

SUBMISSION TO THE AUKUS PUBLIC INQUIRY

AUKUS: Sharpening the Enterprise for Deterrence

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Executive Summary

AUKUS matters. Not since the ANZUS Treaty has Australia made a strategic commitment of this scale and strategic consequence. Five years in, the enterprise has performed poorly in explaining why AUKUS matters to Australians and why this strategic program serves the country's national interests. Both pillars are necessary, but neither has the social license to sustain itself across the lifecycle of the program that will likely stretch 30 years involving at least 23 national elections across AUKUS partners. In short, no federal government has built the trust necessary to obtain the public's support. By contrast, urban infrastructure and transportation projects command more public buy-in, so why not for AUKUS? This must change as this submission will argue.

The acquisition of conventionally armed, nuclear-powered submarines is a capability that is a strategic necessity for Australia. This capability provides Australia with range, stealth, speed, and a loitering capacity that no conventional platform or uncrewed autonomous system can replicate across the vast distances of the Indo-Pacific. Pillar II, if properly funded and focused, can deliver advanced capabilities that generate deterrent effects now, not in the 2040s. The 2026 National Defence Strategy states that our strategic environment in the Indo-Pacific is deteriorating, marked by the intensifying competition between the United States and China, but we are not on track to shape the strategic environment in our favour.

AUKUS is underperforming. The reason is not ambition, it is execution as well as approaching the enterprise under a "we got this" mentality that limits who is allowed inside the AUKUS tent. A fundamental area that Australia and its AUKUS partners need to solve are foundational questions on building an effective deterrence strategy: who are we deterring, from what specific behaviours, and for how long? Without those answers, Pillar II cannot be aligned to specific threats, industry cannot make investment decisions, and the public cannot be persuaded that a generational commitment north of A\$360 billion is worth making.

This submission does not argue for restructuring AUKUS or abandoning Pillar I. It argues for focus, clarity, and urgency because the strategic environment is deteriorating faster than AUKUS is delivering. The gap between rhetoric and resources must close alongside transparency

and accountability. The following seven recommendations address the structural, governance, workforce, financial, and strategic deficits that are holding the enterprise back.

Recommendations

The following recommendations are numbered and standalone. Each is developed in detail in the body of this submission.

Recommendation 1: Refine Australia's understanding and application of deterrence. Australia and its AUKUS partners must define the specific adversary behaviour sets AUKUS is designed to deter. Without this definition, Pillar II investment cannot be aligned to strategic purpose and risks becoming technologically driven, rather than purpose driven to deliver specific deterrent effects. Allied divergence on threat perception must be formally managed through structured trilateral deterrence dialogue involving multiple formats that draw on diverse perspectives to break out of mirror images and self-reinforcing biases.

Recommendation 2: Supercharge AUKUS Pillar II with dedicated funding, strategic focus, and head-of-government direction. Pillar II must have its own budget line, a portfolio of signature projects across all capability domains, and direct prime ministerial accountability to move the needle forward. Five years to one signature project is not acceptable given the threat environment and its increasing deterioration.

Recommendation 3: Build Australia as the southern anchor for autonomous and asymmetric capabilities to complicate the decision-making calculus of rivals and adversaries, protect our economic security, strengthen our sea lines of communication, and support freedom of navigation. Autonomous systems complement the SSN pathway but must not replace them. These autonomous systems generate near-term deterrent effects, create distributed and persistent maritime awareness, provide scale and mass at an affordable return on investment per dollar, and build a domestic innovation and technology base that serves defence, commercial and workforce purposes.

Recommendation 4: Appoint an AUKUS Special Envoy with decision-making power, a dedicated team, and a healthy budget to drive AUKUS forward. The appointment must sit within the National Security apparatus, reporting directly to the Prime Minister, with an explicit mandate to drive Pillar I and Pillar II delivery against defined timelines, public accountability measures, and counter threats.

Recommendation 5: Build and sustain a workforce pipeline that is connected to social licence and innovation. The government must explain AUKUS clearly and compellingly not only to fund the enterprise, but to generate the next generation of vocational specialists and workers, innovators, engineers and problem solvers to build a workforce ready for a future of complexity. This is essential as public support generates workforce interest and workforce interest enables delivery. However, without the social licence to attract people into the AUKUS enterprise, it will be delayed and risks fragmenting and not being built.

Recommendation 6: Drive domestic innovation through better demand signals, greater risk appetite, and sustained investment in Australian talent including in small and medium enterprises to incentivize domestic talent to invest in the country. AUKUS has the opportunity to make the case for Australian businesses and talent to choose Australia than pursuing competitive markets overseas as their first choice. The government must believe in and spend on domestic innovation and take chances on Australians. If Australian defence and technology companies find it easier to establish in the United States or other competitive markets, the talent and the intellectual property will follow them there and that is a loss we cannot afford.

Recommendation 7: Mobilise Australian capital with urgency. The Big 4 banks, Australian superannuation funds, venture capital firms, and private investors must be incentivized to participate in AUKUS and the broader defence technology enterprise. Australia has significant untapped capital, but the problem is a risk appetite and regulatory environment that is structurally misaligned with defence investments and priorities. Over \$400 billion in Australian superfunds are currently invested in the U.S. economy, projected to increase to \$1 trillion by 2035. At the same time, Australia should create pathways for Australian capital to flow into high-growth defence and dual-use sectors, including quantum, AI, secure communications, and the terrestrial infrastructure needed to support, launch, and operate space assets such as satellites.

1. The Strategic Environment

1.1 From Deterioration to Fracture

The 2026 National Defence Strategy (NDS) does not use soft language.¹ The word “deterioration” has been retired as the document now speaks of fracture, rivalry and disorder. The NDS notes Australia faces the most challenging strategic environment since the Second World War. Part of this strategic challenge relates to China’s military build-up undertaken without the transparency or strategic reassurance to its neighbours. As part of its military development, China is expected to exceed 1,000 nuclear warheads by 2030.²

The U.S.-China strategic competition is a systems-on-systems contest for dominance across the political, military, economic, technological, and ideological domains. This competition has mass, momentum, and is absorbing states globally by incentivizing countries to create or join blocs. If the trajectory does not change, the risk is a systemic confrontation that Australia is not prepared for. AUKUS cannot change that outcome, but it can better safeguard Australia’s national interests and help shape an environment that expands its options rather than diminishing them.

¹ Australian Government, 2026 National Defence Strategy, <https://www.defence.gov.au/about/strategic-planning/2026-national-defence-strategy-2026-integrated-investment-program>.

² U.S. Department of Defense, Annual Report to Congress: Military and Security Developments Involving The People’s Republic of China, 2025, <https://media.defense.gov/2025/Dec/23/2003849070/-1/-1/1/ANNUAL-REPORT-TO-CONGRESS-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2025.PDF>.

1.2 China's Coercive Pattern

Events since the 2024 NDS underscore that the strategic assessment is not theoretical. In March 2025, the People's Liberation Army Navy circumnavigated Australia and conducted live-fire exercises in the Tasman Sea.³ This was a deliberate political decision and military demonstration that Beijing can project power into Australia's own backyard. Chinese leaders confirmed the signal explicitly, stating that further deployments would follow.⁴ Consequently, the geographic buffer that has informed Australian strategic thinking historically no longer holds.

Then on 6 July 2026, China test-fired a nuclear-capable intercontinental ballistic missile from a nuclear submarine into the Pacific Ocean.⁵ China described it as routine annual training and dismissed concerns raised by regional countries. By contrast, Australia's Foreign Minister called it destabilizing, New Zealand's foreign minister warned it could not become normalized, and NATO's Secretary-General said it sent a message about China's intentions. Similarly, Japan's Chief Cabinet Secretary expressed direct security concern over the launch.⁶ This was the second such test in approximately two years. Taken together with the Tasman Sea exercises, these events form a pattern of deliberate escalation in what China considers its strategic sphere of influence.

1.3 The Ukraine Lesson

The 2026 NDS draws directly from the war in Ukraine. It notes that attrition warfare, industrial depth, munitions stockpiles, autonomous systems, and AI backed weapons are no longer theoretical planning inputs. The rate of strategic change will not wait for AUKUS to take effect so what capabilities we have now must be used in innovative ways. This is one of the strongest arguments for investing urgently in Pillar II capabilities that can generate deterrent effects now and not decades from now, but this effort requires strategic focus rather than being a technology wish list as discussed in section 4.2.

2. What AUKUS Is and What It Has Achieved

2.1 The Strategic Logic

AUKUS was announced on 15 September 2021 as a trilateral security partnership between Australia, the United Kingdom, and the United States. Pillar I delivers conventionally armed,

³ Three Chinese warships sailing east of Sydney being monitored, ADF says, 19 February 2025, <https://www.abc.net.au/news/2025-02-19/chinese-navy-ships-spotted-sailing-east-of-sydney/104958140>.

⁴ China tells Australia to expect more warship visits but insists its navy poses 'no threat', ABC News, 27 February 2025, <https://www.abc.net.au/news/2025-02-28/chinese-ambassador-says-china-poses-no-threat-to-australia/104992530>.

⁵ China test-fires nuclear-capable ballistic missile in Pacific, ABC News, 6 July 2026, <https://www.abc.net.au/news/2026-07-06/china-test-ballistic-missile-south-pacific/106885076>. See also: China nuclear missile test deepens Pacific security concerns, ABC News, 12 July 2026, <https://www.abc.net.au/news/2026-07-12/china-nuclear-missile-test-pacific-security-agreement-/106906662>; China missile test deepens Pacific divide over growing militarisation, Reuters, 11 August 2026, <https://www.reuters.com/world/china/china-missile-test-deepens-pacific-divide-over-growing-militarisation-2026-08-11/>.

⁶ Japan voices concern over China's missile launch, Philippine News Agency, 7 July 2026, <https://japannews.yomiuri.co.jp/editorial/yomiuri-editorial/20260708-337219/>.

nuclear-powered submarines to the Royal Australian Navy. These are platforms with range, stealth, speed, loitering capacity, and the ability to operate deep in contested waters and closer to an adversary's shores. They complicate an adversary's decision-making in ways that conventional submarines and existing autonomous platforms cannot.

Pillar II aims to deliver advanced capabilities across AI, quantum, autonomous systems, hypersonics, cyber, and electronic warfare. The underlying purpose is designed to integrate the defence industrial bases of the three partners to give each a sustained technological edge. The two pillars are designed to be complementary, building resilience for each partner.

AUKUS is part of Australia's broader strategic toolbox. It sits alongside the U.S. alliance, the Quad, and Australia's expanding bilateral partnerships particularly with Japan as the award to Mitsubishi Heavy Industries (MHI) to build Future Frigate Mogami's demonstrates.⁷ AUKUS is designed to complicate Beijing's decision-making calculus and raise the cost of military action against Australia and its partners. It is the most ambitious element of a broader deterrence architecture.

2.2 The Optimal Pathway

The AUKUS Optimal Pathway has three phases. Phase one, which is underway now, involves rotational U.S. and UK submarine deployments to Western Australia. U.S. rotations commenced in 2023 followed by the visit of a UK submarine in February 2026.⁸ The Submarine Rotational Force West is expected to be operational as early as 2027, growing to up to four U.S. and one UK rotation. Phase two involves the sale of up to three in service Virginia-class submarines to Australia from the early 2030s. Phase three is the trilateral SSN-AUKUS production, a next-generation design with UK and U.S. technology, with the first Australian-built submarine expected in the early 2040s.

The Henderson Defence Precinct near Perth has A\$12 billion committed.⁹ It will provide docking for U.S. and UK nuclear submarines, support the surface fleet, create an estimated 10,000 skilled jobs, and serve as the physical infrastructure spine of the AUKUS submarine pathway. Supporting the Henderson Defence Precinct is the Australian Naval Nuclear Power Safety Regulator alongside the legal and regulatory architecture to govern it.

2.3 What Pillar I Is Already Delivering

The deterrent value of the SSN pathway is generating effects now, before the first Australian-owned submarine enters service. As a consequence of SRF-West, more allied submarines are in the water, more of the time, and closer to the Indo-Pacific theatre where they can be sustained delivering deterrent effects now. Over 150 Australian personnel are in Hawaii working together with

⁷ Nishank Motwani, "Strategic and industrial factors favour Japan for Australia's frigate project," Australian Strategic Policy Institute, 27 February 2025, <https://www.aspi.org.au/strategist-posts/strategic-and-industrial-factors-favour-japan-for-australias-frigate-project/>.

⁸ U.S. Navy Establishes NSA Stirling in Australia, 8 June 2026, <https://www.navy.mil/Press-Office/News-Stories/display-news/Article/4510955/us-navy-establishes-nsa-stirling-in-australia/>; Royal Navy Submarine in Historic Visit to Australia, Royal Navy, 22 February 2026, <https://www.royalnavy.mod.uk/news/2026/february/22/20260222-royal-navy-submarine-in-historic-visit-to-australia>.

⁹ Additional Defence funding to deliver the Henderson Defence Precinct, Department of Defense, 14 September 2025, <https://www.minister.defence.gov.au/media-releases/2025-09-14/additional-defence-funding-deliver-henderson-defence-precinct>.

Virginia-class SSN crews and more than 116 Royal Australian Navy personnel are in the U.S. submarine training pipeline. In terms of financial capital, Australia is providing A\$3 billion to the U.S. maritime industrial base, with A\$2 billion already paid.¹⁰ Additionally, more than 125 Australian companies have been identified through the Global Supply Chain Program as capable of supplying the Virginia-class and AUKUS supply chains.¹¹

2.4 What Pillar II Has Delivered

Pillar II has made gains, but more needs to be done to meet the challenge of a fast-deteriorating strategic environment. The AUKUS licence-free environment, the §126.7 ITAR exemption, is a landmark regulatory change enabling technology transfer previously restricted by Cold War-era export control regimes. Additional activities include:

- Anduril's Ghost Shark extra-large autonomous undersea vehicle has transitioned into the Royal Australian Navy service and is being manufactured in Australia.
- The Australian Strategic Capabilities Accelerator (ASCA) has accelerated autonomous air systems and precision strike technologies and awarded more than 125 contracts worth over A\$400 million.¹²
- The first HyFLiTE hypersonic flight test was conducted in July 2025.
- At Talisman Sabre 2025, AUKUS partners and Japan tasked the Speartooth large uncrewed underwater vehicle from a submerged submarine using an AUKUS acoustic waveform.
- As per the 2026 AUKUS Fact Sheet, AI was deployed on autonomous air, land, and maritime systems under military command direction.
- Quantum optical atomic clocks were developed at the U.S. Naval Research Laboratory to provide alternative position, navigation and time capabilities in a GPS denied environment.

Although these are genuine achievements, they are also insufficient given the pace of the threat environment and the original ambitions of the partnership to deliver deterrent capabilities now.

¹⁰ Pentagon awards \$276m submarine contract in first for AUKUS pact, ABC News, 23 April 2026, <https://www.abc.net.au/news/2026-04-24/us-navy-awards-contract-for-aukus-submarine-deal/106601042>.

¹¹ More Australian companies qualifying for AUKUS submarine supply chains, Australian Submarine Agency, 27 May 2026, <https://www.asa.gov.au/news/more-australian-companies-qualifying-aukus-submarine-supply-chains>; Australia's AUKUS Submarine Industry Strategy, Australian Submarine Agency, 2025, <https://www.asa.gov.au/sites/default/files/documents/2025-03/Australias-AUKUS-Submarine-Industry-Strategy.pdf>.

¹² A globally competitive defence industry, Australian Trade and Investment Commission, <https://international.austrade.gov.au/en/do-business-with-australia/sectors/defence>.

3. The Deterrence Argument

3.1 Deterrence Is Not Self-Executing

Deterrence is not self-executing. It must be built to discourage states from taking aggressive action, especially military action. The most important aspect of deterrence is to shape the perceptions of the target state through actions that raise the costs and risks of aggression.

Deterrence is not merely the product of threatening military action against an adversary. It involves shaping perceptions that manipulate the adversary's cost-benefit calculus. Deterrence uses threats to influence a target actor's cost-benefit calculation, shaping its perceptions so that alternatives to aggression appear more attractive than war. This is a fundamentally different analytical starting point than asking which platforms to acquire.

3.2 The Behaviour Set Problem

AUKUS has been described as a way to complicate Beijing's decision-making calculus and ensure that Chinese President Xi Jinping wakes up every morning saying "not today" and holds off using force. Australia's 2026 NDS establishes a **strategy of denial** as the cornerstone of defence planning to operationalize the "not today" thesis. But this broad ambition lacks the precision needed to guide investment, prioritise technologies, and convey clear thresholds of unacceptable behaviour to adversaries.

AUKUS partners must decide which specific behaviours they want to deter. Cyberattacks on critical infrastructure, coercive maritime patrols, attempts to blockade Taiwan, preventing the resupply of Philippines navy personnel on the BRP Sierra Madre in the South China Sea, the deployment of maritime militias in disputed waters, the transfer of sensitive military technology to proxy actors, and the interference with undersea cables. This clarity is foundational to aligning threat perceptions and deterrence priorities among the three nations. It is essential to guide capability development under both pillars. Without it, AUKUS risks becoming capability-rich but strategy-poor, investing billions into systems that may not address the most pressing threats.

The corrective is to make technology threat-driven, not technology-led. Capabilities must be designed to impose real costs and complicate a rival's decision-making calculus against specific, defined behaviours. Industry needs these demand signals to focus investment, and governments need them to guide experimentation and prioritization as well as to allocate capital for procurement decisions.

3.3 Allied Divergence on Who and What to Deter

Research conducted across AUKUS partners and Japan reveal genuine and consequential divergence on deterrence priorities. This is not a weakness to hide and it is a structural problem that must be formally managed.

UK practitioners consistently prioritise Russia. The ongoing war in Ukraine, hybrid operations on European soil, sabotage, and submarine cable cutting are the immediate concerns for British lawmakers. China is framed as a long-term challenge rather than an adversary, reflecting deep economic interdependence and geographic distance from the Indo-Pacific. For the UK, AUKUS is

as much a Euro-Atlantic project as an Indo-Pacific one, but the priority is tackling Russian aggression in Europe.

Japan's situation is categorically different. Japan is at the doorstep of three nuclear-armed states. China, Russia, and North Korea present a range of security challenges to Japan's political leadership and military planners, which they must counter as a pacifist state and without the necessary institutions to counter grey zone activities, such as a foreign intelligence service that the Japanese cabinet is in the process of designing, under the threshold of conflict. Japanese officials consider the security of Taiwan as inseparable from the security of Japan and are preparing for a Taiwan contingency, deterring Senkaku Islands incursions frequently, and grappling with deterrence paradoxes that the other partners do not face in the same way. One such paradox is that the very coalition-building aimed at deterring China may provide Beijing with an incentive to act earlier, before the coalition grows stronger. Another is that robust joint military planning, while necessary for deterrence, increases the risk of entrapment. These paradoxes underscore the complexity of deterrence for Japanese lawmakers and military planners.

Australian practitioners have correctly identified the threat but are navigating the gap between strategic rhetoric and political commitment. U.S. practitioners frame deterrence as a systems-on-systems contest requiring complexity, allied action with greater burden sharing, and engagement across all elements of national power, underscored in the country's 2026 National Defense Strategy.

These divergences mean that the **how** of AUKUS is complicated precisely because the who and what remain unresolved across partners. A formal and recurring deterrence dialogue among AUKUS partners and Japan, structured around the three foundational questions of who, what, and for how long, is a practical and necessary step. Without it, each partner will continue to design capabilities against different threat perceptions, undermining the integrated industrial base that AUKUS is supposed to build.

3.4 The Case for the SSN Pathway

Nuclear-powered submarines are proven platforms. They offer range, stealth, speed, loitering capacity, and the ability to operate deep in contested waters and closer to an adversary's shores for extended periods for a suite of missions. These qualities cannot be replicated by autonomous systems at their current stage of development and there is no certainty that relying primarily on such systems will deliver the effects we need to safeguard our national interests. Autonomous systems are complementary to SSNs and are capable of generating some deterrent effects at scale and lower cost. However, autonomous systems are not substitutes for the survivable, long-range undersea strike capability that SSNs provide. This is not a binary choice between SSNs versus autonomous systems, both are needed and the risk of relying on one set of capabilities is too high. A case in point is the continued development and deployment of Chinese and Russian SSNs, and a future North Korean nuclear submarine capability will add complexity. SSNs are a proven technology that are crucial for complicating an actor's strategic calculus but if we fail to counter the gains of our strategic competitors, then we will be worse off and have limited options to safeguard our national interests.

The deterrent value of AUKUS is not a given. It is a multi-decade endeavour during which a great deal can change due to political realignments, advancements in technology, and unexpected events including leadership changes that can alter strategic orientations and postures. But the journey contributes to building the effects needed to strengthen deterrence at each phase such as the rotational presence of U.S. and UK submarines at HMAS Stirling, the distribution of allied sustainment hubs to keep more SSNs in the water closer to the theatre of operations, the build-up of nuclear propulsion expertise, and the deepening of allied reach and interoperability in the Indo-Pacific are all contributing to complicating the options for our rivals and expanding our set of options. The submarines are enabling a deterrent posture that is taking shape today, but this is not a silver bullet to the complex geostrategic picture.

AUKUS carries inherent risks, but walking away from it would impose far greater costs on Australia's strategic calculus and position in the region.

4. Where AUKUS Is Lagging

4.1 Pillar I: The Industrial Constraint

U.S. shipyards are producing approximately 1.2 Virginia-class submarines per year against a stated requirement of 2.3, well short of the figure required to fulfill both U.S. fleet needs and Australian requirements.¹³ Australia's first Virginia-class submarine is unlikely before the early 2030s, with full operational capability that would still be additional years away, widening the capability gap at precisely the moment the threat environment is most acute. The SSN-AUKUS design still needs to be finalised in the United Kingdom and until there is a design, there is no delivery timeline.

The UK House of Commons Defence Committee Report published in April 2026 warned that the Royal Navy is under severe operational pressure.¹⁴ Astute-class submarine availability is critically low, with some boats facing maintenance backlogs of over two years. HMS Anson's arrival at HMAS Stirling for the first-ever maintenance activity on a British submarine in Australia in February 2026 was historic but British lawmakers expressed reservations about committing scarce submarines to the Indo-Pacific as that creates capability gaps in the North Atlantic due to increasing Russian naval activity. The Defence Committee Report pointed those increasing rotations to Western Australia has stretched the fleet to its limits. Additionally, historical underinvestment at Barrow-in-Furness has depleted the submarine industrial base, noting that without rapid infrastructure investment at HMNB Devonport, HMNB Clyde, and Barrow-in-Furness, the UK government risks being unable to meet its AUKUS obligations.

¹³ Nishank Motwani, America is watching, AUKUS needs more than rhetoric from Australia, The Diplomat, 3 September 2025, <https://thediplomat.com/2025/09/america-is-watching-aukus-needs-more-than-rhetoric-from-australia/>; Navy Virginia-Class Submarine Program and AUKUS Submarine (Pillar 1) Project: Background and Issues for Congress, Congressional Research Service, 26 January 2026, <https://www.congress.gov/crs-product/RL32418>.

¹⁴ UK House of Commons Defence Committee, AUKUS, 2026, <https://committees.parliament.uk/publications/52831/documents/294641/default/>.

4.2 Pillar II: Five Years to One Signature Project

It took five years to announce AUKUS's first Pillar II signature project: payloads and enabling systems for uncrewed undersea vehicles.¹⁵ The project itself is operationally grounded, which is linked to specific mission sets and has a delivery date of 2027. But the pace at which it arrived is the most damaging data point in the Pillar II pathway.

A partnership that takes five years to identify its first concrete deliverable is not operating at the pace the threat environment demands. More critically, a single project sends a weak demand signal to industry given that capital allocation decisions require predictability and scale. One signature project after five years signals that the commitment is lacking urgency. A portfolio of signature projects across all Pillar II capability domains, announced simultaneously, is what a credible demand signal looks like and industry across AUKUS partners are waiting for this to materialise.

The reality is that Pillar II has never been properly funded by any of the three governments. It draws from existing programs of record, meaning each service must potentially sacrifice its own commitments to fund trilateral cooperation to deliver the capabilities that are needed. This is not a governance arrangement that produces results. Former senior Australian elected officials that this author interviewed described Pillar II progress as disappointing. The UK House of Commons Defence Committee identified a "disappointingly slow start" and an absence of signature projects and adequate funding mechanisms particularly for small and medium enterprises.

The deeper problem is strategic. Pillar II functions as a technology wish list rather than a threat-driven capability program. The technologies under development, AI, quantum, autonomous systems, hypersonics, cyber, and electronic warfare, are the right technologies. But their effectiveness as instruments of deterrence depends entirely on knowing what behaviours they are meant to deter. That answer remains absent and should be the organizing principle around Pillar II capability development.

As it stands, Pillar II is currently adrift. It has no clear focus or priorities, few visible results, and a noticeable lack of political leadership or allocated funding to guide its development. The result is an initiative that risks becoming rich in capability but poor in strategy.¹⁶ Rather than treating innovation as a wish list, Pillar II must shift from being driven by technology to being driven by threats.

4.3 The Regulatory Friction

One of the most actionable near-term fixes for Pillar II sits inside the U.S. government. The Excluded Technology List (ETL) under the §126.7 ITAR exemption contains a detrimental inconsistency. This list identifies sensitive military technologies that are ineligible for transfer under the AUKUS agreement that adversely affects its practical execution. The impact of these restrictions stems from ETL blanket exclusions over Missile Technology Control Regime (MTCR)

¹⁵ Fact Sheet: AUKUS Pillar II Signature Project, 30 May 2026, <https://media.defense.gov/2026/May/30/2003941945/-1/-1/1/FACT-SHEET-AUKUS-PILLAR-II-SIGNATURE-PROJECT.PDF>.

¹⁶ Nishank Motwani, AUKUS and deterrence: what, exactly, are we trying to deter?, ASPI, 14 May 2025, <https://www.aspi.org.au/strategist-posts/aukus-and-deterrence-what-exactly-are-we-trying-to-deter/>.

items, meaning that several Pillar II capability programs cannot utilise ITAR exemptions that have been granted. By contrast, the U.S. Department of Commerce has already granted No License Required treatment for missile technology and gas turbine manufacturing know-how to Australia and the United Kingdom. The result is a regulatory contradiction between two U.S. agencies that creates friction that AUKUS was designed to eliminate and until this conflict is resolved, Pillar II progress will remain constrained.

The internal division in the U.S. government undermines investment decisions and the participation of small and medium enterprises who pull back from investing due to high costs and compliance risks that remain prohibitive. The private sector also does not perceive the ETL changes in the same manner as the AUKUS governments do, believing that exemptions are simplifying the process. Rather, the private industry's lukewarm response to the exemptions is reflected in their limited capital allocation for Pillar II technologies. Reducing the ETL is the simplest and most impactful step the U.S. can take for AUKUS Pillar II and eliminating the inter-agency split.

4.4 The Governance Gap

The only mechanism that has historically broken through AUKUS roadblocks is heads-of-government direction. The Optimal Pathway was achieved when AUKUS heads of state put their commitment on the table and named dates and milestones for the strategic partnership. Pillar II has not received equivalent political ownership, funding, or prioritisation, and the result is drift.

The United Kingdom appointed Sir Steven Lovegrove, a former National Security Adviser, as AUKUS Special Representative in April 2025 to drive forward its delivery.¹⁷ The AUKUS Special Representative who leads a centralised team is situated inside the National Security Secretariat and reporting directly to the Prime Minister. Australia and the U.S. do not have equivalent appointments. Without head-of-government level accountability, the cross-government coordination needed to deliver AUKUS Pillar II will not be achieved.

4.5 Social Licence: The Foundation Has Not Been Built

AUKUS will face at least 23 national elections across Australia, the United Kingdom, and the United States over its lifetime. As this author has previously argued, none of these financial or technical fixes will matter if the political foundation for AUKUS is not cemented with the public.¹⁸ This is a generational commitment, designed to last three decades, and in that time, Australia, the United Kingdom, and the United States numerous national and state elections. For AUKUS to survive, the public in each country will need to understand that it is essential to their security rather than an elite compact. Otherwise, its future will be in doubt.

Chinese and Russian influence operations are already exploiting the information vacuum. These psychological influence campaigns are not to be taken lightly particularly as AI-enabled personas proliferate information domains that have the capacity to shape outcomes on major domestic

¹⁷ AUKUS: Government Response, UK Parliament, 9 July 2026, <https://publications.parliament.uk/pa/cm5902/cmselect/cmdfence/520/report.html>.

¹⁸ AUKUS needs more than submarines to make its bold vision a reality, Nikkei Asia, 15 September 2024, <https://asia.nikkei.com/Opinion/AUKUS-needs-more-than-submarines-to-make-its-bold-vision-a-reality>; AUKUS Faces Mounting Challenges. Australia Must Address Them, The Diplomat, 8 May 2024, <https://thediplomat.com/2024/05/aukus-faces-mounting-challenges-australia-must-address-them/>.

policy decisions. Australians, rightly, question the efficacy of AUKUS given other urgent competing domestic priorities including economic growth, employment, infrastructure, healthcare, education, climate action, and affordable housing. No individual, organization, or government should hold a monopoly on ideas in democratic societies and Australians are exercising their rights by speaking about the strategic logic of AUKUS.

The 2026 Lowy Institute Poll shows that 30 percent of Australian youth do not support AUKUS, believing it contributes to conflict risk rather than peace.¹⁹ Similarly, the 2025 ABC Vote Compass shows that defence and public security for ages between 18-29, 30-39, and 40-49 remained a low consideration.²⁰ Although these trends have changed in support of AUKUS, the fact that a sizable minority do not raises concerns and could create entry points for foreign influence campaigns that can sway and shape public opinion on the trilateral partnership.

The problem regarding the Australian government's approach is that it regards AUKUS as a settled matter of strategic consensus rather than a live question of democratic purpose requiring constant investment in building social license and legitimacy with the public. The absence of this effort is not sustainable for a commitment of this scale and duration which benefits states and non-state actors foreign influence campaigns to shape Australian narratives on AUKUS.

5. Recommendations

Recommendation 1: Refine Australia's Understanding and Application of Deterrence

AUKUS must be anchored to a clearly defined deterrence purpose. Australia should commission ongoing classified and unclassified deterrence assessments identifying the specific adversary behaviour sets AUKUS is designed to deter, from which actors, over what timeframe, and using which instruments. This assessment should drive both pillar priorities and take into account that deterrent dynamics are always changing, including for our partners as actors such as China, Russia, Iran, and North Korea carry out actions that challenge Australia's strategy of denial.

The allied divergence on threat perception also matters because each ally's priorities differ. The threat landscape is fragmented involving multiple actors presenting diverse challenges and so do the priorities that determine "what" has to be deterred. The UK is prioritising Russia, Japan faces three nuclear powers at its doorstep, Australia is navigating its balance between economic and security relationships, and the United States is focusing on hemispheric dominance, demonstrating that allied perceptions and deterrent strategies must be formally managed rather than assumed. A structured trilateral deterrence dialogue, engaging AUKUS partners and Japan, focused on the questions of who, what, where and for how long, should be established as a recurring standing mechanism to exchange views for tackling mirror imaging and biases. The

¹⁹ Lowy Poll 2026: Australia's nuclear taboo is under scrutiny, Lowy Institute, 23 June 2026,

<https://www.lowyinstitute.org/the-interpreter/lowy-poll-2026-australia-s-nuclear-taboo-is-under-scrutiny>.

²⁰ Vote Compass data shows rise in importance of cost of living ahead of 2025 federal election, ABC News, 19 April 2025, <https://www.abc.net.au/news/2025-04-20/federal-election-2025-most-important-issue-vote-compass/105178788>.

outputs of that dialogue should also inform Pillar II project selection and capability prioritisation because Pillar II should be threat driven and not a technology wish list.

Recommendation 2: Supercharge AUKUS Pillar II

Pillar II must have its own dedicated budget line, separate from the programs of record in each country's defence programs and procurement cycles. This is the structural fix that makes the demand signal to industry credible and demonstrates that AUKUS partners are allocating capital to advance Pillar II capabilities. Without a dedicated budget, Pillar II will remain deficient, and the innovation pipeline will remain disconnected from operational need.

A portfolio of signature projects across all Pillar II capability domains should be announced each year simultaneously to advance innovation, strengthen industrial collaboration, and push forward the asymmetric capabilities needed to create deterrent effects. Each capability must be anchored to a defined adversary behaviour set to ensure there is a problem that's driving the technology, rather than the technology driving the program.

Pillar II needs strategic focus, prioritisation, and a dedicated budget. Australia should advocate at the highest political level for each AUKUS partner to establish a clear Pillar II mandate, with named projects, timelines, and accountability to build momentum.

The misalignment between the U.S. Department of State and the Department of Commerce regarding the ETL must be corrected as a matter of urgency. This divergence between two U.S. departments adversely affects industrial collaboration, restrains private sector investment, and deters small and medium enterprises from entering the AUKUS ecosystem.

Recommendation 3: Build Australia as the Southern Anchor for Autonomous and Asymmetric Capabilities

Autonomous systems are not a substitute for crewed nuclear-powered submarines. These autonomous systems complement them and can generate deterrent effects now, create distributed and persistent maritime awareness, provide scale and lower costs for attritable warfare, and build a domestic technology and manufacturing base that serves both defence and commercial purposes.

Australia should establish itself as the Indo-Pacific hub for autonomous maritime systems development, deployment, and sustainment.²¹ Australia's geography creates a natural comparative advantage due to vast maritime approaches, the Henderson Precinct, and uncrewed programs such as the Ghost Shark XL-UUV, Bluebottle USV, and Speartooth LUUV that provide the foundation. The Maritime Autonomous Systems Unit (MASU) recently stood up by the Royal Australian Navy should be resourced and mandated to drive this agenda to provide the Navy with an uncrewed long-range autonomous surface and undersea capability.

The strategic benefits of investing in autonomous capabilities alongside the SSN pathway are multifaceted and generate varied effects. These include distributed deterrence, persistent

²¹ John Rodman, AUKUS Reimagined: Australia as an Autonomous Systems Hub, 2026, <https://strategyfutures.com/articles-and-papers>.

maritime awareness across Australia's northern approaches, support continuous intelligence collection, faster crisis response, capabilities that are harder to target as a system, rapid scalability that enables a real time maritime picture, and significantly lower costs for development and sustainment. From an operational perspective, autonomous capabilities can provide a 24x7x365-day network of uncrewed surface and subsurface sensors loitering across Australia's vast maritime approaches that benefits situational awareness, regional security partnerships, law enforcement, fisheries monitoring, and environmental surveillance simultaneously. Additionally, the workforce requirements for uncrewed systems operations are fundamentally distinct to those of crewed platforms and place different demands. A smaller number of people can operate and manage a much larger fleet of autonomous assets, reducing pressure on scarce personnel while enabling Australia to achieve scale at an affordable cost compared to crewed platforms.

Undersea cable protection should be among the first publicly communicable Pillar II priority. Undersea cables carry approximately 95 percent of international data traffic and are indispensable arteries for international commerce, communications, and economic security. Their disruption would cause immediate harm to every Australian with a mobile phone or internet connection. The deliberate targeting of undersea cables serves a variety of purposes including imposing economic costs, triggering public dissent and mistrust, and using information deficient environments for placement and access of false information for psychological campaigns. Connecting Pillar II investment to this reality is the type of concrete, consequential argument that builds public support and helps explain the rationale for AUKUS as a whole-of-nation and whole-of-government effort.

Australia should develop a five-year autonomous systems implementation plan with defined milestones, a budget, and industry engagement tied to the threat environment. That plan should set specific capability targets for each year with clear accountability for delivery.

Recommendation 4: Appoint an AUKUS Special Envoy

Australia must appoint an AUKUS Special Envoy with decision-making power, a dedicated team, a budget, and the resources to drive the enterprise forward. The appointment must be within Prime Minister & Cabinet, reporting directly to the Prime Minister and have corresponding teams with meaningful authority at Australian missions in Washington, D.C. and London to build and sustain momentum.

The UK appointment of Sir Steven Lovegrove as AUKUS Special Representative is a case in point. That appointment gave AUKUS political weight and cross-government reach that a departmental appointment is unlikely to drive alone. Australia and the United States do not have equivalent arrangements. Australia should advocate for parallel appointments in Washington and London to empower AUKUS and to engage broadly including via Track I, Track 1.5 and Track II formats.

The Special Envoy must have an explicit mandate akin to being a "moonshot" to drive Pillar II delivery against defined timelines, with public accountability for results. The envoy is the structural solution to deliver signature projects consistently. Without it, Pillar II risks drifting and producing limited gains and solidifying the disconnect between rhetoric and reality.

Recommendation 5: Build the Workforce Pipeline and Connect It to Social Licence

The social licence and workforce arguments are inseparable for the success of AUKUS. The interrelationship and causal chain are straightforward: Canberra explains AUKUS clearly and compellingly, public support for it builds over time, the next generation sees AUKUS as a meaningful career that gives Australians a direct stake in the nation's national security, which establishes the workforce pipeline that the entire enterprise depends on.

Australia must develop and publish a long-term AUKUS workforce strategy. This should cover nuclear stewardship, shipbuilding, autonomous systems, cyber, AI, and advanced manufacturing. Specific reforms should include AUKUS digital credentials that are transferable identities tied to security clearances and training recognition that allows skilled workers to move across Australia, the United Kingdom, and the United States without revalidating qualifications from scratch. Apprenticeship pathways that do not require university entry qualifications should also be expanded to broaden the pool of the workforce. Australia needs to articulate the message for building a skilled submarine workforce and Pillar II technologies through ongoing community engagement, establishing pride in national purpose, and sustained government outreach that instills pride in building capabilities that protects the nation.

The 23 elections that AUKUS will face over the next 30 years are a challenge. These electoral cycles are also a recurring opportunity to strengthen public understanding and mandate-building moments rather than seeing them as risks to be managed.

Recommendation 6: Drive Domestic Innovation

The Australian government must believe in and invest in domestic innovation. If Australian defence companies find it easier to establish operations in the United States than in Australia, the talent, the intellectual property, and the industrial capacity will follow them there. Australia cannot build an AUKUS industrial base by outsourcing the innovative heart of it.

Clear demand signals tied to defined operational problems, not technology categories, must be provided to industry so that investment decisions can be made with confidence. A culture shift is required from business-as-usual procurement toward calculated risk-taking where failure must be treated as a learning opportunity, not a career-ending event.

The government should develop an index of Australia's top defence and dual-use innovations, making the market visible to allied venture capital and institutional investors. Long-term contracts for technologies that already exist and work should be awarded, so private capital follows government adoption rather than waiting to see whether adoption will ever come. Australian universities, trade schools, and industry should be connected through structured partnerships that produce the skilled talent the enterprise needs at every level, from welders and machinists to AI engineers and nuclear stewards.

Recommendation 7: Mobilise Australian Capital

Australia has significant financial capital that remains untapped. The problem is a risk appetite and regulatory environment that is structurally misaligned with defence investment. The Big 4 banks, Westpac, NAB, Commonwealth Bank, and ANZ, are reluctant to invest in Australian defence

industry and defence startups due to regulatory constraints, reputational concerns, and risks associated with defence procurement. Australian superannuation funds represent one of the largest pools of patient capital globally, estimated to be \$4.4 trillion at the end of March 2026 but lack the governance frameworks and investment mandates to deploy into defence technology at scale.²² The AUKUS enterprise needs this capital, and the conditions must be created for it to flow.

There are several steps the government can take to utilise private capital including superannuation funds. These include government co-investment structures that de-risk private capital, tax incentives for defence investment, and regulatory reform that enables rather than inhibits financial institution participation are some practical mechanisms. The U.S. Office of Strategic Capital, which co-invests alongside private capital and identifies funds that can invest in the right companies, is a useful model that Australia can study and adapt to its needs. Another mechanism is NATO's Defense Innovation Accelerator for the North Atlantic (DIANA). DIANA has 16 accelerator sites and over 200 test centers across the Alliance, which brings together universities, industry and governments to work with startups and innovators to develop new capabilities that solve crucial defence and security challenges.

The Australian Strategic Capabilities Accelerator (ASCA) is a step in the right direction. ASCA awarded \$6.2 million to three Australian-based companies, BAE Systems Australia, L3Harris Integrated Mission Systems Australia Pty Ltd and Mission Systems Pty Ltd as part of the 2025 Maritime Innovation Challenge to support interoperability between AUKUS partners.²³ These awards are necessary to develop Pillar II technologies, but far more can be done to enable Australian entities that were part of the challenge to bring them within the AUKUS ecosystem.

An AUKUS investment mechanism that pools patient capital should be explored. Government decision makers must recognise that private capital will follow government demand signals and adoption. The most effective thing the government can do to unlock investment is to award long-term contracts for technologies that are ready now, creating the commercial certainty that allows investors to make decisions. The investment community will move when it can see a viable defence market and creating that market is a government responsibility.

6. Deepening Australia-Japan Defence Industrial Cooperation

Japan is not an AUKUS member. Tokyo is, however, the most consequential bilateral relationship for Australia and AUKUS' effectiveness in the Indo-Pacific. The Australia-Japan defence industrial relationship has moved in recent years from complementary alignment to genuine industrial collaboration. This is significant and should be built upon deliberately and decisively.

²² Super Statistics, ASFA, <https://www.superannuation.asn.au/super-statistics/>.

²³ \$6.2 million to Australian companies in AUKUS Pillar II Innovation Challenge, Department of Defence, 10 July 2026, <https://www.defence.gov.au/news-events/releases/2026-07-10/62-million-australian-companies-aukus-pillar-ii-innovation-challenge>.

Japan's defence industry is no longer limited to export restrictions that constrained it to a single customer, the Ministry of Defense for the past 80 years. Changes in Japan's Three Principles on the Transfer of Defence Equipment and Technology gives Australia access to Japanese defence primes, SMEs and startups that are ITAR free and opens the space for genuine collaboration that can accelerate the adoption of emerging and disruptive technologies.

The Mogami-class frigate decision is the clearest evidence of this bilateral strategic partnership. Australia awarded Mitsubishi Heavy Industries the contract in September 2025 to build up to 11 general-purpose frigates for the Royal Australian Navy.²⁴

The Lynas Rare Earths investment is the earlier case in point. Following the 2010 dispute over the Senkaku Islands, during which China demonstrated its willingness to weaponize rare earth export controls for coercive leverage, Tokyo responded with patient capital and government-backed investment in Australian rare earth processing capacity. Finding alternatives to China was essential for Japanese defense and commercial industries and to protect them against China withholding rare-earths exports, market manipulation and coercion. The investment took years, but it worked and today Lynas Rare Earths is the world's only commercial producer of separated light and heavy rare earth oxides outside of China.²⁵

This is industrial integration and Japan is well positioned to help Australia and there are strong geostrategic and industrial reasons to strengthen this relationship.

The first is that Australia and Japan both reject Beijing's moves to treat the South China Sea as its own. Australia and Japan have shared concerns over China's increasing coercive behaviour that is responsible for the deteriorating strategic environment in the Indo-Pacific. Recent actions include China's unlawful maritime claims with its 10-dash line (updated from the original nine-dash version), resource pilfering in the South China Sea, dangerous military manoeuvres, such as releasing flares in front of an Australian aircraft over international airspace, and violating Japan's territorial waters around the Senkaku Islands.

The steady tempo of China's coercive measures in the Indo-Pacific prompted action from Australia and Japan. In December 2022, Japan approved three strategic documents: the National Security Strategy, the National Defense Strategy and the Defense Buildup Program. These marked a shift in defence policy, a response to the real threat of military attacks on its territory. Similarly, Australia's 2024 NDS and Integrated Investment Program articulated and adopted a strategy of denial, aiming to deter conflicts and prevent coercion through force.

The second reason for Japan being a strategic partner is that Australia and Japan stand to gain strategically by working more closely together in the Indo-Pacific. Canberra and Tokyo already

²⁴ Mogami class frigate selected navy's new general purpose frigates, Department of Defence, 5 August 2025, <https://www.minister.defence.gov.au/media-releases/2025-08-05/mogami-class-frigate-selected-navys-new-general-purpose-frigates>

²⁵ Lynas Rare Earths, <https://lynasrareearths.com/about-us/>.

share significant strategic alignment on China's intensification of coercive activities, as highlighted in their 12th Japan-Australia 2+2 Foreign and Defence Ministerial Consultations.²⁶

Australia and Japan have also taken steps to strengthen military cooperation with the deployment of a Japanese Amphibious Brigade to Australia for joint exercises with US Marines that took place in June 2026.²⁷ These measures underline the salience of the special strategic partnership, reflected in the Reciprocal Access Agreement signed in 2022. The agreement, Japan's first defence treaty with an international partner since 1960, demonstrates the priority both nations place on their bilateral ties.

The third reason is that Australia would benefit from Japan's industrial capacity and maritime expertise in building advanced warships designed for the same operational environment in the Indo-Pacific. Australia's limited shipbuilding capacity demands help from partners, and Japan is well positioned to provide it quickly.

Australia stands to gain significantly by deepening its defence industrial cooperation with Japan. By forging a robust industrial partnership, both nations can enhance their defence capabilities, address shared security challenges in the Indo-Pacific and translate their strategic relationship into tangible benefits. Given their shared concerns over China's coercive behaviour, this enhanced cooperation is necessary for maintaining stability and deterring aggression in the Indo-Pacific.

Japan has identified specific areas where the bilateral relationship can grow substantially. This includes autonomous systems, undersea warfare and ISR, acoustic intelligence, cyber security, maritime security, and skilled talent flow. Japan's defence export framework has been liberalizing with the relaxation of the Three Principles noted earlier. Japan's Acquisition, Technology and Logistics Agency (ATLA), has been instituted to bring cultural change and create new pathways for foreign companies, including Australian startups, creating new opportunities for collaboration.

A structured Japan-Australia technology engagement mechanism should be formalized to codify their defence partnership. Japan's participation in the Talisman Sabre 2025 and in maritime autonomous systems under Pillar II demonstrates the partnership is already growing.²⁸ Still, pathways for Japanese participation in specific Pillar II capability domains can be expanded to include hypersonics, multi-domain autonomous systems, electronic warfare without requiring full AUKUS membership.

²⁶ Joint Statement on the Twelfth Japan–Australia 2+2 Foreign and Defence Ministerial Consultations, Minister for Foreign Affairs, Senator the Hon Penny Wong, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-statement-twelfth-japan-australia-22-foreign-and-defence-ministerial-consultations>.

²⁷ U.S., Australia, Japan begin Exercise Southern Jackaroo 2026, PACOM, 3 June 2025, <https://www.pacom.mil/Media/News/News-Articles/Article/4508385/us-australia-japan-begin-exercise-southern-jackaroo-2026/>.

²⁸ Australia-Japan partnership soars for Talisman Sabre, Department of Defence, 23 July 2025, <https://www.defence.gov.au/news-events/news/2025-07-23/australia-japan-partnership-soars-talisman-sabre>; Japan's participation in an experimental exercise on maritime autonomous systems under AUKUS Pillar II, Ministry of Defense, Japan, 23 July 2025, <https://www.mod.go.jp/en/article/2025/07/5a608dfd57e84ae749250a1eaa20ebe0bf23c686.html>.

7. The Pillar I Debate: A Framework for Evaluation

Several submissions to this inquiry argue for restructuring or terminating Australia's sovereign SSN acquisition. This submission does not and argues that both pillars are necessary and are not in competition with each other. The fundamental question is how to make both work better and faster to shore up Australia's capabilities at a time when the strategic environment is under increasing stress. However, because the Pillar I debate is central to the AUKUS debate, the following table sets out the costs, benefits, and key assumptions of the position that Pillar I should be cancelled or significantly reduced in favour of Pillar II investment. This table draws on arguments made by proponents of that position and is provided to assist the inquiry in assessing competing perspectives.

Issue	Costs	Benefits	Assumptions
Capability Gap	Collins-class submarines are aging. Without SSNs, both Virginias and the AUKUS class, Australia loses its primary long-range undersea strike and stealth capability before replacements are available. No existing uncrewed or crewed system fully replaces nuclear-powered submarines for strategic missions.	SRF-West provides allied undersea presence without sovereign ownership costs. Autonomous systems can deliver ISR and ASW coverage at lower cost on a per dollar basis and faster timeline. Attritable, scalable systems may be more resilient than a small fleet of exquisite platforms and remove the risk of endangering RAN crews.	Assumes SRF-West would be maintained regardless of sovereign acquisition decision. Assumes autonomous systems can achieve sufficient operational maturity within the gap window. Assumes U.S. and UK political willingness to provide supplemental SSN support bilaterally to maintain operational tempo from SRF-West.
Cost and Industrial Feasibility	The sovereign SSN program is the largest defence investment in Australian history, estimated at up to A\$368 billion over 30 years. U.S. shipyards are producing 1.3 Virginia-class submarines per year against a 2.3 requirement. The program depends on industrial assumptions outside Australia's control and must contend with a future American president willing to sign off on their handover to Australia.	Redirecting investment to autonomous systems creates a faster, cheaper, and more scalable capability. RAND modelling from 2022 suggests autonomy-centred forces can deliver equivalent or superior ISR and ASW coverage at 20-40 percent of SSN cost. Dual-use spin-offs benefit the broader tech economy and accelerate the pace of Australian industrial development.	Assumes cost savings would be realised and redirected rather than absorbed elsewhere. Assumes autonomous systems technology matures at the required pace. The RAND modelling from 2022 does not account for the current autonomous systems development trajectory.
Deterrence Signalling	Cancelling sovereign SSN acquisition would be read by Beijing as a lessening in Australia's commitment to high-end deterrence and playing a subordinate role in allied operations. It would weaken the political signal	Autonomous systems create distributed, persistent, and harder-to-target deterrence. A defensive saturation-awareness posture may be less escalatory and more acceptable to regional partners concerned about	Assumes regional partners view autonomous systems as less provocative than SSNs. Assumes China interprets the shift as restraint rather than weakness. Assumes the deterrence signal from a

Issue	Costs	Benefits	Assumptions
	that AUKUS sends about allied resolve. It could reduce Australia's influence within the partnership and its credibility as a burden sharer.	arms racing. It may strengthen social licence by framing capability as defensive rather than offensive. It may deliver a pathway to a more stable relationship with China.	distributed autonomous force is equivalent to that of a sovereign nuclear-powered submarine fleet. Assumes autonomous systems can increase the cost of the threat or use of force against Australia.
Workforce and Industrial Base	Cancelling Pillar I removes the industrial anchor for workforce development. Nuclear stewardship, submarine engineering, and the supply chain development programs already underway would lose their organising purpose, funding, and industrial power. Skills developed for SSNs are not fully transferable to autonomous systems.	Autonomous systems development builds a faster-growing, more commercially transferable workforce in AI, robotics, software, and advanced manufacturing. Lower barriers to entry for small and medium enterprises. Greater potential for export markets and commercial spin-offs that are more beneficial to Australian industry.	Assumes the workforce transition from nuclear-submarines to autonomous systems is manageable within a reasonable timeframe. Assumes the commercial and export market for Australian autonomous systems develops as projected without capability gaps.
Alliance Relationships	Cancelling sovereign acquisition would create significant friction with the United States and United Kingdom, which have made legislative, industrial, and diplomatic investments in the AUKUS pathway. Congressional authorisation of Virginia-class sales and Australia's A\$3 billion contribution to the U.S. submarine industrial base would be at risk. Australia would lose political capital with the U.S. and UK and be viewed as unreliable and lacking strategic maturity to execute a definitive capability.	A Pillar II pivot would play to each partner's comparative strengths: Australia in geography and autonomy, the U.S. in sensors and C2, the UK in algorithms and systems integration. It may offer a more flexible and resilient alliance architecture that is less dependent on the U.S. submarine industrial base. Australia could emerge stronger and more capable following the political fallout by making a hard choice that focuses on delivering realistic autonomous capabilities that benefit each member in the trilateral agreement.	Assumes the United States and United Kingdom would accept a significant restructuring of AUKUS without withdrawing commitments. Assumes the political capital invested in the current pathway can be redirected rather than lost. Assumes the US and UK would sustain investments and critical technology sharing to enable Australia achieve autonomous systems dominance.
Political Sustainability	The sovereign SSN pathway spans approximately 23 elections across the three partner nations. Cancellation would require managing the political fallout across all three, including in the U.S. Congress where bipartisan support has been carefully built and publicly demonstrated.	A Pillar II pivot may be more politically sustainable domestically because it delivers visible capabilities faster, has a lower upfront cost profile, and is easier to explain to the public in terms of concrete security benefits. Autonomous systems under Australia's control confer it greater operational space to maintain sovereign decision-	Assumes the political cost of cancellation in Washington and London is manageable. Assumes faster Pillar II deliverables are sufficient to sustain domestic political support in the absence of the SSN program as a foundational commitment. Assumes public support can be rebuilt for Australia's broader defence buildup

Issue	Costs	Benefits	Assumptions
		making on strategic decisions.	plan as expressed in the NDS and IIP.

This submission's view is that the costs in the above table are real and the assumptions are problematic. The benefits of autonomous systems can and should be captured without cancelling the SSN pathway. The two pillars are not in competition because they complement each other. The challenge is to resource, govern and advance both with the urgency the threat environment demands that is rapidly changing and is detrimental to Australia's national security.

8. Conclusion

AUKUS can succeed but it will not be easy. The alliance foundation runs deep and is durable due to strategic realities and not only because of values and democratic principles. Australia has spent significant political capital to convince the U.S. to share its nuclear submarine technology which is reflected in the bipartisan support for AUKUS in the U.S. Congress. Additionally, U.S. Congressional support is the glue holding AUKUS together which goes beyond executive branch statements.

The challenge for Australia is political and operational. Australia must align its defence spending with its own threat assessment. The 2026 NDS correctly identifies the strategic environment as the most dangerous since the Second World War. However, Australia's defence budget at its current level of 2.03% of GDP²⁹ is not consistent with that diagnosis and falls short of the 5% of GDP that NATO states have committed to spending at the NATO Summit in 2025 and 2026.³⁰ This level of defence spending is inconsistent with Australia's strategy of denial.

The deterrent value of AUKUS is not a given. It is a multi-decade endeavour through which approximately 23 elections will occur across the three partner nations. For AUKUS to not only survive but strengthen through those elections, citizens in each country must understand that it is essential to their security and worth their investment. That understanding for AUKUS and higher defence spending has not been built.

Australia cannot afford another five years of drift in Pillar II as that approach will undermine the enterprise. It must treat social license as a democratic obligation rather than a communications problem. It must harness private capital rather than leaving it on the sidelines while government funding alone seeks to deliver an enterprise of this magnitude. Additionally, Australia cannot afford to enter the 2030s without a clearly defined answer to the deterrence question that Thomas

²⁹ Rising global defence expenditure, Parliament of Australia, 4 June 2025, https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/Research/FlagPost/2025/June/Rising_global_defence_expenditure

³⁰ Defence investment and NATO's 5% commitment, NATO, 29 June 2026, <https://www.nato.int/en/what-we-do/introduction-to-nato/defence-expenditures-and-natos-5-commitment>

Schelling and Joseph Nye identified as foundational half a century ago: what, exactly, are we trying to deter?

The time to answer that question is now.

About the Author

Dr. Nishank Motwani is Vice President for Technology, Industry, and Strategy at Levenhall, a strategic advisory and defence market entry firm. He concurrently holds positions as a Senior Fellow at the Australian Strategic Policy Institute, Senior Fellow at The Alliance Futures Initiative, and a Visiting Fellow at the Defense Technology Foundation in Tokyo. Dr Motwani was previously Senior Fellow and Director for Alliance Strategy at ASPI USA where he focused on AUKUS, the Quad, and the intersection of national security and technology. He holds a PhD in International Security from the Australian Defence Force Academy, University of New South Wales, a Master of Public Administration from Harvard Kennedy School, a Master of Diplomatic Studies and a Master of Strategic Studies from The Australian National University. He has published extensively on AUKUS, deterrence, and Indo-Pacific security and has spoken widely on AUKUS in public and private discussions with industry, government, policy and academic institutions. He convened the 2025 AUKUS Dialogue and earlier co-hosted the 2024 AUKUS Dialogue in Washington D.C., with the Center for New American Security and the Royal United Services Institute. He also co-hosted the UK House of Commons Defence Committee during its AUKUS inquiry fact-finding visit to Washington. This submission reflects his personal views.

AI Disclosure: This submission was prepared by Dr Nishank Motwani. AI tools were used for proofreading, editing, and structuring the compilation of this report. The author drew on his publications, conference speeches, research notes, panel discussions, and extensive interviews with AUKUS stakeholders to prepare this report and utilized AI tools to organize and structure his findings.
