



## **THE HON. JOEL FITZGIBBON MP Minister for Defence**

Tuesday, 12 May 2009

MIN081/2009

### **BUDGET 2009-10**

#### **DEFENCE SAVINGS INITIATIVES**

The Minister for Defence Joel Fitzgibbon today announced further details of the Defence Strategic Reform Program. This program is a key element of the Government's financial plan to fund the force structure, readiness, sustainment, personnel, infrastructure and other objectives outlined in the 2009 Defence White Paper.

The Government's financial plan for Defence includes the Strategic Reform Program, other savings initiatives, our existing commitment to grow the Defence Budget by 3 per cent average real growth until 2017-18 followed by 2.2 percent average real growth to 2029-30, and a new indexation arrangement.

The Strategic Reform Program and other initiatives will deliver savings of around \$20 billion over the decade, which includes approximately \$5 billion over the forward estimates. The success of this program will depend upon fundamental changes to policy, practices and culture across the department.

Mr Fitzgibbon said the Defence Strategic Reform Program would deliver significant savings to Defence and ensure the affordability of initiatives in the White Paper.

The Strategic Reform Program will change the way Defence does business, and will draw on detailed analysis of every aspect of Defence, including strategic planning, managing major cost pressures, capability, logistics and workforce management, amongst other areas. Money saved through this Program 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 Program will also improve Defence planning and accountability arrangements, while significantly enhancing productivity. The program will establish a blueprint for the Australian Defence Force to become the world's most productive Defence Force.

Defence will reform its costing methodology to more accurately forecast major acquisition costs, improve the governance and oversight of cost estimates, and implement more efficient business practices. In response to the Defence Procurement and Sustainment Review, the Government has also directed Defence to implement a 20-point plan to make Defence equipment acquisition and sustainment more business-like.

Key reforms to Defence business practices that will generate savings include:

- Reforms to the design of the military support backbone, including supply chain and inventory management and military equipment maintenance. These efficiencies will deliver savings of approximately \$1.5 billion in saving across the forward estimates and \$5.5 billion across the decade.
- The creation of more efficient enterprise support functions, such as the information and communications technology infrastructure, reducing the use of contractors and providing more centralised support to the ADF. These efficiencies will deliver savings of approximately \$0.5 billion across the forward estimates and \$3.5 billion across the decade.
- The Defence workforce will be rebalanced to ensure that we have the people with the right skills in the right jobs. Our highly trained military members will focus their skills where they are most needed and, wherever possible, expensive contractor positions will be converted to Australian Public Service positions. These efficiencies will deliver savings of approximately \$0.5 billion across the forward estimates and \$2 billion across the decade.
- Defence will reduce input costs to doing business, including non-equipment procurement. These costs can be reduced through changing Defence's approach to business. Examples include procuring more competitively priced products and making greater use of Defence's extensive videoconference network rather than undertaking single-day travel. These efficiencies will deliver savings to Defence of approximately \$1 billion over the forward estimates and \$4.5 billion over the decade.
- Defence will make further savings through a range of other initiatives, including more effective major equipment procurement practices through the implementation of the Mortimer Review. These savings will deliver saving to Defence of approximately \$1.5 billion over the forward estimates and \$5 billion over the decade.

The range of savings planned in this Budget will be drawn from comprehensive efficiencies in administrative, sustainment, workforce, estate, and ICT functions.

"This savings program is achievable but requires a firm commitment to implementing these reforms. Defence must manage its budget better in the future and deliver improved taxpayer value for Defence dollars," said Mr Fitzgibbon.

The Government will closely monitor the implementation of the Strategic Reform Program. As part of the recently announced five-yearly White Paper cycle, the Government will direct an independent audit be undertaken to ensure that Defence remains on track and that reform is enduring.

“Most importantly, these changes will enable the White Paper to be delivered in full. We are constantly looking to ensure every Defence dollar is spent well, investing in the Defence Force we need,” Mr Fitzgibbon said.

**Media contacts:**

Christian Taubenschlag (Joel Fitzgibbon): 02 6277 7800 or 0438 595 567  
Defence Media Liaison: 02 6265 3343 or 0408 498 664