

COMMONWEALTH OF AUSTRALIA

SPEECH

BY

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ON

DEFENCE REVIEW

MINISTERIAL STATEMENT

[From the "Parliamentary Debates," 10th November, 1964]



Sir ROBERT MENZIES (Kooyong—Prime Minister).—by leave—For some months the Department of Defence and the Service and Supply Departments, in close collaboration with the Chiefs of Staff Committee, have been making a complete re-assessment of our defence needs and programme. Their labours have been conducted against the background of affairs overseas, and particularly in and around South East Asia. The Government has exhaustively studied the reports placed before it, and has consulted closely with its professional military advisers. In the result, we have formed certain views about our strategic position and about our defence requirements which I will now proceed to state as clearly as I can.

I refer, first, to our strategic position. This requires an examination of our position in relation to our neighbours and our international associates. Since the Second World War and increasingly in the last decade, the struggle against aggressive Communism coupled with other developments in Asia has forced us to recognise that we are in a new situation. General or

global war—that is, unrestricted conflict between the major world powers—has receded in probability because of the deterrent effect of nuclear weapons, and we continue to believe that it is unlikely except as a result of miscalculation. But armed conflicts short of general war could develop at any time in areas of tension throughout the world. Communist powers will continue to press their aims through all the varied cold war techniques of subversion and insurgency and other threats to the integrity of States which they wish to bring under their domination.

At present, important questions arise which require frank answers. They will, I regret to say, indicate that there has been a deterioration in our strategic position since the review which I presented to Parliament last year. The range of likely military situations we must be prepared to face has increased as a result of recent Indonesian policies and actions and the growth of Communist influence and armed activity in Laos and South Vietnam. If these countries collapsed, there would be a grave threat to Thailand and the whole of South East

Asia would be put at risk. The effectiveness of the South East Asia Treaty Organisation as a guarantee of mutual security would be seriously jeopardised.

In particular, in South Vietnam the continued instability of government has made the task of resistance more difficult and to some extent frustrates the massive efforts of the United States and our own necessarily small contributions. The aggressive attitude of North Vietnam towards South Vietnam is demonstrated by continued political and ideological support given to the military insurgents, and the infiltration of thousands of trained men. There was the Tonkin Gulf attack on United States warships; Communist China has ignored the Nuclear Test Ban Treaty. These are sinister and significant developments.

In Malaysia, to which we have given the specific assurances which I announced in this House, Australian troops have for the first time been in combat with Indonesian forces. True, in international opinion, Malaysia has been strengthened by the vote in the Security Council, the meeting of the Commonwealth Prime Ministers in London, and the relative failure of President Sukarno to gather support at the Cairo conference of unaligned nations. But, though it is now clear that, for all practical purposes, no impartial person doubts that Indonesia is carrying on active and entirely unjustified armed aggression against her neighbour, the fact is that Indonesia still goes on her unlawful way, seeking to undermine Malaysian morale, to cause the disintegration of Malaysia, and no doubt to dominate the Borneo territories if and when they can be detached from Malaysia.

If Indonesian attacks continue, Malaysia may find it intolerable to confine defensive measures to the guarding of Malaysia's shores and jungles against Indonesian intrusion. These Indonesian attacks may create a real risk of war, a war so hopelessly unprofitable to Indonesia that it is hard to understand how any leader concerned with the well-being of the ordinary men and women of his country could seriously be prepared to provoke it. Indeed we must prepare for all eventualities including the control and, if necessary, defence of the frontier between West New Guinea and the Territory of Papua and New Guinea. Meanwhile, by his cultivation of the Communist

Powers, President Sukarno is exercising an influence in South East Asia which could weaken resistance to Communism.

It must be conceded, therefore, that the risks of our situation in this corner of the world have increased. This does not mean that we suffer from fatalism or defeatism; there is not the slightest occasion for either. But it does mean that we must do more, and pay more, as our contribution to our national security. This is, of course, to be done having in mind, and indeed never forgetting, that in the South West Pacific Australia and New Zealand have allies, including Great Britain and the United States, who are rich in power and goodwill. Without them, Australia's task in defending so vast a territory with so few people would be a fearful one.

But Australian defence cannot be considered in isolation, any more than the forces we possess should be regarded as garrison forces. Placed as we are, our defence, if it is to be successful, must be beyond our shores, and in depth. Hence S.E.A.T.O., and A.N.Z.U.S. We are in S.E.A.T.O. not only because we have a goodwill towards the nations concerned and would wish to help to protect them against Communist aggression, but also because the further Communist powers are kept away from us, the more secure we will feel. Thus, in S.E.A.T.O. a high common interest is rendered stronger, not weaker, by the individual national interest each of us has.

Again, we are with Malaysia for several good reasons. Malaysia is a well governed and friendly Commonwealth country, and as such is entitled to our support. Malaysia is a non-Communist nation, and is willing at all times to resist the Reds; it is monstrous that she should be the subject of unprovoked aggression from the south. But again, we in Australia also want Malaysia preserved because we want the Communist powers as far away as possible. It should not be forgotten that one of the aims of what Indonesia calls its "confrontation" of Malaysia is the removal of the Commonwealth presence, including the bases. We are advised that so long as the bases are available and Commonwealth forces support Malaysia, there is little prospect of a defeat of Malaysia by Indonesian military action. In short, Malaysia and Australia have a common interest and an individual interest, and they coincide.

In the same way, it is tremendously important for us that Indonesia should not become Communist, but retain its independence under a Government serving only the good of the Indonesian people. It is very much to be feared that if Indonesia provoked a war, the only people in Indonesia who would get advantage from it would be the Communists, ever ready to thrive on disorder and defeat. Thus, Indonesia and Australia have vital interests in common. The recent actions of the Indonesian Government are therefore all the more deplorable. It is a misfortune to have to join in a defence of Malaysia against a nation with which we have no other quarrel, and so much in common. Yet it is a misfortune which we must be prepared to face, to the utmost of our power.

Now, this has been a brief account of some of the developments which have led us to the conclusion that there has been, since my review of 1963, a deterioration in our strategic position. What new defence provision should be made, in the light of this conclusion? True, we are not and cannot be the sole guarantors of our defence. But we must be able to say with truth that we are making a contribution to it which is commensurate with our capacity and our national self-respect.

The 1963 review itself added very considerably to the defence programmes and votes. Since then, substantial additions have been made. It will be of interest if I remind the House that until very recent years our defence vote was, and had been for some time, of the order of £200 million a year. The order of financial magnitude involved in our present review can be briefly stated at this stage. The review of May 1963 raised the programme for 1965-6, 1966-7 and 1967-8 by about £40 million a year to a total of £816 million. In other words before that review only 18 months ago the total figure for these years had been of the order of the £700 million and it was raised to £816 million. This present review raises that total to £1,220 million, that is, a further increase of £404 million. I will return to the figures before I conclude.

I now turn to the concrete decisions which have led to these financial conclusions. Because of the central importance of manpower to the whole of our defence preparations I shall deal first with this question.

At present the regular forces number just over 52,000 including 22,750 in the Regular Army, 16,600 in the Air Force and 12,900 in the Navy. In addition, there are approximately 1,000 Pacific Islanders in the Pacific Islands Regiment. In the Citizen Military Forces we have 27,630; in the Citizen Naval Forces 5,115; and in the Citizen Air Forces 868.

Over the programme period to mid-1968 the Navy and Air Force will require a considerable increase in manpower to correspond with the planned expansion of these forces including the progressive introduction of new equipment. By June 1968, the Navy will have a requirement for approximately 16,700 and the Air Force for 21,000 men. The Government and its naval and Air Force advisers are confident that a satisfactory progressive build up of manpower towards these levels can be achieved by existing means of recruitment.

The question of Army manpower is more difficult. The numbers are larger; the whole strength and organisation of the Army are involved. We have given close attention to this problem which has before now given rise to great controversy. After an examination of all the factors, and in full consultation with our military advisers, we have reached the conclusion that the Regular Army should be built up as rapidly as possible from the present 22,750 to an effective strength of 33,000 men, which means a total force of 37,500. A peace-time Army of this size would be adequate to meet our immediately foreseeable operational requirements and form a basis for rapid expansion in war.

The training effort required to achieve any reasonably quick build up of a much larger Army than the one we now contemplate would be such that the Regular Army would cease to be an effective fighting force and become for some considerable time simply a training organisation. This has been one of the limiting factors in this. Let me remind honorable members that we have through successive programmes built up the capacity of the Regular Army as an effective and readily available fighting force, and it is essential in present circumstances that this capacity and quality be retained to the greatest possible extent.

The Government has given the most careful consideration to the means by which

the Army's manpower requirements may be achieved. It seems clear, on our military advice and our own carefully formed judgment, that we cannot expect by voluntary means to achieve a build up in the Army's strength of the order we require and to the timing which is necessary. We are living in a period of unsurpassed prosperity and more than full employment; the attractions of civilian employment are very great indeed.

The Government has therefore decided that there is no alternative to the introduction of selective compulsory service. We know that this presents difficult personal, social, economic, and perhaps political problems. Our decision has been taken only because of the paramount needs of defence and, in the difficult circumstances I have described, the preservation of our security.

May I return at this point to the observations I made earlier in reference to the demands of our deteriorating strategic situation? We expect a continuing requirement to make forces available for cold war and anti-insurgency tasks. We must have forces ready as an immediate contribution should wider hostilities occur. We must at all times retain adequate forces against any more direct threat which might develop to our own security. Because of our geographic position we have the most compelling reasons to take those steps which will put us in a position to meet these various demands. The necessary units cannot be provided with a lesser effective strength than 33,000, yet this number cannot in present circumstances and in proper time be obtained by voluntary means.

It follows also that, to enable the Regular Army to achieve the required degree of operational readiness, selective servicemen must serve in regular units on a full time basis. If the scheme is to be effective, those called up must therefore be under an obligation to serve overseas as necessary and must be available to go with the regular unit in which they are serving.

In assessing the length of service required, an average of six months must be allowed for recruit and corps training. Provision must also be made for leave, movement and acclimatisation should the national servicemen be sent to an overseas theatre. In order to permit a period of at least twelve months effective service in a unit a total period of two years full-time

duty is required and this will be the basis of the Government's scheme. This will be followed by a period of three years on the Reserve.

Briefly, we have decided that young men will be required to register in the calendar year in which they reach the age of 20 years. The first actual call-up will take place about the middle of next year. During the second half of 1965 a total of about 4,200 will be required. Thereafter there will be annual call-ups of about 6,900. This will, by December 1966, give an Army of a total strength of about 37,500—this is the Regular Army—which will mean an effective force of 33,000. Detailed consideration is being given to the conditions of service and the question of exemptions and deferments to meet particular circumstances. Civil employment rights of those called up will be appropriately protected.

I hasten to say that the introduction of selective compulsory service does not in any way detract from the importance of volunteers for the Regular Army, the Emergency Reserve or the Citizen Military Forces. On the contrary, we would wish the volunteer spirit, which has meant so much to Australia in the past, to continue. Both the Government and the nation would urge that as high a percentage as possible of those in our armed services should be those who, of their own choice, and in the spirit of a great national tradition, have joined one or other of those Services.

Mr. Clyde Cameron.—I know one who dodged it in 1914.

Sir ROBERT MENZIES.—You do not. You must not repeat other people's lies.

Mr. Clyde Cameron.—Well, 1915.

Sir ROBERT MENZIES.—That is a very bad habit, Clyde, and I advise you against it. Indeed, so far as the Regular Army is concerned, volunteers will continue to be of fundamental importance to the effectiveness of the force. Volunteers on longer terms of engagement will reach the highest standards of training and will give greater flexibility in the organisation and deployment of our forces. A selective service scheme does not give sufficient time to train highly qualified specialists and technicians and we must continue to look to volunteers to provide these. The Government has already

reviewed and improved conditions of service to make a career in the Permanent Forces as attractive as possible. With this in mind and in the light of the strategic situation which I have outlined, we would ask the young men and women of Australia to consider carefully a permanent career in the armed forces.

The new Emergency Reserve, for which enrolment will be commencing almost immediately, will provide a ready means of supplementing field force units, increasing our cold war military capability and providing reinforcements in the initial stages of hostilities. It has a most important place in the full concept of our defence forces. The role of the Citizen Military Forces—to provide in war or defence emergency the follow-up forces and the expansion of our military effort—remains unchanged, and indeed assumes even greater importance following the passage of the legislation to make these forces available in a defence emergency. I seek the co-operation not only of our young men, but also of their employers and others to ensure that the Citizen Military Forces target of 35,000 is achieved over the period of the new defence programme.

The detailed organisation of the Army will be further reviewed to provide for an expansion in the field force with particular emphasis on a substantial increase in the combat element and high priority logistic units. Two additional battalions will be raised making a total of six including the two battalions in our first two battle groups and the battalion already deployed in Malaysia. In addition, the organisation will provide adequate backing, not only to maintain and support the expanded field force, C.M.F. and cadets, but also to provide a sound basis for further expansion and mobilisation.

There is, for a variety of good reasons, some concentration of military provision and organisation in the south-eastern areas of the continent. We feel, however, that, in the overall interests of rapid mobility, this should not be carried too far. We have, therefore, after careful consideration, decided that a new battle group will be established in north Queensland, probably in the Townsville area. The Special Air Service Regiment already established at Perth will be more than doubled in size to

provide a head-quarters squadron and four squadrons. The Government has decided on a substantial change in the organisation of the Citizen Military Forces designed to create additional battalions, give greater flexibility and increased opportunities for service, particularly in country areas. The target strength for the cadets is being increased from 40,000 to 45,000.

In the 1963 defence review, I announced that it was intended to double as soon as possible the strength of the Pacific Islands Regiment, which at that time was of the order of 700, and I also indicated that further developments in relation to the force were under consideration. Recruitment to the P.I.R. has increased steadily, and the target strength we envisaged in our previous plans will be attained earlier than we had expected. In the present strategic situation the Government continues to attach high priority to the strengthening of the P.I.R. The detailed investigations have now been completed, and the Government will proceed with the plan to increase the force to three battalions and supporting units with a total strength approaching 3,500 by June 1968. Tenders closing on 30th November this year have been called for necessary Army works for Papua and New Guinea which could cost about £12 million. An honorable member opposite asked me today whether there was any difficulty about this, having regard to the fact that it was a Trust Territory. Part of the answer is that there is not. These include additional barrack buildings, workshops and engineering services, and housing for native married members of the force.

The provision of equipment for the Army must match the improvements in the strength and availability of units. In the defence review of May 1963, expenditure on Army equipment was raised from the rate of £10 million per annum to the much higher level of £17.5 million.

In the light of the deterioration of our strategic position there is a need to accelerate the rate of progress towards achievement of the approved objective of providing modern equipment for one division. Provision is also required for the expanded forces in Papua and New Guinea. Provision must be made for the replacement of out-moded equipment as new items become available

from research and development for introduction into service. Sufficient additional equipment must be provided to ensure that C.M.F. training is realistic and effective.

For all these purposes, and in line with the expansion in other elements of our defence preparations, the Government has approved a major acceleration in Army equipment purchases. Expenditure will be increased to £20 million in 1965-66—the first year of the new defence programme—to £25 million in the following year, and to £30 million in 1967-68. The equipment to be purchased will include the whole range of modern conventional weapons, ammunition, vehicles, light aircraft, engineering and signals stores and so on. Items of new equipment which the Army is investigating include low level anti-aircraft weapons, air-portable armoured fighting vehicles, new artillery weapons, combat surveillance equipment and various other items. Emphasis will continue to be placed on air-portable equipment and those items which will improve Army mobility. The general effect of this approval is that as the strength of our forces is built up, the weapons and equipment which they require, and of the most modern types, will be available to them. The increase in the Army strength from under 23,000 to some 37,500 by the end of 1966 means that accommodation for an additional 15,000 men has to be provided. This is additional to the large works programme for the Pacific Islands Regiment which I have already mentioned. This will mean a greatly increased Army works programme which will be carried out with the highest priority.

I turn now to our proposals for an expanded Navy and Air Force as part of an overall programme for strengthening the Australian military effort. Before the defence review undertaken by Cabinet last week, the Naval programme provided for a Fleet comprising the following main units: One aircraft carrier, operating anti-submarine helicopters and also fixed wing aircraft for their remaining service life; two Daring class destroyers; three Charles F. Adams destroyers—D.D.G.'s; six type-12 frigates; four Oberon class submarines; six "Ton" class minesweepers; one escort maintenance ship—being constructed in Australia; one fast transport; one fleet tanker; and one Battle class destroyer for use as a training ship.

This programme involved the construction of ten new ships, including three Charles F. Adams destroyers which rank among the world's finest guided missile ships; four Oberon class submarines; and two type-12 anti-submarine frigates and an escort maintenance ship being constructed in our own shipyards in Australia. These additions in themselves would provide a significant increase in the capability of the R.A.N. to fulfil its increasing operational commitments.

Careful consideration has been given to the future of the Fleet Air Arm which is a complex field of defence and could involve very large expenditures. H.M.A.S. "Melbourne" was converted to the anti-submarine role with the acquisition of 27 modern Wessex helicopters in 1963, and a number of Gannet and Sea Venom aircraft were also retained. A number of possibilities as to the continued operation of the "Melbourne" have been considered, having regard to the remaining life of the ship, the general cost of naval aviation, and other defence considerations.

The Government has now made two important decisions—

First, as the Gannet and Sea Venom aircraft are approaching the end of their service life and becoming difficult and uneconomical to maintain, it has been decided to replace these aircraft with 14 S2E Tracker anti-submarine aircraft. This aircraft, which is in service with the United States Navy—as members of the House who visited recently the U.S.S. "Enterprise" will recall—is a twin piston-engined aircraft with good endurance and well equipped for all-weather operations. The anti-submarine equipment it carries includes the latest electronic devices, and it also has the capacity for carrying a good weapon load. Its inclusion in the "Melbourne's" equipment will improve considerably the ship's anti-submarine capability. If I remember accurately, the cost of this item is about £16 million or £17 million.

Secondly, the Government has also approved an extensive modernisation of the "Melbourne" going much beyond that approved in the 1963 review. This modernisation will cost nearly £10 million. The main functions in which modernisation is required are the operation of anti-submarine aircraft in all weather by day and night; long range detection and height

finding radar; improved close range air defence by mounting Seacat missile systems; and improved habitability.

Those proposals will add substantially to the anti-submarine capability of the Royal Australian Navy. In the 1963 review the Government authorised modernisation of our Daring class destroyers directed mainly towards improving their anti-submarine capability. This plan has been reviewed in the light of the Navy's tactical requirements and the needs of our strategic situation. It has now been decided to modernise the Darings by providing them with Ikara, which, as honorable members are already aware, is a guided anti-submarine weapons system developed in our own research and production establishments. The estimated cost of modernising the two Darings is in excess of £13 million.

With a view to enhancing the Navy's mobility, a fast fleet replenishment ship with some provision for the carrying of oil fuel is to be acquired. It is expected that the ship will come into commission in 1970. The question of local construction—which we would prefer—or purchase from overseas will be determined at a very early date. It has been decided to add two minesweepers to the present force of six vessels which were obtained in 1962. The additional minesweepers will be introduced into service in 1968.

Concurrently with the planning of the expansion of the Pacific Islands Regiment, investigations have been proceeding into the formation of a coastal security force in Papua and New Guinea. It has now been decided that five patrol craft of a type suitable for local manning and maintenance will be obtained. These will contribute substantially to the general surveillance of the shores and rivers of the Territory. Nine all purpose patrol craft to replace vessels in use by the R.A.N., which are now approaching the end of their useful life, will also be obtained. These vessels will be suited for patrol duties such as those being carried out at the present moment by our minesweepers in Borneo waters.

In addition to the above proposals, Cabinet has approved a wide range of naval projects designed to support objectives which have already been approved, including support facilities for the Charles F.

Adams destroyers, a missile firing range, development of a submarine base and support facilities and provision for a submarine rescue vessel, replacement of harbour support craft and fleet boats, modernisation of Wessex helicopters, and rehabilitation of Manus Island oil fuel installations.

In recent defence programmes, the Government has approved the substantial re-armament of the fighter and strike-reconnaissance elements of the R.A.A.F. with modern aircraft of advanced performance. The order which has been placed for 100 Mirage supersonic fighter aircraft will provide for the re-equipment of the four Sabre fighter squadrons. Deliveries of these aircraft from local production to the R.A.A.F. are continuing. The 24 F111A aircraft which have been ordered from the United States will add powerfully to the deterrent and strike capability of the R.A.A.F. The Government is confident that the F111A aircraft, which is expected to fly before the end of this year, will amply fulfil its promise as an outstanding military aircraft.

In this programme the Government has given particular attention to the transport, maritime and training requirements of the R.A.A.F. and to the continued development of our airfields. The existing squadron of 12 Hercules C130A aircraft with which the R.A.A.F. was equipped in 1958 has considerably improved the air strategic mobility of the Australian forces. The development of plans associated with our S.E.A.T.O. and other commitments has, however, shown clearly that our present air strategic movement facilities fall short of those required to meet likely military situations. A study by our professional military advisers on the strategic mobility requirements of the Australian services indicates that in addition to the aircraft which would be provided from civil resources, the services require an additional squadron of medium range transport aircraft. The aircraft selected to meet this requirement is the C130E, a greatly improved version of the C130A at present in service in the R.A.A.F. For operational and maintenance purposes these aircraft are compatible with the C130A. They provide an increased strategic lift capacity and they possess the short field characteristics which enable them to carry out intra-theatre operations as well as inter-theatre tasks. Approval

has been given to acquire 12 C130E aircraft. This will mean an increase in the order of battle of the transport element of the R.A.A.F. from two to three squadrons. The existing squadron of Hercules C130A aircraft will, of course, continue in service, together with the squadron of Caribou aircraft which has recently been acquired. The detachment of Caribou aircraft in South Vietnam has already given notable service in operations against the Communist Vietcong.

The maritime element of the Royal Australian Air Force, working closely with the carrier "Melbourne" and with the escorts of the Royal Australian Navy, provides maritime reconnaissance and anti-submarine protection for our forces. At present there are two maritime squadrons in the R.A.A.F. No. 10 Squadron is equipped with Neptune SP2H aircraft embodying modern surface and underwater submarine detection equipment. No. 11 Squadron stationed at Richmond is, however, equipped with an older version of the Neptune aircraft, the P2E, containing submarine detection and tracking equipment, which is now coming to the end of its useful operational life. It is accordingly necessary to re-equip this squadron so that it will be fully effective against modern submarines. It has been decided to re-arm the squadron in 1968 with Lockheed Orion aircraft which have outstanding performance in the location and destruction of enemy submarines. The Orion is the best maritime aircraft available in the world today. Ten of these aircraft will be obtained.

The current flying training aircraft in the R.A.A.F. are the Winjeel in the basic and the Vampire in the advanced stages. The introduction of high performance aircraft of the Mirage and F111A types will require new types of training aircraft and new techniques in training. In major air forces operating supersonic aircraft the use of a jet aircraft from the commencement of training has proved to be necessary to achieve the required standard quickly. The Government has accordingly approved the purchase of an all-through jet trainer of suitable performance to replace the Winjeel and the Vampire, thereby enabling the training organisation to advance in parallel with the re-equipment of operational

squadrons. Seventy-five of the new aircraft will be obtained.

At present navigators and signallers of the R.A.A.F. are trained in Dakota aircraft modified in 1952 for this purpose. In a few more years these aircraft will be inadequate to train navigators and signallers, having regard to the latest training techniques, the type of training equipment required and the modern operational aircraft being obtained for the R.A.A.F. The Government has approved the acquisition of eight replacement trainer aircraft of a suitable type.

Experience gained by the members of the R.A.A.F. Mirage instructional team in France, coupled with the experience of other air forces operating supersonic aircraft, indicates that a dual mirage aircraft is necessary to provide safe, efficient and fast conversion of both experienced and less experienced pilots. The Government has approved the acquisition of ten dual Mirage aircraft. These will be additional to the 100 operational Mirage aircraft already on order.

I have referred already to the additional equipment which we are providing to improve the essential strategic and tactical mobility of our forces. The continued development of airfields to permit the rapid deployment and effective operational use of our forces both strategically and tactically is a complementary measure to which the Government continues to attach the highest importance. In earlier years we have carried out an extensive programme of airfield works and development in such places as Darwin, Townsville, Amberley and Williamtown. The construction of a second airfield in the Northern Territory at Tindal, which was approved in the last programme, is proceeding satisfactorily and will be completed in 1966. Detailed investigations and technical planning for the new airfield at Boram near Wewak in New Guinea have now been completed and construction will proceed without delay. This airfield will be built to standards which will permit its use by all aircraft now in service or to be acquired by the R.A.A.F.

We have now approved the further development of airfields in New Guinea. The

existing airfield at Nadzab will be rehabilitated and extended for ferrying purposes to standards permitting its use by Mirage and other aircraft. The airfield at Daru in the south west of Papua-New Guinea will be extended and developed and smaller airstrips between Daru and Boram will be brought to a higher standard. This will add to the flexibility of our forces and improve the effectiveness of the patrols now carried out by the Pacific Islands Regiment. On the mainland the existing airfield at Learmonth, near North West Cape, will be further developed by the provision of taxiways, hard standings and other essential services. Improvements are also to be made to the airfield at Cocos to increase its capability.

The Government has previously announced the acquisition of two new control and reporting units, one of which will be installed at Williamtown and one at Amberley. Both these equipments will be mobile. Provision is made in the new programme for the modernisation of the control and reporting unit already installed at Darwin. Adequate provision will be made for new capital construction and modernisation of existing facilities in our production and research establishments so that they may continue to meet the demands of our expanded forces.

A major expansion of the nature which I have outlined must inevitably bring a substantial increase in expenditure. Briefly, we estimate that defence votes in the three years of the programme will be: 1965-66, £370,000,000; 1966-67, £421,700,000; and 1967-68, £429,100,000.

In our defence review of 22nd May 1963, we contemplated expenditure allotments as under—

	1963-64	1964-65	1965-66	1966-67	1967-68
	£m	£m	£m	£m	£m
Navy	53.3	54.3	63.3	65.2	59.7
Army	77.6	87.5	90.7	94.0	97.2
Air	80.1	84.9	87.9	89.1	82.6
Supply and other Departments	26.5	26.7	27.7	28.7	30.0
	237.5	253.4	269.6	277.0	269.5

Since May 1963 these allotments have been increased by Cabinet approvals of new projects, of which the main items are: Purchase of 24 F111A strike-reconnaissance aircraft; construction of two additional frigates to replace H.M.A.S. "Voyager"; increased costs for the fleet fitting of Ikara; expansion of the Pacific Islands Regiment in Papua and New Guinea; replacement of V.I.P. aircraft; purchase of seven additional Caribou aircraft; a housing programme; and defence aid for Malaysia. The total estimated cost of these approvals is £118 million.

In addition to these specific projects, additional costs have also been incurred with the introduction of new Service pay scales, improved conditions of service, basic wage increases and margins adjustments. The addition of the expenditure flowing from all these decisions has involved an increase in the planning allotments of the May 1963 review to the following—

	1963-64 (Actual)	1964-65 (Estimates)	1965-66	1966-67	1967-68
	£m	£m	£m	£m	£m
Navy	55.6	69.2	80.1	81.3	76.9
Army	79.0	94.2	106.5	109.4	111.2
Air	89.2	90.0	99.6	108.1	105.3
Supply Department	29.3	33.0	34.0	33.2	34.6
Defence Department and other charges to the Defence vote	7.4	10.4	10.2	9.0	9.8
	260.5	296.8	330.4	341.0	337.8

The decisions which I have just announced will increase these adjusted figures still further to the following—

	1965-66	1966-67	1967-68
	£m	£m	£m
Navy	95.2	105.3	98.5
Army	118.1	138.0	150.1
Air	107.8	130.3	131.5
Supply Department	38.4	39.0	39.1
Defence Department and other charges to the Defence vote	10.5	9.1	9.9
	370.0	421.7	429.1

These are very great increases. We consider that they are warranted having regard to the situation which we now face. Although decisions which we have now made will mean an increased allocation over the three years commencing 1965-66 of some £212 million, we are certain that the people of Australia will also recognise the need for us to continue to maintain adequate defence forces capable of meeting the obligations which we have to make a great Australian defence effort, and also those obligations which we have assumed with our allies. No-one can doubt that the increase in defence expenditure arising from the decisions which I have announced, with their added demands for manpower and material resources, will have very significant economic and financial effects.

In the present financial year, the direct budgetary effects will be limited. There will

be a spurt between now and the end of the financial year in accommodation and other works expenditure necessary to the commencement of the selective service scheme in July. And here and there, there will be a need to make small initial payments this financial year towards new equipment which is the subject of the new three year programme. However, in 1965-66 and later years, the impact will be large. In the first place, it will present a formidable budgetary problem. On top of that, the additions to expenditure at home will add to the call on the resources of the economy, which are already under some strain, and the additions to expenditure abroad will increase whatever drawings would otherwise be made on our external reserves.

There are thus involved obvious problems for the national economy. These must and will be faced and solved. All I need say at present is that, as a Government, we have acted under a sense of national duty. We believe that we will have wide public support in whatever tasks may lie ahead. I present the following paper—

Defence Review—Ministerial Statement, 10th November, 1964—

and move—

That the House take note of the statement.

Debate (on motion by Mr. Calwell) adjourned.