK is sticking to its fiscal rules requiring a return to Budget balance by 2029–30, and net debt is falling. It will fund increased defence spending with cuts elsewhere, starting with a plan to cut foreign aid from 0.5% of GDP to 0.3%.

Both Germany and the European Union are creating exceptions from their fiscal rules to allow increased defence to be funded. The incoming German Chancellor, Friedrich Merz, has won support for exemptions to the country's debt limit, while the European Union will allow countries to increase defence spending by up to 1.5% of GDP without triggering the disciplinary action normally incurred when Budget deficits surpass 3% of GDP.

A few countries are increasing taxes. Estonia will add a 2% levy to company profits to fund defence, while Lithuania is raising corporate tax rates to support a state defence fund. The Turkish Government had to abandon a plan to levy credit cards to finance air defence in the face of political opposition. The Liberal Party proposed funding its promised lift in defence spending with higher personal income tax.

A study by the Kiel Institute of past military build-ups found that they were usually funded initially by borrowing and then by tax increases. Very few were financed by spending cuts.[7] The study looked at 22 countries across the last 150 years to identify periods when defence spending rose rapidly for at least two consecutive years. It found 113 military build-ups in which the average increase was 1.5% of GDP across five years. It excluded the two world wars (Figure 17).

Figure 17: Military build-ups were financed by deficits and taxes



Note: The graph shows average yearly growth rates during military build-ups versus other years. The median military build-up takes five years and increases military spending by about 1.5 percentage points of GDP. Marzian and Trebesch identify 113 military build-ups from 1870 to 2020 (excluding episodes in World War I and World War II). The black lines show 90% confidence intervals.

Source: The main data source is 'The Global Budgets Database' by Johannes Marzian and Christoph Trebesch; see also Johannes Marzian, Christoph Trebesch, 'How to finance Europe's military buildup? Lessons from history', *Kiel Policy Brief* no. 184, 2025, 4, Figure 1, online.

The study found that countries in the sample had increased their average deficit by just under 0.5% of GDP a year during military build-ups, compared with an annual improvement on their Budget balances of about 0.1% of GDP in normal times. Tax revenue grew by 0.75% of GDP a year, compared with just under 0.5% in normal times. Non-defence spending increased more rapidly during military build-ups (0.75% of GDP) than in normal times (0.5%).

There have been suggestions that tighter fiscal management could yield significant savings to fund defence.[8] Australia is already one of the lowest international aid donors, but foreign assistance could be trimmed without affecting vital interests in the Pacific and Southeast Asia. Foreign students could be charged more, while government attempts to stimulate manufacturing through 'Made in Australia' programs could be redirected. Levies on the five major banks deemed too big to fail could be increased.

While those and other possible savings, such as tighter control of NDIS costs, would help, they're unlikely to deliver a sustainable increase in defence funding. The experience of the first Budget of the Abbott government, which sought to improve the fiscal position by about 1.5 percentage points of GDP, is salutary. Apart from cuts to foreign aid, most of the proposed savings were either rejected in parliament or dropped in the face of public opposition.

As indicated by the Kiel Institute study, the most secure way to raise significant additional funds for defence would be through borrowing, with an explicit exemption from fiscal rules.

Australia's Budget and debt position is sound by international comparison. The International Monetary Fund puts the Australian combined federal and state budget deficit at 2% of GDP in 2025.[9] Among the 37 advanced countries it tracks, there are 15 with deficits greater than 3% of GDP, of which 10 have deficits of 4% or more. Australia's net debt of 30% of GDP is small relative to the advanced country average of 83%.

An explicit and transparent resolution to raise defence spending by an addition of, for example, 1 percentage point of GDP (equivalent to $29 billion a year) over the four-year forward estimates period would probably be accepted by financial markets without penalty. The biggest issue for investors in government bonds is whether excessive government spending will fuel inflation. A staged, and well-explained, increase in defence spending would be unlikely to trigger such concerns.

It isn't uncommon for fiscal rules to allow for exceptions. The UK Budget rule, for example, doesn't include capital spending, because it doesn't want to constrain the building of infrastructure that will bring economic returns over the future. To improve the transparency of such an exception, Budget forecasts could include the projected debt trajectory with and without the additional defence spending.

Ratings agencies look at overall fiscal management and ability to repay debt. A credit downgrade would be likely to be prompted only if ratings agencies were already unhappy with Budget management.

Treasury would want to be satisfied that such an increase was achieving good value and wasn't taken as a licence by Defence to loosen control of its spending. The ANAO has been critical of past Defence procurement practice.[10]

Borrowing carries its costs in both additional interest payments and the ultimate need to repay the principal. Increases in debt imply increases in taxation in future. However, the use of debt would enable Australia to meet the 2023 DSR's demand that: 'Defence spending must be a reflection of the strategic circumstances our nation faces.'

Current funding levels in context

The allure of the 'peace dividend'—the notion that reduced international tensions allow for reduced military spending and the reallocation of resources to social programs and economic development—often proves seductive to governments and populations alike. In the years preceding both world wars, Australia, like many other nations, prioritised domestic concerns over substantial investment in its defence capabilities. That stemmed from a confluence of the perception that Australia was safe due to the geographical distance from potential European or Asian conflicts, a reliance on the perceived strength of a great and powerful ally, and the immediate demands of a domestically focused nation.

World War I

At the outbreak of World War I, Australia had a small, volunteer-based military force. It readily pledged support to Britain and formed the Australian Imperial Force (AIF). A groundswell of patriotic fervour saw a rush to enlist. The initial mobilisation of personnel was based purely on voluntary enlistment for the AIF. The sheer number of volunteers, however, overwhelmed the existing military infrastructure. Supplying and equipping that rapidly growing force also placed a significant strain on Australia's limited industrial capacity.[11] Australia was heavily reliant on British equipment and logistical support to field the AIF into the theatres of war.

As the war dragged on, the demands on Australia's human and financial resources grew exponentially. Maintaining and supplying the AIF on distant battlefields in Europe and the Middle East required significant and increasing

expenditure on transport, equipment and provisions.[12] Although Australia didn't face invasion, the financial cost of its involvement in World War I was substantial, contributing to postwar debt.

The interwar years (post-WWI to pre-WWII): a period of austerity

Following the immense human and financial cost of World War I, a strong desire for peace permeated Australian society. Defence spending was significantly curtailed as the nation grappled with postwar reconstruction, the Great Depression, and the prevailing belief that another large-scale conflict was improbable in the near future.

The AIF was largely disbanded, and the small standing army that remained suffered from inadequate funding for training, modern equipment and maintenance. Naval capabilities also dwindled; there were fewer ships and limited resources for upgrades. The nascent air force struggled to develop and procure modern aircraft.

The economic hardships of the Depression in the 1930s further squeezed defence budgets. Governments prioritised unemployment relief and economic recovery over military preparedness. That meant that, when the international situation began to deteriorate with the rise of aggressive powers in Europe and Asia, Australia found itself ill-equipped to respond effectively.

A key factor in Australia's underinvestment was its deep-seated reliance on the British Empire for defence. The Royal Navy was seen as the primary guarantor of Australia's security, leading to a perception that a large, independent Australian defence force was unnecessary. That reliance, however, proved to be a significant vulnerability as Britain became increasingly preoccupied with threats closer to home.

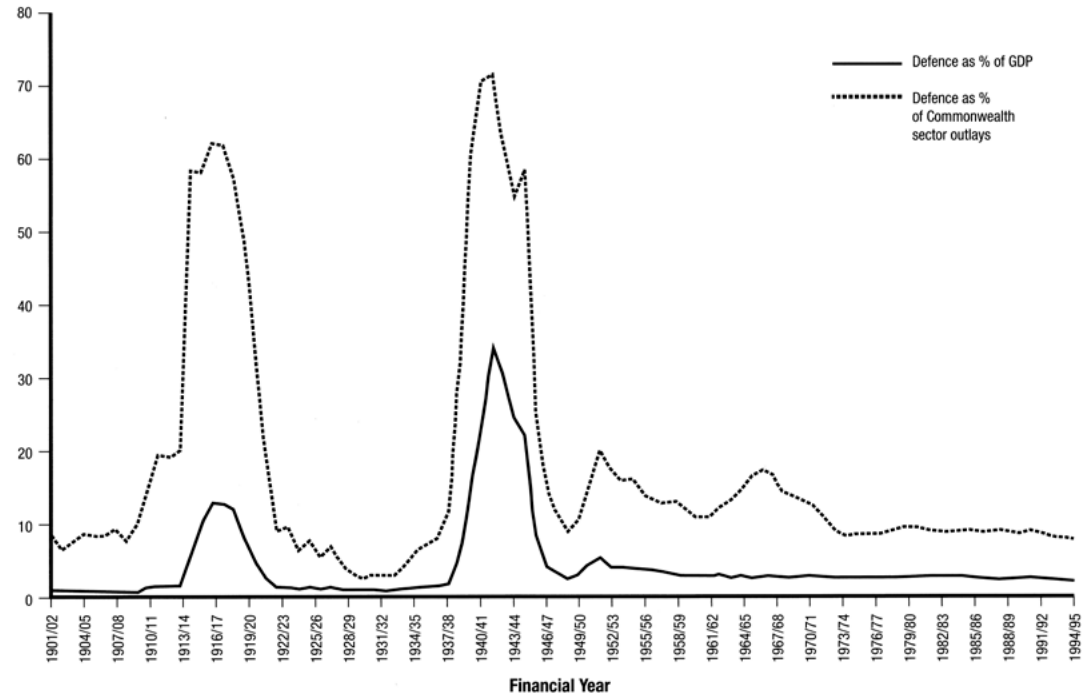
The rude awakening of war: massive expenditure under duress

The outbreak of World War II in 1939 and the subsequent expansion of the conflict into the Pacific in 1941 shattered the illusion of enduring peace and Australia's relative security. The nation was suddenly faced with an existential threat, necessitating a rapid and massive mobilisation of resources and expenditure on a scale previously unimaginable.

As has been recorded in the official histories of World War II and elsewhere,[13] the small professional army was woefully inadequate to meet the demands of a global war. Australia embarked on a massive recruitment and training drive, requiring significant investment in uniforms, equipment, accommodation and salaries for hundreds of thousands of new personnel. That sudden expansion placed immense strain on the national Budget.

Unlike World War I, World War II saw a far greater degree of government control over the workforce. The Manpower Directorate was established in 1942 with broad powers to direct labour, determine reserved occupations and control employment.[14] Maintaining sufficient personnel in reserved occupations proved a constant challenge. The government implemented lists of reserved occupations, exempting workers in essential industries from military service or restricting their enlistment. However, as the war progressed and the demand for military personnel grew, those lists were frequently reviewed and adjusted, creating ongoing tensions between military needs and civilian economic stability. The need for skilled labour in war industries often clashed with the demands of the armed services, requiring careful and sometimes difficult decisions regarding the allocation of manpower.

Figure 18: Defence expenditure as a percentage of GDP, 1901–02 to 1994–96



Source: Joan Beaumont, Australian defence: sources and statistics, the Australian Centenary History of Defence, volume VI, Oxford University Press, 2001.

The lack of prior investment in modern weaponry and military hardware meant that Australia had to urgently procure equipment from overseas, primarily from Britain and the US, including aircraft, tanks, artillery, naval vessels and a vast array of smaller arms and logistical supplies.

Those purchases came at a significant cost and were often subject to availability as other Allied nations also scrambled for resources. Recognising the limitations of relying solely on foreign supply, Australia rapidly expanded its domestic industrial capacity to produce war materiel. That involved converting civilian factories to military production, building new facilities and training a large workforce.

That substantial industrial mobilisation required massive government investment and funding. The war effort also necessitated significant investment in infrastructure, including the construction and expansion of airfields, naval bases, supply depots and transportation networks. This was crucial for the movement of troops and equipment across the Australian theatre and to forward operating areas in the region.

To fund that massive wartime expenditure, the Australian Government increased taxation, created war bonds, took out war loans and enforced rationing. The entire economy was geared towards the war effort, diverting resources from civilian consumption to military needs.

The inefficiency of reactive expenditure

The experiences of both world wars should stand as a stark warning to today's governments that the inherent inefficiencies and risks associated with neglecting defence preparedness during peacetime lead only to massive expenditures and long-term economic challenges for Australia. Among those challenges are the following:

- *Higher unit costs:* Emergency procurement of military equipment during wartime comes at a premium due to urgent demand and limited supply. Long-term planning and gradual acquisition in peacetime is a more cost-effective option.
- *Lack of standardisation and interoperability:* Rapidly acquiring equipment from diverse sources during wartime typically leads to a lack of standardisation, complicating logistics, maintenance and interoperability. Often, equipment procured in haste can't be appropriately sustained, nor battle damage repaired, and there's little

opportunity for innovation during conflict as the design, development and manufacturing skills remain with the original equipment manufacturer.

- *Difficulties in military mobilisation while maintaining civil economic activity:* Planning during peacetime allows for a smooth surge of personnel into military occupations without it crashing the broader economy and resulting in scarcity and uncertainty on the home front.
- *Loss of lead time for training and doctrine:* Adequate peacetime funding allows for continuous training, the development of effective military doctrines and the cultivation of expertise. A sudden expansion during wartime often necessitates rushed and less comprehensive training.
- *Vulnerability during initial stages:* A poorly equipped and under-resourced military is inherently vulnerable in the early stages of a conflict, potentially leading to significant losses and strategic disadvantages before the full weight of a mobilised war effort can be brought to bear.

Australia's history in the lead-up to and during both World War I and World War II serves as a stark reminder of the fiscal and strategic pitfalls of neglecting defence investment during periods of peace.

The initial savings achieved through reduced defence spending were dwarfed by the massive and urgent expenditures required when war erupted. That reactive spending was not only financially burdensome but also carried significant risks in terms of military effectiveness and national security.

Adequate and consistent investment in defence capabilities during peacetime, while potentially unpopular, ensures a higher level of preparedness, allows for more efficient and cost-effective procurement and training, and ultimately reduces the need for a frantic and exponentially more expensive scramble for resources when the drums of war begin to beat.

The strategic context

For all the talk of strategic uncertainty, the trendlines that frame Australia's starkly deteriorating security environment are clear. The international order isn't so much fraying as falling apart. The stability of the Indo-Pacific region is increasingly fragile, and China's strategic challenge is the biggest destabilising factor. Armed conflict occurring on a regional or even global scale, without significant warning, is a real possibility within the remainder of the decade. Moreover, with the advent of the Trump administration, some of the old certitudes about Australia's alliance relations with the US no longer apply and are unlikely to return.

Global and regional strategic dynamics

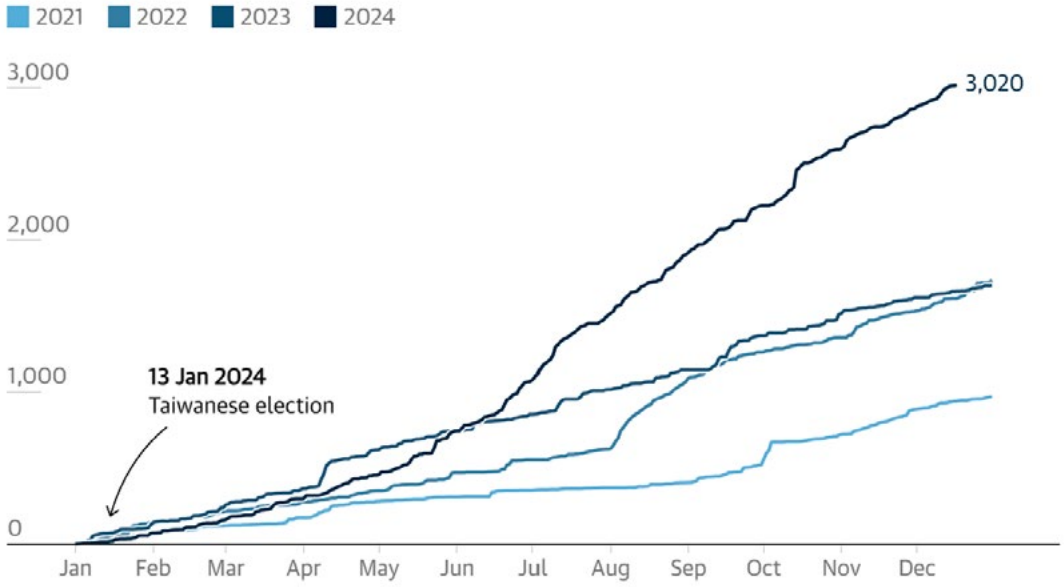
Throughout the past year, high-intensity wars have continued to rage in eastern Europe and across the Middle East. The Indo-Pacific has thus far avoided inter-state conflict, though India and Pakistan are edging closer to conflict following the Pahalgam attack on 22 April 2025.[15] Australia's surrounding region is under increasing strategic stress, above all from China's willingness and capacity to project advanced military force throughout the region and to engage in coercive behaviour on multiple fronts and across the spectrum of state power.

China and Russia continue to draw closer as strategic partners, from the battlefields of Ukraine to joint exercises in the Western Pacific. North Korea has provided direct combat support to Moscow, against Ukraine, and continues to modernise its conventional and nuclear capabilities, with Russian assistance. That nuclear-armed trio of authoritarian states is aligned in opposition to the US and its alliance system in the Indo-Pacific. They're increasingly emboldened and coordinated in their efforts to overturn the *status quo* on a global as well as regional scale.

In the past year, Taiwan and the Philippines have borne the brunt of Beijing's maritime and air coercion. The People's Liberation Army (PLA) now deploys combat aircraft and warships in Taiwan's vicinity with such regularity that it has effectively normalised crossings of the median line in the Taiwan Strait and *in situ* rehearsals for amphibious landings and a naval blockade of the island. China has fielded specialised capabilities, including large amphibious bridging barges, that appear tailor-made for invading Taiwan (Figure 19).

In the South China Sea, the Philippines has consistently been on the receiving end of kinetic pressure from China's coastguard and paramilitary forces that appears designed to deter Manila from maintaining a military or law-enforcement presence within parts of its own exclusive economic zone. Ramming and other intimidatory tactics have brought China and the Philippines to the brink of armed conflict, potentially triggering the US's treaty obligations to defend Manila against external aggression.

Figure 19: Chinese incursions into Taiwanese airspace



Source: PLATracker, *The Guardian*, 8 January 2025, online.

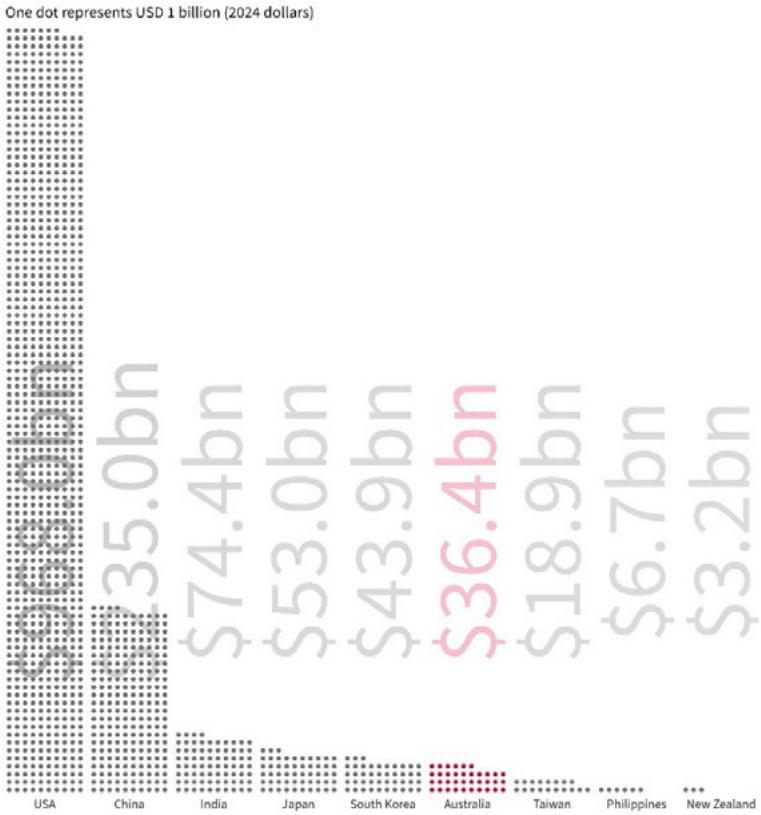
While the PLA has eased off from some of its unprofessional conduct against US ships and aircraft and reached a tactical *modus vivendi* with the Philippines at Second Thomas Shoal, it has continued to harass Australian, Canadian and European armed forces that legally operate in waters and airspace over which China illegitimately claims sovereignty.[16] Japan has also faced intensified Chinese and Russian military activity in its vicinity. Chinese vessels and aircraft staged multiple intrusions into Japan's territorial seas and airspace over the past year.[17] The PLA can now conduct high-tempo military exercises concurrently in different locations across the Western Pacific.

Despite strong domestic and international headwinds curtailing China's economic growth, the country's leadership has maintained a steady commitment to resourcing military modernisation. China's defence spending was officially increased by 7.2% year-on-year in 2025, the same figure as in the past two years.[18] That compounded rate of increase outpaces the piecemeal efforts of the US and its allies and partners.

By this yardstick, there's no 'arms race' to speak of, only one long-distance runner that's far out ahead of its regional rivals and drawing increasingly close to the US, at least in terms of the Indo-Pacific military balance (Figure 20). The fruits of the PLA's ongoing modernisation are on obvious display, at a quantitative level, as seen, for example, by China's possession of the world's largest navy—counted by hulls—and rapidly expanding nuclear arsenal.

China's progress is defined just as much by qualitative breakthroughs, via the appearance of innovative combat aircraft designs in recent flight tests,[19] as well as general advances across a gamut of strategic technologies.[20]

Figure 20: Annual defence expenditures between Indo-Pacific powers, 2024



Source: International Institute for Strategic Studies, *The Military Balance*, 2025, 125(1):520–525, online.

In February and March of this year, the PLA demonstrated that all of Australia is now within its reach by circumnavigating the continent with a naval task group composed of a cruiser, a frigate and a replenishment ship.[21] Such unprecedented force projection, in this case including unnotified gunnery exercises, is likely to become more frequent in future, as China regularises its strategic presence in the South Pacific, the Southern Ocean and Antarctica, and the Indian Ocean. The deployment of Task Group 107 demonstrated the PLA Navy's impressive sustainment capabilities, concluding a lengthy transit through Southeast Asia and Australasia without a single port call. At the same time, the PLA was conducting military exercises in the Gulf of Tonkin and near Taiwan.

By contrast, the task group's presence close to Australia highlighted a general lack of capacity across the ADF, as well as deficiencies in its maritime surveillance capabilities. The fact that Australia was able to respond and to monitor the task group as well as it did was primarily a matter of good fortune. China's naval foray has exposed the vulnerability of Australia's major population centres and critical infrastructure along its southern and eastern seaboards. Australia now faces an unfamiliar problem of homeland defence at the same time that it's gearing up for expeditionary warfare and long-range strike, after years of underinvestment. The PLA's deployment further highlighted deficiencies in Australia's national resilience and preparedness, beyond the immediate shortcomings in defence capability and readiness.[22]

The Trump administration and its expectations

A secondary, but vitally important variable bearing on Australia's external security environment and alliance relations in 2025 is policy risk (and opportunity) under the second Trump administration.

Fears about a wholesale breakdown of the US alliance system in the Indo-Pacific are overblown. Thus far, the evidence points to the administration prioritising its Indo-Pacific alliances and partnerships, while concentrating its strategic focus on China. While the US's regional alliances aren't being subjected to the same level of

questioning in Washington as their counterparts in NATO, it's clear that the Trump administration is intent on revising fundamental assumptions about the US's role as a global security provider. The administration's controversial stance on Russian's war against Ukraine has prompted a transatlantic rift of historic proportions and a wider crisis of confidence in American leadership.

Washington's treaty commitments and defence guarantees can no longer be taken for granted, if indeed they ever were. US security commitments are now more likely to be explicitly linked to reciprocity in defence burden sharing. The Trump administration also appears radically determined to reset the US's terms of trade through the aggressive use of tariffs and other measures. In an important sense, the US is no longer a *status quo* power but increasingly resembles a revisionist state as it seeks to recast its role in the international system more narrowly around the pursuit of its national interests. It remains to be seen how successful the Trump administration's efforts to promote US economic revival will be in that regard. However, the 'America first' policy imperative doesn't signal a withdrawal into isolationism.

Instead, there will be increased US scrutiny of its allies' military spending and political pressure to push up defence outlays. Washington could press Canberra to boost its defence spending by up to one-third, to the equivalent of 3% of GDP or higher. The Trump administration is likely to back the Biden-era AUKUS partnership, but the associated costs for Australia could rise into the bargain. The transfer of Virginia-class nuclear-powered submarines into service with Australia's navy, planned for next decade under Pillar 1 of AUKUS, faces opposition within the US from those concerned that it will crimp the US Navy's own submarine force, as it approaches a historic nadir in capability.

The scope of technology cooperation under AUKUS Pillar 2 may be pared down, reflecting concerns about its slow progress to date. Even if AUKUS remains on track, the capabilities that it will generate remain so far off from entry into service that Australia's sovereign military capability gap is glaring. In the interim, sustaining and further developing the US military's forward posture in Australia will be the most obvious means to maintain a favourable military balance, thereby underpinning deterrence. Facilitating it could even be Canberra's key contribution to regional stability over the next decade.

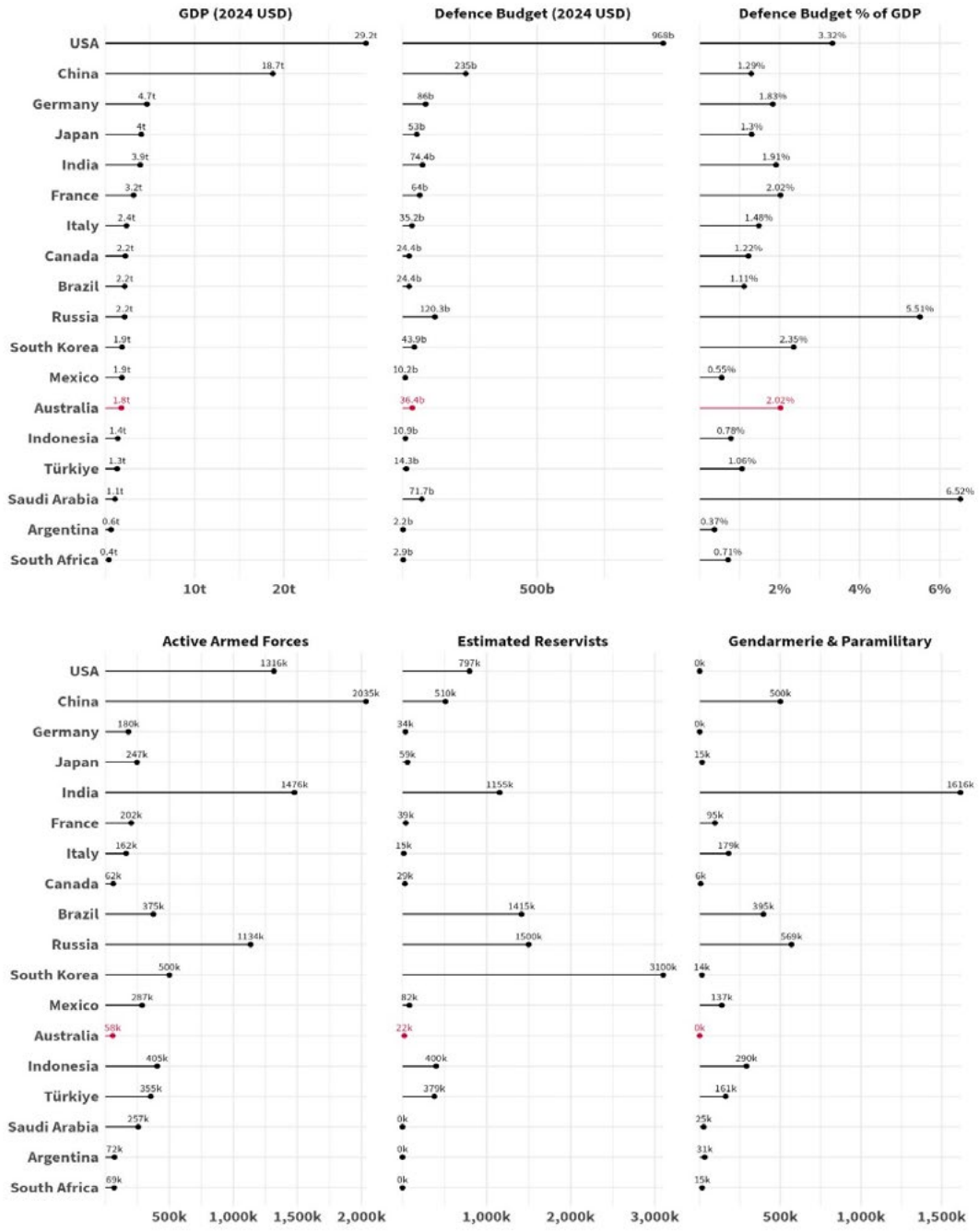
The Trump administration's focus on China and greater burden sharing from allies presents potential opportunities for Australia, as well as risks. Australia remains a close and significant ally, whose locational value within US strategy is rising. But realising opportunities will depend on Australia being more than a willing host. Canberra's ambition as an ally will also be assessed in terms of its ability to exert statecraft on the regional stage.

Some other US allies, including Japan and the Philippines, have notably stepped up their own defence balancing efforts in the past year, building out their networks and deepening ties with Australia. Australia has made progress in parallel by intensifying bilateral defence cooperation with India, while reviving traditional partnerships closer to home with New Zealand and Papua New Guinea. Beyond the Indo-Pacific, Australia's security connections to the UK and Europe have assumed heightened significance, reflecting the strategic co-dependence between the Indo-Pacific and transatlantic regions, as well as their common challenges in alliance management.

The Indo-Pacific's rearmament

The Indo-Pacific region is undeniably the epicentre of a burgeoning rearmament, driven by complex and interwoven factors including geopolitical tensions, historical grievances, economic growth and a desire for enhanced security in an increasingly uncertain world. The last half-decade has seen a significant shift in the orders of battle of key Indo-Pacific nations, highlighting a dynamic and potentially destabilising trend (Figure 21).

Figure 21: The military balance between G20 member states, 2024



Sources: International Monetary Fund; International Institute for Strategic Studies, *The Military Balance*, 125(1), 2025, 520–525, online.

The Stockholm International Peace Research Institute's *Trends in world military expenditure, 2024* report indicates a continued upward trajectory in global military expenditure, with a notable surge across the Indo-Pacific.[23] The regional increase isn't uniform but is concentrated among key players, including China, Japan, India, South Korea and some of the Southeast Asian countries.

China: Projecting power and modernising across domains

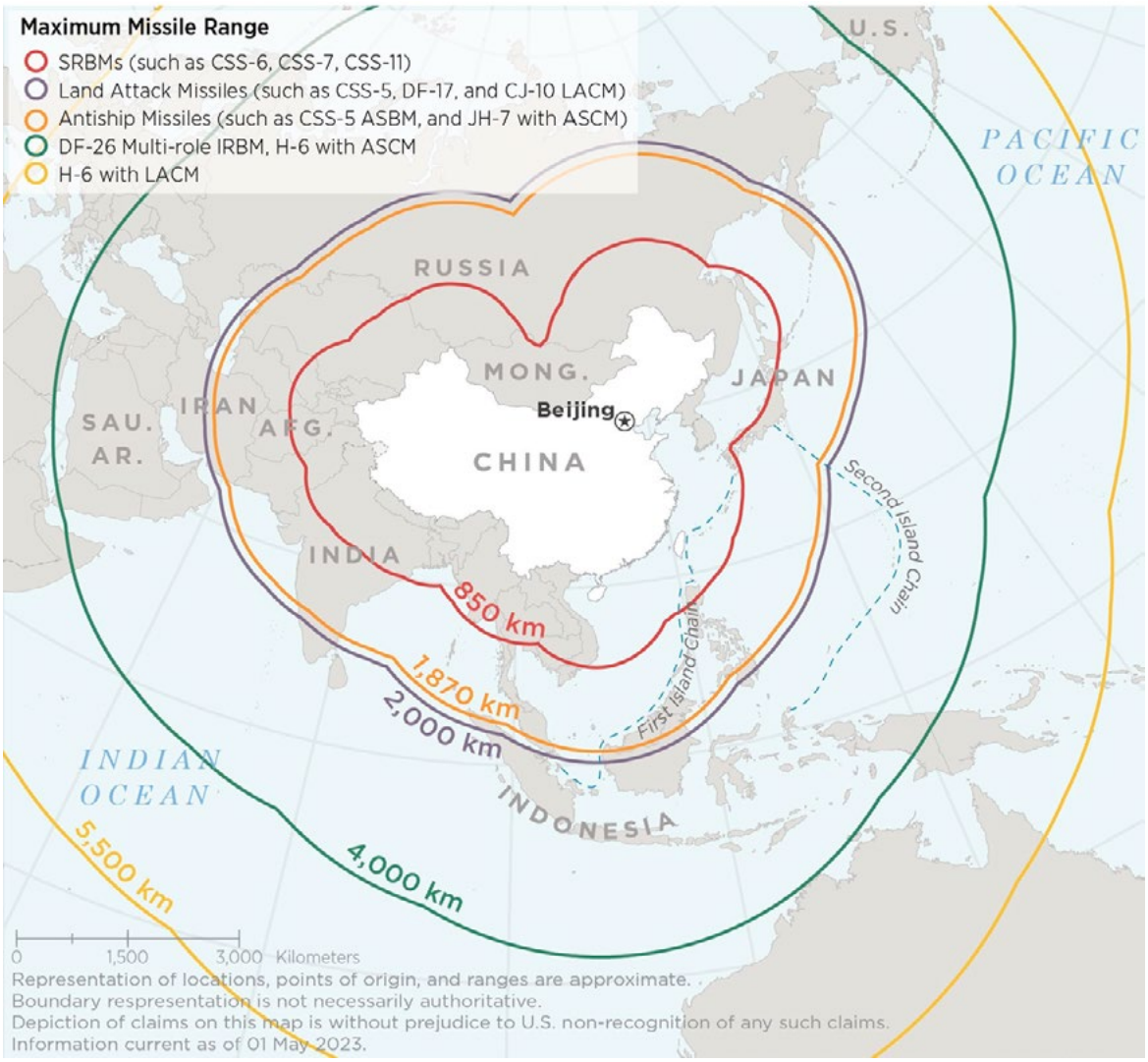
China's military modernisation remains the most significant driver of Indo-Pacific rearmament. The PLA continues its comprehensive transformation into a world-class military, with substantial increases in both spending and capability.

- *Naval expansion:* The PLA Navy continues its rapid expansion, becoming the world's largest navy by number of hulls. That includes ongoing commissioning of:

  - new destroyers (Type 052D and the larger Type 055).
  - frigates (Type 054A).
  - corvettes (Type 056).
  - amphibious warfare ships (Type 071, the newer Type 075 landing helicopter docks and larger Type 076 able to operate fixed-wing armed UAVs).
  - ballistic missile submarines (Type 096 [Tang-class] and Type 094A [Jin-class variant]).
  - nuclear-powered attack submarines (Type 095 [Sui-class] (planned), Type 093B [Shang-class variant] and Type 093B [Shang-class variant]).
  - conventional submarines (Type 041 [Zhou-class] and Type 039C [Yuan-class variant]).

  This expansion aims to project power further into the South China Sea, the East China Sea and potentially the Indian and Pacific oceans.
- *Air force modernisation:* The PLA Air Force is rapidly modernising its fleet with advanced fighter aircraft, including the J-20 stealth fighter, the J-16 multirole fighter, and the new J-36 and J-XD sixth-generation combat aircraft, alongside the expected development and deployment of strategic bombers such as the H-20. The PLA Air Force is also enhancing its strategic airlift capabilities and its inventory of advanced air-to-air and air-to-ground munitions.
- *Rocket force advancements:* The PLA Rocket Force possesses a formidable arsenal of conventional and nuclear-capable ballistic and cruise missiles and is continuing to develop and deploy longer range anti-ship ballistic missiles (ASBMs) such as the DF-21D, DF-26, DF41 and DF-31AG (together with operationally deployed hypersonic weapons such as the DF-17 and DF-27), posing a significant challenge to adversary naval forces Figure 22). Advances in land-attack cruise missiles (LACM) and intercontinental ballistic missiles (ICBMs) also continue.
- *Emerging domains:* China is investing heavily in emerging military domains such as cyber warfare, space-based capabilities (intelligence, surveillance and reconnaissance [ISR], navigation and counter-space), and AI. Those developments, while less visible in traditional order-of-battle assessments, are crucial for future military power projection and strategic advantage.

Figure 22: People's Republic of China fielded rocket forces



Source: Department of Defense, *Military and security developments involving the People's Republic of China 2024: annual report to Congress*, US Government, 2024, online.

China's nuclear capabilities

China's nuclear weapons program is currently undergoing a significant and rapid modernisation and expansion. Experts estimate that China possessed approximately 600 nuclear warheads as of early 2025, and that number is expected to grow substantially in the coming years.[24] The US Department of Defense projects that China could have around 1,000 operational warheads by 2030, and some estimates suggest a potential increase to 1,500 by 2035 if the current pace of expansion continues.[25] That makes China's nuclear arsenal the fastest-growing among the nine nuclear-armed states.

Beijing is actively constructing new silo fields for its ICBMs, including both solid-fuel and liquid-fuel variants like the DF-5B, equipped with multiple independently targetable re-entry vehicle (MIRV) technology. Simultaneously, China is enhancing its road-mobile ICBM capabilities.[26]

The naval component of China's nuclear deterrent is also being strengthened. Its Type 094 ballistic missile submarines are being refitted with the longer range JL-3 submarine-launched ballistic missile, which increases their ability to target continental targets such as Australia from safer operating areas closer to the Chinese coast. China is also working to integrate its bomber force into its nuclear mission. The H-6N bombers have been assigned a nuclear role and are being equipped with air-launched ballistic missiles that may have nuclear capabilities.[27]

Despite that rapid expansion, China officially maintains a 'no-first-use' policy. Some analysts suggest that China might be moving towards a launch-on-warning posture for some of its forces, pointing to improvements in Chinese early-warning systems and military exercises.[28]

Chinese advanced persistent threat actors—the 'Typhoons'

The 'Typhoon' advanced persistent threat actors, most notably Volt Typhoon, Salt Typhoon and Brass Typhoon, have gained significant attention for their acknowledged role in infiltrating and potentially preparing for attacks against critical infrastructure, including Australian national infrastructure essential for defence operations and normal activities.

Volt Typhoon, active since at least 2021, has gained notoriety for its focus on pre-positioning within critical infrastructure networks across the communications, energy, transportation, and water and wastewater sectors. Volt's tactics, techniques and procedures are characterised by 'living off the land', meaning they primarily use tools and software already present in the targeted environments, such as PowerShell and command-line utilities.[29] That allows them to blend in with legitimate system activity, making detection harder for traditional security measures that rely on identifying known malicious software. It's assessed that Volt Typhoon aims to enable disruptive or destructive cyberattacks in the event of geopolitical tensions or military conflict, rather than traditional espionage.

Salt Typhoon, believed to be linked to China's Ministry of State Security, has been implicated in extensive cyber espionage campaigns, with a significant focus on counterintelligence targets and data theft.[30] In late 2024, it was revealed that Salt Typhoon had compromised the systems of at least nine major US telecommunications companies. That breach allowed them to access sensitive metadata, including call records and geolocation data, and potentially even audio recordings.[31]

Brass Typhoon, also known as APT41 or Wicked Panda, stands out due to its dual mission: conducting state-sponsored espionage alongside financially motivated cybercrime.[32] This group has targeted a wide array of industries, including technology, automotive, energy and manufacturing, often employing advanced malware and sophisticated supply-chain attacks.

The role of the Typhoon actors in critical national infrastructure cyber infiltrations and attacks underscores a significant shift in the cyber threat landscape. These aren't opportunistic intrusions, but rather strategic, long-term operations aimed at gaining deep access and the potential for disruptive actions. The stealthy nature of their techniques, particularly Volt Typhoon's 'living off the land' approach and Salt Typhoon's ability to remain undetected for extended periods, highlights the challenges in defending against such advanced persistent threats.

The activities of cyber actors highlight a significant shift in China's cyber capabilities and strategic intent. Rather than solely focusing on intellectual property (IP) theft and traditional espionage, there's a growing emphasis on gaining access to and potentially controlling critical infrastructure in adversary nations. That capability would be leveraged for coercive purposes, to exert pressure during crises, or to inflict damage in a conflict scenario.[33]

United States: Maintaining presence and investing in future capabilities

The US remains a dominant military power in the Indo-Pacific, although its response to China's growing military might has been inconsistent. US Admiral Samuel Paparo has noted that the transfer of ships and logistic support capabilities out of the INDOPACOM theatre to other theatres has challenged the posture and readiness of US forces in this theatre.[34]

- *Forward deployment:* The US maintains a significant forward-deployed military presence in the region, including naval fleets, air wings and ground forces stationed in Japan, South Korea and Guam.

- *Capability modernisation:* The US is investing heavily in modernising its military capabilities relevant to the Indo-Pacific theatre. That includes the development of new long-range strike capabilities, such as the Precision Strike Missile (PrSM), advanced fighter aircraft (F-35) and next-generation naval platforms, such as Constellation-class frigates and Columbia-class submarines. Admiral Paparo has highlighted the need for additional modernisation of:
  - command, control, computing, communications, cyber, intelligence, surveillance, reconnaissance and targeting (C5ISRT) and counter-C5ISRT
  - long-range fires
  - integrated air and missile defence
  - autonomous and AI-driven systems capabilities
  - maritime domain awareness and sea control
  - sustainment capabilities.[35]
- *Focus on integrated deterrence:* The US strategy emphasises 'integrated deterrence', aiming to combine its military strength with that of its allies and partners to deter aggression. That involves enhanced interoperability, joint exercises and coordinated capability development. The regional uncertainty created by the Trump administration's 'America First' policies and executive orders on the foreign defence sales system and on America's foreign relations and treaty responsibilities are challenging INDOPACOM's abilities to manage its allied and partner engagement.

Japan: Bolstering defensive capabilities

Japan, which is facing a complex security environment with a rising China and a nuclear-armed North Korea, is significantly increasing its defence spending and enhancing its military capabilities:

- *Increased defence spending:* There's been a substantial increase in Japanese defence expenditure in 2024, reflecting a shift in its longstanding defence posture.
- *Long-range strike:* Japan is acquiring long-range strike capabilities, including cruise missiles, to enhance its ability to deter and respond to threats.
- *Strengthening maritime and air defence:* Japan continues to invest in advanced Aegis-equipped destroyers, submarines (including air-independent propulsion) and F-35 fighter aircraft to bolster its maritime and air defence capabilities.
- *Enhanced amphibious capabilities:* The development of amphibious assault ships and the strengthening of its amphibious warfare capabilities aim to improve Japan's ability to defend its remote islands and contribute to regional security operations.

India: Balancing continental and maritime security

India, with its significant land border challenges and growing maritime interests, is pursuing an enhanced military modernisation program:

- *Indigenous defence production:* India is increasingly focusing on indigenous defence production to reduce its reliance on foreign arms imports. That includes the development of indigenous aircraft carriers, fighter jets (Tejas) and missile systems.
- *Strengthening naval power:* The Indian Navy continues to expand its fleet with new aircraft carriers, destroyers, frigates and submarines to project power in the Indian Ocean and beyond.
- *Modernising air and land forces:* The Indian Air Force is inducting new Rafale fighter aircraft and upgrading its existing fleet. The Indian Army is focusing on modernising its infantry, artillery and armoured vehicle fleets.

South Korea: Countering North Korean threats and its enhancing regional role

South Korea's military modernisation is primarily driven by the persistent threat from North Korea, which Seoul is aiming to counter through a 'three axis' deterrence strategy designed to prevent, intercept or punish North Korean aggression. But Seoul is also developing capabilities for a broader regional role:

- *Ballistic missile defence / precision strike:* A key focus remains on strengthening its ballistic missile defence systems to counter North Korean missile threats. In parallel, South Korea is fielding a new generation of conventionally armed ballistic missiles, since all remaining US restrictions were lifted in 2021.[36]
- *Naval expansion:* The South Korean Navy is expanding its fleet, including the development of ballistic missile equipped submarines and advanced destroyers, to enhance its maritime security and power-projection capabilities.
- *Air force modernisation:* South Korea is acquiring F-35A fighter aircraft and developing its indigenous KF-21 Boramae fighter jet to modernise its air combat capabilities.

Southeast Asian nations: Building capacity and addressing specific threats

Southeast Asian nations are also rearming, albeit at varying scales, driven by specific threat perceptions, territorial disputes (particularly in the South China Sea) and a desire to enhance their sovereignty and maritime security. Vietnam, the Philippines, Indonesia and Singapore are increasing their investment in modern naval vessels, combat aircraft, maritime patrol aircraft and air defence systems.

The nuclear question

Several non-nuclear weapon states in the region are actively debating whether to develop their own nuclear arsenals or to pursue nuclear latency—the capability to rapidly develop nuclear weapons if the security environment deteriorates. The debate is driven by a complex interplay of factors, including the increasing nuclear capabilities of neighbouring states (particularly China and North Korea), questions about the reliability of extended deterrence provided by the US,[37] and a desire for enhanced national security and prestige.

South Korea: The debate in South Korea regarding nuclear armament has intensified significantly in recent years, primarily due to the growing nuclear and missile threats from North Korea. Opinion polls consistently show strong support, often around 70%, for acquiring indigenous nuclear weapons. Proponents argue that nuclear weapons are necessary to deter North Korea's aggression and that relying solely on the US nuclear umbrella is no longer sufficient. The debate has moved from academic and strategic circles into mainstream political discourse, and some politicians are openly advocating for nuclear armament or at least nuclear latency.[38] However, there's also significant opposition due to concerns about triggering a regional arms race, potential damage to relations with key allies such as the US, and the risk of international sanctions.

Japan: Japan possesses significant technological capabilities and vast quantities of plutonium that could allow for the rapid development of nuclear weapons, plus an advanced civilian space-launch capability, giving it a high degree of nuclear latency. While officially adhering to its 'three non-nuclear principles' (not possessing, not producing and not permitting the introduction of nuclear weapons into Japan), there's an ongoing undercurrent of debate about the long-term viability of that policy. Concerns about China's growing military power and the credibility of US extended deterrence have led some strategists and politicians to consider the option of nuclear latency as a hedge.[39] However, strong domestic anti-nuclear sentiment, rooted in the experience of Hiroshima and Nagasaki, remains a significant constraint on any overt moves towards nuclearisation.

Australia: While Australia isn't facing an immediate nuclear threat in the same way as South Korea or Japan, its strategic environment is evolving with China's growing influence. Like South Korea and Japan, Australia also depends on the US for extended nuclear deterrence. The AUKUS security pact, which will provide Australia with

conventionally-armed nuclear-powered submarines, and the re-emergence of debate about the introduction of nuclear power generation into Australia's energy mix, have sparked some discussion about the implications of closer engagement with nuclear technology.[40] While Australia's submarines won't carry nuclear weapons, the acquisition of nuclear power technology could, in the long term, reduce some of the technical barriers to and arguably the cost of developing nuclear weapons should Australia's strategic circumstances drastically change. However, there's no significant political movement advocating for nuclear weapons, and Australia remains a strong supporter of the non-proliferation regime.[41] If there's a change in Australia's posture towards nuclear weapons, it's likely to evolve within an alliance context.

The debate surrounding nuclear weapons and latency in the Asia–Pacific is complex and deeply intertwined with the evolving geopolitical landscape. While countries such as South Korea and Japan possess the technological and economic capacity to develop nuclear weapons relatively quickly, significant domestic and international constraints remain. The pursuit of nuclear latency offers a middle ground, providing a potential future option without immediately crossing the nuclear threshold. The decisions made by those non-nuclear weapon states will have profound implications for regional stability and the future of the global nuclear order. The interplay of threat perceptions, alliance dynamics and domestic political considerations will continue to shape this critical debate in the years to come.

Implications and concerns

The escalating rearmament in the Indo-Pacific carries several significant implications and must raise concerns for Australian defence planners:

- *Increased risk of conflict:* The build-up of military capabilities and the heightened geopolitical tensions increase the risk of miscalculation, escalation and potential conflict.
- *Erosion of trust and transparency:* The lack of transparency in some nations' military modernisation programs fuels mistrust and suspicion, further exacerbating the rearmament push.
- *Regional instability:* Escalating rearmament activities can destabilise the regional security environment, potentially leading to a security dilemma in which each nation's efforts to enhance its security are perceived as threatening by others, leading to further military build-up.

The changes in orders of battle across the Indo-Pacific reflect a move towards more capable and technologically advanced military forces, with a particular emphasis on naval power projection, air combat capabilities and long-range strike. The development of emerging military technologies further complicates the strategic landscape. The NDS explicitly and frankly stated the challenge for Australia in the region. This report examines the degree to which the PBS has met that challenge.

The defence context

National resilience and national preparedness in the defence context

In an increasingly complex and contested global environment, a robust and adaptive national resilience and national preparedness framework is paramount for Australia's ability to deter threats and respond effectively to and recover swiftly from any crises.

Australia faces unique challenges in building national resilience[42] and national preparedness[43]—in part geographic and in part geo-economic. Our vast and often isolated communities, coupled with this continent's vulnerability to extreme weather events (such as bushfires, floods and cyclones), presents significant logistical

and resource-allocation challenges for national resilience and preparedness efforts. Geo-economically, our limited manufactures, our declining economic complexity, the domination of our export markets by Chinese consumption and our reliance on long supply chains have frustrated the national development of a more robust and resilient economy.

The twin concepts of national resilience and national preparedness extend beyond the traditional military domain, encompassing a whole-of-nation and whole-of-government approach to safeguarding our national interests and ensuring the security and wellbeing of citizens. However, as the NDS states, that resilience and preparedness are central to effective deterrence, and given that the huge weight of the defence budget compared to that of other national security agencies imposes its own gravity on any consideration of those concepts, the concepts are worthy of analysis within the defence context.

Within the defence context, national resilience underpins national preparedness. A resilient nation provides the foundational strength and societal cohesion necessary to support defence efforts during times of conflict or crisis. It ensures the availability of resources, the maintenance of essential services and the unwavering support of the population for national-security objectives.

Whole-of-nation challenges to resilience and preparedness

Achieving national resilience and preparedness necessitates a concerted effort that transcends government agencies and involves the entire Australian nation. However, whole-of-nation challenges that are impeding this approach, and that deserve more focus from parliament, policymakers and the Defence organisation include the following:

1. *Geographical dispersion and connectivity:* Australia's continental scale and dispersed population present significant logistical and communication challenges in times of crisis. Maintaining connectivity, ensuring the timely deployment of resources and providing support to both urban and remote communities require robust and redundant infrastructure and well-coordinated logistical networks.
2. *Critical infrastructure vulnerabilities:* Australia's reliance on interconnected critical infrastructure, including energy, water, transportation and communication networks, creates vulnerabilities to both physical and cyber threats. Disruptions to those essential services can have cascading effects across the nation, damaging defence capabilities, economic activity and social stability.
3. *Cybersecurity threats:* The increasing digitisation of society and the economy exposes Australia to sophisticated cyber threats targeting government systems, critical infrastructure and defence networks. Building national resilience and national preparedness against cyberattacks requires a multifaceted approach involving enhanced cybersecurity practices, robust detection and response capabilities, and public awareness campaigns.
4. *Climate change impacts:* The escalating impacts of climate change, including more frequent and intense natural disasters, pose significant challenges. Those events can strain resources, disrupt supply chains, displace populations and place immense pressure on emergency services and defence forces.
5. *Social cohesion and disinformation:* Maintaining social cohesion and trust in institutions is crucial. The spread of disinformation and misinformation, particularly through online platforms, erodes public trust, sows division and undermines national unity during times of crisis. Building media literacy and fostering critical thinking are essential to counter those threats.
6. *Economic vulnerabilities:* Australia's economic reliance on global trade and supply chains exposes it to external economic shocks and disruptions. Diversifying the economy, strengthening domestic manufacturing capabilities in strategic sectors and ensuring the security of essential supply chains are vital for enhancing national resilience and national preparedness.

7. *Skills and workforce shortages:* A resilient and prepared defence and national-security apparatus requires a skilled and adaptable workforce. Shortages in critical areas such as engineering, cybersecurity, logistics and health care impede preparedness efforts and response capabilities. Investing in education, training and workforce development is essential.
8. *Public awareness and engagement:* Building a culture of national resilience requires informed and engaged citizens. Enhancing public awareness of national-security challenges, promoting preparedness measures at the individual and community levels and fostering a sense of shared responsibility are crucial for collective resilience and preparedness.

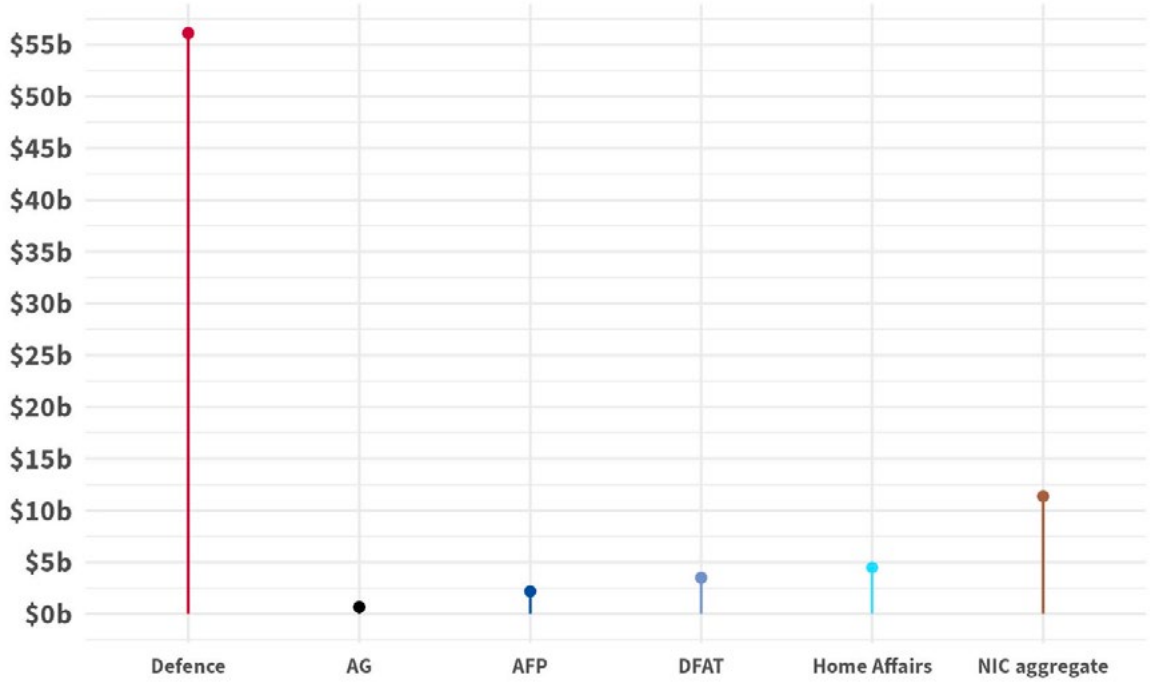
Whole-of-government challenges to resilience and preparedness

Effective national resilience and preparedness also require seamless coordination and integration across all levels and branches of government. However, whole-of-government challenges that are impeding that approach and that deserve more focus from parliament, policymakers and the Defence organisation include the following:

1. *Interagency coordination and information sharing:* Ensuring effective communication, coordination and information sharing between different government agencies, at both the federal and state/territory levels, is critical during a crisis. Siloed approaches and bureaucratic hurdles can hinder timely and effective responses.
2. *Policy coherence and integration:* Developing and implementing coherent and integrated policies across different portfolios, such as defence, home affairs, infrastructure and health, is essential for building comprehensive national resilience. Policy inconsistencies or a lack of strategic alignment are undermining overall preparedness efforts.
3. *Resource allocation and prioritisation:* Effectively allocating resources and prioritising investments in resilience and preparedness capabilities across government requires a clear understanding of national-security risks and strategic priorities. Competing demands and budgetary constraints are posing challenges to long-term planning and investment.
4. *National strategic planning and foresight:* Developing comprehensive national strategic plans that anticipate future threats and challenges, and incorporating robust foresight capabilities, is crucial for proactive preparedness.[14] Short-term political cycles and a lack of long-term vision are hindering effective strategic planning.
5. *Legislative and regulatory frameworks:* Ensuring that legislative and regulatory frameworks are fit for purpose and support national resilience and preparedness efforts is essential. Outdated or inadequate legislation is creating obstacles to effective crisis management and recovery.
6. *Exercise and training regimes:* Conducting realistic and comprehensive national-level exercises and training involving all relevant government agencies and stakeholders is vital for testing preparedness plans, identifying gaps and improving coordination. Insufficient or infrequent exercises are leaving agencies unprepared for real-world crises.
7. *Science, technology and innovation integration:* Leveraging advances in science, technology and innovation is crucial for enhancing national resilience and preparedness. Ensuring effective collaboration between government, research institutions and industry to develop and adopt cutting-edge solutions is essential.
8. *Accountability and evaluation mechanisms:* Establishing clear accountability mechanisms and robust evaluation frameworks to assess the effectiveness of national resilience and preparedness efforts is vital for continuous improvement. A lack of rigorous evaluation is hindering the identification of weaknesses and the implementation of necessary reforms.

The PBS and the statements of the other national-security agencies (Figure 23) don't give any sense that government is addressing the whole-of-nation and whole-of-government efforts required to deliver on the NDS's 'effective deterrence' requirements. There's no sustained or collaborative effort involving all levels of society and government. A truly resilient and prepared nation is one that not only possesses robust defence capabilities but also a strong and unified society capable of adapting and thriving in the face of adversity. Nothing in the government's PBS suggests that this is the case—a major ongoing failure for Australia's deterrence strategy.

Figure 23: The budgets of national security agencies, 2025–26



Source: Department of the Treasury, *Budget Paper no. 1: Budget strategy and outlook*, Australian Government, 2025, online.

Defence force structure and preparedness

The ADF force structure and preparedness strategy has been set through the NDS and IIP, coupled with the government's 2024 and 2025 budgets. In the most challenging strategic circumstances Australia has faced since World War II, with a strategy that emphasises the need for a fundamental shift in defence posture and capability, this section assesses the current state of structure and preparedness activities within Defence.

Defence force structure activities

Current force structure activities should be driven by the NDS's imperative to transition to a focused force capable of deterring potential adversaries and protecting Australia's immediate region and economic trade routes. That necessitates a move towards an integrated, focused force capable of operating across all the domains of air, sea, land, strike, space and cyber.

The fundamental lines of effort that Defence is pursuing to deliver on the force structure aspirations of the NDS include the following:

- *Enhanced maritime capabilities:* A significant emphasis is being placed on strengthening naval power, particularly through the acquisition of nuclear-powered submarines under AUKUS. This is intended to provide a long-range, stealthy undersea capability crucial for deterring power projection against Australia and allowing Australia to project power in its own right. The Royal Australian Navy (RAN) is also focusing on enhancing its surface fleet with more capable and lethal platforms.

- *Long-range strike and IAMD:* Recognising that distance is no longer a buffer, Defence is prioritising the acquisition of long-range strike capabilities to hold potential adversaries at risk further from Australia's shores. Simultaneously, significant investment is required in IAMD systems to protect critical northern bases and assets from aerial attack. Project AIR 6500 aims to deliver a Joint Air Battle Management System, although decisions on interceptor missiles are still pending.
- *Space and cyber capabilities:* The strategic importance of the space and cyber domains is increasingly recognised. Operation Dyurra integrates ADF space operations with broader military activities, including collaboration with allies under Operation Olympic Defender. Efforts are underway to enhance cyber warfare capabilities to protect critical infrastructure and project power in the digital realm.
- *Army modernisation:* The Australian Army is seeking to develop multidomain operational capabilities, focusing on enhanced mobility, firepower and integration with other services. The acquisition of capabilities such as the PrSM with extended range is intended to enhance the Army's ability to contribute to long-range deterrence.
- *Workforce expansion and adaptation:* The ADF is facing its most significant challenge in expanding its workforce to meet the demands of a more complex and technologically advanced military. The government has announced plans to increase the permanent ADF workforce by approximately 30% by 2040. That includes targeted recruitment in STEM fields and the development of a compelling 'employee value proposition' to improve retention, particularly in critical areas such as the submarine workforce. Retention bonuses and differentiated packages are being used to address this challenge.
- *Northern Australia focus:* A key structural shift involves relocating and enhancing ADF capabilities in northern Australia to improve responsiveness to potential threats in the region and to support high-intensity military operations. That includes significant investment in base infrastructure in the north.

Defence force preparedness activities

Defence force preparedness encompasses the readiness, training and sustainability of the ADF to respond to current and future threats. The current state of preparedness is a subject of ongoing debate and scrutiny. Key aspects of ADF preparedness activities currently being focused on include the following:

- *Readiness and sustainability:* Concerns have been raised about the ADF's current readiness levels and its capacity to sustain high-intensity military operations over extended periods. Factors contributing to that include workforce constraints, insufficient stockpiles of munitions and limited industrial capacity. The NDS emphasises the need to prioritise the readiness and sustainability of the current force-in-being.
- *Training and exercises:* The ADF conducts regular training exercises, both independently and with regional partners and allies, to enhance interoperability and prepare for a range of contingencies. The exercises are crucial for testing new capabilities and refining operational concepts in a multidomain environment. Collaboration with allies in Southeast Asia and the Pacific is essential for preparing for diverse environmental challenges.
- *Mobilisation and surge capacity:* It's always been understood that the force-in-being is the kernel around which the ADF would build the actual forces necessary to conduct a complex war-fighting operation and defend Australia. There's been some focus on the concepts of mobilisation, examining how Australia can transition from a peacetime to a wartime footing, addressing the need to surge both military and industrial capacity if required. That must include considering investments in reserve units, civilian support for military operations and the potential for incorporating military requirements into civilian infrastructure and critical workforce.
- *Disaster relief and humanitarian assistance:* While the primary focus is on defence, and Defence has been working towards ensuring that the ADF is used for domestic aid only as a last resort, there continues to be a significant Defence role in domestic and international disaster relief operations.

- *Technological adaptation:* Preparedness also involves adapting to the rapid pace of technological change in warfare. That includes the integration of emerging technologies such as AI, autonomous systems and advanced cyber capabilities. Ensuring that the ADF has personnel with the necessary STEM skills to operate and maintain those technologies is a critical aspect of preparedness.

Challenges of Defence Department structure and personnel

A significant challenge for Defence's force structure and preparedness activities is the structure and personnel capacity of the Defence Department. Criticisms from government and from industry point to a department that's overly complex, bureaucratic, and lacks the agility required to effectively manage the ambitious agenda set out in the NDS.

Key challenges include:

- *Top-heavy structure and inefficiency:* Defence continues to struggle with a top-heavy senior leadership structure without a commensurate increase in overall personnel numbers. That has led to concerns about over-management, under-leadership, and a lack of clear lines of sight and accountability. The complex organisational structure is hindering decision-making, slowing down procurement processes and impeding effective engagement with the external environment.
- *Skills gap in the ADF and the civilian workforce:* The Defence Department faces challenges in recruiting and retaining both military and civilian personnel with critical STEM skills, particularly in areas such as cybersecurity and complex project management. That's limiting the department's ability to manage complex acquisition projects and support the ADF's technological advancement.
- *Integration and coordination:* Effectively integrating the efforts of the military and civilian components of the Defence organisation is crucial for achieving strategic objectives. The currently poorly structured Defence Department is creating silos and impeding the necessary coordination for effective planning, capability development and operational support.
- *Bureaucracy and slow processes:* Cumbersome and risk-averse procurement processes and bureaucratic hurdles within the department are delaying the acquisition of critical capabilities and hindering the ADF's ability to adapt quickly to emerging threats. That's particularly problematic in a strategic environment in which warning times for conflict have disappeared.

Criticisms of and from defence industry companies

The Australian defence industry plays a vital role in supporting the ADF's capabilities. However, it's also faced various criticisms regarding its capacity, efficiency and alignment with strategic needs.

Key criticisms of the Australian defence industry include:

- *Lack of scale and surge capacity:* Australia's domestic defence industry is often characterised by a large number of small enterprises and a reliance on multinational prime contractors. That structure is limiting the industry's ability to achieve the scale and surge capacity required to support the ADF in a major conflict or rapidly deliver critical capabilities.
- *Cost competitiveness:* Materiel produced domestically needs to be price-competitive with similar products available from overseas suppliers. Defence pays a local production 'premium' that can sometimes be almost 30%–40% more than overseas commercial-off-the-shelf products, leading to debates about the balance between economic considerations and strategic self-reliance.

Key criticisms from the defence industry include:

- *Procurement challenges:* Defence procurement processes are cumbersome, slow and risk averse. That's hindering the growth of local businesses and making it difficult for innovative Australian companies to

break into the defence market. Small businesses often lack the resources and expertise to navigate complex procurement requirements.

- *Alignment with strategic priorities:* The defence industry has struggled to adequately align with Australia's evolving strategic priorities, which change on a regular basis. Some argue that Defence needs to stop reviewing and reassessing itself and place a consistent and strategic focus on developing sovereign capabilities in critical areas, such as long-range missiles and resilient supply chains.
- *IP and control:* Concerns have been raised about Defence's use of major overseas primes that seek to assert control over IP for key defence systems' design and manufacturing. That can create vulnerabilities related to supply-chain security and the ability to adapt and upgrade systems independently.
- *Government support and partnership:* Some in the defence industry argue that the government needs to be a more active and supportive partner, particularly for small and medium-sized enterprises. That includes providing greater assistance with accessing international markets, building compliant business systems and securing capital for growth.

National Defence Strategy implementation

The core of the NDS lies in the adoption of 'national defence'—a concept that seeks to integrate all elements of national power to achieve security objectives. That's underpinned by a 'strategy of denial', which aims to deter potential adversaries by demonstrating a credible capability to deny them their objectives should they choose to use force against Australia or its interests. This necessitates a move away from a broadly balanced force towards a more specialised and potent ADF with enhanced long-range strike capabilities, littoral manoeuvrability and improved operating resilience.

Defence and military strategy

Australia's comprehensive national defence strategy, as articulated in the NDS, represents a significant evolution in Australia's approach to national security. The NDS prioritises a cohesive, whole-of-government and whole-of-nation effort. That requires leveraging all elements of national power, including robust diplomatic engagement, strong economic resilience, advanced technological capabilities, a secure national infrastructure and a unified national will. The NDS emphasises the interconnectedness of those elements in achieving national-security objectives.

The Australian military strategy, which prioritises the defence of Australia and its immediate region through a strategy of deterrence by denial, is embedded within the broader framework of national defence. At its core, the Australian military strategy is a 'strategy of denial' that aims to convince potential adversaries that the risks and costs of aggression against Australia or its core interests are prohibitively high. That's achieved not necessarily through matching an adversary's offensive capabilities, but by developing and deploying forces that can effectively deny the adversary its objectives. This involves possessing the means to detect, deter and, if necessary, defeat hostile actions, particularly in Australia's northern approaches—the critical maritime and air gap.

Despite the enunciation of a clear national defence strategy and the outlines of an Australian military strategy, the NDS doesn't provide any details of those strategies. Rather, it gives them a conceptual identity—'National Defence: a coordinated, whole-of-government and whole-of-nation approach to meet the strategic challenges Australia faces, including the threat of conflict and the prospect of coercion',[44] and 'Strategy of Denial: [which] aims to deter any conflict before it begins, prevent any potential adversary from succeeding in coercing Australia through force, support regional security and prosperity, and uphold a favourable regional strategic balance.'[45] But it interchangeably uses the terms 'defence strategy' and 'military strategy'.

A 'defence' strategy outlines how a nation intends to protect its fundamental values, territory, population and interests from external threats. It's a broad framework that encompasses diplomatic, economic and military considerations. A defence strategy often focuses on:

- *Deterrence:* preventing potential adversaries from attacking
- *Protection:* defending against attacks if deterrence fails
- *Maintaining stability:* contributing to regional and global security to prevent conflicts arising
- *Resource allocation:* deciding how to invest in defence capabilities.

A 'military strategy', on the other hand, is a subset of the broader defence strategy. It specifically deals with the employment of military forces to achieve the objectives set out in the defence strategy. Military strategy focuses on:

- how military power will be used in different crises
- the planning and conduct of campaigns, major operations and battles
- the movement and disposition of forces
- logistics and resource management in a military context.

The NDS alone doesn't tell us how Australia's defence strategy or our military strategy will be executed by all of the elements of national power, the ADF operating in concert with other agencies, industry and community groups. The rhetoric of a coordinated, whole-of-government and whole-of-nation approach hasn't been matched by either strategy, plans or resources.

The NDS suggests that there will be 'broader initiatives' that will work alongside Defence's efforts, including:

- *integrated statecraft*—to advance shared economic and security interests, involving all tools of statecraft
- *national resilience*—to anticipate, prevent, absorb and recover from natural and human-induced threats and hazards
- *industry resilience*—to support the ADF during crisis or conflict
- *supply-chain resilience*—to secure Australia's supply chains and strengthen Australia's capacity to recover from—and minimise the impact of—supply disruptions
- *innovation, science and technology*—to accelerate the delivery of next-generation capabilities to the ADF
- *a workforce and skills base*—to create a skilled, professional and diverse workforce across all sectors of national-security activity
- *a robust national intelligence community*—to provide strategic decision-making advantage, strategic warning, as well as direct support to ADF operations and domestic security.[46]

While those are laudable initiatives, this list is neither comprehensive nor sufficient for the needs of a comprehensive (total) defence effort. And we're yet to see from government a strategy—that is, a plan of action designed to achieve an aim—for national defence.

Similarly, the NDS doesn't provide a military strategy of denial, other than advising in a text box that:

> The Strategy of Denial involves working with the US and key partners to ensure no country attempts to achieve its regional objectives through military action. By signalling a credible ability to hold potential adversary forces at risk, this strategy also seeks to deter attempts to coerce Australia through force. Both objectives involve altering any potential adversary's belief that it could achieve its ambitions with military force at an acceptable cost.[47]

The five 'tasks', for which the ADF must maintain the capability and capacity to undertake, haven't materially changed from the 1987 *Defence of Australia* White Paper's listing of the same tasks, which it defined as 'principal

national defence interests', save for the removal of the defence interest in 'the maintenance of the provisions of the Antarctic Treaty, which ensure that continent remains demilitarised'.[48] Indeed, the 1987 White Paper went into considerably more detail on the exact nature of Australia's military strategy, providing details of the credible actions that an adversary might take and Australia's likely military response, which then led—as it should in the 'ends, ways, means' formula for military planning—to a set of military capability requirements and the resources needed to deliver on those requirements. It's therefore hard to see how the priorities established in the NDS will deliver a strategy of denial.

The Australian Army has sought to articulate how it intends to deliver on a military strategy for Australia through its 2024 publication *The Australian Army contribution to the National Defence Strategy 2024*, which elucidates the likely missions of the Army in meeting the ADF's tasks.[49] Looking forward to the 2026 iterations of the NDS and the IIP, we hope that the strategy work within Defence to develop a defence strategy and a military strategy—and the necessary force posture—occurs, and that Defence publicly releases it, as the Australian Army has done.

Capability developments

Early NDS implementation activities have focused on establishing the foundational structures and legislative frameworks required for the major capital acquisitions, particularly the AUKUS submarine program. However, implementation faces significant challenges, and the tangible improvements to Australia's preparedness for conflict remain uncertain in the short to medium term.

Firstly, the ambitious timelines for key capability acquisitions extend well into the next decade and beyond. While those future capabilities are crucial for long-term deterrence, they offer little immediate enhancement to Australia's preparedness for conflict in the current, more volatile, strategic environment. Australia's reliance on a future capability to deter present threats creates a 'paper' ADF that's incapable of meeting mission objectives in the short term. As we note in this report, most of approved defence spending identified in the PBS, and much of the Defence organisation's bureaucratic effort, is going into the acquisition of nuclear-powered but conventionally armed submarines under DEF-1, and the acquisition of up to 11 general purpose frigates for the Navy under SEA 3000. That has the unintended consequence of crowding out attention on other capabilities. Moreover, the exquisite, leading-edge nature of large and expensive platforms might no longer be the most appropriate and cost-effective way of protecting homelands and projecting power.

Globally, there's been a growing debate as to whether armed forces should shift their attention away from exquisite and expensive military capabilities and towards large numbers of small, inexpensive weapon systems that can be massed for effect.

The lethality and ubiquity of modern sensors and precision strike capabilities are fundamentally altering the calculus of survivability for high-value assets. As TX Hammes has consistently argued, the proliferation of relatively inexpensive yet highly capable anti-access/area-denial (A2/AD) systems, including advanced missiles, drones and cyber capabilities, means that large, complex and costly platforms are increasingly vulnerable.[50] That's been vividly demonstrated in Ukraine, where relatively cheap anti-tank guided missiles and loitering munitions have inflicted significant damage on advanced tanks and armoured vehicles. Mick Ryan, in his analysis of future warfare, echoes that concern, highlighting the increasing transparency of the battlefield and the difficulty of concealing large, technologically sophisticated systems.[51] Exquisite platforms are attractive, high-priority targets, and their loss represents a disproportionate strategic blow. Investing heavily in a small number of such systems creates a brittle force structure vulnerable to attrition.

The cost-effectiveness of massed smaller systems offers a significant advantage in terms of both acquisition and operational sustainability. The sheer expense of developing, procuring and maintaining cutting-edge fighter jets, warships or main battle tanks places immense strain on defence budgets. In contrast, smaller, less complex

systems, such as uncrewed aerial vehicles (UAVs), loitering munitions and even networked small arms, can be acquired and produced in much larger quantities for the same overall cost. The Ukraine conflict has again highlighted the effectiveness of readily available commercial drones for reconnaissance, targeting and even direct attack. Those systems, while perhaps lacking the sophisticated sensors or firepower of their more expensive counterparts individually, can achieve significant effects through mass and coordinated action. That allows for a more distributed and resilient force posture, mitigating the impact of individual losses.[52]

Significantly, the democratisation of technology is also empowering a wider range of actors through greater access to disruptive capabilities. The diffusion of advanced technologies beyond traditional advanced military powers means that even smaller states and non-state actors can field sophisticated weaponry. The widespread availability of drone technology, coupled with advances in AI and autonomous systems, lowers the barrier to entry for developing and deploying effective military capabilities. That must necessitate a shift in thinking, moving away from a focus solely on countering peer or near-peer threats with similarly exquisite systems, and towards developing strategies and capabilities to address a more diffuse and asymmetric threat landscape. Counter-capabilities, particularly counter-drone technologies, must become a key part of any national-security strategy, let alone defence strategy, particularly as such drones wreak havoc on critical national infrastructure and government buildings.[53]

For Australia, with continental responsibilities and an exclusive economic zone that covers 10% of the world's surface, autonomous and unmanned sensors and platforms, procured *en masse*, provide substantial resilience and can truly complicate an adversary's military calculus. Engaging numerous dispersed targets requires significantly more resources, intelligence and firepower. The loss of a single inexpensive drone or loitering munition has a far less significant impact than the loss of a multimillion-dollar aircraft. That inherent resilience through mass allows for sustained operations even in the face of attrition.[54]

Smaller, less complex systems often offer greater adaptability and faster innovation cycles. The lengthy development timelines and bureaucratic processes associated with exquisite military programs can lead to technological obsolescence by the time systems are fielded. In contrast, smaller, more modular systems can be developed and iterated upon more rapidly, allowing defence organisations to adapt more quickly to evolving threats and technological advances.[55] The rapid proliferation of new drone designs and counter-drone technologies in Ukraine underscores this point. A focus on the mass production of adaptable platforms allows for continuous improvement and the integration of new technologies at a faster pace.[56]

Secondly, the strategy's success hinges on a significant expansion and upskilling of the ADF workforce. The NDS acknowledges the challenges in recruitment and retention and proposes measures to address those issues, including widening eligibility criteria and improving retention incentives. However, recent reports suggest that efforts to boost the workforce are faltering, posing a serious risk to the ADF's ability to operate and sustain the new capabilities as they come online. Without a sufficient and skilled workforce, the billions invested in new platforms won't translate into a more combat-ready force.

Thirdly, the development of sovereign defence industrial capabilities, particularly in the area of guided weapons and explosive ordnance, is proceeding at a pace that isn't matching the urgency of the strategic environment. While the GWEO Enterprise is underway, the lack of a near-term capacity to produce and replenish critical munitions and war stocks leaves Australia reliant on foreign supply chains—a vulnerability that will be exploited in a conflict.

Fourthly, the shift towards a 'focused' force structure, while strategically logical, carries the risk of creating a 'brittle' capability if not managed carefully. Overspecialisation and a reduction in the breadth of capabilities will limit the ADF's ability to respond to a wider range of contingencies beyond the primary focus of deterring high-end conflict.

Finally, the effectiveness of the 'strategy of denial' relies not only on capability but also on clear communication of Australia's intent and the credibility of its willingness to act. Some analysts argue that the NDS lacks the specific articulation of 'red lines' and the demonstration of a proactive military posture necessary to effectively deter potential adversaries.

In the short to medium term, the tangible improvements to Australia's preparedness for conflict aren't clear. The long lead times for major acquisitions mean that the ADF's core capabilities haven't yet been significantly enhanced by the NDS implementation. The challenges in workforce recruitment and the slow development of sovereign industrial capacity represent critical vulnerabilities that could undermine the effectiveness of future capabilities. Furthermore, questions remain about the clarity and credibility of Australia's deterrence messaging. It's debatable whether Australia is demonstrably better prepared for conflict *now* due to the implementation activities since the NDS's release. The benefits of the strategy are largely prospective. In the immediate term, the ADF continues to operate with largely the same capabilities it possessed before the strategy's release, while grappling with persistent workforce challenges and vulnerabilities in sovereign supply chains.

The current state of the AUKUS partnership

The AUKUS trilateral security pact, established in September 2021 between Australia, the UK and the US, stands at a critical juncture in 2025. While the overarching strategic rationale—to enhance security and stability in the Indo-Pacific in the face of growing geopolitical complexities—remains compelling, the project faces significant hurdles, and its progress across its two pillars (Pillar 1, the nuclear-powered submarines for Australia) and Pillar 2 (advanced capabilities cooperation) warrants careful scrutiny.

Pillar 1: Nuclear-powered submarines

Progress on Pillar 1, which is the cornerstone of AUKUS garnering the most public attention, has been a mixed bag of foundational steps and looming uncertainties. The 'optimal pathway' announced in March 2023 laid out an ambitious three-phase approach:

1. Embedding Australian personnel within US and UK nuclear-powered submarine programs, and rotational presence of US and UK nuclear submarines in Australia (Submarine Rotational Force—West) commencing in 2027.
2. Acquisition of three Virginia-class submarines from the US in the early 2030s, with the potential for the US to sell up to two more if needed.
3. The collaborative development and construction of the SSN-AUKUS, a new submarine class based on the UK's next-generation design, to be built in both the UK and Australia, with the first Australian built SSN-AUKUS to be delivered in the early 2040s.

Positive developments

Several foundational elements are demonstrably underway. Australian military and civilian personnel are embedded in US and UK submarine programs, gaining invaluable experience in nuclear-powered submarine operations and maintenance. The establishment of the Australian Submarine Agency and the allocation of funding, including a US$3 billion contribution to the US submarine industrial base and investments in the UK's Rolls-Royce, underscore the financial commitment to Pillar 1.

Infrastructure upgrades at HMAS Stirling in Western Australia and early works at the submarine construction precinct in Adelaide have started. Furthermore, the first cohort of RAN sailors has graduated from the US Navy Nuclear Power School, marking a crucial step in building the necessary workforce. The trilateral agreement on naval nuclear propulsion has been signed and is in force, facilitating technology transfer.

Significant challenges and criticisms

Despite those initial steps, substantial concerns persist regarding the feasibility and timelines of Pillar 1. The most pressing issue revolves around the capacity of the US and the UK to deliver on their commitments.

- *US submarine production rates:* Numerous reports and expert analyses in early 2025 highlight the significant strain on the US submarine industrial base. The Congressional Research Service has indicated that the US needs to increase its Virginia-class submarine production rate to meet its own fleet requirements while also supplying submarines to Australia.[57] Current production rates remain well below the required levels, plagued by workforce issues, supply-chain constraints and the added demand of the Columbia-class ballistic missile submarine program. That raises serious doubts about the timely delivery of the Virginia-class submarines to Australia, and some analysts suggest that the US Navy could face a significant shortfall in its own fleet if it prioritises the AUKUS commitment.
- *UK industrial capacity:* Similarly, concerns exist regarding the UK's submarine industrial base and its ability to concurrently build the SSN-AUKUS for its own needs and contribute to the Australian program.[58] Reports indicate potential delays in the UK's own submarine programs, raising questions about the UK's capacity to meet the ambitious AUKUS timelines.
- *Workforce development:* A critical challenge for Australia is the monumental task of building a sovereign nuclear-submarine workforce. The RAN's submarine workforce needs to expand from approximately 800 to 3,000 personnel, and the Australian industrial workforce needs to double to around 20,000. Recruiting, training and retaining that highly specialised workforce, including addressing stringent security vetting requirements, represents a significant logistical and financial undertaking. While early training programs are underway, the scale of the required expansion is immense.
- *Cost and opportunity costs:* The sheer cost of the AUKUS submarine program, estimated at up to $368 billion for Australia alone, raises concerns about opportunity costs.[59] Critics argue that such a massive investment could strain the defence budget, potentially affecting other critical defence capabilities and readiness in the short to medium term. Without a significant boost in overall defence spending, AUKUS risks unbalancing the ADF.
- *Technological complexity and risks:* Developing and building the SSN-AUKUS, incorporating technologies from all three nations, is an inherently complex undertaking with significant technological and program-management risks. Ensuring the seamless integration of US combat systems with a UK-designed hull and a Rolls-Royce reactor, all while building a new sovereign industrial capability in Australia, presents a formidable challenge.
- *Political will and continuity:* The long-term success of AUKUS Pillar 1 hinges on sustained political will in all three partner nations across successive governments. Geopolitical shifts and changes in political leadership are introducing uncertainties and risks to the project's trajectory. The recent US political landscape, with potential shifts in administration, underscores that risk.

Pillar 2: Advanced capabilities cooperation

Pillar 2 of AUKUS aims to foster deeper cooperation on a range of advanced capabilities to enhance interoperability and develop cutting-edge technologies. The initial focus areas include undersea capabilities, quantum technologies, AI and autonomy, advanced cyber, hypersonic and counter-hypersonic capabilities, and electronic warfare. The intent is to leverage the unique strengths of each nation's innovation ecosystems, promote technology sharing, and reduce redundant R&D efforts.

Progress and initiatives

In 2025, Pillar 2 has seen tangible progress in several areas, moving beyond initial discussions and into practical collaboration:

- *Innovation challenges:* The AUKUS partners have launched joint innovation challenges, such as the Maritime Innovation Challenge 2025 focusing on undersea communications and control of autonomous systems, and the Electronic Warfare Innovation Challenge in 2024. These initiatives aim to connect government agencies with innovative solutions from industry and research institutions across the globe, facilitating rapid development and secure sharing of advanced capabilities.
- *Undersea capabilities:* Collaborative exercises and events focusing on undersea warfare have taken place. In February 2025, the RAN joined the US Navy and Royal Navy in an advanced capabilities event in Norfolk, Virginia, focusing on subsea and seabed warfare. The exercises involved the deployment of cutting-edge robotic and autonomous systems, demonstrating progress in integrating advanced undersea technologies and enhancing interoperability.
- *Technology sharing and export-control reforms:* Recognising that regulatory barriers to technology sharing hinder Pillar 2's progress, efforts have been made to streamline export-control regulations. The UK implemented a new Open General Licence for AUKUS nations in September 2024, aiming to facilitate licence-free trade in critical defence technologies. The US has also been working on exemptions to its International Traffic in Arms Regulations for Australia and the UK.
- *Working groups and initiatives:* Numerous working groups are active across the identified technology domains, fostering collaboration on research, development, testing, and evaluation activities. Initiatives such as the AUKUS Quantum Arrangement focus on accelerating the development of next-generation quantum capabilities, initially for positioning, navigation and timing. The AUKUS Undersea Robotics Autonomous Systems project is focused on autonomous underwater vehicles.
- *Deep space advanced radar capability:* The development of a deep space advanced radar capability, with radar sites planned for Australia (operational by 2026), the US and the UK, is progressing. This project aims to enhance space domain awareness through continuous, all-weather global coverage for detecting, tracking and identifying objects in deep space.
- *Advanced Strategic Capabilities Accelerator (ASCA):* Australia has established ASCA with significant funding to drive defence innovation and facilitate collaboration with AUKUS partners. ASCA has sought a key role in leading the Australian component of AUKUS innovation challenges and contracting with local industry partners to develop and demonstrate advanced prototypes. Complaints have been raised about the slowness of ASCA's initiatives,[60] resulting in the transition of ASCA into the Vice Chief Defence Group and its leadership being transferred to a two-star military officer.[61]

Challenges and areas for improvement

While Pillar 2 demonstrates encouraging progress, several challenges need to be addressed to fully realise its potential:

- *Bridging the 'valley of death':* This is a key challenge in transitioning research projects into commercial developments, procurement by Defence and deployment. Clear pathways and increased investment are needed to rapidly move promising technologies from the laboratory to operational capabilities.
- *Workforce development:* Just as for Pillar 1, developing a skilled workforce capable of working collaboratively on advanced technologies across the three nations is crucial. Addressing differences in the size and resources of the defence industries in each country requires coordinated efforts in education, training and personnel exchange (including visa issues and security information classification and security vetting alignment between the three nations).
- *Information sharing and security:* While progress has been made in easing export controls, ensuring secure and efficient information sharing across the AUKUS partners remains vital. Building trust and establishing robust protocols for sharing sensitive data and technologies are still required for effective collaboration.

- *Defining clear metrics for success:* Establishing clear and measurable objectives for Pillar 2 initiatives is important for tracking progress and demonstrating the value of the cooperation. The lack of easily identifiable AUKUS-branded capabilities has led some to perceive Pillar 2 as less tangible than Pillar 1.
- *Avoiding duplication and fostering specialisation:* To maximise efficiency and impact, the AUKUS partners need to coordinate their technology investments and potentially specialise in distinct technology domains to avoid duplication of effort.
- *Engagement with industry and academia:* Deeper integration of industry and academic expertise is crucial for driving innovation under Pillar 2. Creating effective mechanisms for collaboration and leveraging the diverse talent pools in each nation will be a key to success.

Defence industry and national support base

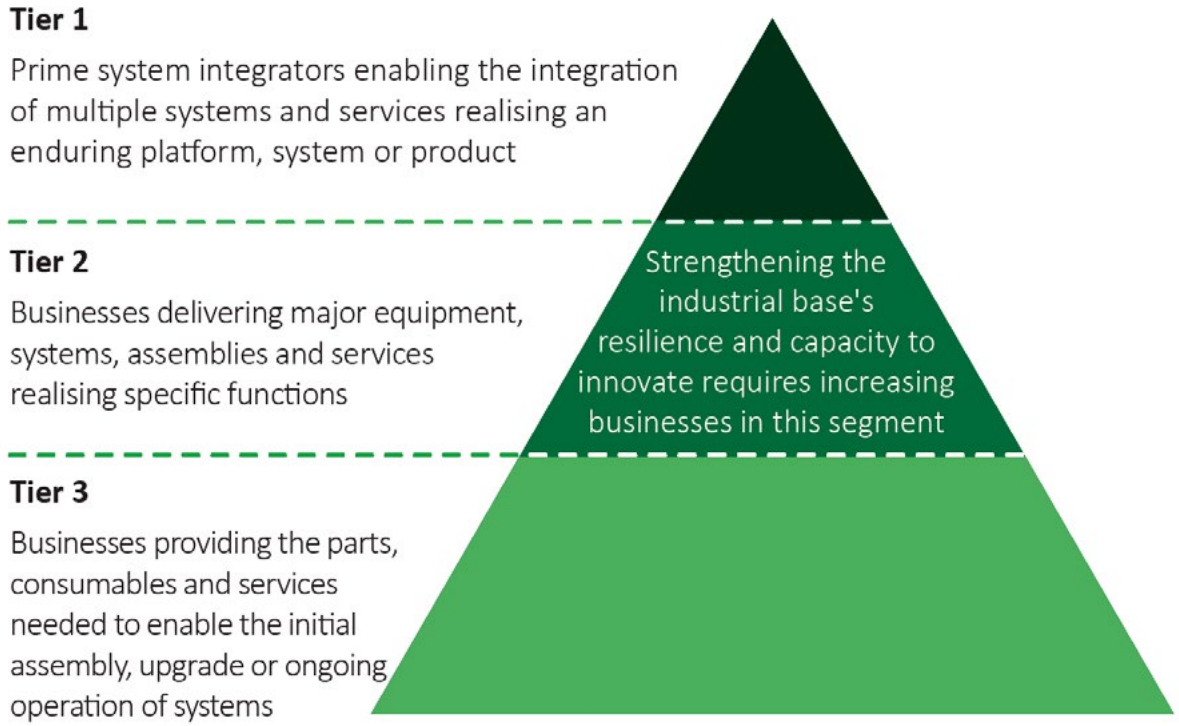
Australia's defence industry and national support base face a complex array of challenges in meeting the demands of a rapidly evolving strategic environment and the ambitious goals outlined in key Defence strategy documents. Those challenges span workforce capacity, industrial capability, technological advancement, cultural adaptation and the effective implementation of strategic plans. Defence industry sources suggest significant hurdles in realising the objectives of the NDS and IIP, the Defence Industry Development Strategy, the Naval Shipbuilding and Sustainment Enterprise Plan, the Defence Workforce Plan, and the GWEO Enterprise.

Defence Industry Development Strategy

The 2024 Defence Industry Development Strategy provides the government's plan to develop a sovereign defence industrial base that's capable, resilient, competitive and innovative. The strategy is designed to support the NDS's stated need for accelerated capability delivery and enhanced self-reliance. Key elements of the Strategy include the following:

- *Strategic rationale and sovereignty:* The strategy emphasises the necessity of a sovereign defence industrial base to ensure Australia can meet immediate and future defence capability needs, maintain a technological edge and contribute to regional stability. It defines industrial capability quite broadly, including business acumen, IP, workforce and capital, and recognises that complete self-reliance isn't feasible but that targeted sovereignty in critical areas is essential.
- *Structure and prioritisation:* The strategy categorises Australian defence industry into three tiers, aiming to grow more businesses into Tier 2 (major equipment and system suppliers) to increase resilience and innovation capacity (Figure 24). It identifies seven 'sovereign defence industrial priorities' (SDIPs) covering key capability areas such as maintenance, shipbuilding, guided weapons, autonomous systems and combat systems. Those priorities are supposed to guide investment, demand management and capability development.

Figure 24: Tiers of the defence industrial base



Source: Defence Department, *Defence Industry Development Strategy*, Australian Government, 2024, 10, Figure 2, online.

- *Support and procurement reform:* The strategy commits to better communication of Defence's needs, early engagement with industry, and tailored support, including grants and workforce development. Major procurement reforms aim to simplify contracting, increase agility and establish strategic long-term partnerships with industry. Mandating critical Australian businesses in tenders is also planned to sustain key capabilities.
- *Innovation and workforce development:* Defence aims to accelerate innovation through partnerships, secondments and the ASCA. Protecting IP and sensitive technologies is called out as a priority. Workforce strategies include better data collection, national workforce planning, education pathways and addressing skills shortages critical for complex programs such as the nuclear-powered submarine enterprise.
- *Exports and international collaboration:* The strategy promotes integration into global supply chains, export growth and closer industrial collaboration with trusted partners, including through AUKUS arrangements. Government-to-government agreements, many of which are still to be negotiated, are expected to facilitate market access and technology sharing.
- *Security:* Security is treated as paramount, and there are initiatives to streamline security clearance processes, enhance industry cybersecurity and protect sensitive technologies. This is particularly crucial for highly sensitive programs such as the nuclear-powered submarine program.

The strategy presents many challenges for the defence industry, including the following:

- *Scale and capacity constraints:* Australian defence industry is relatively small and fragmented, especially at Tier 2 and Tier 3 levels (Figure 24). Growing businesses to deliver the SDIPs at scale and pace is challenging due to limited existing capacity and the need for rapid scaling in response to threats.
- *Workforce shortages and skills gap:* There's acute competition for skilled workers, particularly engineers and technical specialists, compounded by long lead times to develop expertise. The nuclear-powered submarine program and naval shipbuilding create unprecedented demand, intensifying workforce challenges.

- *Industry agility and investment:* Defence's demand continues to be inconsistent, causing peaks and troughs that hinder industry's financial stability and capacity planning. Encouraging private investment is difficult, given classification constraints and long procurement cycles, which deter venture capital and institutional investors.
- *Procurement complexity and reform implementation:* While procurement reform is a central pillar, Defence has historically struggled with complex, lengthy contracting processes. Achieving the promised simplification and agility requires significant cultural and procedural change within Defence, which continues to elude Defence, as well as effective industry engagement.
- *Balancing sovereignty and international collaboration:* The strategy seeks both sovereignty and deep integration with trusted international partners. Managing security risks, protecting sensitive IP and ensuring reciprocal clearance recognition while fostering collaboration is complex and requires robust frameworks that are yet to eventuate.
- *Innovation transition to capability:* Accelerating innovation and rapidly pulling it through to operational capability involves accepting higher risk and adapting acquisition processes. That cultural shift faces stiff resistance internally and requires stronger coordination between Defence, industry and the research sectors.
- *Security and cyber threats:* Increasing cyberattacks and espionage threats pose ongoing risks to industry and Defence. Ensuring all industry participants meet stringent security standards, while not stifling innovation and participation, is a delicate balance.
- *Export market barriers:* Australian industry continues to face challenges in navigating foreign procurement and export controls. Government-to-government frameworks aim to ease that, but practical barriers and geopolitical sensitivities are still limiting Australian defence industry's export potential.

Naval Shipbuilding and Sustainment Enterprise Strategy and Plan

The Naval Shipbuilding and Sustainment Enterprise Strategy and Plan (figures 25 and 26) aims to establish a continuous and sovereign naval shipbuilding and sustainment capability. The key elements of the 2024 Naval Shipbuilding and Sustainment Strategy and Plan are structured around delivering maritime capability and uplifting Australia's maritime industrial base through the Continuous Naval Shipbuilding and Sustainment Enterprise (CNSS Enterprise). The plan is underpinned by seven industrial cornerstones and focuses on two core objectives:

1. Uplift the capacity, productivity and resilience of Australia's shipbuilding and sustainment industrial base to provide national preparedness as a direct input to the operations of the ADF.
2. Generate ongoing economic, export and employment opportunities for decades to come.

To implement those objectives, the plan highlights the development of CNSS key enablers, which are fundamental inputs designed to grow capacity, productivity and resilience in the Australian industrial base. The CNSS key enablers include:

- skilled and experienced workforce
- fit-for-purpose infrastructure
- industry partnerships and resilient supply chains
- security standards and culture
- innovation throughout the capability life cycle.

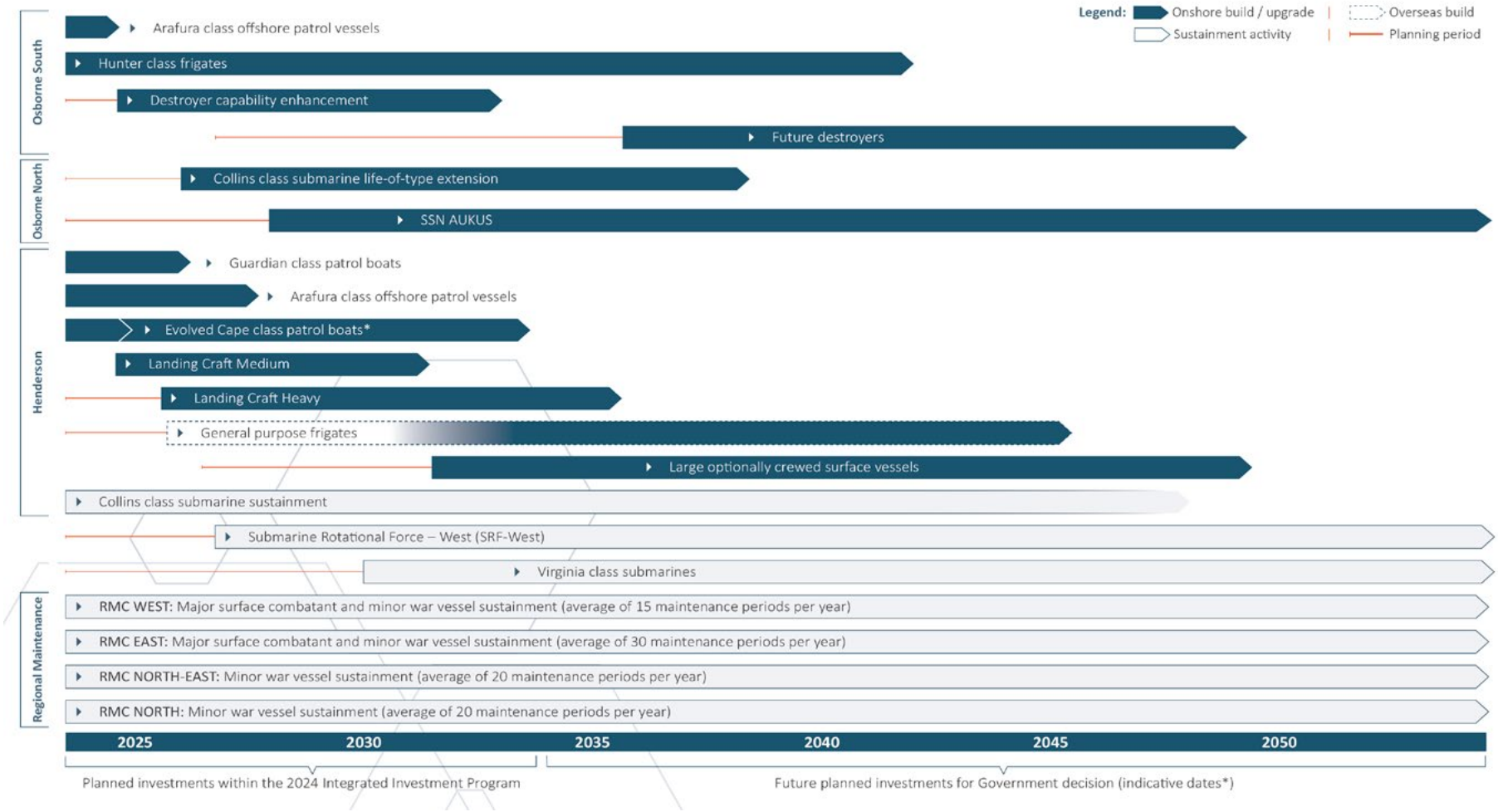
The plan also emphasises a national whole-of-nation approach involving collaboration across government, industry, academia and trade unions to develop the enablers. It includes a continuous pipeline of shipbuilding projects, such as the construction of nuclear-powered submarines, Hunter-class frigates, general purpose

frigates, large optionally crewed surface vessels and Army landing craft, supported by sustainment investments expected to be around $2 billion annually.

The plan outlines infrastructure investments at the principal shipyards (Osborne in South Australia and Henderson in Western Australia), regional maintenance centres and Defence bases to support shipbuilding and sustainment activities. It also incorporates governance frameworks for the CNSS Enterprise to manage risk, performance and collaboration among partners.

Finally, the plan includes an emphasis on innovation through programs such as the ASCA and international partnerships, notably under the AUKUS technology sharing partnership, to ensure the Australia adopts cutting-edge technologies in naval shipbuilding and sustainment.

Figure 25: Naval shipbuilding and sustainment forecast, 2024



Source: Defence Department, *Naval Shipbuilding and Sustainment Plan: evolving the enterprise*, Australian Government, 2024, 74–45, Annex A, online.

Figure 26: Strategic overview of the Naval Shipbuilding and Sustainment Enterprise Strategy

Source: Defence Department, *Naval Shipbuilding and Sustainment Plan: evolving the enterprise*, Australian Government, 2024, 7, Figure 3, online.

Several challenges impede this vision:

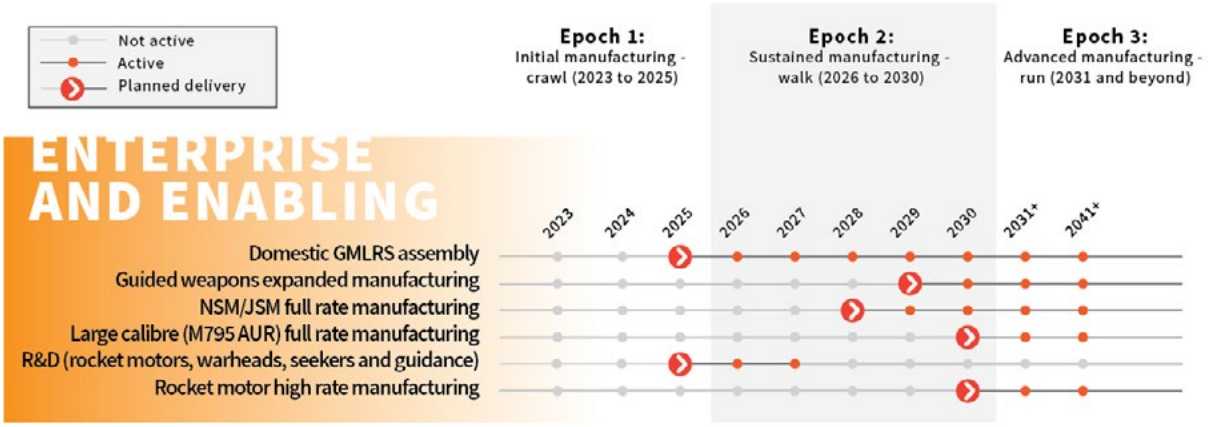
- *Workforce:* A critical challenge is the availability of a skilled workforce across shipbuilding trades, engineering and project management. The scale of the planned shipbuilding programs, including conventionally armed nuclear-powered submarines under AUKUS, demands a significant uplift in the maritime industrial base workforce. Competition from other sectors, rising wages and the need for specialised skills create a substantial hurdle in attracting, training and retaining the necessary personnel. The establishment of the Maritime Workforce and Skills Council is a positive step, but a national, coordinated approach is needed to ensure a sustainable talent pipeline. Developing a national approach to this enterprise has eluded Defence to date.
- *Industrial capability and infrastructure:* Modern and fit-for-purpose infrastructure is essential for efficient shipbuilding and sustainment. Upgrading existing shipyards such as Osborne and Henderson to meet the demands of concurrent construction programs and ensuring that they can operate at an internationally competitive standard presents a significant logistical and financial challenge. Establishing a resilient sovereign industrial base to reduce reliance on international supply chains is crucial but requires strategic investment and partnerships. The 'boom-and-bust' cycles of the past must be avoided through consistent demand and long-term planning to provide industry with the confidence to invest in capabilities and infrastructure. Defence's choices for overseas acquisition and build of some ship types continues to frustrate the concept of a continuous naval shipbuilding program.

- *Supply-chain resilience:* Building a sovereign industrial base necessitates developing resilient domestic supply chains. Australia's high dependency on manufactured imports poses a vulnerability. Identifying and strategically prioritising areas where Australia can develop relevant capabilities and contribute to both domestic and allied supply chains is vital.
- *Technology transfer and integration:* The AUKUS partnership involves the transfer of highly sensitive nuclear propulsion technology, which presents unprecedented challenges in terms of security, regulation and workforce vetting and training. Integrating new technologies across the naval fleet and ensuring interoperability with allied forces require significant investment in R&D and training.
- *Cost and efficiency:* Delivering naval vessels on time and within budget has historically been a challenge for Australia. Ensuring value for money through effective contracting models, international benchmarking, and incentivising efficiency is crucial, especially given the scale of the planned investments. Managing potential monopoly risks associated with strategic partnering arrangements through open-book contracts and performance-based incentives is also essential.

The GWEO Enterprise

The GWEO Plan aims to establish a sovereign capability to produce guided weapons and explosive ordnance. The plan presents a long-term national strategy aimed at increasing Australia's self-reliance, resilience, and sovereign capability in guided weapons and munitions manufacturing. Its aims enhance the ADF's readiness and preparedness through expanded war stocks, domestic manufacture of key weapons and components, and strengthened international collaboration, especially with trusted partners such as the US and Norway (Figure 27).

Figure 27: GWEO manufacturing time horizons



Source: Author's own calculations based on Defence Department, *The Australian Guided Weapons and Explosive Ordnance Plan*, Australian Government, 2024, online.

Key elements of the plan include:

- domestic manufacturing ambitions:
  - establish at least two purpose-built guided-missile manufacturing factories by 2029
  - build a munitions factory for long-range artillery ammunition by the end of the decade
  - create a dedicated solid rocket motor manufacturing facility operational by 2030
- industrial base uplift:
  - a commitment of over $500 million to uplift Australian industry, particularly small and medium-sized enterprises (SMEs), enabling them to manufacture components and subsystems for guided weapons; this includes targeted grants and support programs such as the Defence Industry Development Grants

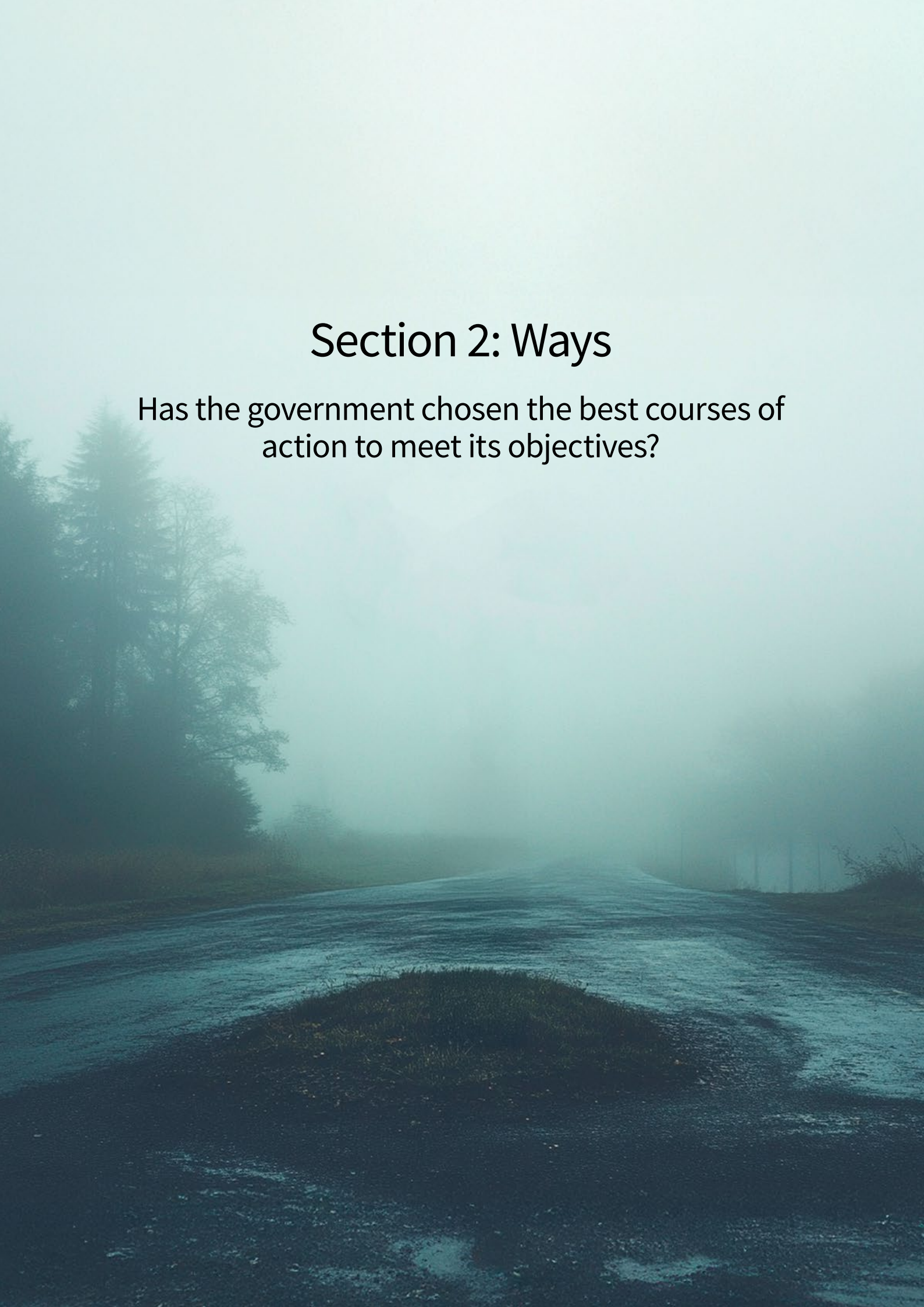
- prioritisation of manufacturing projects:
  - Naval Strike Missile (NSM) and Joint Strike Missile production in a new facility in Newcastle
  - Guided Multiple Launch Rocket System production through Lockheed Martin Australia in a planned Australian Weapons Manufacturing Complex
  - establishment of sovereign rocket motor manufacturing to alleviate global supply constraints
  - production of large-calibre 155-mm artillery ammunition to meet high demand and bolster stockpiles
- phased approach to manufacturing:
  - the plan adopts a phased manufacturing strategy, starting with assembly of imported components (initial manufacturing), increasing Australian-made components (sustained manufacturing), and ultimately designing and producing advanced weapons independently or in cooperation with allies (advanced manufacturing)
- international collaboration:
  - the plan emphasises collaboration with trusted partners, especially the US and Norway, to facilitate technology transfer, co-development and integration into global supply chains; agreements such as AUSMIN and inclusion in the US Defense Production Act Title III are expected to enable streamlined cooperation and export-licence exemptions
- workforce and capability development:
  - significant workforce growth and skills development are required, including government-supported recruitment, education, training programs and industry upskilling; programs target SMEs to build their capacity and security posture
- research and development:
  - a $60 million investment over five years targets the development of next-generation weapon subsystems such as rocket motors, warheads, fuses, seekers and guidance technologies, which are essential for future sovereign capabilities
- infrastructure and support services:
  - investments include upgrading test and evaluation facilities, expanding explosive ordnance storage and distribution networks, and enhancing maintenance and disposal capabilities
- budget and investment:
  - the Government has committed $16–$21 billion over the decade specifically for GWEO, representing about 5% of the IIP; that includes $1.9 billion for domestic manufacturing, $1.7 billion for enterprise enablers, and $0.4 billion for stock acquisitions, with further funding earmarked for future projects.

Significant challenges exist in achieving this goal:

- *Timelines and urgency:* The 'crawl, walk, run' approach, while sensible given the current low base of Australian capability, risks moving too slowly in a rapidly deteriorating strategic environment. Delays in establishing sovereign production capabilities will leave Australia reliant on foreign supplies for some time, potentially including during a major conflict.
- *Technology transfer and partnership with the US:* The GWEO Plan relies heavily on technology transfer and partnerships with the US. Navigating complex US regulatory frameworks, budget cycles and potential bureaucratic hurdles will continue to impede progress. Securing the necessary technical expertise and manufacturing techniques from the US is critical but not guaranteed. Industry must reconfigure many of its processes to successfully engage in co-production, co-development and sustainment partnerships, particularly those requiring adherence to US and Norwegian export controls and security frameworks.

- *Industrial ecosystem development:* Building a comprehensive industrial ecosystem to support sovereign GWEO production requires significant and sustained investment in workforce, supply chains, logistics, and testing and evaluation capabilities. The plan needs to provide clearer guidance and incentives for industry, particularly SMEs, to invest in scaling up their operations. Australian industry, especially SMEs, must also significantly scale up manufacturing capabilities to produce complex guided weapon components and subsystems to meet Defence standards and integrate into global supply chains.
- *Certification and standardisation:* Establishing domestic certification processes for guided weapons and explosive ordnance is essential to avoid reliance on overseas evaluation, which can be time-consuming. Ensuring interoperability and standardisation with allied systems is also crucial.
- *Funding and commitment:* The long-term success of the GWEO Enterprise requires sustained funding and unwavering commitment from the government and Defence. Fluctuations in budgets or changes in priorities could undermine the development of this critical capability.
- *Strategic alignment:* The GWEO Plan needs to be tightly aligned with Australia's overall defence strategy and capability requirements. Ensuring that the types and quantities of weapons produced domestically meet the ADF's needs in a timely manner is paramount.

The Australian defence industry and national support base face significant and interconnected challenges in meeting the ambitious goals set out in Defence's strategic documents. Addressing those challenges requires a concerted national effort involving government, industry, academia and the broader community. Defence must lead that work and engagement with a deeply sceptical and financially struggling defence industrial base, but is still struggling for coherence within the organisation. Future success hinges on strategic investment, effective collaboration, a focus on workforce development, a commitment to cultural change and a sense of urgency in building sovereign capabilities. Failure to overcome those hurdles risks undermining Australia's ability to defend its interests. Continuous monitoring, adaptation and a willingness to confront difficult issues will be essential to realising the vision of a resilient and capable Australian defence enterprise.



Section 2: Ways

Has the government chosen the best courses of action to meet its objectives?

One Defence: 10 years after the First Principles Review

The 2015 First Principles Review (FPR) represented a watershed moment for the Defence Department and the ADF. Commissioned by the Abbott government (Figure 28), the review—led by David Peever and Peter Leahy—aimed to fundamentally reshape Defence's structures, processes and culture to ensure its preparedness for future challenges and the effective delivery of military capability. Ten years on, with increasing talk about the rising possibility of major-power conflict, calls for Defence funding to increase to at least 3% of GDP, and questions raised about Defence's ability to spend the money appropriated to it, it's the perfect time to assess whether Defence created the sustainable and enduring business model that the review championed.

Did the reforms take?

The FPR articulated a vision centred on a 'strong, strategic centre' and improvements across the capability development life cycle, corporate and military enablers, and the Defence workforce. Examining the progress in each of those areas provides insights into the implementation and embedding of the reforms.

A strong, strategic centre

The FPR advocated for a more empowered and strategically focused central Defence organisation, capable of providing clear direction, setting priorities and ensuring accountability. While significant structural changes occurred, including the establishment of new groups and the realignment of responsibilities, the extent to which a truly 'strong, strategic centre' has been consistently achieved remains debatable. Bureaucratic complexities and the inherent challenges of coordinating a large and multifaceted organisation have, at times, hindered agile decision-making and strategic coherence. Subsequent audits and parliamentary inquiries have pointed to ongoing issues with interservice rivalry and a lack of seamless integration at the centre of Defence, suggesting that the aspiration for a unified strategic core is still a work in progress.

Reforms of the capability development life cycle

A key focus of the FPR was to streamline and improve the efficiency and effectiveness of Defence's capability development process, from initial concept to final acquisition and sustainment. The review identified significant issues with lengthy timelines, cost overruns and a lack of strategic alignment in capability development. While efforts have been made to implement the recommendations, including the introduction of a more rigorous gate review process and an emphasis on early industry engagement, tangible improvements have been incremental and minor. Major projects continue to face delays and budget pressures, indicating that the fundamental challenges in translating strategic requirements into deployable, joint and integrated capabilities efficiently persist. The complexity of modern military technology and the inherent risks associated with large-scale acquisitions contribute to those ongoing difficulties, suggesting that the reforms, while impactful in some areas, haven't been a panacea.

Figure 28: Defence Department organisational structure, 2015

Source: Defence Department, *Defence annual report 2014–15*, online.

Reforms to corporate and military enablers

The FPR recognised the critical role of corporate and military enablers—including logistics, estate and infrastructure, ICT and shared services—in supporting Defence's operational effectiveness. The review recommended reforms to improve the efficiency, effectiveness and integration of those enabling functions. Progress in this area has been varied. While initiatives to consolidate shared services and modernise ICT infrastructure have been undertaken, challenges related to data management, interoperability and the efficient delivery of support services remain. The sheer scale and complexity of Defence's enabling functions make transformative change a long-term undertaking, and anecdotal evidence suggests that inconsistencies and inefficiencies still exist across the services and functional areas.

Workforce reforms

The FPR highlighted the need for a more adaptable, skilled and integrated Defence workforce. Recommendations focused on improving recruitment and retention, enhancing training and education and fostering a 'One Defence' culture that transcends service boundaries. While initiatives such as the Total Workforce System and efforts to streamline recruitment processes have been implemented, Defence continues to face significant workforce challenges, including skills shortages in key technical areas and retention issues, particularly among experienced personnel. Cultural change within a large and historically federated organisation is a slow process, and achieving a truly integrated 'One Defence' workforce with seamless collaboration across services and ranks remains an ongoing aspiration.

Were the reforms successful?

At its simplest, the FPR sought to ensure that respective ministers, secretaries and chiefs of the defence force would ask themselves every working day: Do these decisions (or these options to government) strip back and simplify complicated processes and structures? Do they introduce greater transparency, contestability and professionalism? Do they enforce accountability and leadership?

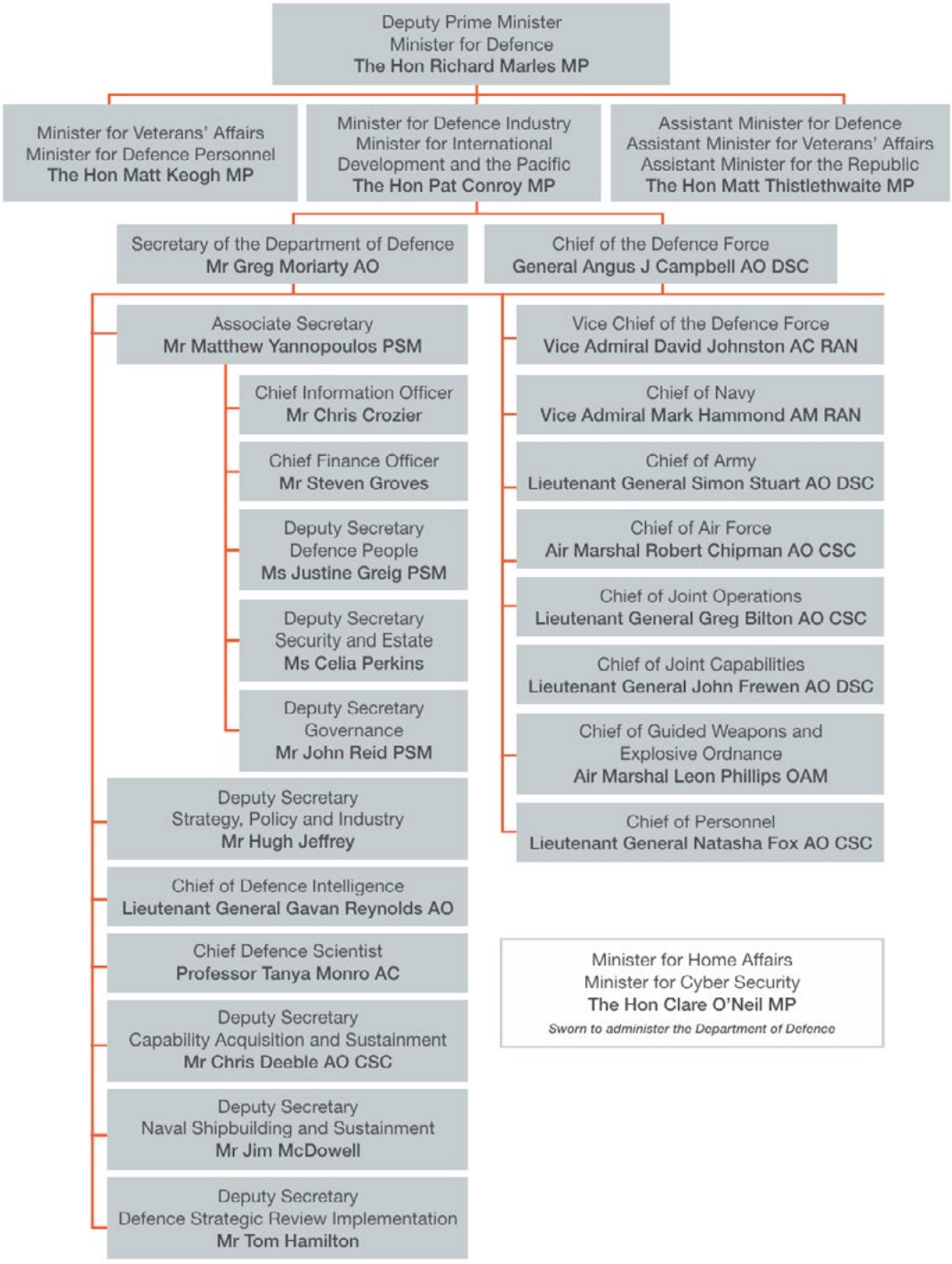
Against those three questions, sadly, Defence's implementation didn't climb to the ambitions demanded by the review team. Despite the FPR's intent to 'de-thatch' Defence's hierarchy, devolve accountabilities to the lowest level possible and de-layer the organisation, Defence now has more Senior Executive Service and star-ranked officers and organisational units than it did in 2015 (Figure 29).

Committee structures have similarly reverted, although it should be acknowledged that the Investment Committee has been a positive advance for the organisation, though the burden on its members continues to be backbreakingly cumbersome. The behavioural change that's necessary to transform Defence seems to have broken on the rocks of institutional resistance.

The review highlighted 'an organisational culture within Defence that is risk-averse and resistant to change'. The FPR authors were deeply focused on the risk culture of the organisation, and many of their recommendations centred on practical ways to overcome that risk aversion. The simplicity and elegance of their recommendations were certainly lost on the upper floors of the Russell offices during the implementation process.

Defence's failure to change—with concomitant failure to deliver—represents the organisation's unwillingness to explore a different concept of risk management. This was also the case with Peever's subsequent review of Defence innovation in 2021, which called for Defence to embrace a desire to improve (we think—the review was heavily redacted, including all of its recommendations).

Figure 29: Defence's organisational structure as of 30 June 2024



Source: Defence Department, *Defence annual report 2023–24*, Australian Government, 2024, online.

Similarly, the concept of a single end-to-end capability development function hasn't taken root, and the contestability function has failed to meet the aim of a 'robust and disciplined contestability function to provide arm's-length assurance to the secretary that the capability needs and requirements are aligned with strategy and resources and can be delivered'. Correspondingly, the transfer of accountability to the service chiefs appears to have frustrated the FPR's aims for an integrated capability management process, in which all the fundamental inputs to capability (including industry support, facilities, ICT and workforce) are managed as a whole.

This has been particularly challenging for the capability managers within Capability Acquisition and Sustainment Group (CASG), who no longer have all the levers necessary to effectively and efficiently manage the 'smart buyer' function. It appears that the commonsense approach to acquiring and sustaining capability—in which the full

process doesn't need to be followed when common sense says that the judicious use of a fast-track path is appropriate, and risks are acceptable—has struggled. Few are the examples of innovative use of procurement practices, the development of fast-track projects, or the creation of novel contractual relationships.

Skill development in CASG, and in Defence more broadly, continues to be a fundamental challenge. The Defence Workforce Plan didn't emerge until 2024, and we're yet to see whether that plan will effectively deliver the required workforce, identify the critical skills gaps or build those skills and workforce strategies that place 'the right people with the right skills in the right roles at the right time to deliver Defence's mission'.

Against the major FPR objectives, the record is similarly mixed:

- *Strengthened accountability and top-level decision-making:* The FPR aimed to establish clearer lines of accountability and more effective top-level decision-making within Defence. While structural changes have contributed to a more defined hierarchy, the effectiveness of accountability mechanisms is often tested during periods of crisis or project failure. Instances of significant project delays or cost overruns continue to raise questions about the robustness of accountability frameworks. Similarly, while the strategic centre has been strengthened, the ability to consistently translate strategic guidance into timely and effective decisions across the vast Defence apparatus remains an area for continuous improvement.
- *Efficient, effective and professional delivery of military capability:* As discussed above, while the FPR initiated reforms aimed at improving the capability development life cycle, tangible and consistent improvements in efficiency and effectiveness have been challenging to achieve. The inherent complexities of defence procurement, coupled with evolving technological landscapes and geopolitical uncertainties, continue to affect project timelines and costs. While professionalism within the ADF remains high, the systemic issues hindering efficient capability delivery suggest that the reforms, while setting a positive direction, haven't fully overcome deeply entrenched challenges.
- *Efficient and effective corporate and military enabling services:* Progress in transforming corporate and military enabling services has been incremental. While modernisation efforts are underway, achieving truly efficient and effective delivery across the diverse range of enabling functions remains a significant undertaking. Issues related to data integration, interoperability between systems and the responsiveness of support services continue to be areas of focus for improvement. The sheer scale and complexity of Defence's enabling requirements necessitate sustained effort and investment over the long term.
- *A 'One Defence' workforce:* The aspiration for a 'One Defence' workforce, characterised by seamless integration and a shared culture, has seen some progress through initiatives promoting joint training and postings. However, deeply ingrained service identities and distinct operational cultures continue to shape workforce dynamics. Achieving a truly unified workforce requires sustained cultural change programs and a commitment to breaking down traditional silos. While the intent of the FPR was clear, the full realisation of a 'One Defence' workforce remains a long-term ambition.
- *Optimal use of funds and maximised efficiencies:* A central tenet of the FPR was to ensure the optimal use of taxpayer funds and maximise efficiencies across Defence. While the review undoubtedly spurred greater scrutiny of expenditure and efforts to streamline processes, the ongoing challenges with project cost overruns and the complexities of managing a large and diverse organisation suggest that achieving optimal resource utilisation remains an ongoing pursuit. The increasing cost of modern military technology and the need to maintain a technologically advanced ADF in a complex security environment place significant pressure on the defence budget.

Implications for 2025

In 2025, Defence is pursuing yet another strategic reform agenda, set out in Chapter 11 of the NDS. It aims to deliver both strategic reform (the transformation of the core elements of Defence that deliver effects to achieve the strategy of denial) and enterprise reform (the transformation of Defence's enabling elements that drive performance). In doing so, it could do worse than returning to the fundamental first principles that drove the FPR:

- *clear authorities and accountabilities that align with resources:* empowering decision-makers to deliver on strategies and plans within agreed resourcing, while also holding them responsible
- *outcome orientation:* delivering what's required, with processes, systems and tools being the means, not the end
- *simplicity:* eliminating complicated and unnecessary structures, processes, systems and tools
- *focus on core business:* Defence doing only for itself what no one else can do more effectively and efficiently
- *professionalism:* encouraging committed people with the right skills in appropriate jobs
- *timely, contestable advice:* using internal and external expertise to provide the best advice so that the outcome is delivered in the most cost-effective and efficient manner
- *transparency:* behaving in a way that enables others to know exactly what Defence is doing and why.

While some progress has been made in areas such as strengthening the strategic centre and initiating reforms to capability development and enabling services, persistent challenges related to bureaucratic complexity, project management, workforce integration and achieving optimal efficiency indicate that the journey of reform is far from complete.

If Australia is to effectively meet the challenges it faces, the government and the public need to have confidence in the combat capabilities of its armed forces, the effectiveness and timeliness of Defence's decision-making and the efficient use of the nation's treasure.

Peever and his team set up a strong and sensible plan to ensure that Defence was able to meet those three demands. Sadly, because of culture, behaviour and bureaucratic malaise, the FPR proved less enduring than the review team—and the Australian public—needed it to be.

Defence posture and preparedness in focus

Australia's defence posture and preparedness are undergoing a significant transformation, driven by an increasingly complex and contested Indo-Pacific strategic environment. The DSR outlined a new strategic direction, emphasising a more focused and integrated approach to deter potential adversaries and protect Australia's national interests. That evolving posture can be understood through three distinct, yet interconnected, epochs: the Enhanced Force-in-Being (2024–25), the Objective Integrated Force (2026 to 2030), and the Future Integrated Force (2031 and beyond). Each epoch represents a stage in the evolution of Australia's defence capabilities, force structure and operational readiness (Figure 30).

The Enhanced Force-in-Being (2024–25): Immediate priorities and capability enhancement

The current epoch, the Enhanced Force-in-Being (2024–25), is characterised by an immediate focus on enhancing the readiness and lethality of Australia's existing defence capabilities. Recognising the urgency of the evolving strategic landscape, this phase seeks to optimise the current force structure and accelerate key capability enhancements already underway.

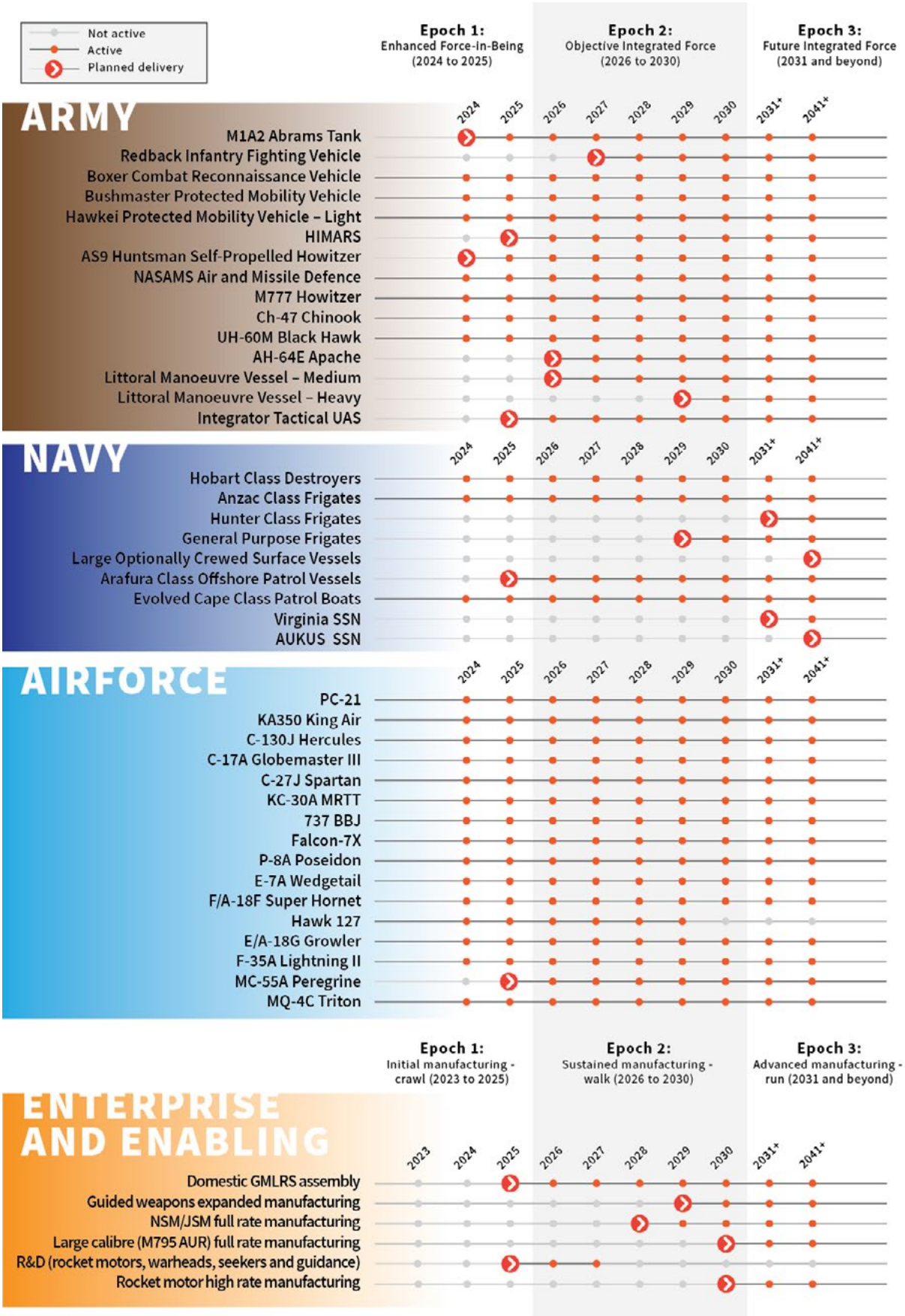
That includes progressing the acquisition of long-range strike capabilities, such as the Tomahawk land attack missiles for the Hobart-class destroyers and the AGM-158B Joint Air-to-Surface Standoff Missile (JASSM-ER) for the Royal Australian Air Force (RAAF). Those capabilities are crucial for enhancing Australia's deterrent posture and its ability to project power at greater distances. Simultaneously, efforts are underway to enhance the cyber resilience of Defence networks and critical infrastructure, recognising the growing importance of the cyber domain in modern warfare.

Another key aspect of the Enhanced Force-in-Being is an intensified focus on training and exercises. That involves more frequent and complex joint exercises with key allies, particularly the US, to enhance interoperability and refine war-fighting concepts relevant to the Indo-Pacific. The exercises aim to build proficiency in combined operations, including maritime security, antisubmarine warfare and IAMD. Furthermore, there's a renewed emphasis on developing and refining Australia's northern operating bases and logistics networks to support enhanced forward presence and responsiveness in the strategically critical northern regions.

This epoch also emphasises strengthening Defence's engagement with regional partners. That includes deepening security cooperation with Southeast Asian nations and Pacific island countries through increased training opportunities, capacity-building initiatives and information sharing. Building strong regional partnerships is seen as crucial for fostering a stable and resilient Indo-Pacific.

The Enhanced Force-in-Being isn't about radical structural changes but rather about maximising the potential of the current ADF while laying the groundwork for the more transformative phases to come. It acknowledges the need for immediate action to enhance Australia's deterrent capabilities and operational readiness in a rapidly changing strategic environment. As this report has already noted in previous sections, and will highlight in later sections, there have been considerable challenges in meeting the priorities of the Enhanced Force-in-Being epoch, due in part to the limited financial injections in the 2024–25 and 2025–26 budgets and continuing organisational inertia.

Figure 30: Defence posture over the three epochs



Source: Aggregated from defence documents, announcements and PBS.

The Objective Integrated Force (2026 to 2030): Building a more integrated and littoral force

The second epoch, the Objective Integrated Force (2026 to 2030), marks a more significant shift towards a truly integrated and littoral-focused defence force. This phase aims for the tangible integration of new capabilities acquired in the Enhanced Force-in-Being, alongside the introduction of new platforms and technologies designed to enhance Australia's ability to operate effectively in the maritime and littoral environments of the Indo-Pacific.

A key development during this epoch will be the commencement of the project for conventionally armed, nuclear-powered submarines (SSNs) under the AUKUS security pact. While the introduction into service of the submarines won't occur until well after this epoch's time frame, progress in their acquisition and the development of the necessary support infrastructure is expected to occur.

This period is also expected to see the further development of Australia's littoral manoeuvre capabilities. That includes investments in advanced amphibious warfare ships, enhanced mine countermeasures capabilities, and the integration of uncrewed maritime systems. The ability to operate effectively in the complex littoral environments of the Indo-Pacific will be crucial if the ADF is to respond to regional contingencies and ensure Australia's maritime security.

The Objective Integrated Force will expect to see a greater emphasis on joint all-domain operations. That involves the seamless integration of capabilities across the maritime, land, air, space and cyber domains, enabled by advanced command and control systems and data-sharing networks. Achieving true jointness will require significantly greater investment in training, doctrine development and technological integration.

Furthermore, this epoch aims to see a refinement of Australia's force structure to better align with the littoral and integrated operational concepts. That involves adjustments to the size and composition of Army units, the development of more agile and networked air power capabilities, and a continued focus on building a highly skilled and technologically proficient workforce.

The Future Integrated Force (2031 and beyond): Embracing innovation and future technologies

The final epoch, the Future Integrated Force (2031 and beyond), envisions a highly advanced and technologically sophisticated ADF, fully integrated across all domains and capable of responding to a wide range of future security challenges. This phase will be characterised by the adoption of cutting-edge technologies and a continued evolution of force structure and operational concepts.

Key aspects of the Future Integrated Force are to include the integration of advanced autonomous and robotic systems across all domains. That involves the deployment of large uncrewed surface and underwater vessels, autonomous aerial vehicles and robotic ground combat systems, enhancing situational awareness, force protection and operational reach.

AI and machine learning (ML) will play an increasingly significant role in areas such as intelligence analysis, decision support and autonomous systems control. Leveraging the power of AI and ML will be crucial for maintaining a technological edge and operating effectively in complex and data-rich environments.

The Future Integrated Force sees the further development of space-based capabilities, including enhanced satellite communications, surveillance and early-warning systems. Access to and the assured use of space will be increasingly critical for supporting terrestrial operations and maintaining national security.

This epoch will also necessitate a highly adaptable and innovative workforce, capable of operating and maintaining those advanced technologies. Continued investment in education, training and the development of specialised skills will be paramount. Furthermore, fostering a culture of innovation and experimentation within Defence will be crucial for adapting to future technological advances and evolving threats.

Implications

The three epochs provide a framework for understanding the evolution of the ADF under the NDS. The current focus on enhancing the readiness and lethality of existing capabilities in the Enhanced Force-in-Being is supposed to deliver the groundwork for the more transformative Objective Integrated Force, the introduction of game-changing capabilities and a greater emphasis on littoral operations and joint all-domain integration. The Future Integrated Force envisions a technologically advanced ADF leveraging autonomy, AI, and space-based capabilities. This phased approach reflects a strategic recognition of the need for both immediate enhancements and long-term transformation to ensure that Australia's defence posture and preparedness remain fit for purpose in a dynamic and challenging strategic environment.

While the ambition is clearly there, the lack of the necessary financial resources to achieve the objectives of each epoch and the continued organisational inertia and bureaucratic delays are frustrating the delivery of any new capability outcomes expressed in the NDS.

Why Australia rates poorly on delivering combat power

Australia rates relatively poorly on its ability to deliver combat power from the dollars invested. Australia's relatively smaller military compared to several other G20 nations and advanced economies stems from a complex interplay of constantly changing strategic priorities, geographical realities, economic considerations, and historical and legacy systems development. While comparable countries, such as Canada, South Korea, Mexico, Indonesia, Singapore, Finland, Poland and Israel, maintain larger active and reserve forces, Australia's defence posture is shaped by a unique set of factors that influence its force structure and expenditure.

Strategic and geographical considerations

Australia's geography has historically provided a natural buffer against land-based threats, unlike countries sharing extensive land borders with potentially adversarial nations. That geographical advantage has resulted in a perceived reduced need for a large standing army focused on territorial defence. Instead, Australia's strategic focus has often been on expeditionary operations, maritime security and maintaining a technological edge within a smaller, highly capable force. The fundamental assumption of Australian defence planning has, and continues to be, that the standing armed forces are the kernel around which the ADF would build the *actual* forces necessary to conduct a complex war-fighting operation and defend Australia.

The outcome of that strategic paradigm is that Australia has had the luxury of prioritising future investment in capability over the need to maintain large standing forces in the present. As a consequence, Australia and the Defence organisation haven't really felt the imperative to ensure we're delivering the maximum 'bang for the buck' from the dollars invested in defence. That comes despite the harsh realities of ADF operational activities in overseas military operations. For example, the ADF's command of the International Force East Timor (INTERFET) operations in East Timor in 1999 uncovered that the ADF's logistics system was 'cobbled together from the remnants of twenty-five years of unceasing organisational change. It is difficult to avoid the feeling that the

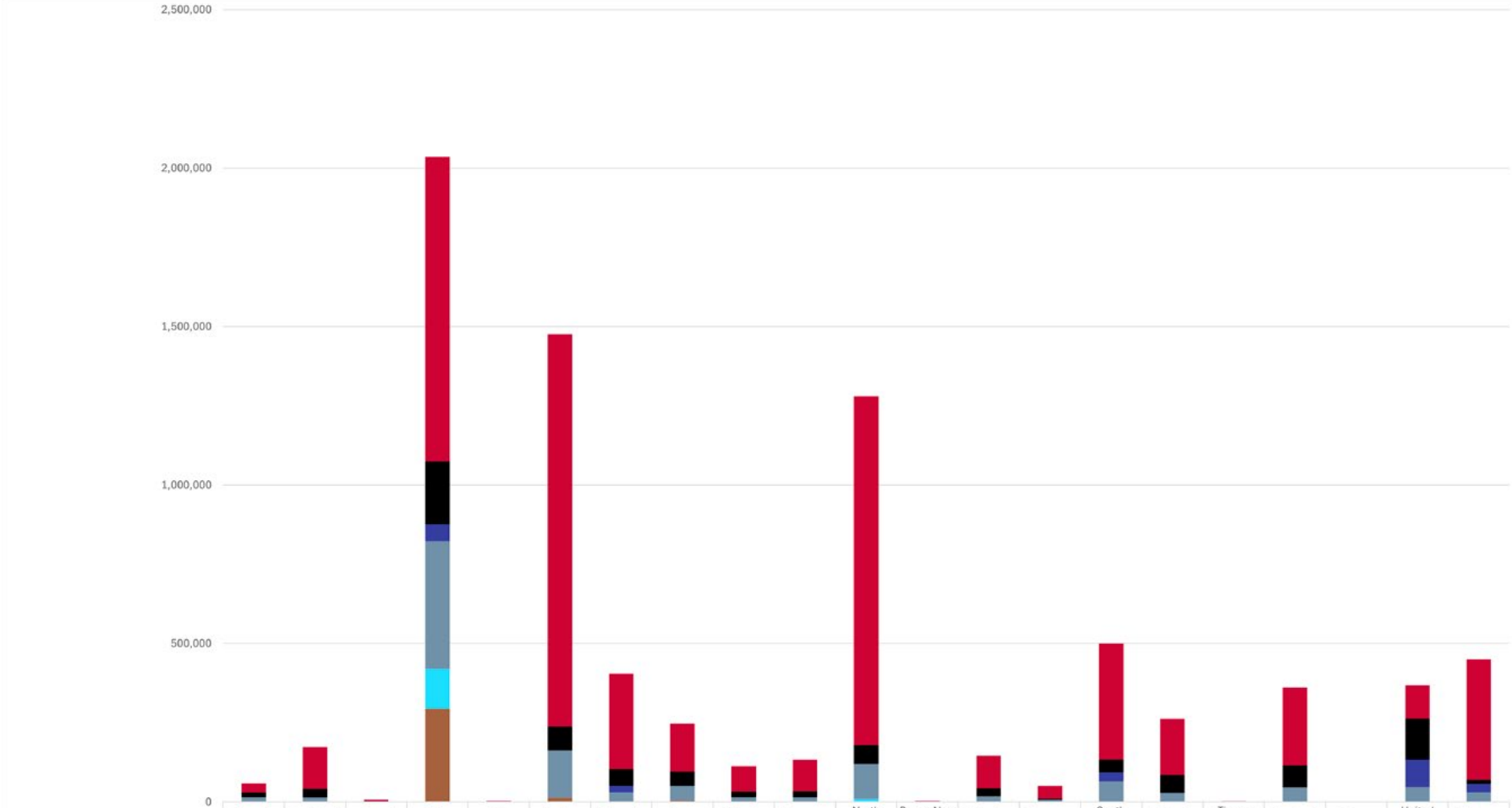
successful outcome of the INTERFET operation was achieved despite the state of logistics in the ADF, not because of it.'[62] Similar lessons emerged from Australia's involvement in the two Gulf Wars, Iraq and Afghanistan.

Today, we're no longer protected by distance.[63] But our defence planning, and the allocation of financial resources to reflect the threat environment Australia now faces, hasn't yet encompassed that paradigm shift.

Economic considerations and resource allocation

Australia is the 13th largest economy in the world.[64] We have the 15th highest military expenditure in the world.[65] And yet, Australia ranks only 18th in global firepower (figures 31, 32, 33 and 34).[66] That leads to a fundamental question about whether we're getting the most 'bang for the buck' from our military expenditure.

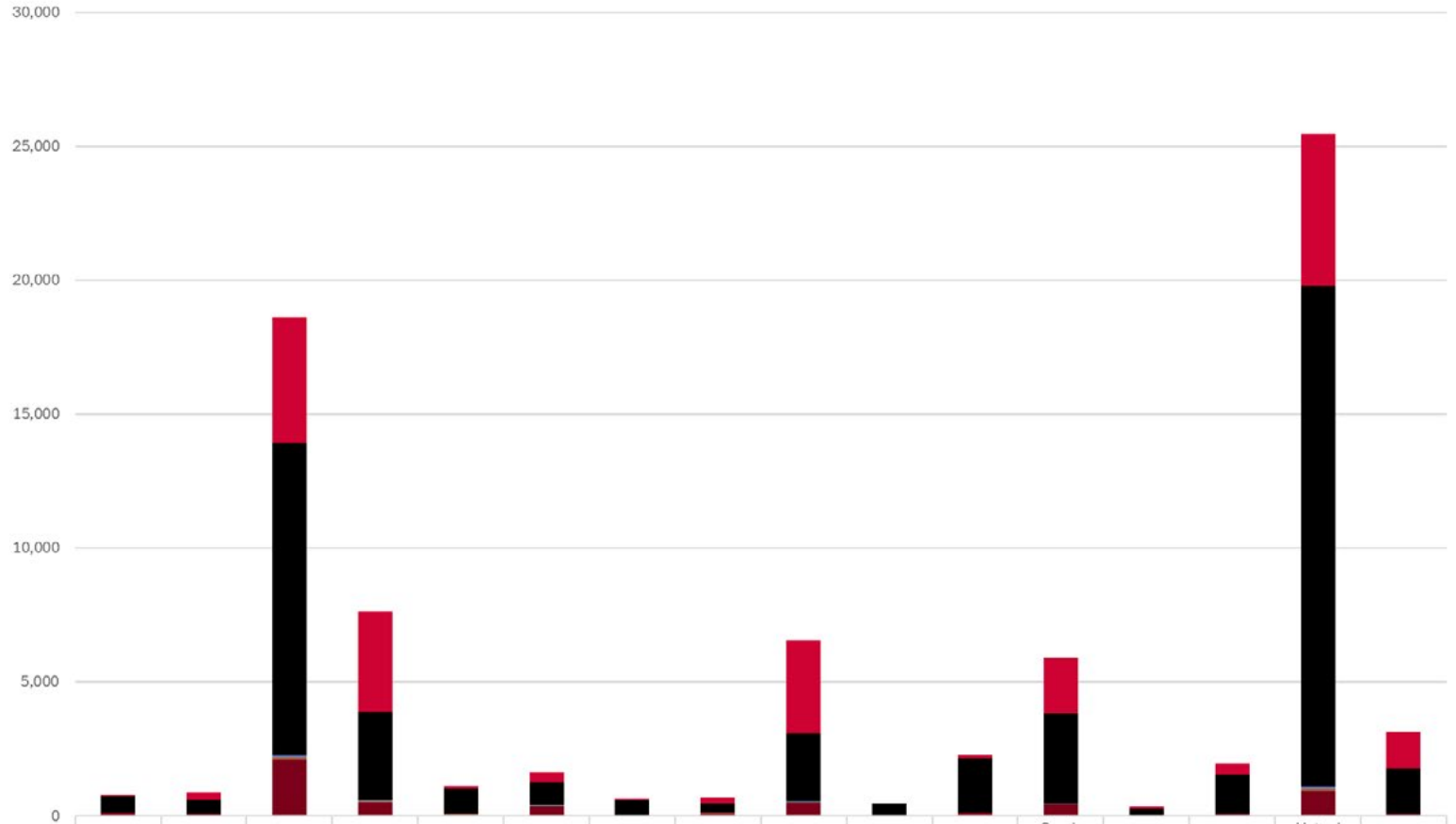
Figure 31: Australia's relative military strength, by active military personnel, 2024



	Australia	Bangladesh	Brunei	China	Fiji	India	Indonesia	Japan	Malaysia	Myanmar	North Korea	Papua New Guinea	Philippines	Singapore	South Korea	Sri Lanka	Timor-Leste	Thailand	Tonga	United States	Vietnam
Army/ground forces	28,400	132,150	4,400	960,000	3,700	1,237,000	300,400	150,250	80,000	100,000	1,100,000	3,700	103,200	40,000	365,000	177,000	2,250	245,000	140	106,000	380,000
Navy	15,000	27,500	1,200	199,000	340	75,500	53,000	45,400	18,000	19,000	60,000	200	25,450	4,000	41,000	57,500	0	69,850	130	130,000	13,000
Marines/Naval infantry/Navy aviation	0	0	0	53,000	0	0	21,000	0	0	800	0	0	0	0	29,000	0	0	0	0	86,000	27,000
Air Force	14,800	14,000	1,100	403,000	0	149,900	30,100	47,000	15,000	14,200	110,000	100	17,600	6,000	65,000	28,000	0	46,000	0	46,000	30,000
Strategic forces	0	0	0	125,000	0	0	0	0	0	0	10,000	0	0	0	0	0	0	0	0	0	0
Other	0	0	500	295,000	0	13,350	0	4,500	0	0	0	0	0	1,000	0	0	0	0	330	1,200	0

Source: International Institute for Strategic Studies, 'Chapter five: Asia', *The Military Balance*, 125(1), 2025, 206–311, online.

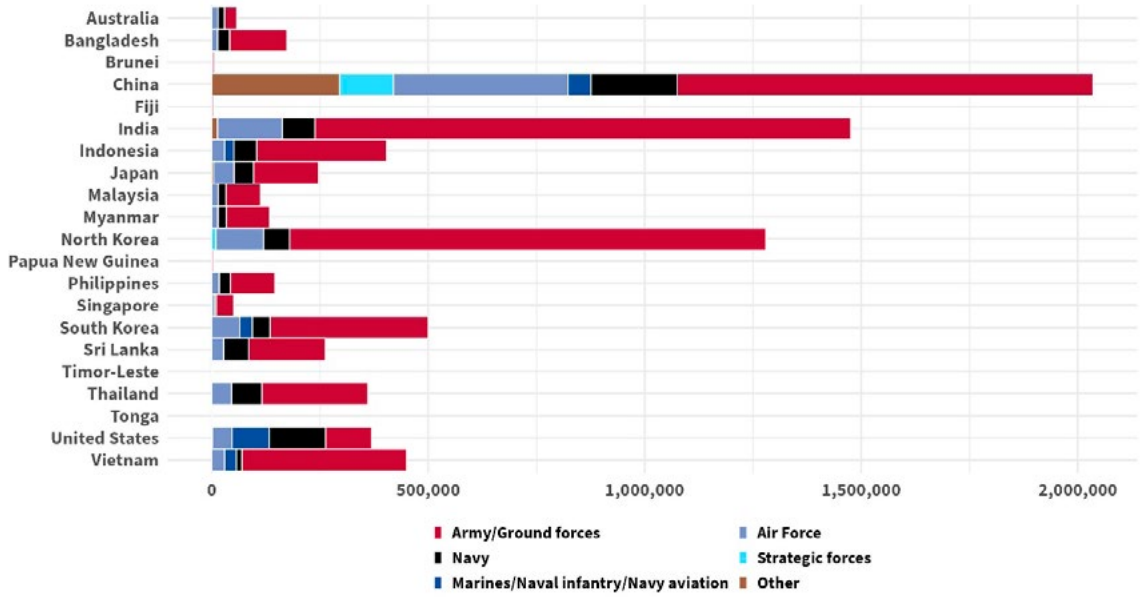
Figure 32: Australia's relative military strength, by major asset class, 2024



	Australia	Bangladesh	China	India	Indonesia	Japan	Malaysia	Myanmar	North Korea	Philippines	Singapore	South Korea	Sri Lanka	Thailand	United States	Vietnam
Main battle tanks (MBT)	27	276	4,700	3,750	103	349	48	195	3,500	0	96	2,110	62	394	5,652	1,379
Armoured fighting vehicles (IFV, APC)	637	545	11,660	3,313	947	854	551	381	2,532	449	2,055	3,340	273	1,485	18,700	1,680
Strategic submarines (SSBN)	0	0	6	2	0	0	0	0	0	0	0	0	0	0	14	0
Tactical submarines (SSN, SSK, SSB)	6	2	53	16	4	25	2	2	21	0	4	21	0	0	56	8
Aircraft carriers	0	0	2	2	0	4	0	0	0	0	0	0	0	1	20	0
Surface combatants (CG, DD, FF)	10	5	100	27	7	50	2	5	2	2	6	20	0	7	99	0
Combat aircraft (BBR, FTR, FGA)	87	53	2,084	513	49	330	34	79	511	12	99	426	5	70	908	70

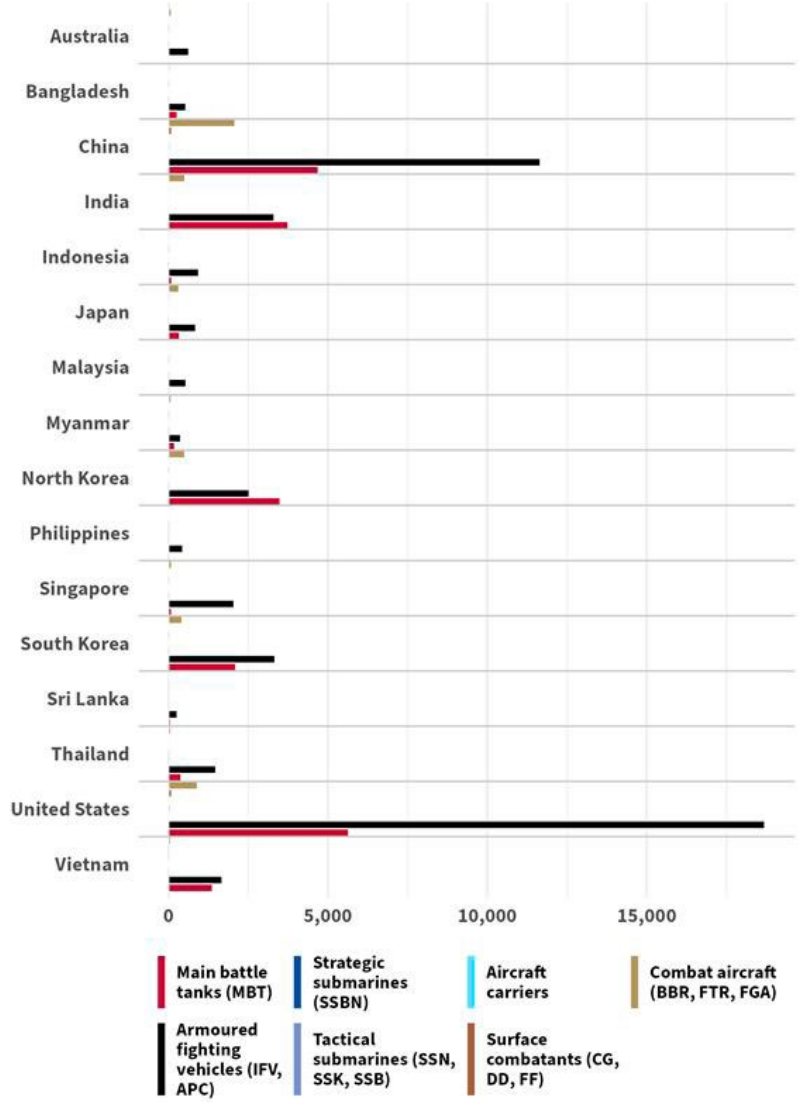
Source: International Institute for Strategic Studies, 'Chapter five: Asia', The Military Balance, 125(1), 2025, 206–311, online.

Figure 33: Australia's military strength relative to the region, personnel



Source: International Institute for Strategic Studies, 'Chapter five: Asia', *The Military Balance*, 125(1), 2025, 206–311, online.

Figure 34: Australia's military strength relative to the region, major asset classes



Source: International Institute for Strategic Studies, 'Chapter five: Asia', *The Military Balance*, 125(1), 2025, 206–311, online.

Australia chose to take a 'peace dividend' at the end of the Cold War, which led successive governments to prioritise economic growth and social programs, resulting in a lower proportion of the national Budget being allocated to defence.

Over the past three decades, Australia has experienced significant economic growth, driven largely by the resources sector. Government priorities often revolved around maintaining that economic prosperity through fiscal responsibility, investment in infrastructure, education, and health care. Defence spending, while acknowledged as important, took a back seat to more immediate domestic concerns.

Australia's strategic focus shifted in the post–Cold War era. While the direct threat of invasion diminished, new challenges such as terrorism, regional instability and cyber warfare emerged. However, the scale and nature of those threats were often perceived as requiring different types of investment compared to traditional military capabilities. That led to debates about the optimal allocation of defence resources, sometimes resulting in delays or underfunding of necessary upgrades and acquisitions.

Several periods over the past 30 years have been marked by relatively low levels of defence spending as a percentage of GDP. For instance, in the early to mid-2010s, defence spending fell to around 1.6% of GDP—the lowest level since 1938. While spending has increased in more recent years, it's only just returned to around 2% of GDP—a level lower than during the Cold War when Australia faced an arguably less complex and dangerous strategic environment.

Australia's decisions over the past 30 years have resulted in concerted periods of underinvestment in defence. It's been suggested that, had the 2009 Defence White Paper funding strategy been continued over the subsequent 15 years, 'the defence budget in 2025–26 would be in the order of around $85 billion to $90 billion growing by 9% in real terms', versus the actual defence budget for 2025–26 being at $59 billion.[67] That underinvestment has potential consequences for Australia's ability to respond to a more complex and challenging strategic landscape. The current push for increased defence spending reflects a growing recognition of the need to rectify that trend and ensure Australia's future security.[68]

Causes of Australia's poor performance

Inefficiencies in Defence procurement

A significant factor contributing to Australia's smaller combat power relative to its defence expenditure is the well-documented inefficiencies in Defence's procurement processes. Those inefficiencies manifest in several ways:

- *Protracted decision-making:* The time taken from identifying a capability requirement to the actual acquisition and deployment of equipment can be exceptionally long, often spanning decades. That lengthy process can lead to outdated technology by the time it's finally delivered and increased costs due to delays and modifications.
- *Overspecification and gold-plating:* There's a tendency to over-engineer capability requirements and seek the absolute cutting-edge technology, often exceeding the actual operational needs of the ADF. This 'gold-plating' adds significant complexity and cost to projects without delivering a proportional increase in combat effectiveness.
- *Lack of standardisation:* Australia's relatively small acquisition volumes often lead to a lack of economies of scale and reduced bargaining power with international suppliers. That can result in higher unit costs compared to countries procuring larger quantities of more standardised equipment.
- *Local production premiums:* The government has acknowledged a willingness to pay a reasonable premium for domestically produced equipment and services, particularly in areas deemed critical for sovereign capability.

However, it also states that it won't pay unreasonable premiums.[69] Some analysts suggest that the focus on maximising Australian content beyond basic assembly can lead to a sharp increase in the price premium. Concerns have been raised that the pursuit of high local content might prioritise local job creation over value for money in Defence procurement decisions. The Australian defence industry has struggled to develop export markets and integrate into global supply chains, and so has struggled to offset R&D and local production costs over time through achieving greater economies of scale.

- *Poor project management:* Numerous defence projects in Australia have suffered from significant cost overruns, schedule delays and capability shortfalls due to inadequate project management, contractual issues and a lack of clear accountability. The ANAO most recent *Major projects report*, covering 2023–24, reports total project slippage of 21%.[70]

The desire to 'Australianise' equipment

A recurring theme in Australian defence procurement is the desire to incorporate local industry participation and tailor equipment to specific Australian conditions, often referred to as 'Australianisation'. While supporting local industry remains a legitimate policy objective, it does introduce significant costs and delays.

Modifying off-the-shelf designs or developing bespoke Australian solutions is more expensive and time-consuming than acquiring and integrating proven international systems. There has long been a debate within Defence as to whether it should focus on acquiring off-the-shelf military capability or developing uniquely Australian capabilities for Australian needs. There's no 'correct' answer to that. Some unique Australian capabilities (such as the JORN over-the-horizon radar) didn't exist in the international arms market, and Australia leads the world in the development of that capability. But the international market for the capability is minuscule, and it's only been in 2025 that a sale of the system to Canada has been foreshadowed.[71]

Customisation of military equipment for Australian requirements necessitates specialised design, engineering and production processes that deviate from those for standard, mass-produced equipment, reducing economies of scale. For instance, the Australian Army's adoption of the Enhanced F88 Austeyr rifle (a locally produced variant with specific modifications) incurred additional development and manufacturing expenses compared to military off-the-shelf alternatives.

Unique requirements also limit the pool of potential suppliers, reducing competition and driving up acquisition costs. Integrating bespoke systems with existing ADF infrastructure and ensuring interoperability involves complex and expensive modifications and testing. The development of the Australian-designed and manufactured barrel for the AW50F anti-materiel rifle exemplifies a unique requirement that added to the overall cost.

Significantly, the long-term sustainment of unique equipment is also more costly. It requires specialised training, unique spare parts inventories and dedicated maintenance procedures, increasing the life-cycle costs compared to maintaining more common, internationally supported equipment. While those unique requirements aim to meet Australia's specific operational needs and seek to establish and maintain local defence industries, they often come with a significant financial premium. The decision to acquire an ownership interest in CEA Technologies Pty Ltd to secure a unique and critical defence capability, while strategically important, comes with a substantial cost.

Instructively, the Defence Efficiency Review of 1997 noted that local capabilities that would not easily survive under open international competition, and which will need subsidisation:

> … can be quite proper and appropriate, but there are two principal dangers. The first is that Defence will inadvertently subsidise things that don't need it, thereby reducing the resources available for real defence priorities. The second is that experience has shown overwhelmingly in both civil and defence markets that subsidised and protected companies invariably become less innovative, efficient and competitive than their more exposed counterparts, sometimes staggeringly so, thereby also reducing resource availability for alternative priorities.[72]

The cost of cancelling unfinished projects

Australia's recent defence procurement history is marked by several high-profile cancellations of major projects, often after significant expenditure of time and resources. Those cancellations result in sunk costs and long-term capability gaps. The reasons for cancellation can vary, including changing strategic priorities, technological obsolescence, cost overruns or performance issues. However, the financial and strategic impact of abandoned projects is substantial, diverting resources that could have been used to enhance current capabilities or acquire more effective systems.

Three recent examples highlight the huge expenditures involved in acquisition projects that didn't result in a fielded capability, resulting in significant lost money and long-term capability gaps.

SEA 1000 Attack class submarine program

SEA 1000, announced in the *2016 Defence White Paper*, aimed to build 12 future submarines. The project was cancelled in September 2021 after years of planning, design work by Naval Group (formerly DCNS) and significant expenditure. While the exact sunk costs haven't been made public, reports suggested that over $2.4 billion was spent on design and preliminary works.[73] The first of the Attack-class submarines was projected to enter service in the early 2030s. As a consequence of the cancellation, Defence will now need to spend between $4.3 billion and $6.4 billion on the life-of-type extension to the Collins-class submarines[74] to maintain them in service until the introduction of the first of the Virginia-class SSNs in the early 2030s and the introduction of the AUKUS-SSN in the early 2040s.

JP 9102 Australian Defence Force Satellite Communications System

This project aimed to deliver a sovereign military satellite communications capability based on geostationary orbit satellites. In November 2024, the government announced its cancellation,[75] citing the rapid evolution of space technologies and the need for a more resilient multi-orbit system. While the specific expenditure at the time of cancellation isn't fully transparent, the project had been underway for some time with Lockheed Martin Australia as the contracted prime. Defence states that it spent around $90 million on the project to the time of its cancellation.[76] Significantly, Lockheed Martin suggests that it was $300 million out of pocket at the time of cancellation.[77] As Malcolm Davis has suggested, the project's cancellation also resulted in 'anger in the Australian commercial space community over the negative signals the decision sends about government support for the space sector'.[78]

LAND 200 Battle Management System

LAND 200 was a multifaceted project aimed at modernising the Army's command-and-control capabilities. A key component was the Battle Management System (BMS), which Elbit Systems Australia was contracted to deliver. In November 2017, a contract worth up to $1.4 billion was announced for the LAND 200 program, which included the Elbit Systems Australia BMS. That figure encompassed acquisition and initial support. By early 2021, reports indicated that Defence had spent billions of dollars on the LAND 200 program over the preceding decade. One report in April 2021 stated that the project cost to May 2019 was just shy of $2 billion, with another $1 billion to $2 billion expected for a subsequent phase. By August 2020, Elbit Systems Australia had reportedly been paid $291.4 million for meeting 11 of 18 milestones under this phase.

Later reports in 2021 indicated that Defence had paused payments for a significant milestone worth approximately $118 million due to performance issues. In 2021, the Army decided to cease using the deployed Elbit BMS. Despite that, the government allocated approximately $1 billion for LAND 200 Phase 3 to acquire a replacement BMS, acknowledging that the previous investment didn't yield a sustainable solution. Significant issues plagued the project, including delays, cost overruns and performance concerns, as highlighted by the ANAO.[79]

While not a complete cancellation of the entire LAND 200 program, the withdrawal of a major, expensively developed component like the BMS undeniably resulted in a substantial loss of invested funds and a capability gap. The ANAO report in 2019 was highly critical of the project's management and procurement processes, indicating significant financial mismanagement over several years. The Army cited rapid technological evolutions and interoperability needs as reasons for seeking a replacement BMS under a later phase of LAND 200, essentially acknowledging that the earlier investment didn't yield a sustainable solution.

Inefficiencies caused by prioritising future capabilities over current readiness

There's an ongoing debate in Australia regarding the balance between investing in future military capabilities and ensuring that the current force is adequately equipped, trained and maintained for present-day challenges.

Critics argue that an excessive focus on acquiring advanced, often unproven, future technologies comes at the expense of maintaining the readiness and effectiveness of existing platforms and personnel. Delays in future projects also leave capability gaps in the interim.

Overemphasis on future investments leads to the hollowing out of current forces, with shortfalls in personnel, maintenance, and essential equipment:

- *Workforce shortages:* The hollowing out of the ADF's workforce can be seen through the lens of the ADF operating below its average funded strength for some years. High separation rates, particularly in the middle ranks, have exacerbated this issue.[80] Hollowness in personnel numbers directly reduced the ability to crew ships, maintain equipment and sustain combat units.
- *Sustainability and maintenance:* While new capabilities are being prioritised, concerns exist about the resources allocated to sustain and maintain the current fleet and equipment. The 2025–26 defence budget results in preparedness and readiness levels well below any real ability to hold an adversary at risk for a meaningful period.[81] If funding is disproportionately directed towards future acquisitions, the upkeep and operational availability of current assets suffers.
- *Delayed sovereign munitions production:* Australia's lack of sovereign capacity to produce significant quantities of guided weapons and explosive ordnance in the immediate term is a significant preparedness vulnerability. While the GWEO Enterprise aims to address this, it's proceeding at a pace that won't meet immediate needs in a conflict.[82]
- *Potential impact of the AUKUS budget:* Mick Ryan has noted that 'funding being drawn from normal ADF budgets to support the AUKUS initiative could increasingly hollow out the ADF' if the overall defence budget remains relatively flat.[83]
- *Force structure imbalances:* Critics also argue that prioritising boutique and exquisite future capabilities will lead to a brittle capability for war, due to a lack of mass in personnel and platforms. That suggests a potential weakening of the overall force structure in the present while waiting for future capabilities to mature and be delivered in sufficient numbers.[84]
- *Readiness and sustainability:* A strong emphasis has been placed on 'deterrence by denial', which places a high value on long-range strike capabilities. That has resulted in funding being directed to those programs. Concerns have been raised that the focus on those programs has led to a lack of focus on the readiness and sustainability of current forces. Factors such as maintenance, training and logistical support are crucial for maintaining combat effectiveness, and those areas can be negatively affected if funding is diverted.

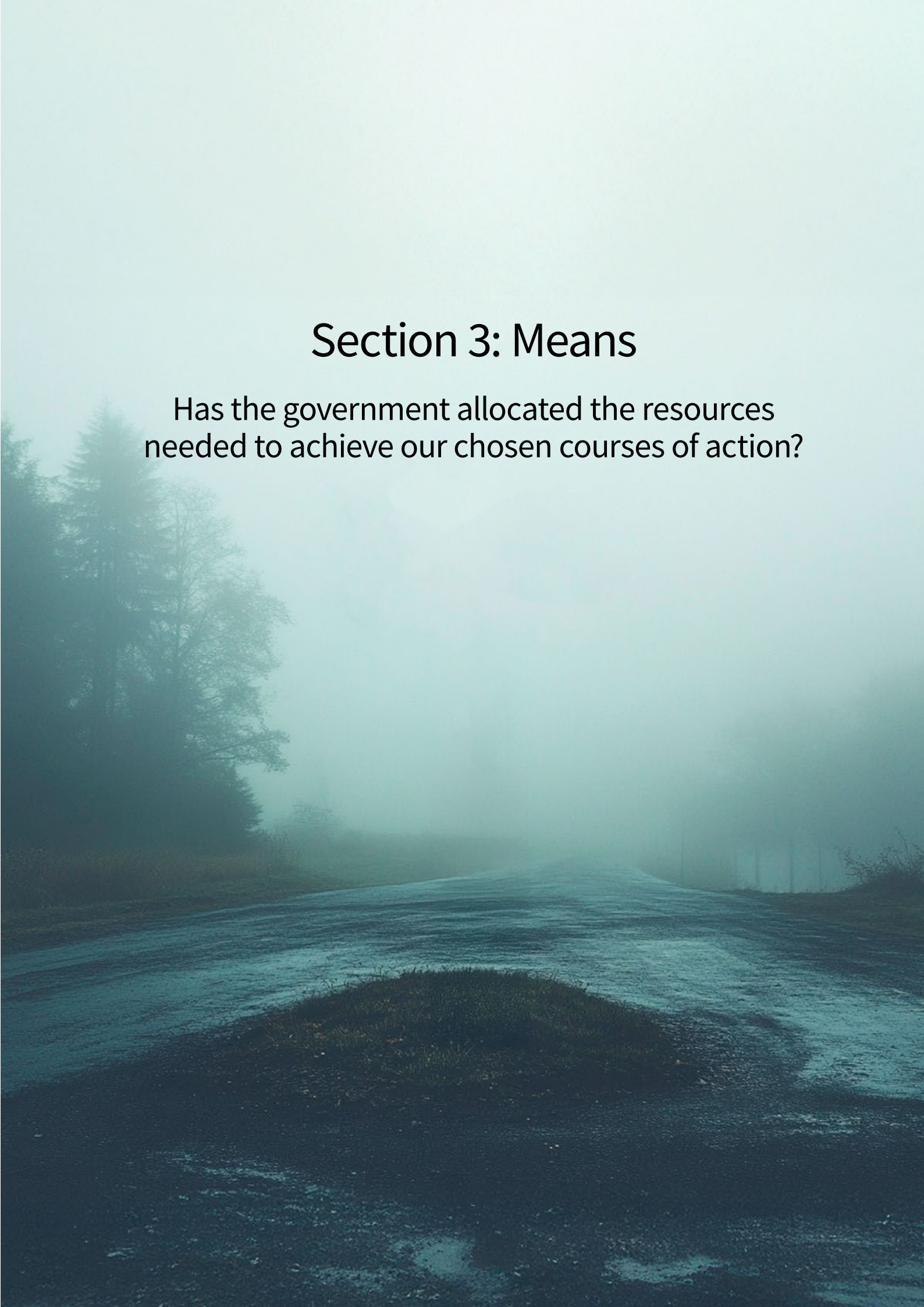
Implications

Defence is leaving too many dollars on the table through the processes and practices outlined in this section. Through cost overruns and schedule delays, Defence has demonstrated a lamentable history of spending far too much money for too little capability. The ANAO has reported a cumulative 442 months in delays on the department's top 21 procurements, with an average slippage of more than two years, while the approved cost of Defence's biggest projects has soared by $18 billion to nearly $41 billion.[85]

Significantly, and as we discuss elsewhere in this report, Defence has become less transparent. As the ANAO has noted:

> [The] government has also moved to prevent scrutiny of individual projects, such as the troubled Hunter-class frigates, restricting the release of detailed schedule data on 20 procurements on the grounds that doing so would 'cause damage to the security, defence or international relations of the commonwealth'.[86]

Because of spending too much on too little capability, and the predominant focus on investing in future capability rather than current capability, Australia currently has a 'paper' ADF that won't exist as a standing force until well into the 2040s and 2050s.



Section 3: Means

Has the government allocated the resources needed to achieve our chosen courses of action?

Budget analysis

Workforce

Defence has stemmed a three-year decline in ADF personnel numbers but is still struggling to contain an exodus of officers seeking opportunities elsewhere. ADF employment growth targets were revised lower last year, but a goal of lifting numbers by 17% by the early 2030s still looks hard to achieve amid strong labour market conditions and shifting societal values.

ADF numbers peaked in 2020–21 at 60,500, dipping by 2,200 by 2023–24. Total numbers inched ahead by 640 in 2024–25, but the staffing numbers contained in the defence budget still point to deep-seated problems.

The issues are most acute for the Army, where the workforce has dropped 8.6% over the past four years. Navy numbers have slipped 1%, and the Air Force has achieved 7.2% growth.

Army recruitment is typically strongest among young people not pursuing full-time education; however, that cohort is enjoying near-record job opportunities with an average of 79% employed. That's about 4 percentage points above the long-term pre-Covid-19 average.[87]

While Defence offers young people high pay, it's looking for a minimum commitment, depending on the position and service, of from two to six years, with financial penalties for early departure. People are less likely to make that commitment in a highly competitive job market.

Defence looks for recruits with good physical and mental health who are motivated to serve the nation. There appears to be a shrinking pool of candidates.[88]

A long-running academic survey of popular attitudes, the World Values Survey, has noted a declining strength of nationalism and preparedness to fight for one's country both in Australia and more generally across the advanced world.[89] The Australian results show that the share of people aged 16 to 29 years who say they're proud to be Australian dropped from 92% to 76% between 1995 and 2018, while the share in that age group who would be willing to fight for their country in a war fell from 58% to 49%. It isn't just a 'Gen Z' issue, as there are similar, although less marked, patterns in other age groups.

Retention is as much of a problem for Defence as recruitment, as about 10% of the ADF resigns in each year. The government introduced a $40,000 bonus to encourage Defence personnel to sign up for a further three years once their initial (or subsequent) terms had expired. The 2024 Defence Workforce Plan declared the scheme a success, with a high take-up, which the plan said translated to 3,100 junior rank members remaining in service.[90]

However, the Royal Commission into Defence and Veteran Suicide was more sceptical about the value of financial incentives, noting that financial issues are rarely the primary driver of people choosing to leave the defence forces. It cited preliminary Defence modelling that showed 'retention bonuses reduce the likelihood of separation by less than 0.001%.'[91]

While Defence hasn't conducted systematic research into resignations, the royal commission indicated that exit surveys show common reasons include job satisfaction, career prospects outside the military, work–life balance, time away from family and the stresses of relocation in postings. The commission questioned 'the effectiveness of "quick fix" financial incentives and the ADF's inadequate commitment to non-pay strategies and mitigating the actual conditions that underlie member separation'.

The Budget staffing figures point to a difficulty in retaining junior officers, which may indicate those problems coming to the fore after five to 10 years of service. Last year's Budget predicted that the number of junior officers would increase by 1,228, instead of which there was a decline of 442.

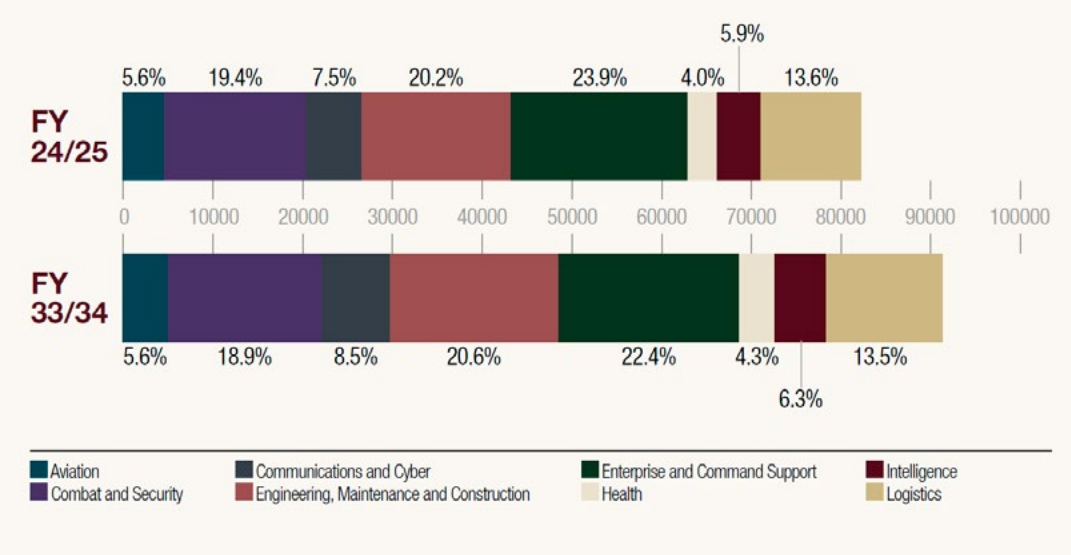
Retention appears less of a problem among senior officers (colonel and above), where a budgeted 9% increase in numbers was exceeded. Among the ranks, total numbers rose by 800 against a Budget forecast of 3,900.

The 2024 Defence Workforce Plan

The Defence Workforce Plan aims to transition the ADF from a balanced force to an integrated, focused force capable of operating across maritime, land, air, space and cyber domains.

The plan said that, to stabilise ADF numbers, recruitment must increase from 5,500 per year to 9,000, especially in junior and middle ranks and critical skill categories, while the median length of service must increase from seven to 12 years (Figure 35). Those will be difficult targets to achieve.

Figure 35: All domain summary (ADF and APS consolidated)



Source, Defence Department, *Defence Workforce Plan*, Australian Government, 2024, online.

The plan calls for total ADF numbers to rise from 58,850 now to 69,000 by the early 2030s and still holds for a total defence force, including both ADF and APS, to reach 100,000 by 2040. The plan identifies eight strategic tasks:

1. *Optimised design of the integrated workforce:* Annual assessments and organisational reviews to ensure workforce alignment with strategic priorities, reduce duplication, rebalance workforce composition, and reduce reliance on external contractors by converting core roles to ADF or APS personnel.
2. *Enhanced ADF inflow:* Expanding eligibility criteria (including recruitment of eligible permanent residents from Five Eyes nations), streamlining recruitment processes and expanding programs such as the ADF Gap Year and First Nations development initiatives to increase recruitment.
3 *Partnership with defence industry:* Close collaboration with defence industry, state governments, unions and other agencies to build a skilled workforce pipeline and optimise the role of ADF Reserves.
4. *Enhanced ADF health services and readiness:* Delivering best-practice health care through qualified personnel, advanced technologies and integrated health planning to support personnel wellness, readiness and operational effectiveness.

5. *Development and transformation of the Defence workforce:* Aligning education, training and leadership development with new capabilities, implementing flexible career pathways, and improving recognition of skills to facilitate entry and re-entry to the ADF, alongside upskilling the APS workforce.
6. *Management of the integrated workforce:* Implementing improved people and career management systems, strengthening Reserve capabilities, and communicating the Defence Employee Value Proposition to support recruitment and retention.
7. *Improved culture, mental health and wellbeing:* Continuing implementation of recommendations from the Royal Commission into Defence and Veteran Suicide, the Defence Culture Blueprint, mental health strategies and diversity initiatives to foster an inclusive, psychologically safe environment and increase representation of women, First Nations people and culturally diverse personnel.
8. *Support to Defence personnel, families and transitioning members:* Enhancing support for Defence families, managing the impacts of service on families, improving transition support for personnel leaving the ADF, and implementing strategies to prevent and respond to family and domestic violence.

The government committed to support funding for those initiatives, including a $5.7 billion investment over the next four years and $50.3 billion over the decade to 2033–34 for workforce growth and capability development. That includes extending and expanding the ADF Continuation Bonus to retain junior and mid-career personnel and increasing operational Reserves by 1,000 personnel by 2030. Additional investments target study assistance, family health benefits, and support for wellbeing and culture change.

Challenges ahead

Key challenges still facing the Defence Workforce Plan include the following:

- *Recruitment and retention:* As discussed above, efforts to increase personnel numbers face challenges in both recruiting new members and retaining experienced personnel, particularly in critical skill areas. A highly competitive national labour market and low unemployment rates exacerbate the existing challenges.
- *Skills gaps:* The increasing complexity of modern warfare and the introduction of advanced technologies require a highly skilled workforce. Identifying and addressing critical skills gaps through targeted training and recruitment programs is essential. Significantly, the amount of time required to upskill new recruits to operate advanced technologies is growing. In considering the need to mobilise personnel to surge into the ADF should any conflict emerge within the decade, that skilling gap may prove to be a major vulnerability.
- *Total Workforce Model implementation:* Effectively operationalising the Total Workforce Model, which aims to integrate permanent and reserve forces more flexibly, presents logistical and cultural challenges. Ensuring seamless integration, providing meaningful roles for reservists and managing different service categories require careful planning and implementation, of which few signs have yet emerged.
- *Health and wellbeing:* Maintaining the health, mental health and wellbeing of the Defence workforce is crucial for retention and operational readiness. Addressing the unique stressors of military service and providing adequate support services are essential but are currently only ‘partially achieved’.
- *Integration with the defence industry:* Effective collaboration with the defence industry is vital for workforce planning, particularly in developing the skills required for shipbuilding, sustainment and advanced manufacturing. Initiatives to facilitate the movement of skilled personnel between Defence and industry can benefit both sectors. The movement between Defence and civilian employment remains a very problematic challenge for the organisation.

Culture

The ADF has been actively pursuing cultural reform aimed at 'fostering a positive and effective working environment' for many years, with limited success. Initially, the *Pathway to change: Evolving Defence culture* strategy (2012–2017) was introduced following reviews into Defence culture. Building on that, the *Pathway to change: Evolving Defence culture 2017–2022* strategy was launched, emphasising deeper embedding of positive workplace norms.

Defence Culture Strategy

In November 2023, Defence launched the *Defence Culture Strategy: Defence Culture Blueprint Program 2023*. This current strategy provides direction for cultural evolution within Defence, outlining a vision for 'A culture that values its people and serves to defend Australia'. It's underpinned by strategic objectives and a Defence Culture Framework that forms part of the implementation of the NDS. The strategy emphasises several key priorities:

- *Leadership accountability:* Ensuring leaders at all levels are responsible for fostering a positive culture.
- *Capability through inclusion:* Recognising and valuing the diverse backgrounds and experiences of all personnel to enhance operational effectiveness.
- *Ethics and workplace behaviours:* Promoting the highest standards of professionalism, underpinned by Defence values and ethical standards.
- *Health, wellness and safety:* Prioritising the physical and mental wellbeing of all Defence personnel.
- *Workplace agility and flexibility:* Adapting work practices to support a modern and responsive workforce.
- *Leading and developing integrated teams:* Fostering collaboration and teamwork across different groups and services.

The core values that underpin the Defence Culture Strategy and guide the behaviours of ADF members and Defence personnel are:

- *Service:* Placing the security and interests of the nation and its people ahead of one's own.
- *Courage:* Having the strength of character to do what is right, especially in adversity.
- *Respect:* Valuing others and treating them with dignity.
- *Integrity:* Aligning thoughts, words, and actions to do what is right.
- *Excellence:* Striving to be the best professionally and personally.

Those values are translated into expected personnel behaviours such as acting with purpose, being adaptable and innovative, collaborating effectively, being accountable and trustworthy, reflecting and learning, and being inclusive.

Major challenges ahead

Despite the ongoing efforts and the articulation of the Defence Culture Strategy, several major challenges persist:

1. *Embedding cultural change:* Transforming deeply ingrained organisational cultures, especially in large and hierarchical institutions like the military, remains a long-term and complex undertaking. Moving beyond surface-level compliance to genuinely embedding the desired values and behaviours requires sustained effort, consistent reinforcement from leadership, and effective mechanisms for accountability at all levels.
2. *Leadership consistency and turnover:* The success of any culture strategy hinges on consistent leadership modelling the desired behaviours. Frequent rotations of senior leaders disrupt the continuity of cultural reform initiatives and lead to inconsistent messaging and priorities, hindering the embedding of the new culture.

3. *Addressing historical issues:* The ADF has faced significant challenges related to historical incidents of abuse, harassment and poor workplace behaviours. Addressing the legacy of those issues, rebuilding trust and ensuring effective reporting and response mechanisms are critical but ongoing challenges that are affecting the broader cultural reform efforts.
4. *Balancing tradition and modernisation:* The ADF has a rich history and strong traditions. While some traditions are valuable, others are conflicting with the goals of a more inclusive, agile and ethical culture. Finding the right balance between respecting heritage and embracing necessary modernisation requires careful consideration and open dialogue.
5. *Resource allocation and prioritisation:* Implementing meaningful cultural change requires dedicated resources, including personnel, funding for training and development programs, and robust data collection and analysis to monitor progress. Competing priorities within Defence are leading to insufficient resource allocation for culture reform initiatives, slowing their impact.
6. *Attracting and retaining a diverse workforce:* A key pillar of the strategy is 'Capability through inclusion'. However, attracting and retaining a diverse workforce that reflects Australian society remains a challenge. Challenges include addressing biases and delays in recruitment and promotion processes, fostering an inclusive environment in which all personnel feel valued and respected, and adapting to the needs of a modern workforce. The increasing demand for individuals skilled in areas such as STEM and cybersecurity in the civilian sector further exacerbates those challenges.
7. *Measuring and evaluating cultural change:* Quantifying and tracking cultural change is inherently difficult. Relying solely on surveys and anecdotal evidence doesn't provide a comprehensive understanding of the true impact of the strategy. Developing robust metrics and evaluation frameworks to assess the effectiveness of cultural reform initiatives and to identify areas needing further attention are essential, as is making those metrics transparent.
8. *Maintaining momentum and avoiding reform fatigue:* Sustaining momentum over the long term is crucial for successful cultural transformation. Reform fatigue can set in if personnel perceive that changes are superficial or not leading to tangible improvements in their daily experiences. Clear communication of progress, celebrating successes and demonstrating a long-term commitment to cultural evolution will be needed if Defence is to maintain engagement.
9. *Cultural change implementation:* Strong leadership, clear communication and consistent reinforcement of desired behaviours and values is required if Defence is to change the organisation's natural resistance to change and deeply ingrained norms. Ensuring that leaders model desired behaviours, promote accountability and actively address cultural issues will continue to be critical for the success of the strategy.
10. *Addressing harmful behaviours:* Effectively addressing harmful behaviours and fostering a culture of respect and inclusivity has proven to be a major challenge for the organisation. This requires transparent and robust reporting mechanisms, thorough investigations and appropriate disciplinary actions, as well as proactive prevention strategies.

Acquisition and sustainment

Capability Acquisition and Sustainment Group

CASG plays a pivotal role in Defence's success or failure based on the manner of and outcomes delivered from its management of the acquisition and sustainment processes. The PBS has mixed news for CASG and the acquisition and sustainment requirements of Defence.

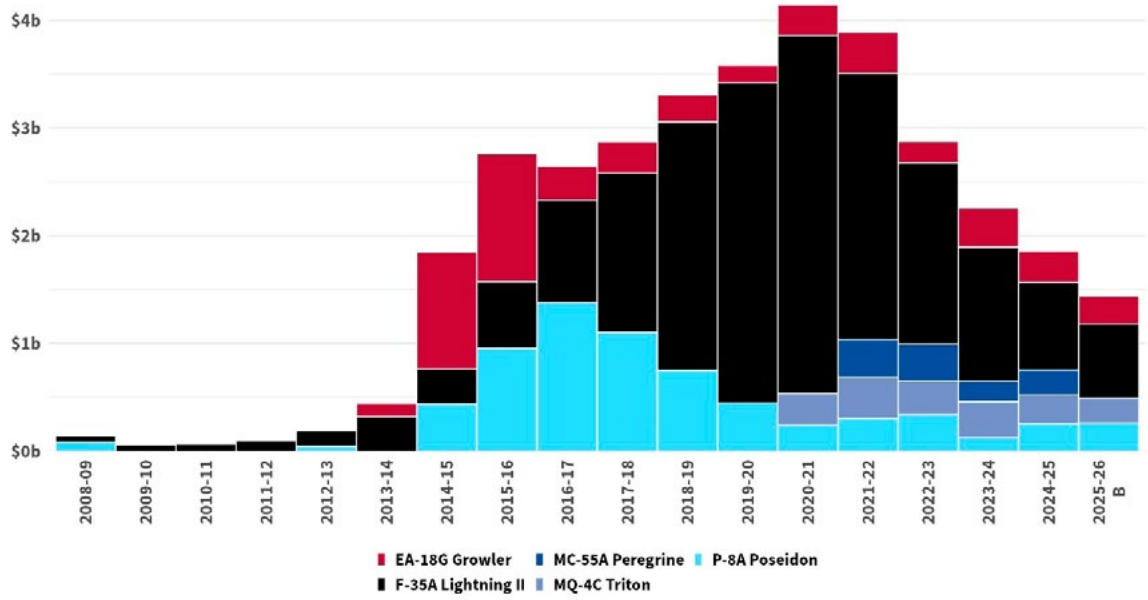
Resourcing: Adequacy and allocation

The CASG budget for 2025–26 is embedded within Program 2.9: Capability Acquisition and Sustainment, which includes the Guided Weapons and Explosive Ordnance Group. The total appropriation-funded expenditure for capability acquisition reaches $18.8 billion in 2025–26.

The PBS indicates that, within CASG, there's an ongoing recognition of the need for contracted support in specialist areas despite government efforts to reduce reliance on contractors. Compared to the 2024–25 PBS, this year's Budget suggests a moderated growth in the APS workforce and a 'strategic reduction' in contractor reliance, but with continued use of contractors where specialist expertise is required in CASG functions.

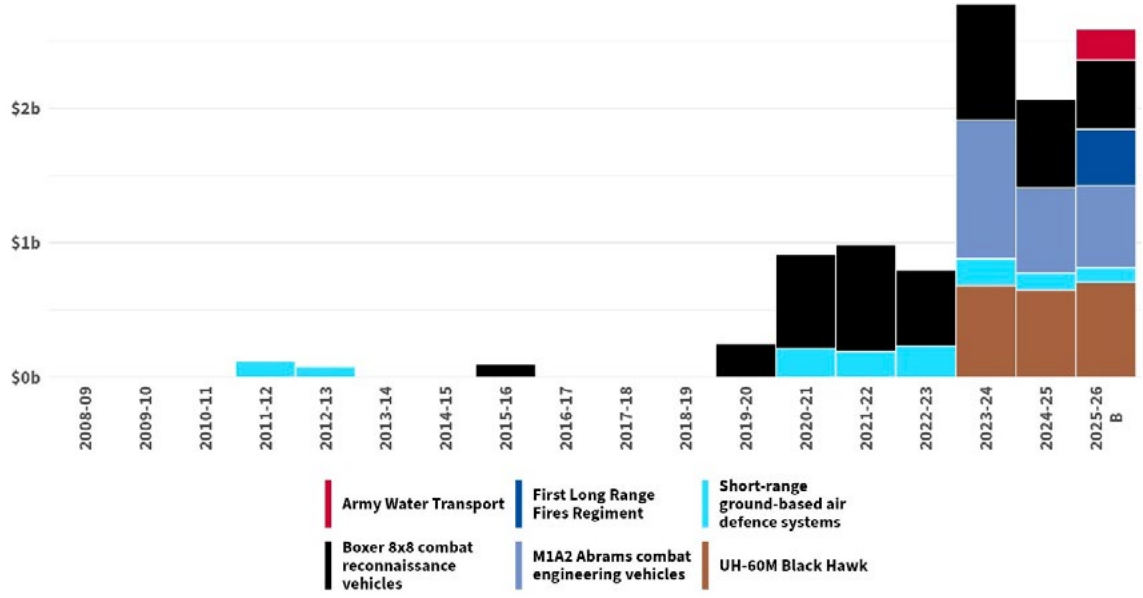
Figures 36, 37 and 38 show the top acquisition programs for the RAAF, the Army and the RAN, respectively.

Figure 36: Top acquisition programs for the RAAF



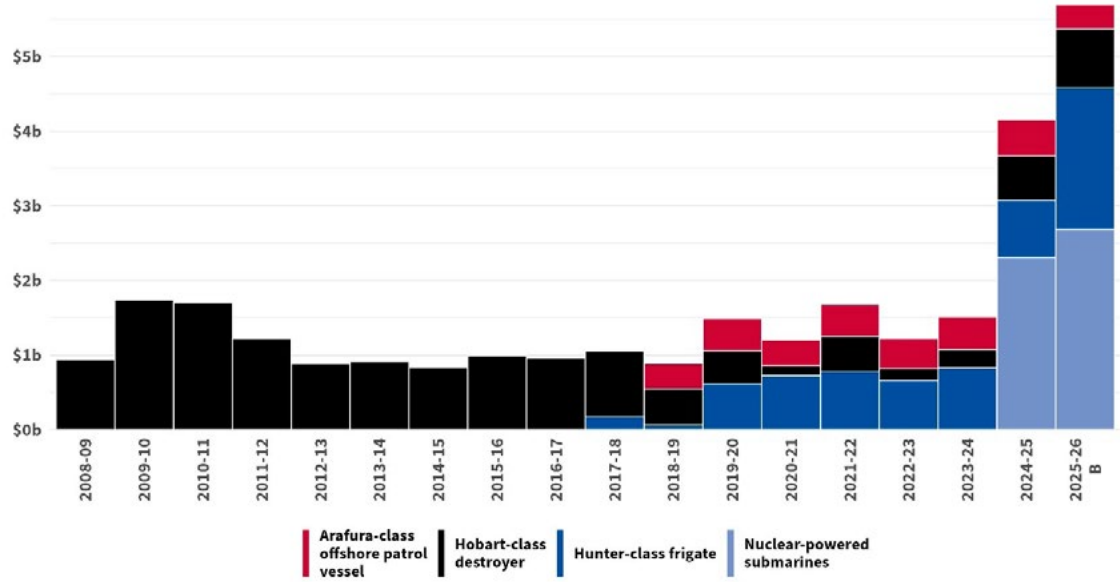
Source: Aggregated from current and previous PBS.

Figure 37: Top acquisition programs for the Army



Source: Aggregated from current and previous PBS.

Figure 38: Top acquisition programs for the Navy



Source: Aggregated from current and previous PBS.

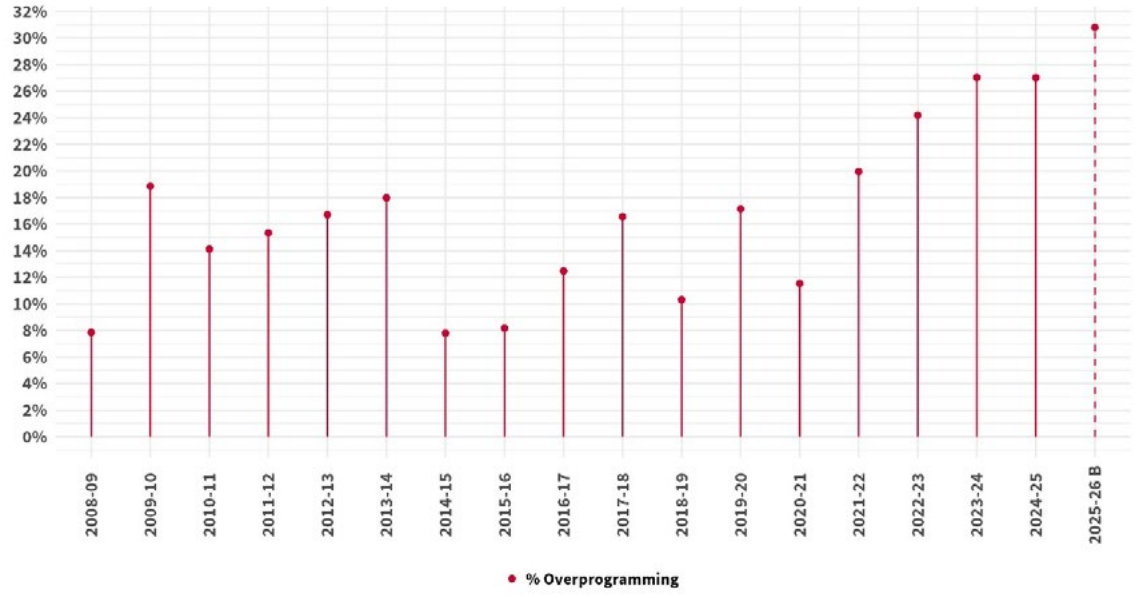
This year's acquisition and sustainment allocation is in line with the emphasis on accelerating the delivery of new capabilities, long-range strike systems, and enhanced maritime and land capabilities. The Budget reflects a prioritisation of acquisition over sustainment in nominal terms, consistent with the government's stated intention to rebuild the IIP to focus on deterrence capabilities and future force structure.

However, while the budgetary figures are relatively growing to meet new acquisition requirements, critical challenges remain in ensuring that the funding is efficiently translated into delivered capability. The complexity and scale of projects such as the submarine program, long-range fires and advanced air capabilities require not only capital investment but also effective program management to mitigate the risks of further cost overruns and schedule delays. The PBS acknowledges those risks, highlighting the need for 80% or more of IIP projects to deliver scope within government-approved costs and schedules.

The PBS indicates an overprogramming amount of $4.47 billion, indicating that the Budget includes a substantial buffer or contingency above the net approved program expenditure.[92] Overprogramming refers to the deliberate inclusion of additional project expenditures beyond the approved program budget, serving as a contingency to manage risks such as cost overruns, schedule delays, or capability changes. It allows Defence to maintain flexibility and ensure delivery of key capabilities within government-approved funding.

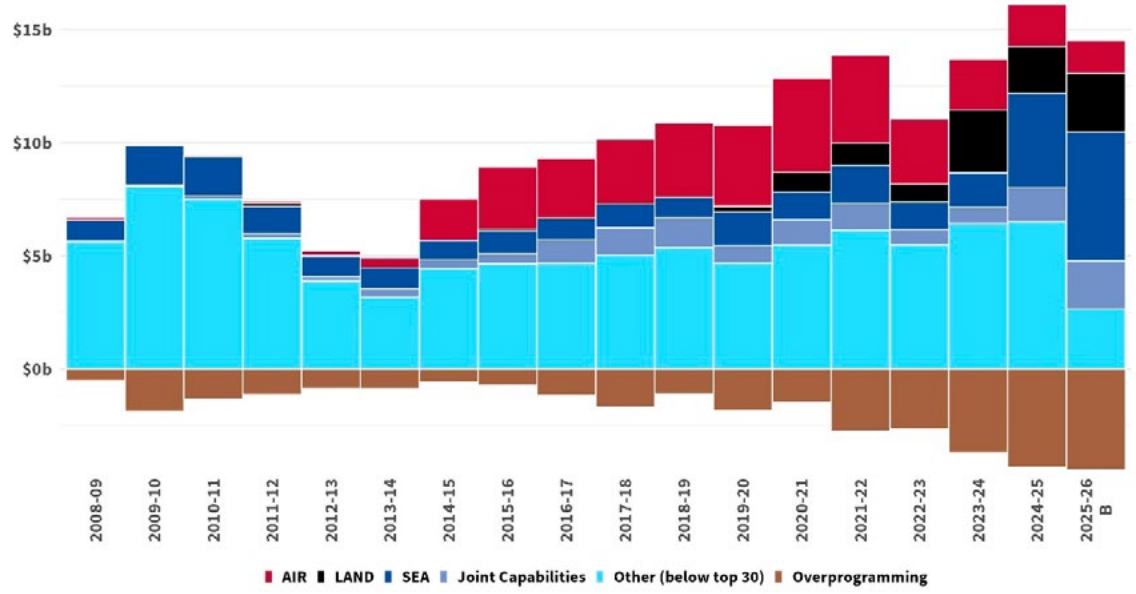
For addressing uncertainties and risks in project delivery, overprogramming is an important risk-management tool. It represents a planned buffer in resources to ensure capability delivery despite potential challenges. However, if the capability delivery process isn't properly managed, overprogramming also reflects inefficiencies and performance shortcomings. The growing levels of overprogramming (figures 39 and 40) represent a lead indicator of upcoming the challenges for CASG discussed in this report.

Figure 39: Overprogramming within the military equipment acquisition program



Source: Aggregated from current and previous PBS.

Figure 40: Capital acquisition programming and overprogramming



Source: Aggregated from current and previous PBS.

Moreover, the reprioritisation and cancellation of non-critical projects is expected to streamline CASG's focus but it also risks creating capability gaps and sustainment shortfalls. For example, the cancellation of the Anzac Class Frigate Transition Capability Assurance Program (TransCAP) will require careful closure and management to avoid capability degradation.

Skilling: Workforce development and capacity building

The delivery of CASG's objectives is intrinsically linked to the quality and capacity of its workforce. Specifically for CASG, an APS workforce skills uplift is critical, as acquisition and sustainment demand technical expertise in engineering, project and program management, cybertechnology, ICT and contract management. It also requires cultural and behavioural change to embrace a more risk-accepting approach to project management and a commonsense approach to process and bureaucracy. We'll need to await the development of the Defence APS Academy and organisational capability reviews (and subsequent ANAO Major projects reports) to

determine whether CASG's efforts to professionalise and rebalance the CASG workforce to meet those needs has been effective.

The CASG budget reflects investment in workforce development: employee expenses for acquisition and sustainment rise from $465.5 million in 2024–25 to $484.3 million in 2025–26, and there will be continuing growth over the forward estimates. However, workforce challenges aren't trivial. The Defence Workforce Plan notes the partial achievement of recruitment and retention goals in 2024–25 and anticipates ongoing efforts to grow the necessary skills.

Furthermore, the Defence People program, which includes CASG personnel support, emphasises the importance of organisational culture, wellbeing and values as critical to workforce sustainability. Those elements are vital in a high-stress, high-stakes environment such as defence acquisition, where burnout and turnover risks are jeopardising project continuity and institutional knowledge.

Force planning: Integration with capability delivery

The CASG budget is situated within a broader force planning and capability development framework guided by the NDS and IIP. The strategy of denial underpins capability priorities, aiming to deter adversaries through credible and integrated military capability.

Force planning requires CASG to be agile and responsive, delivering capabilities aligned with strategic objectives while managing sustainment and life-cycle support for existing platforms. Force planning is heavily dependent on the effective management of risk and project interdependencies. The scale of major acquisition projects, such as the AUKUS submarine program, demands coordinated force integration planning to avoid capability gaps during transition phases. That has proven to be a major challenge for Defence, which demonstrates siloed behaviours between the three service capability managers, the Vice Chief of the Defence Force joint capability areas and CASG.

Moreover, capital investment in infrastructure and sustainment programs, reflected in the broader defence budget, is critical to supporting force readiness. The sustainment budgets for Navy, Army, and Air Force capabilities together with workforce and other fundamental input to capability functions, including industry, creates additional complexities for CASG in fulfilling its mission.

Challenges in the near term

While the CASG budget for 2025–26 appears substantial and aligned with strategic priorities, the challenges listed above remain problematic. The success of CASG's mandate hinges on effective workforce development, risk-accepting program delivery, and integration with broader force planning. Those areas remain challenging, and there's nothing in the PBS that suggests that they're likely to be resolved in the near term.

Impacts on the defence industry

The PBS plans for a significant investment in both acquisition and sustainment activities in Australian industry. The Budget's impact on the Defence industry is substantial, bringing both opportunities and challenges for industry stakeholders.

Acquisition activities

The Budget demonstrates a clear prioritisation of acquisition activities, particularly through the IIP. The 2024 rebuild of the IIP aimed to deliver coherence, affordability and alignment with the NDS. Key acquisition investments include the following:

- *Military Equipment Acquisition Program:* The Budget allocates substantial funding to the acquisition of military equipment. Approved projects total approximately $108.5 billion over the five years from 2024-25. They include major programs such as the EA-18G Growler, the Medium Air Mobility Aircraft (AIR 7404), Boxer combat reconnaissance vehicles (LAND 400 Phase 2), and the Enterprise and Enabling Sovereign Weapons Manufacturing Program (JP 2087), which focuses on strengthening Australia's industrial base for guided weapons and explosive ordnance production.
- *Nuclear-Powered Submarine Program:* Continuing the whole-of-government support via the AUKUS partnership, the Budget commits to the initial funding for the acquisition, construction and sustainment of nuclear-powered submarines. The program has a stated aim of significant collaboration with Australian industry to develop a sovereign industrial base. Planned funding for this program is expected to be substantial; however, the PBS for both Defence and the Australian Submarine Agency remains opaque about the long-term funding parameters and the Australian industry involvement requirements (as those remain outside of the forward estimates).
- *Naval Shipbuilding and Sustainment:* The Budget plans for further investment in naval shipbuilding, including sustainment activities, with an emphasis on the development of a secure and sovereign industrial base capable of continuous shipbuilding.
- *Information and Cyber Communications Security Modernisation:* Investments in modernising secure communications and cyber capabilities, which are highlighted in the PBS, require industry participation in upgrading secure communication systems and integration with partner networks.

Sustainment activities

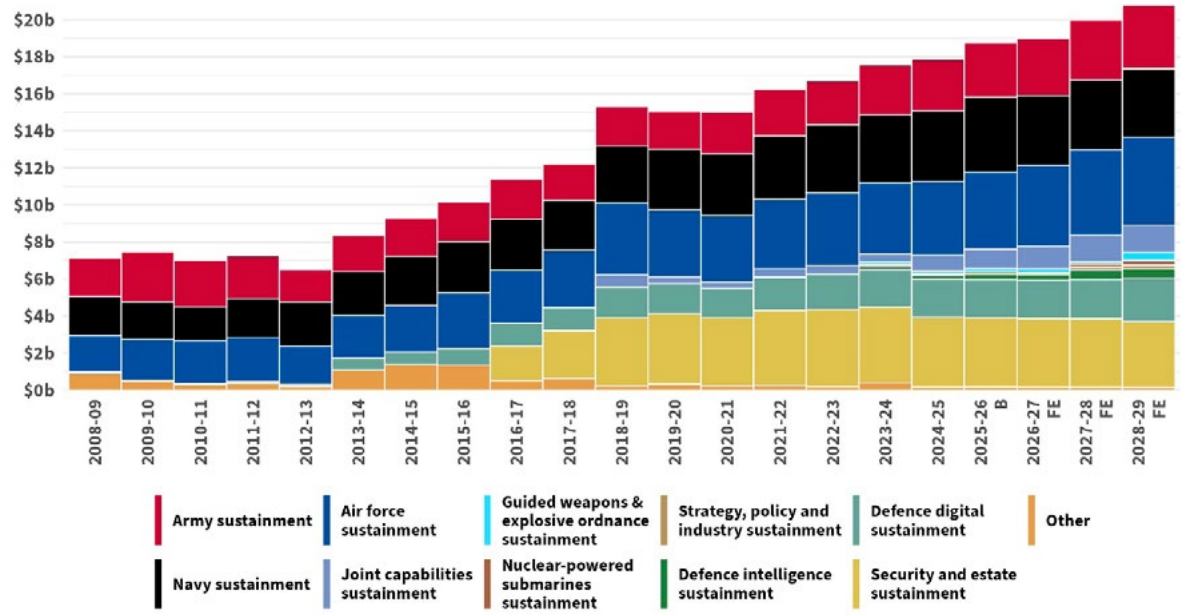
Planned sustainment funding remains relatively static from the 2024–25 PBS. The Capability Sustainment Program is allocated $99 billion over the five years from 2024-25, supporting the ongoing maintenance and operational readiness of defence equipment and infrastructure. Key sustainment activities include the following:

- *Navy sustainment:* Support for Collins-class submarines and Anzac-class frigates remains a priority, particularly with the Collins-class sustainment declared a 'project of concern', necessitating focused remediation efforts and efficiency initiatives to meet availability targets.
- *Army and Air Force sustainment:* Funding levels remain static for land and Air Force equipment maintenance. Planned funding includes support for Boxer vehicles and guided weapons sustainment, which involves Australian industry in ongoing maintenance and upgrades.
- *Defence digital sustainment:* Sustaining ICT infrastructure and secure information systems is a critical component. A dedicated sustainment budget supports Defence's digital environment to enable operations and business functions.
- *Security and estate sustainment:* Funding covers estate maintenance, garrison support and infrastructure projects, including upgrades to northern bases to align with strategic priorities. This suggests ongoing business for industry in construction, maintenance and infrastructure services.

The Budget initiatives collectively represent a continuing commitment to developing and sustaining a sovereign defence industrial base, especially in critical areas such as guided weapons manufacturing, naval shipbuilding and advanced technologies. However, the significant 'pauses' during the development of the DSR, NDS and IIP have had a significant detrimental impact on Australian industry. The government's focus on accelerating the translation of disruptive technologies into capability, and supporting innovation, science and technology investment, suggests that there will be opportunities for industry growth and integration into global supply chains, although those opportunities are yet to be formalised in ways that the defence industry can readily access.

Figure 41 shows the top sustainment programs.

Figure 41: Top sustainment programs, 2008–09 to 2028–29 ($ billion)



Source: Aggregated from current and previous PBS.

However, there are also areas of concern:

- *Reprioritisation and project cancellations:* The government has made decisions to cancel, divest, delay or rescope projects deemed not to be critical to strategic requirements. While that enables a focus on priority capabilities, it has introduced uncertainty for industry sectors associated with deprioritised projects, affecting cash flows, workforce stability and investment decisions.
- *Working capital adjustments:* The Budget includes a $700 million funding movement from 2027–28 to 2024–25 to address Defence's ongoing working capital requirements. While that provides short-term liquidity to meet industry commitments, it's represented as an equity injection rather than increased funding, and the later years show a reduction in appropriation. That will affect long-term capital expenditure and industry cash-flow expectations.
- *Budget measures and savings:* Certain measures, such as savings from external labour, indicate a tightening of expenditure in some areas, which could affect industry contractors reliant on Defence outsourcing and labour services.
- *Clarity beyond the forward estimates:* While the Budget provides forward estimates plans and performance measures, some programs indicate that performance information may be updated following materiality assessments, which will create uncertainty in program expectations and industry planning.

Major operations

The PBS flags major challenges for ADF major military operations, with notable impacts on Australia's plans for international relations and regional security dynamics.

Overview of major military operations

The PBS identifies several major operations that constitute the core of ADF's current commitments:

- Operation Accordion focuses on providing support to ADF activities in the Middle East, including Operation Steadfast and Operation Manitou.
- Operation Resolute is a longstanding maritime surveillance and response operation aimed at securing Australia's maritime approaches.

- Operation Kudu involves commitment to training Ukrainian Armed Forces recruits in the UK, underpinning Australia's support to Ukraine.
- Operation Beech is a recent commitment to support the Australian Government's response to the Hamas–Israel conflict.

Budgetary allocations and trends

Funding for those operations in the PBS includes a total net additional cost of $266.8 million allocated for 2025–26 and a five-year total estimated at $548.6 million. Compared to the 2024-25 Estimated Actuals in the 2025-26 PBS, the budget for the operations shows a slight decrease from $281.8 million, indicating a marginal reduction at a time when Defence is looking to sustain and increase its regional operational focus.

Operation Accordion

Operation Accordion remains pivotal in Australia's Middle East engagement, providing logistical and operational support to deployed forces. The PBS notes ongoing support activities but announces no major changes for 2025–26. This continued presence supports coalition efforts in a volatile region, reinforcing Australia's commitment to global security and counterterrorism. The operation's impact on Australia's national security remains important, as the Australian contribution aims to maintain security in a strategically vital corridor for global energy supplies.

Operation Resolute

Operation Resolute is critical for Australia's maritime border security, focusing on surveillance and response to illegal activities such as unauthorised arrivals and smuggling. The sustained funding and operational activity reflect ongoing concerns about Australia's northern maritime approaches. There are no major changes indicated from 2024–25, but the operation's importance remains high. Notably, the Department of Home Affairs 2025–26 PBS notes a decline in funding for border enforcement, which indicates that the Australian Border Force's capability to contribute to Australia's maritime border security remains problematic, placing additional demands on Defence in the short to medium term to provide surveillance and response capabilities through Maritime Border Command.

Operation Kudu

Australia's commitment to Operation Kudu represents Australia's support to Ukraine amid ongoing conflict. That involvement is part of a broader coalition effort to uphold the rules-based international order. The PBS highlights the continuing nature of this training mission, with no significant operational-scale changes planned for 2025–26.

Operation Beech

Operation Beech is a newer engagement focused on supporting the Australian Government's response to the Hamas–Israel conflict.

Regional impacts and strategic context

The PBS funding for major operations aligns with the primary objectives of defending Australia and its immediate region, deterring power projection through our northern approaches, and contributing to collective security in the Indo-Pacific.

- *Maritime security:* Operation Resolute and related maritime patrols (such as Operation Gateway) underscore the criticality of maritime domain awareness and control in Australia's northern approaches. Those operations are essential in countering non-traditional security threats, including illegal fishing and trafficking and potential military incursions.

- *Middle East stability:* Operations Accordion, Manitou and Beech and related missions maintain Australia's presence in a region crucial for global security and energy flows. That involvement supports allied coalition efforts and upholds the rules-based order, reinforcing Australia's role as a reliable partner.
- *Support to Ukraine:* Operation Kudu highlights Australia's commitment to supporting partners confronting aggression and is indicative of the ADF's expanding operational footprint beyond the Indo-Pacific and its alignment with global security frameworks.

Defence Cooperation Program

The Defence Cooperation Program (DCP) plays a key role in Australia's international defence engagement and has been a significant contributor since the 1960s. Originally established through bilateral military engagements in Singapore and Malaysia, it now encompasses support to military and police/security forces in more than 30 countries across the Indo-Pacific region. The primary objectives of the DCP include enabling the cooperative development of capability, enhancing Australia's capacity to work alongside partners in addressing shared security challenges, and fostering strong people-to-people links with partner militaries at tactical, operational and strategic levels.

The NDS reaffirms the importance of the DCP as the key mechanism for Australia's practical defence engagement in the Indo-Pacific. The program provides a strategic lever to apply effects throughout the region, focusing on priority regions within Australia's primary area of military interest. The goal is to maximise Australia's security by cultivating close and enduring partnerships that support regional sovereignty, improve interoperability with the ADF and contribute to regional resilience and security.

Within the DCP framework, specific programs such as the Pacific Maritime Security Program and the Indo-Pacific Infrastructure Program work to bring investment and strategic effects across multiple domains, as a complement to bilateral defence programs.

A notable change reflected in the PBS planning is the increased budget for the DCP, rising to $401.3 million, up from $327.7 million in 2024–25. This budget increase aims to match the changing strategic dynamics and solidify Australia's strategic positioning within the region. The budget distribution for 2025–26 indicates an increase in funding for the Pacific region, rising from approximately $262.3 million in 2024–25 to $335.2 million. Funding for Southeast Asian and other regional activities remains relatively stable, while support for the Defence International Training Centre experiences a slight decrease (Table 1).

Table 1: Defence Cooperation Program budget, 2025–26

Region/program Component	2025–26 Budget estimate ($'000)	Description
Pacific region	335,191	Supports military and police/security forces, including through bilateral exercises, training, capacity building and infrastructure support. Largest country program is Papua New Guinea.
Southeast Asia	36,887	Engagement with military and security forces through training, personnel exchanges and capacity building.
Other regional activities	28,668	Includes various activities supporting partners across the Indo-Pacific region.
Defence International Training Centre	537	Provides education and training positions in Australia for international military personnel.
Total Defence Cooperation Program	**401,282**	Overall funding for the program in 2025–26, reflecting its strategic importance in the Indo-Pacific.

Source: 2025–26 Defence PBS, 119.

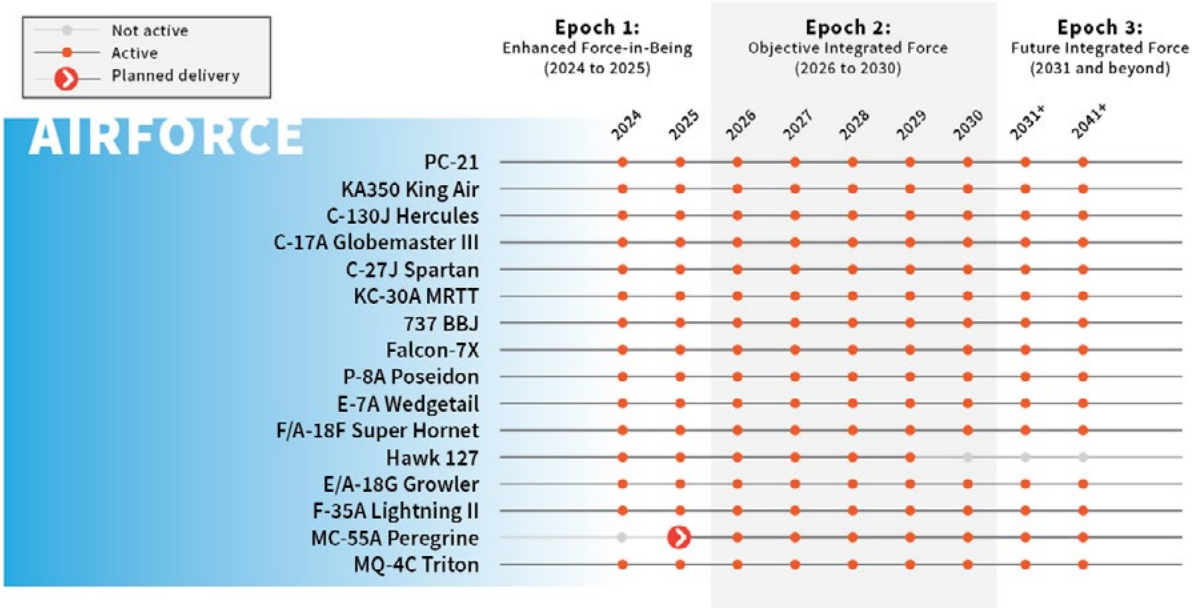
Capability development

Air domain

As with the 2024–25 PBS, this year's PBS provides little new information on the government's plans to evolve the RAAF's future air combat and combat support capabilities. The approach being taken by this Budget towards air power is one of maintaining existing capabilities, with minimal emphasis on future acquisition. This is worrying, as we're seeing a global 'inflection point' in the nature of air power, driven by an emerging combination of collaborative combat aircraft and the appearance of a number of sixth-generation combat aircraft projects, such as the US Air Force's F-47 Next Generation Air Dominance initiative, the US Navy's F/A-XX, and the UK–Japan–Italy Global Air Combat Program. Decision-making on the next generation of RAAF air combat capabilities needs to get started, especially if acquisition is to occur by the second half of next decade and Australia is to take the best advantage of global developments in future air combat capabilities.

With these developments as context, the 2025–26 Defence budget's perspective on Air Force capabilities is hardly ambitious in nature, in spite of the reality that it's time for the RAAF and Defence to start considering the next steps in air power evolution occurring against a strategic context of a rapidly worsening strategic outlook (Figure 42).

Figure 42: RAAF recapitalisation of air fleet



Source: Aggregated from PBS, NDS and ministerial announcements.

In particular, notably absent in the PBS is any mention of the funding for collaborative combat aircraft, such as the locally developed Boeing MQ-28A Ghost Bat (Figure 43), despite the US expressing interest in the project.[93] The IIP notes that the government will invest between $4.3 billion and $5.3 billion on 'uncrewed air systems', and that three 'Block 2' Ghost Bat air vehicles are to be acquired, but the PBS simply doesn't mention it.[94] There are plans for a live weapons test later this year that will see an air-to-air missile fired from a Ghost Bat.[95] In an interview during the 2025 Avalon Air Show, the Head of Air Force Capability, Air Vice Marshal Nicholas Hogan, suggested that it was highly likely that the RAAF would operate a 'Ghost Bat-style aircraft' and that Boeing Australia would be a strong contender for support.[96]

Figure 43: An MQ-28A Ghost Bat aircraft on a runway

Source: Boeing / Defence Department, online.

The context for this Budget and its impact on the future development of the RAAF is important. The biennial defence planning cycle, first suggested in the DSR and subsequently undertaken in the NDS and the accompanying IIP, are at their midpoint before the release in 2026 of a new NDS and IIP. The Budget, as it relates to Defence in general, and the Air Force specifically, represents a 'steady as she goes' approach that focuses on bringing into service previously planned capability and sustaining existing capabilities, rather than suggesting new or radical capability decisions for the future to respond to growing uncertainty and risk.

In part, that's due to most of defence spending going to support the acquisition of nuclear-powered but conventionally armed submarines under DEF-1 and the acquisition of up to 11 general purpose frigates for the Navy under SEA 3000. Funding is flowing from the Air Force and Army to keep those important Navy acquisitions on track in the absence of any significant defence spending increase by government beyond what's planned for in the IIP.

In short, the unwillingness of the government to move more rapidly to increase defence spending to a significantly higher level beyond that planned for in the IIP means that, even as the Defence Department and the RAAF need to look forward to embracing new capabilities, they're constrained from doing so by inadequate defence spending and the prioritisation of the SSNs and the Navy's new frigates.

Key takeaways

For the RAAF, the PBS begins by stating in Program 2.7: Air Force Capabilities that its goal is 'to provide air power capabilities that contribute to the Australian Defence Force's capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect national interests.'[97] The assessment of Defence's success, or otherwise, in achieving that goal is made in language that's replicated

(in some cases word for word) from other sections of the PBS, in terms of performance measures and planned performance results. For example, in relation to delivering 'the right future capability at the right time within the Integrated Investment Program to ensure it is equipped to respond to future security challenges as directed by the 2024 National Defence Strategy', the PBS repeatedly uses the same boilerplate phrase that '80% or more of approved Integrated Investment Program projects across all domains are on track to deliver the scope approved by Government within Government approved cost and schedule.' That bland language creates an immediate challenge in finding any useful indication of success or failure in achieving important goals, as the exact same phrase can be found in the other sections of the PBS dealing with sea, land and joint capabilities. That's just not helpful in assessing the real progress of capability development.

The PBS then provides a cost summary for Air Force capabilities that covers the forward estimates through to 2028–29 (Table 2).

Table 2: Program 2.7 Air Force capabilities cost summary, 2025–26

	2024-25 Estimated Actual $'000	2025-26 Budget Estimate $'000	2026-27 Forward Estimate $'000	2027-28 Forward Estimate $'000	2028-29 Forward Estimate $'000
Expenses funded by appropriation and own source revenue					
Employees	2,796,245	2,951,848	3,079,039	3,206,267	3,309,922
Suppliers	4,444,114	4,576,287	4,711,982	4,772,355	5,553,360
Other expenses	1,998	2,006	2,053	2,085	2,102
	7,242,358	**7,530,141**	**7,793,074**	**7,980,707**	**8,865,384**
Expenses not requiring appropriation					
Depreciation and amortisation	1,897,179	1,865,906	1,987,775	2,059,145	2,133,342
Inventory consumption	345,210	384,592	428,490	473,689	546,935
Net write-down and net impairment of assets	55,047	60,286	66,084	72,510	79,645
	2,297,436	**2,310,784**	**2,482,348**	**2,605,344**	**2,759,923**
Total operating expenses	**9,539,794**	**9,840,925**	**10,275,423**	**10,586,050**	**11,625,306**
Capital expenditure funded by appropriation and own source revenue					
Purchases of non-financial assets	1,899,026	1,858,289	2,576,706	2,536,575	3,110,534
Purchases of inventory	556,384	599,698	612,243	703,759	634,376
Principal repayments of lease liabilities	13,010	13,195	13,311	12,954	13,198
Total capital expenditure	**2,468,420**	**2,471,182**	**3,202,259**	**3,253,288**	**3,758,108**
Program 2.7 Air Force Capabilities Total funded expenditure [a] [b]	**9,710,778**	**10,001,323**	**10,995,334**	**11,233,995**	**12,623,492**

a Total program funded expenditure includes operating expenses and capital expenditure funded by appropriation and own-source revenue. This excludes expenses not requiring appropriation.

b The change in estimates includes the movement of functions and their associated budgets within Defence.

Source: 2025–26 Defence PBS, 69.

The table suggests that total funded expenditure increases steadily across the forward estimates, rising from $10 billion in 2025–26 through to $12.62 billion by the end of the forward estimates, representing a 30% increase over that period. That suggests expanding RAAF capability development. However, as a total proportion of defence spending since the 2024–25 defence budget, investment into the air domain has gone *down* significantly, from 18.64% in the 2024–25 budget to only 12.98% in the 2025–26 budget—an overall reduction of 5.66% (Table 3).

Table 3: Top 30 acquisition programs, by domain

Domain	2024–25 Budget spend (%)	2025–26 Budget spend (%)	Change (%)
Maritime	47.79	49.10	+1.31
Land	29.56	32.64	+3.08
Air	18.64	12.98	–5.66
Information and cyber	4.01	4.12	+0.11
Enterprise and enabling	0.00	1.16	+1.16

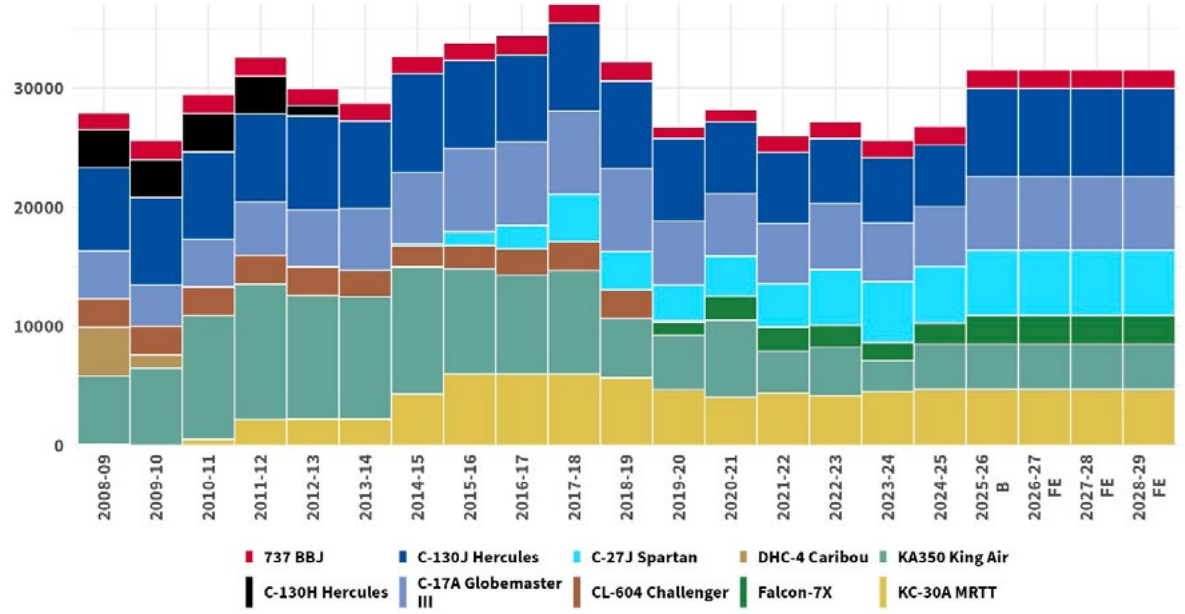
Source: Aggregated from current and previous PBS.

This is reflected in the cumulative assessment of acquisitions of new capabilities including missiles and achieving the key delivery of planned capabilities such as aircraft, ground systems or infrastructure. The ratio of capital expenditure to operating expenditure suggests greater acquisition out to end of the forward estimates. That could

reflect new capability development, either seeing pre-planned projects reach fruition, or, hopefully, new types of capabilities entering service.

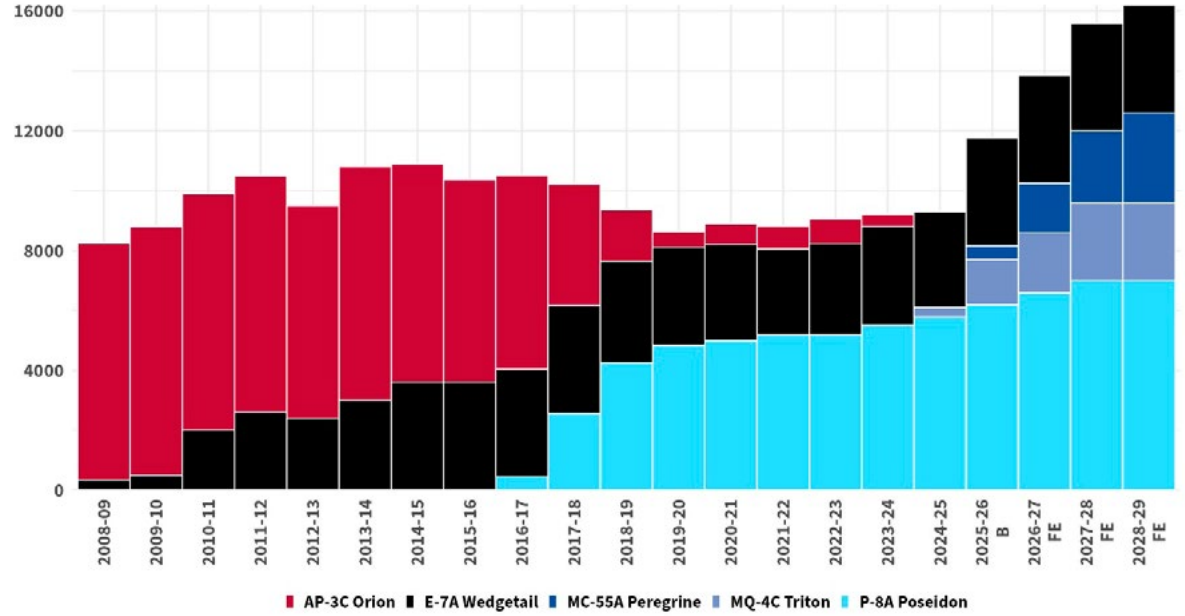
The PBS section on the RAAF also features a table showing Air Force flying hours.[98] However, much of the data looking into the forward estimates seems once again to be 'rubber-stamped' numbers projected forward across the coming four years, with several mature fleets underachieving their estimated hours (figures 44 to 47). This is not that useful and certainly is aspirational at best.

Figure 44: RAAF air mobility fleet flying hours, 2008–09 to 2028–29



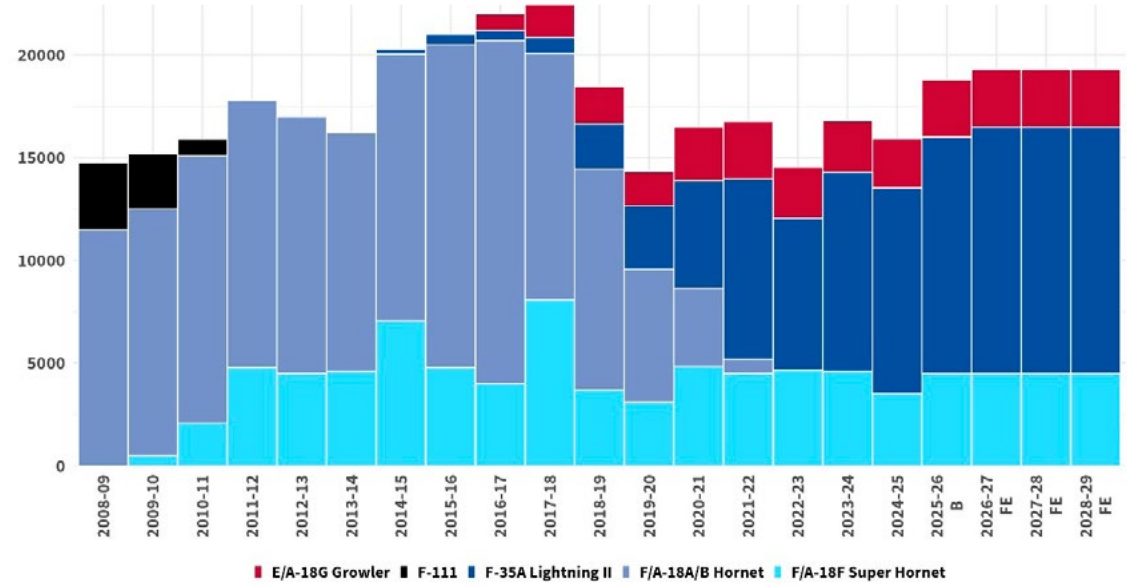
Source: Aggregated from current and previous PBS.

Figure 45: RAAF ISR fleet flying hours



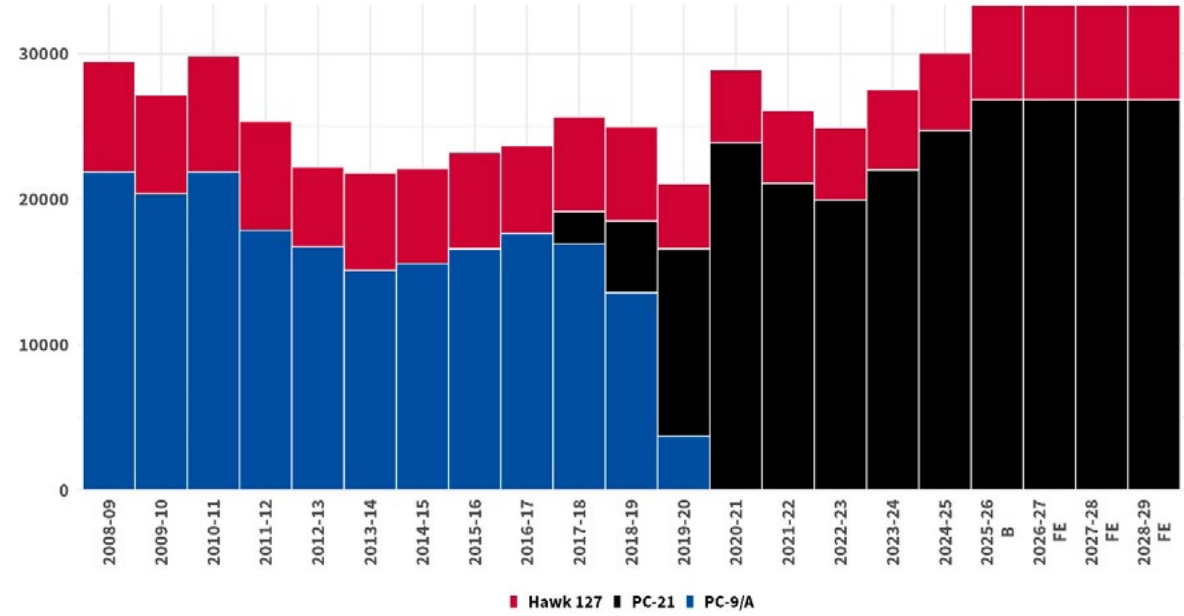
Source: Aggregated from current and previous PBS.

Figure 46: RAAF air combat fleet flying hours



Source: Aggregated from current and previous PBS.

Figure 47: RAAF aviation training fleet flying hours



Source: Aggregated from current and previous PBS.

By far the most useful information on investment for current and future RAAF capabilities lies in the appendixes on military acquisition and sustainment costs. Although they don't cover every current or planned capability investment, those sections cover the most significant capabilities currently flying with the RAAF.

Three air combat platforms currently in service with the RAAF—the 72 F-35A Lightning II Joint Strike Fighter (JSF), the 24 F/A-18F Super Hornet and 12 E/A-18G Growler electronic warfare and attack aircraft—are of key significance for new capability development and acquisition, particularly in terms of their role in supporting long-range strike.

The F-35A Joint Strike Fighter

Two acquisition projects and one sustainment serial support the readiness of the RAAF's F-35A JSFs (Figure 48). Under AIR 6000 Phase 2A/B, the PBS sees an additional tranche of spares, an upgrade to US-based software labs and continued work towards sovereign maintenance, repair and overhaul for the F-35A.[99] At the same time,

AIR 6000 Phase 6 JSF follow-on development will include efforts to enhance through-life capability upgrades to ensure that the F-35A remains lethal, survivable and interoperable within the ADF and with allied capabilities.[100]

Those efforts, somewhat confusingly, are also mentioned in regard to the CAF30 sustainment program, which will see the first RAAF F-35A aircraft scheduled to begin follow-on modernisation that will include upgrades to incorporate Technical Refresh 3 (TR3) capabilities across the F-35A fleet.[101] Those upgrades will prepare the F-35A fleet for a further upgrade (Block 4) that will radically enhance the F-35As' capabilities. The TR3 upgrade will install a much more powerful flight computer into the aircraft, and, at the same time, test the integration of the new computer and its software in simulation before such a capability can be operationally ready for Block 4. Once updated with TR3 and Block 4, the RAAF's F-35As will have greater payload (six missiles carried in the internal bay instead of four currently) and enhancements to weapons, communication, networking, electronic warfare, radar and pilot flight systems and a greater ability for data fusion.[102]

The acquisition projects are funded to $238 million and $139 million, respectively, while the CAF30 sustainment program is estimated at $716 million.

Figure 48: An Air Force F-35A Lightning II aircraft from No.2 Operational Conversion Unit during a handling display at the Australian International Airshow 2025

Source: Warrant Officer Ricky Fuller / Defence Department, online.

The F/A-18F Super Hornet and E/A-18G Growler

A key acquisition project for the E/A-18G Growler is AIR 5349, which allocates a total of $408 million for acquiring the ALQ-249v1 Next Generation Jammer that will replace the older ALQ-99 jamming system, as well as advanced anti-radiation missiles known as Advanced Anti-Radiation Guided Missile Extended Range, airborne decoys, and sovereign maintenance for the existing ALQ-99 jamming system.[103]

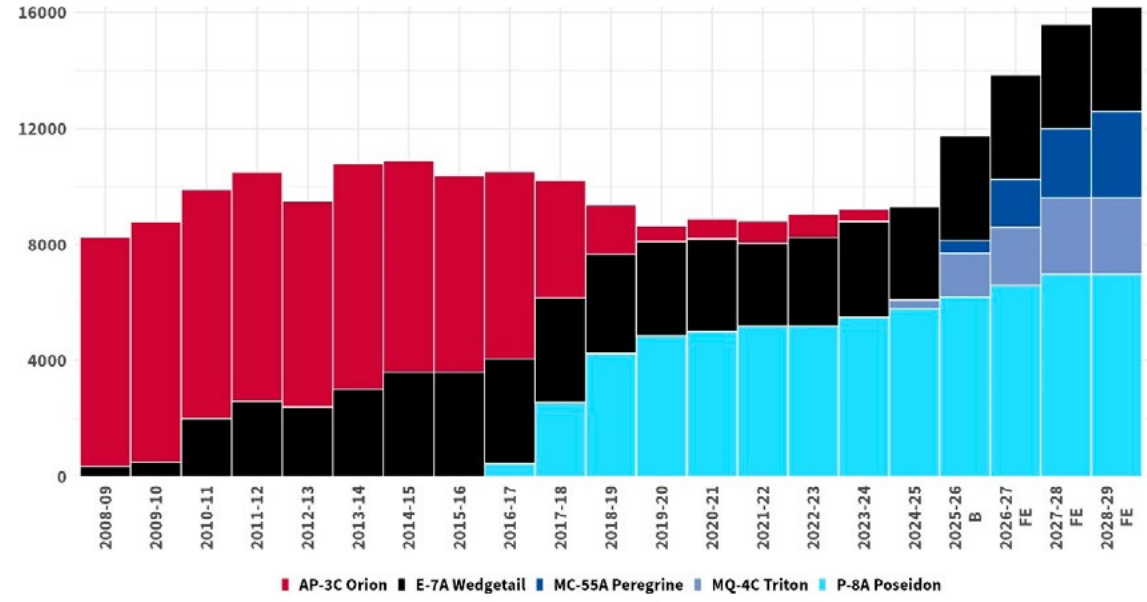
The F/A-18F Super Hornet and the E/A-18G Growler are both undergoing spiral upgrade programs under the CAF21 sustainment program. The Super Hornet will integrate new weapons (see 'Strike domain' below) and mission systems to ensure lethality and survivability and maintain configuration alignment with the US Navy's current operational configuration. A total of $600 million is to be spent on the spiral upgrade programs.

Intelligence, surveillance and reconnaissance

On ISR for the air domain, the PBS lists only two significant acquisition projects: one for the acquisition of the MQ-4C Triton Remotely Piloted Aircraft System (AIR 7001), and one for the P-8A Poseidon maritime patrol and reconnaissance aircraft (AIR 7000). There are also capability sustainment projects for the E-7A Wedgetail airborne early warning and control aircraft (CAF20), for the P-8A Poseidon maritime patrol aircraft (CAF35) and for the soon-to-be-acquired MC-55A Peregrine long-range intelligence, surveillance, reconnaissance, and electronic warfare platform (CAF40).

Figure 49 shows flying hours for the ISR fleet.

Figure 49: ISR fleet flying hours, 2008–09 to 2028–29



Source: Aggregated from current and previous PBS.

AIR 7001 will deliver the second and third MQ-4C Triton aircraft and complete ground facilities to allow forward operations out of RAAF Base Tindal (Figure 50). With three Tritons delivered, and to be operated by No. 9 Squadron at RAAF Edinburgh, the project will move closer to initial operating capability, with a total of four Tritons, down from the six initially planned under the *2016 Defence White Paper*. A total of $304 million is allocated for AIR 7001 in the 2025–26 financial year.

Figure 50: An RAAF MQ-4C Triton remotely piloted aircraft system at RAAF Base Tindal in the Northern Territory

Source: Sergeant Andrew Eddie / Defence Department, online.

AIR 7000 begin an upgrade process for the P-8A fleet, initially in the US but eventually at RAAF Base Edinburgh in a cooperative program with the US Navy. A total of $303 million is allocated to AIR 7000. At the same time, CAF35 will prepare the RAAF for the delivery of the final two P-8A Poseidon maritime patrol aircraft to bring the fleet to a total of 14 aircraft, as well as supporting a follow-on sustainment program that will improve operational readiness of the Poseidon fleet. With $309 million allocated to CAF35 in the PBS and $303 million for AIR 7000 acquisition, $702 million is allocated to enhance and sustain the RAAF's current and planned maritime patrol and response capability in 2025–26.

Finally, the acquisition of the MC-55A Peregrine ISR and electronic warfare aircraft is at an early stage, with four aircraft to be acquired under AIR 555 Phase 1. Rather confusingly, the PBS also mentions a capability sustainment effort under CAF40 to mature initial sustainment arrangements for the MC-55A, with a cost of $126 million.

Air mobility

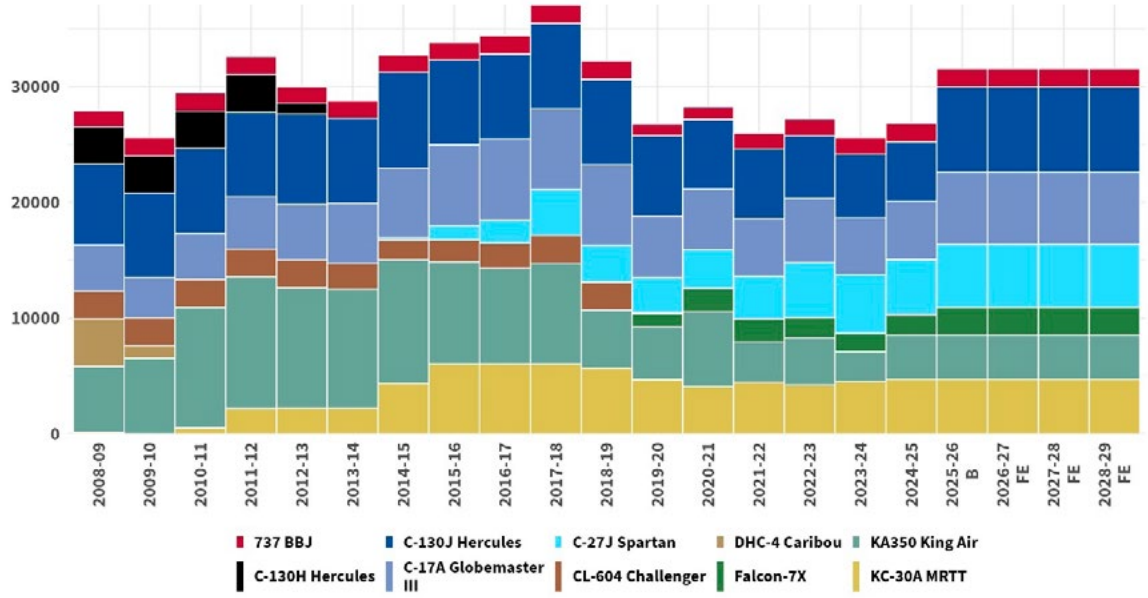
The key project for RAAF air mobility will be the acquisition of 20 C-130J-30 Hercules medium transport aircraft. AIR 7404 allocates $193 million for beginning of aircraft production and the establishment of contracts for simulators. At the same time, a capability sustainment project—CAF06—will maintain and upgrade the existing fleet of 12 C-130J Hercules until their eventual replacement by the C-130J-30s. Under the project, $147 million is allocated in 2025–26 to sustain and eventually draw down the existing 12 aircraft.

The RAAF's eight C-17A Globemaster III heavy transport aircraft will undergo minor upgrades under CAF19 to address obsolescence and maintain common configuration with the US Air Force at a cost of $191 million.

The RAAF's C-27J Spartan tactical airlift aircraft will be supported through improved sustainment support that addresses maintenance and ensures platform agility and resilience under CAF344, at a cost of $134 million.

Figure 51 shows air mobility fleet flying hours.

Figure 51: Air mobility fleet flying hours, 2008–09 to 2028–29



Source: Aggregated from current and previous PBS.

CAF22 will support the seven KC-30A multi-role tanker transport aircraft at a cost of $209 million to ensure their ability to support operations, progress mid-life upgrades and address obsolescence issues, as well as to expand the number of aircraft types capable of air-to-air refuelling from the KC-30A.

Training

Two sustainment projects support pilot training, employing 49 Pilatus PC-21 basic trainers and 33 BAe Hawk 127 lead-in fighter trainers. The Hawk 127 (Figure 52) is approaching obsolescence and will need to be replaced under AIR 6002 Phase 1 from 2030, requiring a contract signature by 2027. Boeing has promoted the T-7A Redhawk as a contender, while Korea Aerospace Industries would be likely to promote its T-50 Golden Eagle, which could also take on the role of a light combat aircraft as the TA-50. Also, Leonardo has promoted its M-346 Master advanced trainer as a contender. Of critical importance in the outcome of the competition will be to ensure that whichever platform is chosen can be easily configured to replicate the systems of existing RAAF combat aircraft both for lead-in training and for adversary force training.

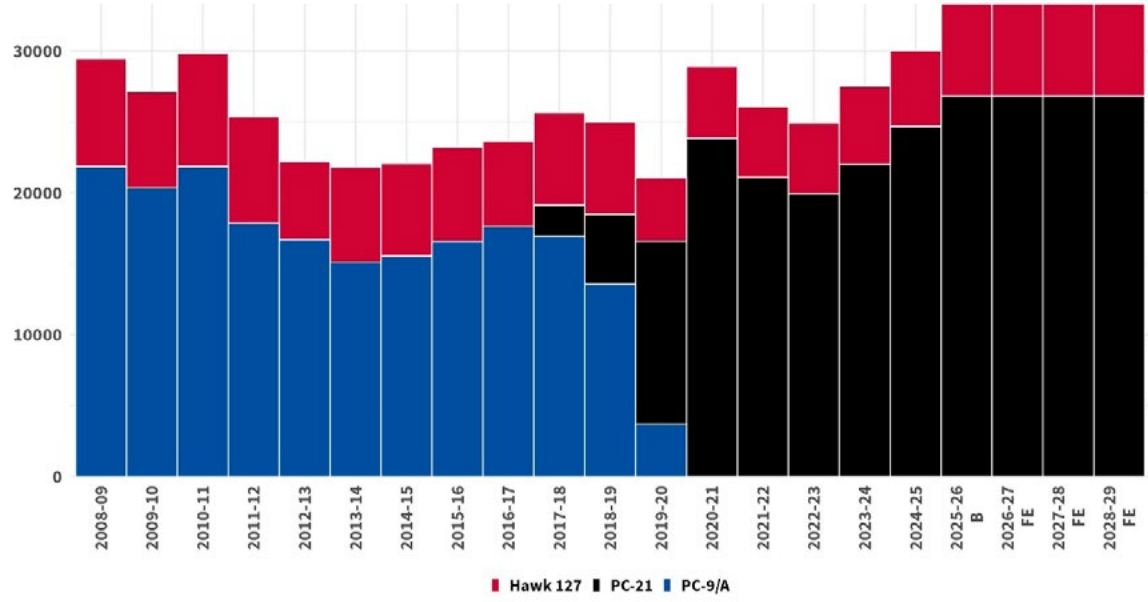
Figure 52: RAAF Hawk 127 aircraft prepare to take off during Exercise High Sierra 23 at RAAF Base Townsville in Queensland

Source: Lance Corporal Ryan Howell / Defence Department, online.

In the meantime, the ageing Hawk 127 must be sustained, and that effort occurs under CAF03 through integrating new engines acquired under AIR 5438 Phase 1, at a cost of $144 million. The RAAF's 49 Pilatus PC-21 training aircraft, which provides initial flight training and transition to lead-in fighter training, is to be supported under CAF37 at a cost of $147 million within the 2025–26 Budget.

Figure 53 shows aviation training fleet flying hours.

Figure 53: Aviation training fleet flying hours, 2008–09 to 2028–29



Source: Aggregated from current and previous PBS.

JORN upgrade and IAMD

The sustainment of the Jindalee Operational Radar Network (JORN) system will be undertaken under CAF13 at a cost of $120 million in the 2025–26 Budget year. JORN consists of three over-the-horizon radar systems at Longreach in Queensland, Laverton in Western Australia, and Alice Springs in the Northern Territory. The systems are controlled by the RAAF's No. 1 RSU at RAAF Base Edinburgh in South Australia. The PBS fails to mention AIR 2025 Phase 6, which is due to deliver a comprehensive redesign and upgrade of JORN. AIR 2025 Phase 6 will replace most of the radar and frequency management system hardware and the information and communication technology hardware. BAe Systems Australia will undertake both AIR 2025 Phase 6 and CAF13.

The PBS also includes AIR 6500 for the acquisition of IAMD, at least in terms of command-and-control systems and radars under the Joint Air Battle Management System (JABMS). At a cost of $273 million, 'the project will finalise delivery of new air defence radars and deliver a Minimum Viable Capability JABMS to address obsolescence in the current in-service Air Battle Management System.'[104]

The issue of IAMD is becoming an increasingly urgent capability gap for the ADF. The DSR emphasised the urgent need to deploy a credible IAMD capability, noting that 'Defence's medium-range advanced and high-speed missile defence capabilities should be accelerated.'[105] Although the PBS claims that the current funding will achieve a minimum viable capability, that applies only to the JABMS, which is the command-and-control system. It doesn't fund an operational IAMD architecture that includes land-based interceptor missiles. Therefore, Defence has failed to deliver an IAMD capability, despite advice from the DSR, and still lacks any operational land-based missile defence capability. Defence statements suggest that SM6 and SM2MR missiles, deployed at sea from naval surface combatants, or potentially air-launched missiles such as the AIM-120C-8 and AIM-120D-3 advanced medium range air-to-air missile, can undertake a missile defence role. However, despite those missile systems being highly capable, the tactical reality is that naval surface combatants are limited in number and are vulnerable to attack, and ships and aircraft might not always be available all the time for deployment in the required locations to defend vital defence facilities in northern Australia.[106]

Therefore, the government's approach to IAMD, as laid out in the NDS and IIP and reinforced in the PBS, ignores the advice of the authors of the DSR, which stated:

> While we are supportive of Defence's approach to developing an ADF common IAMD capability, we are not supportive of the relative priority that the program was given. The program is not structured to deliver a minimum viable capability in the shortest period of time but is pursuing a long-term near perfect solution at an unaffordable cost.[107]

The decision in the IIP to push back any consideration of acquisition of 'effectors'—such as land-based medium-range missile interceptors, despite operationally proven systems being available now for 'military off the shelf' acquisition—until the 2026 NDS and IIP, with no guarantee for the rapid acquisition of such capabilities, suggests that the government has chosen to ignore this capability gap and deprioritise it, rather than emphasise the need to address it. This is a major policy failing, as an inability to defend critical base facilities in the north could undo our entire approach to denial. For example, in a wartime scenario, Chinese long-range missiles could hit not only air bases such as Tindal and erode our operational capabilities for air defence and denial, but also critical sensors such as JORN, leaving us effectively blind to further attacks on other vital targets such as ports and logistics infrastructure.

Land domain

The decade-long NDS plan for the Army's transformation to a fighting force that can secure and control strategic land positions and provide protection for the ADF's priorities is developed through:

- the acquisition of a littoral manoeuvre capability, including domestically produced medium and heavy landing craft, enhancing the ADF's ability to deploy and sustain land forces in Australia's primary area of military interest
- the accelerated and expanded acquisition of land-based long-range fires, providing the ADF with a deployable strike capability with the range to protect Australia's northern approaches
- progressively introducing increments of PRSMs to extend the range and variety of targets that land-based long-range fires are capable of striking
- progressively increasing stockpiles of land-based long-range fires munitions
- continued investment in the combined-arms land system, including infantry fighting vehicles and combat reconnaissance vehicles, main battle tanks, uncrewed tactical systems and a new attack helicopter, ensuring the Army can secure and control strategic land positions and provide protection for the ADF.[108]

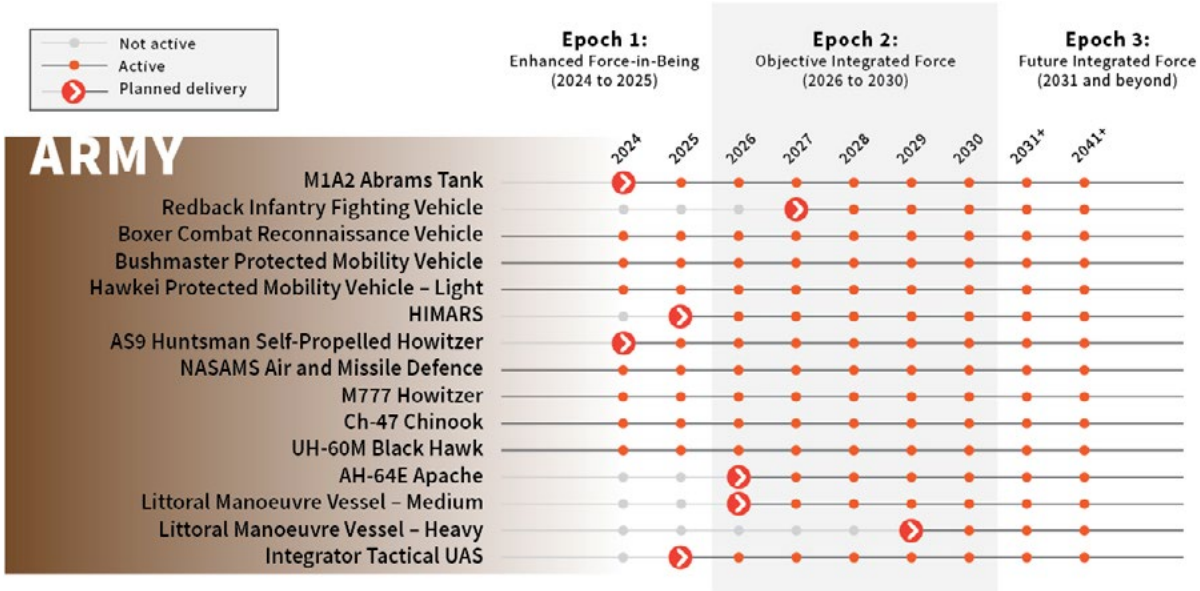
The resulting recapitalisation of the Army's equipment has seen LAND programs represent 11 of the Top 30 military equipment acquisition programs, at a cost of nearly $1.2 billion in the next financial year.[109]

The story is similar for land domain sustainment costs, which marginally increased to $1.07 billion in the PBS. More than half of that planned investment is directed at sustainment of the Army's stores of explosive ordinance (and inventory used by the RAN and the RAAF where the Army is the lead service) and operational fleets of Block I Boxer vehicles and UH-60M Black Hawk helicopters.[110]

Littoral manoeuvre capability

The Australian Government and Defence have addressed an important gap highlighted last year in the *ASPI Defence budget brief 2024–25*; namely, that the Army's contributions to an amphibious-capable combined-arms land system wouldn't come until well into the 2030s (Figure 54).[111]

Figure 54: Army recapitalisation of battlefield equipment



Source: Author's own calculations based on Army Headquarters, *The Australian Army contribution to the National Defence Strategy 2024*, Australian Government, 2024, 15, online; aggregated from current and previous PBS.

Two recent and welcome developments justify a changed and more positive outlook. On 22 November 2024, the Australian Government selected the Landing Ship Transport 100 design by Damen Shipyards Group for the Army's eight landing craft heavy (LCH) capability.[112] Construction will begin in 2026 just as the Army takes delivery of the first of 18 landing craft medium (LCM) littoral manoeuvre vessels under LAND 8710 Phase 1.[113] In more good news,

the PBS approved $2.3 billion in total funding for this program and estimates that $233 million will be spent acquiring the LCMs and 15 amphibious vehicle logistics (AVL) capabilities over this initial period.[114]

The incoming LCMs and AVLs will replace legacy LCM Mark 8 vessels and Lighter Amphibious Re-supply Cargo 5(V) vehicles, providing the Army with a significant increase in over-the-shore mobility and sustainment capabilities. This will enable the Integrated Force in littoral environments where access over beaches and through waterways that may be obstructed by obstacles or debris would otherwise prove impossible.

The net effect of these developments is that the Army will have access to most of the core pieces of an amphibious-capable combined-arms land system this decade. This should mean that the Integrated Force will be able to project major land capabilities offshore sooner rather than later.

Amphibious-capable combinedarms land system

As has been noted, the amphibious character of the Army's combinedarms land system will come from 18 LCM and eight LCH vessels. The PBS approved $233 million in funding for the LCMs and 15 AVLs through LAND 8710 Phase 1. The AVL will replace the Army's legacy LCM Mark 8 vessels and Lighter Amphibious Re-supply Cargo 5(V) vehicles.[115] That should improve the Army's ability to access beaches and waterways obstructed by obstacles or debris and disembark cargo loads of around 5 tonnes in littoral environments. With no funding profile for the LCHs as yet, however, there's a highly restrictive limit to Army lines of communication.

Related elements of the Army's amphibious-capable combinedarms land system are awaiting a decision. For example, progress on the LAND 4111 program to modernise and standardise the communications, electronic countermeasure capabilities and weapons systems across the ADF's Bushmaster and Hawkei fleets is limited to ongoing 'risk reduction activities'.[116] Defence plans to make a formal submission for options to be considered by the government in early 2026.

Other significant land domain capability acquisition programs include the following:

- *First Long Range Fires Regiment* (LAND 8113 Phase 1): The IIP committed $3.9–4.9 billion in total planned investments in new weapons for the Army to enhance its strike capabilities. The PBS acknowledges that the next financial year will be a significant uplift, budgeting $419 million for delivery of additional HIMARS launchers and associated munitions and continued introduction into service activities.[117]
- *Uncrewed aerial vehicles* (DEF 129): The PBS estimates that $130 million will be spent acquiring the ADF's newest tactical and small uncrewed aerial systems (UASs) in a manner consistent with the direction that the IIP took to amalgamate all existing ADF tactical and small UAS projects into a single project. DEF 129 will deliver the Insitu Integrator Tactical UAS, the Sypaq Systems CorvoX Small UAS and the Quantum Systems Vector 2-in-1 vertical take-off reconnaissance UAS.
- *Redback infantry fighting vehicle* (LAND 400 Phase 3): The PBS allocates more funding for verification and testing activities, prior to commencement of local Redback hull production.[118] On 31 March 2025, Hanwha Defence Australia announced that it had partnered with Australian-owned heavy equipment manufacturer Elphinstone Pty Ltd for the manufacture of all 129 vehicle hull structures.[119] As per the initial plan, the Army expects to take vehicle deliveries in 2027 and have the fleet delivered in full by 2028.[120]
- *Boxer combat reconnaissance vehicles* (LAND 400 Phase 2): The PBS indicates that deliveries and acceptance activities will continue for the Block II reconnaissance (turreted) variant while progress is made to advance the design review program and testing activities for the Block II non-turreted joint fires and surveillance, command, repair, and recovery variants.[121] The latest available *Major projects report* lists LAND 400 Phase 2 as a 'project of interest', noting ongoing schedule pressure on the program to achieve its final operational capability milestone.[122] However, Defence considers that there's sufficient budget remaining for LAND 400 Phase 2 to be completed against the agreed scope.[123]

- *Armoured combat* (LAND 907): The planned investment to fund the delivery of 75 M1A2 Abrams main battle tanks to replace the current in-service capability remains on track. In 2025–26, delivery and acceptance activities for the main battle tanks and combat engineering vehicles will continue alongside the issuance and implementation of contracts with Australian industry to support those capabilities.[124]

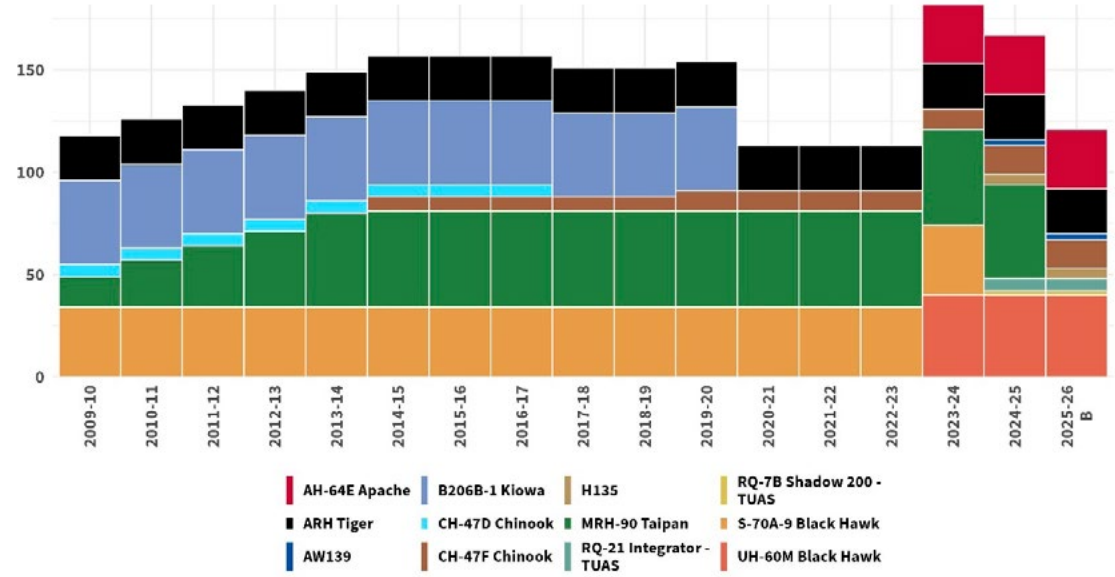
In the IIP, Defence announced $3.4 billion in approved planned investment for facilities and enterprise infrastructure for the amphibious-capable combinedarms land system.[125] This should include enhancements of facilities and training areas in Darwin, Townsville and Brisbane, from which the Army's new littoral lift groups can be expected to operate, but that discrete framing is lacking in the PBS. Approved enterprise estate and infrastructure projects remain tied to pre-existing works programs, and that makes it difficult to track planned investment in the facilities across northern Australia that will provide continuing support to the Army's amphibious-capable combinedarms land system.

Battlefield aviation and fleet readiness

The Army's incoming fleet of 29 AH-64E Apache attack helicopters is set to become a dominant element of its battlefield aviation force (Figure 55). The PBS estimates that $989 million will be spent in the next financial year to acquire the first few aircraft, essential role and mission equipment and flight simulators as well as to continue procurement of spare parts and support equipment, training for personnel and essential support services.[126]

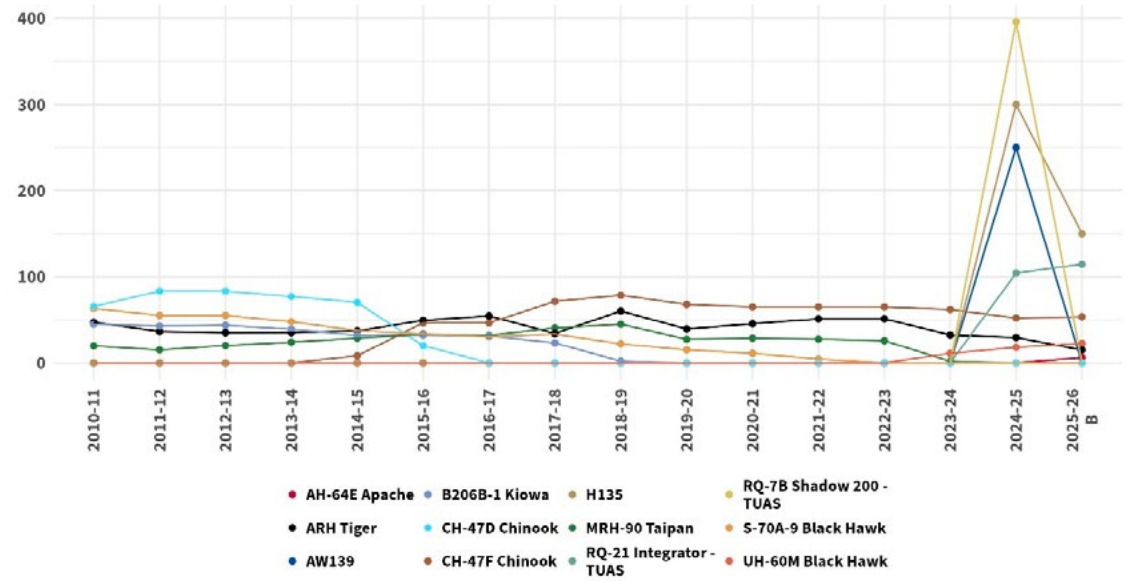
The PBS shows that the Army has largely achieved the approved flying rates for its battlefield aviation assets this financial year. The operational fleet of UH60M Black Hawk utility helicopters met the target rate of effort, flying 2,900 hours, while the Army's ARH Tiger helicopters and CH-47F Chinook helicopters underflew by 13% and 17%, respectively (Figure 56).

Figure 55: Army battlefield aviation fleet numbers, 2009–10 to 2025–26



Source: Aggregated from current and previous PBS.

Figure 56: Army battlefield aviation fleet readiness, 2010–11 to 2025–26



Source: Aggregated from current and previous PBS.

The Army's RQ-21 Integrator Tactical UAS also met the target rate of effort, flying 1,250 hours, and will see higher usage in support of operations over the forward estimates as the fleet grows to six systems and replaces the RQ-7B Shadow Tactical UAS.

Overall, this is a dramatic turnaround from last financial year, during which the Army's fleets of UH60M Black Hawk, ARH Tiger and CH-47F Chinook helicopters underflew by 41%, 37% and 11%, respectively.[127]

The introduction of the Boeing AH-64E Apache attack helicopters is cited as the main reason for the reduction in flying hours for the ARH Tiger from 2025–26, although Defence hasn't provided reasons for the declining CH-47F Chinook rates of effort.[128] It might be that ongoing workforce shortfalls, sustainment inefficiency or obsolescence and supply-chain problems are part of the issue.

Sea domain

The key questions for the Navy coming out of the 2025–26 Budget are:

- whether sufficient funds are being spent to sustain Australia's existing naval capabilities
- what investments are occurring to acquire new capabilities and how long will it take to introduce those capabilities into service
- whether the combined investments in sustainment and acquisition will meet the demands of the NDS to deliver deterrence by denial through ensuring lethal but survivable naval capabilities in an increasingly challenging and contested maritime environment.

Program 2.5: Navy Capabilities in the PBS notes that the objective is to 'provide maritime capabilities that contribute to the Australian Defence Force's capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect national interests'. That will include conducting operations and deployments to defend Australia's territory and national interests and delivering future capabilities. But, as with other sections of the PBS related to the specific domains, there's a use of repetitive 'rubber-stamped' phrases, both in relation to achievements related to current operations and to future capability acquisition. Those bland phrases—for example, on planned performance results for the 2025–26 Budget year, merely repeat the same words ('80% or more of approved Integrated Investment Program projects across all domains are on track to deliver the scope approved by Government within Government approved cost and schedule') provide no clear evidence that this statement is in fact correct or consistent with the facts. That makes

it difficult to gain any useful information on whether the Navy is achieving current goals in sustainment and operations, or in relation to future acquisitions of new capabilities.

However, the Navy is benefiting from significant rises in investment. The PBS shows a sharp projected rise in total capital expenditure for nuclear-powered submarines, from $2.45 billion in 2024–25 to $6.27 billion in 2028–29 (Table 4). Spending on AUKUS Pillar 1 commitments accounts for a very substantial proportion of the government's additional commitments to defence spending. The opportunity costs of that investment, in terms of unrealised capability objectives in the DSR and NDS, have become increasingly apparent.

The PBS claims that the Australian Submarine Agency 'is making significant progress in delivering against the plan for Australia's acquisition of conventionally-armed, nuclear-powered submarines', citing among its achievements the entry into force of the AUKUS Agreement for Cooperation Related to Naval Nuclear Propulsion and various industry and workforce development initiatives that have placed Royal Australian Navy and industry personnel in the UK and US.

Table 4: Program 2.16 nuclear-powered submarines cost summary, 2025–26

	2024-25 Estimated Actual	2025-26 Budget Estimate	2026-27 Forward Estimate	2027-28 Forward Estimate	2028-29 Forward Estimate
	$'000	$'000	$'000	$'000	$'000
Expenses funded by appropriation and own source revenue					
Employees	-	-	-	-	-
Suppliers	2,257,842	2,634,098	994,645	2,740,723	2,714,962
Other expenses	-	-	-	-	-
	2,257,842	**2,634,098**	**994,645**	**2,740,723**	**2,714,962**
Expenses not requiring appropriation					
Depreciation and amortisation	-	-	-	-	-
Inventory consumption	-	-	-	-	-
Net write-down and net impairment of assets	-	-	-	-	-
	-	-	-	-	-
Total operating expenses	**2,257,842**	**2,634,098**	**994,645**	**2,740,723**	**2,714,962**
Capital expenditure funded by appropriation and own source revenue					
Purchases of non-financial assets	194,988	477,206	323,114	2,211,507	3,551,813
Purchases of inventory	-	-	-	-	-
Principal repayments of lease liabilities	-	-	-	-	-
Total capital expenditure	**194,988**	**477,206**	**323,114**	**2,211,507**	**3,551,813**
Program 2.16 Nuclear-Powered Submarines Total funded expenditure [a]	**2,452,830**	**3,111,304**	**1,317,758**	**4,952,230**	**6,266,775**

a Total program funded expenditure includes operating expenses and capital expenditure funded by appropriation and own-source revenue. This excludes expenses not requiring appropriation.

Source: 2025–26 Defence PBS, 89.

The Deputy Prime Minister asked former Department of Defence Secretary, Mr Dennis Richardson, in late 2024 to look at the Australian Submarine Agency to ensure it has the right settings in place to deliver this nation-building program. The agency has been affected by several high-profile staff departures, including its former deputy director. Some of the original AUKUS commitments–notably the selection of an east coast submarine base—have virtually disappeared from the government's narrative.

The most immediate risk weighing on the delivery of nuclear-powered submarines into Australian service, under Pillar 1, is uncertainty surrounding the US commitment to sell 3 Virginia-class boats, with the option of two more if needed, starting from the early 2030s. Senior Trump administration officials have endorsed AUKUS and acknowledged Australia's initial $798 million contribution to the US submarine construction.[129] Although doubts continue to surface in Congress and elsewhere within the US about the wisdom of transferring Virginia-class submarines out of the US Navy's order of battle at a point when the US's SSN fleet will be at a historical low. For the transfer to ultimately go ahead in early 2030s, the US President must give their advance authorisation within 270 days of the sale, under the National Defense Authorisation Act.

In addition to the challenging issue of acquiring the conventionally armed but nuclear-powered submarines under the AUKUS Optimal Pathway, there are several key projects underway within the Navy's fleet.

First, sustaining the Navy's ageing Collins-class diesel–electric submarines (SSKs) is now facing severe risk and was again designated a 'project of concern' in December 2024. The Collins-class sustainment effort was an ongoing project of concern over successive governments from November 2008 to October 2017.[130] In the 2025–26 Budget year, under sustainment product CN10, a total of $1 billion will be spent on activities designed to extend the already stretched operational life of type.[131] That sustainment effort is in addition to the Collins life-of-type extension (LOTE) project (SEA 1450 Phase 1). The LOTE is now being scaled back over concerns that the LOTE effort for the first submarine, HMAS *Farncomb*, which is due to occur in 2026, won't be completed in time. A two-year period is allocated for each LOTE, to be conducted by ASC. In Senate estimates in February 2025, it emerged that three of the Navy's six Collins-class submarines are in deep or intermediate maintenance, after reports emerged late in 2024 that only one of the six was available.[132]

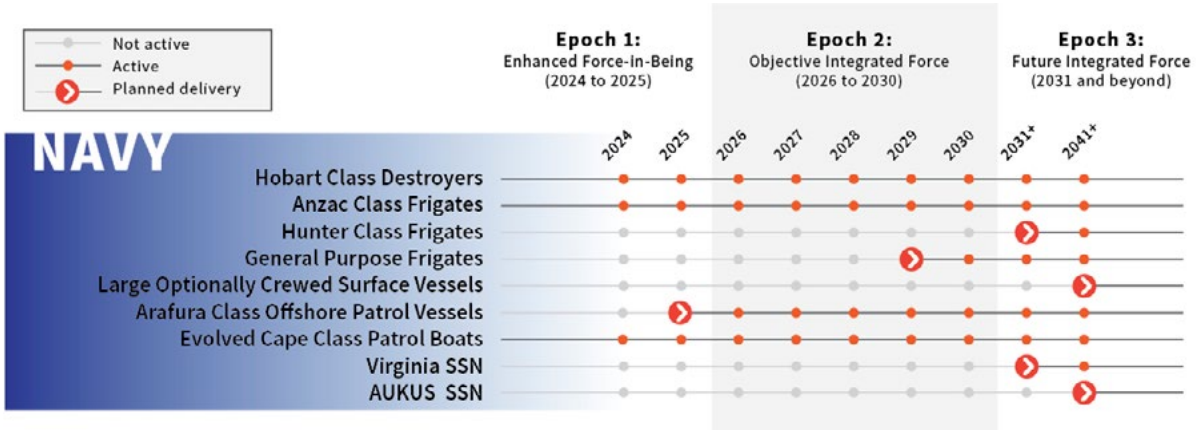
There's a risk that, if the LOTE fails to be carried out effectively, within the narrow two-year time limit for each boat, or if it's 'downscoped' to meet tight time constraints such that the capability enhancements originally envisaged under the LOTE aren't achieved, then the Collins-class SSKs may become less and less effective in coming years. Given that the Navy will get the first of three Virginia class SSNs in the early 2030s, with subsequent boats acquired every two years (assuming no delays in acquisition due to shortfalls in US production or delays in establishing skills and infrastructure to sustain RAN SSNs here in Australia), the prospect of a submarine capability gap could open up in the latter half of this decade, or early in the next. That's a risk that can't be ignored, despite the reality that much of the Navy's growth in funding is going to support DEF1, as well as the fleet expansion under SEA 5000 and SEA 3000.

Major surface combatants

Fleet expansion is the other major focus on spending for Navy in the PBS. The Navy's fleet of surface warfare combatants, comprising three Hobart-class air warfare destroyers (AWDs) and seven remaining Anzac-class frigates, are all undergoing sustainment and maintenance activities. In 2025–26, $284 million will be spent under CN40 to ensure that the three AWD availability and seaworthiness requirements are met. Importantly, preparations will begin to bring the first AWD into the SEA 4000 Phase 6 Destroyer Capability Enhancement Program, which will upgrade the AWD Aegis combat system to Baseline 9. A total of $796 million will be spent to begin SEA 4000 Phase 6 in 2025–26.[133]

The seven remaining Anzac-class frigates are all approaching their end of life. As part of the 2024 Naval Fleet Review, along with the six Hunter-class future frigates under SEA 5000, the Anzac-class frigates will be replaced by eleven 'Tier 2' general purpose frigates under SEA 3000. This will mark a significant expansion of naval surface combatant capability, as advocated under the 2024 Naval Fleet Review, from the three Hobart-class AWDs and seven remaining Anzac-class frigates to nine Tier 1 vessels: the AWDs and six Hunter-class frigates, plus 11 Tier 2 general purpose frigates for a fleet of 20 naval surface combatants (Figure 57).

Figure 57: Navy recapitalisation of the surface combatant fleet



Source: Defence Department, *Independent analysis into Navy's surface combatant fleet*, Australian Government, 8–10, online.

Under SEA 5000, six advanced Hunter-class frigates optimised for antisubmarine warfare are to be acquired, along with their associated support capabilities, and form the second element of Navy's Tier 1 naval surface combatant fleet.[134] Entry into service for the first of the Hunter-class is likely around 2032. The construction of the first ship began on 21 June 2024, and the second is due to commence construction in 2026. Current Navy plans extend out to the delivery of the third vessel in 2036. So far, as noted in the PBS, a total of around $5 billion out of an approved project expenditure of $26 billion has been invested, with the 2025–26 Budget year seeing a further $1.9 billion in the design and production phase that will continue through to 2027–28.

The Anzac-class frigates are being sustained at a cost of $339 million. Activities in 2025–26 are focused on ensuring their availability and seaworthiness under CN02, which supports the Anzac Midlife Capability Assurance Program. In February's Senate estimates, the Chief of Navy indicated that Defence may consider decommissioning a second Anzac-class frigate in 2026. He noted that:

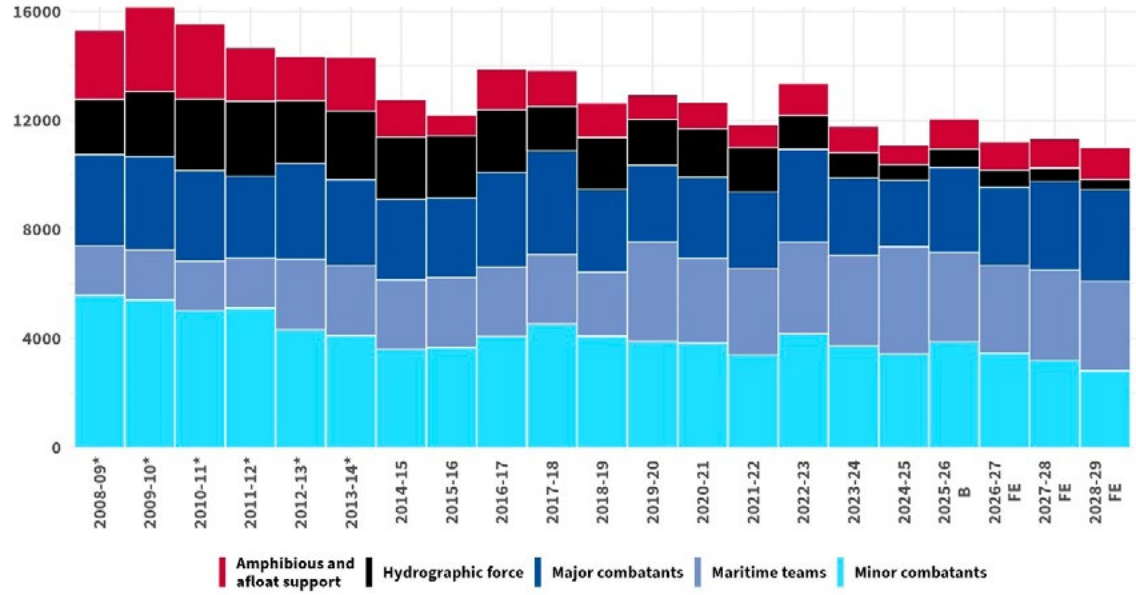
> Of the seven Anzac-class frigates currently in service, six are fully crewed. I would characterise the availability of the Anzac class frigate as being at a bit of a high point … It meets all the requirements of this particular activity, and others, and we've sustained another surface combatant deployed during this period. I'd also highlight that the Anzac-class frigates are being fitted with the naval strike missile (NSM) capability. Notwithstanding the age of the hull, we've conducted a lot of sustainment and maintenance on these ships. They are still world-class Tier 2 surface combatants.[135]

However, a project to extend the life of the Anzac-class frigate, known as the Transition Capability Assurance Program (TransCAP) under SEA 5014 Phase 1, has been cancelled as of February 2024. So, the capability sustainment product CN65 will see $154 million spent in 2025–26 to end TransCAP activities already underway.

The increasing age of the Anzac-class frigates, their lack of firepower in terms of adequate numbers of vertical launch system cells because of a design philosophy of 'being fitted for but not with', and the increasing cost of sustaining the vessels makes it increasingly urgent for Defence to make a decision on the acquisition of the new general purpose frigates under SEA 3000. That acquisition, which formed a major part of the 2024 Naval Fleet Review, isn't considered in the PBS, pending a government decision this year on which of the competing bids will win: Germany's TKMS with its proposed Meko A-200 design, or Japan's proposed Advanced Mogami. Given the urgency to address growing Navy readiness issues, and the need to expand naval capability in general, it would be wise to bring forward any decision on SEA 3000 sooner, rather than delay it until either late in 2025 or early in 2026.[136]

Figure 58 shows Navy unit availability days.

Figure 58: Navy unit availability days, 2008–09 to 2028–29



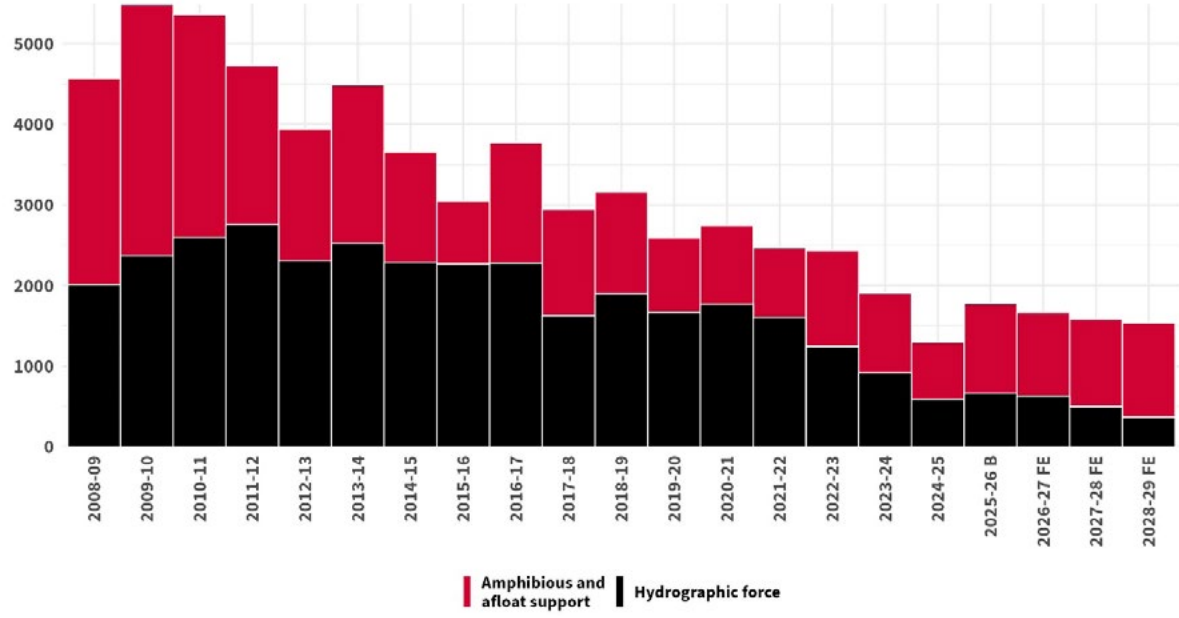
Source: Aggregated from current and previous PBS.

Navy amphibious and mine countermeasure capabilities

The PBS makes no changes to the Navy's amphibious and afloat support capabilities, which consist of two Supply-class auxiliary oiler replenishment ships, two Canberra-class landing helicopter dock (LHD) amphibious ships and one Bay-class landing ship. Those capabilities underachieved the budgeted 1,125 unit availability days (UADs) by 37% this financial year.[137] During 2025–26, the Canberra-class LHDs will undergo scheduled and corrective maintenance activities at a cost of $188 million to ensure that Navy availability and seaworthiness requirements and a steady state for in-service support arrangements are met.[138]

The inverse is true for the hydrographic force, comprising one Leeuwin-class hydrographic ship and the Naval Air Station Weather and Oceanographic Centre, which exceeded UAD expectations by 12% and demonstrated heightened readiness to safely perform tasks in its normal operating environment (Figure 59).

Figure 59: Navy amphibious and afloat support and hydrographic force unit availability days, 2008–09 to 2028–29



Note: In 2014-15, definition changed from unit ready days to unit availability days. For major/minor combatants, amphibious and afloat support, and hydrographic force, UAD = ~0.9*unit availability days. Conversion included in numbers.
Source: Aggregated from current and previous PBS.

The PBS suggests that the Navy will begin to reverse the long-term trend of declining UADs for its amphibious and afloat support capabilities over the forward estimates. But the picture is dire for the hydrographic force, which is left with just one hydrographic survey ship after the Navy decommissioned HMAS *Melville* in August 2024.[139] Those capabilities are important for Defence to understand Australia's littoral environments, its regional responsibilities for hydrographic services, and the ADF's ability to deny any potential adversary's attempts to project power against Australia through our northern approaches.

Nearly a decade ago, Defence had plans to replace the hydrographic capability with an efficient combination of military and commercial hydrographic and oceanographic survey capabilities.[140] Those plans appear to have been lost, however, as neither the DSR nor the NDS makes any mention of the need for those capabilities.

The capacity of the Navy to conduct this work has degraded to the point where Defence must rely on value-for-money partnerships with private industry for the collection of hydrographic survey, oceanographic and marine geophysical data. The HydroScheme Industry Partnership Program, which is sustained out to 2034 under DEF2400, fills a wide but shallow gap in Australia's national charting priorities. That's because its remit is broad, offering 'improved nautical charts for safety of navigation, increased value in the Blue Economy, better marine park management and ocean sustainability research'.[141] This disconnect is likely to be compounded in coming years, at a time when Defence and the ADF can least afford it.

Last year, the *ASPI Defence budget brief 2024–25* argued that the window was closing for the Navy 'to prepare and develop an effective, reliable and agile [minehunter coastal] fleet'.[142] As yet, there's still no dedicated vessel that the Navy can use to supplement its small fleet of minehunters, which is down to just two Huon-class coastal minehunter ships. According to the *Independent analysis of Navy's surface combatant fleet*, the Arafura-class offshore patrol vessel (OPV) 'cannot conduct [mine countermeasure or military survey] roles in its as-designed-and-delivered state' and 'further investigation should be undertaken to determine how the OPVs could contribute to other mission sets.'[143] It isn't known whether that investigation is taking place. There also appears to be no appetite for Defence to acquire a new fleet of minehunter ships that would be capable of undertaking minehunting and minesweeping missions at safe distances using uncrewed autonomous systems.

Strike domain

Noting the risks described in earlier sections, much is dependent on the ADF's ability to carry out Australia's deterrence-through-denial strategy by the impactful projection of air, land-based and maritime long-range strike capabilities. The PBS notes the acquisition of more potent strike capabilities, but that progress is occurring in fits and starts and at a pace that's too slow in comparison to mounting threats to Australia and our national interests.

The long-range strike capabilities of the ADF are being enhanced through the GWEO Plan.[144] Service-specific weapons ranges will, in time, increase from hundreds to thousands of kilometres, and the future may see the eventual acquisition of hypersonic weapons. Key current projects include the following:

- The RAAF's air-delivered strike weapon range will improve from more than 100 kilometres with the now obsolete Harpoon antiship missile and shorter range Joint Air-to-Surface Standoff Missile (JASSM), to up to 900 kilometres through acquisition of the AGM-158B Joint Air-to-Surface Strike Missile—Extended Range (JASSM-ER) and a maritime strike range of more than 370 kilometres with the AGM-158C Long Range Anti-Ship Missile (LRASM).[145]
- Enhancing the air-launched multidomain strike capabilities of the RAAF is occurring through AIR 6004. The PBS notes that this project will cover the initial tranche of AGM-158C-1 LRASMs as well as the AGM-158B JASSM-ER and final quantities of the Small Diameter Bomb. The LRASM is officially described as having a range 'greater than 370 km' (200 nm).[146]
- The Navy's larger and more lethal fleet will acquire 220 Block IV and V Tomahawk land-attack missiles (TLAMs), at a cost of $781 million for 2025–26.[147]

- As noted in the 'Land domain' section above, the Army, as a littoral manoeuvre force, will have land and maritime strike weapons with ranges beyond 1,000 kilometres through the acquisition of later increments of the PRsM. Initial PRsM capability is based on a 500-kilometre range missile able to be fired from HIMARS and acquired under LAND 8113 Phase 1, with a Budget estimate for 2025–26 at $499 million. Future increments of PRsMs will include an anti-ship capability, enhanced lethality payloads and longer range designs.

The PBS budgets $402 million for JP 2087, which is an acquisition program to create the domestic capacity to produce the Kongsberg Naval Strike Missile (NSM), the Joint Strike Missile, and Lockheed Martin Guided Multiple Launch Rocket System missiles as well as 155-mm artillery ammunition.[148] NSM will replace Harpoon under Project SEA 1300 Phase 1, which also includes new naval surface-to-air missiles, including the SM6.

The PBS also provides $193 million in funding for JP 2092, which is an acquisition program to increase the inventory of priority weapons and invest in the GWEO Enterprise, including storage and distribution, test and evaluation, disposal and demilitarisation, R&D, and education and training.[149] At a combined $595 million, this is a fraction of the $16–21 billion that the Australian Government plans to invest in the GWEO Enterprise over the next decade as its primary sponsor, customer and coordinator.[150]

According to GWEO Enterprise principles and the Australian Government's 'crawl, walk, run' approach to building the GWEO industrial base, Defence will need to significantly scale up investment in the 2026–27, 2029–30 and 2033–34 financial years if it's to successfully move beyond the 'crawl' stage of GWEO production.[151]

In summary: the ADF's ability to undertake long-range strike is improving, but it's been a long road to get to this point, and acquisition of these new stand-off weapons is only now beginning. The pace of that acquisition will need to pick up to meet the accelerating risk posed by a deteriorating strategic outlook. Furthermore, if we wish to 'strike deep', we need to 'see deep', and government since 2022 has made a number of poor decisions regarding space capabilities that may constrain the ADF's ability to project power at range in an impactful manner.

Enabling domain: Space

The space domain doesn't feature prominently in the 2025–26 federal Budget, hardly being mentioned in either the Defence PBS or the Department of Industry, Science and Resources PBS (the latter is responsible for civil space activities, including the Australian Space Agency, and is thus relevant). This is despite the increasing importance of the space domain to Australia's continued growth and prosperity and its national security in the 21st century.

The PBS considers the space domain under Program 2.4: Joint Capabilities, alongside cybertechnology and logistics.[152] That approach suggests that space is an enabler for sea, air and land operations. However, a more accurate approach for the PBS would be to consider space as an operational domain in its own right, as one of five domains in multidomain operations, and thus benefiting from being considered in a separate section of its own, in the same way it was explored in the IIP, which considered space and cybertechnology together in one chapter, but at least clearly delineated the two domains. In particular, by considering space alongside cyber and logistics in the way the PBS has done, it's more difficult to determine defence spending on space beyond what's suggested in the IIP, looking at the forward estimates.

As with the air domain, and indeed, other operational domains, the PBS examination of space (alongside cyber and logistics) starts with boilerplate statements on planned performance results for the 2024–25 and 2025–26 overview. But there's no information in the PBS that provides evidence to support the statements that suggest that '80% or more of projects across all domains are on track to deliver scope approved by government within government approved cost and schedule.' The overview suggests no material changes to joint capabilities from the 2025–26 Budget. The cost summary of joint capabilities on capital expenditure suggests an increase in non-financial assets, but no information is provided on purchases of inventory (Table 5).

Table 5: Program 2.4 joint capabilities cost summary, 2025–26

	2024-25 Estimated Actual $'000	2025-26 Budget Estimate $'000	2026-27 Forward Estimate $'000	2027-28 Forward Estimate $'000	2028-29 Forward Estimate $'000
Expenses funded by appropriation and own source revenue					
Employees	190,246	199,532	206,151	212,520	219,089
Suppliers	1,613,981	1,470,321	1,874,589	2,213,484	2,539,749
Other expenses	21	21	21	21	22
	1,804,248	**1,669,874**	**2,080,761**	**2,426,026**	**2,758,859**
Expenses not requiring appropriation					
Depreciation and amortisation	126,322	123,127	134,664	139,842	145,216
Inventory consumption	-	-	-	-	-
Net write-down and net impairment of assets	446,068	475,227	506,317	539,469	574,823
	572,390	**598,354**	**640,981**	**679,311**	**720,039**
Total operating expenses	**2,376,637**	**2,268,227**	**2,721,742**	**3,105,336**	**3,478,898**
Capital expenditure funded by appropriation and own source revenue					
Purchases of non-financial assets	773,994	853,006	1,055,567	1,840,053	1,127,842
Purchases of inventory	-	-	-	-	-
Principal repayments of lease liabilities	57	58	57	57	60
Total capital expenditure	**774,051**	**853,064**	**1,055,625**	**1,840,110**	**1,127,901**
Program 2.4 Joint Capabilities Total funded expenditure [a] [b]	**2,578,299**	**2,522,937**	**3,136,386**	**4,266,136**	**3,886,761**

a Total program funded expenditure includes operating expenses and capital expenditure funded by appropriation and own-source revenue. This excludes expenses not requiring appropriation.

b The change in estimates includes movement of functions and their associated budgets within Defence.

Source: 2025–26 Defence PBS, 61.

Turning to acquisition and sustainment costs, projects related to the space domain are simply not mentioned at all. Logistics is covered under acquisition project JP 8218 Theatre Logistics (at $223 million in the 2025–26 financial year) and sustainment project CJC034 Defence Logistics (at $133 million for 2025–26), but there's nothing for space. That glaring lack of information is disappointing, given the vagueness of long-term funding (beyond the forward estimates) in the IIP and subsequent government decisions on key space projects since the current government came to power in 2022.

A forward-looking approach to developing space capabilities would see government prioritising investment in vital space technologies, including supporting the development of sovereign satellite and space launch capabilities. Yet the government's track record in this regard is concerning:

- *The cancellation, and then 'redefinition', of the JP 9102 Advanced Satellite Communications System in late 2024.* A clear program of record, which ultimately would have provided a sovereign multi-orbit satellite communications system in subsequent phases, effectively cancelled.[153] There's now only vague guidance on what will replace it, or when that new capability will be acquired, even as Australia relies on satellites approaching obsolescence.
- *The cancellation of the National Space Mission for Earth Observation in 2023.*[154] The mission would have seen four Australian Earth observation satellites launched that could have contributed to defence and national security as well as fulfilling civilian roles. The cancellation was justified by the Minister for Industry, Science and Resources as being for 'budget repair'.
- *The cancellation by the current government of the previous government's efforts towards the preparation of a national space strategy* upon coming into office in 2022.
- *The current status of other key projects such as DEF-799 Phase 2.* It isn't known which ISR satellites are be acquired, given an absence of current guidance from Defence. This project may be revisited in the forthcoming 2026 iteration of the NDS, even though the original plan sought to launch satellites in 2026.

Yet, despite those disappointing developments, there are also positive achievements. Stemming from an initiative of the previous Coalition government, Australia has agreed to host the Deep Space Advanced Radar Capability at Exmouth, which, once operational in 2026, will allow the ADF to support space domain awareness out to geosynchronous orbit as part of the Combined Space Operations initiative.[155] Space Command, which was established by the previous government in 2022, is now examining policy and capability implications of an ADF role in undertaking space control tasks alongside allies, reinforcing the importance of space operations. And, despite some uncertainty within the commercial space sector, key civil efforts in areas such as small

satellite development and sovereign launch continue to progress. Gilmour Space is poised to launch Australia's first sovereign orbital class launch vehicle from Bowen, Queensland, this year; new initiatives are seeing the establishment of space launch sites in Cape York; and Southern Launch has been given approval to establish its launch site in Whalers Way in South Australia, which will support missions into polar and Sun-synchronous orbits that are important for ISR tasks.

Looking ahead, it's important that government provides sustained and growing funding to strengthen stability and confidence in the space sector, in which Defence will be playing a key role alongside the commercial space industry. Looking ahead, key priorities for Australia in space should include the following:

- Secure investment and a clear plan towards the rapid acquisition of advanced satellite communications to enable command and control of joint and integrated operations at great distance (under the now 'redefined' Project JP 9102).
- A clarified strategy for acquiring sovereign space-based ISR satellites for battlespace awareness and gaining and maintaining a knowledge edge over an adversary under Project DEF-799 Phase 2.
- Assured access to space-based positioning, navigation and timing signals from enhancing global navigation satellite systems such as GPS, both for precision navigation and targeting and for networked command-and-control systems under Project 9380.
- Further enhanced ADF support for allied space domain awareness under JP 9360 and through other projects, including through cooperation with Australian commercial companies that offer space-based space surveillance as well as ground-based space-domain awareness.
- Developing an ADF 'Space Control' capability to '… enhance Defence's space control capability to deny attempts to interfere with, or attack, Australia's use of the space domain. These will help ensure the ADF is able to continue using the space capabilities it needs to support its operations.'[156]
- Explore opportunities associated with space logistics, including in-orbit servicing and space manoeuvre, noting that Australian commercial space companies are taking a world-leading role in developing the ability to service satellites in orbit. Such a capability could also contribute to burden sharing in orbit alongside key allies for space control tasks and assuring space resilience in a contested space domain.[157]

It's vital for the government to fully support the development of sovereign launch capabilities to assure access and strengthen space resilience through the augmentation and, if necessary, the reconstitution of critical space capabilities in a rapid and responsive manner. That will contribute to building space deterrence through assurance and resilience, both for the ADF and for key allies and partners.[158]

Space is an operational domain in its own right and is increasingly contested as well as congested. Despite the best efforts by Western advocates of space law and 'norms of responsible behaviour', space is likely to become a war-fighting domain as China and Russia invest in a range of counter-space capabilities, and as the US responds to that growing threat with a new space doctrine that emphasises the importance of space control. Space isn't a peaceful global common that sits serene and unaffected by intensifying geopolitical competition below. Our adversaries will seek to contest and deny the ADF access to critical space systems. Only through investing in a range of sovereign space capabilities for operations to space, through space and from space can we deter or deny adversary counter-space threats. Absent sustained investment in vital space capabilities, that will increasingly place at risk the ADF's ability to undertake a strategy of deterrence by denial through 'impactful projection' to hold at risk an adversary at great range. The recognition of this important dimension is simply absent in this federal Budget, and a failure to adequately fund defence operations in the space domain could place at risk the ADF's ability to undertake denial.

Enabling domain: Cyber

Australian Signals Directorate

Total resourcing for the Australian Signals Directorate (ASD) is coming down over the course of the forward estimates, reflecting lessened equity injections from the first years of the REDSPICE transformation program (Table 6).[159] Removing the equity injections (which peaked in 2023–24) reveals that non-equity resourcing continues to grow, reaching an estimated almost $2.04 billion per annum at the end of the forward estimates. That would be a 143% increase on the non-equity resources available to ASD back in 2020–21 and before REDSPICE's inception.

Table 6: Australian Signals Directorate resourcing ($'000)

	2024–25 estimated actual	2025–26 Budget estimate	2026–27 forward estimate	2027–28 forward estimate	2028–29 forward estimate
Total resourcing for ASD	2,743,386	2,481,420	2,469,610	2,220,182	2,256861
Including equity injections of …	1,027,283	699,859	496,293	225,974	217,730

Source: 2025–26 Defence PBS, 172.

REDSPICE

The ambitious Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers (REDSPICE) program, aimed at substantially expanding ASD's cyber and intelligence capabilities, continues to be a key initiative. However, consistent with observations in previous years, the public Budget documentation for 2025–26 provides high-level figures for ASD's overall program (Program 1.1: Foreign Signals Intelligence, Cyber Security and Offensive Cyber Operations), making it challenging to isolate the specific allocation and progress of the REDSPICE elements within that funding. While departmental resourcing for ASD shows a total of $2.48 billion in the PBS, decreasing to $2.22 billion in the 2027–28 forward estimate before slightly increasing to $2.26 billion in the 2028–29 forward estimate, detailed breakdowns directly linking those fluctuations to specific REDSPICE initiatives remain an exercise in conjecture based on the available information.

Other cyber capabilities

Cyber capabilities continue to occupy a pivotal position within Defence's strategic calculus, further solidified by the principles articulated in the NDS and the specific objectives of the Defence Digital Strategy and Roadmap 2024. The enduring emphasis underscores the critical requirement for mission-capable ICT to effectively operate and maintain a strategic advantage in an increasingly contested digital landscape.

The IIP continues to forecast significant long-term investment in enhanced cyber capabilities as part of the broader 'Space and cyber' priority area. However, a substantial portion of that planned investment remains unapproved in the public domain, creating uncertainty regarding the tangible capabilities that will be delivered within the immediate Budget cycle and early forward estimates period.

Within the approved acquisition projects detailed in the PBS, several contribute to Defence's cyber and information-related capabilities:

- *JP 9141: Communications Security Modernisation* continues its focus on upgrading ADF radio systems to ensure secure communications and interoperability, with planned investment for 2025–26.
- *JP 9347: Joint Data Network* aims to expand and modernise Defence's joint data networks to improve command and control through enhanced data sharing. The 2024–25 Budget allocated $159 million to this project, and it continues in the 2025–26 period.

- *SEA 2273: Fleet Information Environment Modernisation* delivers integrated ICT systems for naval operations and administration on ships and submarines. The 2025–26 Budget includes funding for this project.
- *DEF 2150: Integrated Intelligence Surveillance Reconnaissance and Processing Exploitation Dissemination Enterprise* project supports intelligence training and data-processing capabilities. The 2025–26 Budget allocates funding for this project.
- *JP 2096: Intelligence Surveillance and Reconnaissance Integration* is focused on delivering a mission system ('Wagardi') to enhance the ability of intelligence analysts to rapidly search and discover ISR data. The delivery of the next iteration for deployed environments is scheduled for 2025–26.

While those projects contribute to the development of Defence's digital and information capabilities, the specific financial allocation solely dedicated to 'cyber capabilities' as a distinct entity, separate from broader ICT infrastructure or platform-specific systems, remains difficult to discern within the publicly available Budget documents. The Defence Digital Strategy and Roadmap 2024 provides the overarching strategic direction for those investments, emphasising a move towards a secure and integrated digital environment. The focus on electronic warfare capabilities, such as in SEA 5011 (Maritime Electromagnetic Manoeuvre Warfare), also continues, highlighting the interconnectedness of cyber warfare and electronic warfare in modern conflict.

Defence cyber workforce

The cultivation of a skilled cyber workforce is consistently identified as a critical enabler for Defence's future capabilities. The Defence Digital Strategy and Roadmap 2024 explicitly names 'Best-in-class APS/ADF workforce' as a core priority, emphasising the need to attract and develop personnel with advanced ICT and STEM skills. The PBS acknowledges the ongoing efforts to grow and retain a highly skilled Defence workforce, including the targeted recruitment of APS personnel with STEM expertise. However, similarly to the challenge of tracking specific capability investments, the public Budget documents don't provide a clear, dedicated financial line item solely for cyber workforce development initiatives. That lack of specific financial transparency makes it difficult to fully assess the level of investment in this critical area. The success of recruitment and retention strategies within a competitive national and international labour market remains a significant factor in building the necessary cyber expertise within both the ADF and the Defence elements of the APS.

Enabling domain: Intelligence

The national intelligence community (NIC)—and Australia's national intelligence efforts more broadly—continue to straddle defence and non-defence budgets. And intelligence remains an increasingly important element of Australia's national defence. As the PBS notes:

> Intelligence delivers decision advantage to the Government, Defence leaders and operational commanders. It is a critical enabler for the integration and interoperability of our next-generation platforms, ensuring a capability edge through superior battlespace awareness. Defence Intelligence agencies continue to work closely with, and as, members of the National Intelligence Community so that current and future national security challenges are met and Australia's interests are maintained and protected.[160]

The 10 entities making up the NIC include an agency statutorily independent from the Defence Department since 2018 but the tasking, requirements and budgeting of which continue to be bound up in broader Defence accounting (ASD) and two agencies within the department (and specifically within the 'Defence Intelligence Group' created in the aftermath of ASD's independence)—the Defence Intelligence Organisation and the Australian Geospatial-Intelligence Organisation.

The other seven NIC entities cooperate with Defence to varying degrees, reflective of their own functions and responsibilities. That includes links from Defence's Budget Outcome 2 ('Protect and advance Australia's strategic

interests through the provision of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government') as follows:[161]

Australian Secret Intelligence Service
'Program 1.1—Security Intelligence'[162]
Contribution to Outcome 2 by linked program
'Consistent with the functions for the Australian Secret Intelligence Service (ASIS) detailed in the *Intelligence Services Act 2001*, ASIS provides assistance to the Australian Defence Force (ADF) in support of military operations; cooperates with the ADF on intelligence matters; and cooperates with and assists the Australian Signals Directorate and the Australian Geospatial-Intelligence Organisation in the performance of their functions.'

Australian Security Intelligence Organisation
'Program 1.1—Security Intelligence'
Contribution to Outcome 2 by linked program
'Consistent with the *Australian Security Intelligence Organisation Act 1979*, [the] Australian Security Intelligence Organisation (ASIO) provides advice to Defence on matters relevant to security. ASIO exercises its foreign collection powers under warrant at the request of the Minister for Defence or the Minister for Foreign Affairs.'

Australian Signals Directorate
'Program 1/1—Foreign Signals Intelligence, Cyber Security, Offensive Cyber Operations'
Contribution to Outcome 2 by linked program
'Consistent with the functions for the Australian Signals Directorate (ASD) detailed in the *Intelligence Services Act 2001*, ASD provides foreign signals intelligence, cyber security advice, and offensive cyber operations, and utilises corporate shared services, in order to meet the operational needs of the ADF and the requirements of the Department of Defence.'

Office of National Intelligence
'Outcome 1—Advancement of Australia's national interests through increased Government awareness of international developments affecting Australia and integration, coordination and evaluation of Australia's national intelligence capabilities.'
Contribution to Outcome 2 by linked program
'The Office of National Intelligence leads efforts to integrate and coordinate the activities of the national intelligence agencies to meet the operational requirements of the ADF and the Department of Defence, as well as other priorities as set by Government.'

This doesn't include Defence's own service-related intelligence functions and expenses (including the conduct of ISR).

Defence's Capability Sustainment Program identifies $1.71 billion in funding for 'Defence Intelligence Sustainment' over the four years from 2025–26.[163] And budgeted resources for Defence's Program 2.14 for 'Defence Intelligence' ('Deliver high-quality and timely intelligence services that achieve Government intelligence priorities'[164]) represents $5.55 billion for Defence Intelligence over the course of the four years from 2025–26.[165] However, there's a notable tailing off after 2027–28 (Table 7).

Table 7: Defence intelligence resourcing ($'000)

Program 2.14 Defence Intelligence	2024–25 estimated actual	2025–26 Budget estimate	2026–27 forward estimate	2027–28 forward estimate	2028–29 forward estimate
Revenue from other sources	972	4,592	4,707	4,825	4,945
Expenditure funded by appropriations	907,124	1,066,964	1,338,855	1,565,993	1,562,510
Total resourcing	**908,096**	**1,071,556**	**1,343,562**	**1,570,818**	**1,567,455**

Source: 2025–26 Defence PBS, 48.

Since the creation of Program 2.14 in the 2020–21 Budget, total program resourcing has grown from less than half a billion dollars to more than triple by the end of the forward estimates.

2024 Independent Intelligence Review

On 21 March 2025, the Prime Minister belatedly released the public version of the 2024 Independent Intelligence Review (2024 IIR) completed by Dr Heather Smith and Richard Maude last year, and announced that the Australian Government would commit an additional $44.6 million over four years from 2025–26 to the Office of National Intelligence (ONI) to underpin the initial implementation of 'key priorities identified in the [government] response to the Review'.[166]

The NIC and the various intelligence agencies are a critical element of the NDS. As the review notes:

> government and the ADF's resilience will depend in part on the intelligence community, including for decision making advantage, strategic warning and direct support to military operations. But demands on the intelligence community will go well beyond military operations to encompass national security and economic decision making and support for social cohesion.[167]

The degree to which the NIC is resourced to prepare and coordinate national efforts to develop the national defence is examined in detail below.

The importance of the 2024 IIR's findings was confirmed in the 2025–26 federal Budget, which broke down the announced new ONI funding as follows:

- $29.8 million over the next two years to increase ONI's capacity and thereby support initial implementation of IIR recommendations
- $14.8 million over next four years (and $3.8 million per year thereafter) 'to continue and enhance the National Intelligence Academy' (a function within ONI) and its 'delivery of training on intelligence skills' (in accordance with the IIR's recommendation that the National Intelligence Academy 'continue in existence and be funded accordingly').[168]

Importantly, the $29.8 million commitment can necessarily meet only initial implementation, and in instances where ONI is the lead in implementation. Notably, the 2024 IIR has 67 recommendations, extending beyond the NIC itself and including such potentially resource-intensive future initiatives as, *inter alia*:[169]

- resourcing the Department of the Prime Minister and Cabinet 'to provide stronger central coordination of national security policy matters' (recommendation 10)[170]
- establishing within the Treasury a 'distinct economic security function', including inbound secondments from the NIC (recommendation 14).
- directing the Department of Finance and the NIC to 'lead scoping of options to build NIC resilience and engagement outside Canberra'—decentralisation options that are notoriously expensive for government (recommendation 22)

- scoping 'the establishment of a national security focused technology investment fund' (in the same fashion as the UK's National Security Strategic Investment Fund, which had, as of mid-2023, invested the equivalent of $191 million in support of UK capability development)[171] (recommendation 36)
- providing additional resources (unspecified) to make a success of the TOP SECRET—Privileged Access Authority located within the Australian Security Intelligence Organisation (ASIO) (recommendation 47).

Thus, the longer term implementation of the 2024 IIR's recommendations will require significant future Budget commitments.

Disappointingly, the Prime Minister's statement accompanying the public release of the 2024 IIR ruled out public accounting of the implementation of the recommendations of the review 'consistent with the approach to past independent intelligence reviews under successive Governments'. In ASPI's submission to the 2024 IIR, we noted the absence of a 'full public accounting of the 2017 IIR's recommendations' and argued—apparently unsuccessfully—that there would be value in instituting a mechanism (perhaps through the Parliamentary Joint Committee on Intelligence and Security) for 'a suitable level of accounting for the recommendations of the review'.[172]

Australian Criminal Intelligence Commission

There was one other notable NIC-related investment included in the 2025–26 Budget: $51.3 million to 'sustain the operational activities of the Australian Criminal Intelligence Commission (ACIC) and enhance capabilities to disrupt transnational, serious and organised crime'. The ACIC separately received $5.3 million over the next two years to support its contribution to combating the illicit tobacco trade. The Australian Transaction Reports and Analysis Centre (AUSTRAC) received less than $1 million for that same purpose.[173] Notably, the additional $51.3 million, which follows the recent independent review of the ACIC carried out by Stephen Merchant but isn't directly linked in the Budget papers to that review, is for 2025–26 only, and according to the Budget papers has no ongoing additional monies at this time.[174]

Total NIC agency resourcing in 2025–26

One consequence of the government's delay in releasing the public version of the 2024 IIR is that the latest official estimate of NIC total funding remains at '$4.5 billion in 2023'.[175]

However, a more partial answer to the question of 'What does national intelligence cost Australia?' can be ascertained. Noting that Defence Intelligence Organisation and Australian Geospatial-Intelligence Organisation resourcing isn't drawn out from the Defence Intelligence Group and nor is AFP or Home Affairs intelligence-related resourcing demarcated, other NIC agency resourcing for 2025–26 is identified in the Budget papers as:

- ACIC: $359.8 million[176]
- ASIO: $793.9 million[177]
- AUSTRAC: $249.5 million[178]
- ASD: $2,481.4 million[179]
- Australian Secret Intelligence Service (ASIS): $659.8 million[180]
- ONI: $159 million.[181]

In addition, the Office of the Inspector-General of Intelligence and Security, which is responsible for NIC oversight, has resourcing of $21 million for 2025–26.[182]

And, while most NIC staffing numbers are unreported (for operational and security purposes), the following agencies do provide those details in the 2025–26 Budget papers (in average staffing levels):

- ACIC: 879 personnel (up from 842 personnel in 2024–25)[183]

- AUSTRAC: 787 personnel (up from 616 personnel)[184]
- ONI: 437 personnel (up from 395 personnel)[185]
- Office of the Inspector-General of Intelligence and Security: 80 personnel (up from 50 personnel).[186]

Previous NIC investments

The 2025–26 Budget measures for the NIC come off the back of some of the most significant peacetime investments in Australian intelligence (tables 8 and 9).

Table 8: Growth in Program 2.14: Defence Intelligence since inception

Program 2.14 Defence Intelligence	2020-21 Estimated Actual $'000	2021-22 Estimated Actual $'000	2022-23 Estimated Actual $'000	2023-24 Estimated Actual $'000	2024-25 Estimated Actual $'000	2025-26 Budget Estimate $'000	2026-27 Forward Estimate $'000	2027-28 Forward Estimate $'000	2028-29 Forward Estimate $'000
Revenue from other sources	4,059	1,323	4,264	4,371	972	4,592	4,707	4,825	4,945
Expenditure funded by appropriations	470,371	1,183,955	773,702	712,994	907,124	1,066,964	1,338,855	1,565,993	1,562,510
Total resourcing	**474,430**	**1,185,278**	**777,966**	**717,365**	**908,096**	**1,071,556**	**1,343,562**	**1,570,818**	**1,567,455**

Sources: 2021–22 Defence PBS, 42, online; 2022–23 Defence PBS, 43, online; 2023–24 Defence PBS, 46, online; 2024–25 Defence PBS, 148, online; 2025–26 Defence PBS, 48, online.

Table 9: Growth in ASD resourcing since 2020–21

	2020-21 Estimated Actual $'000	2021-22 Estimated Actual $'000	2022-23 Estimated Actual $'000 (REDSPICE commences)	2023-24 Estimated Actual $'000	2024-25 Estimated Actual $'000	2025-26 Budget Estimate $'000	2026-27 Forward Estimate $'000	2027-28 Forward Estimate $'000	2028-29 Forward Estimate $'000
Total Resourcing for ASD	1,013,154	1,168,507	1,714,602	2,859,510	2,743,386	2,481,420	2,469,610	2,220,182	2,256861
Including Equity injections of...	*174,747*	*192,908*	*421,172*	*1,094,367*	*1,027,283*	*699,859*	*496,293*	*225,974*	*217,730*

Sources: 'Australian Signals Directorate: Entity resources and planned performance', 2021–22 Defence PBS, 150, online; 'Australian Signals Directorate: Entity resources and planned performance', 2022–23 Defence PBS, 153, online; 'Australian Signals Directorate: Entity resources and planned performance', 2023–24 Defence PBS, 164, online; 'Australian Signals Directorate: Entity resources and planned performance', 2024–25 Defence PBS, 168, online; 2025–26 Defence PBS, 172, online.

The 2024 IIR, the terms of reference for which included the assessment of the implementation of NIC agency programs to date, noted those investments as:

- *REDSPICE:* REDSPICE was funded in 2022. It provides ASD with $9.9 billion over 10 years to deliver new lines of signals intelligence to inform decision-makers along with stronger defensive and offensive cyber capabilities.
- *ASIS Modernisation:* In the 2023–24 Budget, ASIS was provided with $468.8 million over four years to modernise the agency.[187]
- *ASIO Capability Program:* In the 2021–22 Budget, ASIO received $1.25 billion over 10 years to strengthen its ability to protect Australia and Australians from threats to Australia's security.
- *TOP SECRET Cloud:* The TOP SECRET Cloud will be purpose-built for Australia's Defence and NIC agencies to securely host sensitive information. It will improve the NIC's ability to securely share and analyse classified data at speed and at scale and will help to harness leading technologies, including AI and ML.

TOP SECRET—Privileged access

The TOP SECRET—Privileged Access (TS-PA) Vetting Authority is led by ASIO and centralises the approach for granting, denying, revoking and maintaining TS-PA security clearances (the highest level of security clearance in the Australian Government). According to the 2024 IIR, it will also deliver 'high assurance standards'.[188]

The public version of the 2024 IIR provides limited information on how implementation is proceeding (and the information it does provide is effectively dated to before mid-2024). Nonetheless, the reviewers found that:

> all programs are on track, although we note some are still in their early stages. Implementation risks are identified clearly and are being managed.
>
> In addition to workforce, common risks across all projects include the ability to hire or develop the program and financial management expertise needed for large, transformational projects. Although not unique to the NIC, the rapid pace of technological change also poses significant risks—potentially rendering major investments obsolete.
>
> [...]
>
> Given the scale of these projects, agencies will need to continually monitor and adjust their governance mechanisms and implementation and risk management strategies in line with public sector best practice. Closer engagement and information sharing with the Department of Finance is essential, as is early warning for government when a project might be heading off track.[189]

There are no new monies for ASD, ASIS or ASIO identified in the 2025–26 Budget.

Australian intelligence and preparation for conflict

The 2024 IIR recognised the importance of what it termed 'preparedness' for the NIC, for in 'crisis and conflict scenarios, government and the ADF's resilience will depend in part on the intelligence community, including for decision making advantage, strategic warning and direct support to military operation'. The review further acknowledged 'some preparedness work underway' but urged greater effort—and measures such as a clearer mandate from government and the identification of any legislative barriers to the NIC responding effectively to conflict (important, given that our legislative and oversight arrangements were conceived in peacetime).[190]

Enabling domain: Information and communications technology

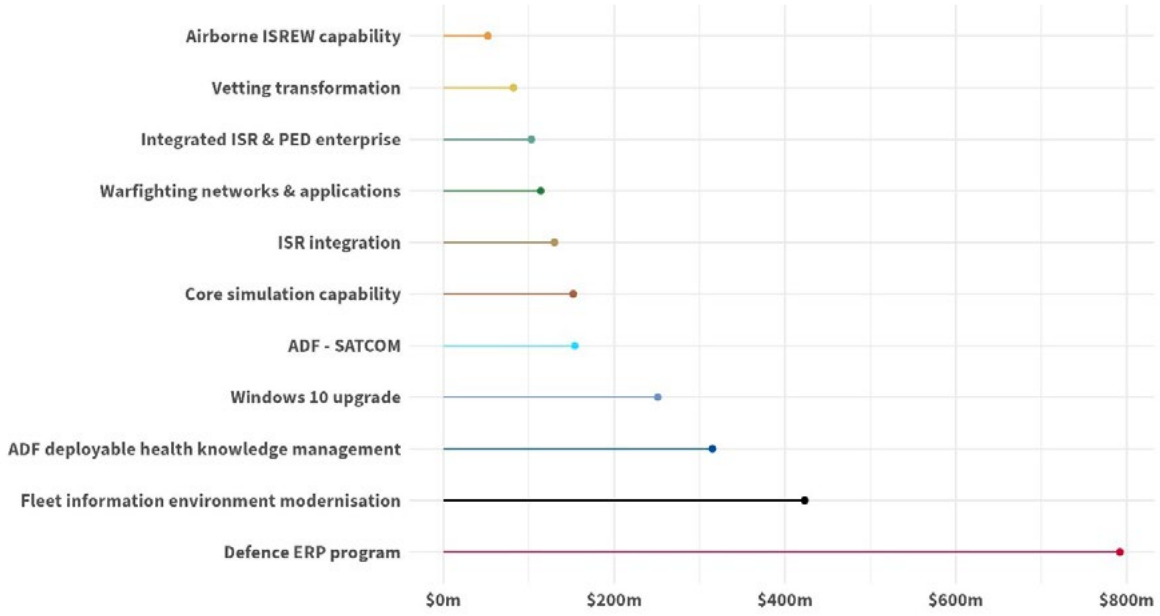
Defence's digital transformation, explicitly guided by the Defence Digital Strategy and Roadmap 2024, is a central and increasingly vital component of its overall capability development. The strategy's vision of establishing a secure, integrated and scalable digital environment underpins significant ICT investments across the portfolio.

The Defence Digital Strategy and Roadmap 2024 outlines a clear strategic direction with key priorities and initiatives:

- *Best-in-class APS/ADF workforce:* This priority focuses on developing a skilled workforce proficient in advanced ICT, attracting professionals with STEM expertise, and fostering a culture of continuous learning and adaptation.
- *Best-in-class global platforms:* The strategy emphasises leveraging proven cloud technologies to establish a seamless digital blueprint and enhance decision-making advantage through increased interoperability with global partners.
- *Best-in-class sovereign capabilities:* This priority supports the development of a thriving sovereign ICT industrial base and capitalises on Australian technological capabilities to enhance Defence's digital blueprint.

Major ICT spends are shown in Figure 60.

Figure 60: Major ICT spends



Source: Aggregated from current and previous PBS.

The roadmap details planned activities across various areas, including the migration to cloud-based productivity suites, enhancements to service and business operations through improved management tools, standardisation of platform configurations, modernising identity and access management, transitioning to scalable networks, and the continued incubation and leveraging of AI and ML capabilities.

Key ICT programs and projects with allocated funding in the 2025–26 Budget include the following:

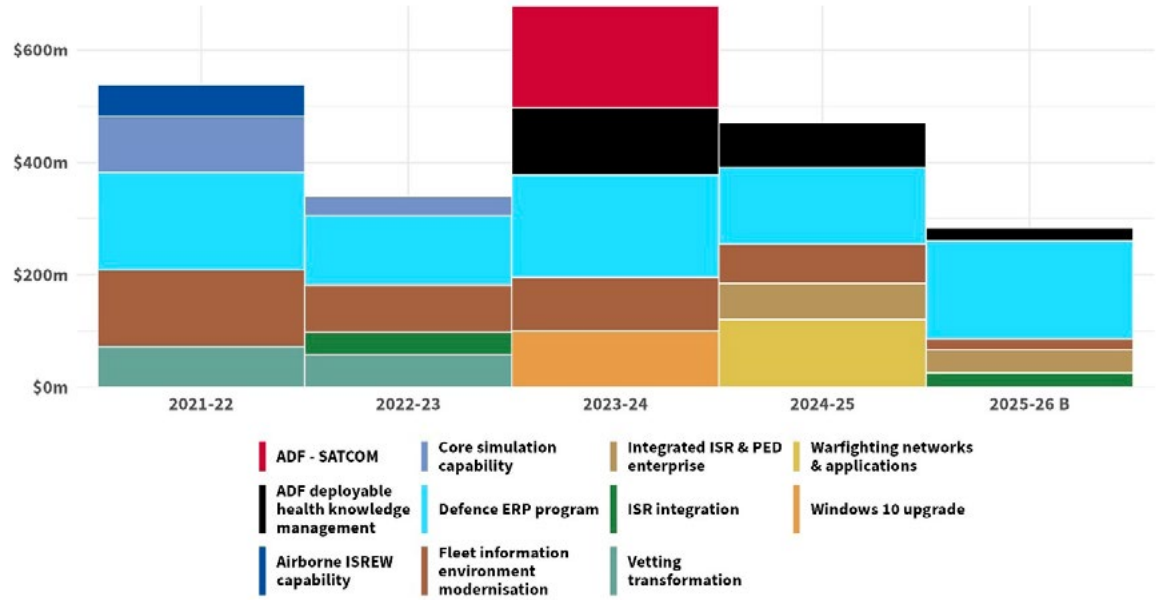
- *Enterprise Resource Planning (ERP)* (ICT 2283) continues to be a major program aimed at modernising Defence's core business processes, and further implementation and rollout of modules are planned for 2025–26.
- *JP 9111: Warfighting Networks and Applications* aims to deliver a modernised network and associated applications to support joint command and control. Construction of supporting facilities is scheduled to commence in 2025–26.
- *JP 2060 Phase 4: Health Knowledge Management* continues the replacement of the legacy electronic health record system with a modern, patient-centric solution. Transformation activities are ongoing.
- *SEA 2273: Fleet Information Environment Modernisation* delivers integrated ICT systems for naval vessels, which are crucial for supporting deployed operations. The 2024–25 period was scheduled to meet initial operating capability.
- *DEF 2150: Integrated Intelligence Surveillance Reconnaissance and Processing Exploitation Dissemination Enterprise* supports intelligence processing and training capabilities. The 2025–26 Budget includes funding for this project.
- *JP 2096: Intelligence Surveillance and Reconnaissance Integration* aims to improve the ability to search and discover ISR data. A key delivery is scheduled for deployed environments in 2025–26.
- *Facilities to Support Highly Available ICT Project* provides new facilities to support critical ICT infrastructure.

The 2025–26 Budget documents indicate a continued, albeit complex, investment in the digital domain. The ICT Acquisition Program budget for 2025–26 is $407.2 million, which is a slight decrease from the 2024–25 estimated actual of $414.5 million. However, the Defence Digital Sustainment budget is set to increase from $1.98 billion in 2024–25 to $2.05 billion in 2025–26, suggesting a sustained focus on maintaining and operating existing systems. The total planned expenditure for the Defence Digital program (Program 2.11) in 2025–26 is budgeted at $1.66 billion, which is an increase from the 2024–25 estimated actual of $1.58 billion.

While the overall trend reflects a continued commitment to the digital transformation, the detailed breakdown of funding across various initiatives and the embedding of ICT within larger capability projects necessitate careful examination to fully understand the scope and impact of Defence's digital strategy. The Defence Digital Strategy and Roadmap 2024 provides the essential strategic context, but enhanced transparency in future Budget reporting on financial allocations against its stated priorities will be crucial for a comprehensive assessment of progress. The critical role of ICT in enabling force projection, command and control, and interoperability with allies remains a pervasive theme, even if dedicated funding lines are distributed across various programs.

Figure 61 shows the top ICT projects.

Figure 61: Top ICT projects, 2021–22 to 2025–26



Source: Aggregated from current and previous PBS.

Enabling domain: Infrastructure

The Defence Estate portfolio (the estate) is a complex and diverse collection of assets that has developed incrementally in response to shifting strategic needs and legacy investments, rather than through a comprehensive, integrated plan. As a fundamental input to capability, the estate plays a critical role in generating, deploying and sustaining the ADF. It underpins Defence's strategic objectives, including defending Australia, deterring adversaries, protecting economic interests, contributing to Indo-Pacific security and supporting the global rules-based order.

The estate provides the physical foundation for defence operations and supports a wide range of functions, from routine activities to long-term capability development. Its complexity reflects its importance as a vital yet often under-recognised enabler of national defence.

The Defence Enterprise Estate and Infrastructure Program (the estate budget) is a critical component of Defence's overall budget, focusing on the development, maintenance and enhancement of Defence's estate and infrastructure to support national-security objectives.

The estate budget's key priorities[191] are to improve the ADFs ability to operate from Australia's northern bases and to provide enabling infrastructure to support the acquisition and sustainment of conventionally armed, nuclear-powered submarines through the AUKUS partnership to improve our deterrence capabilities.

The estate budget covers two main categories:

- estate capability funding for new facilities and infrastructure works to support acquisition projects across the air, land, sea and joint capability domains
- estate sustainment funding for maintaining and sustaining the estate.[192]

Investment in estate infrastructure not only enables the delivery of new defence capabilities, but also ensures that existing assets remain functional, secure and resilient. As the ADF increasingly operates in a dynamic and contested strategic environment, estate capability plays a key role in sustaining forward posture, supporting interoperability with partners and underpinning regional presence.

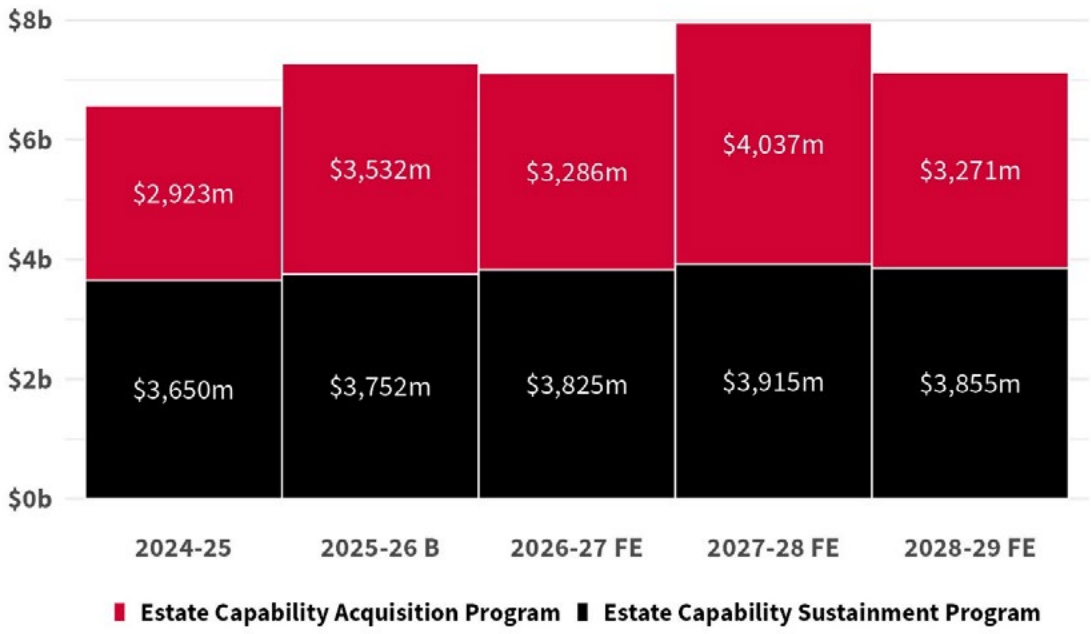
Moreover, consistent funding for estate programs enhances long-term cost-efficiency, supports Defence's environmental and energy resilience goals, and contributes to national industry and workforce development.

2025–26 estate budget

The total estate budget for approved and unapproved projects in 2025–26 is $3.9 billion (representing 19% of the total capability budget and representing 9.7% growth from 2024–25), with an average budget of about $3.5 billion per annum in the forward estimates, and a total expenditure of $14.1 billion forecast from 2025–26 to 2028–29.[193]

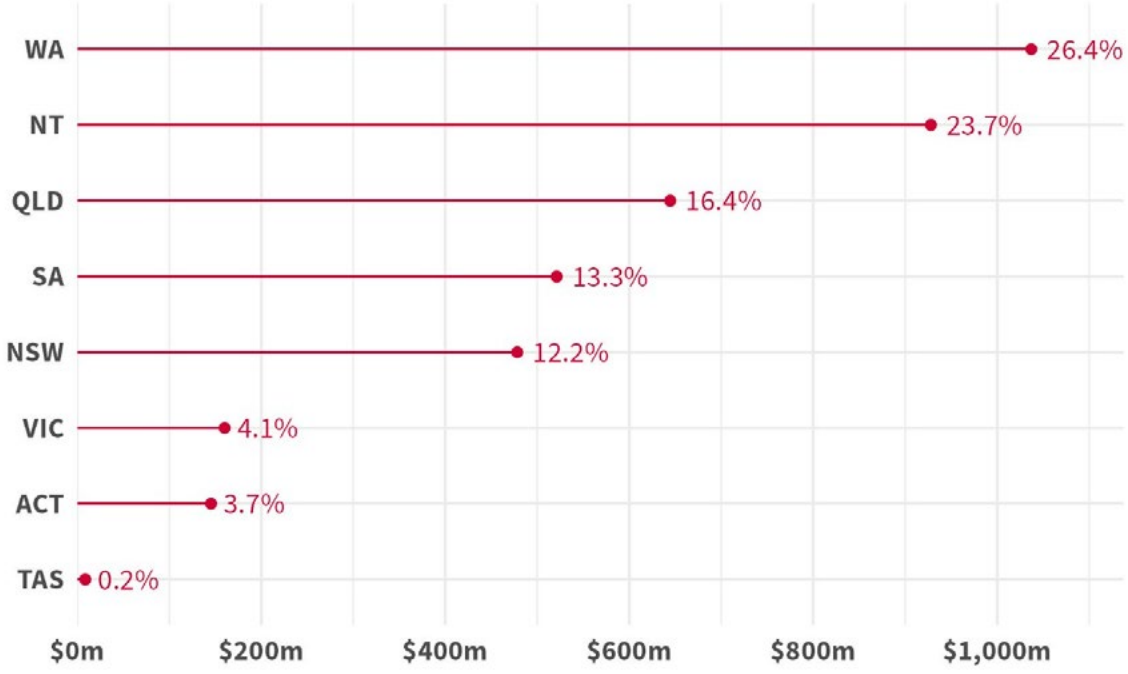
Figure 62 shows the estate acquisition and sustainment budget; Figure 63 shows the distribution of the budget by state/territory.

Figure 62: Defence estate acquisition and sustainment budget, 2024–25 to 2028–29



Source: 2025–26 Defence PBS, Tables 5 and 6.

Figure 63: Defence estate budget estimate, by state/territory



Source: 2025–26 Defence PBS, Table 56.

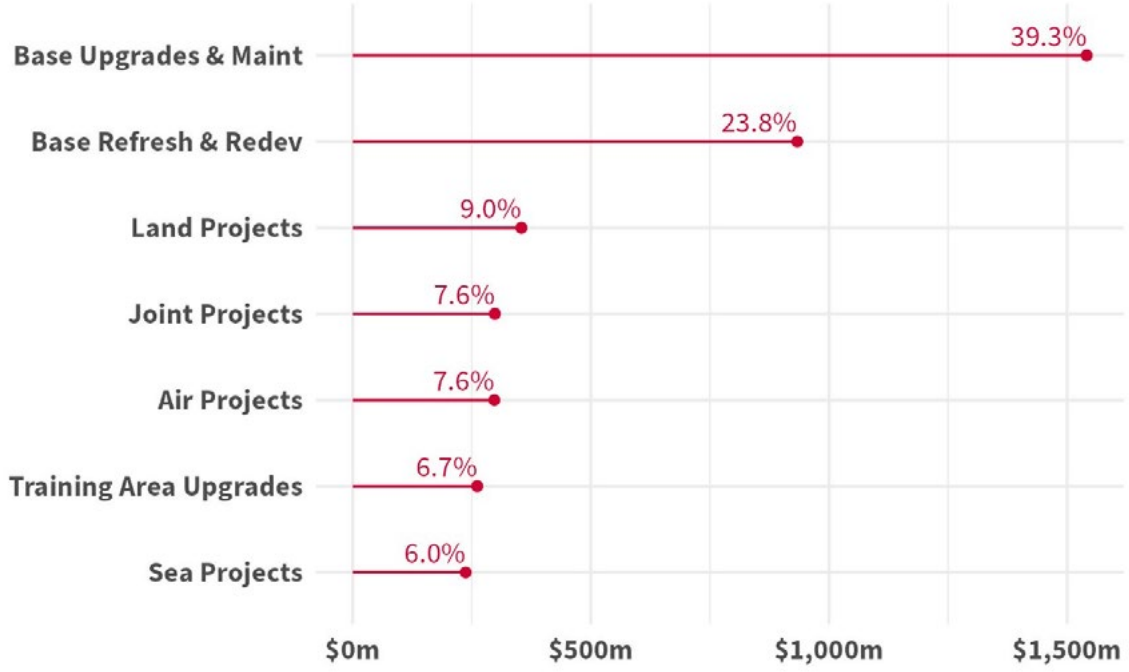
This budget excludes infrastructure projects foreshadowed for Public Works Committee (PWC) consideration and approval in 2025–26, as described later in this section.

This year, 63 projects are listed under approved major and medium projects. Forty-five projects valued at $2.7 billion were carried over from last financial year. Eighteen new projects valued at $1.3 billion were introduced this financial year. Eight projects are identified as having nil funding this financial year.[194]

Seventy per cent of the 2025–26 Defence estate budget is allocated to the sustainment and redevelopment of existing estate infrastructure, and 30% is allocated to infrastructure works to support new capability projects (Figure 64).

Sixty-seven per cent of the 2025–26 total estate budget is allocated to Western Australia, the Northern Territory and Queensland. The remaining budget is split among the other states and territories.

Figure 64: Defence estate budget estimate, by category



Source: 2025–26 Defence PBS, Table 56.

Top Defence estate projects

The top Defence estate projects reflect a continued strategic emphasis on enhancing northern and western basing, with a combined investment of $2.7 billion (Table 10).

Table 10: Top Defence estate projects

	Facilities projects	State	2025–26 $m	Estimated completion
1	Submarine Rotational Force—West	WA	642.3	2027
2	RAAF Base Tindal Redevelopment Stage 6 and USFPI Airfield & Associated Infrastructure	NT	231.6	2027
3	Highly Available ICT Project	SA	182.3	2027
4	Robertson Barracks Base Improvements Project	NT	170.2	2027
5	RAAF Base Learmonth Redevelopment for KC-30A Multi-Role Tanker Transport (MRTT)	WA	167.9	2027
6	Offshore Patrol Vessel	NT, QLD, WA	158.2	2024
7	Defence Fuel Transformation Program	National	144.7	2027
8	Advanced Growler Airborne Electronic Attack Capability	QLD	140.3	2026
9	Joint Intelligence and Targeting Training Facility	ACT, SA	136.9	2026
10	Cocos (Keeling) Islands Airfield Upgrade	NT	136.5	2028

Source: 2025–26 Defence PBS, Table 56.

Defence estate response to the Integrated Investment Program

The NDS provides the basis for the IIP underscoring a shift in Defence's domestic force posture, providing significant investment across the Defence estate to:[195]

- deliver a logistically networked and resilient set of bases, predominantly across the north of Australia, to enhance force projection and improve Defence's ability to recover from an attack

- maintain a resilient network of southern basing infrastructure focused on force generation, sustainment, health networks and logistics nodes to sustain combat operations and support the projection of Australian forces
- increase the protection of bases and provide the ability to withstand disruption in crisis or conflict.

The IIP provides an investment roadmap to achieve those objectives. Planned investment across the Defence estate from 2025–26 to 2033–34 is divided into four key areas: undersea warfare,[196] theatre logistics,[197] northern bases[198] and enterprise infrastructure.[199]

The three investment priorities in the 2025–26 estate budget align with the IIP (Table 11), except for undersea warfare infrastructure, which is covered later in this section.[200]

Table 11: IIP capability investment priorities

Capability investment priorities	IIP approved planned investment 2024–34	IIP budget actual 2024–25 ($b)	PDS budget estimate 2025–26 ($b)	IIP lowest forecast 2024–34 ($b)	IIP highest forecast 2024–34 ($b)	IIP total planned investment 2024–34
Theatre logistics						
Additional logistic centres and capability	$100m	0.0	0.3	9.7	14.7	$10–15b
Improved fuel resilience	$330m	0.1	0.1	3.1	4.1	$3.3–4.3b
Bulk fuel distribution	$160m	0.0	0.0	0.3	0.4	$360–460m
Investments in northern bases						
Northern operational base infrastructure	$430m	0.3	0.4	6.8	9.4	$7.4–10b
Northern air base infrastructure	$2.6b	1.1	1.2	3.3	4.3	$5.6–6.6b
Northern logistics network	Nil	0.0	0.1	0.3	0.4	$400–500m
Northern training area enhancements	$330m	0.1	0.1	0.1	0.1	$350–380m
Enterprise infrastructure						
Training infrastructure	$2.5b	0.0	0.0	3.1	3.4	$3.2–3.5b
Workforce growth infrastructure	$37m	0.0	0.0	4.0	5.0	$4.0–5.0b
Base infrastructure	$860m	0.6	1.5	3.8	5.8	$5.9–7.9b
Science and technology infrastructure	$160m	0.1	0.2	1.4	1.9	$1.7–2.2b
National capital works	$340m	0.0	0.0	2.3	3.3	$2.3–3.3b
Total	**5.2**	**2.3**	**3.9**	**38.2**	**52.9**	**$44.5–59.1b**

Note: Excludes AUKUS-related infrastructure investment that's been separated out in 'Undersea warfare'.
Source: Aggregated from IIP.

Based on the 2025–26 estate budget, the largest commitments made to date against the IIP priorities are associated with northern air base infrastructure ($2.6 billion), training infrastructure ($2.5 billion) and base infrastructure ($860 million). Yet, even in those areas, actual expenditure remains modest relative to planned totals. In other categories, such as workforce growth infrastructure and national capital works, approved funding is minimal, with future investment still entirely unrealised.

For the identified priorities, a total forecast of between $44.5 billion and $59.1 billion is forecast over the 2024–34 period. However, based on the 2025–26 estate budget data, actual expenditure in 2024–25 was around $2.3 billion; a modest increase to around $3.9 billion is forecast for 2025–26.

While that reflects some forward momentum, those figures are still far below the annual average investment required to meet the IIP targets, particularly under the higher-end forecast investment scenario, which would require an average of nearly $6 billion annually over the next decade.

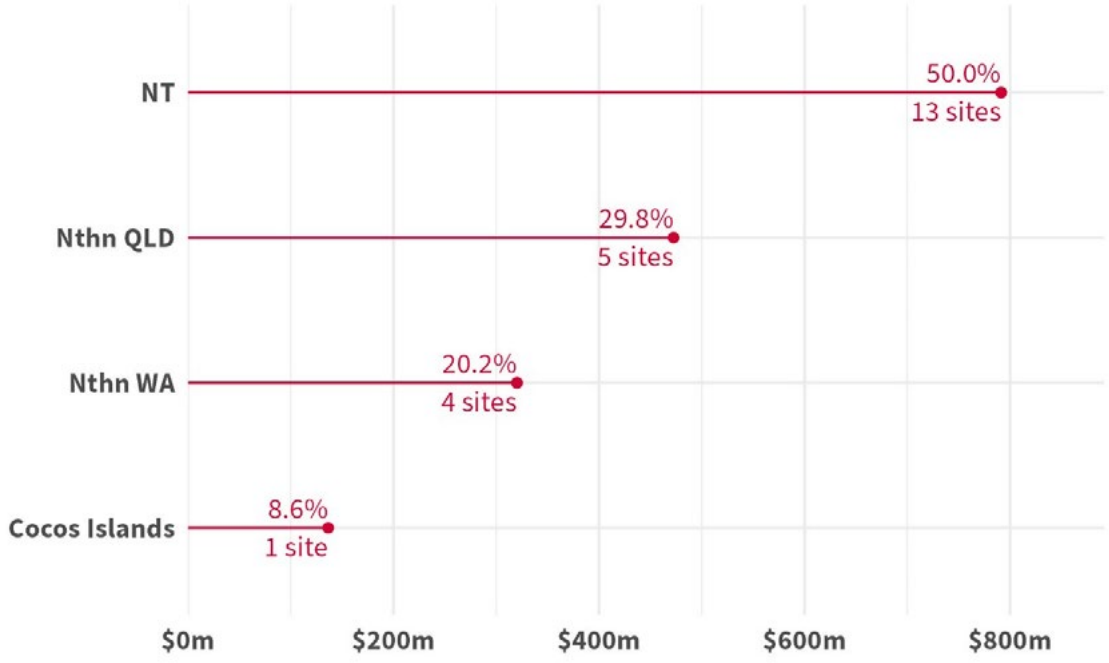
At the strategic level, without detailed data, the bulk of the forecast investment (between $38.2 billion and $52.9 billion) remains unallocated, indicating a substantial challenge to get projects through the planning processes to achieve PWC approvals.

The pace of spending to date suggests that Defence may struggle to scale up fast enough to meet those targets, particularly given industry capacity / workforce constraints, inflation, and the challenges associated with delivery in regional and remote areas.

Northern Australia

Approximately $1.6 billion, representing around 40% of the total 2025–26 estate budget, is allocated to infrastructure across northern Australia (Figure 65). That investment is primarily directed towards the mid-term refresh and redevelopment of key northern bases, airfields and training areas. This reflects the strategic emphasis placed on enhancing readiness and resilience in the north. The graph excludes funding for sites included as part of national programs of work, such as the Defence Fuel Transformation Program, which includes sites in northern Australia.

Figure 65: Northern Australia budget allocation



Source: Aggregated from current and previous PBS.

With hundreds of projects scheduled across the estate—many in remote or logistically challenging locations—there are serious questions about Defence's internal capacity to plan, procure and manage this portfolio at the necessary pace and scale.

The most recent ANAO performance audit examining Defence estate project delivery was conducted in 2000[201]—more than 25 years ago. Since then, the scale, complexity and strategic importance of estate infrastructure

programs have expanded significantly, particularly under the current IIP. Yet, actual expenditure in 2024–25 falls well short of the annual average needed to meet even the lower end of the forecast range of the IIP.

AUKUS

The IIP identified a total planned investment of between $53 billion and $63 billion to 2033–34 for conventionally armed nuclear-powered submarines and supporting infrastructure, of which $13 billion was identified as approved investment.[202]

It's understood that around $10 billion is allocated to infrastructure works, of which $2 billion is earmarked for South Australia and $8 billion for Western Australia. The broad scope of work involves the following:[203]

- Priority works at HMAS Stirling to support rotations by US and UK nuclear-powered submarines through the Submarine Rotational Force—West (SRF-W) from 2027, approved by the PWC and listed in the 2025–26 estate budget. The scope of works includes expanded training facilities, a pier upgrade, and facilities for the management and storage of low-level radiological waste.[204]
- Further upgrade works at Osborne Shipyard to enable the construction of Australian SSN-AUKUS to be commissioned in the early 2040s. This is currently undergoing an environmental approval. As the project isn't listed in this year's budget,[205] approval is unlikely to occur until next financial year.
- Upgrade works at HMAS Stirling to support the operations of Australian Virginia-class submarines in the early 2030s and SSN-AUKUS submarines by the early 2040s. The scope of works may include additional staff working accommodation, expanded training facilities, expanded torpedo storage and maintenance facilities and additional logistic warehousing capacity.

It remains unclear how much funding is required to establish the proposed east coast nuclear-powered submarine base and its associated infrastructure, or how progress on that initiative is being tracked.

As part of the AUKUS partnership, it's estimated that approximately $9.4 billion[206] is paid to the US ($4.8 billion) and the UK ($4.6 billion)[207] to bolster their shipbuilding capacity. The 2025–26 Budget doesn't provide any detail on future payments to be made under this arrangement. This matter is covered in two areas:

- *Table 37: Cost summary for Program 2.16 nuclear powered submarines.* Here, the total allocation for the purchase of non-financial assets into 2028–29 is $3.5 billion, with $195 million allocated in 2025–26 estate budget.
- *Table 56: Approved major and medium projects.* Here, SRF-W priority works (maritime infrastructure, operational facilities and maintenance and sustainment facilities) at HMAS Stirling have an approved project total of $1.6 billion, out of which $642 million is allocated to the 2025–26 budget.[208] It isn't clear where the remaining $718 million of the $1.6 billion will be directed, as it wasn't captured in the PWC approval.

2025–26 Defence estate sustainment overview

Scrutiny of the estate's sustainment budget is equally as important as the capital budget in terms of scope, program and value. The sustainment budget ensures that facilities remain safe, functional and ready to support ADF activities, broadly encompassing estate maintenance, garrison support services and associated costs.

Robust estate sustainment directly supports whole-of-life maintenance, which is essential for preserving asset condition, improving performance and reducing total life-cycle costs. If maintained effectively, it should also reduce the scale and cost of mid-term refresh and redevelopment projects, reducing the capital cost burden over the longer term.

It's also important to consider the long-term impact of new infrastructure on the sustainment budget. Substantial upgrades and expansions, such as those planned for HMAS Stirling over the next decade, will inevitably lead to increased operating and maintenance costs. It's also unclear whether sustainment funding for the US-funded

infrastructure works in the Northern Territory (RAAF Base Darwin, RAAF Base Tindal, Robertson Barracks and training areas) has been factored into future years.

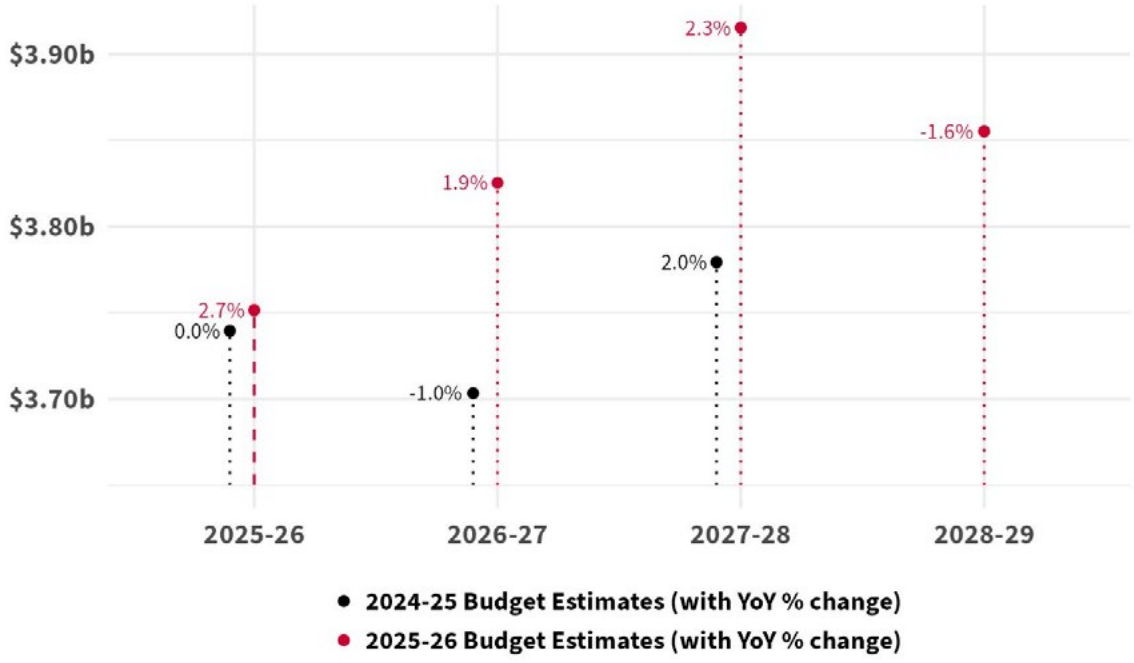
Those cost pressures must be factored into forward planning and Budget allocations to ensure ongoing affordability. However, it's noted that there may be some offset through the decommissioning of outdated infrastructure, which is often more costly to maintain and less efficient in terms of performance.

New facilities are expected to incorporate modern design standards and energy-efficient technologies, aligned with Defence's estate-wide net zero strategy. Those measures should contribute to improved asset performance, lower energy consumption and a gradual reduction in whole-of-life sustainment costs over time.

The 2025–26 estate sustainment (for day-to-day operation of the estate) for approved and unapproved projects is $3.8 billion, with an average budget of about $3.8 billion per annum in the forward estimates and a total expenditure of $15.3 billion forecast to 2028–29.[209]

Analysis of the estate sustainment budget can't be conducted using the current reporting format, which provides only total budget figures. The 2025–26 Budget estimates represent a notable increase compared to 2024–25 Budget estimates,[210] peaking in 2027–28 before declining 2028–29 (Figure 66). That post-peak drop raises concerns about long-term funding adequacy as new assets come online.

Figure 66: Defence estate sustainment budget



Source: 2024-25 Defence PBS and 2025-26 Defence PBS.

Without disaggregated data, it isn't possible to assess the drivers of those changes or to evaluate whether the proposed investment aligns with priorities required across the geography of the estate. Breaking the estate budget into detailed streams would enhance transparency, support more informed decision-making and allow for more effective monitoring of performance and outcomes across the estate.

While some data can be sourced through AusTender, the large volume of contracts and inconsistent naming conventions make it difficult to determine how funding is distributed. For example, a search of Defence contract notices between July 2024 and April 2025, under the categories of building construction, support and maintenance services, identified 189 contracts worth a total of $4.2 billion. Those contracts could fall under medium and major capital projects or various sustainment categories, such as:

- estate works program: delivers projects typically ranging from $1.5 million to $4 million but can extend up to $10–15 million; it also includes minor new capability projects valued at under $500,000
- base services contracts: covering a broad scope,[211] the contracts are valued at approximately $1.7 billion per year[212] and involve substantial, multi-year, contractual arrangements. For example, in July 2024, Ventia Australia was awarded a six-year $564-million firefighting services contract,[213] and, in December 2024, Cleanaway Operations and Veolia Environmental Services were awarded a six-year $560-million resource recovery and waste management contract.[214]

It's understood that Defence had planned to tender for a Base Services Transformation program covering the entire Defence estate, which was expected to begin transitioning in early 2025.[215] However, in November 2024, Defence decided not to proceed with the tender, advising that a delivery solution integrated with existing Defence contact centres would better align with its operational and strategic objectives.[216]

Historically, Defence has been held to account through ANAO performance audits. The most recent relevant audits included:

- Maintenance of the Defence estate:[217] undertaken in 2011, this audit examined policies, procedures, processes and supporting tools related to the planning and delivery of the maintenance of the estate and services provided to Defence by private-sector firms in relation to maintenance activities
- Defence estate facilities operations:[218] undertaken in 2000, this audit examined the general maintenance and minor new works program across the Defence estate.

Given the strategic significance and scale of Defence's estate portfolio, there's limited public visibility into how sustainment funding is allocated across key programs, facilities and geographical locations. Inconsistencies in reporting—particularly the lack of disaggregation by funding stream and the absence of transparent tracking of estate-related divestments—undermine effective oversight and make it difficult to determine whether Defence is achieving value for money or delivering infrastructure outcomes aligned with the NDS and IIP. Without a detailed breakdown of funding allocations, it's challenging to assess whether Defence is making prudent investment decisions that support the estate's long-term value, safety and operational readiness.

Estate divestments

It's disappointing that the Defence Estate Audit report, commissioned in response to the recommendations of the 2023 DSR and submitted to Defence in December 2023, hasn't been released publicly.

The audit focused on enhancing the resilience of the Defence estate, identifying ways to accelerate the delivery of major infrastructure, assessing climate-related risks, and exploring options to consolidate underutilised facilities, including identifying sites for potential divestment.

In March 2024, Defence had identified 14 sites earmarked for divestment.[219] Today, that number has decreased to 10 sites, raising questions about which four properties were removed from the divestment list over the past financial year, why they were withdrawn, and whether any divestment plans were altered, delayed or executed without public reporting.

It also remains unclear how many additional properties are expected to be divested in the current financial year, or whether a forward plan for divestments exists (or is being updated) in line with broader estate rationalisation efforts. That lack of clarity makes it difficult to assess the long-term trajectory of the estate footprint and its implications for the sustainment budget. Understanding planned divestments is essential for forecasting future sustainment costs, identifying potential savings and ensuring that resources are allocated efficiently across the remaining estate.

As noted in last year's *Cost of Defence* analysis, changes to Budget reporting have significantly reduced transparency regarding proceeds from estate-related sales. Previously, divestments were detailed in the 'Budgeted department statement cash flow' table, where cash received was disaggregated into five categories, including sales of land and buildings, and sales of infrastructure, plant and equipment.

In the PBS, this has been replaced by a single line item: 'Proceeds from sales of non-financial assets'. That broad category encompasses a variety of assets, including land, buildings, infrastructure, equipment (such as weapons and vehicles), inventories (such as of spare parts, ammunition and fuel), and intangible assets (such as software, IP and licences). Notably, no revenue is reported under this category in this year's cash flow statement.

The lack of disaggregation in reporting makes it difficult to assess the true financial impact of estate sales on Defence's overall budget and to track how proceeds from divestments are reinvested or allocated across various strategic priorities. Providing detailed breakdowns would enable more accurate revenue tracking, improve oversight and ensure more effective allocation of resources within the broader estate sustainment budget.

Project approvals

The 2024–25 estate budget identified nine projects that were expected to receive PWC approval, with all but three appearing as new projects in the 2025–26 estate budget:

- Canberra Defence Precinct Tranche 1 Australian Defence Force Academy Live-in Accommodation Project was approved for $1.02 billion in July 2024, with an expected start date of mid- to late 2024.[220]
- Facilities to support the LAND 4507 Phase 1 Multi Role Helicopter Rapid Replacement Program at Holsworthy were approved for $518.3 million in November 2024.[221]
- Facilities to support LAND 8113 Phase 1 Long Range Fires at Puckapunyal at RAAF Edinburgh were approved for $367.7 million in February 2025,[222] with an expected start date of late 2025.

The absence of those three projects in the 2025–26 estate budget, despite having received government approval and an established timeline, is a significant concern. The government has already committed funding and set timelines for those projects, which are crucial for supporting the NDS. Their absence raises questions about the alignment of Defence's financial planning with its approved priorities and may indicate potential problems with budget forecasting, procurement processes or resource allocation. Moreover, failing to include those projects in the budget could create delays or disruptions in their commencement, which in turn could affect Defence's overall program of works.

It's also worth noting that three projects approved by the PWC have appeared as new projects in the 2025–26 estate budget but weren't identified in the 2024–25 PWC approvals forecast:[223]

- SRF-W priority works at HMAS Stirling approved for $738.1 million in August 2024[224]
- Explosive Ordnance Facilities Northern NSW Redevelopment Project approved for $359.3 million in October 2024[225]
- Guided Weapons and Explosive Ordnance Storage Program Tranche 2 at Amberley and Stirling approved for $244.9 million in October 2024.[226]

The inclusion of those projects without prior forecasting in the PBS highlights a lack of consistency in the budget process and raises concerns about the clarity and completeness of Defence's planning and performance.

Estate performance

As outlined in last year's *Cost of Defence* analysis, the estate budget serves as a critical roadmap, reflecting Defence's intent and commitment to sustain the estate in support of national defence objectives. However, the effectiveness of Defence's ability to streamline procurement processes, bring projects to market efficiently

and leverage the capacity of the national construction industry and supply chains to deliver large-scale works (especially in remote and challenging locations) remains uncertain.

That uncertainty is further compounded by the lack of a clear, detailed budget breakdown, which makes it difficult to assess whether funding allocations are aligned with the operational and strategic needs of the estate. The absence of a transparent budget hinders the ability to identify potential risks, anticipate delays and manage resources effectively, all of which are crucial for delivering projects within specified time frames.

Challenges for Defence in planning for the future

The Australian Government's 2025–26 Budget has again proven to be a lost opportunity for Defence and for Australia to prepare the nation for the realities of 2025's deteriorating strategic environment. The level of funding to Defence, and to other elements of Australia's national-security community, doesn't match the seriousness of the challenge.

Through the analysis in the previous sections, we've sought to unpack the vulnerabilities and gaps that underfunding is creating. We've also sought to highlight ways in which the government and the Defence organisation can mitigate the risks that we see in the mismatch between the dangers ahead and the resources that exist.

We encourage the government and Defence to seriously consider the recommendations below as they prepare the forthcoming 2026 NDS and IIP editions and the 2026–27 Budget.

Translating strategy into urgent action and capability delivery

As we addressed at the beginning of this report, the most consequential challenge lies in translating strategic intent into tangible capabilities at the required pace. We've consistently pointed to a disconnect between the perceived urgency of the threat and the timelines for capability acquisition outlined in the IIP:

- *Pace of acquisition:* The planned acquisition timelines for critical capabilities, such as IAMD and long-range strike, remain protracted. Defence's slow-and-steady approach risks the ADF being caught in a 'no-man's-land', ill-prepared for current threats and lagging in future capabilities. *Agenda for change 2025* emphasises the need to equip the ADF for the immediate strategic contest in our region.
- *Workforce constraints:* The PBS and both the NDS and IIP identify workforce growth as a priority. However, we point out that efforts to boost the defence and industry workforce are faltering. Without a sufficient and skilled workforce, the ambitious capability plans outlined in the IIP will be undeliverable, and the ADF won't have the workforce to staff the future force. Defence must develop concrete strategies and gain the funding to address that critical constraint, moving beyond acknowledging the problem to demonstrating effective solutions.
- *Balancing ambition and affordability:* We've raised concerns that ambitious long-term projects, particularly the SSNs, are drowning out Defence's ability to fund and acquire the more immediate capability enhancements needed to address near-term risks. Defence's 2026 NDS and IIP need to demonstrate a coherent and affordable pathway that addresses both immediate and future needs without creating unsustainable financial burdens or capability gaps in the interim.
- *Reform:* The NDS states that 'the Government's Defence reform agenda is one of the most consequential in Australia. Rising to the challenges of the current strategic environment will require unprecedented effort and a culture of excellence.'[227] We suggest that that effort and culture are yet to take root in Defence's policies and practices. In building that effort in the coming year, we stress the need for the government and public to have confidence in Defence's decision-making effectiveness, capability development and acquisition processes for delivering combat capabilities and the efficient use of resources.

Enhancing mass and resilience

The focus on a technologically advanced but potentially 'boutique and exquisite' force structure has raised our concerns about the ADF's mass and resilience in a protracted conflict. We've suggested that the small size of the ADF, both in personnel and platforms, creates a brittle, one-shot capability:

- *Autonomous systems:* The 2026 NDS and IIP must recognise the potential of autonomous systems to partly address the lack of mass. We emphasise that that potential will be realised only through high-volume, low-cost acquisition strategies. The 2026–27 PBS should detail specific investments and procurement approaches that prioritise acquiring autonomous capabilities at scale, rather than focusing solely on limited numbers of high-end platforms.
- *Industrial base and munitions production:* Building a resilient ADF requires a robust domestic industrial base capable of supporting capability development, sustainment and, importantly, the production of munitions at scale. We highlight the need to secure critical infrastructure and supply chains, particularly the infrastructure that sustains the defence industrial base. The 2026–27 PBS should outline concrete plans and funding to enhance Australia's sovereign defence industry and its capacity for high-volume, low-cost munitions production.
- *Integrated air and missile defence:* Protecting critical infrastructure and ADF bases, particularly in the north, mandates a robust IAMD capability. We've consistently pointed out the underinvestment in this area, and in the enabling space capabilities, despite their critical importance. The 2026–27 PBS must demonstrate a significant and accelerated investment in effective IAMD and space systems to address that vulnerability.
- *Mobilisation and national preparedness planning:* We highlight that the force-in-being has only ever been considered the kernel around which the nation must mobilise if it's to have the needed resources to effectively defend Australia while deploying the ADF into an active theatre in Australia's primary area of military interest. The government must consider and release into the public domain Defence's mobilisation strategy and undertake the national resilience and national preparedness planning that our circumstances demand.

Achieving impactful projection and situational awareness

The NDS emphasises the need for impactful projection at greater range. However, that requires not only long-range strike capabilities but also the ability to 'see deep' through enhanced ISR capabilities:

- *Long-range strike:* The IIP includes investments in long-range strike capabilities. We generally support that direction but stress the need for timely acquisition and sufficient quantities. The 2026–27 PBS should provide clarity on the planned numbers and delivery timelines for those critical weapons systems.
- *Space-based ISR and communications:* We've raised concerns about the cancellation of Defence's program for the acquisition of sovereign space-based ISR capabilities and the uncertainty surrounding future satellite communications. The ability to operate independently in space for ISR and secure communications is crucial for impactful projection and national resilience. The 2026–27 PBS needs to demonstrate a clear commitment and funding profile for developing and deploying sovereign space capabilities.
- *Multidomain integration:* The NDS correctly identifies the need for the ADF to operate in a multidomain environment, encompassing sea, air, land, space, cyber and the electromagnetic spectrum. Achieving true multidomain integration requires more than just acquiring capabilities in each domain; it demands seamless integration through enhanced command-and-control systems, data sharing and joint training. Defence needs to prioritise investments and initiatives that foster genuine multidomain integration.

Strengthening alliances and partnerships

The NDS acknowledges the fundamental importance of the alliance with the US and the significance of partnerships in the Indo-Pacific. Future Defence planning must actively strengthen those relationships to enhance collective deterrence and burden sharing:

- *AUKUS implementation***:** The AUKUS agreement has become the cornerstone of the ADF's future capability. The 2026–27 PBS should provide detailed updates on the progress of AUKUS implementation, including industrial base development, workforce training and timelines for submarine delivery. We're likely to focus considerable future analysis on the effective execution of AUKUS and its contribution to regional stability.
- *Regional engagement:* The NDS emphasises defence engagement efforts to strengthen relationships in Southeast Asia and the Pacific. Future planning needs to translate that into concrete activities, exercises and capability development initiatives that enhance interoperability and build trust with regional partners. *Agenda for change 2025* includes recommendations on navigating Australia's place in the new world order, which would involve proactive regional engagement.
- *Burden sharing:* We suggest that the ADF needs to be ready to burden-share with regional allies and partners to a greater degree as part of a coalition. Future Defence planning should identify specific areas where Australia can contribute meaningfully to collective security efforts and invest in capabilities that enhance interoperability with key partners.

Adapting to evolving threats and technologies

The strategic environment is now characterised by rapid technological change and the emergence of new threats. Defence planning must be considerably more agile and adaptive to those evolving dynamics:

- *Emerging technologies:* The next iterations of the NDS and IIP should demonstrate a commitment to understanding, adopting and countering emerging technologies, including AI, quantum technologies, hypersonics and directed energy weapons. We've often highlighted the implications of those technologies for future warfare. The 2026–27 PBS should outline specific investments in R&D and acquisition related to those transformative technologies.
- *Cyber and electronic warfare:* The NDS recognises the importance of strengthened and integrated space and cyber capabilities, including for enhanced cyber warfare and electronic warfare. Future Defence planning needs to prioritise the development of offensive and defensive cyber capabilities and robust electronic warfare capabilities to ensure that the ADF can operate effectively in the information domain.
- *Strategic warning and intelligence: Agenda for change 2025* recommends establishing an Australian Centre for Strategic Warning. Effective Defence future planning should include better integration between Defence Intelligence and this cell, to enable enhanced strategic warning and intelligence capabilities to anticipate and respond to evolving threats. The 2026–27 PBS should address how intelligence capabilities will be strengthened and integrated into the broader defence planning process.
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Recommendations

The 2025–26 Defence PBS has kicked the can down the road for another year. The 2026–27 PBS will be a crucial future indicator of this government's commitment to addressing Australia's strategic challenges and ensuring that Defence is truly prepared for the complexities of the future strategic environment. A failure to act with urgency and decisiveness in these areas risks undermining Australia's security and its ability to deter potential aggression.

Recommendation 1: Enhancing deterrence and strategic posture

In this report, we've stressed the mismatch between the NDS and the PBS acquisition and sustainment activities. We've noted here and elsewhere that we don't believe that Defence really understands what the deterrence strategy requires, or has the appropriate military doctrine, strategies and plans in place within Defence, across government and across the Australian nation (industry, civil society and the community). We've stressed that the needs of a credible 'strategy of denial' for effective deterrence mandate a national endeavour, clear declaratory policy and a proactive, ready and 24/7 military posture—none of which exists. The 2026 edition of the NDS should explicitly address the mismatch between the NDS strategy and the PBS acquisition and sustainment funding activities.

Recommendation 2: Increased defence funding and reprioritisation

Defence funding should be increased to reflect the deteriorating strategic environment. As we flagged in *Agenda for change 2025*, Defence funding should reach 3% of GDP in the 2026–27 PBS and be sustained at (at least) that level over the next decade.

Commensurately, Government should plan to reprioritise the 2026 editions of the NDS and IIP to ensure the readiness and sustainability of the current force-in-being and commit to funding national preparedness and national resilience measures across government, the economy and society that will ensure Australia is ready to manage potential national-security crises.

Recommendation 3: Reform Defence risk profiles, policies and practices

Defence must deliver on the government's requirements for unprecedented effort and a culture of excellence. Defence should deliver a public reform plan, as laid out in the DSR and NDS, to streamline procurement processes, enhance project management, reduce redundant spending and strengthen domestic defence manufacturing.

Recommendation 4: Improved transparency, reporting and messaging

We criticise the reduction in transparency in the PBS and recommend improved transparency in reporting project progress, costs and schedules. We also call for detailed reporting on Defence estate capability sustainment and the proceeds from estate-related sales to improve oversight and accountability.

Defence should increase its public messaging, including through appropriate transparency measures that are explained by politicians and bureaucrats. Areas for increased transparency should include the following:

- AUKUS activities, including Australian infrastructure works related to AUKUS, should be reported separately as a distinct program of record.

  For AUKUS infrastructure works, given the scale and significance of the investment, and the fact that much of this information is already publicly available and poses no risk to national security, Defence should expedite the public release of the Defence Audit Report and reinstate detailed reporting of proceeds from estate-related sales, broken down by specific asset categories, into the PBS, in line with previous years.

- That detail could be incorporated either within the 2026–27 PBS (in the equivalent tables to the 2025–26 PBS Table 37: Cost summary for Program 2.16 nuclear-powered submarines or Table 56: Approved major and medium enterprise estate and infrastructure programs).

As an element of that enhanced reporting, the ANAO should undertake performance audits focused on Defence estate project delivery, sustainment budget allocation, governance, staffing, contracting mechanisms and alignment with strategic priorities, with a focus on:

- whether governance and delivery models are fit for purpose
- the extent to which Defence has adequate staffing, contracting mechanisms and supply-chain resilience to meet its infrastructure obligations
- the alignment between project approvals, delivery timelines and strategic priorities
- the use of performance data to monitor progress and adjust plans.

Recommendation 5: Accelerated capability acquisition

In this report, we warn against protracted acquisition timelines that risk leaving the ADF ill-prepared for current threats. The 2026 editions of the NDS and IIP should accelerate the acquisition of critical capabilities such as IAMD, long-range strike systems and autonomous systems at scale, as well as enhanced cyber, ICT, intelligence and digital transformation initiatives to maintain strategic advantage in contested domains.

Defence should accelerate investment in Defence estate infrastructure, particularly in northern Australia, improved capacity to manage large infrastructure portfolios, and greater transparency in budget allocation and project approvals.

Recommendation 6: Workforce development and retention

In this report, we've consistently addressed workforce constraints across the Defence enterprise and defence industry, highlighting challenges in recruitment, retention and upskilling, especially for operating advanced technologies. Defence should develop and release concrete strategies and funding to build a skilled and sufficient workforce across the APS, the ADF and the defence industry.

Recommendation 7: Strengthening sovereign defence industry

Throughout this report, we've highlighted the need for a sovereign defence industrial base, particularly in guided weapons, munitions production and shipbuilding, to enhance resilience and reduce dependency on foreign supply chains. The government and Defence should issue a succinct statement defining what a sovereign defence industry means, including the combination of trusted and reliable international partners and investment in Australian-owned companies.

The 2026 editions of the NDS and IIP need to explicitly identify the sovereign defence industry requirements of the current and future force, and explicitly and publicly state the levels of sovereign defence industry in the major projects, including AUKUS-SSN.

Recommendation 8: Enhanced alliances and regional partnerships

In this report, we've highlighted the importance of strengthening alliances, particularly with the US and through AUKUS, and building regional partnerships in Southeast Asia and the Pacific for collective security. The government should explain to the public that increased self-reliance doesn't mean independence from allies and partners. The US—regardless of political views—will remain key to Australia's security and sovereignty, as will simultaneously enhancing military relationships with partners across the broader Five Eyes, Europe and the Indo-Pacific. The 2026 edition of the NDS should set out achievable and practical steps to deliver on those regional partnership priorities.

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With the second term of the Albanese government having just begun, there's an opportunity for the government and Defence to consider these recommendations seriously and for bipartisan support to be sought and provided, which, in turn, will help to build a social licence so often missing from Defence.

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147 Government sources continue to claim that the range of the TLAM to be acquired by Australia is 'over 2,500 km'. That's factually incorrect. The only TLAM with that range is TLAM-N, which is the nuclear-armed variant. Australia is acquiring conventionally armed Block IV and V RGM-109E TLAMs, which open-source information, including from the manufacturer, suggests have a maximum range of 1,600 kilometres.
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192 This includes maintenance contracts, medium works contracts and major contracts for the redevelopment (about every 20 years or so) and mid-term refresh (about every 10 years or so) of major defence sites.
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195 Defence Department, *National Defence Strategy 2024*, 29.
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197 Defence Department, Table 8: Investments in theatre logistics, *Integrated Investment Program*, *2024*, 75.
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199 Defence Department, Table 12: Investments in enterprise infrastructure, *Integrated Investment Program*, *2024*, 891.
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Acronyms and abbreviations

2024 IIR	2024 Independent Intelligence Review
ACIC	Australian Criminal Intelligence Commission
ADF	Australian Defence Force
AI	artificial intelligence
AIF	Australian Imperial Force
ANAO	Australian National Audit Office
APS	Australian Public Service
ASBM	anti-ship ballistic missile
ASCA	Advanced Strategic Capabilities Accelerator
ASD	Australian Signals Directorate
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
AUKUS	Australia – United Kingdom – United States
AVL	amphibious vehicle logistics
AWD	air warfare destroyer
CASG	Capability Acquisition and Sustainment Group
CNSS Enterprise	Continuous Naval Shipbuilding and Sustainment Enterprise
DCP	Defence Cooperation Program
DSR	Defence Strategic Review
DSU	Defence Strategic Update
FPR	First Principles Review
GDP	gross domestic product
GPS	Global Positioning System
GWEO	guided weapons and explosive ordnance
HIMARS	M142 High Mobility Artillery Rocket System
IAMD	integrated air and missile defence
ICBM	intercontinental ballistic missile
ICT	information and communications technology
IIP	Integrated Investment Program
IP	intellectual property
ISR	intelligence, surveillance and reconnaissance
JABMS	Joint Air Battle Management System
JASSM	Joint Air-to-Surface Standoff Missile
JORN	Jindalee Operational Radar Network
JSF	Joint Strike Fighter
LCH	landing craft heavy
LCM	landing craft medium
LHD	landing helicopter dock
LOTE	life-of-type extension
LRASM	Long Range Anti-Ship Missile

MIRV	multiple independently targetable re-entry vehicle
ML	machine learning
NATO	North Atlantic Treaty Organization
NDIS	National Disability Insurance Scheme
NDS	National Defence Strategy
NIC	national intelligence community
NSM	Naval Strike Missile
ONI	Office of National Intelligence
OPV	offshore patrol vessel
PBS	Portfolio Budget Statements
PLA	People's Liberation Army
PRsM	Precision Strike Missile
PWC	Public Works Committee
R&D	research and development
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
REDSPICE	resilience, effects, defence, space, intelligence, cyber and enablers
SDIPs	sovereign defence industrial priorities'
SMEs	small and medium-sized enterprises
SRF-W	Submarine Rotational Force—West
SSK	ship, submersible, killer (conventionally powered hunter-killer submarine)
SSN	ship, submersible, nuclear (nuclear-powered fast attack submarine)
STEM	science, technology, engineering and mathematics
TLAM	Tomahawk land-attack missile
TR3	Technical Refresh 3
TS-PA	TOP SECRET—Privileged Access
UAD	unit availability day
UAS	uncrewed aerial system
UAV	uncrewed aerial vehicle

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