

Joint Standing Committee on Foreign Affairs, Defence and Trade
Defence industry exports
Public Hearing 3 March 2015 Canberra
ANSWERS TO QUESTIONS ON NOTICE

Finance Portfolio

Number of pages: 1

Question:

In relation to the questions taken on notice at the Defence Sub-Committee hearing of 3 March 2015 from Senator David Fawcett and the Hon David Feeney MP, the Department provides the following information:

Answers:

The role of the Department of Finance in relation to Defence capability proposals is to provide assurance by validating the costs of proposals brought forward by the Minister for Defence using the Kinnaird Two Pass process.

Advice to government on the proposed value and cost of work to be performed in Australia is the responsibility of the Department of Defence. Further questions on the detailed processes used in preparing advice to government on capability proposals should be directed to the Department of Defence.

The Department of Finance's cost assurance work is undertaken in accordance with the Charter of Budget Honesty - Policy Costing Guidelines. Under these guidelines, costings focus on the direct budgetary consequences of policies. Consistent with long-standing practice, second round effects, which occur where a policy measure affecting one market has flow-on effects to broader markets, are not included.

The Minister for Finance and the Minister for Defence have shared responsibility for the implementation of the Air Warfare Destroyer Reform Strategy which has been developed in response to the recommendations of the Winter/White Review. The Departments of Finance and Defence have been implementing reforms to remediate the Air Warfare Destroyer Project with the aim of improving shipbuilding productivity consistent with the recommendations of the Review.

Regarding the broader issue of the Australian shipbuilding industry, advice provided to the Minister by the Department of Finance on this matter has formed part of Cabinet deliberations. The Minister for Defence has announced that Defence commissioned the RAND Corporation to undertake a study to benchmark Australian shipbuilding activity against other nations. Further questions on this work should be referred to the Department of Defence.