

Mending Defence's broken backbone

In my recent address to the Lowy Institute for International Policy I said that unless the underlying weaknesses of Defence are fixed, over time our ability to deploy forces successfully will slowly but surely diminish.

I used a seemingly small and inconsequential example to make my point. I focused on 256,800 paper hand towels. For the Chief of the Defence Force (CDF) and I, these towels signify that many of the enabling, supporting parts of our business that are so easy to take for granted, easy to ignore and easy to neglect, such as our financial processes, information technology systems and inventory and explosive ordnance management, are broken.

The towels were purchased in 1999 for the troops deploying to East Timor. But they didn't get to East Timor in 1999 or in 2000. They weren't found to be necessary for the troops who deployed to Iraq in 2003. Nor those I worked with in the Solomon Islands in 2004 and 2005. Nor those sent to Afghanistan from 2001. Nor those who deployed again to East Timor in 2006.

For some reason they were found to be superfluous to requirements and remained at Moorebank...until they were disposed of in June this year!

For CDF and I, the unused paper towels are symptomatic of problems that, if not fixed, will degrade our ability to develop and deploy effective military force.

There is a link between our inventory management and the defence of Australia and its national interests. The link is that managing our inventory badly instead of well represents an

enormous amount of time, money and effort that could so easily be spent on providing for our future defence needs.

These unused paper towels point to longstanding failings in the governance and accountability arrangements that we must get right if we are to perform to the highest level while also conforming to the law and Government policy.

They demonstrate a lack of concern to ensure that every dollar is spent where it will have the most impact – and they betray a worrying level of complacency about waste and inefficiency.

Every dollar wasted represents a lost opportunity to enhance the effectiveness of our capability.

Waste and inefficiency is bad everywhere and always. It is particularly so at a time when Defence faces enormous funding pressures – like personnel and operating costs that haven't been properly budgeted for – while the Government is also trying to control inflation. And even more so in a year when we are developing for Government consideration a White Paper that will articulate the capability we need out to 2030.

Capability that certainly won't come for free.

Because of the size and diversity of the Department, CDF and I have adopted a staged approach to fixing the broken backbone of Defence. Over the past 18 months, we've identified where the problems lie, what they are, their causes and their scale. And we've now begun the process of change – through the White Paper; the companion reviews; the \$10 billion savings program; an external audit of the Defence budget; and our ongoing program of reform.

CDF and I are determined to deliver long-term, far-reaching, tangible and permanent change to Defence to mend our broken backbone. We understand this is not going to be easy.



“ There is a link between our inventory management and the defence of Australia and its national interests. ”

We also understand reform doesn't have a beginning, middle and end. For leviathan organisations like Defence, a culture of continuous reform is the only option.

But if Australia is to have the Defence establishment it needs and deserves we have to institute deep and sustained reform to every part of our business – no matter how large or small.

If you're interested you can read my Lowy speech on my intranet homepage or at www.lowyinstitute.org