

SECRETARY'S OPENING REMARKS

February SENATE ESTIMATES

23 February 2011

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| <ol style="list-style-type: none">1. Strategic Reform Program (SRP)2. AUSMIN, AUKMIN, ANZMIN and officials' Strategic Dialogue with China3. Delay in finalising Defence Annual Report 2009-10 and QoNs |
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Chair, I shall address a number of topical issues at the outset of today's proceedings.

1. Strategic Reform Program (SRP)

First, I am pleased to advise that the Strategic Reform Program, or SRP, is on track and building on the solid foundations established in 2009-10. To recap, Defence successfully delivered larger savings than the \$797 million in cost reductions programmed for 2009-10, without adverse impact on capability or safety, and this has been re-invested to help deliver *Force 2030*. We remain on track to deliver \$1 billion in cost reductions in the 2010-11 financial year. Defence Groups are living within their reduced budgets by combining reduced

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Dr Ian Watt, Secretary, Defence
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discretionary expenditure, greater cost-consciousness, the flow-through of previous years' savings initiatives and the roll-out of SRP reform initiatives.

Let me provide you with a few examples. In the area of capability, we've seen Navy move towards using a mobile network for its communications in Australian littoral waters. This means that Defence can relinquish commercial satellite subscriptions worth around \$2.5 million per annum. Air Force, with DMO, have revamped F/A-18 Hornet routine maintenance functions, leading to increased aircraft availability rates and lower industry support costs to achieve cost reductions of up to \$15 million out to July 2013.

In other areas of business, reforms have resulted in:

- a reduction of 282 personnel from all Groups and Services but predominantly from Defence Support Group (151), Army (43) and Air Force (27)¹. This has been achieved largely by way of

¹ Army: 43; Navy: 14; Air Force: 27; DSG: 151; DSTO: 6; I&S: 8; PSP: 2; VCDF: 6; CDG: 1; CFO: 5; CIO: 2; JOC: 1; OSCDF: 12; and DMO: 4.

standardisation, reducing low value-add tasks and removing duplication;

- a new contract combining removals and relocations contracts, providing potential efficiency gains of approximately \$4 million per annum;
- the opening of the new Defence Service Centre as part of the Distributed Computing Central Services project, forecast to achieve \$20.5 million in cost reductions in 2010-11; and
- the implementation of Army's first Reserve-related reforms, including more appropriate annual training readiness requirements², which will deliver around \$16 million in cost reductions to 2018-19.

We are, however, not under-estimating what lies ahead. The reform and savings targets will become more demanding. This means that Defence will have to make increasingly more difficult decisions. We will need to work hard to adhere to the schedule for achieving the cost reductions programmed for future years. Risk management, especially

² Army has changed the requirement for the basic fitness assessment and weapons components of the Army Individual Readiness Notice from six-monthly to yearly for Army Reserve personnel.

in relation to inter-dependencies across reform streams, will also be imperative.

2. AUSMIN, AUKMIN, ANZMIN and Officials' Strategic Dialogue with China

I would now like to make some comments on a number of very productive engagements in the area of international defence relations in recent months. I will focus, in particular, on ministerial consultations at AUSMIN, AUKMIN and the ANZAC Defence Ministers' meeting, as well as the Australia-China Defence Strategic Dialogue.

AUSMIN

November 2010 saw the 25th anniversary of annual Australia-United States Ministerial Consultations, which also marked the 70th anniversary of the establishment of diplomatic relations between our two countries.

Among the host of significant items that were raised and affirmed at the AUSMIN meeting, Australia and the US welcomed each other's civilian and military contributions in Afghanistan. The two countries also signed a Space Situational Awareness Partnership Statement of Principles, which will enhance our defence cooperation on space surveillance. Australia and the US also agreed to set up a bilateral working group to explore possible areas of cooperation flowing out of the US Global Force Posture Review.

AUKMIN

At the third Australia-UK Ministerial Consultations on 18 January this year, our two countries reaffirmed their commitment to the International Security Assistance Force in Afghanistan, and welcomed reinvigoration of the bilateral strategic and defence relationship. Both agreed that our defence and security agencies must continue to evolve to respond to the challenges of a changing environment.

Both countries also recognised the value of regular AUKMIN consultations to provide the political leadership and strategic direction necessary in framing appropriate responses to such challenges.

One of the highlights was the signing of the Strategic Policy Partnership, which formalises collaboration between the UK Ministry of Defence and the Australian Department of Defence.

ANZMIN

Even more recently, on 10 February, the Minister for Defence met his New Zealand counterpart, Defence Minister Wayne Mapp, to discuss a range of defence and security issues. One of the main items of interest was that, following completion of the two countries' respective White Papers, the two Ministers commissioned a review to determine how to strengthen strategic cooperation and priority setting for ANZAC engagement in promoting security and stability in the Asia-Pacific region. Ministers asked their respective Secretaries, in full consultation/involvement with CDFs, to produce a joint report by 31 July 2011 detailing preliminary proposals to improve bilateral

engagement structures and to strengthen strategic bilateral exchanges. The report will also detail proposals to ensure more cost-efficient cooperation, including in relation to complementary military capabilities to improve prioritisation and efficient implementation of ANZAC policies.

Australia-China Defence Strategic Dialogue

In December 2010, the Chief of the Defence Force and I met with China's Chief of the General Staff, General Chen Bingde, to co-chair the 13th Australia-China Defence Strategic Dialogue. This was the second time I have participated in this dialogue with China and the third for CDF. I am pleased to report that the talks, held in General Chen's home town of Nantong, were successful.

As the cornerstone of our engagement with the PLA, the talks provided a valuable opportunity for us to discuss issues of strategic concern with one of the major powers in our region. We also agreed to continue to develop our defence cooperation, including navy-to-

navy engagement, humanitarian assistance and disaster relief, and peace-keeping.

Following the dialogue, CDF and I met with the Vice President and Deputy Chairman of the Central Military Commission, Xi Jinping, and confirmed our respective countries' commitment to working together on areas of common security interests.

Copies of the communiqués for AUSMIN, AUKMIN AND ANZMIN are attached.

3. Delay in finalising Defence Annual Report 2009-10 and QoNs

Finally, in relation to the late tabling of the Defence Annual Report (2009-10) and the delay in finalising the department's Questions on Notice (QoN), I would like to make the following points.

Annual Report

Regarding the Annual Report, the CDF and I had competing demands on our time in the lead-up to final drafting. These commitments were influenced by the timing of the election, the lengthy caretaker period and incoming government requirements. All of this meant that we could not meet the usual deadlines for production and tabling, which should have seen the report tabled on 31 October 2010, consistent with appropriate processes. We sought and were granted an extension by the Minister for Defence on 22 October and 27 October 2010, respectively. As required by sub-section 34C(6)(a) of the *Acts Interpretation Act 1901*, both of these documents were laid before each House of the Parliament on 27 October. The annual report itself was tabled on 25 November 2010.

QoNs

As you will recall, Chair, during the hearing of 19 October 2010, 19 questions were taken on notice and a further 35 written questions were submitted by the Committee the following hearing. Many of the

54 questions had multiple parts. This meant that there was a total of 237 actual questions to be answered.

Some of the questions involved sensitive and complex issues that required extensive consultation, research and verification. In some instances, follow-up advice and more detailed explanations were required. Despite the best efforts of the Department, we were unable to complete the task within the required timeframes.

Both matters are disappointing and the delay is regretted. There is no getting around the fact that we must do better next time.

Thank you, Chair.