Defence Materiel Organisation

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Defence Materiel Organisation

Section 1: DMO Overview and Resources

1.1 Strategic Direction Statement

The Defence Materiel Organisation (DMO) exists to provide materiel (equipment and sustainment) elements of capability for the Australian Defence Force (ADF), as approved by the Government. It aims to fulfil this purpose in an effective, efficient, economical and safe manner. The DMO is an integral part of the Department of Defence and its status as a prescribed agency enables it to deliver and maintain Defence equipment in a way that is responsive to its customers and accountable to the Government. Despite the complexity of DMO projects, the DMO is performing well. A recent analysis of 59 projects closed in the last three financial years found that they were delivered and accepted into service, on average within 95 per cent of budget. In 2011-12, Independent Project Analysis (IPA)[1] compared the DMO's performance against a sample of 'like' projects from its database of around 14,000 projects. This review revealed that:

- DMO delivers within budget, compared with common cost overruns of more than 25 per cent in like industry projects
- DMO projects are more difficult then the average Industrial project
- Reforms previously implemented are working and have enhanced DMO performance
- DMO project schedule performance is better than Australian industry and on par with IPA's global benchmarks for megaprojects, but improvement is still required.

The DMO will again seek continual improvement throughout 2013-14 so that support to operations can be maintained at the present high standard that procurement and sustainment activities are improved. In February 2013, the Chief Executive Officer (CEO) DMO's new strategic framework came into full effect in support of this vision. This high-level plan describes what we do, our goals and how we will meet these goals over the coming years. Rolling out this strategic plan, ensuring staff compliance and measuring its effectiveness will be key activities over the coming year as the DMO continues on its path to enhance accountability and deliver further reform across the organisation.

Throughout 2013-14, the DMO will:

- provide sound, timely, respected and independent advice on materiel acquisition and sustainment
- deliver government approved sustainment and acquisition outcomes
- improve its understanding of Defence's required outcomes and provide cost-effective materiel options to meet those outcomes
- improve the transparency of its business
- build stronger and more trusted partnerships, particularly with Industry.
- maintain a balanced and flexible organisation with strong governance to support its performance
- build a capable workforce with a strong safety and performance culture to support its core functions
- improve and leverage its relationships with suppliers
- build stronger links to create future capability solutions and managed technology.

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[1] Independent Project Analysis, Incorporated September 2012, Defence Materiel Organisation Major Project Schedule Benchmarking: Comparing Defence Project Performance with Commercial Industry.

The DMO will also work in accordance with the themes explored in the DMO 2013-15 Strategic Framework that aim to enhance the DMO's ability to deliver outcomes efficiently and effectively. These include:

- **Outcome focussed:** The DMO must understand and respond to Defence's needs to deliver approved outcomes on time and on budget.
- **Cost self awareness:** The DMO must understand the true cost of doing business, including the impact of delays on Defence.
- **Managed urgency:** To meet Defence's needs, the DMO must be more driven and agile in its approach and delivery of new capabilities and sustainment of existing capabilities.
- **Personal accountability:** DMO personnel must take personal accountability to deliver the outcomes required, including providing comprehensive, timely and accurate advice and information to those the DMO is accountable to.
- **Business acumen:** The DMO must understand industry's motivations to ensure the DMO and industry can work cooperatively to deliver successful value for money outcomes for the Government.
- **People management:** The DMO must improve its organisational capability by: developing its people, planning for the future, creating a flexible and agile workforce, attracting and retaining the right skills, strengthening robust performance management and evolving its culture to align to the Pathway to Change.
- **Organisational effectiveness**: The DMO must strengthen its governance to enhance organisational effectiveness.
- **Simplify processes:** The DMO must rationalise, standardise and simplify processes to improve its ability to achieve outcomes.
- **Building industry capability:** The DMO must develop and implement strategies that contribute to building an industry that will enable a capable Defence Force.

Organisational Structure

As forecasted by the *Portfolio Additional Estimates 2012-13*, the workload across the DMO's General Managers has now been re-balanced so that the DMO can better support those it is accountable to. The adjustments have seen the Deputy CEO/General Manager Commercial role expanded to manage reform, governance and the day to day operations of the organisation. This is providing CEO DMO with more time to manage strategic stakeholder relationships and plan for the DMO's future. General Manager Joint, Systems and Air now oversees Aerospace, Electronic and Helicopter Systems, New Air Combat Capability and the Standardisation Office, while General Manager Land and Maritime oversees Land, Maritime and Explosive Ordnance Systems, the Air Warfare Destroyer Program and Australian Shipbuilding Industry Planning. General Manager Submarines is responsible for managing DMO aspects of the submarine enterprise including the Future Submarine project and the sustainment of the present Collins Class project with a particular focus on implementing the recommendations of the Coles Review.

Reform Implementation

Continuing to implement the recommendations of various studies into the DMO's business and projects is again a priority for the coming year. The DMO will also continue to enhance its internal review process and response to the Projects of Concern process to ensure the best possible outcomes can be delivered to the ADF, the Government and Australian taxpayers.

DMO will continue to reform its workforce to achieve a balance between achieving savings and delivering product. In the last 12 months DMO has reduced by around 10 per cent of the civilian workforce.

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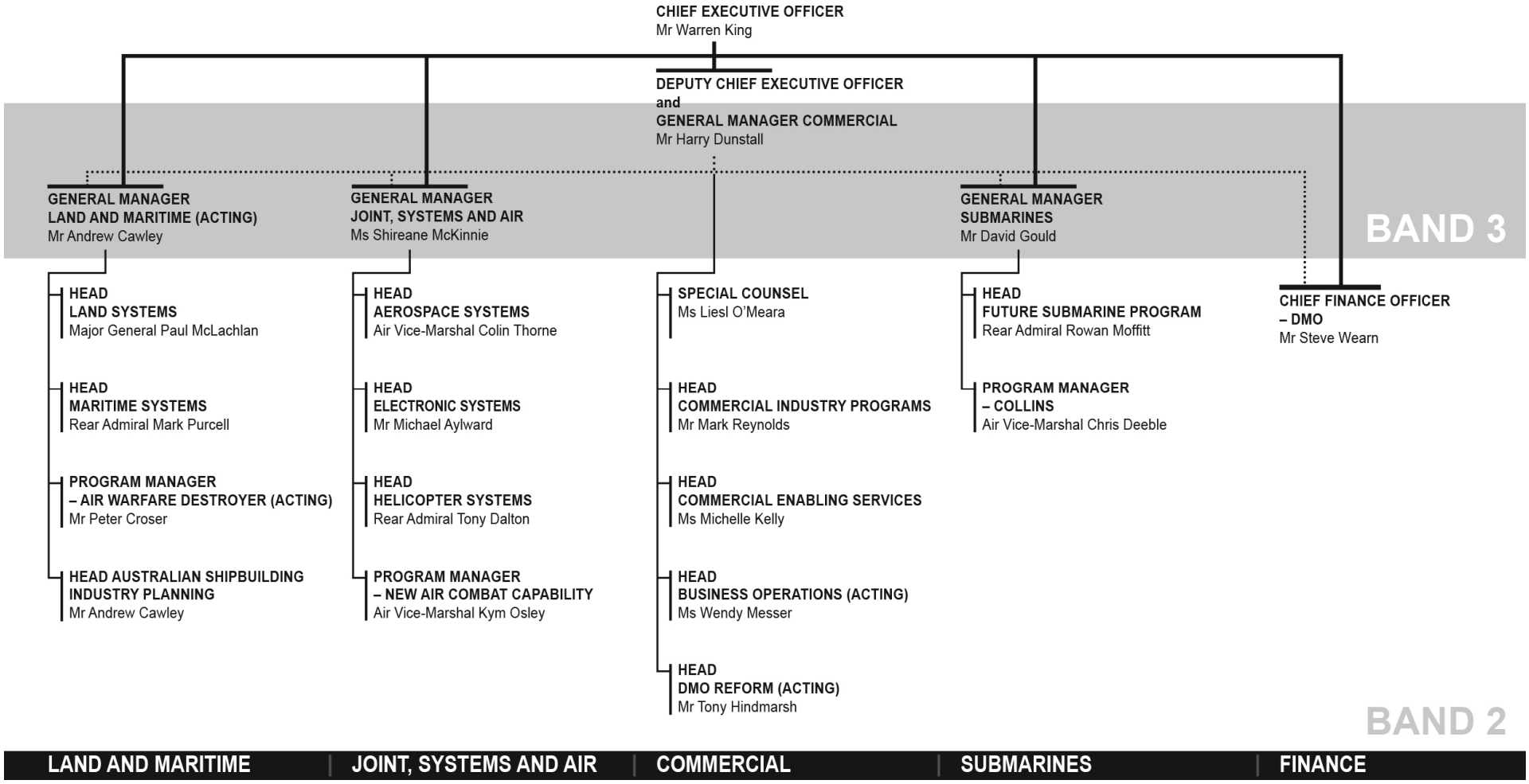
Figure 4: The DMO Organisational Structure as at 1 May 2013



Senior Executive Changes

- For the period 2 January 2013 to 3 February 2013, Mr Martin Weir was appointed to the position of Acting Head Explosive Ordnance.
- On 21 January 2013, Ms Wendy Messer was appointed to the position of Acting Head Business Operations.
- On 1 February 2013, Mr Tony Hindmarsh was appointed to the position of Acting Head DMO Reform, formally Head Acquisition and Sustainment Reform.
- For the period 1 February 2013 to 7 April 2013, Air Commodore Leigh Gordon was appointed to the position of Acting Head Aerospace Systems.
- For the period 1 February 2013 to 15 March 2013, Air Vice-Marshal Colin Thorne was appointed to the position of Acting General Manager Land and Maritime.
- For the period 4 February to 30 April 2013, Mr Ivan Zlabur was appointed to the position of Acting Head Explosive Ordnance.
- On 7 March 2013, Mr Peter Croser was appointed to the position of Acting Program Manager Air Warfare Destroyer.
- On 7 March 2013, Mr Andrew Cawley was appointed to the position of Head Australian Shipbuilding Industry Planning.
- For the period 18 March 2013 to 26 April 2013, Mr Michael Aylward was appointed to the position of Acting General Manager Land and Maritime.
- For the period 18 March to 26 April 2013, Mr Mark Devlin was appointed to the position of Acting Head Electronic Systems.
- For the period 29 April 2013 to 9 June 2013, Mr Andrew Cawley was appointed to the position of Acting General Manager Land and Maritime.

1.2 DMO Resource Statement

Resourcing for 2013-14

The total net resourcing available to the DMO is $9,996.8m. The majority is provided by Defence as an initial or anticipated payment of $8,708.4m for the procurement of equipment and the provision of sustainment services to the ADF. The remaining amount constitutes an appropriation receipt of $907.8m from Government for DMO's workforce and operating expenses, non-appropriation receipts of $60.6m for services for non ADF customers, and the DMO special account opening balance of $320.0m.

The DMO's total income and expense estimate in 2013-14 is $9,659.0m which consists of $3,906.6m for the procurement of equipment, $5,639.5m for the sustainment of existing capability and support to operations, and $112.9m for the provision of Australian Defence Industry programs and management services.

In comparison to the 2013-14 estimates contained in the *Portfolio Additional Estimates Statements 2012-13*, there has been an increase in the DMO's income and expense estimate of $182.8m. This is primarily a result of:

- increase in capital investment (major and minor) of $194.7m
- increase in funding for operations of $167.2m
- reduction of the Net Personnel and Operating Costs provision held by Defence of $175.9m
- reduction in funding for contracted services (sustainment) of $1.8m
- reduction to Workforce and Operating costs of $1.5m.

Table 79 shows the total resources from all sources to support the delivery of the DMO Outcomes.

Table 79: DMO Resource Statement for Budget Estimates 2013-14

Serial No.		Estimate of prior year amounts available in 2013-14 $'000	+	Proposed at Budget 2013-14 $'000	=	Total estimate 2013-14 $'000	Actual available appropriation 2012-13 $'000
	ORDINARY ANNUAL SERVICES						
	Departmental appropriation						
	Prior year departmental appropriation[1]	320,000		-		320,000	326,647
	Departmental appropriation[2]	-		907,791		907,791	911,104
	Total departmental appropriation	**320,000**		**907,791**		**1,227,791**	**1,237,751**
A	**Total ordinary annual services**	**320,000**		**907,791**		**1,227,791**	**1,237,751**
	Total Available Annual Appropriations	**320,000**		**907,791**		**1,227,791**	**1,237,751**
	SPECIAL ACCOUNTS						
	Opening balance[3]	320,000		-		320,000	326,647
	Appropriation receipts[4]	-		907,791		907,791	911,104
	Appropriation receipts - other agencies[5]	-		8,708,445		8,708,445	8,111,760
	Non-Appropriation receipts to Special Accounts	-		60,569		60,569	57,708
B	**Total special accounts**	**320,000**		**9,676,805**		**9,996,805**	**9,407,219**
	Total resourcing (A + B)	**640,000**		**10,584,596**		**11,224,596**	**10,644,970**
	Less appropriations drawn from annual appropriations above and credited to special accounts	320,000		907,791		1,227,791	1,237,751
C	**Total net resourcing for DMO**	**320,000**		**9,676,805**		**9,996,805**	**9,407,219**

Notes

1. Estimated adjusted balance carried forward from previous year for annual appropriations.
2. Appropriation Bill (No. 1) 2013-14.
3. Estimated opening balance for special accounts (less Services for Other Entities and Trust Moneys Special accounts (SOETM)). For further information on special accounts see Table 93.
4. Direct appropriation for Workforce and Operating Expenses.
5. Appropriation receipts from Defence credited to DMO's special accounts.

Reader Note: All figures are GST exclusive

Table 80: Third Party Payments from and on Behalf of Other Agencies

	2012-13 $'000	2013-14 $'000
Receipts received from the Department of Defence for the provision of goods and services	8,708,445	8,111,760
Payments made to the Department of Defence for the provision of services[1]	376,923	318,344

Note

1. Primarily relates to the payment of military staff posted to the DMO and services provided by the Department of Defence to the DMO in accordance w ith the Defence Services Agreement.

DMO Budget Measures

There are no budget measures directly affecting the DMO for the 2013-14 Budget.

1.3 People

Workforce Summary

The DMO combined APS, ADF and Contractor workforce forecast is 7,107. This is a decrease of 74 in comparison with the 2012-13 projected result. It is important to note that the DMO manages its workforce under a combined APS, ADF and Contractor model. Under DMO's approved combined workforce model it is able to employ additional civilian staff to fill positions that cannot be filled by ADF members with the appropriate skills and experience, which may lead to the DMO exceeding its budgeted APS workforce even though its overall workforce (civilian + military + contractor) is within agreed parameters. Therefore, the overall total workforce plan should be viewed in its entirety.

The end of year result in 2012-13 reflects DMO's commitment to deliver its workload while delivering reform savings. For example, from Pay 1 in 2012-13 to Pay 22, DMO reduced its civilian workforce by 690 staff (534 savings and 156 transferred to Defence), well over 10 per cent. It intends to deliver further savings in 2013-14.

Table 81: Planned Workforce for the 2013-14 Budget and Forward Estimates

		2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
	Navy	311	301	360	364	368
	Army	384	383	487	492	497
	Air Force	709	705	932	944	957
A	**Sub Total ADF Permanent Force[1]**	**1,404**	**1,389**	**1,779**	**1,800**	**1,822**
B	**DMO APS**	5,411	5,307	5,529	5,548	5,583
	APS - ADF backfill[2]	339	363	-	-	-
	Total DMO APS	**5,750**	**5,670**	**5,529**	**5,548**	**5,583**
C	**Contractors[3]**	27	48	48	46	46
	Total Workforce Strength (A + B + C)	**7,181**	**7,107**	**7,356**	**7,394**	**7,451**

Notes

1. Numbers for ADF Permanent Force includes the DMO ADF Permanent Force and Reservists on continuous full-time service.
2. The figures for the DMO's APS workforce for 2012-13 includes APS-ADF backfill (funded from APS shortfall) in combined workforce total.
3. Contractors (formerly known as Professional Service Providers) are individuals under contract performing agency roles. Contractors are not APS Employees.

Table 82: Breakdown of Personnel Numbers by Service and Rank Including APS and Contractors

	2012-13 Estimated Actual	2013-14 Budget Estimate
Navy		
Star Ranked Officers[1]	9	9
Senior Officers[2]	59	56
Junior Officers	122	117
Other Ranks	121	119
Sub-Total: Navy[3]	**311**	**301**
Army		
Star Ranked Officers[1]	5	5
Senior Officers[2]	64	60
Junior Officers	173	174
Other Ranks	142	144
Sub-Total: Army[3]	**384**	**383**
Air Force		
Star Ranked Officers[1]	10	10
Senior Officers[2]	90	87
Junior Officers	337	341
Other Ranks	272	267
Sub-Total: Air Force[3]	**709**	**705**
APS		
Senior Executives[1]	35	35
Senior Officers[2]	1,757	1,713
Other APS Staff	3,619	3,559
Sub-Total: APS	**5,411**	**5,307**
APS-ADF backfill	339	363
Total DMO APS	**5,750**	**5,670**
Total Contractors[4]	27	48
Total DMO Workforce	**7,181**	**7,107**

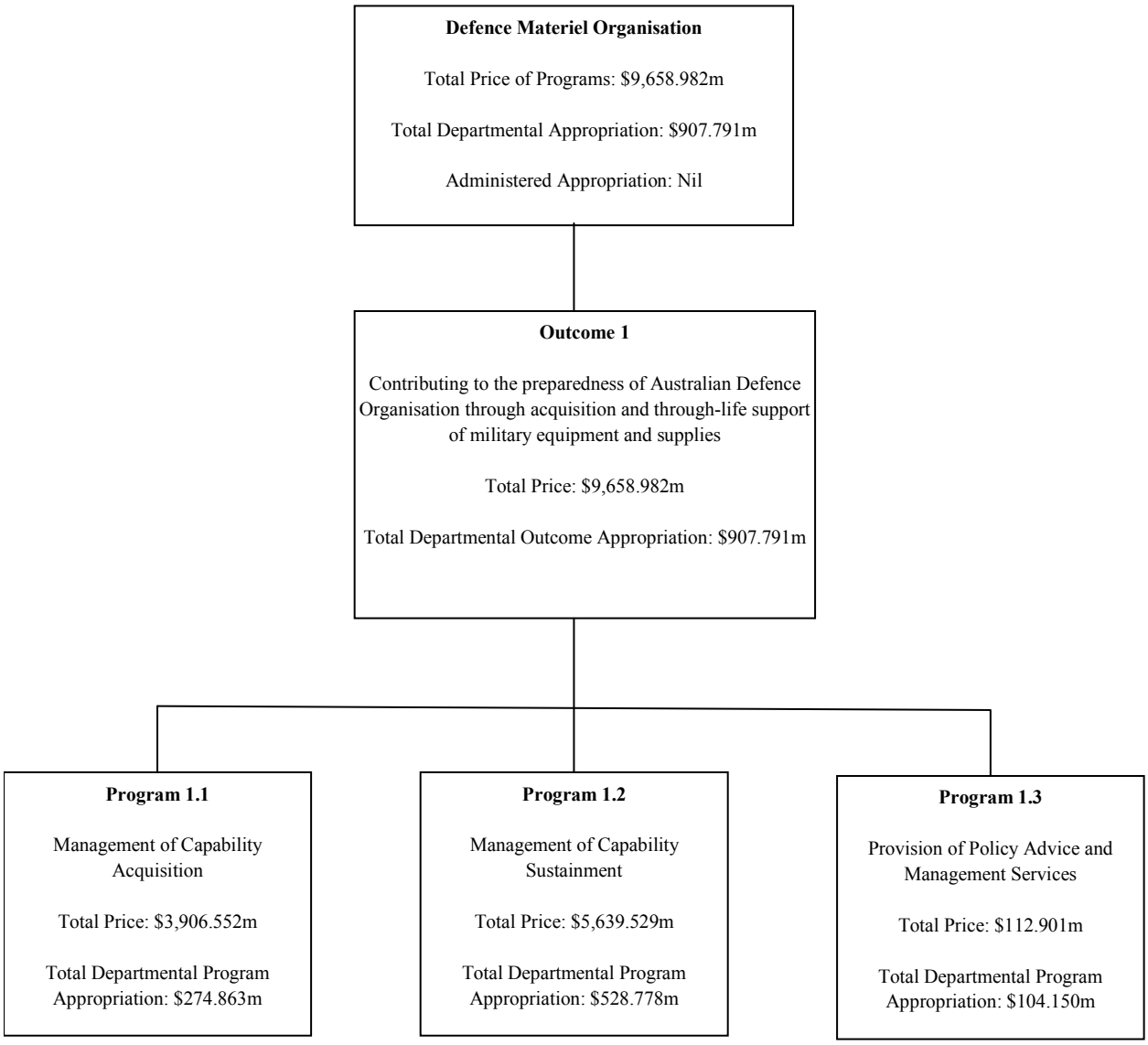
Notes

1. Senior Executive Officers are of General to Brigadier rank equivalent and substantive Senior Executive Band 3 to 1.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. Reflects the ADF Permanent forces and includes Reservists undertaking continuous full-time service.
4. Contractors (formerly known as Professional Service Providers) are individuals under contract performing agency roles. Contractors are not APS Employees.

Section 2: DMO Outcomes and Planned Performance

Outcome 1 encapsulates the entire business of the DMO, the activities it undertakes as part of Defence in acquisition and sustainment of materiel and the advice it provides on contracting policy and industry policy.

Figure 5: Contributions to Outcomes and Programs



The outcome is described in Section 2.1 together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the DMO in achieving Government outcomes.

2.1 Outcomes and Performance Information

Outcome 1: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies

Outcome 1 Strategy

In 2013-14, the DMO will continue to deliver against Outcome 1 targets while simultaneously pursuing ongoing reform, improvement and change activities to enhance future performance against this Outcome.

Under Program 1.1, Management of Capability Acquisition, the DMO will:

- deliver the approved materiel elements of the Defence Capability Plan (DCP) and continue to meet capability and budget targets while striving to improve overall schedule performance
- continue to implement reforms resulting from strategic reviews to ensure effectiveness and efficiency
- perform the role of Defence Business Process owner for Materiel Engineering and Project Management
- undertake an independent Gate Review of all major acquisition projects
- establish improved practices for management of minor projects
- standardise methods for cost and schedule estimation and assessment of schedules.

Under Program 1.2, Management of Capability Sustainment, the DMO will:

- support military operations while planning, preparing and supporting the Department on likely transitions in military operations that will lead to remediation and disposal of materiel
- provide support to transition, redeployment and materiel remediation activities for OP SLIPPER
- sustain materiel as specified in the Materiel Sustainment Agreements
- perform the role of the Defence Business Process owner for Materiel Logistics
- roll out the Sustainment Business Model across DMO Systems Divisions to promote better and more consistent practice; previously trialled (and refined) under Rizzo implementation in Maritime Systems Division
- continue the development of sustainment management professionalisation, sustainment performance indicators and streamline processes.

Under Program 1.3, Provision of Policy Advice and Management Services, the DMO will:

- provide independent assurance and trusted expert advice to the Government and the Department on materiel acquisition and sustainment, with a particular focus on further improvements in the quality of submissions to Government
- deliver Defence industry programs and otherwise implement the *Defence and Industry Policy Statement 2013*
- perform the role of the Defence Business Policy Owner for Procurement and Intellectual Property
- apply root cause analysis to challenge the efficacy of current processes and practices
- trial alternative purchasing strategies, for example; more centralised management of purchase to leverage potential cost efficiencies for sustainment

- build on the foundation of the Australian Military Sales Office with a comprehensive suite of programs and initiatives for international Defence industry export development, including facilitating government-to-government sales on behalf of industry
- improve negotiation skills and general business acumen through the Negotiation Cell.

Strategy Highlight: Smart Sustainment

To date, the Smart Sustainment Stream has successfully achieved the scheduled reform targets over the first four years, without any adverse effect on safety or agreed capability. The reform program is continuing to develop and implement initiatives and systemic reforms to deliver the remaining reform targets.

Over 2013-14, the Smart Sustainment Stream will further develop the understanding of sustainment cost drivers, continue engagement with capability managers and Defence industry to identify reform opportunities and maintain the Department-wide focus on reforming processes and practices.

Strategy Highlight: DMO Sustainment Business Model

In 2012-13, the DMO started the rollout of the Sustainment Business Model Project. The project has developed a sustainment reference model aimed at improving and simplifying methods, practices and processes while accommodating the varying characteristics of sustainment across the DMO.

The reference model is being used extensively to shape asset management improvements as part of the Rizzo Reform Program.

Strategy Highlight: Australian Military Sales Office

In July 2012, at the direction of the Ministers for Defence and Defence Materiel, the DMO established an Australian Military Sales Office (AMSO) to facilitate major disposal activities and export-related transactions, including government-to-government sales for Australian produced military equipment and services.

AMSO provides a one-stop shop for Australian Defence companies seeking to export their products and services, and a central point of contact within Defence to manage requests from customers including foreign governments.

In 2013-14 AMSO will continue to progress a number of existing and new opportunities including provision of surplus Australian Defence Force simulator hours to foreign militaries and supporting the transfer of C130H aircraft to Indonesia.

Strategy Highlight: Negotiation Cell

The DMO negotiates and delivers a significant portfolio of acquisition, supply and through-life support contracts for military equipment. It engages in negotiations for thousands of contracts each year; around 2,500 of these contracts are worth more than $100,000 and some are worth hundreds of millions of dollars.

The DMO is establishing a Negotiation Cell to negotiate better outcomes by improving negotiation skills and general business acumen. The Negotiation Cell will harness the skills of existing experienced staff; seek assistance from external experts to mentor and occasionally lead DMO staff through negotiation activities; and establish a competency based negotiation training framework.

The Negotiation Cell will provide DMO project teams and line management with direct support in the preparation and conduct of negotiations; establish and maintain a standardised suite of negotiation training; and build the skills of internal DMO resources in negotiation and general business acumen.

The Negotiation Cell will comprise a small permanent DMO team, with access to a wider network of highly skilled negotiators from other DMO Divisions, and the Standing Offer Panel of external professionals. To ensure value for money, the panel arrangements will be based on pre-determined standard rates for each specialist or other disciplines (for example, lead negotiator and technical adviser). The panel will only be utilised for those negotiations where it is deemed that specialist assistance is required, with tenders and contracts of high value and/or significant complexity to be the initial focus. A successful trial of the use of an external experienced professional has involved LAND 121 Phase 3B (Medium and Heavy Vehicle capability).

The DMO issued a Request for Tender on 1 February 2013 to establish a standing offer panel for Negotiation Services. A Request for Tender for training services is expected to be released in mid 2013. The establishment of these panels, combined with the competency based framework, will provide the foundation of the Negotiation Cell's activities in 2013-14.

Strategy Highlight: Gate Reviews

The program successfully reviewed all active major capital projects in 2012-13. In 2012, 155 projects were reviewed.

In 2013-14, all projects should be reviewed for the second or third time. Data collection over the last 18 months has facilitated a major lessons learned analysis. Over the coming year, data collection will be refined to improve the analysis and further drive change.

Outcome Expenses and Resource Statement

Table 83 provides an overview of the total expenses for Outcome 1 by program.

Table 83: Budgeted Expenses and Resources for Outcome 1

Outcome 1: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	**2012-13 Estimated Actual $'000**	**2013-14 Budget Estimate $'000**
Program 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation[1]	255,983	274,863
Special Accounts	3,292,028	3,621,265
Expenses not requiring appropriation in the Budget year[2]	10,170	10,424
Total for Program 1.1	**3,558,181**	**3,906,552**
Program 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation[1]	551,271	528,778
Special Accounts	4,520,706	5,087,180
Expenses not requiring appropriation in the Budget year[2]	22,996	23,571
Total for Program 1.2	**5,094,973**	**5,639,529**
Program 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation[1]	103,850	104,150
Special Accounts	1,061	2,449
Expenses not requiring appropriation in the Budget year[2]	6,182	6,302
Total for Program 1.3	**111,093**	**112,901**
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation[1]	911,104	907,791
Special Accounts	7,813,795	8,710,894
Expenses not requiring appropriation in the Budget year[2]	39,348	40,297
Total Expenses for Outcome 1	**8,764,247**	**9,658,982**
	2012-13	2013-14
Average Staffing Level (number)[3]	**5,750**	**5,670**

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1)" and "Revenue from independent sources (s31)".
2. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.
3. Average staffing levels do not include military staff posted to DMO, as military staff remain employees of The Department of Defence and are included in its staffing.

Contributions to Outcome 1

Program 1.1: Management of Capability Acquisition

Program 1.1 Objective

Acquisition projects will be delivered in accordance with the original approval authority parameters and in a transparent and accountable manner.

Program 1.1 Expenses

The cost of Program 1.1 provides for estimated expenditure on acquisition of specialist military and associated equipment for the ADF. This covers all the DMO's activities in support of acquisition processes for major and minor capital investment projects. The estimated expenses for this Program include the estimated budget for all approved projects together with an estimate for the unapproved major and minor projects that are expected to be approved and transferred from Defence during that year.

The planned resource use for Program 1.1 is $3,906.6m in 2013-14 which represents approximately 40 per cent of the DMO's total expenses.

The planned resource use for Program 1.1 includes:

- the DMO major capital investment program of $3,478.1m, which comprises the Approved Major Capital Investment Program of $2,921.4m and $556.7m of work planned to be transferred to the DMO during 2013-14 from Defence
- the DMO minor capital investment program of $143.2m, including the approved minor program of $53.1m and $90.1m of work to be transferred to the DMO during 2013-14
- direct appropriation of $274.9m relating to Acquisition Workforce and Operating Expenses
- resources received free of charge from Defence of $10.4m.

Table 84: Cost Summary for Program 1.1 Management of Capability Acquisition

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	3,292,028	3,621,265	5,189,029	5,925,485	6,195,580
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	255,983	274,863	303,198	335,624	361,217
Expenses not requiring appropriation in the Budget year[1]	10,170	10,424	10,685	10,952	11,226
Total Program Expenses	**3,558,181**	**3,906,552**	**5,502,912**	**6,272,061**	**6,568,023**

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.1 Deliverables

This Program delivers specialist military and associated equipment. It encompasses the DMO's activities in support of the acquisition process, including all pre-approval activities, as well as the acquisition process for major and minor capital investments.

The DMO is currently managing approximately 180 major capital projects. A major capital project meets one or more of the following criteria; it has an estimated total one-time cost of bringing the capital equipment concerned into operation of $20m or more; the unit cost of an individual item in a multi-item acquisition is estimate at $1m or more; and the project is strategically important and/or has significant Defence policy or joint Service implications. Government approvals are in a Joint Project Directive issued by the Secretary and Chief of the Defence Force (for projects approved after March 2010). Key deliverables are described in more detail in a Materiel Acquisition Agreement (MAA) with the Capability Development Group and relevant Capability Manager. The top 30 major capital equipment projects are discussed under the project headings in the following text. A status update on other major projects that were included in the top 30 list in previous years is provided at Table 87.

The DMO is currently managing six minor capital investment programs funded by the Capability Managers which incorporate approximately 70 minor acquisition projects with an average value of $9.6m. The number of minor projects has decreased from the previous year (by approximately 20 per cent) as a result of the closure of projects that have achieved delivery. A minor capital project, as stated in the current policy guidance, is classified as having a low to medium risk, or low strategic significance, is nominally valued up to $20m and generally will not exceed $100m. The top 10 minor capital projects are discussed under the project headings following Table 88.

Program 1.1 Key Performance Indicators

The key performance indicators are to deliver major and minor capital equipment within the agreed parameters for schedule, scope and budget. The detail varies with each project and is specified in the MAAs.

Australian Defence industry involvement in major capital equipment projects will be reported as an appendix in the *Defence Annual Report 2013-14*.

Top 30 Projects by 2013-14 Forecast Expenditure

Table 85 lists the Top 30 Government-approved major projects by forecast expenditure for 2013-14. The descriptions that follow provide details of the capability being acquired including delivery schedules, project risk and strategies employed by project offices to manage this risk.

In 2013-14, the 10 largest projects within the top 30 list are forecast to constitute 67 per cent of the DMO's total forecast acquisition expenditure for 2013-14 (predicted on the forecast outcome for 2012-13). The dependency of the program outcome may be influenced by the successful delivery by industry of key financial milestones enabling expenditure to occur in this relatively small number of material spending projects.

Table 85: Top 30 Projects by 2013-14 Forecast Expenditure (Gross Plan)

	Project number / phase	Approved project expenditure $m	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m
General Manager Joint, Systems and Air				
Aerospace Systems				
Battlefield Airlift - Caribou Replacement	AIR 8000 Phase 2	1,168	276	162
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	2,721	37	90[1]
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,841	3,462	87
Air to Air Refuelling Capability	AIR 5402	1,800	1,583	61
Electronic Systems				
Battlespace Communications System (Land)	JP 2072 Phase 2A	439	158	152
Next Generation Satellite Communications System	JP 2008 Phase 4	863	557	38
Battle Management System	LAND 75 Phase 3.4	307	183	30
Military Satellite Capability - Wideband Terrestrial Terminals	JP 2008 Phase 3H	42	8	29
Anzac Electronic Support System Improvements	SEA 1448 Phase 4A	260	6	25
Joint Command Support Environment	JP 2030 Phase 8	256	148	24
Helicopter Systems				
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	2,933	459	412
Multi Role Helicopter	AIR 9000 Phase 2	3,625	2,203	204
New Air Combat Capability				
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	2,561	240	231
General Manager Land and Maritime				
Air Warfare Destroyer				
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,859	4,458	625

Table 85 (Cont): Top 30 Projects by 2013-14 Forecast Expenditure

	Project number / phase	Approved project expenditure $m	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m
Explosive Ordnance				
Standard Missile-2 Conversion and Upgrade	SEA 4000 Phase 3.2	94	20	37
Lightweight Torpedo Replacement	JP 2070 Phase 2	334	276	26
Mulwala Redevelopment Project	JP 2086 Phase 1	369	331	24
Bridging Air Combat Capability	AIR 5349 Phase 2	274	137	24
Land Systems				
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3A/5A	984	384	235
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,254	859	62
Addi ional Lightweight Towed Howitzers	LAND 17 Phase 1C 1	69	6	47
Overlander - Medium Heavy Capability, Field Vehicles, Modules and Trailers	LAND 121 Phase 3B	2,564	8	45
Digital Terminal Control System	LAND 17 Phase 1B	115	41	41
Ar illery Replacement 155MM Howitzer	LAND 17 Phase 1A	323	136	28
Maritime Systems				
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,071	2,394	203
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	676	407	73
Amphibious Watercraft Replacement	JP 2048 Phase 3	224	50	37
SM-1 Missile Replacement	SEA 1390 Phase 4B	400	335	24
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	386	288	23
General Manager Submarines				
Future Submarines				
Future Submarine - Acquisition	SEA 1000 Phase 1A	214	35	58
Total -Top 30 Projects (Gross Plan)		**40,024**	**19,483**	**3,158**

Note

1. Does not include $218.8m yet to be transferred from Defence for 2013-14.

Table 86: Major Capital Investment Program by 2013-14 Forecast Expenditure

Serial		2013-14 Budget Estimate $m
A	Top 30 Projects Gross Plans	3,158
B	Other Approved Project Gross Plans	403
C	**Total Gross Plan Project Estimates (A+B)**	**3,561**
D	Management Margin: Slippage[1]	-640
E	**Payments Required from Defence for Approved Programs (C+D)**	**2,921**
F	Projects Planned for Government Consideration and Transfer to the DMO	557
	Total Estimated Funds Available (E+F)	**3,478**

Note

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2013-14 financial year progresses.

Table 86 reflects the cash payment required from Defence to fund the current Approved Major Capital Investment Program. The Total Program Estimate for Major Capital Projects (serial C) is referred to as the Program's 'Gross Plan' estimate and is based on project expenditure expected to occur during the year in accordance with project schedules. The Management Margin (serial D) reflects an estimate of possible overall program slippage that may occur during the year. This management margin is deducted from the Gross Plan estimate to calculate the estimated Payments Required from Defence for Approved Programs (serial E). An estimate for projects that are planned for Government Consideration and Transfer to the DMO during 2013-14 (serial F) is then added to obtain the Total Estimated Funds Available for the Major Capital Investment Program.

The management margin is applied because of the inherent uncertainty in a program with a large number of complex and long lead time projects. Unknown project events will occur which will impact on funding requirements. These events include cost savings and better payment terms, variations to project schedules, withholding of planned payments due to contractor non-performance, and variations to payments required under the United States Government's Foreign Military Sales program. The DMO estimates and applies a slippage model to determine the appropriate Management Margin and annual cash requirement for the program.

The slippage model is predicated upon the assumption that for each year, a certain percentage of project Gross Plan estimates will slip or be accelerated. The percentages applied vary with the composition of the program, the estimates update being conducted and the probability assessments of expenditure plan achievement provided by projects

Top 30 Major Project Descriptions

General Manager Joint, Systems and Air

Aerospace Systems

Battlefield Airlift - Caribou Replacement—AIR 8000 Phase 2

Prime Contractor: L-3 Communications through the United States Foreign Military Sales process with the United States Air Force.

This project is acquiring a fleet of 10 United States-military configuration C-27J aircraft as a military off the shelf procurement through the United States Foreign Military Sales process, with only minor changes required to meet Australian airspace regulations.

During 2013-14, this project plans to procure aircraft spares and support equipment, establish an interim United States based training system and undertake airworthiness certification activities in preparation for first aircraft acceptance and the commencement of flight training by mid 2014.

The key risk for this acquisition project is completion of Australian airworthiness certification requirements prior to first aircraft acceptance and commencement of flight training in the United States from mid 2014.

Growler Airborne Electronic Attack Capability—AIR 5349 Phase 3

Prime Contractor: Boeing, through a Foreign Military Sales case with the United States Navy.

The Government announced in 2012 its commitment to a future fleet of 12 EA-18G Growler electronic attack aircraft for Australia. As part of the 2013 White Paper announcement, the Government has decided to acquire 12 new-build Growler aircraft which will ensure that the original bridging capability of 24 Super Hornets remains intact while allowing for timely introduction of Growler. This phase will be subsumed into the acquisition project.

Airborne Early Warning and Control Aircraft—AIR 5077 Phase 3

Prime Contractor: Boeing (United States).

This project has delivered six E-7A Wedgetail Airborne Early Warning and Control aircraft, and the associated ground and support systems.

During 2013-14, this project will deliver the final logistics support requirements and the final element of the radar performance remediation program. This project will also progress the remediation of software deficiencies in the electronic support measures, communications and mission computing subsystem.

The remaining key risk is the timely integration of required software updates to the operational aircraft to support the Final Operational Capability declaration.

Air to Air Refuelling Capability—AIR 5402

Prime Contractor: EADS CASA (Trading as Airbus Military–Spain).

This project is delivering five new generation Airbus A330 Multi-Role Tanker Transport (MRTT) aircraft (known as the KC-30A in RAAF service) and the associated through-life support infrastructure for the fleet.

During 2013-14, this project will complete the review of test reports and documentation for the military avionics and Aerial Refuelling Boom systems; complete refurbishment and re-delivery of the first (prototype) aircraft following completion of testing in Spain; and deliver upgrades to the simulation training devices in line with modifications to the aircraft fleet.

The key risk for this project remains the schedule for completion of testing and documentation for acceptance and introduction into service of the boom refuelling system.

This project continues to be managed as a Project of Concern.

Electronic Systems

Battlespace Communications System (LAND)—JP 2072 Phase 2A

Prime Contractor: Harris Corporation.

This project will deliver combat net radios to replace many of the current land based, dismounted radios in use by the ADF. The current dismounted radio fleets are approaching end-of-life and these legacy analogue radios will be replaced by modern digital radios, maximising commonality with the radio fleet procured under the previous JP 2072 Phase 1.

During 2013-14, this project will continue with delivery of the radios as well as other introduction into service activities. This project will also commence management of support contracts for the radios and ancillaries.

The key risk for this project is managing the smooth transition into service and support of the new capability.

Next Generation Satellite Communications System—JP 2008 Phase 4

Prime Contractor: United States Government through a Memorandum of Understanding.

This project will deliver the next generation ADF wideband satellite communication system. The project has delivered the Wideband Global SATCOM System (WGS) Initial Operational Capability through the utilisation of the Interim Anchoring capability located at HMAS Harman (Australian Capital Territory) and Geraldton (Western Australia).The fourth of six satellites was launched in January 2012 and became operational in August 2012.

During 2013-14, WGS5 is expected to become operational by August 2013 following launch in May 2013. WGS6 which Australia is funding is 100% complete and in storage, and is expected to be launched in July 2013, and become operational by November 2013. This project expects to achieve Final Materiel Release in late 2013.

The key risk is achieving the tightly compressed timeframe between WGS5 and WGS6 launches.

Battle Management System—LAND 75 Phase 3.4

Prime Contractor: Elbit Systems Limited.

This project will deliver Mounted Battle Management Systems including command post systems to the ADF in cooperation with Land 125 Phase 3A (dismounted systems) and JP 2072 Phase 1 (Combat Radio System).

During 2013-14, this project will deliver to Army sufficient quantities of equipment to support consideration of the Final Operational Capability decision, which will consist of at least two motorised infantry Battle Groups. To support this decision, the Battle Management System will be employed by an Army Battle Group at Exercise Talisman Sabre 2013. All interoperability development and testing will be completed in 2013-14.

The key risk for this project is completion of the significant design acceptance and introduction into service processes prior to Final Acceptance in 2014.

Military Satellite Capability – Wideband Terrestrial Terminals —JP 2008 Phase 3H

Prime Contract: Not in contract.

This project will deliver 51 medium sized transportable satellite terminals for ADF units with associated on-site spares kits, spares and support and test equipment.

The satellite terminals will allow early use of the Wideband Global SATCOM (WGS) system by introducing medium sized WGS certified terminals to the ADF land forces.

During 2013-14, this project will be in contract and will deliver the initial tranche of wideband satellite terminals to the ADF as well as establishing the support and training systems.

The key risk for this project is the development and endorsement of the training package prior to the scheduled introduction into service. This risk is being treated with comprehensive stakeholder engagement.

Anzac Electronic Support System Improvements — SEA 1448 Phase 4A

Prime Contractor: Exelis Inc.

This project will provide the Anzac class Frigates with an improved tactical Electronic Support (ES) mission system for improved passive situational awareness and early threat warning. The project includes the provision of an ES mission system and emulators for training and a ground based support segment for ES mission system programming.

During 2013-14, this project will complete System Preliminary Design Review and System Critical Design Review.

The key risk for this project is the integration of the ES mission system into the complex electromagnetic environment of the Anzac class Frigates.

Joint Command Support Environment—JP 2030 Phase 8

Prime Contractor: System Integrator Contractor: CSC Australia; Development & Support Contractor: Lockheed Martin Australia.

This project will deliver capability solutions and improvements to Situational Awareness Common Operating Picture, Joint Operations Planning, Preparedness Management Information System and a Special Operations Combat Net Radio Interface.

During 2013-14, this project will deliver two additional capability releases of software infrastructure and application solutions for Head Quarters Joint Operations including enhancements to Situational Awareness Common Operating Picture capability, improvements to Joint Planning capability, and enhancements to the Defence Preparedness capability. This project will also deliver the Special Operations Combat Net Radio Interface capability into operational service.

The key risks for this project are supporting complex, multi-organisation, situation specific business processes and practices with bespoke information technology solutions and ensuring the delivered solution provides an efficient and effective user interface.

This project will be subject to a special Gate Review this year.

Helicopter Systems

Future Naval Aviation Combat System Helicopter—AIR 9000 Phase 8

Prime Contractor: Foreign Military Sales case with the United States Navy.

The 24 MH-60R Seahawk 'Romeo' helicopters to be acquired by AIR 9000 Phase 8 will replace the capability of the current 16 S-70B-2 Seahawk 'Classic' helicopters.

The acquisition of the Romeos will enable Navy to provide eight helicopters concurrently embarked in Anzac class Frigates and the new Hobart class Air Warfare Destroyers. The remainder will be based at HMAS Albatross in Nowra, New South Wales, conducting training and maintenance.

During 2013-14, the first four aircraft will be accepted in the United States and the initial introduction into service training for aircrew and maintainers will be completed, Australian certification activities will be completed, and construction of the dedicated Seahawk Romeo facilities at HMAS Albatross and HMAS Stirling will commence.

The key risk for this project remains coordinating the facilities construction schedule with the delivery of key support elements, such as the flight simulator, ahead of the first seven aircraft and trained personnel returning from the United States at the end of 2014.

Multi Role Helicopter—AIR 9000 Phase 2/4/6

Prime Contractor: Australian Aerospace.

This project is acquiring 46 MRH90 helicopters for Army and Navy. Phase 2 represents 12 Army MRH90 (additional Squadron to support air mobile lift capability) to which has been added Phase 4, the replacement of the Army's Black Hawks, and Phase 6, the replacement of the Navy's Sea Kings, for a total of 46 helicopters.

During 2013-14, this project plans to accept a further seven aircraft in the mature configuration, progress the retro-fit program for the early configuration aircraft, accept the second full-flight mission simulator and support the achievement of the Initial Operational Capability milestone for Navy (the first embarked aircraft at sea).

The key risks for this project over 2013-14 will be the timely resolution of the outstanding technical and supportability issues and the generation of the necessary flying rates to meet Navy and Army requirements.

This project is being managed as a Project of Concern.

New Air Combat Capability

Joint Strike Fighter Aircraft—AIR 6000 Phase 2A/B

Prime Contractor: Lockheed Martin is contracted to the United States Government for the development and production of the F-35 Joint Strike Fighter. Australia is procuring the aircraft through a government-to-government agreement.

This project will deliver 14 Conventional Take Off and Landing F-35 Joint Strike Fighter (JSF) aircraft and associated support systems.

During 2013-14, the production of Australia's first two F-35 JSF Aircraft will progress significantly down the production line.

The key risk for this project is the effective establishment of a reprogramming capability sufficient to support initial operations.

General Manager Land and Maritime

Air Warfare Destroyer

Air Warfare Destroyer Build—SEA 4000 Phase 3

Prime Contractor: The AWD Alliance.

The Air Warfare Destroyer (AWD) program is being delivered under an alliance-based contracting arrangement between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Government, represented by the DMO.

This project will deliver three Hobart class AWDs and their support system to the Navy, providing a significant increase in defence capabilities, from area air-defence and escort duties, right through to peacetime national tasking and diplomatic missions.

During 2013-14, this project will achieve a number of key milestones, including the completion of block consolidation and integration for Ship 01, Hobart, and the keel-laying for Ship 02, Brisbane. The AWD Alliance will continue to receive deliveries of combat system equipment for the future destroyers and blocks will continue to arrive in Adelaide for Ship 02 and Ship 03.

The key challenge for this project is to maintain an efficient, sustainable workforce that is successful in progressing the consolidation and integration of the AWDs, leading into through-life support activities for the destroyers and future initiatives to protect the naval shipbuilding industry capability ahead of the future submarine program.

Explosive Ordnance

Standard Missile-2 Conversion and Upgrade—SEA 4000 Phase 3.2

Prime Contractor: Raytheon Missile System, United States.

This project will convert and upgrade the ADF's inventory of Standard Missile-2 (SM-2) Block IIIA missiles to a vertical launch variant for use in the Hobart class AWD, with a proportion to be upgraded to the Block IIIB variant. This project will also upgrade the SM-2 Intermediate Level Maintenance Facility (ILMF), to enable recertification and maintenance of the SM-2 Block IIB capability.

During 2013-14, this project will deliver SM-2 Block IIB modification kits, ordnance handling equipment and a number of SM-2 missile upgrade parts. Missile canisters will also be delivered and the commencement of the ILMF upgrade will be initiated.

The key risks for this project are the release of 'ex-FFG' SM-2 missiles into the upgrade program (for the Air Warfare Destroyer) is constrained by FFG operational requirements and variations to Planned Withdrawal Date; and the late awarding of a contract by the US to Raytheon for the SM-2 Mk698 Test Set upgrade at the DMO's Intermediate Level Maintenance Facility could lead to schedule slippage.

Lightweight Torpedo Replacement—JP 2070 Phase 2

Prime Contractor: EuroTorp, Thales.

This project will deliver MU90 Anti-Submarine Lightweight Torpedoes, integrated with the Anzac and Adelaide class frigates. JP 2070 Phase 2 was removed from the Project of Concern list in December 2012 along with JP 2070 Phase 3.

During 2013-14, this project will complete transition activities sufficiently to close this project.

The key risk for this project is retaining sufficient staff to successfully complete transition activities and close this project.

Mulwala Redevelopment Project—JP 2086 Phase 1

Prime Contractor: Lend Lease.

This project will deliver a modernised propellant manufacturing facility at Mulwala, to replace the existing but now obsolete plant that dates back to the 1940s. The modernised facility will meet more stringent and contemporary environmental work, health and safety standards. The existing Commonwealth owned Mulwala Facility, which manufactures propellants for incorporation into ADF munitions, is operated by Thales Australia Limited.

During 2013-14, the design and construction contractor will continue the task of commissioning the modernised facility using trained operators from the Thales workforce. This commissioning process will include the manufacture and qualification of military grade propellants. Following acceptance by the Commonwealth in 2014, the modernised facility will be transitioned for operation.

The key risk for this project is the successful transition of propellant production from the existing facility to the modernised facility. This risk is being mitigated by this project obtaining appropriate technical expertise and engaging closely with key internal and external project stakeholders.

This project is being managed as a Project of Concern.

Bridging Air Combat Capability—AIR 5349 Phase 2

Prime Contractor: United States Government through Foreign Military Sales cases.

This project will introduce into service a number of new weapons and countermeasures under the Australian Super Hornet program. These weapons will significantly enhance the Air Force's ability to conduct air, land and maritime strike operations. This project is running concurrently with AIR 5349 Phase 1 to deliver the Bridging Air Combat Capability.

During 2013-14, the United States Navy (USN) will conduct further integration testing of the Joint Stand Off Weapon (JSOW) on Super Hornets. JSOW deliveries are planned for 2013-14. The United States Air Force (USAF) has re-scheduled the delivery of Advanced Medium Range Air to Air Missile for future years. This project continues to work with the USAF to manage the new schedule.

The key risk for this project is schedule. Both the USAF and USN are under budgetary pressure and have identified early indications of schedule slip in their domestic programs and production contracts.

Land Systems

Field Vehicles and Trailers - Overlander Program—LAND 121 Phase 3A/5A

Prime Contractor: Light/Lightweight Vehicle: Mercedes-Benz Australia-Pacific, Light/Lightweight Trailer: Haulmark Trailers Australia.

This project will deliver approximately 2150 G-Wagons, 540 modules and 1800 trailers to provide tactical mobility for ADF training.

During 2013-14, this project will continue to deliver vehicles and trailers to units, and further refine the through-life support system. Training for vehicle operators and maintainers will also continue. Materiel Release of the Surveillance and Reconnaissance variant will be achieved and Airworthiness Certification granted.

The key risk for this project is the possibility of limited schedule delay in one or two variants as capability and functionality acceptance are finalised.

Bushmaster Protected Mobility Vehicles—LAND 116 Phase 3

Prime Contractor: Thales Australia.

This project, referred to as Project Bushranger, will deliver approximately 1050 vehicles across its five Production Periods, in seven variants (troop, command, mortar, assault pioneer, direct fire weapon, ambulance and air defence). The vehicles will provide protected land mobility to Army combat units and Air Force Airfield Defence Guards. Delivery of 293 Production Period 3 (Project LAND 121) vehicles was completed in February 2012. Production of the Production Period 4 (101 attrition vehicles) will be completed in mid 2013.

During 2013-14, this project will continue to deliver up to 214 Production Period 5 vehicles, which commenced in April 2013 and to conclude in mid 2016.

Additional Lightweight Towed Howitzers— LAND 17 Phase 1C.1

Prime Contractor: The additional Howitzers are being procured through an existing Foreign Military Sales case with the United States Government.

This project will deliver 19 M777A2 Lightweight Towed Howitzers (approved Oct 12) and a Capability Assurance Program (not yet approved). The Capability Assurance Program will provide associated enabling systems for the 19 M777A2 Howitzers to constitute complete mission systems and an assurance program for the entire fleet of 54 Howitzers.

During 2013-14, this project will take delivery of the additional 19 Howitzers and progress the Capability Assurance Program for Government consideration.

Overlander – Medium/Heavy Capability, Field Vehicles, Modules and Trailers—LAND 121 Phase 3B

Prime Contractors: Medium/Heavy Vehicle Capability: Rheinmetall MAN Military Vehicles Australia, Medium/Heavy Trailer Capability: Haulmark Trailers Australia, Additional Bushmaster vehicles: Thales Australia.

This project will deliver approximately 2700 vehicles, 3500 modules (including flatracks) and 1700 trailers.

During 2013-14, this project will seek Second Pass approval. Subject to Government approval, this project will award contracts for the production, delivery and through-life support of the medium/heavy capability of vehicles, modules and trailers. Both sub-projects (vehicles/modules and trailers) will begin the design review process leading to production.

Digital Terminal Control System—LAND 17 Phase 1B

Prime Contractor: Rockwell Collins Australia.

This project will deliver approximately 150 digital terminal control systems. This capability allows artillery forward observers and joint terminal attack controllers to identify targets with greater accuracy through the use of precision targeting software. It also provides the means to digitally request fire support from land, sea or airborne weapon systems.

During 2013-14, this project will deliver the next tranche of digital terminal control systems which includes updated hardware, software and associated operator training. Systems engineering activities remain on-going to ensure compliance with the technical regulatory framework and achievement of platform integration requirements.

The key risk for this project is in delivering a digital terminal control system that meets the integration and interfacing requirements of the joint environment. This risk is being treated through the application of systems engineering methodologies and internal/external stakeholder engagement.

Artillery Replacement 155MM Howitzer—LAND 17 Phase 1A

Prime Contractor: Through several United States Government Foreign Military Sales cases.

This project will deliver approximately 35 M777A2 lightweight towed howitzers, a command and control battle management system based on the Advanced Field Artillery Tactical Data System software, and course correcting fuzes. This project has introduced into service the towed howitzers, and the final version of the battle management system.

During 2013-14, this project will progress integration activities and is on track to achieve Final Materiel Release. The acquisition of the course correcting fuze is dependant upon the capability achieving United States Government Materiel Release, which is anticipated to occur in late 2012-13.

The key risk for this project is achieving complete integration and interoperability within the ADF Joint Fires Digital Command and Control environment.

Maritime Systems

Amphibious Deployment and Sustainment—JP 2048 Phase 4A/B

Prime Contractor: BAE Systems Australia Defence.

This project is scheduled to deliver two Canberra class Landing Heavy Dock (LHD) vessels and associated LHD support system comprising configuration information training, spares, documentation, and test equipment.

During 2013-14, this project is expected to deliver ALHD01 (HMAS *Canberra*) to the Royal Australian Navy in early 2014 and the hull of ALHD02 is planned to arrive in Australia in early 2014.

The key risks for this project are associated with the complex system integration and the availability of appropriately qualified staff.

Anzac Ship Anti-Ship Missile Defence—SEA 1448 Phase 2B

Prime Contractor: CEA Technologies Proprietary Limited and the Anzac Ship Integrated Material, Support Program Alliance (comprising the DMO, Saab Technologies Australia and BAE Systems).

This project will deliver a phased array radar system to the Anzac class frigate for target indication/tracking, mid-course guidance and target illumination for the Evolved Sea Sparrow Missile, and a new dual navigation radar system to replace the existing navigation radar suite.

During 2013-14, this project will deliver the final stage 2 component of the ASMD program, consisting of a software upgrade to both the phased array radar and combat management system. This will deliver unequalled capability, making the ANZAC class frigate the most capable ship in its class. During 2013-14, both HMAS *Perth* and HMAS *Arunta* will be upgraded and delivered to Navy with the full ASMD capability.

The key risk for this project is that the final suite of weapon firings does not prove the weapon system's design capabilities and/or achieve sea acceptance.

Amphibious Watercraft Replacement—JP 2048 Phase 3

Prime Contractor: Navantia.

This project will acquire 12 new watercraft to operate with the two Canberra class Landing Helicopter Dock (LHD) ships. The watercraft (LHD Landing Craft) will provide an organic ship to shore connection in support of Defence's amphibious capability. The LHD Landing Craft will interface and operate with the LHD ships and enable transport of personnel and equipment between the LHD ships and the shore, including where there are no fixed port facilities or prepared landing facilities.

During 2013-14, this project will receive and accept the first batch of four LHD Landing Craft from Navantia and once in Australia will install the communication, navigation and weapon systems.

The key risk to this project is integration of communications systems.

SM-1 Missile Replacement—SEA 1390 Phase 4B

Prime Contractor: Through a United States Government Foreign Military Sales case and various commercial contracts - Lockheed Martin-United States, AAI Corporation, BAE Systems-United States and Thales Australia.

This project upgrades four Adelaide class frigates with the SM-2 Surface-to-Air Mid Course Guidance mode missile capability. It will also acquire the weapons, and provide missile technician training.

During 2013-14, this project will seek consideration for the granting of Operational Release from the Chief of Navy, finalise the Foreign Military Sales case and prepare for formal project closure.

The key risk for this project is not achieving Operational Release. This is considered low risk as Naval Operational Test and Evaluation has been completed.

Anzac Ship Anti-Ship Missile Defence—SEA 1448 Phase 2A

Prime Contractor: The contract management is under the formal Alliance Agreement: Anzac Ship Alliance (Commonwealth of Australia with Tenix and Saab). The current Alliance Agreement is being replaced by a new Anzac Ship Integrated Materiel Support Program Alliance. Defence is contracted with CEA Technologies for radar equipment design, development and production.

As part of the Anti-Ship Missile Defence (ASMD) Program, this project will provide the Anzac class frigates with an upgraded Combat Management System and introduce an Infrared Search and Track System to the platform.

During 2013-14, this project will continue with the ASMD Follow-On Ships upgrade work on HMAS *Arunta* and HMAS *Anzac*.

The key risk for this project, in conjunction with Phase 2B, is the overall substantiation of the weapon system's design capabilities and the achievement of sea acceptance.

General Manager Submarines

Future Submarines

Future Submarine – Acquisition—SEA 1000 Phase 1A

This project will deliver Australia's Future Submarine Capability.

During 2013-14, this project will prepare for Government consideration in 2014-15, the Future Submarine Top Level Requirement statement, selection of submarine builder and systems integrator, and selection of a reduced number of design concepts for further development and basing considerations.

The key risk for this project is the mobilisation of resources across Government, Industry and academia to undertake Australia's largest ever Defence program.

Acquisition Projects previously included in the Top 30 Projects - Current Status

Table 87 provides an update on the status of major projects reported in previous financial years. These projects were not ranked in the Top 30 projects by expenditure in 2013-14.

Table 87: Current Status of Previously Reported Top 30 Projects (Projects Reported in the Last Five Financial Years)

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m	Status Report
General Manager Joint Systems and Air						
Aerospace Systems						
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	93	17	Prototype aircraft testing is forecast for completion late 2013. The first modified aircraft and upgraded ground facilities (Software Support Facility; Operational Mission Simulator, and Part Task Trainers) are forecast to enter service early 2014. Fleet modification should commence in 2014. The project continues to be managed as a project of concern.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011-12	1,878	1,638	17	The Electronic Warfare Self Protection Suite upgrade phase of this project achieved Supplemental Type Certification and Service Release in November 2012. Final Operational Capability declaration is expected by mid 2013.
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	71	2	This project has successfully upgraded six AP-3C Orion aircraft and all associated ground systems and simulators. During 2013-14 the project will continue installation of the capability onto the AP-3C Orion fleet.
Bridging Air Combat Capability	AIR 5349 Phase 1	2012-13	3,274	2,726	20	During 2013-14, this project will continue to manage residual acquisition activities and commence project closure activities.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m	Status Report
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	2012-13	171	98	21	During 2013-14, this project will focus on contributing to the AIR 7000 Phase 2 acquisition business case for Second Pass Government approval. In partnership with the United States Navy, this project will also progress the first two planned upgrades for the baseline P-8A fleet.
C-17 Globemaster III	AIR 8000 Phase 3	2012-13	1,846	1,346	19	During 2013-14, this project will continue to deliver remaining C-17 sustainment requirements, including spares and the procurement of ancillary items such as training devices, role expansion equipment, ground support equipment and materiel handling equipment.
Additional C-17A Globemaster III	AIR 8000 Phase 4	2012-13	553	423	13	During 2013-14, this project will coordinate installation of the enhanced United States-common electronic self protection system on the two C-17 Globemaster III aircraft delivered under this project.
Airbourne Surveillance for Land Operations	JP 129 Phase 2	2012-13	93	63	9	During 2013-14, this project will continue to deliver the additional equipment required to meet the Australian configuration, incorporate the required Australian vehicle and radio modifications, declare Final Materiel Release and deliver six Attrition Air Vehicles.
Electronic Systems						
Ultra High Frequency Satellite Communications System	JP 2008 Phase 5A	2012-13	436	329	18	During 2013-14, this project will complete capability delivery and will be in the final testing stages.
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	257	211	17	All core Tactical Data Radio System and Combat Radio System equipment has been delivered. The final procurement of communications ancillaries, arising from final platform designs, testing and feedback from initial deployments, is nearing completion.

	Project number/ phase	**Last financial year reported in Top 30**	**Approved project expenditure**	**Estimated cumulative expenditure to 30 June 2013**	**Budget Estimate 2013-14**	**Status Report**
			$m	**$m**	**$m**	
High Frequency Modernisation	JP 2043 Phase 3A	2010-11	580	443	22	Negotiations for improved signals processing to the system is in progress. Contract signature is forecasted for 2013 for the project. The Information Technology refresh work across the Defence High Frequency Communications System and 10 kilowatt transmitters refresh has commenced and is expected to be complete in 2016.
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	2011-12	49	21	-	This project was cancelled following the 2012-13 Budget and project closure is underway.
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	105	82	10	This project will deliver Dismounted Battle Management Systems including a command post system to the ADF in cooperation with LAND 75 Phase 3.4 and JP 2072 Phase 1. Following declaration of Initial Operational Capability by the Chief of Army in April 2012, production of the remaining dismounted battle management systems has continued, with all systems to be manufactured by mid 2013. All project scope is planned to be delivered before the end of 2013-14.
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	103	68	8	Final version of Initial Common Support Infrastructure Preliminary Functional Performance Specification for JP 2089 Phase 3A was completed in late 2012. Anzac FFH Multi Link Upgrade Combat Management System Software upgrade development and Lead Ship Software installation expected to be completed in early 2013. Sea trials scheduled to commence mid 2013 with Initial Operational Release planned to be achieved in late 2013.
New Air Defence Command and Control Systems for Control Units 2 & 3	AIR 5333	2011-12	274	246	-	Project Vigilare has provided replacement Air Defence Command and Control Systems for the Northern and Eastern Regional Operations Centres. The Minister for Defence announced at the Avalon Airshow on 26 February 2013, that the Vigilare Command and Control System has achieved Final Operational Capability. Project closure is planned to be achieved in December 2013.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m	Status Report
New Air Combat Capability						
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	Project has been completed.
Helicopter Systems						
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2012-13	2,032	1,864	4	Remaining activity is the completion of closure documentation. Financial completion was gained in 2012, project transition agreed in March 2013 and closure certification is currently being progressed.
General Manager Land and Maritime						
Land Systems						
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	39	1	The M3 Carl Gustaf and its sight will complete full introduction into service by mid 2013. The acquisition strategy for the Light Weight Automatic Grenade Launcher component is under review. This project is being managed as a Project of Concern.
Counter Rocket, Artillery & Mortar	LAND 19 Phase 7A	2012-13	253	177	3	Delivery of the final system to Australia occurred in January 2013 some ten months ahead of the original schedule. The project will now conduct solicitation to obtain C-RAM sustainment contract costs.
Australian Protected Route Clearance Capability (APRCC)	JP 154 Phase 3A	2012-13	74	32	17	During 2013-14, this project will undertake final testing, platform design acceptance, statement of work and APRCC system simulation training and develop and integrate Army future communications and battle management system reporting information.
Upgrade of M-113 Armoured Vehicles	LAND 106	2012-13	885	791	..	This project has delivered 431 M113AS4 vehicles in seven variants, Applique Armour and Integrated Logistic Support. There are no further deliveries scheduled in 2013-14. Project closure has commenced.
Maritime Systems						
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,450	1,353	7	The Adelaide class frigates have achieved Navy Operational Release except for the Underwater Warfare System component. A Navy-directed solution to satisfy this requirement is being progressed.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m	Status Report
Explosive Ordnance						
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	299	271	5	This project was removed from the Project of Concern list in December 2012 along with JP 2070 Phase 2. During 2013-14, this project will complete transition activities sufficiently to close the project.
Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	317	284	10	United States Air Force and Lockheed Martin have resolved fuze issues that had been preventing Joint Air-to-Surface Standoff Missile acceptance. Final deliveries of missiles commenced early 2013 and are expected to be complete by mid 2013. Final Materiel Release is likely to be achieved by late 2013.
Evolved Sea Sparrow Missiles (ESSM)	SEA 1428 Phase 4	2009-10	88	84	..	Milestone Materiel Release 2 was completed and has been declared in accordance with the delivery schedule. Milestone Materiel Release 3 was completed in late 2012 and is the process of being declared. During 2013-14, Milestone Materiel Release 4 is the next ESSMs to be delivered and is scheduled to be complete early in 2014.
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	2008-09	235	206	..	Work on upgrading the Advanced Field Artillery Tactical Data System (AFATDS) is complete and integration with Bushmaster PMV-C is progressing. The way ahead with the remaining scope of AFATDS is under review by relevant stakeholders
General Manager Submarines						
Collins						
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	425	300	7	Replacement Heavyweight Torpedo System installations continue. However, as each installation is dependent on the Full Cycle Docking program, completion dates may vary according to changes in the submarine Integrated Master Schedule. The final installation will be in HMAS *Collins* during her full cycle docking.
Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008-09	411	337	14	Modifications to fire fighting halon distribution, sewage automation, diesels, and submerged signal ejector will continue during major maintenance periods. Construction of the diesel engine land based test facility is underway.

Top 10 Minor Capital Investment Projects by 2013-14 Forecast Expenditure

Table 88 lists the top 10 approved Minor Capital Investment Projects by forecast expenditure for 2013-14. The descriptions that follow provide details of the capability being acquired including delivery schedules, project risk and strategies employed by the project office to manage this risk.

Table 88: Top 10 Approved Minor Projects by 2013-14 Forecast Expenditure[1]

	Project number / phase	Approved project expenditure $m	Estimated cumulative expenditure to 30 June 2013 $m	Budget Estimate 2013-14 $m
Navy				
Digital Voice Recording Equipment	NMP1822	20	6	3
Army				
Enhanced Static Line Parachute Capability	AMP058.08	28	15	8
Enhanced Land Force Weapons Training Simulation System	AMP029.44	34	12	5
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	44	26	5
Chinook Passenger and Crew Seating	AMP015.36	8	2	4
Kiowa Pilot Seating	AMP015.58	7	2	3
Air Force				
Deployable Tactical Air Control and Navigation	AFM01006	6	..	3
Multi-Band, Multi-Mode Radio Capability	AFM00975	5	2	3
Tactical Communications Router	AFM00935	3	..	2
Aeronautical Information Services	AFM00930	16	13	2
Total - Top 10 Minor Projects		**171**	**79**	**38**

Note

1. The Top 10 Minor Projects are based on a review of expenditure plans for 2013-14 and the following years conducted in December 2012.

Table 89: Top 10 Minor Capital Investment Program by 2013-14 Forecast Expenditure

Serial		2013-14 Budget Estimate $m
A	Top 10 Projects Gross Plans	38
B	Other Approved Project Gross Plans	15
C	**Total Gross Plan Project Estimates (A+B)**	**53**
D	Management Margin: Slippage	-
E	**Payments Required from Defence for Approved Programs (C+D)**	**53**
F	Projects Planned for Government Consideration and Transfer to the DMO	90
	Total Estimated Funds Available (E+F)	**143**

Table 89 reflects the cash payment required from Defence to fund the current Approved Minor Capital Investment Programs. The Total Programs' Estimate for Minor Capital Projects (serial C) is referred to as the Program's 'Gross Plan' estimate and is based on project expenditure expected to occur during the year in accordance with project schedules. The Management Margin (serial D) reflects an estimate of possible overall program slippage that may occur during the year. This management margin is deducted from the Gross Plan estimate to calculate the estimated Payments Required from Defence for Approved Programs (serial E). An estimate for projects that are planned for Government consideration and transfer to the DMO during 2013-14 (serial F) is then added to obtain the Total Estimated Funds Available for the Minor Capital Investment Program.

The management margin is applied because of the inherent uncertainty in some minor programs which are complex and or have long lead times. Unknown project events will occur which will impact on funding requirements. These events include cost savings and changes to payment terms, variations to project schedules, and the withholding of planned payments due to contractor non-performance. The DMO estimates and applies a slippage model to determine the appropriate Management Margin and annual cash requirement for the program. In 2013-14 no slippage is anticipated.

Top 10 Minor Project Descriptions

Navy

Digital Voice Recording Equipment—NMP1822

Prime Contractor: SonarTech Atlas Proprietary Limited.

The project scope is to design and install 30 digital voice recording systems for maritime use in 27 ships and three training facilities. The system is to be capable of continuous recording of voice communications over ship internal communication circuits and external radio channels, and between the ships bridge and the operation room. The systems will capture critical operational, damage control and safety voice communication that is reproduced for analysis of critical event reconstruction.

During 2013-14, new recorders will be installed in the first-of-class ships. Pending successful completion of this task, the remaining recorders will be installed in the remainder of the fleet and the third (and final) training facility.

Army

Enhanced Static Line Parachute Capability—AMP058.08

Prime contractors: Static Line Parachute System - Airborne Systems North America under a Foreign Military Sales case, Dispatcher Parachute System - Air N Sea Safety Pty Ltd.

The Enhanced Static Line Parachute Capability has two components: the Static Line and the Dispatcher Parachute Systems.

This project will deliver capability for the ADF comprising a number of components, including steerable and non-steerable static line parachutes, reserve and dispatcher parachutes. A wide range of spares, support and test equipment, training and training materials will also be delivered to meet the ADF's in-service support and training needs.

During 2013-14, this project will complete all deliveries of the Static Line Parachute System.

Enhanced Land Force (ELF) Weapons Training Simulation System (WTSS)—AMP029.44

Prime Contractor: Meggitt Training Systems Australia.

This project will deliver five additional Weapons Training Simulation Systems in support of the Enhanced Land Force at Edinburgh in South Australia; Townsville and Enoggera in Queensland; Singleton and Kapooka in New South Wales. The initial capability which comprises of the supply and installation of simulated weapons currently in-service. The final capability comprises the introduction into service of new simulated weapon types, ammunition natures and training scenarios not currently in-service.

The final site under the initial capability contract at Enoggera in Queensland is scheduled for completion in late 2013. A contract for the final capability is scheduled for signature in late 2013, with deliveries expected to commence in mid 2014.

Australian Light Armoured Vehicle Crew Procedural Trainers—AMP002.12

Prime Contractor: Thales Australia Limited.

This project will deliver nine Australian Light Armoured Vehicle Crew Procedural Trainers (CPTs) to supplement the existing nine CPTs that were introduced into service in 2006. Facilities are being upgraded to accommodate the new CPTs.

During 2013-14, the project will deliver the final two CPTs to Army, transition the capability to the Sustainment Fleet, and commence Project Closure.

Chinook Passenger and Crew Seating—AMP015.36

Prime Contractor: Dynamic Control International, Detroit United States.

This project delivers new passenger and crew seats to CH-47D Chinook helicopters to enhance crash protection. The solution encompasses contemporary seats, a new floor, improved cargo system and under floor ballistic protection. The project is currently undergoing design acceptance and manufacture of the initial two prototype modification kits. Depending upon the success of this minor project and the standard United States Army CH-47F configuration, this design solution may also be a candidate for integration into the seven new CH-47F being procured under AIR 9000 Phase 5C.

During 2013-14, the project will modify two CH-47D Chinooks with the contemporary seating solution.

Kiowa Pilot Seating—AMP015.58

Prime Contractor: Sikorsky Aircraft Australia Limited (Sikorsky Helitech).

This project will integrate a commercial off the shelf pilot seat installation from Accessories Incorporated, into 29 Kiowa helicopters. The project was initiated primarily to help overcome pilot sitting height restrictions but will also incorporate features designed to enhance the level of crash protection offered to the crew.

During 2013-14, the project will progress to Service Release of the modification and commence fleet installation.

Air Force

Deployable Tactical Air Control and Navigation—AFM01006

Prime Contractor: Not in contract.

This project will deliver a number of Deployable Tactical Air Control and Navigation (TACAN) systems, spares, support and test equipment, publications and training to replace Air Force's current fleet of portable Deployable TACAN systems.

During 2013-14, the DMO will undertake solicitation activities to select a preferred supplier of the Deployable TACAN systems and associated support requirements.

Multi-Band, Multi-Mode Radio Capability—AFM00975

Prime Contractor: Not in contract.

This project is to expand the Royal Australian Air Force's tactical satellite communication capability to meet the increased communication needs of current and future platforms. This project will deliver 39 AN/PRC-117F (C) TACSAT Radios, 31 Single Radio Integrated Base-station Systems (SRIBS) and the associated support system. Currently the project has delivered 39 AN/PRC-117F (C) TACSAT Radios, with the remaining 31 SRIBS in the verification and testing stage of the design phase.

During 2013-14, this project is expected to deliver the completed SRIBS and the associated support system.

Tactical Communications Router—AFM00935

Prime Contractor: Indra Australia Pty Ltd.

This project will deliver a Tactical Air Traffic Control Communications Switch capability for Air Force.

During 2013-14, the project will deliver six Tactical Communications Router systems and associated support.

Aeronautical Information Services (AIS)—AFM00930

Prime Contractor: Ingegneria Dei Sistemi Australasia.

This project will be upgrading the Air Force's Aeronautical Information Production System with new software and hardware to provide an authoritative database. This will allow multiple graphical, textual and digital data products to be generated by the Aeronautical Information Services of Air Force.

Final deliverables are scheduled to occur by the end of 2013 and the project is planned to close during 2014.

Program 1.2: Management of Capability Sustainment

Program 1.2 Objective

Defence capabilities will be sustained to meet operational requirements as identified in the specific Materiel Sustainment Agreement (MSA).

Sustainment involves the provision of in-service support for specialist military equipment, including platforms, fleets and systems operated by Defence. Typical services include repair and maintenance, engineering, supply, configuration management and disposal action. It includes the maintenance of equipment and purchasing of inventory, such as explosive ordnance, fuel, stores and spare parts.

Program 1.2 Expenses

The cost of Program 1.2 provides for estimated expenditure on maintenance and inventory purchases and the DMO's costs in delivering sustainment services, including support to ADF Operations.

Planned resource use for Program 1.2 is $5,639.5m in 2013-14 which represents approximately 58 per cent of the DMO's total expenses.

The planned resource use for Program 1.2 includes:

- the cost of contracted sustainment services to Defence of $4,665.6m
- support for current ADF operations of $296.8m
- direct appropriation of $528.8m relating to Sustainment Workforce and Operating Expenses
- Net Operating Costs of $124.8m in support of new capabilities expected to enter service
- resources received free of charge from Defence of $23.6m.

Table 90: Cost Summary for Program 1.2 Management of Capability Sustainment

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	4,520,706	5,087,180	5,558,232	5,866,637	6,095,670
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	551,271	528,778	545,758	569,182	590,590
Expenses not requiring appropriation in the Budget year[1]	22,996	23,571	24,160	24,764	25,383
Total program expenses	**5,094,973**	**5,639,529**	**6,128,150**	**6,460,583**	**6,711,643**

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.2 Deliverables

Key deliverables are specified under each MSA, and the top 30 sustainment products are discussed under the product headings in the following text. There are currently eight MSAs incorporating 113 product schedules.

Program 1.2 Key Performance Indicators

The indicators vary with each sustainment product and are specified in the MSAs.

Top 30 Sustainment Products by 2013-14 Forecast Expenditure

Table 91: Top 30 Sustainment Products by End of Financial Year Outcome 2013-14

	2013-14 Budget Estimate $m
General Manager Joint, Systems & Air	
Aerospace Systems	
Airborne Early Warning & Control	163
F/A-18A Hornet Weapons System	158
F/A-18F Block II Super Hornet Weapons System	123
P-3C/AP-3C Orion Weapons System	110
C-130J-30 Weapons System	95
Lead-in Fighter Hawk 127 Weapons System	78
KC-30A Weapon System	59
C-17 Heavy Air Lift Weapons System	58
Special Purpose Aircraft Weapon System	47
PC-9/A Weapon System	38
Electronic Systems	
Wide Area Surveillance Capability	99
Command and Intelligence Systems	45
Air Traffic Control Capability	42
Naval and Shore Communication Systems	40
Battlespace Communication Systems	38
Helicopter Systems	
Multi Role Helicopter - MRH90	121
Armed Reconnaissance Helicopter Weapons System	104
S70A-9 Black Hawk Weapons System	77
S70B-2 Seahawk Weapons System	65
General Manager Land & Maritime	
Explosive Ordnance	
Explosive Ordnance - Navy, Army, Air Force	370
Land Systems	
ADF Clothing	70
General Service B Vehicle Fleet	67
Australian Defence Organisation Commercial Vehicles Fleet	51
Health Systems	40
Maritime Systems	
Fuels & Lubricants - Air Force, Army & Navy	507
Anzac Class Frigate	224
Adelaide Class Frigate	89
Mine Hunter Coastal	81
Armidale Class Patrol Boat	40
General Manager Submarines	
Collins Submarine Management Program	
Collins Class Submarines	574
Total - Top 30 Products	**3,672**
Other Approved Sustainment Product Estimates	994
Total Sustainment Product Funds Available	**4,665**
Support to Operations	297
Total Sustainment and Operations Funding	**4,962**

Top 30 Sustainment Product Descriptions

General Manager Joint, Systems & Air

Aerospace Systems

Aerospace Systems Division provides through-life support to a range of fixed wing aircraft types including the F/A-18A/B Hornet and F/A-18F Super Hornet, E-7A Wedgetail (Airborne Early Warning and Control), AP-3C Orion, C-17A Globemaster III, KC-30A (Multi-Role Tanker/Transport), C-130 Hercules and PC9. Aerospace Systems Division also provides through-life support to a number of advanced flight simulators and ground support equipment fleets.

During 2013-14, major challenges for sustainment include:

- implementing efficiency initiatives aligned with strategic reform for maintenance and engine support to a range of aerospace weapons systems, including the introduction of performance based contracts for new and existing aircraft fleets
- managing F/A-18 A/B Hornet ageing aircraft issues in order to maintain the capability to around 2020
- supporting operationally deployed weapon systems such as the C-17A and C-130J aircraft, and the Heron Unmanned Aerial System
- maturing the in-service support arrangements for the newly acquired KC-30A and AEW&C aircraft fleets
- contributing to the development of acquisition and sustainment strategies for future aerospace projects including Maritime Patrol and Response capabilities, replacement Battle Field Airlifter and Pilot Training Systems
- rationalising Ground Support Equipment fleets, and introducing the new Aircraft Cargo Loader capability into service.

Aerospace Systems Products

Airborne Early Warning and Control System

The E-7A Wedgetail achieved Initial Operational Capability in November 2012, with the acceptance of all project deliverables including the six aircraft, associated simulators and software laboratories. Work continues to mature the supply chain for repairable items to meet an increasing flying rate of effort and more deployments away from the home base.

During 2013-14, the focus will be on novating the prime In-Service Support Contract from Boeing Defence Systems to Boeing Defence Australia, which will provide efficiencies through a greater involvement of Australian industry. In addition, follow on contracts will be developed to provide sustainment support beyond January 2015.

F/A-18 Hornet Weapon System

Seventy-one F/A-18 Classic Hornet aircraft and associated training systems are supported by a range of commercial contracts and in-house RAAF workshops. The major challenge in supporting the Classic Hornet is the increased maintenance requirements of an ageing aircraft fleet.

During 2013-14, the focus will be to continue to work closely with Air Force and industry partners to remediate ageing aircraft issues, thereby increasing aircraft serviceability levels. Additionally, focus will centre on bedding-in the Classic Hornet Deeper Maintenance contract; a new contract signed in

February 2013 which will merge all Classic Hornet deeper maintenance events in one contractor venue incorporating a combined contractor and military workforce. Establishing a new Classic Hornet Hydraulics and Undercarriage Support contract in early 2014 is also a priority. The Classic Hornet Structural Refurbishment Program will be completed in mid 2014.

F/A-18F Block II Super Hornet Weapons System

Twenty-four F/A-18F Block II Super Hornet aircraft were progressively introduced into service over the period March 2010 to October 2011. Full Operational Capability was achieved in December 2012.

Acquisition spares and support equipment continue to be delivered. Sufficient sustainment support presently exists to allow the required flying and deployment program to be supported throughout 2013.

The focus for 2013-14 will be to further mature three sustainment Foreign Military Sales cases and four commercial support contracts.

P-3C/AP-3C Orion Weapons System

The P-3 fleet consists of 18 Orion aircraft and a range of ground based systems. The P-3 remains heavily tasked on operation in northern Australia. The P-3 Accord (DMO, BAE Systems Australia and Australian Aerospace) provides in-service modification and deeper maintenance support. Other major contractors, including Raytheon, CAE Australia, and Qantas Defence Systems, provide in-service support. The majority of the fleet continues to be maintained under the more resource intensive ' safety-by-inspection' program, comprising of additional targeted structural inspections, repairs and/or structural element replacements.

During 2013-14, the focus will be on the continuation of the aircraft repaint program. Work will also continue on the second 'safety-by-inspection' (16,000 hours) servicing program, supportability and obsolescence treatments for aging avionics systems, and implementation of strategic reform activities. Re-contracting of the T-56 engine is scheduled to commence in 2013.

C130J-30 Weapon System

The C-130J fleet consists of 12 aircraft and one Level 5 simulator. The C-130J is supported by two prime performance based contracts. Australian Aerospace provides deeper maintenance, logistics and engineering support, and Standard Aero provides propulsion system support.

During 2013-14, support effort will focus on implementing revised product support arrangements for the C-130J spares previously managed under C-130H arrangements; establishment of a new performance based contract to reduce the cost of propulsion system support; and implementing aircraft maintenance efficiencies within the C-130J Through-Life Support contract and operational squadron to increase aircraft availability. Capability upgrades planned include the improvement in C-130J self-protection capability through project AIR 5416, and the trial installation of the Block 7.0 upgrade under Project AIR 5440 - to improve operating efficiencies and enhance navigation precision in line with emergent global air traffic management standards.

Lead-In Fighter Hawk 127 Weapon System

The Lead-in Fighter fleet consists of 33 Hawk 127 aircraft and associated ground and support systems. BAE Systems provides total logistics support for the Hawk 127 fleet.

During 2013-14, the focus will be on phasing in the new total logistic support contract to support the Lead-in Fighter capability and the closure of the original contract which expires on 30 June 2013.

Other major activities include the progression of the fleet corrosion control and re-paint program as well as the on-going remediation of the engine fleet following low pressure turbine blade failures experienced by other Hawk owners during 2011.

KC-30A Weapon System

The KC-30A fleet consists of five aircraft and a flight simulator. Four of the aircraft are in Air Force operation, while the prototype aircraft remains with Airbus Military in Spain to complete acquisition project activities. Primary through-life support is provided under a sustainment contract with Qantas, and a training contract with CAE.

During 2013-14, the focus will be on continuing to transition the KC-30A into full operational service as the acquisition project office progressively delivers remaining capability requirements, and maturing support arrangements.

C-17 Heavy Air Lift Weapons System

The Australian C-17 fleet comprises six aircraft, an aircrew training simulator and other training devices. Primary support is through Foreign Military Sales arrangements with the United States Air Force, which provide comprehensive engineering, maintenance and global supply support to the United States and all international operators of the C-17. Under these arrangements, Australia also accesses a United States Air Force contract to deliver C-17 maintenance and aircrew training at RAAF Base Amberley.

During 2013-14, the focus will be on accepting and integrating a new Cargo Compartment trainer to be delivered in early 2014 into the C-17 training system, and engaging with the United States Air Force in its ongoing reform of the C-17 global support arrangements.

Special Purpose Aircraft Weapon System

The Special Purpose Aircraft Weapon System consists of two Boeing Business Jets and three Challenger 604 aircraft. The leased aircraft are managed under a total contractor support arrangement with Qantas, with these arrangements due to expire from mid to late 2014.

During 2013-14, the focus will be on planning for and executing follow-on arrangements to ensure continued provision of the Special Purpose Aircraft capability.

PC-9/A Weapon System

The PC-9/A weapon system comprises 63 aircraft and is used by Air Force for training pilots and flying instructors, display flying, forward air control development training, and pilot continuation flying.

The PC9/A weapon system has been in service for over 25 years and is experiencing increasing ageing aircraft issues such as fatigue and corrosion. The near-term DMO focus is on platform availability and reliability to support the ADF pilot training requirements.

During 2013-14, the DMO will continue to support maintenance of the PC/9A fleet in support of the Air Force operational program. The DMO will also finalise a technical and supportability study into the Ageing aircraft issues to support the capability achieving the planned withdrawal date.

Electronic Systems

The sustainment of electronic systems is executed via 19 System Program and System Support Offices (SPO) based on Materiel Sustainment Agreements with six Capability Managers. These offices cover command and control systems, communications, satellites and tactical interoperability, airspace surveillance and control systems and electronic warfare systems. The logistics Information Systems Branch transferred to the Chief Information Officer Group in February 2013.

Key challenges in 2013-14 include delivery of required sustainment outcomes with growth in demand and increasing obsolescence. Some 164 reform initiatives have been identified to achieve performance requirements within budget.

Key sustainment activities scheduled for 2013-14 include:

- analysing, planning and executing a major fleet transition phase as the second tranche of JP 2072 (future Combat Net Radio) equipment is delivered and rolled out
- managing sustainment of all ADF Large Aircraft Infrared Countermeasures Systems, covering multiple current and future airborne programs
- sustaining the Joint Counter Improvised Explosive Device capability
- remediation of air traffic control and air defence support arrangements in preparation for possible life of type extensions and to achieve reform
- treatment of obsolescence issues at the Woomera Test Facility
- development of support concepts for narrowband satellite communications and project
- identifying further efficiencies and remediation of obsolescence issues effecting tactical satellite terminal equipment.

Electronic Systems Products

Wide Area Surveillance

The Wide Area Surveillance Capability consists of three Over-The-Horizon-Radars based in Longreach in Queensland, Laverton in Western Australia and Alice Springs in Northern Territory and is known as the Jindalee Operational Radar Network. The radars are maintained by Lockheed Martin Australia and BAE Systems. The capability is remotely operated by Air Force from an operations centre at RAAF Base Edinburgh in South Australia.

During 2013-14, sustainment effort will be focused on implementing the Jindalee Operational Radar Network Priority Industry Capability Support Program. The program funds retention of specialised engineering skills and will provide minor capability enhancements, remediation of urgent obsolescence issues, support system improvements, and risk reduction for a future major acquisition.

Command and Intelligence Systems

This product schedule addresses the sustainment of a suite of both hardware and software products that are used to support Defence's specialised command and control environment. This includes numerous modular Deployable Local Area Networks, command, control and intelligence products, and collaborative tools (including a large list of commercial off the shelf software and military special software) along with the associated Deployable Standard Operating Environment upon which many of the applications function.

During 2013-14, the focus will be to:

- continue to provide support for those systems that are deployed on operations including any actions required to support the transition and remediation of these systems as the ADF progressively withdraws from any operations
- complete the design of the next generation of the Deployable Local Area Networks along with its supporting Deployable Standard Operating Environment
- commence the sustainment support for a range of Deployable Network Equipment being acquired by CIOG's Strategic Communications Modernisation Program – Land
- continue to provide subject matter advice on next generation of Deployable Local Area Networks and Deployable Standard Operating Environment to emerging and current projects with a deployable component.

Air Traffic Control Capability

The Air Traffic Management capability consists of fixed and deployable radars, navigation aids, display and data processing systems, communications systems and related training aids at Defence sites throughout Australia, for the provision of Defence Air Traffic Management Services.

During 2013-14, the focus will be on continuing to deliver required sustainment outcomes and meeting strategic reform targets balanced against mitigating ageing system obsolescence.

Naval and Shore Communication Systems

This product provides sustainment services for the Defence High Frequency and Very Low Frequency communications systems, the modernised maritime communication systems and Ship/Shore communications. All performance measures have been met or exceeded.

During 2013-14, principle activities include: continued delivery of contracted support for the aforementioned operational systems, change out of Antenna guy wires for the Very Low Frequency system, remediation of workshop equipment and hazardous chemical products across the products suite, baseline software upgrades for the maritime communications system on multiple platforms, initiation of a progressive replacement program for the Navy's Global Maritime Distress and Safety at Sea System Radios, and replacement of obsolete components in some of the Navy's communication switching equipment.

Support arrangements for the High Frequency communications system will be reviewed for implementation of identified cost efficiencies and the provision of Satellite Television at Sea sustainment services will be extended.

Battlespace Communications Systems

This capability consists of two primary fleets of communications equipment. The Combat Net Radio Fleet is a range of man-portable and vehicle mounted radios for use by ground forces on the battlefield. The Battlefield Telecommunications Network Fleet is a satellite and trunking system that provides a voice and data capability to a deployed Brigade. These fleets are maintained via sustainment contracts with Thales Australia, Saab Australia and BAE Systems Australia.

Joint Project 2072 is a major project that is replacing the current generation of Battlespace Communications Systems via a series of project phases.

During 2013-14, the key focus will be on planning and executing the transition of the first phase of the Joint Project 2072 generation of communications equipment from acquisition to sustainment. A major aspect of this transition will be the establishment of mature maintenance and support contracts with Harris Corporation and Raytheon Australia.

Concurrently there will be a focus on identifying elements of the current fleet that can be retired from service. Planning for the timely withdrawal of current fleets, as the new radios are introduced into service, is critical to minimising longer term sustainment costs.

Helicopter Systems

Helicopter Systems Division provides through-life support to seven rotary wing weapons systems through SPO based at Nowra for Navy Aviation, and Brisbane and Oakey for Army Aviation. These SPOs provide fleet-wide engineering, repair parts, contract management for deeper level maintenance and replacement of ageing and obsolescent aircraft equipment for Army's and Navy's helicopters. In addition, a combined project and sustainment team to manage the through-life support of Army's tactical level unmanned aerial systems has been established within the Division in Brisbane.

The high priority sustainment tasks remain the support of operational deployments, including the embarked Seahawks in ships serving in the Middle East, and Chinooks and Shadow in Afghanistan.

During 2013-14, the major sustainment objectives include:

- providing ongoing support to operationally deployed helicopters and unmanned aerial systems
- providing cost conscious support of Seahawk and Black Hawk helicopters for training and operations while managing increasing levels of obsolescence and impending replacement by new aircraft
- maturing the support arrangements for the Tiger and MRH90 helicopters as they are delivered
- reducing the Seahawk 'Classic' support arrangements commensurate with the introduction of the Seahawk 'Romeo' capability
- planning the disposal of the Seahawk, Black Hawk and CH-47D Chinook fleets.

Under the Smart Sustainment initiative, management and support of all helicopter fleets will be reviewed to ensure that the appropriate level of aircraft availability is achieved and that this is done in the most cost effective manner possible, in order to achieve strategic reform cost reduction targets.

Helicopter Systems Products

Multi Role Helicopter

During 2013-14, the MRH90 fleet will expand to 27 aircraft (out of the 47 aircraft to be acquired in total, noting this number now includes an additional aircraft provided as an outcome of negotiations in 2012-13 to be used as a live maintenance training aid). In-service support is provided under contract by Australian Aerospace. The MRH90 fleet is operated across four locations: 5th Aviation Regiment in Townsville, Queensland; the Army Aviation Training Centre in Oakey, Queensland; 808 Squadron in Nowra, New South Wales; and a retrofit program running with Australian Aerospace in Brisbane, Queensland.

The prime focus will be on implementing the improved contract performance provisions negotiated in 2012-13 that will support an increase in MRH90 rate of effort and availability.

Armed Reconnaissance Helicopter Weapons System

All 22 Tiger armed reconnaissance helicopters are now in-service in the final mature configuration. In-service support is provided under contract by Australian Aerospace.

During 2013-14, the main focus will be improving support performance. The Tiger fleet has flown in excess of 12,000 hours and Defence continues to work closely with Australian Aerospace to improve Tiger rate of effort and aircraft serviceability.

S-70A-9 Black Hawk Weapons System

Army's fleet of 34 Black Hawk helicopters continues to support airmobile and special operations capabilities. In-service sustainment is provided through support and maintenance contracts with BAE Systems Australia, Sikorsky Helitech, Asia Pacific Aerospace and CAE.

During 2013-14, the main focus will be on the sustainment activities required to ensure that Black Hawk can maintain the required operational availability until replaced by the MRH90.

S-70B-2 Seahawk Weapons System

The fleet of 16 Seahawk 'Classic' helicopters contributes to Navy's anti-surface and anti-submarine warfare capabilities. The Seahawk is supported through a combination of maintenance contracts primarily with BAE Systems Australia and Asia Pacific Aerospace, Navy in-unit maintenance, and support from the helicopter manufacturer Sikorsky.

The Seahawk is an aging aircraft with a number of mission system related obsolescence issues under careful management. It will begin to be replaced by the new Seahawk 'Romeo' helicopters from 2014.

During 2013-14, the focus will be on careful management of the principal Seahawk 'Classic' sustainment risks to maintain a viable embarked helicopter capability during the progressive introduction of the new Seahawk 'Romeo' capability.

General Manager Land and Maritime

Explosive Ordnance

Explosive Ordnance Division is responsible for the sustainment of all complex guided weapons and non-guided munitions for the ADF. The Division operates major missile and torpedo maintenance facilities on the east and west coast of Australia for the conduct of in-house support for guided weapons. The Division also manages the national inventory of munitions and is the contract authority for domestic munitions manufacturing under the strategic agreement for munitions supply.

Key objectives for sustainment in 2013-14 include:

- pursuing new commercial arrangements for the supply of munitions to the ADF, including production at the Benalla and Mulwala facilities
- continued focus to deliver sustainable savings in munitions procurement and management and guided weapon support as part of strategic reform
- migration of all General Stores Inventory and Repairable Items from the Explosive Ordnance inventory system, Computer System Armament to Military Integrated Logistics Information System
- remediation of current missile maintenance facilities and improvements to test set support arrangements and spares holdings
- further development of inventory performance reporting capabilities within the Division and improved Key Performance Indicators for incorporation into our Materiel Sustainment Agreement (MSA) with the Navy, Army and Air Force
- commencement of transition-out planning with Thales in anticipation of the expiry of the Strategic Agreement for Munitions Supply in 2015.

Explosive Ordnance Products

Explosive Ordnance - Navy, Army & Air Force

Sustainment of munitions includes all activities required to ensure munitions are available to meet specified ADF requirements, such as inventory management, introduction of munitions into service, management of domestic manufacturing capability, importation, management of munitions lifing and disposal of munitions.

During 2013-14 Munitions focus will be on:

- pursuing new commercial arrangements for the supply of munitions to the ADF, including production at the Benalla and Mulwala facilities,
- continuing to deliver sustainable savings and strategic reform in munitions procurement,
- further developing inventory performance and associated reporting capabilities, and
- progressing the Defence Munitions Manufacturing Arrangements project to replace the Strategic Agreements for Munitions Supply and Mulwala Agreements.

During 2013-14, sustainment issues affecting Guided Weapons will be addressed with a focus on remediation planning, including inventory management, spares holdings and in-house maintenance practices. Reforms to engineering certification processes will continue to be managed in a very tight workforce environment to deliver greater availability of weapons and further savings in support of the Defence Strategic Reform program.

Land Systems

Land Systems Division is responsible for the sustainment of the following land materiel, managed in conjunction with Army and Joint Health Command as the lead capability managers:

- armoured fighting, combat support and field vehicles
- engineer, surveillance and simulation systems
- small arms to missile weapon systems
- medical, and dental equipment, health systems and combat rations
- ADF clothing and personal combat equipment.

During 2013-14, the key sustainment objectives will be to:

- meet the support requirements of forces on operations
- deliver the agreed level of support to the ADF within budget
- undertake comprehensive equipment fleet performance reviews with Defence Capability Managers
- review training and professionalisation of sustainment staff to optimise skills and enhance staff agility to better manage scarce resources
- modernise sustainment of vehicle fleets by introducing Vehicle Health and Usage Monitoring Systems into selected land vehicle fleets to better manage maintenance and fleet rotation and achieve significant sustainment savings.

Land Systems Products

ADF Clothing

ADF Clothing comprises of approximately 18,500 line items of personal clothing, footwear and other items manufactured by the textile, clothing and footwear industry.

During 2013-14, the key activities include:

- commencing the three year roll out of the new parade boot for the Army and five year roll out of a new general purpose jacket for the Army and Air Force
- establishing Standing Offer Deeds or panel arrangements for the procurement of: Service Dress caps (mid 2013), combat and cold weather combat boots (late 2013), cadet boots (early 2014), Navy boots (early 2014), wet and foul weather garments (early 2014) and embroidered insignia (mid 2014)
- conducting ongoing procurement to meet the ADF's clothing and footwear requirements for operations as well as for raise, train and sustainment activities
- continuing to work closely with all Defence Capability Managers to identify opportunities for savings through standardisation, re-tendering and a joint review of entitlements at point of entry establishments.

General Service B Vehicle Fleet

The General Service B Vehicle Fleet comprises a broad range of light and medium/heavy wheeled vehicles used by the ADF. These include both protected (up-armoured) and unprotected variants, used in Australia and on operations overseas. The fleet is currently undergoing a reduction program with approximately 2,000 vehicles to be removed from service by the end of 2012-13.

During 2013-14, the focus remains on supporting vehicles on deployed operations and ensuring required capability levels are maintained. Further decommissioning of the Land Rover fleet will occur this year, as more of the new Mercedes Benz G Wagons are introduced into service. Revised support strategies are also being developed to sustain the Mercedes-Benz Unimog and Mack R Series trucks into the future.

Australian Defence Organisation Commercial Vehicles Fleet

The Australian Defence Organisation (ADO) commercial vehicle fleet comprises approximately 5,600 Defence-owned vehicles and trailers. The fleet ranges from passenger sedans through to heavy rigid trucks and touring coaches. An additional 30 road-train systems are leased under the program. During 2012-13, 330 passenger and light-medium commercial vehicles were replaced. The lower than average replacement volume was due to implementation of a Chief of Army directed fleet rationalisation program.

During 2013-14, the focus will be on completing vehicle replacements deferred from 2012-13 and further rationalisation of the ADO commercial vehicle fleet.

Health Systems

The Health Systems fleet comprises of pharmaceutical, medical and dental consumables, and medical and dental equipment that are generally commercial off the shelf products.

In 2013-14, the focus will be on:

- the life of type procurement of Aero Medical Evacuation Equipment for the C17 aircraft fleet
- the establishment of a Prime Vendor Standing Offer for the provision of medical and dental consumables to the Australian Defence Force
- the conduct of ongoing procurement to meet the ADF health requirements for operations as well as for raise, train and sustain activities
- the continued identification, in conjunction with all Services and Groups, of opportunities for savings through standardisation of items, strategic sourcing initiatives and review of entitlements.

Maritime Systems

The Maritime Systems sustainment concept is to support maritime capability through cost effective materiel design, maintenance engineering and logistic support to platforms, equipment and systems. The provision of these sustainment services is under a structure of SPOs that are collocated regionally with the Navy Forces and Groups by ship class, and that manage the delivery of services through a variety of outsourced commercial contracts.

During 2013-14, the key objectives for sustainment include:

- implementation of the Rizzo Review recommendations and embedding the policy, procedural and cultural changes needed for reform
- continued implementation of the Smart Sustainment strategic reform through initiatives such as amended in-service support arrangements to improve efficiency of the Mine Hunter Coastal ships, and the Strategic Sourcing Initiative in the Navy Inventory Procurement Office
- amending in-service support arrangements to improve materiel support to the Armidale Class patrol boats
- improvement of the configuration management and maintenance baseline of major surface ships
- tendering for the Guided Missile Frigate (FFG) class Group Maintenance Contract
- establishing appropriate support and operational arrangements for the Captain Cook Graving Dock
- ongoing support to HMAS *Choules*, ongoing support for the Interim Maritime Humanitarian Aid and Disaster Relief vessel – *Ocean Shield*, and preparations for the in-service sustainment of the Landing Helicopter Dock (LHD) and Air Warfare Destroyer (AWD) ships.

Maritime Systems Products

Fuels & Lubricants – Navy, Army & Air Force

Petrol, oil and lubricant products are procured under long term contracts and provided to Defence operational and support elements and visiting foreign forces. The Fuels Technical Regulatory and Quality Control Framework is maintained for the conduct of Services' operations along with technical data integrity.

During 2013-14, the focus will be assisting the Services and Defence Support and Reform Group with the materiel remediation of all Defence Bulk Fuel Installations; support to Talisman Sabre and the Navy International Fleet Review; the Hazardous Chemicals Remediation Program, and the development of a new Defence Fuel Card System.

Anzac Class Frigate

During 2013-14, planned outcomes are the provision of ongoing sustainment of materiel capability to meet Navy's operational requirements; the continued implementation of the Anzac class Group Maintenance Contract; continued Inventory Management reforms and the continuation of Anti-Ship Missile Defence refit work on the designated ships under Project SEA 1448 Phases 2A and 2B.

Adelaide Class Frigate

The support objective is to maintain the materiel capability of the Adelaide class frigates through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.

During 2013-14, planned outcomes are to provide ongoing sustainment of materiel capability to meet Navy's operational requirements; undertake and complete scheduled ship maintenance activities for the frigates across the financial year; release and evaluate the tender for the Guided Missile Frigate (FFG) class Group Maintenance Contract and preparations for the disposal of the first of the remaining FFG ships.

Mine Hunter Coastal

The support objective is to maintain the materiel capability of the Huon Class Mine Hunter Coastal vessels and associated training equipment through the provision of materiel support and ongoing maintenance of the in-service ships.

During 2013-14, the focus will be to complete scheduled ship maintenance activities for the operational ships throughout the financial year, and continued action to complete the detailed design for the upgrade of the ships' fire fighting and combat systems.

Armidale Class Patrol Boat

This product is to provide the agreed support services required for the sustainment of 14 Armidale Class Patrol Boats.

During 2013-14, the focus will be on improving delivery of materiel support and ongoing maintenance of the vessels through in-service support arrangements.

General Manager Submarines

Collins Submarines Program

Collins Class Submarine

The objective of the Collins Program is to sustain the Collins class Submarine (CCSM) materiel capability (including the associated escape and rescue capability), minimise the logistic costs of ownership, and provide sustainable and cost effective design, engineering and logistics support for platform systems and combat systems, through agreements with industry partners including ASC Pty Ltd (ASC), Raytheon Australia, Thales, BAE Systems and other providers.

A new performance based In-Service Support Contract (ISSC) with ASC became operational on 1 July 2012. Recommendations from the Coles Study, which was delivered in late 2012, re-emphasise the importance of ongoing ISSC transition activities during 2013-14 and associated Collins reform work currently underway with Navy's Rizzo and associated continuous improvement programs. A Transformation Office has been established to drive implementation of the Coles recommendations including significant changes to the Collins usage upkeep cycle to improve CCSM availability.

DMO has established an Enterprise Approach with industry partners with the goals being:

- deliver required capability at benchmark availability
- build an enterprise workforce with sustained submarine knowledge embedded in a collaborative working environment
- participants collaborate in successful Enterprise with aligned objectives and interest
- sustainment costs reduce over time through productivity improvements.

During 2013-14, the planned outcome is to continue efforts to improve the availability and reliability of the CCSM against progressively increasing performance targets agreed with the Capability Manager (Navy).

Program 1.3 Provision of Policy Advice and Management Services

Program 1.3 Objective

The DMO will meet Government, Ministerial and departmental expectations and timeframes for the provision of policy, advice and support and delivery of industry programs.

Program 1.3 Expenses

The cost of Program 1.3 provides for estimated expenditure in delivering industry and procurement policy and advice to both the Defence Portfolio and the Government, and the corporate functions in support of the DMO's business activities. Planned resource use for Program 1.3 is $112.9m in 2013-14 representing approximately one per cent of the DMO's total expenses.

The planned resource use for Program 1.3 primarily includes:

- direct appropriation of $57.0m for workforce and operating expenses relating to the provision of policy advice and management services
- direct appropriation of $47.1m relating to Industry programs
- resources received free of charge from Defence and ANAO of $6.3m
- other resources of $2.5m.

Table 92: Cost Summary for Program 1.3 Provision of Policy Advice Management Services

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	1,061	2,449	894	917	2,596
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	103,850	104,150	103,469	84,576	85,928
Expenses not requiring appropriation in the Budget year[1]	6,182	6,302	6,425	6,551	6,680
Total program expenses	**111,093**	**112,901**	**110,788**	**92,044**	**95,204**

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.3 Deliverables

This program supports the Government and the Department and delivers specialist legal, procurement and contracting policy and services, industry programs and engagement, and acquisition and sustainment advice.

Program 1.3 Key Performance Indicators

The DMO is meeting Government, Ministerial and departmental expectations and timeframes for provision of policy, advice and support and delivery of industry programs.

Program 1.3 Performance targets include:

- procurement and intellectual property policy advice, contracting and services to the wider Department and the DMO
- Defence industry, programs, engagement and advice to both the Defence portfolio and the Government.

As the Defence domain policy owner for procurement and contracting, General Manager Commercial oversees an ongoing program of reform aimed at realising improved efficiency, effectiveness and commercially astute outcomes under Defence procurements.

Major procurement policy initiatives for 2013-14 include:

- Updating the Defence Procurement Policy Manual to simplify policy and practice requirements and better distinguish between mandatory policy and better practice guidance. Intranet web functionality will also be used to provide a single integrated system of access to all Defence procurement guidance.
- Updating and streamlining of the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates. An ongoing focus is to incorporate the changes to the work health and safety framework under the *Work Health and Safety Act (Commonwealth) 2011*.
- Supporting the integration and alignment of Defence systems and e-business policy to ensure the practical delivery of business processes and legislative or mandatory policy requirements.
- Working with the Australasian Procurement and Construction Council and the Australian educational sector to provide a comprehensive framework of vocational and university courses to support Defence procurement and contracting professionalisation.

The Government is committed to ensuring Australia's domestic Defence industry base remains healthy and that opportunities are provided to allow Australian companies to compete for Defence work on their merits. The Government has a key objective of supporting innovation, competiveness and skilling within Australia's Defence industry.

A key activity supporting achievement of this objective is the Priority Industry Capability (PIC) Health Check Program, which seeks to ensure that Australian industry capabilities that are needed to deliver Defence self reliance can deliver, now and in the foreseeable future, a defined capability on time and to an acceptable technical standard in a cost effective manner. The DMO will continue to review and monitor the health of the PICs during 2013.

The DMO will continue to ensure that Australian companies are provided with opportunities to compete for Defence work.

More broadly, the DMO will continue to pursue its wider industry development initiatives, including through:

- the Defence Industry Innovation Board - which reviews and provides advice to Government about Defence's industry development programs
- the Australian Military Sales Office, including the:
  - Global Supply Chain Program, which facilitates opportunities for Australian companies to enter the supply chains of multi-national Defence primes

  - 'Team Defence Australia' initiative - which facilitates opportunities for exports by Australian Defence industry through a program of missions and trade show representation
- leveraging international materiel cooperation and international Defence cooperation engagement to progress and mutually reinforce both industry and international policy objectives
- enabling government-to-government transactions on behalf of industry
- managing major Defence asset disposals, including seeking opportunities for industry involvement where these can lead to improved outcomes
- the Australian Industry Capability Program which seeks to maximise opportunities for Australian industry to compete on its merits
- the programs aimed at supporting industry innovation, competiveness or skilling, include Skilling Australian Defence Industry to upskill existing employees and broaden the Defence industry skill base
- the Defence Materials Technology Centre which develops new materials and manufacturing technologies
- the Engineering Internship Program that provides third and fourth year engineering students with work placements in small to medium enterprises in the defence sector as part of their compulsory course requirements.
- programs that encourage secondary students to study science, technology, engineering and mathematics subjects in their final years of high school including sponsorships of the Reengineering Australia F1 in Schools initiative.

Section 3: DMO Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of the DMO's finances for the 2013-14 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 Explanatory Tables

3.1.1 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act* or under separate enabling legislation. Table 93 shows the expected additions (receipts) and reductions (payments) for each account used by DMO.

Table 93: Estimates of Special Account Flows and Balances

	Outcome	Opening 2013-14 *2012-13* $'000	Receipts 2013-14 *2012-13* $'000	Payments 2013-14 *2012-13* $'000	Adjustments 2013-14 *2012-13* $'000	Closing Balance 2013-14 *2012-13* $'000
Defence Materiel Special Account (A & D)	1	**320,000**	**9,676,811**	**9,673,744**	**-**	**323,067**
		326,647	*9,084,920*	*9,091,567*	*-*	*320,000*
Services for Other Entities and Trust Moneys - Defence Materiel Organisation (S)[1]	1	**-**	**-**	**-**	**-**	**-**
		-	*-*	*-*	*-*	*-*
Total Special Accounts 2013-14		**320,000**	**9,676,811**	**9,673,744**	**-**	**323,067**
2012-13 estimated actual		*326,647*	*9,084,920*	*9,091,567*	*-*	*320,000*

Notes

1. The Services for Other Entities and Trust Moneys - Defence Materiel Special Account was abolished during 2012-13. There had been no receipts or expenditure in this special account.

(A) = Administered

(D) = Departmental

(S) = Special Public

3.1.2 Australian Government Indigenous Expenditure

The 2013-14 Australian Government Indigenous Statement is not applicable to the DMO as it has no specific indigenous expenditure. The DMO participates in the wider departmental Indigenous programs.

3.1.3 Grants

The DMO's grants are paid from departmental funds provided by direct appropriation from the Government and are approved by the Minister for Defence. The approved budget to date for the DMO's grants program is $22.2m in 2013-14.

Table 94: Approved Grants for 2013-14

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000
Skilling Australia's Defence Industry (SADI)	12,090	12,265
Priority Industry Capability Innovation Program (PIC IP)	9,403	5,040
Industry Skilling Program Enhancement (ISPE)	3,186	3,305
New Air Combat Capability Industry Support Program (NACC ISP)	3,232	1,550
Total	**27,911**	**22,160**

Table 94 shows Approved Grants for 2013-14. Detailed information on Grant programs and recipients can be found at:

<www.defence.gov.au/dmo/id/sadi/index.cfm>

<www.defence.gov.au/dmo/id/picip/>

<www.defence.gov.au/dmo/id/industry_skilling/>

<www.defence.gov.au/dmo/jsf/NACC_ISP.cfm>

3.2 Budgeted Financial Statements

3.2.1 Analysis of Budgeted Financial Statements

Income Statement

The DMO is budgeting for a break-even operating result for 2013-14, with total income and expenses of $9,659m. Of this amount, the DMO will earn $8,708.4m (90.2 per cent) from Defence, $907.8m (9.4 per cent) through direct appropriation from Government, and $42.8m (0.4 per cent) from other sources.

The funding received from Defence for the delivery of Programs 1.1 and 1.2 is recorded as revenue to the extent that the DMO provides goods and services to Defence during the financial year. Amounts received for goods and services not yet delivered are recorded as a liability (unearned revenue within Payables – Other) in the DMO financial statements.

The income for 2013-14 is expected to be $894.7m (10.2 per cent) higher than the 2012-13 estimated actual. The variation is the result of the increase in program activities as follows:

- Program 1.1 (Management of Capability Acquisition) $3,906.6m – increase of $348.4m (9.8 per cent)
- Program 1.2 (Management of Capability Sustainment) $5,639.5m – increase of $544.6m (10.7 per cent)
- Program 1.3 (Provision of Policy Advice and Management Services) $112.9m – increase of $1.8m (1.6 per cent)

Balance Sheet

With the exception of employee entitlements that are expected to increase consistent with salary growth, other assets and liabilities are estimated to remain relatively consistent over the forward estimates. This includes the unearned revenue from Defence as the DMO expects to deliver acquisition and sustainment outcomes based on the funding provided by Defence.

Statement of Cash Flows

Cash flows are consistent with the income statement and growth in employee entitlements as described above.

3.2.2 Budgeted Financial Statements Tables

Table 95: Comprehensive Income Statement (Showing Net Cost of Services) (for the period ended 30 June)

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
EXPENSES					
Employee	602,885	560,998	611,882	639,916	671,230
Supplier	8,130,924	9,073,234	11,096,774	12,178,670	12,697,385
Grants	27,911	22,160	30,540	3,381	3,466
Depreciation and amortisation	2,527	2,590	2,654	2,721	2,789
Total expenses	**8,764,247**	**9,658,982**	**11,741,850**	**12,824,688**	**13,374,870**
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	7,813,795	8,710,894	10,748,155	11,793,039	12,293,846
Other revenue	37,948	38,897	39,870	40,867	41,889
Total own-source revenue	**7,851,743**	**8,749,791**	**10,788,025**	**11,833,906**	**12,335,735**
Gains					
Other gains	1,400	1,400	1,400	1,400	1,400
Total gains	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
Total own-source income	**7,853,143**	**8,751,191**	**10,789,425**	**11,835,306**	**12,337,135**
Net cost of (contribution by) services	**911,104**	**907,791**	**952,425**	**989,382**	**1,037,735**
Revenue from Government	911,104	907,791	952,425	989,382	1,037,735
Surplus (Deficit) attributable to the Australian Government	**-**	**-**	**-**	**-**	**-**
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive income (loss) attributable to the Australian Government	**-**	**-**	**-**	**-**	**-**

Table 96: Budgeted Departmental Balance Sheet (as at 30 June)

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
ASSETS					
Financial assets					
Cash and cash equivalents	50,000	50,000	50,000	50,000	50,000
Trade and other receivables	496,063	499,130	502,785	489,650	431,039
Total financial assets	**546,063**	**549,130**	**552,785**	**539,650**	**481,039**
Non-financial assets					
Property, plant and equipment	7,199	7,535	7,880	8,233	8,595
Intangibles	139	224	312	402	494
Other	1,366,024	1,366,024	1,366,024	1,366,024	1,366,024
Total non-financial assets	**1,373,362**	**1,373,783**	**1,374,216**	**1,374,659**	**1,375,113**
Total assets	**1,919,425**	**1,922,913**	**1,927,001**	**1,914,309**	**1,856,152**
LIABILITIES					
Payables					
Suppliers	1,273,567	1,273,567	1,273,567	1,273,567	1,206,264
Grants	5,161	5,161	5,161	5,161	5,161
Other Payables	77,704	80,148	82,616	63,608	66,232
Total payables	**1,356,432**	**1,358,876**	**1,361,344**	**1,342,336**	**1,277,657**
Provisions					
Employee provisions	187,270	188,314	189,934	196,250	202,772
Other provisions	5,698	5,698	5,698	5,698	5,698
Total Provisions	**192,968**	**194,012**	**195,632**	**201,948**	**208,470**
Total liabilities	**1,549,400**	**1,552,888**	**1,556,976**	**1,544,284**	**1,486,127**
NET ASSETS	**370,025**	**370,025**	**370,025**	**370,025**	**370,025**
EQUITY					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves	239	239	239	239	239
Retained surplus (accumulated deficit)	214,418	214,418	214,418	214,418	214,418
Total parent entity interest	370,025	370,025	370,025	370,025	370,025
Total equity	**370,025**	**370,025**	**370,025**	**370,025**	**370,025**

Table 97: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2013-14)

	Retained Earnings $'000	Asset Revaluation Reserve $'000	Contributed Equity / Capital $'000	Total Equity $'000
Opening balance as at 1 July 2013				
Balance carried forward from previous period	**214,418**	**239**	**155,368**	**370,025**
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	**214,418**	**239**	**155,368**	**370,025**
Surplus (deficit) for the period	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-
Transactions with owners				
Contributions by owners				
Appropriation (equity injection)	-	-	-	-
Departmental Capital Budget (DCB)	-	-	-	-
Sub-total transaction with owners	-	-	-	-
Estimated closing balance as at 30 June 2014	**214,418**	**239**	**155,368**	**370,025**

Table 98: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash Received					
Goods and services	8,111,760	8,708,445	10,747,261	11,792,122	12,358,553
Appropriations	943,029	904,724	948,770	1,002,517	1,029,043
Net GST received	550,126	601,679	735,868	805,541	844,274
Other cash received	57,708	60,569	60,525	62,099	65,368
Total cash received	**9,662,623**	**10,275,417**	**12,492,424**	**13,662,279**	**14,297,238**
Cash used					
Employees	609,121	557,510	607,794	652,608	662,084
Suppliers	8,304,463	9,091,057	11,115,135	12,197,585	12,784,171
Grants	27,911	22,160	30,540	3,381	3,466
Net GST paid	550,126	601,679	735,868	805,541	844,274
Other cash used	142,786	-	-	-	-
Total cash used	**9,634,407**	**10,272,406**	**12,489,337**	**13,659,115**	**14,293,995**
Net cash from (used by) operating activities	**28,216**	**3,011**	**3,087**	**3,164**	**3,243**
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2,938	3,011	3,087	3,164	3,243
Total cash used	**2,938**	**3,011**	**3,087**	**3,164**	**3,243**
Net cash from (used by) investing activities	**-2,938**	**-3,011**	**-3,087**	**-3,164**	**-3,243**
Net increase (decrease) in cash held	**25,278**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the beginning of the reporting period	24,722	50,000	50,000	50,000	50,000
Cash and cash equivalents at the end of the reporting period	**50,000**	**50,000**	**50,000**	**50,000**	**50,000**

Table 99: Departmental Capital Budget Statement

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources[1]	2,938	3,011	3,087	3,164	3,243
Total	**2,938**	**3,011**	**3,087**	**3,164**	**3,243**
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	2,938	3,011	3,087	3,164	3,243
Total cash used to acquire assets	**2,938**	**3,011**	**3,087**	**3,164**	**3,243**

Note

1. Includes the following sources of funding:
   - annual and prior year appropriations
   - donations and contributions
   - gifts
   - internally developed assets
   - s31 relevant agency receipts (for FMA agencies only)
   - proceeds from the sale of assets.

Table 100: Statement of Asset Movements (2013-14)

	Other Property, Plant and Equipment $'000	Intangibles $'000	Total $'000
As at 1 July 2013			
Gross book value	9,490	1,961	**11,451**
Accumulated depreciation/amortisation and impairment	-2,291	-1,822	**-4,113**
Opening net book balance	**7,199**	**139**	**7,338**
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - internal sources	2,429	582	**3,011**
Total Additions	**2,429**	**582**	**3,011**
Other Movements			
Depreciation and amortisation	-2,093	-497	**-2,590**
As at 30 June 2014			
Gross book value	11,919	2,543	**14,462**
Accumulated depreciation/amortisation and impairment	-4,384	-2,319	**-6,703**
Closing net book value	**7,535**	**224**	**7,759**

3.2.3 Administered Budgeted Financial Statements Tables

Table 101: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Foreign exchange losses	-	-	-	-	-
Total Expenses administered on behalf of Government	**-**	**-**	**-**	**-**	**-**
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	6	6	6	6	6
Other	-	-	-	-	-
Total non-taxation	6	6	6	6	6
Total income administered on behalf of Government	**6**	**6**	**6**	**6**	**6**

Schedule of Budgeted Assets and Liabilities on Behalf of Government (as at 30 June)

The DMO does not expect to administer any assets or liabilities on behalf of Government over the forward estimates so no Schedule of Budgeted Assets and Liabilities on Behalf of Government is presented in the *Portfolio Budget Statements 2013-14*.

Table 102: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2012-13 Estimated Actual $'000	2013-14 Budget Estimate $'000	2014-15 Forward Estimate $'000	2015-16 Forward Estimate $'000	2016-17 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash received					
Interest	4,348	6	6	6	6
Total Cash received	**4,348**	**6**	**6**	**6**	**6**
Net cash from or (used by) operating activities	**4,348**	**6**	**6**	**6**	**6**
Net increase (decrease) in cash held and cash equivalents held	**4,348**	**6**	**6**	**6**	**6**
Cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash to the Official Public Account for:					
- Transfers to other entities (Finance - Whole of Government)	4,348	6	6	6	6
Cash and cash equivalents at end of reporting period	**-**	**-**	**-**	**-**	**-**

3.2.4 Notes to the Financial Statements

Budgeted Financial Statements

The budgeted financial statements (income, balance sheet, cash flows and capital budget statement) show the revenues, expenses, assets and liabilities of the DMO. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework and reflect the planned financial performance of the DMO in delivering its programs to Defence and the Government. Unless otherwise stated, the convention used in these budgeted financial statements is to round amounts to the nearest $'000.

DMO Departmental Revenue

Appropriation received from the Government is recognised as revenue. Revenue for the delivery of Programs 1.1 and 1.2 is recognised by reference to the stage of completion of contracts or other agreements and in accordance with expense incurred. The direct appropriations are a fixed amount and are fully recognised in the financial year. Revenue from other sources represents sales to non-Defence organisations for goods and services and is recognised at the time the service is provided.

DMO Departmental Expenses

Employees

Employee expenses include payments and net increases in entitlements to civilian employees for services rendered in the financial year. The DMO pays a fee for service to Defence for the use of military personnel provided to the DMO, which is reported as part of suppliers expenses.

Suppliers

This includes payments to suppliers for goods and services used in providing DMO programs and cost of sales expenses associated with the delivery of goods and services to Defence.

Depreciation and Amortisation

Items of property, plant and equipment and intangible assets are depreciated to their estimated residual values over their estimated useful lives. In all cases, the 'straight-line' method of depreciation is used.

DMO Departmental Assets

Departmental Assets — Financial

The primary financial assets are cash and receivables.

Departmental Assets — Non-financial

This includes infrastructure, plant and equipment, intangibles and other non-financial assets (including prepayments), which are used in the delivery of Programs. The reported value represents the purchase price paid less depreciation incurred to date in using the asset.

DMO Departmental Liabilities

Departmental Liabilities — Provisions

Provision has been made for the Agency's liability for employee entitlements, arising from services rendered by employees. This liability includes unpaid annual leave and long service leave.

Departmental Liabilities — Payables

Payables include unpaid suppliers and an unearned revenue liability associated with goods and services awaiting delivery to Defence.