

SENATOR JOHN FAULKNER  
Minister for Defence  
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## DEFENCE BUDGET AUDIT RELEASED

The Minister for Defence, Senator John Faulkner, announced today that the Government has released the 2008 Defence Budget Audit, also known as the 'Pappas Review'.

"The Audit has been released by the Department of Defence in response to an FOI request. Given the extent of interest in the Audit, I believe broader public release is warranted. Accordingly, a copy of the Audit as released under FOI has been made available on the Defence website, together with a brief response to the Audit," Senator Faulkner said.

"The Audit advised on the efficiency and effectiveness of the Defence budget and how to improve budget management. It was independently conducted by a respected external consultant, Mr George Pappas working closely with Defence.

"Although far from being the only input into our decision-making, the Defence Budget Audit was a rigorous, high quality study that gives important insights into how the reform program was developed.

"Releasing the Audit shows our commitment to transparency in Government and highlights the robust decision-making that underpinned the Defence White Paper and the Strategic Reform Program." Some of the material in the Audit has been exempted from release by the FOI decision maker, on grounds such as sensitive military capabilities, privacy and commercial sensitivities, and material yet to be considered by Cabinet.

Senator Faulkner also said the Defence Strategic Reform Program will generate significant reforms over the next ten years to deliver gross savings of around \$20 billion. These savings will be reinvested to build stronger military capabilities to defend Australia and its national interests.

"The Government accepted the vast majority of the Audit recommendations and these will be implemented through the Strategic Reform Program," Senator Faulkner said.

"We agreed to an alternative funding model which provides funding certainty for planning and real funding growth to meet the growing cost of the military equipment we will need in an increasingly demanding world. This model is similar to that recommended in the Audit and, we believe, more appropriate given current fiscal circumstances."

Senator Faulkner also pointed to his establishment of an oversight committee, the Defence Strategic Reform Advisory Board (DSRAB), to provide careful external scrutiny of the reform program.

"DSRAB will enable Defence to draw on the combined insights of senior private-sector leaders with experience in large scale organisational reform as well as the broader whole-of-government perspectives of secretaries of key government departments. It will be chaired by George Pappas and will report to me quarterly. Other board members I have appointed are eminent Australians, John Fletcher, David Mortimer and Linda Nicholls."

The Defence Budget Audit made a number of recommendations regarding the future of the Defence estate, including consolidating the Defence estate into a 'super-base' model. The Government does not accept these recommendations.

While acknowledging that any move to a 'super-base' model would have strategic, economic and social impacts, the Defence Budget Audit was focussed on financial benefits and therefore did not fully examine these broader issues.

"It would be irresponsible for the Government to agree to base rationalisation without a more comprehensive examination both of national strategic requirements and community considerations." Senator Faulkner said.

Senator Faulkner has asked Defence to undertake further work on the issue of base consolidation. A comprehensive departmental review, including a strategic assessment of Defence's basing requirements and a detailed financial analysis of long-term costs and efficiency gains of different basing mixes, will develop options for changes to the estate over a 25-30 year period.

"It is envisaged that a detailed study of this type will take 12-18 months to complete. An independent commission will then be appointed to consider Defence's recommendations. This commission will conduct substantial public consultation before reporting back to the Government," Senator Faulkner said.

The Defence Budget Audit and a brief Departmental response can be downloaded from: <http://www.defence.gov.au/header/publications.htm>  
[www.defence.gov.au](http://www.defence.gov.au)