



Increase defence spending – including investing in a Fourth F-35A Lightning Squadron	
Party:	The Coalition
<p>Summary of proposal:</p> <p>The proposal would increase Defence portfolio funding to 2.5% of Gross Domestic Product (GDP) over 5 years, and 3% of GDP within a decade.</p> <p>The additional funding would include resourcing for the following projects:</p> <ul style="list-style-type: none"><li>• a fourth F-35A Lightning Squadron</li><li>• an AUKUS National Chair</li><li>• a Defence Capability and Acquisition Commission</li><li>• a National Security Strategy.</li></ul> <p>The proposal would start on 1 July 2025.</p>	
<p>Additional information (based on further advice provided):</p> <p>The AUKUS National Chair would include establishment of an Office of the National Chair, AUKUS, personal staff for the Chair, and funding for administrative and travel requirements. The Chair would lead and coordinate government and industry collaboration to deliver on AUKUS objectives.</p> <p>The Defence Capability and Acquisition Commission would be established with 66% of resourcing from the Capability Acquisition and Sustainment Group (CASG) within the Department of Defence, repurposed to form the commission.</p> <p>A temporary departmental taskforce would be created to develop the National Security Strategy, with a dedicated SES Band 2 officer.</p>	

## Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$12.7 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in defence expenditure.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

**Table 1: Increase defence spending – including investing in a Fourth F-35A Lightning Squadron – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-200.0	-2,950.0	-3,850.0	-5,700.0	<b>-12,700.0</b>
Underlying cash balance	-200.0	-2,950.0	-3,850.0	-5,700.0	<b>-12,700.0</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

The results presented are relative to the total Defence spending profile (including the Australian Submarine Agency (ASA) and Australian Signals Directorate (ASD) spending profiles) as at the 2025-26 Budget. The share of GDP that overall Defence portfolio funding reaches in each year, with the additional funding under the proposal, is provided at Attachment B.

### A fourth F-35 A Lightning Squadron

The Department of Defence has advised that the profile of a fourth F-35A squadron is classified Protected due to national security considerations, and is not able to be disclosed. The Parliamentary Budget Office (PBO) is not able to make its own estimate due to not having the specialist expertise required to estimate acquisition and sustainment costs and the lack of available data.

The Department of Defence has advised that the fourth F-35A squadron has not been discontinued, and is an unapproved project, yet to be considered by Government. Consideration of the project was deferred to a future National Defence Strategy cycle as part of the 2024 National Defence Strategy and revised [Integrated Investment Program \(IIP\)](#). The Department of Defence further advised that *“Future budget allocations for the project, including any acquisition and sustainment funding, are subject to future Government approval and have been reprioritised as part of the rebuild of the IIP. The value of the reprioritised amount over the decade to 2033-34 was up to \$3 billion.”*

While the number of aircraft planned for the fourth F-35A squadron has yet to be considered by government, a total fleet of near 100 F-35s (the current fleet numbers 72) was initially planned in the [Defence White Paper \(2009\)](#).

### Uncertainties

The financial implications are sensitive to the assumed trajectory of Defence funding in order to achieve the desired levels of funding. The PBO has employed a gradual steepening of the baseline gradient of funding as set out in *Key assumptions*, and views this as a reasonable approach, but we note that other trajectories are possible. For instance, a one-off increase in Defence spending in 2029-30 or 2034-35 could also achieve the desired level of funding relative to GDP in the specified timeframes, but this would have a substantially different impact across the medium term than the trajectory modelling in this costing.

### AUKUS National Chair

The financial implications of the AUKUS National Chair are sensitive to assumptions around the total remuneration of the Chair, the number of support staff required and the level of travel expenses.

### National Security Strategy

The financial implications of the National Security Strategy are uncertain and sensitive to assumptions around required staffing levels and remuneration of staff.

### Key assumptions

The PBO has made the following assumptions in preparing this costing.

- The profile of Defence spending would follow that of the estimated baseline spending profile, accelerated to reach 2.5% of GDP in 2029-30 and 3% of GDP in 2034-35.
- The baseline level of Defence funding would be consistent as a percentage of GDP from 2034-35 onwards.

- The Budget 2025-26 baseline, provided by the Department of Defence, detailed funding until 2034-35.
- There would be no flow-on impacts to other Government portfolios from increased Defence spending, and Defence would be able to absorb the increase with no funds allocated to a given year left unspent.

### AUKUS National Chair

- The total remuneration package of the Chair would be equal to that of the Senior Adviser AUKUS. This pay would grow by 2.4% in each year across the costing period, which is consistent with SES Band 3 total reward growth rates in 2022, informed by the *Australian Public Service Remuneration Report 2022*.
- The Chair's support staff would comprise a team of 11 with the following average staffing level (ASL): One SES Band 1, one EL2, 4 x EL1, 2 x APS6, 2 x APS5 and one APS3.
- Provision is made for travel expenses, and would grow in line with the Consumer Price Index (CPI).

### Defence Capability and Acquisition Commission

- The PBO has assumed that CASG resourcing would remain constant from 2028-29 onwards.

### National Security Strategy

- The strategy would take one year to develop and be delivered by a team the equivalent of a policy branch. It would include a dedicated SES Band 2 and SES Band 1 with a team of 35 being: 4 x EL2, 11 x EL1, 9 x APS6, 7 x APS5, 3 x APS4 and one Graduate.
- The strategy would engage seconded taskforce members from a range of agencies across the Commonwealth.

## Methodology

The required level of spending in dollar terms in the target year was calculated by multiplying the specified share of GDP by an estimate of nominal GDP.

A single growth rate was applied to the estimated baseline Defence spending profile, such that the resulting spending reached the specified level in the target year.

Financial implications were calculated by subtracting the baseline spending profile from the modelled profile.

### AUKUS National Chair

Total departmental costs were calculated based on the staff remuneration and travel costs as per *Key assumptions* and the PBO's departmental cost calculator.

### Defence Capability and Acquisition Commission

Provision was made for one-off implementation costs in 2025-26 to establish the Commission, adjusted for the relative size of the organisation. Staff costs were assumed to be nil as the Department was already resourced for these staff.

## National Security Strategy

Staff costs were calculated using the PBO's departmental cost calculator.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

Australian Aviation (2024) [Australia won't expand F-35 fleet, Defence confirms](#), accessed 20 May 2025.

Australian Public Service Commission (2023) [Australian Public Service Remuneration Report 2022](#), accessed 21 May 2025.

Commonwealth of Australia (2025) [APS Employment Data 31 December 2024 | Australian Public Service Commission](#), accessed 21 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal outlook 2025*, Commonwealth of Australia.

Department of Defence (2023) [Annual Report 2022-23](#), accessed 21 May 2025.

Department of Home Affairs (2024) [Cyber security strategy \(homeaffairs.gov.au\)](#), accessed 21 May 2025.

Parliament of Australia (2024) [Defence changes course to implement national defence strategy](#), accessed 21 May 2025.

The Department of Defence provided information related to Defence expenditure as at the 2025-26 Budget, and data and information regarding the reprioritised acquisition of a fourth squadron of F-35A.

The Department of Health and Aged Care provided the level of supporting staff of the Chief Allied Health Officer.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Increase defence spending – including investing in a Fourth F-35A Lightning Squadron – Financial implications

**Table A1: Increase defence spending – including investing in a Fourth F-35A Lightning Squadron – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Expenses</b>													
<b>Administered</b>													
<i>Defence expenditure</i>	-200.0	-2,950.0	-3,850.0	-5,700.0	-7,920.0	-11,510.0	-15,450.0	-20,420.0	-25,510.0	-30,700.0	-32,220.0	-12,700.0	-156,430.0
<b>Total (excluding PDI)</b>	<b>-200.0</b>	<b>-2,950.0</b>	<b>-3,850.0</b>	<b>-5,700.0</b>	<b>-7,920.0</b>	<b>-11,510.0</b>	<b>-15,450.0</b>	<b>-20,420.0</b>	<b>-25,510.0</b>	<b>-30,700.0</b>	<b>-32,220.0</b>	<b>-12,700.0</b>	<b>-156,430.0</b>
<b>Memoranda items – funded from within additional defence expenditure</b>													
Fourth F-35A Lightning Squadron	*	*	*	*	*	*	*	*	*	*	*	*	-3,000.0
AUKUS National Chair	-3.1	-3.1	-3.2	-3.2	-3.3	-3.3	-3.4	-3.4	-3.5	-3.5	-3.6	-12.6	-36.6
Defence Capability and Acquisition Commission	-161.4	-	-	-	-	-	-	-	-	-	-	-161.4	-161.4
National Security Strategy	-6.8	-	-	-	-	-	-	-	-	-	-	-6.8	-6.8
<b>Total – memoranda items</b>	<b>-171.3</b>	<b>-3.1</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.4</b>	<b>-3.4</b>	<b>-3.5</b>	<b>-3.5</b>	<b>-3.6</b>	<b>-180.8</b>	<b>-3,204.8</b>
<b>Total – uncommitted</b>	<b>-28.7</b>	<b>-2,946.9</b>	<b>-3,846.8</b>	<b>-5,696.8</b>	<b>-7,916.7</b>	<b>-11,506.7</b>	<b>-15,446.6</b>	<b>-20,416.6</b>	<b>-25,506.5</b>	<b>-30,696.5</b>	<b>-32,216.4</b>	<b>-12,519.2</b>	<b>-153,225.2</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) This costing includes an unquantifiable aspect for the fourth F-35A Lightning Squadron. For completeness, the initially planned allocation of \$3 billion as advised by Defence has been noted as a total to 2035-36.

\* Unquantifiable – not included in totals.

- Indicates nil.

**Table A2: Increase defence spending – including investing in a Fourth F-35A Lightning Squadron – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)(c)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b><i>Fiscal balance</i></b>	..	-70.0	-230.0	-450.0	-770.0	-1,240.0	-1,900.0	-2,790.0	-3,960.0	-5,420.0	-7,100.0	<b>-750.0</b>	<b>-23,930.0</b>
<b><i>Underlying cash balance</i></b>	..	-60.0	-190.0	-390.0	-690.0	-1,120.0	-1,740.0	-2,570.0	-3,670.0	-5,050.0	-6,680.0	<b>-640.0</b>	<b>-22,160.0</b>

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>2</sup>.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (c) This costing includes an unquantifiable aspect.
- .. Not zero but rounded to zero.

<sup>2</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au)

## Attachment B – Increase defence spending – Additional analysis

**Table B1: Increase defence spending – Defence expenditure as a share of GDP under the proposal<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
<b><i>Defence expenditure % of GDP</i></b>	2.06%	2.17%	2.27%	2.40%	2.50%	2.61%	2.69%	2.87%	2.96%	3.00%	3.00%

(a) As specified, the proposal would increase Defence portfolio funding to 2.5% of GDP over 5 years, and 3% of GDP within a decade.