



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

BILLS

**Defence Force Retirement and Death Benefits
Amendment (Fair Indexation) Bill 2010**

In Committee

SPEECH

Thursday, 16 June 2011

BY AUTHORITY OF THE SENATE

SPEECH

Date Thursday, 16 June 2011
Page 3037
Questioner
Speaker Xenophon, Sen Nick

Source Senate
Proof No
Responder
Question No.

Senator XENOPHON (South Australia) (10:12): I rise to make some remarks on the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010. I am grateful for the discussions I have had with the federal member for Fadden, the shadow minister for defence personnel, as well as Senators Johnston and Ronaldson in relation to this bill. Like most Australians, politicians always want to be supporting the troops. This is an admirable desire and, given the nature of the jobs performed by the defence forces, it is completely justified. Let me be clear: there is no question that the men and women who serve or have served in our defence forces are inspirational individuals whose dedication to protecting our country should be recognised. But the brilliance of our Defence Force is not the only factor in play when it comes to this bill.

This bill has been put forward at a time when Australia is still in budget deficit and we need to be fiscally cautious. This bill also needs to be seen in the context of the extraordinary budget Australia spends on defence each year—\$26.9 billion in 2010-11. That is an NBN every two years without the need for private equity. And, while we should all be concerned about the potential waste with the creation of the NBN, I wonder if successive Australian governments have been as concerned as they should have been about waste in our defence forces. The opposition says that it has identified money in the budget which could be directed towards funding this measure. The government has countered that it will slash 1,000 civilian jobs from its procurement budget, although the opposition argues that those are not current jobs but simply jobs that are expected to be created in the future—in other words, the opposition claims they are phantom cuts. The Alliance of Defence Service Organisations supports the opposition's bill and has made a number of criticisms about Treasury estimates on the costs of the coalition's bill. Treasury have responded to those criticisms, standing by their figures. A number of things have been put: that the current rate of Commonwealth contribution is over three times the community standard; that the notional contribution rate for the DFRDB is 33.3 per cent, which is over three times the community standard of nine per cent as required by the superannuation guarantee; and that the proposed changes would increase the notional contribution rate to 40.6 per cent, which is over four times the community standard. Those are some of the arguments that have been put.

You need to look at the general principle of indexation. I think there are compelling arguments in relation to that. It is important to acknowledge that, currently, pensions payable under the DFRDB and DFRB schemes are defined benefits and are essentially risk-free, unlike the retirement savings of most Australians. Many Australians suffered because of the GFC and were forced to watch and worry as their superannuation shrank. It should be fairly noted that the recipients of these defined benefits fortunately do not have similar worries. That is entirely appropriate.

There are troops who have been injured on active duty and are not receiving the proper care and compensation they deserve. I acknowledge that there is a current review of military compensation for those injured in battle and the widows who are tragically left behind. I would argue that if we were to increase the benefits to anyone, in terms of priorities, surely we should be increasing the benefits to those brave men and women first. That must be our priority. That is not to say that support staff in the Defence Force do not play a critical role, but I reiterate: our first priority should be to those who have faced real danger and have suffered injuries, both physical and psychological. Shouldn't we be pushing the government to target any additional benefits to those individuals first?

I am grateful for the very passionate and articulate representations from Rear Admiral Ken Doolan, National President of the RSL; Colonel David Jamison, National President of the Defence Force Welfare Association; and Les Bienkiewicz, Executive Director of the Defence Force Service Welfare Association. They have all strongly argued the case that the time for change is now.

I am also concerned about how the government approaches what I believe is an unacceptably high level of waste and fraud in the Defence Force—in particular, the issue of waste. It is important that, if we are to have these reforms, they must be sustainable. It is important that there is long-term funding for them, because the fiscal implications in the longer term will be very significant.

I recently spoke to the Minister for Defence, Stephen Smith, about the issue and argued that there were significant savings to be made within Defence which I believe could be used to better compensate both front-line troops and other Defence employees—in other words, the opportunity exists for Defence to save money that could be spent on its people. We do not do nearly enough in this country to stop waste within the Defence budget. In the UK, by comparison, the tasks of investigating waste and fraud are properly resourced and, not surprisingly, waste and fraud rates are demonstrably lower. There is a much more effective mechanism for dealing with waste and fraud.

I have real concerns about Australia's Defence Materiel Organisation, in terms of its size and efficiency. Why does Australia's DMO have a staff of around 7½ thousand people when the equivalent organisation in the UK has a staff of around 2½ thousand people and the UK has a defence budget four times that of our Defence Force? More broadly, how can the Australian Defence Force justify having one public servant, one bureaucrat, for every two soldiers? We need to get serious about this issue in Australia so that money currently wasted or fraudulently appropriated can be better directed to defence personnel. That is why I will be moving to amend the terms of reference to the Senate Foreign Affairs, Defence and Trade References Committee inquiry into procurement procedures for defence capital equipment to include the following: the committee should assess the effectiveness of the Defence Materiel Organisation, including the size and level of its management structure, as compared to a similar organisation in the United Kingdom and large Australian industries, and have its costs judged against the timeliness and quality of its output, the service it provides to the Australian Defence Force, the extent to which it value-adds to national defence, and the long-term viability of Australian Defence Force industries.

To complement that inquiry, I am also proposing that the Senate Economics Legislation Committee inquire into defence accounting in the context of ascertaining whether strategic reform program cuts are real or notional, to further examine the whole of the department for real savings in the budget and to look at funding those sorts of pension increases in the longer term. The government says that there is no money and disputes that there is a live dispute about the figures, but I am saying that there are ways of finding that money and that targeting waste in the defence budget is the logical place to start looking. I believe these savings need to be found quickly—say, in the next 12 months. The process of having rigorous, forensic and thorough inquiries by the Senate into this ought to be the way to go. I think that is the long-term, sustainable process to deal with this issue.

I will not be supporting the coalition's bill. I do support the longer term aim and believe that the steps I have outlined are a more prudent way of getting us to where we need to go as a nation. It is one thing to say that you want to support the troops today, but surely the best approach is to rebuild the system, eliminate waste and use those savings so that troops and support staff can rely on improved benefits on a long-term basis. That is my position. I am looking forward to working with the coalition and my colleagues in the Australian Greens to find those savings so that we can have a long-term, sustainable solution to this problem.