



THE HON. JOEL FITZGIBBON MP Minister for Defence

Tuesday, 12 May 2009

MIN079/2009

BUDGET 2009-10

DEFENCE BUDGET OVERVIEW

The Minister for Defence Joel Fitzgibbon announced today that the Rudd Government will fund the 2009 Defence White Paper and deliver Force 2030 through a robust financial plan.

Defence will have a new funding model that will provide greater long-term funding certainty and ensure that Defence has the funds it needs when it needs them. This funding model will impose discipline on Defence spending and remediate the chronic under-funding that has been inherited from the previous Government, while ensuring Defence can purchase the military equipment outlined in the White Paper and properly support Australia's serving women and men.

The Government will also implement a significant program of reform, aimed at cutting wasteful Defence spending while providing long-term funding certainty so that Defence can run its budget more efficiently in the future. Efficiencies and savings generated by the Strategic Reform Program and other initiatives will drive deep changes to policy, practices and culture within Defence and deliver around \$20 billion in savings across the decade. These savings will be reinvested into priority Defence programs and capability acquisitions. This reinvestment provides an enormous incentive for Defence to achieve the \$20 billion worth of savings.

"The Strategic Reform Program, announced as part of the White Paper process, will achieve greater efficiency and implement improved business processes across areas such as non-equipment procurement, improved inventory management and information and communications technology (ICT) reform," Mr Fitzgibbon said.

The White Paper sets out some \$43 billion worth of new initiatives over the decade. These will be met in full by:

- Continuing our commitment to growing the underlying Defence budget by 3 per cent average real growth to 2017-18, as promised in the 2008-09 Budget, followed by 2.2 per cent average real growth to 2029-30.

- Fixed indexation at 2.5 per cent each year to 2029-30, the target for consumer price inflation agreed by the Australian Government and the Reserve Bank of Australia, for the purposes of Defence planning. The new Defence indexation arrangements will avoid year-to-year volatility in the Defence budget, caused by fluctuating short-term inflation movements. Previous arrangements have undermined stable Defence planning and budget management across a full range of activities.
- A program of reform, efficiencies and savings that will generate around \$20 billion worth of savings over 10 years.

These combined measures will result in Defence receiving approximately \$146 billion of additional funding across the life of the White Paper to 2030. This fully covers off the capability and other funding requirements set out in the Defence White Paper.

The Government has also committed to:

- Continued no-win, no-loss arrangements for net additional costs of overseas operations and foreign exchange risks, to assist in Defence planning and in meeting real Defence costs.
- The transfer of funding for the Defence Materiel Organisation (DMO) Service Fee from the Defence appropriation to the DMO direct appropriation.
- Defence meeting any shortfalls against the White Paper funding plan through internal efficiencies.

The range of savings planned in this Budget will be drawn from comprehensive efficiencies in administrative, sustainment, workforce, estate, and ICT functions. Out of Defence's total effort on savings, reprioritisation and reprogramming, \$2 billion will be returned to the Federal Budget over the forward estimates. These funds will be returned to Defence beyond 2015-16 in line with revised funding needs.

“Over the decade, Defence will receive approximately \$308 billion under the Government’s new financial plan. The task of delivering on the Government’s new White Paper commitments has already begun,” Mr Fitzgibbon stated today.

“The coming year will see important investments in projects and initiatives that will deliver on our promises.”

Mr Fitzgibbon said funding for the White Paper initiatives for 2009-10 include:

- Key capability acquisitions and projects such as artillery systems, replacement of light vehicles, upgraded rifles and enhancements to ADF command and control systems, satellite communications capability and counter-Improvised Explosive Device (IED) initiatives;

- Commencing work on a Cyber Security Operations Centre that will monitor threats and provide response assistance across Government and critical private sector systems and infrastructure;
- Improvements to Defence Science and Technology Organisation (DSTO) facilities, including to the Missile Simulation Centre;
- Remediation of Defence's ICT;
- Pay improvements for non-commissioned soldiers, sailors, air men and women;
- Recruitment and workforce stabilisation initiatives for the Navy;
- Improvements to ADF healthcare;
- Greater flexibility in ADF housing and accommodation, enhancement to mental health care, remuneration and assistance to families; and
- Remediation of ageing power, water and sewerage infrastructure across our Defence bases, and refurbishment of old working and live-in accommodation.

The Government will deliver a public Defence Capability Plan (DCP) later this year. The DCP will provide further information on the profile of White Paper acquisitions.

Mr Fitzgibbon reaffirmed the Government's commitment to reform in Defence to ensure that Australia gets the best Defence Force our money can buy, and improved value for the tax payer over the long term. It will also see the beginning of the reforms that will fund the White Paper and deliver Force 2030.

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