

MID-YEAR ECONOMIC AND FISCAL OUTLOOK 2014-15

DEFENCE EXTRACTS

Budget variation

	2014-15			2015-16			2016-17			2018-19		
	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget
	\$m	\$m	%									
Defence	24,197	24,994	3.19%	25,249	25,486	0.93%	25,719	26,010	1.12%	27,632	27,489	-0.52%

Additional expenses

Expense Measures - Defence		2013-14	2014-15	2015-16	2016-17	2017-18
		\$m	\$m	\$m	\$m	\$m
145	Operation Accordion Ext		63.2			
146	Operation Okra		260.8	30.9	5.8	
147	Operation Slipper – Heron UAS extension		26.7			
	Portfolio total	0	350.7	30.9	5.8	0

Operation Accordion (extension)

The Government will provide \$63.2 million for the six month period to 30 June 2015 for the net additional cost (including remediation costs) to extend Operation Accordion.

This operation undertakes a range of activities to support the Australian Defence Force's broader activities in the Middle East Area of Operations and Australia's continuing military contribution to international stabilisation and counter-terrorism efforts, including Operation Manitou and Operation Okra.

The Government will provide a full income tax exemption for the pay and allowances of Australian Defence Force personnel deployed on Operation Accordion, leading to an expected reduction in revenue of \$7.9 million over two years. This income tax exemption will be backdated to have effect from 1 July 2014, and will remain in effect until 30 June 2015.

Operation Okra

The Government will provide \$297.5 million over three years for the net additional cost (including remediation costs) of conducting Operation Okra in 2014-15. Operation Okra is the Australian Defence Force's contribution to the international effort to disrupt and degrade the Islamic State in Iraq and the Levant (ISIL) threat in Iraq. An Air Task Group will conduct air combat and support operations in Iraq and a Special Operations Task Group will advise and assist Iraqi and other security forces in their operations against ISIL in Iraq.

This measure is also expected to lead to a reduction in revenue of \$8.9 million over two years as a result of the tax treatment of the income and benefits received by Australian Defence Force personnel deployed overseas.

Operation Slipper — Heron Remotely Piloted Aircraft (further extension)

The Government will provide \$26.7 million in 2014-15 for the net additional cost to extend the deployment to Afghanistan of Australia's Heron Remotely Piloted Aircraft (RPA) until 31 December 2014. Heron RPA provide surveillance and reconnaissance capabilities to enhance force protection in Afghanistan.

This measure is also expected to lead to a reduction in revenue of \$0.4 million over two years as a result of the tax treatment of the income and benefits received by Australian Defence Force personnel deployed overseas.

Smaller government — Defence portfolio

The Government will achieve savings of \$0.9 million over four years by further reducing the number of government bodies in the Defence portfolio.

All savings from this measure will be reinvested in Defence capability, resulting in no impact on overall Defence funding.

The measure includes:

- abolishing the Forces Entertainment Board and incorporating its functions into the Department of Defence;
- abolishing the Australian Defence Force Financial Services Consumer Council and incorporating this service into the Department of Defence; and
- merging the Australian Defence Human Research Ethics Committee with the Department of Veterans' Affairs Human Research Ethics Committee.

Additionally several bodies will be sunset including:

- Rizzo Reform Implementation Committee (2014);
- Defence Materiel Organisation Diversity Advisory Group (2015), with diversity strategies to be managed across the portfolio by the Department of Defence; and
- Defence Materiel Organisation CEO Roundtable (2019), with further industry engagement to be considered in the Defence White Paper and First Principles Review.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government. The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

Extract taken from Mid-Year Economic and Fiscal Outlook 2014-15 released 15 December 2014

<http://www.budget.gov.au/2014-15/content/myefo/html/index.htm>