

Minister for Defence – First Principles Review of Defence

1 April 2015

Today the Government releases the First Principles Review of Defence.

The Review delivers on a Coalition election commitment to ensure that Defence is appropriately structured and organised and has the right business practices in place to support the Australian Defence Force (ADF) in the 21st century.

The Review found that Defence has implemented significant changes and improvements since the 1990s and has a proven record of delivering in the field, on operations and in humanitarian and emergency support roles at home and abroad.

However, despite Defence's outstanding operational record, it is clear that there needs to be a better balance between operational excellence and organisational effectiveness.

The shortcomings identified by the Review affect all of Defence and need to be urgently addressed. These include a proliferation of structures, processes and systems with unclear accountabilities, which in turn cause institutionalised waste, delayed decisions, flawed execution, duplication, over-escalation of issues for decision and low engagement levels amongst employees in parts of the organisation.

The Review proposes transformational change across Defence to ensure it can deliver on the future requirements that will be outlined in the Government's forthcoming Defence White Paper.

To achieve this, Defence must move from the current inefficient, federated approach into a single, integrated organisation that delivers enhanced joint capability.

The Government has agreed – or agreed in-principle – to 75 of the 76 recommendations, which cover four key areas:

- a stronger and more strategic centre able to provide clear direction and contestability of decision making, along with enhanced oversight of resources and monitoring of organisational performance;
- an end-to-end approach to capability development with a robust and tailored investment approval process and a new 'smart buyer' arrangement for the acquisition and sustainment of defence capability;
- improved delivery of corporate services with a focus on enterprise approaches, integration and customer-centric practice, including a new approach to estate management; and
- a planned and professional workforce with a strong performance management culture at its core.

The Review outlines a two year implementation plan, with key milestones, which provides high-level direction for Defence.

Implementation of these recommendations will be led by the Secretary and the Chief of the Defence Force and will commence immediately, with the majority of changes implemented within two years.

An external Oversight Board will monitor the progress of implementation. The Board will be chaired by Mr David Peever, who also chaired the Review, and will include the other members of the Review team – the Hon Robert Hill AC, the Hon Lindsay Tanner, Lt Gen Peter Leahy AC (Retd.) and Mr Jim McDowell – and one additional member.

This Oversight Board will provide regular updates to the Government and assist the Department with presenting annual progress reports to the Government.

There are 4 recommendations that have received in-principle agreement. These recommendations relate to:

- increasing the approval thresholds for capability development projects;
- ceasing the use of net personnel operating costs (NPOC);
- increasing the thresholds for referring proposed works to the Parliamentary Standing Committee on Public Works and changes to other budget operating rules; and
- disposal of estate.

The Government has placed reasonable caveats on how and when these recommendations will be implemented. For example, any disposal of Defence estate will be assessed on a case by case basis, following the emerging requirements of the Force Structure Review and Defence White Paper.

The Government did not agree to the recommendation relating to the Defence Science and Technology Organisation becoming part of the new Capability and Acquisition Group at this time. However, it has explicitly stated that this recommendation will be further considered as part of the annual updates on implementation progress.

The Government is grateful to Mr Peever and the other members of the Review team and welcomes their continuing involvement in ensuring it is promptly and fully implemented.

The terms of reference were broad and the timetable was challenging, but the review team has delivered a report that sets out a strong plan for Defence to become a wholly integrated organisation.

Media contacts:

Brad Rowswell (Minister Andrew's Office) 0417 917 796
Defence Media Operations (02) 6127 1999
