



**PORTFOLIO BUDGET STATEMENTS 2013-14**  
BUDGET RELATED PAPER NO. 1.4A

DEFENCE PORTFOLIO

BUDGET INITIATIVES AND EXPLANATIONS OF  
APPROPRIATIONS SPECIFIED BY OUTCOMES  
AND PROGRAMS BY AGENCY

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## MINISTER FOR DEFENCE

PARLIAMENT HOUSE

CANBERRA 2600

President of the Senate  
Australian Senate  
Parliament House  
CANBERRA ACT 2600

Speaker  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Mr President

Dear Speaker

I hereby submit Portfolio Budget Statements in support of the 2013-14 Budget for the Defence Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

Yours sincerely

*Best Wishes*

A handwritten signature in blue ink, appearing to read 'Steve S'.

Stephen Smith MP  
Minister for Defence

## Abbreviations and Conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	Nil
..	not zero, but rounded to zero
Na	not applicable (unless otherwise specified)
Nfp	not for publication
\$m	\$ million
\$b	\$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

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# **User Guide to the Portfolio Budget Statements**

## User Guide

The purpose of the 2013-14 Portfolio Budget Statements (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations acts, special appropriations (including standing appropriations and special accounts), and revenue from other sources.

A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No. 1 and No. 2 2013-14 (or Appropriation Bill [Parliamentary Departments] No. 1 2013-14 for the parliamentary departments). In this sense the PB Statements are Budget related papers and are declared by the Appropriation Acts to be 'relevant documents' to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non-general government sector entities are not consolidated into the Commonwealth general government sector fiscal estimates and accordingly, these entities are not reported in the PB Statements.

# **Portfolio Overview**

## Defence Portfolio Overview

The Portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The three most significant bodies are:

- the Department of Defence – a department of state, headed by the Secretary of the Department of Defence
- the Australian Defence Force (ADF) – which consists of the three Services, Navy, Army and the Air Force (including Reserves) commanded by the Chief of the Defence Force (CDF). Each Service Chief also administers their respective Cadet service, although the Cadet service is not a component of the parent Service
- the Defence Materiel Organisation (DMO) – a prescribed agency within the Department of Defence, headed by its Chief Executive Officer (CEO) DMO.

In practice, these bodies have to work together closely and are broadly regarded as one organisation known simply as Defence (or the Australian Defence Organisation).

The Portfolio also contains some smaller entities, including a number of statutory offices created by the *Defence Force Discipline Act, 1982* which are independent but reside administratively within Defence and various trusts and companies such as Defence Housing Australia (DHA) and the Australian Strategic Policy Institute.

DHA's main function is to provide adequate and suitable housing for members of the ADF. DHA is an enterprise within the Defence portfolio and has two shareholder Ministers: the Minister for Defence, The Hon Stephen Smith MP; and the Minister for Finance and Deregulation, Senator The Hon Penny Wong.

DHA is required by legislation to perform its functions in accordance with the policies of the Australian Government and in accordance with sound commercial practice. This means that DHA has a targeted rate of return and a requirement to make annual dividends and income tax payments.

The Minister for Defence's portfolio also contains the Department of Veterans' Affairs and associated bodies, as it is designated as part of the Defence Portfolio in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately to Defence. Department of Veterans' Affairs information can be found in the Department of Veterans' Affairs Portfolio Budget Statements.

## **Ministers and their Portfolio Responsibilities**

### **Changes Affecting the Portfolio**

Following the Prime Minister's announcement on changes to the Ministry, on 4 February 2013, The Hon Dr Mike Kelly AM MP was sworn in as the Minister for Defence Materiel, replacing The Hon Jason Clare MP.

The Ministers and their portfolio responsibilities are as follows:

#### **The Hon Stephen Smith MP – Minister for Defence**

Specific responsibilities allocated to Mr Smith are:

- General:
  - Oversight of all aspects of the Defence Portfolio
  - Lead on all Cabinet submissions
- Strategic Policy
- Operations and Intelligence
- International Policy
- Force Structure and Force Posture
- Strategic Reform Program
- Budget and Finance
- Defence estate policy and major projects
- Military Justice System
- Defence Export Controls
- White Paper 2013 Processes
- Strategic aspects of:
  - Defence estate policy and major projects
  - Project SEA 1000
  - New Air Combat Capability
- Capability Responsibilities:
  - Development of the Defence Capability Plan (DCP) and the alignment of the DCP with the Defence Planning Guidance
  - DCP programming and budgeting
  - Processing of unapproved projects up to and including Second-Pass stage.

## **The Hon Warren Snowdon MP – Minister for Defence Science and Personnel**

Specific responsibilities allocated to Mr Snowdon are:

- Science and technology policy including:
  - Strategic direction
  - External engagement
  - Support to operations
  - Support to the force-in-being
  - Enabling research
- Personnel policy including:
  - Workforce planning
  - Recruitment and retention
  - Pay and superannuation
  - Equity and diversity
  - Personnel support
  - Defence families and community organisations
  - Housing policy
  - Health (including Occupational Health and Safety).

## **The Hon Dr Mike Kelly AM MP – Minister for Defence Materiel**

Specific responsibilities allocated to Dr Kelly are:

- Defence materiel acquisition
- Sustainment issues
- Tendering and contracting for materiel acquisition
- Industry capacity, structure, policy and engagement
- Skills policy
- Equipment disposal
- Science and technology matters as they relate to capability development, materiel acquisition and sustainment
- UN Peacekeeping including assistance to the Minister for Defence on policy aspects
- Peace Operations Training Centre
- Australian Civil-Military Centre
- Asia-Pacific Centre for Military Law
- Capability Responsibilities:
  - Acquisition strategy throughout the capability approval process
  - Assist the Minister for Defence on:
    - >Development of the DCP
    - >DCP programming and budgeting
    - >Processing of unapproved projects up to and including Second-Pass stage.

## **Senator The Hon David Feeney – Parliamentary Secretary for Defence**

Specific responsibilities allocated to Senator Feeney are:

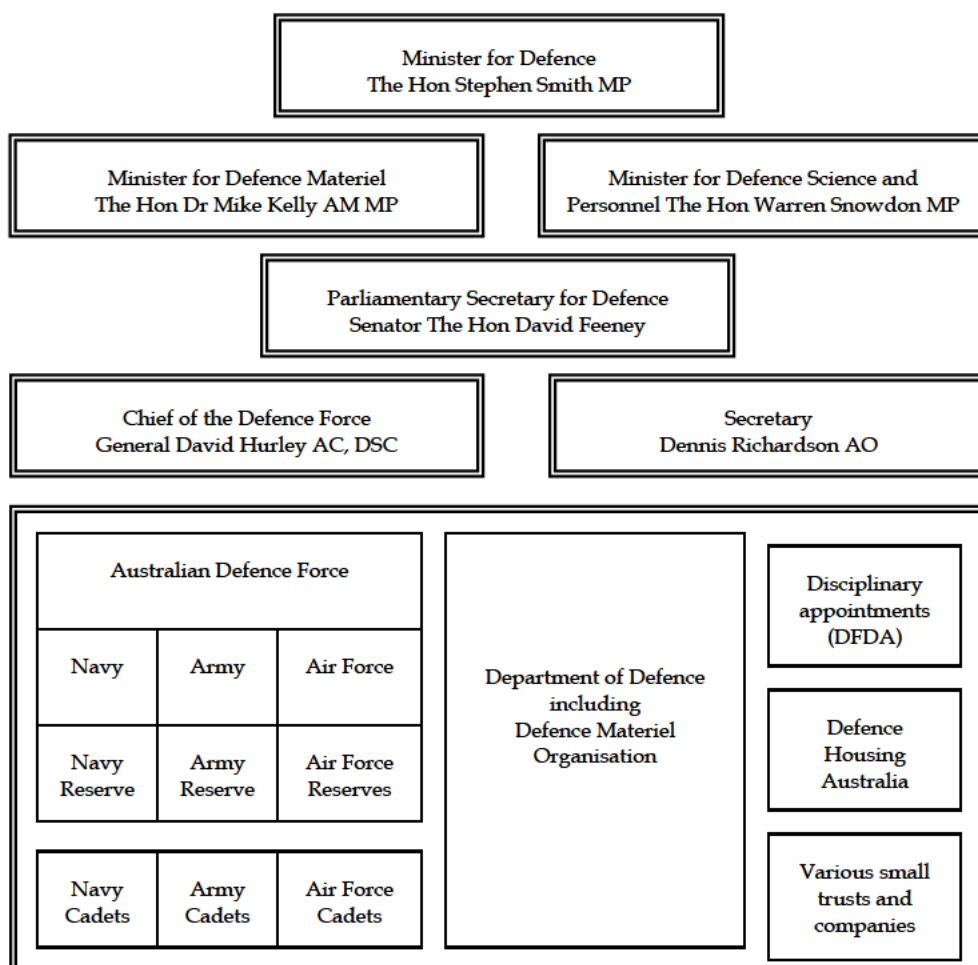
- Garrison services and administration of Defence estate policy
- Facilities, infrastructure and property
- Reserves policy
- Cadets
- Honours and Awards
- Nature of Service Review
- ADF Parliamentary exchange program
- Aircraft noise and abatement
- Education and training<sup>1</sup>
- Capability Responsibilities:
  - Assistance to the Minister for Defence on:
    - >ICT matters
    - >Pacific policy
    - >Force structure

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<sup>1</sup> The Parliamentary Secretary for Defence has prime carriage of education and training, but will consult the Minister for Defence Science and Personnel on matters in relation to overall personnel policy.

## Portfolio Structure and Outcomes

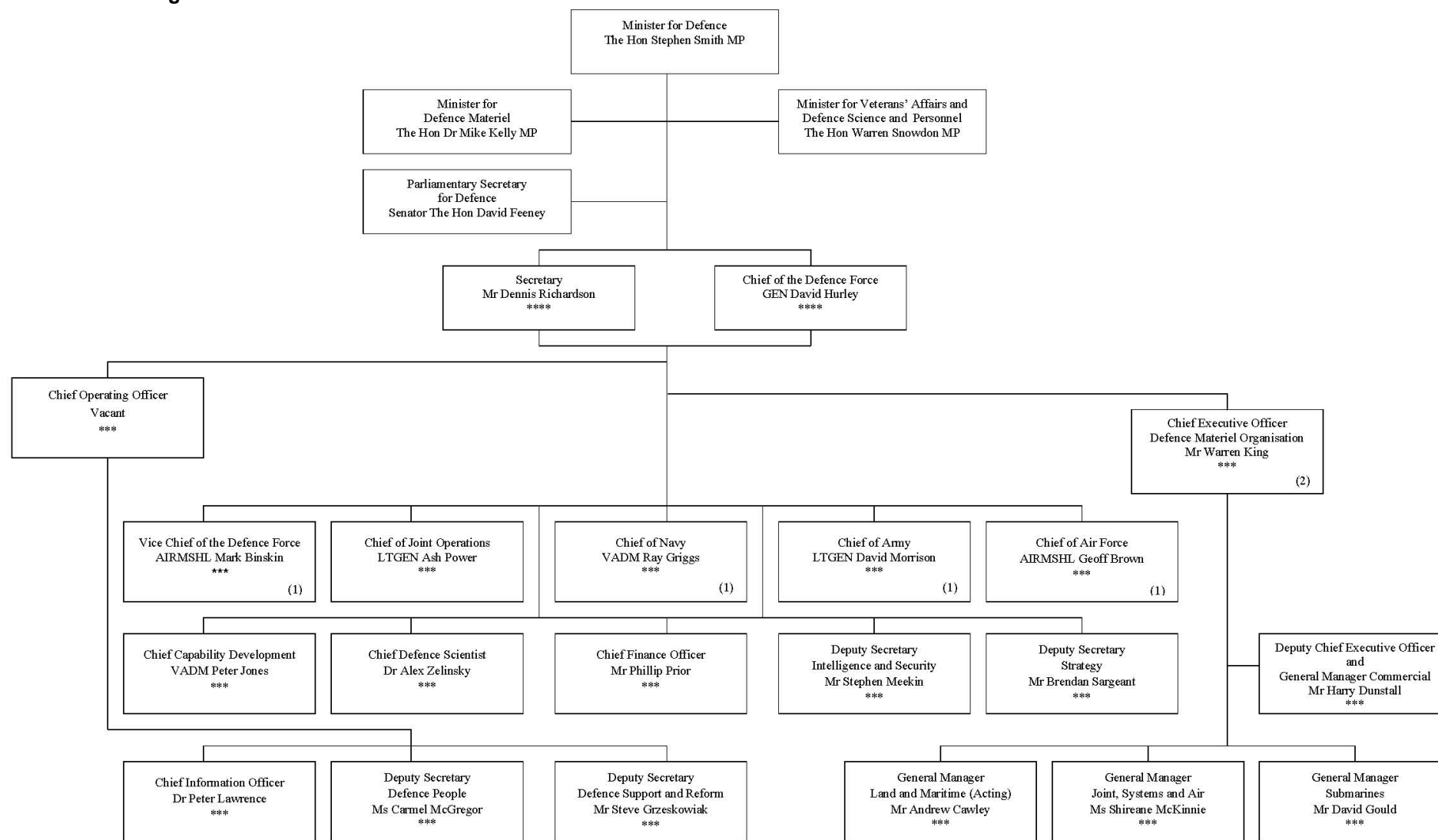
Figure 1: Defence Portfolio Structure and Outcomes



<p align="center"><b>Department of Defence</b>            Secretary: Dennis Richardson AO            Chief of the Defence Force: GEN David Hurley AC, DSC</p> <p>Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability.</p> <p>Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by Government.</p> <p>Outcome 3: Support for the Australian community and civilian authorities as requested by Government.</p> <p align="center"><b>Defence Materiel Organisation (Prescribed Agency within the Department)</b>            Chief Executive Officer: Mr Warren King</p> <p>Outcome 1: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies.</p> <p align="center"><b>Defence Housing Australia</b>            Managing Director: Mr Peter Howman</p> <p>Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.</p>
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Figure 2: Defence Organisational Chart



Stars (\*) refer to ADF Star rank or SES Band levels

**Notes:**

1. Section 9(3) of the *Defence Act 1903* requires the Service Chiefs to advise the Minister on matters relating to their command.
2. Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directive identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

## Senior Executive changes

The following changes have taken place since the *Portfolio Additional Estimates Statements 2012-13*:

- With effect 18 April 2013, Mr Simon Lewis transferred to the Department of Veteran's Affairs to act as Secretary prior to being promoted to that position in July 2013.
- 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.

## Organisational Structure

The following changes have taken place since the *Portfolio Additional Estimates Statements 2012-13*:

- The formation of the Defence People Group (DPG), which commenced 30 May 2012, was completed on Monday 4 March 2013 with the transfer of People Services Branch from the Defence Support and Reform Group (DSRG). The Group's internal structure will continue to be adjusted to reflect the lessons being learned through the significant reform activities being undertaken across the Group.
- Logistics Information Systems (LOGIS) Branch transitioned from the Defence Material Organisation (DMO) to the Chief Information Officer Group on 14 February 2013. LOGIS' transition signals a new era in cooperation between the Defence logistics community, Joint Logistics Command, Defence's Logistics Capability Manager, and Chief Information Officer Group as the Defence ICT Capability Delivery Manager. Post-transition activities will be staged across a number of phases to maintain LOGIS service levels whilst strengthening outcomes for the logistics community.

## Defence Portfolio Bodies

None of the portfolio bodies described below receives direct appropriations from the Commonwealth.

### Army and Air Force Canteen Service

Chairman: Mr Edward (Ted) Moore

The Army and Air Force Canteen Service (AAFCANS), a Commonwealth authority established under the *Army and Air Force Canteen Service Regulations 1959* supplies goods, facilities and services to, or for the entertainment and recreation of, members of the Army and the Air Force including persons employed in, or in connection with, Army or Air Force installations and dependants of those members or persons, visitors to such installations and members of the Australian Army or Air Force Cadets.

The services are designed to enhance the living conditions and social environment of the ADF by providing canteen services, comprising food beverages and convenience items; wholesale supply of alcohol and other requirements to messes and clubs; vending; dry-cleaning services; postal services; fuel and mechanical workshops; and Army Shop – the online supplier of Brand Army merchandise and Military and adventure-wear stores.

### Australian Military Forces Relief Trust Fund

Chairman: Brigadier Gavin Reynolds AM

The Australian Military Forces Relief Trust Fund, a Commonwealth authority established under the *Services Trust Funds Act 1947*, provides benefits to members of the ADF who have served in, or in association with, the Army and to the dependants of such members.

## **Royal Australian Air Force Veterans' Residences Trust**

Chairman: Air Commodore D.E. Tindal AM (Retd.)

The Royal Australian Air Force Veterans' Residences Trust, a Commonwealth authority established by the *Royal Australian Air Force Veterans' Residences Act 1953*, provides residences in which eligible former members, including dependants, of the Royal Australian Air Force, Royal Australian Air Force Nursing Service and Women's Auxiliary Australian Air Force who are in necessitous circumstances and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

## **Royal Australian Air Force Welfare Trust Fund**

Chairman: Chaplain (Air Commodore) Murray Earl

The Royal Australian Air Force Welfare Trust Fund, a Commonwealth authority established under the *Services Trust Funds Act 1947*, provides benefits for members of the Defence Force who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

## **Royal Australian Navy Central Canteens Board**

Chairman: Rear Admiral Clinton Thomas AM, CSC

The Royal Australian Navy Central Canteens Board, a Commonwealth authority established under the *Navy (Canteens) Regulations 1954*, administers the Royal Australian Navy Central Canteens Fund (RANCCF). RANCCF provides facilities for the welfare or entertainment of the members of the Navy, including holiday parks, accommodation and amenities, a theatre and entertainment ticketing agency that provides theatre tickets to Naval and Defence members. It also operates a retail e-Commerce facility called SALT that sells Navy memorabilia; a raffle for Navy members; a retail operation at the Fleet Air Arm Museum in Nowra; mobile coffee services and wholesale supply services to canteens, messes and clubs. It uses its surplus to make grants and loans to canteens, clubs, cinemas or other institutions, including the Royal Australian Navy Relief Trust Fund.

## **Royal Australian Navy Relief Trust Fund**

Chairman: Commodore Paul Kinghorne

The Royal Australian Navy Relief Trust Fund, a Commonwealth authority established under the *Services Trust Funds Act 1947*, provides benefits for members of the Defence Force who have served in, or in association with, the Navy and to the dependants of such members.

## **AAF Company**

President: Brigadier Gavin Reynolds AM

The AAF Company is a Commonwealth company that undertakes the management and trusteeship of the unincorporated funds known as the 'Army Amenities Fund' and the 'Messes Trust Fund'. The AAF Company promotes and supports the objects of the Army Amenities Fund which provides amenities for members of the Australian Army.

## **Australian Strategic Policy Institute Limited**

Chairman: Mr Stephen Loosley

The Australian Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

## Royal Australian Air Force Welfare Recreational Company

Chairman: Air Commodore Robert Rodgers CSM

The Royal Australian Air Force Welfare Recreational Company is a Commonwealth company that provides access to discounted recreational accommodation and manages and promotes the Royal Australian Air Force Central Welfare Trust Fund owned recreational facilities for the Royal Australian Air Force members, their families and other eligible persons. It also provides financial support to, and assists in the provision of, recreational facilities and services to the Royal Australian Air Force members.

## Portfolio Resource Statement

### Portfolio Resources<sup>[1]</sup>

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Department of Defence</b>								
Administered appropriation	-	-	-1,445.6	4,386.6	2,941.0	1,445.6	-	4,386.6
Departmental appropriations	23,796.1	683.0	-48.8	-	24,430.3	1,003.6	-	25,433.9
<b>Total Department of Defence</b>	<b>23,796.1</b>	<b>683.0</b>	<b>-1,494.4</b>	<b>4,386.6</b>	<b>27,371.3</b>	<b>2,449.2</b>	<b>-</b>	<b>29,820.5</b>

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Materiel Organisation</b>								
Administered appropriation	-	-	-	-	-	-	-	-
Departmental appropriations	907.8	-	-	-	907.8	8,769.0	-	9,676.8
<b>Total Defence Materiel Organisation</b>	<b>907.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>907.8</b>	<b>8,769.0</b>	<b>-</b>	<b>9,676.8</b>

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Housing Australia</b>								
Administered appropriation	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	1,073.9	-	1,073.9
<b>Total Defence Housing Australia</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,073.9</b>	<b>-</b>	<b>1,073.9</b>

#### Note

1. Figures show n include interagency transactions.

# Department of Defence

## Agency Resources and Planned Performance

### **Section 1: Defence Overview and Resources**

- 1.1 Strategic Direction Statement
- 1.2 Defence Resource Statement
- 1.3 Budget Measures
- 1.4 Capital Investment Program
- 1.5 People

### **Section 2: Defence Outcomes and Planned Performance**

- 2.1 Outcomes and Performance Information

### **Section 3: Defence Explanatory Tables and Budgeted Financial Statements**

- 3.1 Explanatory Tables
- 3.2 Resource Summary
- 3.3 Budgeted Financial Statements
- 3.4 Consolidated Budgeted Financial Statements for the Department of Defence (including DMO)

## Department of Defence

### Section 1: Defence Overview and Resources

#### 1.1 Strategic Direction Statement

Defence's primary focus continues to be to protect and advance Australia's strategic interests through the provision of appropriately prepared and equipped armed forces. To achieve this, Defence prepares for and conducts military operations and other tasks as directed by the Government.

In 2013-14, Defence will continue its operational transition from Afghanistan, and conclude current ADF operations in the Solomon Islands. ADF operations in Timor-Leste concluded in March 2013. This transition will release and allow the remediation of capabilities that have been on high tempo operations for more than a decade and enable the remediation of deployed equipment.

One strategic initiative in 2013-14 will be the implementation of the 2013 *Defence White Paper* released on 3 May 2013. The White Paper aligns with the *National Security Strategy* and the *Australia in the Asian Century White Paper*. The White Paper provided Government's strategic direction and priorities to Defence on defence policy, operations, force posture and structure, budget, and the Defence Organisation.

Defence will continue to implement Government's priorities including enhanced ADF activities in the Indo-Pacific region, implementation of agreed recommendations of the ADF Posture Review, and introduction into service of new major capabilities such as the Landing Helicopter Dock ships and the EA-18G Growler. Defence will also continue to drive cultural change through *Pathway to Change: Evolving Defence Culture*.

As stated in the 2013 Defence White Paper, the Government has determined that the Defence budgeting approach will be based on the four-year Forward Estimates Budget cycle, determined on an annual basis taking into account contemporary strategic economic and fiscal circumstances.

Additionally the Government has determined that Defence will manage its resources within the annually updated four-year Forward Estimates and a subsequent six-year general guidance for Defence planning purposes.

In line with this policy, the Government has provided Defence with \$113.1 billion over the Forward Estimates years 2013-14 to 2016-17. This compares to the 2012-13 Budget, where funding of \$103.2 billion was provided for the 2012-13 to 2015-16 Forward Estimate years.

For general guidance for Defence planning purposes, the Government has also provided Defence with funding guidance of around \$220 billion over the subsequent six years from 2017-18 to 2022-23.

This six year funding guidance is based on the need to continue increasing investment in Defence capabilities as outlined in the 2013 Defence White Paper and an assessment of sustainable growth in the Defence Budget after 2016-17.

In conjunction with establishing the new funding model for Defence, the Government has also agreed to reprofile the Defence budget over the Forward Estimates for expenditure on priority Capital Investment and Sustainment Programs. This includes the acquisition of an additional 12 new EA-18G Growler aircraft, as announced in the White Paper, for which the Government will also provide Defence an additional \$200 million in 2014-15.

The Government is also committed to increasing Defence funding towards a target of 2 per cent of GDP. This is a long-term objective that will be implemented in an economically responsible manner, as and when fiscal circumstances allow.

Initiatives and projects outlined in the 2013 Defence White Paper will remain subject to change as strategic circumstances evolve, new challenges and opportunities emerge and priorities are updated to reflect the changing requirements of Government and the Australian community, and their implications for Defence and the Australian Defence Force.

As a result the key funding adjustments (excluding supplementation for Defence Operations) included in the 2013-14 Budget are shown in the Table below:

<b>Key Funding Adjustments (Excluding Operations)</b>	<b>2013-14 \$m</b>	<b>2014-15 \$m</b>	<b>2015-16 \$m</b>	<b>2016-17 \$m</b>	<b>Total FE \$m</b>
Growler Electronic Warfare System Measure	-	200	-	-	200

The 2013-14 Defence Budget is planned to be invested in the following key capital investment and sustainment programs:

<b>Key Capital Investment and Sustainment Programs</b>	<b>2013-14 \$m</b>	<b>2014-15 \$m</b>	<b>2015-16 \$m</b>	<b>2016-17 \$m</b>	<b>Total FE \$m</b>
Defence Capability Plan (Unapproved)	343	1,527	2,916	3,523	8,310
Approved Major Capital Investment Program	3,269	3,769	3,225	2,928	13,191
Major Capital Facilities Program	1,150	978	518	674	3,320
ICT Integrated Plan of Work	291	263	221	256	1,030
Minors Program	197	200	199	189	785
Other Investment	453	384	376	604	1,816
Sustainment Program	5,868	6,283	6,243	6,173	24,567
Net Personnel and Operating Costs	182	478	799	1,146	2,605
<b>Total</b>	<b>11,752</b>	<b>13,882</b>	<b>14,497</b>	<b>15,493</b>	<b>55,624</b>

## 1.2 Defence Resource Statement

**Table 1: Total Defence Resourcing**

Serial No.	2012-13 Estimated Actual \$'000		2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
<b>Defence resourcing</b>								
1	22,895,341	Appropriation for departmental outcomes	23,222,935	23,796,086	573,151	25,045,235	26,797,482	27,507,153
2	456,289	Equity injection appropriation	329,405	683,005	353,600	1,816,608	1,515,806	2,188,258
3	-	Prior year appropriation	-	-	-	-	-	-
<b>4</b>	<b>23,351,630</b>	<b>Current year's appropriation (1 + 2 + 3)</b>	<b>23,552,340</b>	<b>24,479,091</b>	<b>926,751</b>	<b>26,861,843</b>	<b>28,313,288</b>	<b>29,695,411</b>
5	-	Draw down of appropriations carried forward	-	-	-	-	-	-
6	-	Other appropriation receivable movements	-	-	-	-	-	-
7	-14,077	Return to the Official Public Account <sup>[1]</sup>	-48,821	-48,771	50	-38,733	-46,042	-14,349
<b>8</b>	<b>-14,077</b>	<b>Funding from / to the OPA (5 + 6 + 7)</b>	<b>-48,821</b>	<b>-48,771</b>	<b>50</b>	<b>-38,733</b>	<b>-46,042</b>	<b>-14,349</b>
<b>9</b>	<b>23,337,553</b>	<b>Funding from Government (4 + 8)</b>	<b>23,503,519</b>	<b>24,430,320</b>	<b>926,801</b>	<b>26,823,110</b>	<b>28,267,246</b>	<b>29,681,062</b>
10	73,284	Capital receipts	101,666	101,666	-	98,046	173,962	122,707
11	908,811	Own source revenue (s31 receipts) <sup>[2]</sup>	876,827	901,937	25,110	922,044	966,583	993,873
12	-	Prior year receipts	-	-	-	-	-	-
<b>13</b>	<b>982,095</b>	<b>Funding from other sources (10 + 11 + 12)</b>	<b>978,493</b>	<b>1,003,603</b>	<b>25,110</b>	<b>1,020,090</b>	<b>1,140,545</b>	<b>1,116,580</b>
<b>14</b>	<b>24,319,648</b>	<b>Total Defence funding (9 + 13)</b>	<b>24,482,012</b>	<b>25,433,923</b>	<b>951,911</b>	<b>27,843,200</b>	<b>29,407,791</b>	<b>30,797,642</b>
<b>Administered</b>								
15	5,948,221	Administered special appropriations	4,444,915	4,386,577	-58,338	4,605,850	4,797,624	5,030,838
16	1,384,214	Own source revenue	1,384,655	1,445,580	60,925	1,494,850	1,565,916	1,601,588
17	-1,384,214	Returns to the Official Public Account	-1,384,655	-1,445,580	-60,925	-1,494,850	-1,565,916	-1,601,588
<b>18</b>	<b>5,948,221</b>	<b>Total Administered funding (15 + 16 + 17)</b>	<b>4,444,915</b>	<b>4,386,577</b>	<b>-58,338</b>	<b>4,605,850</b>	<b>4,797,624</b>	<b>5,030,838</b>
<b>19</b>	<b>30,267,869</b>	<b>Total Defence resourcing (14 + 18)</b>	<b>28,926,927</b>	<b>29,820,500</b>	<b>893,573</b>	<b>32,449,050</b>	<b>34,205,415</b>	<b>35,828,480</b>
<b>Appropriation carried forward</b>								
20	76,857	Appropriation receivable including previous year's outputs	76,857	76,857	-	76,857	76,857	76,857
21	18,091	Cash in bank	18,091	18,091	-	18,091	18,091	18,091
<b>22</b>	<b>94,948</b>	<b>Total appropriations carried forward (20 + 21)</b>	<b>94,948</b>	<b>94,948</b>	<b>-</b>	<b>94,948</b>	<b>94,948</b>	<b>94,948</b>
<b>23</b>	<b>30,362,817</b>	<b>Total Defence resourcing (19 + 22)</b>	<b>29,021,875</b>	<b>29,915,448</b>	<b>893,573</b>	<b>32,543,998</b>	<b>34,300,363</b>	<b>35,923,428</b>

**Notes**

1. Represents net transfers to and from the Official Public Account.
2. All figures are net of GST.



## 1.3 Budget Measures

### 2013-14 Budget Measures

**Table 2: Defence 2013-14 Budget Measures**

		2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
	Program					
<b>Budget Measures</b>						
<b>Expenditure Measures</b>						
Middle East Area of Operations - continuation of Australia's military contribution - Expense	2.2	-	534.2	9.2	32.6	9.7
Middle East Area of Operations - continuation of Australia's military contribution - Revenue	2.2	-	-10.7	-	-	-
Timor-Leste - transition of Australia's security commitment and future Defence engagement <sup>(1)</sup>	2.1	-	-	-	-	-
Official development assistance - Regional Assistance Mission to Solomon Islands - continuation	2.1	-	9.7	-1.0	-	-
Coastal Surveillance - continuation of Operation Resolute <sup>(1)</sup>	3.1	-	-	-	-	-
Australia to host the Group of 20 in 2014 - Australian Defence Force support <sup>(1)</sup>	3.1	-	-	-	-	-
Reclassification of Australian Defence Force Service Third Country Deployments in Afghanistan	various	-	-0.4	..	..	..
Growler electronic warfare system - acquisition of 12 EA-18G Growler aircraft <sup>(2)</sup>	1.12	-	-	200.0	-	-
National Security - establishment of Australian Cyber Security Centre <sup>(1)</sup>	1.5	-	-	-	-	-
Defence Abuse Response Taskforce <sup>(1)</sup>	1.8	-	-	-	-	-
Defence Abuse Reparation Payment Scheme <sup>(1)</sup>	1.8	-	-	-	-	-
<b>Total Budget Measures</b>		-	<b>532.8</b>	<b>208.2</b>	<b>32.6</b>	<b>9.6</b>

**Notes**

1. Defence is absorbing the cost of the measure.
2. Additional funding provided for purchase of Growler.

**Table 3: Budget Measures Agreed since Portfolio Additional Estimates 2012-13**

		2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
	Program					
Australia's contribution to the United Nations Trust Fund for the African-led International Support Mission in Mali <sup>(1)</sup>	1.13	-	-	-	-	-
Relocation and establishment of a jointly-operated United States C-band space surveillance radar <sup>(1)</sup>	1.7	-	-	-	-	-
<b>Total Budget Measures agreed since the 2012-13 Portfolio Additional Estimates</b>		-	-	-	-	-

**Note**

1. Defence is absorbing the cost of the measure.

## Operations Summary

**Table 4: Net Additional Cost of Operations from 1999-00 to 2016-17**

	1999-00 to 2011-12 Actual Result \$m	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
Operation Astute	4,218.1	121.6	5.4	-	-	-
Operation Bel Isi	47.7	-	-	-	-	-
Operation Slipper	5,183.0	1,189.8	874.9	217.5	160.1	87.1
Operation Resolute	140.3	9.5	9.9	0.0	0.0	-
Operation Catalyst	2,364.5	-	-	-	-	-
Operation Anode	299.0	42.9	11.3	0.1	-	-
Operation Sumatra Assist	44.5	-	-	-	-	-
Operation Acolyte	10.5	-	-	-	-	-
Operation Deluge	6.7	-	-	-	-	-
Operation Pakistan Assist	9.8	-	-	-	-	-
Operation Outreach	14.6	-	-	-	-	-
Operation Kruger	45.3	1.9	-	-	-	-
Enhanced Force Protection in Afghanistan	435.4	164.6	10.0	16.2	-	-
Defence Support to 2014 G20 Summit	-	-	7.1	-	-	-
<b>Total Net Additional Costs</b>	<b>12,819.5</b>	<b>1,530.3</b>	<b>918.5</b>	<b>233.8</b>	<b>160.1</b>	<b>87.1</b>
<b>Sources of Funding for Operations:</b>						
Government Supplementation	11,315.7	1,354.3	886.2	217.6	160.1	87.1
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-
Department of Defence (Absorbed)	1,494.6	176.0	32.3	16.2	0.0	-
<b>Total Cost</b>	<b>12,819.5</b>	<b>1,530.3</b>	<b>918.5</b>	<b>233.8</b>	<b>160.1</b>	<b>87.1</b>

## 1.4 Capital Investment Program

The Capital Investment Program comprises the Defence Capability Plan (DCP), the Approved Major Capital Investment Program (AMCIP), the Capital Facilities Program, the ICT Integrated Plan of Work, Minor Projects and other investment (infrastructure costs, repairable items, other plant and equipment).

**Table 5: Capital Investment Program**

Serial No.		2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	Total \$m
	<b>Defence Capability Plan (DCP)</b>					
1	DMO delivered	556.7	1,902.7	2,978.6	3,367.2	8,805.2
2	Group and Services delivered	61.9	211.4	331.0	374.1	978.4
3	<b>Total Defence Capability Plan (1+2)<sup>[1]</sup></b>	<b>618.6</b>	<b>2,114.1</b>	<b>3,309.6</b>	<b>3,741.3</b>	<b>9,783.6</b>
4	Remaining DCP Approvals in 2012-13	242.8	391.2	278.0	141.2	1,053.2
5	DCP available from 1 July 2013	100.3	1,136.2	2,638.0	3,381.9	7,256.4
6	<b>Total Unapproved DCP (4+5)</b>	<b>343.1</b>	<b>1,527.4</b>	<b>2,916.0</b>	<b>3,523.1</b>	<b>8,309.6</b>
	<b>Approved Major Capital Investment Program</b>					
7	DMO delivered	2,921.4	3,131.9	2,792.0	2,684.9	11,530.2
8	Group and Services delivered <sup>[2]</sup>	71.6	50.1	39.7	24.9	186.3
9	Government Approved DCP projects yet to be allocated to Groups, Services or the DMO	275.5	586.7	393.5	218.3	1,474.0
10	<b>Total Approved Major Capital Investment Program (7+8+9)</b>	<b>3,268.5</b>	<b>3,768.7</b>	<b>3,225.2</b>	<b>2,928.1</b>	<b>13,190.5</b>
	<b>Capital Facilities</b>					
11	Approved Capital Facilities Projects	977.1	633.9	193.9	17.5	1,822.4
12	Unapproved Capital Facilities Projects	172.6	344.2	324.3	656.7	1,497.8
13	<b>Total Capital Facilities Program (11+12)</b>	<b>1,149.7</b>	<b>978.1</b>	<b>518.2</b>	<b>674.2</b>	<b>3,320.2</b>
14	<b>ICT Integrated Plan of Work<sup>[3]</sup></b>	<b>291.0</b>	<b>262.6</b>	<b>220.7</b>	<b>255.6</b>	<b>1,029.9</b>
	<b>Minors Program</b>					
15	Approved DMO delivered	53.1	17.7	4.7	0.3	75.8
16	Approved Group and Services delivered	35.3	23.8	15.8	15.6	90.5
17	Unapproved DMO delivered	90.1	136.8	150.2	143.2	520.3
18	Unapproved Group and Services delivered	18.4	22.0	28.4	30.0	98.8
19	<b>Total Minors Program (15+16+17+18)</b>	<b>196.9</b>	<b>200.3</b>	<b>199.1</b>	<b>189.1</b>	<b>785.4</b>
20	<b>Other Investment<sup>[4]</sup></b>	<b>452.5</b>	<b>383.8</b>	<b>375.5</b>	<b>604.0</b>	<b>1,815.8</b>
21	<b>Total Capital Investment Program (6+10+13+14+19+20)</b>	<b>5,701.7</b>	<b>7,120.9</b>	<b>7,454.7</b>	<b>8,174.1</b>	<b>28,451.4</b>
	<i>Capital component</i>	5,063.5	6,278.1	6,473.7	7,212.9	25,028.2
	<i>Operating component</i>	638.2	842.8	981.0	961.2	3,423.2

### Notes

1. Total unapproved DCP (Serial 6) and Government Approved DCP projects yet to be allocated to Groups, Services or the DMO (Serial 9) equal Total Defence Capability Plan (Serial 3).
2. The Capital Facilities and ICT components of the Approved Major Capital Investment Program are included within Serial 11 and 14 respectively.
3. Only includes activities delivered by the Chief Information Officer Group.
4. Includes the capital component of Repairable items within the Capability Sustainment Program.

**Table 6: Capability Sustainment Program**

Serial No.		2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	Total \$m
	<b>Current Sustainment</b>					
1	Navy Sustainment	1,711.7	1,771.4	1,772.3	1,814.0	7,069.4
2	Army Sustainment	1,404.7	1,475.9	1,495.1	1,491.1	5,866.8
3	Air Force Sustainment	1,672.5	1,750.4	1,819.0	1,759.7	7,001.6
4	Chief Information Officer Sustainment	473.3	527.0	538.2	445.1	1,983.6
5	Vice Chief of the Defence Force Sustainment	41.4	40.3	40.9	39.2	161.8
6	Office of the Secretary and CDF Sustainment	19.6	20.3	19.0	16.2	75.1
7	Joint Operations Command Sustainment	6.2	6.4	6.7	6.9	26.2
8	Defence Support and Reform Group Sustainment	538.9	691.0	552.1	600.6	2,382.6
	<b>Future Sustainment (NPOC)</b>					
9	Future Sustainment costs associated with AMCIP, ICT and Facilities	182.2	478.0	799.2	1,145.6	2,605.0
10	<b>Total Sustainment</b>	<b>6,050.5</b>	<b>6,760.7</b>	<b>7,042.5</b>	<b>7,318.4</b>	<b>27,172.1</b>

Table 7: Retained Capital Receipts

Serial No.		2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	Total \$m
	<b>Property Sales</b>					
	Proceeds from the sale of land and buildings	53.8	49.3	123.6	70.7	297.3
	Proceeds from the sale of housing	11.7	12.4	13.1	13.8	51.0
	Less return to Government	-47.8	-37.9	-45.2	-13.5	-144.3
<b>1</b>	<b>Proceeds retained by Defence</b>	<b>17.7</b>	<b>23.8</b>	<b>91.5</b>	<b>71.0</b>	<b>204.1</b>
<b>2</b>	<b>Proceeds from the sale of specialist military equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3</b>	<b>Proceeds from the sale of infrastructure, plant and equipment</b>	<b>36.2</b>	<b>36.4</b>	<b>37.3</b>	<b>38.2</b>	<b>148.0</b>
<b>4</b>	<b>Retained Capital Receipts (1 + 2 + 3)</b>	<b>53.9</b>	<b>60.2</b>	<b>128.8</b>	<b>109.2</b>	<b>352.1</b>

Table 8: Variation in Estimates of Net Capital Receipts

2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
<b>60.1 Previous Estimate<sup>[1][2]</sup></b>	<b>53.8</b>	<b>60.2</b>	<b>128.8</b>	<b>109.2</b>
Movement in capital withdrawal associated with				
- capital disposals program	0.1	-	-	-
Movements in proceeds associated with the				
- capital disposals program	-	-	-	-
<b>- Variation in net capital receipts</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>60.1 Total net capital receipts</b>	<b>53.9</b>	<b>60.2</b>	<b>128.8</b>	<b>109.2</b>

**Notes**

1. As published in Table 10 of the *Portfolio Additional Estimates Statements 2012-13*.

2. In the *Portfolio Additional Estimates Statements 2012-13*, the previous estimate in 2014-15 was incorrectly reported as \$60.1m.

## 1.5 People

### Workforce Overview

#### ADF Workforce

To support the introduction of new capability over the coming decade, the full-time ADF workforce will aim to grow from the 2012-13 projected result of 56,711 to over 58,000 members over the forward estimate period. Key projects contributing to continuing increases in the size of the military workforce include the Hardened and Networked Army, Stages 1 and 2 of Enhanced Land Force and a range of initiatives arising from the 2009 White Paper and the Defence Capability Plan.

It should be noted that improved labour market conditions have led to increased separations from the ADF as civilian employment opportunities for ADF personnel remain strong. These labour market conditions have also led to increased competition within the available recruitment pool. Overall indicators suggest that the separation rate will reduce over the early part of 2013-14, but spikes in separation may be experienced as a result of the drawdown from operations. These spikes will probably not be experienced evenly across the ADF but are likely to be concentrated in specific workforce segments such as Army junior ranks. While recruiting is strong, the training required for a recruit to become an effective ADF member places a natural limit on the size of recruit intakes.

In response to current labour market conditions, Defence has implemented the Defence Employment Offer project, aiming to provide a mechanism for identifying those elements of employment that are important to ADF members, and facilitating the use of targeted retention initiatives. Defence is also putting additional effort in to attracting and recruiting a more diverse workforce.

#### APS Workforce

The APS workforce will reduce to 21,217 in 2013-14 from the 2012-13 projected result of 21,544 in average terms. This reduction reflects the third year of the savings announced in the *Portfolio Budget Statements 2011-12* (a further 168 savings), and the second year of the savings announced in the *Portfolio Budget Statements 2012-13* (a further 334 savings) – the final year of ongoing reductions under each of these savings programs. As at 1 July 2013 it is estimated that Defence's actual APS workforce will be approximately 20,950, which reflects a reduction of approximately 1,200 since 1 July 2012, thereby exceeding the 2012-13 target of 666 (noting that there is an additional 334 in 2013-14). The difference between the actual and average workforce is a result of the timing of workforce reductions in 2012-13, and subsequent increases in 2013-14 as discussed below. The savings have been made possible by continuing reforms to Defence's business practices, in particular through the wider application of Shared Services reform.

In implementing the savings programs, Defence is ensuring that there is no reduction in standards of service in priority areas including support to operations.

The reductions are partially offset by increases associated with the 2009 White Paper and reforms to the wider Defence workforce. These result in increases to APS workforce allocations in the years to 2016-17, in support of capability growth and sustainment for the ADF. There are two main drivers for the increases: the need to invest in specific future force capability development initiatives, and the need to support reforms to the Defence workforce mix, creating significant organisational cost savings. The workforce reforms comprise civilianisation of non-combat related military positions and conversions from contractors to less costly APS positions.

It is important to note that the figures for the DMO's APS workforce for 2012-13 and 2013-14 include estimates of the impact of its combined workforce. 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 (military + APS + contractor) is within the agreed parameters. This effect then flows through to the total Defence workforce.

Defence's contractor workforce shows an increase of 116 from 2012-13 to 2013-14. This is due to low contractor engagement in 2012-13 compared to forecasts. In addition, service providers working under outcomes-based contracts employ a sizeable workforce to support Defence capabilities. These service providers undertake activities such as garrison support, information and communications technology functions and maintenance activities.

## Workforce Summary

The total Defence workforce, including the DMO, is forecast to be 100,395 in 2013-14, comprising:

- Permanent Forces (58 per cent) of:
  - 14,224 Navy Personnel
  - 29,847 Army Personnel
  - 14,164 Air Force Personnel
- 20,450 Reserve Forces (20 per cent)
- 21,217 APS staff (21 per cent)
- 493 Contractors (less than 1 per cent).

Over the forward estimates period, the total workforce will grow by 525 from the forecast of 100,395 in 2013-14 to 100,920 in 2016-17.

The total planned strength of the Defence workforce is shown in Table 9, while a breakdown by Service and rank or level appears at Table 10.

## Defence People

Cultural reform is a high priority for the coming year, and will require sustained effort over several years to effect lasting change. The focus in 2013-14 will be to continue the implementation of *Pathway to Change* through a range of key actions and review recommendations, as well as developing an evaluation framework to measure the achievement of desired cultural effects over subsequent years. The Sexual Misconduct Prevention and Response Office, established in late 2012-13, will commence operations to ensure that members who report sexual misconduct are given appropriate support to assist with their immediate safety and wellbeing, their care and recovery, and return to their full work potential.

Increased effort in creating and sustaining an inclusive and diverse workforce is also a key component of cultural reform. In particular, measures are being taken to increase the representation and employment opportunities for women and Indigenous Australians in Defence. These reforms include greater access to flexible workplace arrangements, mentoring programs and increased effort to recruit, support and retain these groups in Defence. There will also be a pilot to provide increased APS employment opportunities for people with an intellectual disability, commencing in 2013-14 and growing over the subsequent two years.

Defence is developing new approaches to differentiating the employment offer at both a group and individual level, so that the retention of those who are critical to capability, and actively being sought for civilian employment, can be assured. Critical employment areas will be addressed through a well-targeted package of cost-effective measures embracing both financial and non-financial elements of the employment offer and taking into account the tight fiscal environment.

Defence continues to develop the capacity to better manage its workforce. Developing an improved understanding of drivers of workforce demand will assist planning for the future force required to deliver Defence capability and complement ongoing work on workforce costs and supply drivers.

**Table 9: Planned Workforce Allocation 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
<b>ADF Permanent Force<sup>[1]</sup></b>					
Navy	13,795	14,224	14,249	14,270	14,226
Army	28,955	29,847	30,143	30,278	30,298
Air Force	13,961	14,164	14,126	14,116	14,121
<b>1 Total Permanent Force</b>	<b>56,711</b>	<b>58,235</b>	<b>58,518</b>	<b>58,664</b>	<b>58,645</b>
<b>Active Reserve Force</b>					
Navy	2,100	2,150	2,200	2,200	2,200
Army	14,156	14,400	14,600	14,800	15,000
Air Force	2,700	2,500	2,500	2,500	2,500
<b>2 Sub-total Active Reserve Force</b>	<b>18,956</b>	<b>19,050</b>	<b>19,300</b>	<b>19,500</b>	<b>19,700</b>
<b>High Readiness Reserve</b>					
Navy	-	-	-	-	-
Army	711	800	900	950	1,000
Air Force	300	600	600	600	600
<b>3 Sub-total High Readiness Reserve Force</b>	<b>1,011</b>	<b>1,400</b>	<b>1,500</b>	<b>1,550</b>	<b>1,600</b>
<b>4 Total Reserves (2 + 3)</b>	<b>19,967</b>	<b>20,450</b>	<b>20,800</b>	<b>21,050</b>	<b>21,300</b>
<b>5 Total ADF Employees (1 + 4)</b>	<b>76,678</b>	<b>78,685</b>	<b>79,318</b>	<b>79,714</b>	<b>79,945</b>
<b>Civilian Employees</b>					
APS - Defence	15,794	15,547	15,183	15,001	14,893
APS - DMO	5,411	5,307	5,529	5,548	5,583
APS - DMO - ADF backfill	339	363	-	-	-
<b>6 Total APS<sup>[2]</sup></b>	<b>21,544</b>	<b>21,217</b>	<b>20,712</b>	<b>20,549</b>	<b>20,476</b>
Contractors - Defence	350	445	445	447	453
Contractors - DMO	27	48	48	46	46
<b>7 Total Contractors<sup>[3]</sup></b>	<b>377</b>	<b>493</b>	<b>493</b>	<b>493</b>	<b>499</b>
<b>8 Total Civilian Employees (6 + 7)</b>	<b>21,921</b>	<b>21,710</b>	<b>21,205</b>	<b>21,042</b>	<b>20,975</b>
<b>Total Workforce Strength (5 + 8)</b>	<b>98,599</b>	<b>100,395</b>	<b>100,523</b>	<b>100,756</b>	<b>100,920</b>

**Notes**

1. Numbers for ADF Permanent Force include ADF members in the DMO and Reservists on full-time service.
2. Defence's approved APS allocation for 2013-14 is 20,854. The figure of 21,217 includes an allowance of 363 for additional APS members employed under the DMO's combined workforce management model.
3. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

**Table 10: Breakdown of Personnel Numbers by Service and Rank**

	2012-13 Estimated Actual	2013-14 Budget Estimate
<b>Navy<sup>[1]</sup></b>		
One Star and above	58	57
Senior Officers <sup>[2]</sup>	532	554
Officers	2,813	2,834
Other Ranks	10,392	10,779
Gap Year Participants <sup>[3]</sup>	-	-
<b>Sub-Total: Permanent Navy</b>	<b>13,795</b>	<b>14,224</b>
Reserve Forces <sup>[4]</sup>	2,100	2,150
<b>Total Navy</b>	<b>15,895</b>	<b>16,374</b>
<b>Army<sup>[1]</sup></b>		
One Star and above	75	77
Senior Officers <sup>[2]</sup>	794	821
Officers	5,351	5,532
Other Ranks	22,653	23,417
Gap Year Participants <sup>[3]</sup>	82	-
<b>Sub-Total: Permanent Army</b>	<b>28,955</b>	<b>29,847</b>
Reserve Forces <sup>[4]</sup>	14,867	15,200
<b>Total Army</b>	<b>43,822</b>	<b>45,047</b>
<b>Air Force<sup>[1]</sup></b>		
One Star and above	55	56
Senior Officers <sup>[2]</sup>	657	667
Officers	3,907	3,964
Other Ranks	9,342	9,477
Gap Year Participants <sup>[3]</sup>	-	-
<b>Sub-Total: Permanent Air Force</b>	<b>13,961</b>	<b>14,164</b>
Reserve Forces <sup>[4]</sup>	3,000	3,100
<b>Total Air Force</b>	<b>16,961</b>	<b>17,264</b>
<b>APS<sup>[1]</sup></b>		
Senior Executives <sup>[5]</sup>	168	168
Senior Officers <sup>[2]</sup>	6,767	6,670
Other APS Staff	14,609	14,379
<b>Total APS<sup>[6]</sup></b>	<b>21,544</b>	<b>21,217</b>
Contractors <sup>[7]</sup>	377	493
<b>Total Workforce</b>	<b>98,599</b>	<b>100,395</b>

**Notes**

1. Permanent Forces and APS numbers are forecasts of the average strength for 2013-14.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. ADF Recruitment and Retention Initiative.
4. Reserve figures represent the actual numbers of Active and High Readiness Reservists who render service. Reservists on full-time service are reported in the Permanent Force.
5. The figures for Senior Executive Service include the Secretary of the Department of Defence.
6. Note that Defence's approved APS allocation for 2013-14 is 20,854. The figure of 21,217 includes an allowance of 363 for additional APS members employed under the DMO's combined workforce management model.
7. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.



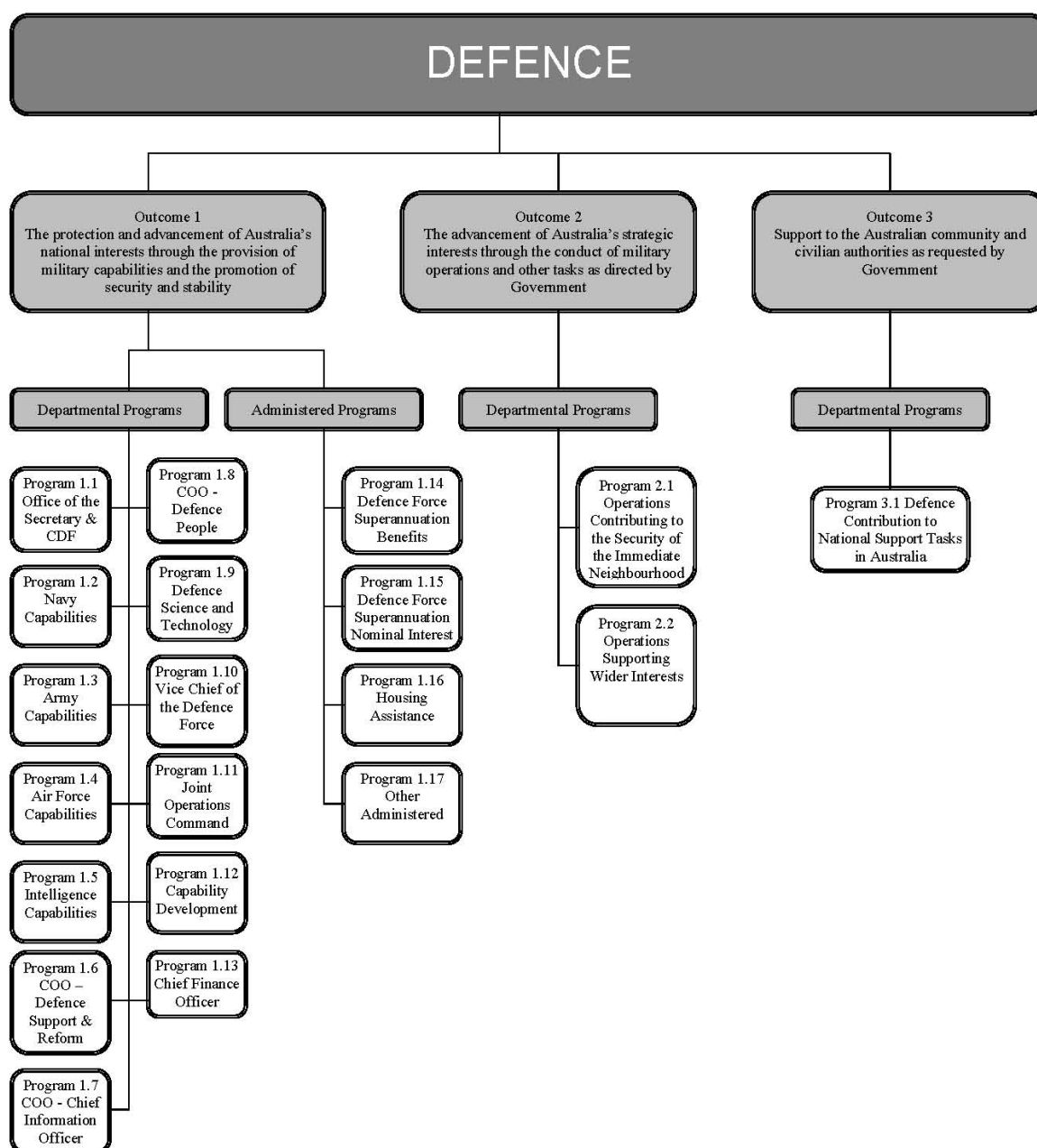
## Section 2: Defence Outcomes and Planned Performance

### 2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of Defence in achieving Government outcomes.

**Figure 3: Structure of Defence's Outcomes**



**Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability**

## **Outcome 1 Strategy**

Outcome 1 addresses the strategic objectives set out in the 2013 *Defence White Paper*, namely:

- maintaining and building a defence capability that underpins Australia's security and prosperity and provides options for a credible response wherever Australia's security interests are engaged
- strengthening Australia's defence partnerships with our allies and regional partners and globally.

The primary focus of Outcome 1 is on maintaining the capacity to support current commitments and provide strategic response options to the Government to meet the range of potential future security contingencies. It also covers working collaboratively with our neighbours and the broader international defence community, and contributing to coalition operations in support of Australia's national interests. As well as the provision of military capabilities, this outcome encompasses all of the policy, command and support functions undertaken by the organisation.

Defence's administered appropriations relating to superannuation, housing support services for current and retired Defence personnel and Other Administered are covered by Outcome 1. Apart from supporting current operations, which are described in detail under Outcomes 2 and 3, the priorities that will be progressed under Outcome 1 in 2013-14 are:

- to increase the professional and personal accountability of Defence personnel, and to improve Defence management and decision-making processes
- implementing the 2013 *Defence White Paper* released on 3 May 2013
- implementing reform including in the areas of capability development, procurement and acquisition, the Defence budget and the strengthening of personal and institutional accountability
- implementing the recommendations of the Cultural Reviews under the *Pathway to Change*
- supporting the program of efficiency and economy measures to ensure that all areas of Defence are best able to support and deliver future military capability requirements
- continuing the commitment to the recruitment and retention of ADF personnel.

## Outcome 1 Resources

Table 11: Total Budgeted Resources Available for Outcome 1<sup>[1]</sup>

	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
<b>Program 1.1 Office of the Secretary and CDF</b>					
Revenues from other sources	542	539	538	540	534
Departmental outputs	142,928	164,183	162,672	195,332	192,821
<b>Program 1.2 Navy Capabilities</b>					
Revenues from other sources	241,929	248,407	253,143	259,285	264,792
Departmental outputs	4,184,758	4,332,858	4,499,195	4,617,494	4,646,491
<b>Program 1.3 Army Capabilities</b>					
Revenues from other sources	142,543	156,852	162,506	168,376	174,511
Departmental outputs	5,041,977	5,343,805	5,709,871	6,082,261	6,117,118
<b>Program 1.4 Air Force Capabilities</b>					
Revenues from other sources	290,435	323,449	332,384	341,223	350,360
Departmental outputs	4,113,185	4,165,276	4,381,511	4,617,658	4,596,155
<b>Program 1.5 Intelligence Capabilities</b>					
Revenues from other sources	12,729	13,550	13,051	13,710	14,068
Departmental outputs	507,151	524,824	565,520	628,311	620,689
<b>Chief Operating Officer (COO)</b>					
Revenues from other sources	314,485	348,905	371,686	461,249	445,387
Departmental outputs	4,977,476	5,173,208	5,415,338	5,665,922	5,850,480
<b>Program 1.6 Chief Operating Officer - Defence Support and Reform</b>					
Revenues from other sources	302,183	334,311	354,846	443,392	426,714
Departmental outputs	3,647,778	3,747,675	3,936,154	4,063,643	4,301,860
<b>Program 1.7 Chief Operating Officer - Chief Information Officer</b>					
Revenues from other sources	12,234	14,594	16,840	17,857	18,673
Departmental outputs	974,401	972,779	1,008,595	1,124,725	1,060,090
<b>Program 1.8 Chief Operating Officer - Defence People</b>					
Revenues from other sources	68	-	-	-	-
Departmental outputs	355,297	452,754	470,589	477,554	488,530
<b>Program 1.9 Defence Science and Technology</b>					
Revenues from other sources	40,535	35,317	36,353	37,389	38,441
Departmental outputs	441,397	427,200	443,304	462,469	456,406
<b>Program 1.10 Vice Chief of the Defence Force</b>					
Revenues from other sources	241,241	231,636	235,030	238,492	242,033
Departmental outputs	1,162,672	1,251,094	1,259,605	1,294,260	1,340,329
<b>Program 1.11 Joint Operations Command</b>					
Revenues from other sources	1,133	373	388	400	406
Departmental outputs	45,546	50,680	48,247	51,276	52,704
<b>Program 1.12 Capability Development</b>					
Revenues from other sources	71,118	86,203	107,710	130,895	155,414
Departmental outputs	230,365	883,841	1,723,050	2,390,374	2,918,161
<b>Program 1.13 Chief Finance Officer</b>					
Revenues from other sources	782,289	822,302	867,999	924,301	971,766
Departmental outputs	535,769	560,563	619,318	631,998	628,653

Table 11 (Cont): Total Budgeted Resources Available for Outcome 1

	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
<b>Program 1.14 Defence Force Superannuation Benefits</b>					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	-	-	-	-	-
<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	188,592	96,957	85,377	75,307	66,101
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	2,981,554	1,255,387	1,340,561	1,391,045	1,476,384
<b>Total Administered expenses</b>	<b>3,170,146</b>	<b>1,352,344</b>	<b>1,425,938</b>	<b>1,466,352</b>	<b>1,542,485</b>
Administered revenues from other sources	1,250,204	1,279,134	1,332,987	1,390,431	1,449,214
<b>Total Program 1.14</b>	<b>1,919,942</b>	<b>73,210</b>	<b>92,951</b>	<b>75,921</b>	<b>93,271</b>
<b>Program 1.15 Defence Force Superannuation Nominal Interest</b>					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	18,855	26,918	25,357	23,848	22,391
<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	1,179,857	1,481,592	1,483,710	1,483,692	1,481,497
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,481,327	1,419,134	1,553,931	1,698,035	1,851,519
<b>Total Administered expenses</b>	<b>2,680,039</b>	<b>2,927,644</b>	<b>3,062,998</b>	<b>3,205,575</b>	<b>3,355,407</b>
Administered revenues from other sources	-	-	-	-	-
<b>Total Program 1.15</b>	<b>2,680,039</b>	<b>2,927,644</b>	<b>3,062,998</b>	<b>3,205,575</b>	<b>3,355,407</b>
<b>Program 1.16 Housing Assistance</b>					
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	2,443	1,963	1,629	1,349	1,154
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	95,593	104,626	115,285	124,348	131,792
<b>Total Administered expenses</b>	<b>98,036</b>	<b>106,589</b>	<b>116,914</b>	<b>125,697</b>	<b>132,946</b>
Administered revenues from other sources	11,115	12,192	12,950	13,569	13,968
<b>Total Program 1.16</b>	<b>86,921</b>	<b>94,397</b>	<b>103,964</b>	<b>112,128</b>	<b>118,978</b>
<b>Program 1.17 Other Administered</b>					
Administered revenues from other sources	119,110	158,214	151,558	168,395	142,236
<b>Total Program 1.17</b>	<b>-119,110</b>	<b>-158,214</b>	<b>-151,558</b>	<b>-168,395</b>	<b>-142,236</b>
<b>Total resourcing</b>					
Total Departmental outputs	21,383,224	22,877,532	24,827,631	26,637,355	27,420,007
Total Administered	4,567,792	2,937,037	3,108,355	3,225,229	3,425,420
Total Departmental revenue from other sources	2,138,979	2,267,533	2,380,788	2,575,860	2,657,712
Total Administered revenue from other sources	1,380,429	1,449,540	1,497,495	1,572,395	1,605,418
Equity injection	456,312	683,005	1,816,608	1,515,806	2,188,258
<b>Total resources for Outcome 1</b>	<b>29,926,736</b>	<b>30,214,647</b>	<b>33,630,877</b>	<b>35,526,645</b>	<b>37,296,815</b>

**Note**

1. At *Portfolio Budget Statements 2013-14*, the Program numbers have changed compared to *Portfolio Additional Estimates Statements 2012-13* as a result of the introduction of the Chief Operating Officer.

## Contributions to Outcome 1

### Program 1.1: Office of the Secretary and CDF

#### Program 1.1 Objective

The Office of the Secretary and CDF (OSCDF) Group's primary objective in delivering Program 1.1 is to support the Secretary and CDF so they can deliver high quality policy advice to the Government, drive organisational reform and exercise strategic leadership.

The OSCDF Group manages the vast array of operational, policy, commercial, regulatory, risk and other matters associated with the Defence mission of defending Australia and its national interests.

During 2013-14, the Group will continue to drive implementation of the strategic reforms across Defence. It will implement new measures to align Defence's corporate and enterprise risk planning functions with strategic planning, and implement the 2013 *Defence White Paper* released on 3 May 2013.

The Group comprises the small personal offices of the Secretary and CDF, the Strategy Executive, the Audit and Fraud Control Division and a number of Military Justice agencies.

**Table 12: Cost Summary for Program 1.1 Office of the Secretary and CDF**

	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
<b>Expenses</b>					
Employees	34,602	37,187	38,392	42,493	41,291
Suppliers	103,332	121,867	119,229	148,294	147,023
Grants	4,199	4,557	4,660	4,264	4,372
Depreciation and amortisation	1,337	1,111	929	821	669
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>143,470</b>	<b>164,722</b>	<b>163,210</b>	<b>195,872</b>	<b>193,355</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	542	539	538	540	534
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>542</b>	<b>539</b>	<b>538</b>	<b>540</b>	<b>534</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>542</b>	<b>539</b>	<b>538</b>	<b>540</b>	<b>534</b>
<b>Program 1.1 Office of the Secretary and CDF</b>	<b>142,928</b>	<b>164,183</b>	<b>162,672</b>	<b>195,332</b>	<b>192,821</b>

### Program 1.1 Deliverables

- Provide direction for the contribution of Defence to operations as directed by Government.
- Ensure Group-specific reform and savings initiatives have been achieved.
- Oversee implementation of agreed recommendations of the *ADF Posture Review*, incorporated as appropriate into the *2013 Defence White Paper*.
- Enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes.
- Align Defence's corporate, enterprise risk and strategic planning functions, including through Defence's annual and corporate plans and revision of the Strategy Planning Framework.
- Guide implementation of the *2013 Defence White Paper*.
- Ensure both Defence strategic policy and corporate strategy align with Government direction and priorities, including fiscal policy.
- Ensure Defence's international relationships complement broader foreign policy goals, promote security and enhance productive Defence partnerships, particularly regionally, including through the Defence Cooperation Program as discussed in Appendix A.
- Provide policy advice on strategic issues including arms control, international collaborative programs, major capability acquisitions, industry and innovation policy.
- Manage export control of defence and strategic goods.
- Implement the legislation for the Australia-United States Defence Trade Cooperation Treaty and appropriate Treaty guidance to Australian Defence industry.
- Implementation of the recommendations of the Review into the Woomera Prohibited Area.
- Ensure that Defence complies fully with its obligations under the Archives and Freedom of Information Acts, including the pro-disclosure and accessibility requirements of the Information Publication Scheme<sup>[1]</sup>.
- On behalf of the Secretary and CDF undertake independent audits of Defence activities, and coordinate Australian National Audit Office activity in Defence.
- On behalf of the Secretary and CDF, take a leading role in the prevention and detection of fraud, undertake fraud investigations, and produce the Defence Fraud Control Plan.

#### Note

1. These functions have transferred to Program 1.6: Defence Support and Reform. Not identified in *Portfolio Additional Estimates 2012-13*.

### Program 1.1 Key Performance Indicators

- Group-specific outcomes and programs are delivered within allocated resources and meet directed efficiency, economy measures, and economy and cultural measures.
- Staff skills are developed and personnel management practices successfully balance competing priorities.
- Policy guidance is forward-looking, timely, innovative and practical.

## Program 1.2: Navy Capabilities

### Program 1.2 Objective

The Navy's primary objective in delivering Program 1.2 is to provide maritime forces that contribute to the ADF's capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect our national interests. This is achieved by providing maritime patrol and response, interdiction and strategic strike, amphibious warfare capabilities, protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, hydrographic and oceanographic operations, and escort duties. Peacetime activities include maritime surveillance and response within Australia's offshore maritime zones, hydrographic, oceanographic and meteorological support operations, humanitarian assistance, disaster relief and maritime search and rescue.

In 2013-14, the Navy will continue to maintain sufficient maritime combatant forces to deploy on operations, as directed by the CDF, while managing the ongoing challenges and capability risks associated with sustainment of the fleet and aviation forces, shortages in trained personnel and upgrades to a number of major fleet units.

The year will also herald the arrival of significant new capability with the introduction into service of the first Landing Helicopter Dock (LHD) and the establishment of the first MH-60R helicopter squadron.

October 2013 will mark a very important time in the Navy calendar, when 17 ships from across the Navy and over 40 foreign navy vessels and tall ships will participate in the International Fleet Review (IFR) to celebrate the centenary of the arrival of the Royal Australian Navy's fleet in Sydney Harbour. Navy will also participate in a number of bilateral and multilateral exercises during the year, including Talisman Sabre 2013 in July and August and Triton Centenary 2013 in the lead-up to and following the IFR. Both the IFR and the programmed exercises will make major contributions to the international engagement program while strengthening interoperability and regional relationships.

The *Rizzo Plan to Reform Support Ship Repair and Management Practices*, established in July 2011, will continue implementation in 2013-14, including change activities at the waterfront aimed at improving sustainment business practices, enhancing Navy-DMO working arrangements and embedding seaworthiness principles. The program will also persist with its important work aimed at rebuilding engineering capability in Navy.

Navy will again grapple with workforce challenges in 2013-14, especially shortages of mid-seniority officer and sailor ranks in some workforce sectors. Skills and number shortages are being addressed through junior officer and sailor development, lateral recruitment of foreign service personnel, and the employment of incentives to reduce separation rates. Transition to new platforms and technologies will also necessitate workforce restructure in some areas.

Navy remains strongly committed to the *Defence Pathway to Change*, underpinned by the New Generation Navy program which is driving cultural change and entrenching values and behaviours consistent with modern community standards and attitudes.

**Table 13: Cost Summary for Program 1.2 Navy Capabilities**

	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
<b>Expenses</b>					
Employees	1,724,128	1,788,501	1,869,145	2,033,132	2,044,811
Suppliers	1,581,796	1,813,436	1,911,132	1,935,757	1,971,544
Grants	-	-	-	-	-
Depreciation and amortisation	918,629	772,860	758,531	690,791	674,615
Finance cost	21,391	20,721	25,762	27,139	28,278
Write-down of assets and impairment of assets	180,743	185,747	187,768	189,960	192,035
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>4,426,687</b>	<b>4,581,265</b>	<b>4,752,338</b>	<b>4,876,779</b>	<b>4,911,283</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	88,572	91,790	95,168	99,964	104,195
Other revenue	41,468	42,520	43,568	44,664	45,770
<b>Total revenue</b>	<b>130,040</b>	<b>134,310</b>	<b>138,736</b>	<b>144,628</b>	<b>149,965</b>
<b>Gains</b>					
Reversals of previous asset write-downs	111,889	114,097	114,407	114,657	114,827
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>111,889</b>	<b>114,097</b>	<b>114,407</b>	<b>114,657</b>	<b>114,827</b>
<b>Total income</b>	<b>241,929</b>	<b>248,407</b>	<b>253,143</b>	<b>259,285</b>	<b>264,792</b>
<b>Program 1.2 Navy Capabilities</b>	<b>4,184,758</b>	<b>4,332,858</b>	<b>4,499,195</b>	<b>4,617,494</b>	<b>4,646,491</b>

**Program 1.2 Deliverables**

- Prepare, sustain and lead assigned forces to deliver capability to meet Government requirements.
- Maintain preparedness of Navy capability as directed by the CDF.
- Undertake joint collective training to ensure force elements are prepared for deployment and operations.
- In consultation with the Capability Development Group and the DMO, continue to plan, develop and monitor the delivery of, and transition to, new capability.
- Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary.
- Deliver reform and savings without compromising agreed levels of Navy capability and safety.



**Table 14: Navy Deliverables (Unit Ready Days)<sup>[1]</sup>**

Deliverables	2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
19 Major Combatants <sup>[2]</sup>	3,915 <sup>[3]</sup>	3,501	3,491	3,730	4,151
20 Minor Combatants <sup>[4]</sup>	4,823	4,581	4,568	4,595	4,665
9 Amphibious and Afloat Support <sup>[5]</sup>	1,817	2,186	1,871	1,447	1,487
7 Maritime Teams <sup>[6]</sup>	2,555	2,555	2,555	2,556	2,555
9 Hydrographic Force <sup>[7]</sup>	2,563	2,805	2,220	1,596	1,569

**Notes**

1. Unit Ready Days (URD) are the aggregate number of days that constituent force elements are available for tasking.
2. Major Combatants include Adelaide class frigates, Anzac class frigates, Hobart class air warfare destroyers (from 2016-17) and submarines. Two Adelaide class frigates will be withdrawn in the forward estimates period (late 2014 and April 2017 respectively).
3. The Major Combatants Estimated Actual for 2012-13 has been revised from the figure reported in the *Portfolio Additional Estimates Statements 2012-13* to incorporate additional URD for submarines.
4. Minor Combatants include patrol boats and coastal mine hunters (MHC). Patrol boats will return to their contracted hours in 2013-14 following the completion of the remediation program in the first quarter of 2013-14. MHCs *Hawkesbury* and *Norman* were placed in extended readiness in 2009. Mine Sweeper Auxiliaries *Bandicoot* and *Wallaroo* have been withdrawn from service following the acquisition of two new tugs and hence have been removed from the PB Statements.
5. Amphibious and Afloat Support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship, heavy landing craft and, from 2014, the Canberra class LHD. Three remaining heavy landing craft and HMAS *Tobruk* are planned to decommission in December 2014. The LHDs begin to accrue URD in March 2014 and September 2014 respectively following crew certification.
6. Maritime Teams comprise clearance diving teams, the deployable geospatial support team and mobile meteorological and oceanographic teams.
7. Hydrographic Force comprises the hydrographic ships, survey motor launches, chart production office and meteorological and oceanographic centres. HMA Ships *Melville* and *Leeuwin* will undertake major maintenance/repair periods, including the replacement of their Variable Speed Drives in 2013-14. Survey motor launches are due to decommission late 2014, subject to final decision on service life extension.

**Table 15: Navy Deliverables (Products)**

Deliverables	2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
Nautical Charting <sup>[1]</sup>	93	85	110	110	140
Nautical Publications <sup>[2]</sup>	6	30	30	31	30
Maritime Safety Update Work Orders <sup>[3]</sup>	-	1,100	1,100	1,100	1,100

**Notes**

1. Nautical charting includes paper charts and Electronic Navigational Chart Cells from the Hydroscheme charting program.
2. Nautical publications include four annual publications (Hydroscheme, Australian Tide Tables, Annual Notices to Mariners and AusTides); 25 fortnightly Notices to Mariners (not previously reported); and additional publications including Australian Chart and Publication Maintenance Handbook (2013-14), Sailing Directions NP13 (2014-15), Sailing Directions NP14 (2015-16) and Seafarer's Handbook (2016-17).
3. A Maritime Safety Update is a notice distributed to the nautical community advising important safety information.

**Table 16: Navy Deliverables (Flying Hours)**

Deliverables	2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
16 S-7-B-2 (Seahawks) <sup>[1]</sup>	4,200	3,600	2,800	2,000	1,200
13 A5350B (Squirrels)	3,600	4,000	4,000	4,000	4,000
- MRH-90 <sup>[2]</sup>	-	-	-	-	-
6 MH-60R <sup>[3]</sup>	-	600	2,400	3,400	4,800
1 Laser airborne depth sounder aircraft	980	980	980	980	980

**Notes**

1. Seahawk helicopter flying hours reduce over the forward estimates period with the introduction of MH-60R helicopters.
2. Navy is operating MRH-90; however, their flying hours have been included under Army Aviation deliverables, as Army is Joint Capability Manager for the aircraft. The portion planned for Navy is six aircraft and approximately 1,500 hours per annum in the mature state.
3. MH-60R helicopters scheduled to enter service during the forward estimates period.

**Program 1.2 Key Performance Indicators**

- Achieve levels of preparedness as directed by the CDF.
- Meet the Government's operational requirements.
- Generate and sustain forces for each current operation.
- Achieve a level of training that maintains core skills, professional standards and baseline preparedness.
- Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary.
- Achieve Hydroscheme 2013-2016 data and surveying tasking requirements to meet national hydrographic surveying and charting obligations.

### Program 1.3: Army Capabilities

#### Program 1.3 Objective

Army's primary objective in delivering Program 1.3 is to contribute to the achievement of the Government's defence objectives through the provision of capabilities for land and special operations. Army is to prepare forces for Joint Force-In-Being contributions to understanding and shaping the strategic environment; assisting civil authorities in Australia and abroad; and, deterring, denying and/or defeating adversaries the opportunity to attack or threaten Australia, or its strategic interests.

Army's first priority is to continue to support forces and individuals deployed on operations. During 2013-14 Army will remain heavily committed across a spectrum of operations at the domestic, regional and global level. Army will continue to sustain and preserve the ability to deploy and sustain a brigade group and a battalion group, in different areas of operation, for a prolonged period of time in our primary operational environment.

Army will further develop and refine the Army Sustainment Campaign Plan and Force Generation Cycle to ensure Army is capable of supporting current operations while concurrently posturing to meet the challenges of future operations. During 2013-14, the implementation of Multi-role Combat Brigade and Army Reserve reform under Plan BEERSHEBA will see increased commonality of structures and capability across Army. With recent tightening of resources, these changes will optimise its Force Generation Cycle and achieve efficiencies through cyclical personnel and resource usage and rationalisation of the equipment required to sustain operational missions and readiness for potential contingencies.

Army will achieve reductions in its operating budget including through a reduction in the use of M113AS4 vehicles. Some of these vehicles will be placed in temporary storage and Army will continue to review these fleets to ensure a viable mechanised capability is maintained.

Army will build on its existing cultural strengths through the implementation of a *Pathway to Change*, to ensure the organisation excels in preparing for and conducting operations in support of Australia and its national interests, while reflecting modern community standards and attitudes.

**Table 17: Cost Summary for Program 1.3 Army Capabilities**

	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
<b>Expenses</b>					
Employees	3,235,174	3,402,847	3,581,821	3,896,588	3,946,112
Suppliers	1,149,572	1,441,882	1,641,385	1,714,998	1,730,355
Grants	82	284	84	88	90
Depreciation and amortisation	674,094	530,145	520,052	506,748	479,205
Finance cost	1,979	1,886	2,937	3,261	3,539
Write-down of assets and impairment of assets	119,500	123,613	126,098	128,954	132,328
Net losses from sale of assets	4,119	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>5,184,520</b>	<b>5,500,657</b>	<b>5,872,377</b>	<b>6,250,637</b>	<b>6,291,629</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	65,176	73,856	78,065	82,375	86,834
Other revenue	3,763	3,857	3,953	4,052	4,153
<b>Total revenue</b>	<b>68,939</b>	<b>77,713</b>	<b>82,018</b>	<b>86,427</b>	<b>90,987</b>
<b>Gains</b>					
Reversals of previous asset write-downs	73,604	75,232	75,768	76,323	76,965
Net gains from sale of assets	-	3,907	4,720	5,626	6,559
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>73,604</b>	<b>79,139</b>	<b>80,488</b>	<b>81,949</b>	<b>83,524</b>
<b>Total income</b>	<b>142,543</b>	<b>156,852</b>	<b>162,506</b>	<b>168,376</b>	<b>174,511</b>
<b>Program 1.3 Army Capabilities</b>	<b>5,041,977</b>	<b>5,343,805</b>	<b>5,709,871</b>	<b>6,082,261</b>	<b>6,117,118</b>

### **Program 1.3 Deliverables**

- Prepare, sustain and lead assigned forces to deliver capability to meet Government requirements.
- Conduct force generation and force preparation and maintain preparedness of capability as directed by the CDF.
- Continue to contribute to domestic security operations.
- In consultation with Capability Development Group and the DMO, continue to plan, develop and monitor the delivery of, and transition to, new capability.
- Provide timely, accurate and considered advice on Army capabilities to the Government, the CDF and the Secretary.
- Develop programs to increase diversity within Army's workforce.
- Continue to improve programs that provide support for Army's seriously wounded and ill personnel.
- Undertake joint collective training to ensure force elements are prepared for deployment.
- Deliver force generation, namely a training continuum that unifies individual and collective training to ensure Defence Elements are prepared for Joint Force-In-Being contributions, including joint enabling activities supporting other Services/Groups.
- Implement reform through the Adaptive Army framework, Army Continuous Modernisation Plan and the Army Plan while continuing preparation of Force Elements for operational commitments and contingencies (this includes the Plan BEERSHEBA initiatives including the forming of Multi-role Combat Brigades, an amphibious capability and reform of the Army Reserve).
- Deliver Group specific reform and savings without compromising agreed levels of Army capability, including the revamping of Army's governance, risk, and budgeting and performance achievement management.

**Table 18: Army Deliverables (Rate of Effort – Flying Hours) [Army]**

Deliverables	2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
6 CH-47D Chinook <sup>[1]</sup>	2,000	1,850	1,700	1,700	1,700
34 S-70A-9 Black Hawk <sup>[2]</sup>	7,500	6,200	4,200	2,400	2,000
41 B-206 Kiowa <sup>[3]</sup>	7,150	6,400	6,150	6,150	6,150
22 Armed Reconnaissance Helicopter (ARH) Tiger <sup>[4]</sup>	3,090	3,360	4,566	5,661	6,042
46 Multi Role Helicopter (MRH-90) <sup>[5]</sup>	2,700	4,000	5,600	8,200	10,200

**Notes**

1. 2013-14 Rate of Effort comprises 1700 hours baseline and 150 hours Operational Supplement.
2. Rate of Effort linked with MRH-90 development activities and MRH-90 sustainment contract negotiations.
3. Kiowa Rate of Effort is reduced in 2013-14 due to lower utilisation by 173 Squadron (due to cease operations in Holsworthy at the end of 2013) and reduced pilot throughput at Army Aviation Training Centre in 2013-14.
4. The achievement of ARH Rate of Effort is heavily dependant on maintenance support limitations, aircraft availability and the limited number of aircrew at 1 Aviation Regiment.
5. The final figure may vary due to the number of airframes accepted. MRH-90 Rate of Effort includes hours flown on MRH-90 operated by Royal Australian Navy.

**Program 1.3 Key Performance Indicators**

- Achieve levels of preparedness as directed by the CDF.
- Meet the Government's operational requirements.
- Generate and sustain forces for each current operation.
- Achieve a level of training that maintains core skills, professional standards and baseline preparedness.
- Provide timely, accurate and considered advice on Army capabilities to the Government, CDF and the Secretary.

## Program 1.4: Air Force Capabilities

### Program 1.4 Objective

Air Force prepares forces to contribute to joint efforts of:

- understanding and shaping the strategic environment
- assisting civil authorities in Australia and abroad
- deterring, denying and/or defeating adversaries the opportunity to attack or threaten Australia or its strategic interests.

Air Force contributes to the achievement of Government's defence objectives by providing immediate and responsive military options as part of a whole-of-government joint or coalition response, either from Australia or when deployed overseas. Air Force's objective is achieved through the key air power roles – control of the air; precision strike; intelligence, surveillance and reconnaissance; and air mobility – all of which are enabled by combat support and operational support functions.

Capabilities provided by Air Force offer a unique combination of persistent and precision effect, flexibility, perspective, reach, penetration, versatility and responsiveness, and the ability to generate integrated kinetic and non-kinetic effects across the sea, land, air, space and cyber operating domains. Frequently, the options and capabilities provided by Air Force are also employed by the Government in a range of non-military activities such as search and rescue, disaster relief, humanitarian assistance, coastal and maritime surveillance, evacuation of civilians from trouble spots, and other protective functions.

**Table 19: Cost Summary for Program 1.4 Air Force Capabilities**

	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
<b>Expenses</b>					
Employees	1,764,264	1,807,222	1,873,586	2,037,351	2,080,122
Suppliers	1,422,243	1,774,456	1,929,974	2,016,608	1,981,137
Grants	-	-	-	-	-
Depreciation and amortisation	986,719	671,224	668,661	659,885	637,177
Finance cost	6,447	6,148	9,572	10,626	11,533
Write-down of assets and impairment of assets	223,947	229,675	232,102	234,411	236,546
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>4,403,620</b>	<b>4,488,725</b>	<b>4,713,895</b>	<b>4,958,881</b>	<b>4,946,515</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	145,230	175,662	184,164	192,768	201,809
Other revenue	6,392	6,552	6,715	6,882	7,055
<b>Total revenue</b>	<b>151,622</b>	<b>182,214</b>	<b>190,879</b>	<b>199,650</b>	<b>208,864</b>
<b>Gains</b>					
Reversals of previous asset write-downs	138,813	141,235	141,505	141,573	141,496
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>138,813</b>	<b>141,235</b>	<b>141,505</b>	<b>141,573</b>	<b>141,496</b>
<b>Total income</b>	<b>290,435</b>	<b>323,449</b>	<b>332,384</b>	<b>341,223</b>	<b>350,360</b>
<b>Program 1.4 Air Force Capabilities</b>	<b>4,113,185</b>	<b>4,165,276</b>	<b>4,381,511</b>	<b>4,617,658</b>	<b>4,596,155</b>

**Program 1.4 Deliverables**

- Prepare, sustain and lead assigned forces in operations to deliver capability to meet Government requirements.
- Provide air power options for Government by meeting directed preparedness requirements while minimising resource expenditure.
- In consultation with the Capability Development Group and the DMO, continue to plan, develop and monitor the delivery of, and transition to, new capability.
- Provide timely, accurate and considered advice on Air Force capabilities to the Government, the CDF and the Secretary.
- Engage with Government, the public, international partners, Defence groups, industry, other stakeholders and Air Force members to maximise achievement of all outputs.
- Deliver reform, including resource management and cultural change, without compromising capability, safety or airworthiness.



**Table 20: Air Force Deliverables (Flying Hours)**

<b>Deliverables</b>	<b>2012-13 Estimated Actual</b>	<b>2013-14 Budget Estimate</b>	<b>2014-15 Forward Estimate</b>	<b>2015-16 Forward Estimate</b>	<b>2016-17 Forward Estimate</b>
63 PC-9 <sup>[1]</sup>	16,700	17,852	17,852	17,852	-
16 B300 King Air 350	10,400	11,400	11,400	11,400	11,400
0 C-130H Hercules	900	-	-	-	-
12 C-130J Hercules	7,850	7,350	7,350	7,350	8,250
6 C-17 Globemaster III <sup>[2]</sup>	4,800	5,200	5,200	5,200	5,200
10 C-27J Spartan <sup>[3]</sup>	-	-	1,000	2,500	5,000
5 KC-30A	2,200	3,100	3,100	3,100	3,100
2 B737 BBJ	1,400	1,600	1,600	TBA	TBA
3 CL604 Challenger	2,403	2,403	2,403	TBA	TBA
18 P-3 Orion <sup>[4]</sup>	7,100	7,900	7,900	7,550	6,975
6 E-7A Wedgetail	2,400	3,600	3,600	3,600	3,600
71 F/A-18A/B Hornet <sup>[5]</sup>	12,500	13,000	13,000	13,000	13,000
24 F/A-18F Super Hornet <sup>[6]</sup>	4,500	4,800	4,800	5,200	5,200
8 P-8 Poseidon <sup>[7]</sup>	-	-	-	-	345
33 Haw k 127	5,500	7,500	7,500	7,500	7,500

**Notes**

1. The number of aircraft reflects a single unrecoverable PC-9 as reported in the 2010-11 Defence Annual Report.
2. The increased Rate of Effort in 2013-14 and forward years reflects the arrival of the 6th platform along with an increased effort to reduce the impacts of the C-130H withdrawal.
3. The estimate of the Rate of Effort will continue to be revised in line with the progressive introduction of these platforms into service.
4. One AP-3C has been retired. The reduced Rate of Effort in the forward years is associated with the resources being allocated to the P-8 transition requirements.
5. Rate of Effort is set to ensure the Air Combat capability of the ADF.
6. Increased Rate of Effort is the reflection of a maturing capability.
7. P-8 Poseidon hours are based on AIR7000 estimated Rate of Effort for the initial introduction into service. It will continue to be revised in line with the progressive introduction of these platforms into service.

**Program 1.4 Key Performance Indicators**

- Achieve levels of preparedness as directed by the CDF.
- Meet the Government's operational requirements.
- Generate and sustain forces for each current operation.
- Achieve a level of training that maintains core skills, professional standards and baseline preparedness.
- Provide timely, accurate and considered advice on Air Force capabilities to the Government, the CDF and the Secretary.

### Program 1.5: Intelligence Capabilities

#### Program 1.5 Objective

Intelligence and Security Group delivers Program 1.5 through the two main objectives of delivering intelligence capability for Defence and Government; and leads the development of security policy, standards and plans to meet Defence's protective security requirements and provide information security services to Government.

As Defence's ability to preserve its intelligence capability edge is critically dependent on the availability of skilled and experienced ADF and civilian personnel, the Group has broadened its recruitment and retention strategies through programs, such as targeted university recruitment drives, incentives for staff with specific language and technical talents, and enhanced use of online recruitment tools. These initiatives will continue in 2013-14.

The Defence Security Authority leads the Defence security community in minimising the security risks to Defence's people, information and material. The Authority is responsible for developing security policy, reporting on security performance, investigating serious security incidents, producing security intelligence and threat assessments, developing and delivering specialist security training, and undertaking personnel security vetting for the majority of Commonwealth agencies and related industry.

**Table 21: Cost Summary for Program 1.5 Intelligence Capabilities**

	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
<b>Expenses</b>					
Employees	262,260	269,859	279,474	303,861	305,272
Suppliers	217,083	230,027	253,610	282,160	268,080
Grants	-	-	-	-	-
Depreciation and amortisation	37,354	34,713	40,714	50,807	55,815
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	3,183	3,775	4,773	5,193	5,590
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>519,880</b>	<b>538,374</b>	<b>578,571</b>	<b>642,021</b>	<b>634,757</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	10,784	11,243	10,134	10,536	10,652
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>10,784</b>	<b>11,243</b>	<b>10,134</b>	<b>10,536</b>	<b>10,652</b>
<b>Gains</b>					
Reversals of previous asset write-downs	1,945	2,307	2,917	3,174	3,416
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>1,945</b>	<b>2,307</b>	<b>2,917</b>	<b>3,174</b>	<b>3,416</b>
<b>Total income</b>	<b>12,729</b>	<b>13,550</b>	<b>13,051</b>	<b>13,710</b>	<b>14,068</b>
<b>Program 1.5 Intelligence Capabilities</b>	<b>507,151</b>	<b>524,824</b>	<b>565,520</b>	<b>628,311</b>	<b>620,689</b>

### **Program 1.5 Deliverables**

- Provide timely, accurate and high quality intelligence and security support in accordance with Government priorities to support the ADF, policy and wider security operations.
- Deliver enhanced capabilities to better exploit next generation technologies, improve intelligence assessment, and enhance the security of the Government's information.
- Provide advice and assistance to the Government on the security and integrity of electronic information, cryptography and communications technology.
- Meet the Australian Government Security Vetting Agency's key performance results as specified in the agency's Service Level Charter.
- Strengthen the management framework of the Australian Government Security Vetting Agency.
- Provide management and strategic direction for Defence's foreign language capability.
- Ensure the effectiveness of the intelligence and security governance and compliance framework.
- Strengthen the workforce through targeted recruitment, retention and training initiatives.
- Ensure effective and efficient transfer of expertise, capabilities and intelligence across key international partnerships, and strengthen collaboration with national agencies.
- Contribute to reform outcomes.

### **Program 1.5 Key Performance Indicators**

- Deliver intelligence and security services to meet Defence and Government requirements.
- Develop next generation intelligence, geospatial and security assessment capabilities; including Geoint, Sigint and Cyber.
- Strengthen the approach to security across Defence and Government.
- Deliver strategic guidance and management support to meet Defence's foreign language requirements.
- Achieve best practice in governance and compliance.
- Ensure that the intelligence and security workforce is developed and skilled.
- Deliver intelligence capability dividends through international and national partnerships.

## Chief Operating Officer

### Chief Operating Officer Objective

The Chief Operating Officer (COO) organisation consists of three groups and one division: Defence Support and Reform Group (DSRG) (Program 1.6), Chief Information Officer Group (CIOG) (Program 1.7), Defence People Group (DPG) (Program 1.8) and Defence Legal Division.

The previously reported Strategic Reform Management Office and Ministerial and Executive Coordination and Communication Division have been incorporated into DSRG to further streamline management arrangements. Defence Legal reports directly to the COO, however will continue to be reported under Program 1.6 for administrative purposes.

Better integration of these groups is ensuring that the development and delivery of corporate services best support Defence's ability to effect necessary reforms. This includes the implementation of shared services and achieving cost efficiencies and cultural change that the Government is seeking. Work to integrate the programs of the COO organisation is continuing and the development of an integrated COO operating model is well advanced.

DSRG continues to build on its delivery of enabling support services to Defence. With the streamlining of services within the COO organisation, this includes responsibility for the high-level integration, coordination and oversight of the Strategic Reform Program and a key interface between the Defence organisation and our ministers, other government agencies, Parliament and the community.

CIOG continues to progress significant reform projects (such as a centralised processing strategy, improved terrestrial communications, Next Generation Desktop and Defence's new HR and Payroll system) ensuring Defence Information and Communication Technology support for our military and civilian customers now, and into the future.

The formation of DPG has been completed with the transfer from other Groups of various people oriented service-delivery elements and other human resource functions. DPG is now positioned to drive further reform through the development and consistent delivery of more effective people services across the non-Service Groups and to improve support to the Services.

Defence Legal continues to support the Defence mission by providing specialist legal advice and other legal support services to the command and management of Defence. Future reform will strengthen the role of Defence Legal and its status as professional legal adviser to the organisation.

Table 22: Cost Summary for Chief Operating Officer

	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
<b>Expenses</b>					
Employees	1,279,434	1,363,437	1,363,916	1,466,158	1,471,097
Suppliers	2,783,864	2,926,969	3,101,071	3,207,105	3,310,531
Grants	1,643	1,478	1,516	1,548	1,586
Depreciation and amortisation	1,010,355	1,011,222	1,073,036	1,128,878	1,173,332
Finance cost	64,525	103,984	118,303	116,900	115,782
Write-down of assets and impairment of assets	77,232	93,950	100,853	105,488	109,473
Net losses from sale of assets	3,446	-	-	-	-
Other expenses	71,462	21,073	28,329	101,094	114,066
<b>Total expenses</b>	<b>5,291,961</b>	<b>5,522,113</b>	<b>5,787,024</b>	<b>6,127,171</b>	<b>6,295,867</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	289,678	305,336	315,296	335,675	338,953
Other revenue	8,253	6,455	6,635	6,816	7,002
<b>Total revenue</b>	<b>297,931</b>	<b>311,791</b>	<b>321,931</b>	<b>342,491</b>	<b>345,955</b>
<b>Gains</b>					
Reversals of previous asset write-downs	16,554	25,114	27,755	28,758	29,532
Net gains from sale of assets	-	12,000	22,000	90,000	69,900
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>16,554</b>	<b>37,114</b>	<b>49,755</b>	<b>118,758</b>	<b>99,432</b>
<b>Total income</b>	<b>314,485</b>	<b>348,905</b>	<b>371,686</b>	<b>461,249</b>	<b>445,387</b>
<b>Chief Operating Officer (COO)</b>	<b>4,977,476</b>	<b>5,173,208</b>	<b>5,415,338</b>	<b>5,665,922</b>	<b>5,850,480</b>

### **Chief Operating Officer Deliverables**

The following deliverables for the Chief Operating Officer focus on oversight of the COO organisation:

- Oversee, integrate and coordinate reforms.
- Ensure policy advice provided to the Government is accurate, timely and responsive, and offers practical and cost-effective approaches to fulfil the Government's defence responsibilities.
- Promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements and strengthening Defence capabilities in media-related activities.
- Provide overarching strategic guidance, policy and supporting plans to implement the recommendations of the reviews into the culture of the ADF and Defence. Notwithstanding, the Secretary and CDF retain personal accountability for *Pathway to Change* which is executed through the Culture Reform Steering Committee. Resourcing of individual initiatives in support of the *Pathway to Change* comes from the individual Groups and Services as appropriate.

### **Chief Operating Officer Key Performance Indicator**

The following is the Key Performance Indicator for the COO:

The Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department.

**Program 1.6: Chief Operating Officer – Defence Support and Reform**
**Program 1.6 Objective**

Program 1.6 is delivered by the Defence Support and Reform Group (DSRG). DSRG is a key interface between the Defence organisation and its Ministers, other Government Agencies, Parliament and the community. DSRG is responsible for delivering shared services that support the ADF and Defence Groups, and is fundamental to generating Defence capability through the services it provides. DSRG supports Defence through the provision of a range of products and services including: housing; business services; high-level integration, coordination and oversight of the Strategic Reform Program; base support services including catering, accommodation, cleaning and grounds maintenance; and managing, developing and sustaining the Defence estate.

**Table 23: Cost Summary for Program 1.6 Chief Operating Officer – Defence Support and Reform**

	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
<b>Expenses</b>					
Employees	1,045,569	1,061,651	1,066,319	1,147,749	1,152,395
Suppliers	1,836,455	1,905,859	2,044,476	2,061,735	2,223,911
Grants	213	17	22	27	33
Depreciation and amortisation	867,659	914,050	954,765	997,541	1,037,533
Finance cost	62,800	103,928	118,259	116,890	115,782
Write-down of assets and impairment of assets	62,355	75,408	78,830	81,999	84,854
Net losses from sale of assets	3,448	-	-	-	-
Other expenses	71,462	21,073	28,329	101,094	114,066
<b>Total expenses</b>	<b>3,949,961</b>	<b>4,081,986</b>	<b>4,291,000</b>	<b>4,507,035</b>	<b>4,728,574</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	286,559	302,167	312,007	332,264	335,416
Other revenue	8,253	6,455	6,635	6,816	7,002
<b>Total revenue</b>	<b>294,812</b>	<b>308,622</b>	<b>318,642</b>	<b>339,080</b>	<b>342,418</b>
<b>Gains</b>					
Reversals of previous asset write-downs	7,371	13,689	14,204	14,312	14,396
Net gains from sale of assets	-	12,000	22,000	90,000	69,900
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>7,371</b>	<b>25,689</b>	<b>36,204</b>	<b>104,312</b>	<b>84,296</b>
<b>Total income</b>	<b>302,183</b>	<b>334,311</b>	<b>354,846</b>	<b>443,392</b>	<b>426,714</b>
<b>Program 1.6 Chief Operating Officer - Defence Support and Reform</b>	<b>3,647,778</b>	<b>3,747,675</b>	<b>3,936,154</b>	<b>4,063,643</b>	<b>4,301,860</b>

### Program 1.6 Deliverables

DSRG's core responsibilities focus on day-to-day support to the ADF to enable Defence capability.

Particular deliverables for 2013-14 and the forward estimate years include:

- Ensuring that Defence Ministers, CDF, Secretary and the Government are provided with quality and timely advice and support to enable them to carry out their duties efficiently.
- Provision of high-level integration, coordination, reporting and oversight of the Strategic Reform Program.
- Ensure Defence input to Cabinet and the National Security Committee of Cabinet is timely, relevant and appropriately robust<sup>[1]</sup>.
- Ensure policy advice provided to the Government is accurate, timely and responsive, and offers practical and cost-effective approaches<sup>[1]</sup>.
- Promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements and strengthen Defence capabilities in media-related activities<sup>[1]</sup>.
- Ensure that Defence complies fully with its obligations under the Archives and Freedom of Information Acts, including the pro-disclosure and accessibility requirements of the Information Publication scheme<sup>[1]</sup>.
- Provision of specialist legal support to Defence and legal support for ADF operations.
- Continue to implement reforms to the Military Justice System<sup>[2]</sup>.
- Formulation of concept, policy, legislation and procedure for the Defence legislative program, including a new Chapter III military court.
- Formulation of possible alternative approaches to internal fact finding and inquiry processes across Defence.
- Continue to drive reform and improve business outcomes in areas including; non-equipment procurement, Estate Shared Services and base support.
- Provision of, non-equipment procurement and contracting advice and support, and continuation of the improvement of procurement practices across Defence.
- Provision of nationally delivered whole-of-Defence corporate services, including, stationery, printing and publishing, library services and travel.
- Provision of garrison and other base support services to support Defence bases and establishments throughout Australia, including annual rotations of United States Marine Corps to Northern Australia.
- Implementation of DSRG elements of the Base Security Improvement Program.
- Maintain single service, joint, combined and coalition capability by providing range control and estate development services and coordinating support to major domestic operations and exercises.
- Support domestic response capabilities through Joint Operations Support Staff services including internal and inter-departmental engagement for Defence Assistance to the Civil Community and Defence Force Aid to the Civil Authority.
- Manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time, to budget and compliant with the *Work Health & Safety Act 2011*, *Environment Protection & Biodiversity Conservation Act 1999* and other statutory requirements.
- Deliver estate priorities identified within the *2013 Defence White Paper*.
- Deliver the estate investment program, the 2013-14 Major Capital Facilities Program is outlined at Appendix C.



- Deliver an estate strategic planning document to improve estate planning outcomes and prioritise estate investment decisions to support current and future capability.
- Promote and manage Defence's environmental stewardship obligations as outlined in the *Defence Environmental Strategic Plan 2010-2014*.

**Notes**

1. These functions have transferred from Program 1.1 Office of the Secretary and CDF.
2. These functions have transferred from the COO for administrative and reporting purposes. Head Defence Legal reports directly to the COO.

**Program 1.6 Key Performance Indicators**

DSRG's 2013-14 Key Performance Indicators include:

- Improve business outcomes as part of broader Defence reform, including ongoing implementation of the revised responsibilities and accountabilities for base support.
- The Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department<sup>[1]</sup>.
- Deliver products and services on time and on budget to support the development and delivery of Defence capability.
- Develop industry engagement and collaborative relationships to ensure the effective and efficient delivery of products and services.
- Provide ADF members with high quality service residences, relocation and travel services using cost-effective and robust contract arrangements.
- Manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time, to budget and compliant with all appropriate regulatory requirements.
- Maintain a robust liaison network with inter-departmental and internal agencies to prepare for domestic response operations.
- Support ADF operational capability, including through the deployment of ADF lawyers to provide access to relevant and timely legal support.

**Note**

1. This KPI has transferred from Program 1.1 Office of the Secretary and CDF.

**Program 1.7: Chief Operating Officer – Chief Information Officer**

**Program 1.7 Objective**

The Chief Information Officer Group's (CIOG's) objective in delivering Program 1.7 is to provide Defence with dependable, secure and integrated Information Communication Technology (ICT) capabilities to support the conduct of ADF operations and Defence business.

The 2009 Defence ICT Strategy identified five clear objectives for Defence's future ICT environment:

- greater ICT scalability, flexibility and adaptability
- improved information speed and accuracy
- continued technological capability edge
- enhanced interoperability
- improved business support.

CIOG is focussed on implementing a number of initiatives that are fundamental to the realisation of the Defence ICT Strategy and essential to delivering capability to support the ADF. This will result in the simplification, consolidation and standardisation of the Defence platform. The delivery of these initiatives, as well as several other large programs of work, will assist other Defence reform.

**Table 24: Cost Summary for Program 1.7 Chief Operating Officer - Chief Information Officer**

	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
<b>Expenses</b>					
Employees	132,882	137,256	121,593	133,672	131,478
Suppliers	695,377	737,183	768,344	860,086	793,595
Grants	-	-	-	-	-
Depreciation and amortisation	141,776	94,336	113,431	125,325	129,071
Finance cost	1,725	56	44	10	-
Write-down of assets and impairment of assets	14,877	18,542	22,023	23,489	24,619
Net losses from sale of assets <sup>[1]</sup>	-2	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>986,635</b>	<b>987,373</b>	<b>1,025,435</b>	<b>1,142,582</b>	<b>1,078,763</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	3,051	3,169	3,289	3,411	3,537
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>3,051</b>	<b>3,169</b>	<b>3,289</b>	<b>3,411</b>	<b>3,537</b>
<b>Gains</b>					
Reversals of previous asset write-downs	9,183	11,425	13,551	14,446	15,136
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>9,183</b>	<b>11,425</b>	<b>13,551</b>	<b>14,446</b>	<b>15,136</b>
<b>Total income</b>	<b>12,234</b>	<b>14,594</b>	<b>16,840</b>	<b>17,857</b>	<b>18,673</b>
<b>Program 1.7 Chief Operating Officer - Chief Information Officer</b>	<b>974,401</b>	<b>972,779</b>	<b>1,008,595</b>	<b>1,124,725</b>	<b>1,060,090</b>

**Note**

1. At the Portfolio level, Defence has budgeted for a total net loss from sale of assets in 2012-13. Whilst amounts shown in 2012-13 represent a gain for this Program, the overall Portfolio budgeted outcome is for a loss.

### **Program 1.7 Deliverables**

The priorities for 2013-14 budget allocation will continue to be:

- Support to Military Operations:
  - maintain support to ADF operations through the provision of agreed Information and Communication Technology support, the delivery of network defensive operations, and the maintenance of a disaster recovery capability.
- The ICT Reform projects including security and the realisation of the Single Information Environment (SIE):
  - the Defence ICT Reform Projects are the principle vehicle for the management and delivery of the Defence ICT Strategy. The ICT Reform Program is building an improved SIE and governance framework that can effectively support Defence war fighting and business reform objectives through to 2030. The reform projects including centralised processing Terrestrial Communications, Next Generation Desktop and Defence's new HR and Payroll system (JP2080 2B.1) will ensure Defence ICT support for military and civilian customers now, and into the future.
- Maintenance of essential Business as Usual (BAU) ICT operations and services:
  - continue to support BAU ICT operations and services which include communication lines, data centres, software licences, provision of work stations, help desk services, printers, faxes and phones
  - continue to plan and implement ICT shared services
  - deliver ICT services in accordance with the Defence ICT Services Delivery Charter and maintain the integrity and security of the Defence SIE.
- Approved Defence Capability Plan (DCP), Major Capital Facilities (MCF), and other approved projects and system enhancements:
  - to deliver the ICT elements of endorsed projects and system enhancements in the DCP, MCF and ICT work plans developed through regular engagement with customer representatives.

### **Program 1.7 Key Performance Indicators**

- ICT Capabilities are developed and sustained in accordance with agreed stakeholder priorities.
- Strategic investment in consolidated networks, infrastructure, service orientated architecture, applications and information management enables transition to a SIE.
- ICT security is maintained to an appropriate level.
- ICT shared services reforms are effective in reducing costs and increasing productivity across Defence.
- ICT services and service support are delivered in accordance with the Defence ICT Services Delivery Charter and the Defence ICT Services Catalogue.

## Program 1.8: Chief Operating Officer – Defence People

### Program 1.8 Objective

The Defence People Group's (DPG's) primary objectives in delivering Program 1.8 is to deliver sustainable People Capability to support the achievement of Defence's key outcomes as articulated in the Defence White Paper, to deliver shared services in the Human Resource function, and to coordinate cultural reform and the implementation of the recommendations of the Cultural Reviews across the organisation.

The vision for achieving these key objectives is delivered in *People in Defence – Generating the Capability for the Future Force*, which provides the strategic blueprint for achieving key people outcomes. This strategy will be revised during 2013-14 to align with the 2013 *Defence White Paper* and to incorporate cultural reform programs that have been initiated since it was promulgated. *People in Defence* is supported by an annual plan for achieving the vision and primary objectives, articulated as the People chapter of the *Defence Annual Plan*. Projects and initiatives identified in the plan focus on three key facets. These are to:

- define an attractive and compelling employment offer
- develop a work environment that delivers on our commitments to our people
- develop an effective and efficient People system to achieve more consistently effective outcomes for our people.

Following the consolidation of the DPG in 2012-13, the new financial year will see the bedding down of HR Shared Services reforms and a transition of focus to the delivery of consistent, efficient and professional services, including the creation of the Career Management Support Agency to deliver common support services to the Service career management agencies.

**Table 25: Cost Summary for Program 1.8 Chief Operating Officer – Defence People**

	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
<b>Expenses</b>					
Employees	100,983	164,530	176,004	184,737	187,224
Suppliers	252,032	283,927	288,251	285,284	293,025
Grants	1,430	1,461	1,494	1,521	1,553
Depreciation and amortisation	920	2,836	4,840	6,012	6,728
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>355,365</b>	<b>452,754</b>	<b>470,589</b>	<b>477,554</b>	<b>488,530</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	68	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 1.8 Chief Operating Officer - Defence People</b>	<b>355,297</b>	<b>452,754</b>	<b>470,589</b>	<b>477,554</b>	<b>488,530</b>

### Program 1.8 Deliverables

- Provide timely, accurate and high-quality advice on key People issues to the Secretary, CDF and Government.
- Complete the projects and initiatives described in the People chapter of the *Defence Annual Plan* in order to deliver a sustainable people capability through the development of:
  - an attractive and compelling employment offer
  - a work environment that delivers on our commitments to our people
  - an effective and efficient People system, utilising shared services.
- Deliver Group-specific reforms and cost reductions.
- Coordinate and facilitate the Defence-wide implementation of *Pathway to Change* and cultural reform.
- Develop an evaluation framework to measure the achievement of desired cultural effects resulting from the implementation of *Pathway to Change* and cultural reform across Defence.
- Facilitate access by the Defence Abuse Response Taskforce to information and records held by Defence.
- Fulfill departmental accountability for Defence's payroll systems.
- Continue development of enhanced support to Defence Families through a national service delivery model.
- Process applications for Defence medals that reward excellence, achievement and outstanding service.
- Provide comprehensive services and support to managers, APS staff and ADF members in relation to sensitive and complex personnel issues.
- Conduct ADF recruiting.
- Coordinate and facilitate the implementation of the Defence Work Health and Safety Strategy 2012-17.
- In conjunction with the Department of Veterans' Affairs coordinate the measures designed to provide seamless support to wounded, ill and injured members of the ADF.
- Develop a systematic approach to developing and professionalising APS leaders in Defence.
- Publish an endorsed, corporate level Diversity and Inclusion strategy.

#### **Program 1.8 Key Performance Indicators**

- Advice to the Secretary, CDF and Government on People issues is timely and of a high quality.
- Projects and initiatives described in the People chapter of the *Defence Annual Plan*, which are aimed at delivering a sustainable People capability in Defence, are completed in a timely manner and achieve the desired outcomes.
- Implementation of *Pathway to Change* across Defence, consistent with the timeframes outlined in supporting implementation strategies.
- Timely and responsive facilitation of access to Defence information and records by the Defence Abuse Response Taskforce.
- Human Resource Workforce and Shared Services reforms are effective in reducing costs and improving efficiency.
- Provide professional support services to ADF members and families, including delivery of family support programs and bereavement support in the event of death and serious casualties.
- Ensure timely recognition of ADF members, ex-serving members and APS employees in accordance with the Australian and Imperial Honours and Awards systems, and civilian long service recognition and commendation schemes.
- ADF recruiting achievement.
- Defence Work Health and Safety Strategy 2012-17 implementation milestones are achieved on schedule.
- Measures to provide seamless support to wounded, ill and injured members of the ADF are implemented according to schedule.
- A suite of leadership development programs targeted at key career transition points are operating and skills are improved in occupational groups.
- Implementation of the Diversity and Inclusion Strategy, consistent with the timeframes outlined in supporting implementation plans.



**Program 1.9: Defence Science and Technology**
**Program 1.9 Objective**

The Defence Science and Technology Organisation's (DSTO) principal objective in delivering Program 1.9 is to provide expert, impartial science and technology (S&T) advice and innovative solutions to the Government, Defence and Australia's national security agencies to support the conduct of military operations, the provision of military capabilities and the promotion of security and stability. DSTO also has whole-of-government responsibility for coordinating S&T support to national security.

This is achieved by enhancing capability, treating risks and saving resources through applied research focussed on support to military and national security operations, current capability, and to future capability development and acquisition. The organisation undertakes a future-proofing role for Defence by investigating client-focussed future concepts, contexts and capabilities.

DSTO's strategic research program is future-focussed, aimed at providing game changing capability for Defence and national security in the longer term by responding to emerging threats and opportunities.

To achieve its objectives, DSTO draws upon the world class scientific ability of its staff and research facilities, and extensive networks and partnerships with external organisations such as international defence research agencies, industry and academia. These networks support DSTO's role as a knowledge and innovation integrator for Defence and promote defence science and education in the broader Australian community.

**Table 26: Cost Summary for Program 1.9 Defence Science and Technology**

	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
<b>Expenses</b>					
Employees	300,594	305,173	324,013	346,173	345,449
Suppliers	153,186	128,386	127,235	126,712	121,576
Grants	-	-	-	-	-
Depreciation and amortisation	25,042	25,478	24,636	22,901	23,449
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	3,110	3,480	3,773	4,072	4,373
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>481,932</b>	<b>462,517</b>	<b>479,657</b>	<b>499,858</b>	<b>494,847</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	38,635	33,190	34,047	34,901	35,769
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>38,635</b>	<b>33,190</b>	<b>34,047</b>	<b>34,901</b>	<b>35,769</b>
<b>Gains</b>					
Reversals of previous asset write-downs	1,900	2,127	2,306	2,488	2,672
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>1,900</b>	<b>2,127</b>	<b>2,306</b>	<b>2,488</b>	<b>2,672</b>
<b>Total income</b>	<b>40,535</b>	<b>35,317</b>	<b>36,353</b>	<b>37,389</b>	<b>38,441</b>
<b>Program 1.9 Defence Science and Technology</b>	<b>441,397</b>	<b>427,200</b>	<b>443,304</b>	<b>462,469</b>	<b>456,406</b>

### **Program 1.9 Deliverables**

- Provide timely, accurate and expert S&T advice on Defence and national security related matters to the Secretary, CDF and Government.
- Provide effective, relevant and timely:
  - S&T solutions and technical support to military operations, to the current force and to national security agencies' operations and capabilities
  - S&T support to capability development and acquisition decision making, including technical risk assessment and certification for Defence Capability Plan projects.
- Deliver a program of strategic research aimed at enhancing future Defence and national security capabilities and maintaining the organisation's world-class research expertise and facilities.
- Further develop strategic partnerships with external organisations, in particular international partners, local industry and academia; promote defence science and education in the broader Australian community.
- Contribute to Defence reform outcomes by continuing to seek and implement improvements to DSTO leadership, business and culture, including fostering diversity and gender equality. Identify and evaluate technologies that facilitate efficiencies and savings in the development, operation, repair and maintenance of ADF platforms.

### **Program 1.9 Key Performance Indicators**

- Advice to Defence and the Government on S&T matters is valued and contributes to better Defence and national security outcomes.
- The applied research program is strategically balanced in meeting the needs of Defence in support of operations, the current force, capability development and acquisition, and the needs of national security agencies.
- Research program outputs are well suited to enhancing Defence and national security capability, treating risks and saving resources.
- The strategic research is focussed on supporting future Defence capability and on providing game-changing capability for Defence in the longer term, to both prevent and create strategic surprise.
- Program outcomes are delivered on time, in scope and within agreed resources.
- DSTO's S&T capability is contributed to by:
  - a workforce with world-class expertise and facilities, measured through benchmarking and client feedback
  - appropriately leveraged S&T engagement and partnerships with international defence research organisations, industry and academia.

**Program 1.10: Vice Chief of the Defence Force****Program 1.10 Objective**

The Vice Chief of the Defence Force (VCDF) Group's mission is to develop, deliver, enable and ensure Defence Joint Capability in order to protect and advance Australia's national and strategic interests. The Group enables Defence to meet its objectives through the provision of military strategic effects and commitments advice and planning, joint military professional education and training, logistics support, health support, ADF Cadet and Reserve policy, joint capability coordination, preparedness management, and joint and combined ADF doctrine.

The VCDF Group has responsibility for the Australian Civil-Military Centre, which was established by the Government in 2008 with the role of supporting the development of national civil-military capabilities to prevent, prepare and respond more effectively to conflicts and disasters overseas. To meet this objective, VCDF Group provides funding of approximately \$9m per year.

In addition, VCDF Group has responsibility for the Australian Defence Simulation Office, the ADF Parliamentary Program, the Federation Guard, ADF ceremonial activities, the ADF Investigative Service, Strategic Communications Branch, the United States Force Posture Review Implementation Team and the Counter Improvised Explosive Device Task Force.

VCDF Group is committed to drive cultural reform in line with Defence's *Pathway to Change* Program.

**Table 27: Cost Summary for Program 1.10 Vice Chief of the Defence Force**

	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
<b>Expenses</b>					
Employees	477,266	535,415	555,390	596,641	624,845
Suppliers	561,048	576,122	563,604	550,470	567,884
Grants	-	-	-	-	-
Depreciation and amortisation	25,251	30,154	34,215	43,851	47,478
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	340,348	341,039	341,426	341,790	342,155
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>1,403,913</b>	<b>1,482,730</b>	<b>1,494,635</b>	<b>1,532,752</b>	<b>1,582,362</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	138,918	128,952	132,176	135,479	138,866
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>138,918</b>	<b>128,952</b>	<b>132,176</b>	<b>135,479</b>	<b>138,866</b>
<b>Gains</b>					
Reversals of previous asset write-downs	102,323	102,684	102,854	103,013	103,167
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>102,323</b>	<b>102,684</b>	<b>102,854</b>	<b>103,013</b>	<b>103,167</b>
<b>Total income</b>	<b>241,241</b>	<b>231,636</b>	<b>235,030</b>	<b>238,492</b>	<b>242,033</b>
<b>Program 1.10 Vice Chief of the Defence Force</b>	<b>1,162,672</b>	<b>1,251,094</b>	<b>1,259,605</b>	<b>1,294,260</b>	<b>1,340,329</b>

**Program 1.10 Deliverables**

- Lead the preparation of departmental military strategic advice to Government via Ministerial Submissions, Ministerial Representations, Question Time Briefs and Cabinet Submissions.
- Provide military strategic expertise to CDF in order to prepare direction from CDF to subordinate Headquarters.
- Deliver agreed savings and reforms within the VCDF Group including in the areas of Logistics, Reserves, and Preparedness and Personnel and Operating Costs.
- Deliver coordinated logistic advice and services to the ADF, and provide Defence Strategic Joint Operations services.
- Provide policy advice and deliver services to optimise the health of ADF personnel.
- Provide Defence, inter-agency, combined and joint capability coordination and preparedness management.
- Build and sustain a learning environment that links education, training and skilling to Defence capability.
- Enhance capacity of Reserves to support Defence capability.
- Provide a coordinated, coherent and well-governed approach to Youth Development Programs in the Australian Defence Organisation in order to provide a positive youth development experience.
- Promote best-practice civil-military engagement through the Australian Civil-Military Centre.

#### **Program 1.10 Key Performance Indicators**

- Timely, accurate and widely consulted advice provided to Government.
- High level of engagement with Joint Operations Command, International Policy Division, Strategic Policy Division, Australian Civil-Military Centre, and other Government agencies, for Operational matters.
- Advice is readily sourced and made available to the Offices of the CDF and VCDF to support strategic decision making.
- ADF operational tempo is managed within concurrency constraints.
- Group-specific reform and savings have been achieved.
- ADF operations and exercises receive effective logistics and health support and services.
- ADF joint and combined operational capability is enhanced.
- Delivery of learning outcomes that deliver the skills required for defence capability.
- Planning and policy frameworks for the contribution of the Reserves to Defence and the wider community are enhanced.
- Governance and accountability frameworks enhance the youth development experience within the ADF Cadets.
- Australian Civil-Military Centre delivers its goals effectively and efficiently in accordance with Government instructions.
- Timely, accurate and widely consulted advice on nature of service classifications.
- Timely and accurate advice on strategic communications.
- ADF investigations are supported by effective and efficient administration.
- Group-specific outcomes and programs are delivered on time and within agreed resources.

## Program 1.11: Joint Operations Command

### Program 1.11 Objective

Joint Operations Command (JOC) is the ADF joint integrated operational level headquarters (HQ) responsible for ADF contributions to combined and interagency operations and international engagement activities, both domestically and internationally, in order to achieve Government and CDF's strategic priorities and direction.

Chief of Joint Operations (CJOPS), as the commander of JOC, commands Headquarters Joint Operations Command (HQJOC), Northern Command, 1<sup>st</sup> Joint Movements Group and the National Welfare Coordination Centre and Joint Task Forces established for operations and major exercises. CJOPS is supported by Liaison Officers assigned to HQJOC from the Australian Federal Police, Defence International Policy Division, AusAID and the Department of Foreign Affairs and Trade.

CJOPS is the CDF's principal adviser on operational matters and is responsible to the CDF for the conduct of military operational planning. CJOPS exercises command over assigned deployed combined (coalition and multilateral, military and interagency) and joint task forces and the Australian contingents to United Nations operations.

CJOPS is the ADF Search and Rescue (SAR) authority and also is responsible for coordinating Defence Assistance to the Civil Community (DACC) and Defence Force Aid to the Civil Authority (DFACA). In addition, and on behalf of the CDF, CJOPS is responsible for the ADF's commitment to protecting Australia's borders through the provision of ADF resources to the Border Protection Command for border protection tasks.

The Border Protection Command program is listed and reported in the Customs and Border Protection Service section of the Attorney-General's Portfolio Budget Statements.

**Table 28: Cost Summary for Program 1.11 Joint Operations Command**

	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
<b>Expenses</b>					
Employees	4,716	5,771	5,754	6,401	6,088
Suppliers	39,821	42,635	39,025	40,467	41,638
Grants	-	-	-	-	-
Depreciation and amortisation	2,142	2,647	3,856	4,808	5,384
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>46,679</b>	<b>51,053</b>	<b>48,635</b>	<b>51,676</b>	<b>53,110</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	1,133	373	388	400	406
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>1,133</b>	<b>373</b>	<b>388</b>	<b>400</b>	<b>406</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>1,133</b>	<b>373</b>	<b>388</b>	<b>400</b>	<b>406</b>
<b>Program 1.11 Joint Operations Command</b>	<b>45,546</b>	<b>50,680</b>	<b>48,247</b>	<b>51,276</b>	<b>52,704</b>

**Program 1.11 Deliverables**

- Provide input, in the form of reporting, analysis, plans and preparedness requirements, to the strategic level ADFHQ and Commonwealth national security decision-making committees on military options and operational matters associated with current operational commitments and future directed contingencies.
- Plan, control, conduct and evaluate the ADF's, and where applicable the whole-of-government and/or coalition, contributions to Government directed operational commitments.
- Plan, control, conduct and evaluate the ADF's contributions to DACC and DFACA, and plan for and coordinate SAR for military purposes.
- Plan, control, conduct and evaluate the ADF's participation in non-operational domestic and international joint, interagency and bilateral and multilateral exercises and engagement activities scheduled in the endorsed Program of Major Service Activities.
- Maintain ongoing partnerships, collaboration and effective information sharing related to operational matters at the national level and effective engagement at the international level.
- Provide advice to Service Headquarters, other Defence Groups and other Government Departments as necessary to support the development of policy and capability in relation to current, planned and anticipated operations.
- Contribute to Group specific reforms and cost reductions.

**Program 1.11 Key Performance Indicators**

- Input to strategic level decision making committees on military options and operational matters and other advice on the development of capability, is timely and accurate.
- Operations achieve the Government's direction and intent and/or where applicable, the whole-of-government strategy.
- Forces are deployed and sustained efficiently and effectively, and in accordance with agreed timeframes.
- Operational options and plans are identified as innovative solutions that align with strategic guidance and contribute to meeting Government direction, reduce risk, conserve resources and reduce adverse effects on directed ADF preparedness levels.
- ADF operations and non-operational activities are planned, controlled and conducted in accordance with the promulgated Rules of Engagement and operational governance requirements in the areas of medical administration and clinical governance, and personnel, logistics, financial and contract management.



## Program 1.12: Capability Development

### Program 1.12 Objective

Capability Development Group (CDG) develops and manages the Defence Capability Plan (DCP) and prepares Defence capability investment approval proposals for Government consideration. This objective is delivered through both Capability Systems Division and Capability Investment and Resources (CIR) Division.

CIR also provides analysis and contestability of capability proposals.

The Group maintains a sponsor role up to Second Pass Approval and maintains close relationships with a range of stakeholders including the DMO and Capability Managers.

CDG will continue to refine the capability development process through the Capability Development Improvement Program (CDIP) and ensure that it is well documented and applied uniformly across Defence. It will also seek to ensure capability development in Defence meets the expectations of external stakeholders.

CDG will continue to build on its relationship with stakeholders, industry and capability development organisations in other countries.

CDG is also responsible for Defence Test and Evaluation policy as well as conducting Joint and Army trials. These duties are carried out by the Australian Defence Test and Evaluation Office.

**Table 29: Cost Summary for Program 1.12 Capability Development**

	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
<b>Expenses</b>					
Employees	17,774	61,590	110,488	153,225	170,208
Suppliers	169,552	408,844	1,006,359	1,391,968	1,640,736
Grants	-	-	-	-	-
Depreciation and amortisation	368	361,617	541,352	766,255	1,013,454
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	113,789	137,993	172,561	209,821	249,177
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>301,483</b>	<b>970,044</b>	<b>1,830,760</b>	<b>2,521,269</b>	<b>3,073,575</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversals of previous asset write-downs	71,118	86,203	107,710	130,895	155,414
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>71,118</b>	<b>86,203</b>	<b>107,710</b>	<b>130,895</b>	<b>155,414</b>
<b>Total income</b>	<b>71,118</b>	<b>86,203</b>	<b>107,710</b>	<b>130,895</b>	<b>155,414</b>
<b>Program 1.12 Capability Development</b>	<b>230,365</b>	<b>883,841</b>	<b>1,723,050</b>	<b>2,390,374</b>	<b>2,918,161</b>

**Program 1.12 Deliverables**

- The provision of timely, accurate and high quality advice on all aspects of capability development to the Secretary, CDF and Government.
- The provision of independent analysis and contestability of capability proposals.
- The development and management of an affordable and executable DCP.
- The development of Defence capability investment proposals for consideration by the Government.
- The publication of a public version of the DCP and the associated Defence Capability Guide.
- The management of the Key Defence Assets Register.
- The Defence Capability Development Handbook was updated in December 2012. It will be progressed to a Defence Manual during the course of 2013 -14.
- Enhancing the effectiveness of the capability development process through the implementation of CDIP initiatives.
- Under the Rapid Prototyping Development and Evaluation program, work collaboratively with Australia's defence industry to develop innovative solutions to complex issues affecting capability and operations.
- Deliver independent Test and Evaluation support, trials and demonstrations to Defence throughout the capability systems life-cycle.

**Program 1.12 Key Performance Indicators**

- Conduct an independent maturity assessment of portfolio management within CDG.
- Ensure capability investment proposals have realistic schedules and costs projections, comprehensive risk assessments and mitigation.
- Improve the corporate information management systems that support end-to-end visibility, planning, management and reporting of capability development.
- Implement CDIP initiatives to improve the timeliness and quality of capability submissions and reflect these improvements in current capability development guidance.
- Provide objective advice to the Secretary and CDF.
- Submit timely proposals that are coherent, compelling and consistent with strategic guidance and affordable within the DCP.

### Program 1.13: Chief Finance Officer

#### Program 1.13 Objective

The Chief Finance Officer Group (CFOG) is responsible for providing strategic financial advice and information to Ministers, the Secretary, the CDF and Defence Senior Leaders. It provides a whole-of-Defence focus for planning, management, monitoring and reporting of key deliverables to the Government, including Defence's outputs.

The CFOG is responsible for Defence's financial governance and assurance and manages Defence's budget and its financial policies, principles and practices in accordance with the *Financial Management and Accountability Act 1997*.

The CFOG drives Defence's financial management and improvement programs through uniform financial management approaches and a streamlined accountability structure.

Portfolio budget pressures and risks are managed through a strong culture of prioritising resource management.

The CFOG works with all Services and Groups to identify costs drivers for all key business elements.

To streamline, standardise and professionalise the delivery of financial services across Defence the CFOG leads the reform program to deliver Finance as a Shared Service.

**Table 30: Cost Summary for Program 1.13 Chief Finance Officer**

	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
<b>Expenses</b>					
Employees	505,008	501,356	554,873	563,878	584,257
Suppliers	788,907	829,064	890,281	943,077	998,557
Grants	5,000	-	-	-	-
Depreciation and amortisation	1,780	416	84	1	1
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	4,208	4,216	4,199	4,176	4,152
Net losses from sale of assets	-	-	-	-	-
Other expenses	13,155	47,813	37,880	45,167	13,452
<b>Total expenses</b>	<b>1,318,058</b>	<b>1,382,865</b>	<b>1,487,317</b>	<b>1,556,299</b>	<b>1,600,419</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	-	-	-	-	-
Other revenue	774,690	814,573	860,153	916,337	963,682
<b>Total revenue</b>	<b>774,690</b>	<b>814,573</b>	<b>860,153</b>	<b>916,337</b>	<b>963,682</b>
<b>Gains</b>					
Reversals of previous asset write-downs	2,598	2,603	2,592	2,578	2,564
Net gains from sale of assets	-	-	-	-	-
Other gains	5,001	5,126	5,254	5,386	5,520
<b>Total gains</b>	<b>7,599</b>	<b>7,729</b>	<b>7,846</b>	<b>7,964</b>	<b>8,084</b>
<b>Total income</b>	<b>782,289</b>	<b>822,302</b>	<b>867,999</b>	<b>924,301</b>	<b>971,766</b>
<b>Program 1.13 Chief Finance Officer</b>	<b>535,769</b>	<b>560,563</b>	<b>619,318</b>	<b>631,998</b>	<b>628,653</b>

**Program 1.13 Deliverables**

- Defence Financial Statements.
- Defence Portfolio Budget Statements.
- Defence Portfolio Additional Estimates Statements.
- Defence Chief Executive Instructions.
- Monthly/Annual input to whole-of-government reporting.

**Program 1.13 Key Performance Indicators**

- Provide timely and high quality financial advice to the Minister, the Secretary and CDF.
- Produce Defence's Budget, Financial Statements and the annual Defence Management and Finance Plan within agreed statutory timeframes.
- Maintain un-qualified Financial Statements.

### Administered Program 1.14: Defence Force Superannuation Benefits

#### Administered Program 1.14 Objective

The objective of Program 1.14 is to administer and report member and employer contributions paid during the year to the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS). It accounts for the liability for these schemes plus the Defence Force Retirement Benefits (DFRB) scheme. This program includes payment of the MSBS Retention Benefit.

The DFRB commenced in 1948 and only covers members or their dependants who were in receipt of a pension at the time DFRDB commenced. This scheme does not have any contributing members.

The DFRDB was closed to new participants in 1991.

The MSBS commenced in 1991 and is available to all full-time members of the ADF.

All three schemes are managed on Defence's behalf by ComSuper.

Since 1991, Defence has paid the MSBS Retention Benefit to eligible MSBS members after 15 years of continuous eligible service. The purpose of the Retention Benefit is to encourage members to serve until they have completed 20 years of service. Due to legislative amendments passed in 2005, the Retention Benefit is not available to members who enlisted after 6 October 2005.

**Table 31: Cost Summary for Administered Program 1.14 Defence Force Superannuation Benefits**

	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
<b>Expenses</b>					
Net foreign exchange losses	-	-	-	-	-
Retention benefits	64,223	77,103	95,883	77,940	93,000
Military superannuation benefits	3,105,923	1,275,241	1,330,055	1,388,412	1,449,485
<b>Total expenses</b>	<b>3,170,146</b>	<b>1,352,344</b>	<b>1,425,938</b>	<b>1,466,352</b>	<b>1,542,485</b>
<b>Income</b>					
<b>Revenues</b>					
Interest	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-
Military superannuation contributions	1,250,204	1,279,134	1,332,987	1,390,431	1,449,214
<b>Total income</b>	<b>1,250,204</b>	<b>1,279,134</b>	<b>1,332,987</b>	<b>1,390,431</b>	<b>1,449,214</b>
<b>Program 1.14 Defence Force Superannuation Benefits</b>	<b>1,919,942</b>	<b>73,210</b>	<b>92,951</b>	<b>75,921</b>	<b>93,271</b>

**Administered Program 1.14 Deliverable**

- Report on superannuation contributions and the movement in liabilities associated with the three military superannuation schemes.

**Administered Program 1.14 Key Performance Indicator**

- Provision of timely payments to ComSuper and quality administration of DFRB, DFRDB and MSBS employer and member contributions.

**Administered Program 1.15: Defence Force Superannuation Nominal Interest****Administered Program 1.15 Objective**

The objective of Program 1.15 is to administer nominal interest for the three military superannuation schemes: the Defence Force Retirement Benefits (DFRB), the Defence Force Retirement and Death Benefits Scheme (DFRDB); and, the Military Superannuation and Benefits Scheme (MSBS).

The DFRB commenced in 1948 and only covers members or their dependants who were in receipt of a pension at the time DFRDB commenced. This scheme does not have any contributing members.

The DFRDB was closed to new participants in 1991.

The MSBS commenced in 1991 and is available to all full-time members of the ADF.

All three schemes are managed on Defence's behalf by ComSuper.

**Table 32: Cost Summary for Administered Program 1.15 Defence Force Superannuation Nominal Interest**

	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
<b>Expenses</b>					
Net foreign exchange losses	-	-	-	-	-
Retention benefits	-	-	-	-	-
Military superannuation benefits	2,680,039	2,927,644	3,062,998	3,205,575	3,355,407
<b>Total expenses</b>	<b>2,680,039</b>	<b>2,927,644</b>	<b>3,062,998</b>	<b>3,205,575</b>	<b>3,355,407</b>
<b>Income</b>					
<b>Revenues</b>					
Interest	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-
Military superannuation contributions	-	-	-	-	-
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 1.15 Defence Force Superannuation Nominal Interest</b>	<b>2,680,039</b>	<b>2,927,644</b>	<b>3,062,998</b>	<b>3,205,575</b>	<b>3,355,407</b>

**Administered Program 1.15 Deliverable**

- Report on superannuation nominal interest associated with the three military superannuation schemes.

**Administered Program 1.15 Key Performance Indicator**

- Provide quality administration services for DFRB, DFRDB and MSBS nominal interest transactions.



### Administered Program 1.16: Housing Assistance

#### Administered Program 1.16 Objective

The Defence Home Ownership Assistance Scheme was established in order to support the Government's retention and recruitment initiatives and influence ADF members' decision to stay beyond critical career points. The scheme came into effect on 1 July 2008.

The Scheme provides eligible ADF members and ex-serving members with assistance to either purchase a home, purchase land for the purpose of building a home, or to renovate or extend an existing home.

The Scheme contains a three-tiered subsidised loan limit structure that provides increasing entitlements as members serve beyond key exit points.

The Department of Veterans' Affairs is the Scheme Administrator with a panel of three Home Loan Providers: National Australia Bank, Australian Defence Credit Union and the Defence Bank.

**Table 33: Cost Summary for Administered Program 1.16 Housing Assistance**

	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
<b>Expenses</b>					
Net foreign exchange losses	-	-	-	-	-
Housing subsidies	98,036	106,589	116,914	125,697	132,946
<b>Total expenses</b>	<b>98,036</b>	<b>106,589</b>	<b>116,914</b>	<b>125,697</b>	<b>132,946</b>
<b>Income</b>					
<b>Revenues</b>					
Interest	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-
Dividends	-	-	-	-	-
License fees	11,115	12,192	12,950	13,569	13,968
Other	-	-	-	-	-
<b>Total income</b>	<b>11,115</b>	<b>12,192</b>	<b>12,950</b>	<b>13,569</b>	<b>13,968</b>
<b>Program 1.16 Housing Assistance</b>	<b>86,921</b>	<b>94,397</b>	<b>103,964</b>	<b>112,128</b>	<b>118,978</b>

**Administered Program 1.16 Deliverables**

- Provide ADF members with assistance to achieve home ownership that reflects the contemporary housing and home finance markets.
- Provide progressively higher levels of assistance for eligible members serving beyond the critical career points of four, eight and 12 years of service.
- Provision of quality services for the administration of the Scheme, including the accurate and timely processing of member applications and issuing of Subsidy Certificates.

**Administered Program 1.16 Key Performance Indicators**

- Members respond to and take up the Defence Home Ownership Assistance Scheme.
- Ensure that interest rates provided to ADF members by the Home Loan Providers are competitive with other interest rates in the market.

### Administered Program 1.17: Other Administered

#### Administered Program 1.17 Objective

Other Administered comprises four elements:

- Interest earned on overdue accounts and on official bank accounts held to facilitate operational requirements.
- Interest on Government loans to fund the building of new accommodation, dividends and tax equivalent payments received from the DHA.
- Revenue received from special public monies for unidentified Comcare receipts.
- Departmental returns to the Official Public Account arising from sale of assets with an original purchase price in excess of \$10m.

**Table 34: Cost Summary for Administered Program 1.17 Other Administered**

	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
<b>Expenses</b>					
<b>Total expenses</b>	-	-	-	-	-
<b>Income</b>					
<b>Revenues</b>					
Interest	31,849	31,849	31,849	31,849	31,849
Dividends	45,813	49,717	52,306	59,456	63,230
Other	41,448	76,648	67,403	77,090	47,157
<b>Total income</b>	<b>119,110</b>	<b>158,214</b>	<b>151,558</b>	<b>168,395</b>	<b>142,236</b>
<b>Program 1.17 Other Administered</b>	<b>-119,110</b>	<b>-158,214</b>	<b>-151,558</b>	<b>-168,395</b>	<b>-142,236</b>

#### Administered Program 1.17 Deliverable

- Report on interest and other receipts transferred to the Official Public Account.

#### Administered Program 1.17 Key Performance Indicator

- Accurate accounting and reporting of 'Other Administered'.

**Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government**

## Outcome 2 Strategy

The ADF is required to undertake a wide range of military and humanitarian assistance operations as directed by the Government to ensure the defence of Australia and its national interests. The ADF's military operations and other tasks contribute to the achievement of the Government's strategic objectives, defined in the White Paper as defending Australia, contributing to the security of the immediate neighbourhood and supporting wider interests.

## Outcome 2 Resources

**Table 35: Total Budgeted Resources Available for Outcome 2**

	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
<b>Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>					
Revenues from other sources	3,600	-	-	-	-
Departmental outputs	164,504	16,685	58	-	-
<b>Program 2.2 Operations Supporting Wider Interests</b>					
Revenues from other sources	21,294	10,739	-	-	-
Departmental outputs	1,230,012	884,936	217,542	160,123	87,146
<b>Total resourcing</b>					
Total Departmental outputs	1,394,516	901,621	217,600	160,123	87,146
Total Departmental revenue from other sources	24,894	10,739	-	-	-
Equity Injection <sup>(1)</sup>	-23	-	-	-	-
<b>Total resources for Outcome 2</b>	<b>1,419,387</b>	<b>912,360</b>	<b>217,600</b>	<b>160,123</b>	<b>87,146</b>

**Note**

1. As a result of movements in foreign exchange rates, Defence is accruing for a return of funds to Government in 2012-13.

## Contributions to Outcome 2

### Program 2.1: Operations Contributing to the Security of the Immediate Neighbourhood

#### Program 2.1 Objective

Ensure that the Government, through the ADF, has an active and effective role in regional stability, integrity and cohesion of the region.

Australia shares the immediate neighbourhood with Indonesia, New Zealand, Papua New Guinea, Timor-Leste, South East Asian countries and the island countries of the South West Pacific.

**Table 36: Cost Summary for Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood**

	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
<b>Expenses</b>					
Employees	51,221	4,090	-	-	-
Suppliers	116,883	12,595	58	-	-
Grants	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>168,104</b>	<b>16,685</b>	<b>58</b>	<b>-</b>	<b>-</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	3,600	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>	<b>164,504</b>	<b>16,685</b>	<b>58</b>	<b>-</b>	<b>-</b>

<b>Program 2.1 Deliverables</b>		
<b>Operation</b>	<b>Commenced</b>	<b>Objective</b>
Gateway	1981	Conduct northern Indian Ocean and South China Sea maritime surveillance patrols.
Solania	1988	Conduct South West Pacific maritime surveillance patrols.
Anode	2003	Support the coalition police forces in maintaining the rule of law in Solomon Islands.
Astute	2006	Contribute security support to the Government of Timor-Leste and the United Nations Mission in Timor-Leste.

**Program 2.1 Key Performance Indicators**

- ADF operations meet their stated objective within the Government's guidance.
- ADF forces are effectively deployed and sustained.
- ADF forces are withdrawn for reconstitution when they are no longer required.

**Program 2.2: Operations Supporting Wider Interests**
**Program 2.2 Objective**

Operations supporting wider interests are designed to contribute to United Nations and international efforts to uphold global security.

**Table 37: Cost Summary for Program 2.2 Operations Supporting Wider Interests**

	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
<b>Expenses</b>					
Employees	263,283	132,026	-	-	-
Suppliers	913,807	714,556	138,662	80,537	6,849
Grants	38,358	39,093	78,880	79,586	80,297
Depreciation and amortisation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	35,858	10,000	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>1,251,306</b>	<b>895,675</b>	<b>217,542</b>	<b>160,123</b>	<b>87,146</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	21,294	10,739	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>21,294</b>	<b>10,739</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>21,294</b>	<b>10,739</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 2.2 Operations Supporting Wider Interests</b>	<b>1,230,012</b>	<b>884,936</b>	<b>217,542</b>	<b>160,123</b>	<b>87,146</b>

<b>Program 2.2 Deliverables</b>		
<b>Operation</b>	<b>Commenced</b>	<b>Objective</b>
Paladin	1956	Contribute to the United Nations Truce Supervisor Organisation in the Middle East.
Mazurka	1982	Contribute to the Multinational Force and Observers in the Sinai.
Slipper	2001	Contribute to the international coalition against international terrorism and assist with the reconstruction of Afghanistan.
Palate II	2005	Provide a Military Liaison Officer to the United Nations Assistance Mission in Afghanistan.
Riverbank	2008	Contribute to the United Nations Assistance Mission for Iraq.
Aslan	2011	Contribute to the United Nations mission to the Republic of South Sudan.

**Program 2.2 Key Performance Indicators**

- ADF operations meet their stated objective within the Government's guidance.
- ADF forces are effectively deployed and sustained.
- ADF forces are withdrawn for reconstitution when they are no longer required.



### Outcome 3: Support for the Australian community and civilian authorities as requested by Government

## Outcome 3 Strategy

Defence can be called upon to provide emergency and non-emergency assistance to the Government and the Australian community in non-combat related roles. The tasks Defence may be requested to undertake could include emergency assistance, search and rescue, disaster recovery, surveillance, security or non-emergency law enforcement roles. Tasks may be directed by the Government or requested by State/Territory Governments, other civil authorities, government departments or agencies through Emergency Management Australia. The Government may also require Defence to support significant domestic events and international events conducted within Australia.

## Outcome 3 Resources

**Table 38: Total Budgeted Resources Available for Outcome 3**

	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
<b>Program 3.1 Defence Contribution to National Support Tasks in Australia</b>					
Revenues from other sources	-	-	-	-	-
Departmental outputs	9,500	16,933	4	4	-
<b>Total resourcing</b>					
Total Departmental outputs	9,500	16,933	4	4	-
Total Departmental revenue from other sources	-	-	-	-	-
<b>Total resources for Outcome 3</b>	<b>9,500</b>	<b>16,933</b>	<b>4</b>	<b>4</b>	<b>-</b>

## Contributions to Outcome 3

### Program 3.1: Defence Contribution to National Support Tasks in Australia

#### Program 3.1 Objective

Undertake tasks that include; planning and conduct of operations to provide security of the Australian coastline from unauthorised maritime arrivals, smuggling, quarantine evasion and other intrusions to Australian sovereignty; counter-terrorism responses; search and rescue; and natural disaster relief. Defence contributes to the Australian Customs and Border Protection Service civil surveillance program and Border Protection Command tasking, providing maritime surveillance assets that are tasked routinely in accordance with the Government's direction.

Defence, through the Defence Assistance to the Civil Community (DACC) program, supports the Commonwealth and State/Territory Governments with emergency and non-emergency tasks, as well as supporting events of national significance as requested by relevant authorities and the general public.

**Table 39: Cost Summary for Program 3.1 Defence Contribution to National Support Tasks in Australia**

	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
<b>Expenses</b>					
Employees	202	3,852	-	-	-
Suppliers	9,298	13,081	4	4	-
Grants	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>9,500</b>	<b>16,933</b>	<b>4</b>	<b>4</b>	<b>-</b>
<b>Income</b>					
<b>Revenues</b>					
Goods and services	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 3.1 Defence Contribution to National Support Tasks in Australia</b>	<b>9,500</b>	<b>16,933</b>	<b>4</b>	<b>4</b>	<b>-</b>

<b>Program 3.1 Deliverables</b>		
<b>Operation</b>	<b>Commenced</b>	<b>Objective</b>
Resolute	2006	Contribute to the whole-of-government maritime surveillance and response.
G20	2013	Contribute security assistance to the whole-of government effort as host of the G20 Summit in 2014.

<b>Program 3.1 Key Performance Indicators</b>
<ul style="list-style-type: none"> <li>• Defence's contribution to national support tasks in Australia meets Government directives.</li> <li>• Defence's response to requests for Defence Force Aid to the Civil Authority is effectively managed, sustained and reported.</li> <li>• Defence's response to requests for DACC is effectively managed, sustained and reported.</li> </ul>

## Section 3: Defence Explanatory Tables and Budgeted Financial Statements

### 3.1 Explanatory Tables

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency 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.

**Table 40: Summary of Estimated Special Account Balances<sup>[1][2][3]</sup>**

		Opening	Receipts	Payments	Adjustments	Closing
		2013-14	2013-14	2013-14	2013-14	Balance
		2012-13	2012-13	2012-13	2012-13	2012-13
		\$'000	\$'000	\$'000	\$'000	\$'000
Outcome						
Services for Other Entities and Trust Monies - Defence Special Account— <i>Financial Management and Accountability Act 1997</i>	1	<b>76,061</b>	<b>38,440</b>	<b>-40,546</b>	-	<b>73,955</b>
		<i>110,744</i>	<i>49,968</i>	<i>-49,873</i>	<i>-34,778</i>	<i>76,061</i>
Defence Endowments Special Account – <i>Financial Management and Accountability Act 1997</i>	1	<b>332</b>	<b>36</b>	<b>-30</b>	-	<b>338</b>
		<i>343</i>	<i>28</i>	<i>-39</i>	-	<i>332</i>
Fedorczenko Legacy Special Account – <i>Financial Management and Accountability Act 1997</i>	1	<b>149</b>	<b>8</b>	<b>-5</b>	-	<b>152</b>
		<i>147</i>	<i>8</i>	<i>-6</i>	-	<i>149</i>
Young Endeavour Youth Program Special Account – <i>Financial Management and Accountability Act 1997</i>	1	<b>1,277</b>	<b>45</b>	<b>-2</b>	-	<b>1,320</b>
		<i>1,217</i>	<i>60</i>	<i>-</i>	-	<i>1,277</i>
<b>Total Special Accounts 2013-14</b>		<b>77,819</b>	<b>38,529</b>	<b>-40,583</b>	-	<b>75,765</b>
<i>2012-13 estimated actual</i>		<i>112,451</i>	<i>50,064</i>	<i>-49,918</i>	<i>-34,778</i>	<i>77,819</i>

#### Notes

1. 2013-14 estimates in bold.
2. 2012-13 estimates in italics.
3. These are all Special Public Monies.

### 3.1.1 Australian Government Indigenous Expenditure

**Table 41: Australian Government Indigenous Expenditure**

	Program	Bill No. 1 \$'000
<b>Outcome 1</b>		
<b>Defence Indigenous Employment Strategy<sup>[1]</sup></b>	1.8	
Departmental 2013-14 Budget Estimate		2,866
Departmental 2012-13 Estimated Actual		2,783
<b>Defence Indigenous Development Program<sup>[1]</sup></b>	1.8	
Departmental 2013-14 Budget Estimate		6,372
Departmental 2012-13 Estimated Actual		6,174
<b>Army Aboriginal Community Assistance Program<sup>[1][2]</sup></b>	1.3	
Departmental 2013-14 Budget Estimate		5,699
Departmental 2012-13 Estimated Actual		6,316
<b>Total 2013-14 Budget Estimate</b>		<b>14,937</b>
<b>Total 2012-13 Estimated Actual</b>		<b>15,273</b>

**Notes**

1. All amounts are GST exclusive.

2. The majority of costs are subsequently recovered from Department of Families, Housing, Community Services and Indigenous Affairs.

### Defence Indigenous Employment Strategy

The Secretary and CDF place a high priority on the recruitment and retention of Indigenous staff. Defence has increased its efforts to engage with Indigenous programs across Government and into Indigenous communities. Defence seeks to be an organisation reflective of Australia and the Australian people. Defence undertakes specific programs to attract and retain Indigenous staff.

### Defence Indigenous Development Program

Aligned to the Government's Closing the Gap Program, the Defence Indigenous Development Program is a whole-of-government initiative that will provide the opportunity for Indigenous people from remote communities to acquire skills that are transferable back to their community. An increase in the recruitment of Indigenous people from remote communities into the ADF is an additional benefit of the program.

### Army Aboriginal Community Assistance Program

The Army Aboriginal Community Assistance Program is a cooperative initiative between the Department of Families, Housing, Community Services and Indigenous Affairs and the Army to improve environmental health conditions within remote Aboriginal communities. The program seeks to maximise the benefits to Indigenous communities by focusing on projects that allow the Army to make best use of its construction expertise and capability, by capitalising on the Army's ability to holistically deliver a range of services to remote Indigenous communities that would not normally be available in a single project.

### 3.1.2 Grants

Defence Grants are paid from Departmental funds and are approved by the Minister for Defence.

Grants can be:

- payments made to an organisation or individual and include ad hoc grants that are made on a one-off basis, as well as grants renewed under continuing programs; or
- payments that organisations or individuals receive after satisfying eligibility and/or reporting requirements, and include awards, departmental (non-legislated) rebate schemes and non-reciprocal scholarships.

The Government requires Defence to report on all grant approvals. Table 42 provides information on grants approved to date.

**Table 42: Approved Grants<sup>[1]</sup>**

	2012-13 Estimated Actual \$'000	Total Grant Amount Approved \$'000	2013-14 Budget Estimate \$'000
<b>Approved since 2012-13 PAES</b>			
Multi-National Force and Observers - Sinai	494	1,470	488
UN Trust Fund in Support of the African-led International Support Mission in Mali (AFISMA Trust Fund)	5,000	5,000	-
Afghan National Army Trust Fund	38,699	38,699	-
<b>Total grants approved since 2012-13 PAES</b>	<b>44,193</b>	<b>45,169</b>	<b>488</b>
<b>Previously approved grants</b>			
Army History Research Grants Scheme	82	-	-
Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (AUS-CSCAP)	52	-	55
Australian Strategic Policy Institute	3,118	-	3,196
Defence Family Support Funding Program	1,284	-	-
Fisher House Foundation	25	-	25
International Institute for Strategic Studies (IISS) Asia	84	-	-
Kokoda Foundation	100	-	-
Royal United Services Institute (RUSI) of Australia	95	-	-
Strategic and Defence Studies Centre at the ANU: Post Doctoral Fellow ship	174	-	-
Strategic and Defence Studies Centre at the ANU: Sir Arthur Tange Defence PhD Scholarships	58	-	-
The Australian Army Centenary History of the Great War 1914-1918	-	-	200
The Sir Richard Williams Foundation	50	-	-
<b>Total previously approved grants</b>	<b>5,122</b>	<b>-</b>	<b>3,476</b>
<b>Total grants</b>	<b>49,315</b>	<b>45,169</b>	<b>3,964</b>

**Note**

1. Figures are GST exclusive.

The following are grants that have been approved since the *Portfolio Additional Estimates Statements 2012-13*:

**Multi-National Force and Observers**

A multi year grant of US\$1,500,000 (A\$1,469,865), with US\$500,000 (A\$493,875) paid in 2012-13 and US\$500,000 (A\$487,995) to be paid in 2013-14 and 2014-15, was awarded to the Multi-National Force and Observers (MFO) in the Sinai. Operating since 1982, the MFO is an independent peacekeeping organisation whose mission is to supervise the implementation of security provisions of the Egyptian-Israeli Treaty of Peace and employ the best efforts to prevent any violation of its terms. The grant is to enhance force protection measures and facilities in the Sinai which will directly benefit ADF members serving the mission.

**United Nations Trust Fund in Support of the African-led International Support Mission in Mali (AFISMA Trust Fund)**

A grant of \$5,000,000 was awarded to the United Nations Trust Fund in support of the African led International Support Mission in Mali in the 2012-13 financial year. The grant will provide substantial assistance for African military capacity to address the security situation in Mali, which presents a significant threat to international peace and security, including through the possibility of supporting international terrorism and transnational crime that could impact Australia's interests.

**Afghan National Army Trust Fund**

A grant of US\$40,000,000 (A\$38,699,000) was awarded to the Afghan National Army Trust Fund in 2012-13. The grant will assist with development and sustainment of the Afghan National Army.

## 3.2 Resource Summary

**Table 43: Budgeted Departmental Net Cost of Service (Cash) (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
<b>NET COST OF SERVICE (CASH)</b>					
<b>Cost of Service</b>					
Employee payments	9,879,207	10,170,235	10,467,454	11,347,183	11,520,514
Supplier payments	8,772,069	9,300,167	9,847,563	10,365,476	10,675,304
Purchase of specialist military equipment	3,281,071	3,179,327	4,744,438	5,236,210	5,665,817
Purchase of inventory	894,485	1,054,362	1,139,271	1,312,058	1,399,897
Purchase of other property, plant and equipment	1,209,487	1,489,833	1,325,402	794,769	1,170,895
Other cash used	898,179	891,869	1,009,311	1,078,636	1,113,473
<b>Total cash used</b>	<b>24,934,498</b>	<b>26,085,793</b>	<b>28,533,439</b>	<b>30,134,332</b>	<b>31,545,900</b>
Own source receipts	1,596,945	1,655,473	1,710,329	1,867,086	1,864,838
<b>Total cash received</b>	<b>1,596,945</b>	<b>1,655,473</b>	<b>1,710,329</b>	<b>1,867,086</b>	<b>1,864,838</b>
<b>Net cost of service (cash)</b>	<b>23,337,553</b>	<b>24,430,320</b>	<b>26,823,110</b>	<b>28,267,246</b>	<b>29,681,062</b>
<b>FUNDED BY</b>					
Appropriation Bill 1 (price of outcomes)	22,895,341	23,796,086	25,045,235	26,797,482	27,507,153
Appropriation Bill 2 (equity injection)	456,289	683,005	1,816,608	1,515,806	2,188,258
Net cash to the Official Public Account	-14,077	-48,771	-38,733	-46,042	-14,349
<b>Total funding source</b>	<b>23,337,553</b>	<b>24,430,320</b>	<b>26,823,110</b>	<b>28,267,246</b>	<b>29,681,062</b>
<b>Change in budgeted cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Portfolio Resource Statement

Table 44: Portfolio Resources<sup>[1]</sup>

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Department of Defence</b>								
Administered appropriation	-	-	-1,445.6	4,386.6	2,941.0	1,445.6	-	4,386.6
Departmental appropriations	23,796.1	683.0	-48.8	-	24,430.3	1,003.6	-	25,433.9
<b>Total Department of Defence</b>	<b>23,796.1</b>	<b>683.0</b>	<b>-1,494.4</b>	<b>4,386.6</b>	<b>27,371.3</b>	<b>2,449.2</b>	<b>-</b>	<b>29,820.5</b>
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Materiel Organisation</b>								
Administered appropriation	-	-	-	-	-	-	-	-
Departmental appropriations	907.8	-	-	-	907.8	8,769.0	-	9,676.8
<b>Total Defence Materiel Organisation</b>	<b>907.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>907.8</b>	<b>8,769.0</b>	<b>-</b>	<b>9,676.8</b>
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Housing Australia</b>								
Administered appropriation	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	1,073.9	-	1,073.9
<b>Total Defence Housing Australia</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,073.9</b>	<b>-</b>	<b>1,073.9</b>

**Note**

1. Figures shown include interagency transactions.

**Table 45: Total Departmental and Administered Consolidated Cash Budget for the Department of Defence (including DMO)<sup>[1]</sup>**

	<b>2013-14 Budget Estimate \$m</b>
<b>APPROPRIATIONS AND CAPITAL</b>	
Appropriation (Bill 1) <sup>[2]</sup>	24,700.8
Appropriation - Contributed Equity (Bill 2)	683.0
Appropriation for military superannuation <sup>[3]</sup>	2,112.6
less Returns to the OPA	-1,494.4
<b>Total cash available</b>	<b>26,002.1</b>
<b>OPERATING ACTIVITIES</b>	
<b>Cash received</b>	
Goods and services	454.8
Net GST received	1,253.5
Interest	31.9
Other cash	207.5
Fees	12.2
<b>Total cash received</b>	<b>1,959.8</b>
<b>Cash used</b>	
Employees	9,448.7
Suppliers	9,305.9
Net GST paid	1,253.5
Grants	67.6
Other cash used	21.1
Subsidies paid	106.6
Military benefits	2,006.0
<b>Total cash used</b>	<b>22,209.3</b>
<b>Net cash from or (used by) operating activities</b>	<b>-20,249.5</b>
<b>INVESTING ACTIVITIES</b>	
<b>Cash received</b>	
Proceeds from sales of land and buildings	65.5
Proceeds from sales of infrastructure, plant and equipment	36.2
Dividends	45.8
<b>Total cash received</b>	<b>147.5</b>
<b>Cash used</b>	
Purchase of land and buildings	952.3
Purchase of infrastructure, plant and equipment	534.1
Purchase of specialist military equipment	3,179.3
Purchase of intangibles	6.4
Purchase of inventory	1,054.4
Selling costs of assets	5.7
Finance costs	113.9
<b>Total cash used</b>	<b>5,846.1</b>
<b>Net cash from or (used by) investing activities</b>	<b>-5,698.7</b>
<b>FINANCING ACTIVITIES</b>	
<b>Cash used</b>	
Repayment of debt	53.9
<b>Total cash used</b>	<b>53.9</b>
<b>Net cash from or (used by) financing activities</b>	<b>-53.9</b>
<b>Net increase or (decrease) in cash and cash equivalents held</b>	<b>-</b>
Cash and cash equivalents at beginning of the reporting period	68.1
Effect of exchange rate movements on cash and cash equivalents	-
<b>Cash and cash equivalents at end of the reporting period</b>	<b>68.1</b>

**Notes**

- Figures show an estimate interagency transactions flowing between Departmental and Administered funding.
- Includes \$904.7m of appropriation planned to be drawn down by DMO.
- Cross references with Table 69 Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June.

Table 46: Defence Resource Statement – Budget Estimates for 2013-14 as at Budget May 2013

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
	<b>ORDINARY ANNUAL SERVICES</b>				
	Outcome 1	-	22,877,532	22,877,532	21,491,302
	Outcome 2	-	901,621	901,621	1,394,539
	Outcome 3	-	16,933	16,933	9,500
<b>1</b>	<b>Total Departmental outputs</b>	-	<b>23,796,086</b>	<b>23,796,086</b>	<b>22,895,341</b>
<b>2</b>	<b>Total ordinary annual services (1)</b>	-	<b>23,796,086</b>	<b>23,796,086</b>	<b>22,895,341</b>
	<b>OTHER SERVICES<sup>[1]</sup></b>				
	<b>Departmental non-operating</b>				
	Equity injections	-	683,005	683,005	456,289
<b>3</b>	<b>Total Departmental non-operating</b>	-	<b>683,005</b>	<b>683,005</b>	<b>456,289</b>
<b>4</b>	<b>Total other services (3)</b>	-	<b>683,005</b>	<b>683,005</b>	<b>456,289</b>
<b>5</b>	<b>Total available annual appropriation (2+4)</b>	-	<b>24,479,091</b>	<b>24,479,091</b>	<b>23,351,630</b>
	<b>SPECIAL APPROPRIATIONS</b>				
	<b>Special appropriations limited by criteria/entitlement</b>				
	<i>Defence Forces Retirement Benefits Act, 1948 Part 1 s.15D and VIC, s.82ZJ</i>	-	26,918	26,918	18,855
	<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125</i>	-	1,578,549	1,578,549	1,368,449
	<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	-	2,674,521	2,674,521	4,462,881
	<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	-	1,963	1,963	2,443
	<i>Defence Home Ownership Assistance Scheme Act, 2008 Part VI, s.84</i>	-	104,626	104,626	95,593
<b>6</b>	<b>Total special appropriations</b>	-	<b>4,386,577</b>	<b>4,386,577</b>	<b>5,948,221</b>
<b>7</b>	<b>Total appropriations (5+6)</b>	-	<b>28,865,668</b>	<b>28,865,668</b>	<b>29,299,851</b>
	Funding from other sources <sup>[2]</sup>	-	2,449,183	2,449,183	2,366,309
	Returns to the OPA (net)	-	1,494,351	1,494,351	1,398,291
	Previous years' outputs (appropriation receivable)	76,857	-	76,857	76,857
	Cash available	18,091	-	18,091	18,091
<b>8</b>	<b>Total other available resources</b>	<b>94,948</b>	<b>3,943,534</b>	<b>4,038,482</b>	<b>3,859,548</b>
<b>9</b>	<b>Total resourcing (7+8)</b>	<b>94,948</b>	<b>32,809,202</b>	<b>32,904,150</b>	<b>33,159,399</b>
	<b>Special accounts</b>				
	Opening balance	-	77,819	77,819	112,451
	Appropriation receipts	-	-	-	-
	Appropriation receipts - other agencies	-	-	-	-
	Non-appropriation receipts to special accounts	-	38,529	38,529	50,064
<b>10</b>	<b>Total special accounts</b>	-	<b>116,348</b>	<b>116,348</b>	<b>162,515</b>

**Notes**

1. Defence is not budgeting for Administered payments to CAC Act bodies. Therefore the relevant section of this table has been removed.

2. Includes DHA dividends.

**Table 47: Third Party Payments to and from Other Agencies**

	<b>2012-13 \$'000</b>	<b>2013-14 \$'000</b>
Revenue received from Defence Housing Australia for interest on loans, dividends and competitive neutrality payments (Administered)	108,195	104,943
Payments made to Defence Housing Australia for the provision of services (Departmental)	503,410	524,475
Payments made to Department of Foreign Affairs and Trade for the provision of services (Departmental)	73,190	21,461
Payments made to Comsuper for the provision of services (Departmental)	32,954	31,282
Payments made to Attorney-General's Department for the provision of services (Departmental)	12,283	24,864
Payments made to the Department of Finance and Deregulation for the provision of services (Departmental)	63,707	64,153
Payments made to the Australian Federal Police for the provision of services (Departmental)	50,131	56,542

### 3.3 Budgeted Financial Statements

#### 3.3.1 Departmental and Administered Budgeted Financial Statements

**Table 48: Variation in Budgeted Departmental Comprehensive Income Statement (Showing Net Cost of Services) (for the period ended 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>Expenses</b>				
Employees	10,060,697	10,218,326	157,629	1.6
Suppliers	10,632,442	11,033,920	401,478	3.8
Grants	44,208	45,412	1,204	2.7
Depreciation and amortisation	3,411,495	3,441,587	30,092	0.9
Finance cost	126,209	132,739	6,530	5.2
Write-down of assets and impairment of assets	1,137,194	1,133,488	-3,706	-0.3
Other expenses	68,936	68,886	-50	-0.1
<b>Total expenses</b>	<b>25,481,181</b>	<b>26,074,358</b>	<b>593,177</b>	<b>2.3</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	806,597	831,680	25,083	3.1
Other revenue	878,636	873,957	-4,679	-0.5
<b>Total own-source revenue</b>	<b>1,685,233</b>	<b>1,705,637</b>	<b>20,404</b>	<b>1.2</b>
<b>Gains</b>				
Reversals of previous asset write-downs	551,980	551,602	-378	-0.1
Sale of assets	15,907	15,907	-	-
Other gains	5,126	5,126	-	-
<b>Total gains</b>	<b>573,013</b>	<b>572,635</b>	<b>-378</b>	<b>-0.1</b>
<b>Total own-source income</b>	<b>2,258,246</b>	<b>2,278,272</b>	<b>20,026</b>	<b>0.9</b>
<b>Net cost of (contribution by) services</b>	<b>23,222,935</b>	<b>23,796,086</b>	<b>573,151</b>	<b>2.5</b>
Revenue from Government	23,222,935	23,796,086	573,151	2.5
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 49: Variation in Budgeted Departmental Balance Sheet (as at 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	18,091	18,091	-	-
Trade and other receivables	132,631	132,631	-	-
Tax assets	84,060	84,060	-	-
Appropriation receivable	76,857	76,857	-	-
Other receivables	153,790	153,790	-	-
<b>Total financial assets</b>	<b>465,429</b>	<b>465,429</b>	<b>-</b>	<b>-</b>
<b>Non-financial assets</b>				
Land and buildings	16,154,168	16,205,821	51,653	0.3
Infrastructure, plant and equipment	7,212,724	7,426,858	214,134	3.0
Specialist military equipment	41,136,509	41,354,969	218,460	0.5
Intangibles	453,778	458,099	4,321	1.0
Heritage and cultural	984,939	984,939	-	-
Inventories	5,480,855	5,487,528	6,673	0.1
Prepayments	154,149	154,149	-	-
<b>Total non-financial assets</b>	<b>71,577,122</b>	<b>72,072,363</b>	<b>495,241</b>	<b>0.7</b>
Assets held for sale	25,698	25,698	-	-
<b>Total assets</b>	<b>72,068,249</b>	<b>72,563,490</b>	<b>495,241</b>	<b>0.7</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	915,805	926,648	10,843	1.2
Other payables	426,910	426,910	-	-
<b>Total payables</b>	<b>1,342,715</b>	<b>1,353,558</b>	<b>10,843</b>	<b>0.8</b>
<b>Interest bearing liabilities</b>				
Leases	1,501,518	1,501,518	-	-
<b>Total interest bearing liabilities</b>	<b>1,501,518</b>	<b>1,501,518</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>				
Employee provisions	2,271,288	2,309,066	37,778	1.7
Restoration, decontamination and decommissioning	917,291	914,695	-2,596	-0.3
Other provisions	3,822	3,822	-	-
<b>Total provisions</b>	<b>3,192,401</b>	<b>3,227,583</b>	<b>35,182</b>	<b>1.1</b>
<b>Total liabilities</b>	<b>6,036,634</b>	<b>6,082,659</b>	<b>46,025</b>	<b>0.8</b>
<b>NET ASSETS</b>	<b>66,031,615</b>	<b>66,480,831</b>	<b>449,216</b>	<b>0.7</b>
<b>EQUITY</b>				
Contributed equity	18,041,650	18,382,765	341,115	1.9
Reserves	14,715,576	14,715,576	-	-
Retained surplus (accumulated deficit)	33,274,389	33,382,490	108,101	0.3
<b>Total equity</b>	<b>66,031,615</b>	<b>66,480,831</b>	<b>449,216</b>	<b>0.7</b>

**Table 50: Variation in Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations	23,222,935	23,796,086	573,151	2.5
Goods and services	806,597	831,680	25,083	3.1
Net GST received	625,414	651,870	26,456	4.2
Other cash received	70,230	70,257	27	-
Cash transfer from the Official Public Account (receivables)	-	-	-	-
<b>Total cash received</b>	<b>24,725,176</b>	<b>25,349,893</b>	<b>624,717</b>	<b>2.5</b>
<b>Cash used</b>				
Employees	10,016,989	10,170,235	153,246	1.5
Suppliers	8,922,704	9,300,167	377,463	4.2
Net GST paid	625,414	651,870	26,456	4.2
Grants	44,208	45,412	1,204	2.7
Other cash used	21,073	21,073	-	-
Cash transfer to the Official Public Account (receivables)	48,821	48,771	-50	-0.1
<b>Total cash used</b>	<b>19,679,209</b>	<b>20,237,528</b>	<b>558,319</b>	<b>2.8</b>
<b>Net cash from (used by) operating activities</b>	<b>5,045,967</b>	<b>5,112,365</b>	<b>66,398</b>	<b>1.3</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sale of land and buildings	65,506	65,506	-	-
Proceeds from sales of infrastructure, plant and equipment	36,160	36,160	-	-
<b>Total cash received</b>	<b>101,666</b>	<b>101,666</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>				
Purchase of land and buildings	882,824	952,343	69,519	7.9
Purchase of infrastructure, plant and equipment	394,657	531,047	136,390	34.6
Purchase of specialist military equipment	2,973,544	3,179,327	205,783	6.9
Purchase of intangibles	5,661	6,443	782	13.8
Purchase of inventory	1,054,038	1,054,362	324	-
Selling costs on sale of assets	5,643	5,693	50	0.9
Finance costs	106,771	113,921	7,150	6.7
<b>Total cash used</b>	<b>5,423,138</b>	<b>5,843,136</b>	<b>419,998</b>	<b>7.7</b>
<b>Net cash from (used by) investing activities</b>	<b>-5,321,472</b>	<b>-5,741,470</b>	<b>-419,998</b>	<b>7.9</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations - contributed equity	329,405	683,005	353,600	107.3
<b>Total cash received</b>	<b>329,405</b>	<b>683,005</b>	<b>353,600</b>	<b>107.3</b>
<b>Cash used</b>				
Repayment of debt	53,900	53,900	-	-
Cash to the Official Public Account	-	-	-	-
<b>Total cash used</b>	<b>53,900</b>	<b>53,900</b>	<b>-</b>	<b>-</b>
<b>Net cash from (used by) financing activities</b>	<b>275,505</b>	<b>629,105</b>	<b>353,600</b>	<b>128.3</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	18,091	18,091	-	-
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>18,091</b>	<b>18,091</b>	<b>-</b>	<b>-</b>

**Table 51: Budgeted Departmental 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
<b>Expenses</b>					
Employees	9,919,926	10,218,326	10,556,852	11,445,901	11,619,552
Suppliers	10,010,392	11,033,920	11,721,629	12,438,157	12,785,910
Grants	49,282	45,412	85,140	85,486	86,345
Depreciation and amortisation	3,683,071	3,441,587	3,666,066	3,875,746	4,110,579
Finance cost	94,342	132,739	156,574	157,926	159,132
Write-down of assets and impairment of assets	1,101,918	1,133,488	1,173,553	1,223,865	1,275,829
Losses from sale of assets	7,565	-	-	-	-
Other expenses	84,617	68,886	66,209	146,261	127,518
<b>Total expenses</b>	<b>24,951,113</b>	<b>26,074,358</b>	<b>27,426,023</b>	<b>29,373,342</b>	<b>30,164,865</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	803,562	831,680	849,976	892,638	918,018
Other revenue	834,566	873,957	921,024	978,751	1,027,662
<b>Total own-source revenue</b>	<b>1,638,128</b>	<b>1,705,637</b>	<b>1,771,000</b>	<b>1,871,389</b>	<b>1,945,680</b>
<b>Gains</b>					
Assets now recognised	520,744	551,602	577,814	603,459	630,053
Sale of assets	-	15,907	26,720	95,626	76,459
Other gains	5,001	5,126	5,254	5,386	5,520
<b>Total gains</b>	<b>525,745</b>	<b>572,635</b>	<b>609,788</b>	<b>704,471</b>	<b>712,032</b>
<b>Total own-source income</b>	<b>2,163,873</b>	<b>2,278,272</b>	<b>2,380,788</b>	<b>2,575,860</b>	<b>2,657,712</b>
<b>Net cost of (contribution by) services</b>	<b>22,787,240</b>	<b>23,796,086</b>	<b>25,045,235</b>	<b>26,797,482</b>	<b>27,507,153</b>
Revenue from Government	22,895,341	23,796,086	25,045,235	26,797,482	27,507,153
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>108,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>108,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Table 52: 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
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	18,091	18,091	18,091	18,091	18,091
Trade and other receivables	132,631	132,631	132,631	132,631	132,631
Tax assets	84,060	84,060	84,060	84,060	84,060
Appropriation receivable	76,857	76,857	76,857	76,857	76,857
Other receivables	153,969	153,790	153,232	152,294	152,294
<b>Total financial assets</b>	<b>465,608</b>	<b>465,429</b>	<b>464,871</b>	<b>463,933</b>	<b>463,933</b>
<b>Non-financial assets</b>					
Land and buildings	15,933,867	16,205,821	16,393,961	16,664,320	16,796,616
Infrastructure, plant and equipment	6,952,072	7,426,858	7,287,808	6,931,711	6,555,860
Specialist military equipment	40,758,414	41,354,969	43,352,043	45,681,536	48,236,687
Intangibles	515,664	458,099	409,670	409,082	408,777
Heritage and cultural	984,939	984,939	984,939	984,939	984,939
Inventories	5,578,165	5,487,528	5,402,542	5,335,496	5,272,880
Prepayments	154,166	154,149	154,131	154,113	154,094
<b>Total non-financial assets</b>	<b>70,877,287</b>	<b>72,072,363</b>	<b>73,985,094</b>	<b>76,161,197</b>	<b>78,409,853</b>
Assets held for sale	25,698	25,698	25,698	25,698	25,698
<b>Total assets</b>	<b>71,368,593</b>	<b>72,563,490</b>	<b>74,475,663</b>	<b>76,650,828</b>	<b>78,899,484</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	895,359	926,648	980,902	1,031,343	1,065,430
Other Payables	418,701	426,910	437,883	440,650	377,288
<b>Total payables</b>	<b>1,314,060</b>	<b>1,353,558</b>	<b>1,418,785</b>	<b>1,471,993</b>	<b>1,442,718</b>
<b>Interest bearing liabilities</b>					
Leases	1,086,866	1,501,518	1,424,981	1,386,383	1,346,550
<b>Total interest bearing liabilities</b>	<b>1,086,866</b>	<b>1,501,518</b>	<b>1,424,981</b>	<b>1,386,383</b>	<b>1,346,550</b>
<b>Provisions</b>					
Employee provisions	2,269,184	2,309,066	2,387,491	2,483,442	2,578,539
Restoration, decontamination and decommissioning	895,877	914,695	943,998	976,525	1,011,831
Other Provisions	3,822	3,822	3,822	3,822	3,822
<b>Total provisions</b>	<b>3,168,883</b>	<b>3,227,583</b>	<b>3,335,311</b>	<b>3,463,789</b>	<b>3,594,192</b>
<b>Total liabilities</b>	<b>5,569,809</b>	<b>6,082,659</b>	<b>6,179,077</b>	<b>6,322,165</b>	<b>6,383,460</b>
<b>NET ASSETS</b>	<b>65,798,784</b>	<b>66,480,831</b>	<b>68,296,586</b>	<b>70,328,663</b>	<b>72,516,024</b>
<b>EQUITY</b>					
Contributed equity	17,700,718	18,382,765	20,198,520	21,713,451	23,900,812
Reserves	14,715,576	14,715,576	14,715,576	14,715,576	14,715,576
Retained surplus (accumulated deficit)	33,382,490	33,382,490	33,382,490	33,899,636	33,899,636
<b>Total equity</b>	<b>65,798,784</b>	<b>66,480,831</b>	<b>68,296,586</b>	<b>70,328,663</b>	<b>72,516,024</b>

**Table 53: 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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	22,895,341	23,796,086	25,045,235	26,797,482	27,507,153
Goods and services	803,593	831,680	849,976	892,638	918,018
Net GST received	614,856	651,870	690,239	726,541	748,258
Other cash received	105,212	70,257	72,068	73,945	75,855
Cash transfer from the Official Public Account (receivables)	-	-	-	-	-
<b>Total cash received</b>	<b>24,419,002</b>	<b>25,349,893</b>	<b>26,657,518</b>	<b>28,490,606</b>	<b>29,249,284</b>
<b>Cash used</b>					
Employees	9,879,207	10,170,235	10,467,454	11,347,183	11,520,514
Suppliers	8,772,069	9,300,167	9,847,563	10,365,476	10,675,304
Net GST paid	614,856	651,870	690,239	726,541	748,258
Grants	49,282	45,412	85,140	85,486	86,345
Other cash used	71,462	21,073	28,329	101,094	114,066
Cash transfer to the Official Public Account (receivables)	14,077	48,771	38,733	46,042	14,349
<b>Total cash used</b>	<b>19,400,953</b>	<b>20,237,528</b>	<b>21,157,458</b>	<b>22,671,822</b>	<b>23,158,836</b>
<b>Net cash from (used by) operating activities</b>	<b>5,018,049</b>	<b>5,112,365</b>	<b>5,500,060</b>	<b>5,818,784</b>	<b>6,090,448</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sale of land and buildings	44,537	65,506	61,675	136,685	84,497
Proceeds from sales of infrastructure, plant and equipment	28,747	36,160	36,371	37,277	38,210
<b>Total cash received</b>	<b>73,284</b>	<b>101,666</b>	<b>98,046</b>	<b>173,962</b>	<b>122,707</b>
<b>Cash used</b>					
Purchase of land and buildings	841,670	952,343	897,160	524,270	919,405
Purchase of infrastructure, plant and equipment	348,896	531,047	416,920	214,054	189,967
Purchase of specialist military equipment	3,281,071	3,179,327	4,744,438	5,236,210	5,665,817
Purchase of intangibles	18,921	6,443	11,322	56,445	61,523
Purchase of inventory	894,485	1,054,362	1,139,271	1,312,058	1,399,897
Selling costs on sale of assets	8,382	5,693	1,795	1,518	1,145
Finance costs	74,605	113,921	127,271	125,399	123,826
<b>Total cash used</b>	<b>5,468,030</b>	<b>5,843,136</b>	<b>7,338,177</b>	<b>7,469,954</b>	<b>8,361,580</b>
<b>Net cash from (used by) investing activities</b>	<b>-5,394,746</b>	<b>-5,741,470</b>	<b>-7,240,131</b>	<b>-7,295,992</b>	<b>-8,238,873</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	456,289	683,005	1,816,608	1,515,806	2,188,258
<b>Total cash received</b>	<b>456,289</b>	<b>683,005</b>	<b>1,816,608</b>	<b>1,515,806</b>	<b>2,188,258</b>
<b>Cash used</b>					
Repayment of debt	79,592	53,900	76,537	38,598	39,833
Cash to the Official Public Account	-	-	-	-	-
<b>Total cash used</b>	<b>79,592</b>	<b>53,900</b>	<b>76,537</b>	<b>38,598</b>	<b>39,833</b>
<b>Net cash from (used by) financing activities</b>	<b>376,697</b>	<b>629,105</b>	<b>1,740,071</b>	<b>1,477,208</b>	<b>2,148,425</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	18,091	18,091	18,091	18,091	18,091
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>18,091</b>	<b>18,091</b>	<b>18,091</b>	<b>18,091</b>	<b>18,091</b>

**Table 54: 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
<b>Opening balance as at 1 July 2013</b>				
Balance carried forward from previous period	33,382,490	14,715,576	17,700,718	65,798,784
Adjustment for changes in accounting policies	-	-	-	-
<b>Adjusted opening balance</b>	<b>33,382,490</b>	<b>14,715,576</b>	<b>17,700,718</b>	<b>65,798,784</b>
<b>Comprehensive income</b>				
Comprehensive income recognised directly in equity:				
Gain / loss on revaluation of property	-	-	-	-
<b>Sub-total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Surplus (deficit) for the period	-	-	-	-
<b>Total comprehensive income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners</b>				
<i>Distribution to owners</i>				
Returns on capital:				
Restructuring	-	-	-	-
Other	-	-	-958	-958
<i>Contributions by owners</i>				
Appropriation (equity injection)	-	-	683,005	683,005
Other	-	-	-	-
<b>Sub-total transaction with owners</b>	<b>-</b>	<b>-</b>	<b>682,047</b>	<b>682,047</b>
Transfers between equity components	-	-	-	-
<b>Estimated closing balance as at 30 June 2014</b>	<b>33,382,490</b>	<b>14,715,576</b>	<b>18,382,765</b>	<b>66,480,831</b>

**Table 55: 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
<b>CAPITAL APPROPRIATIONS</b>					
Equity Injections - Bill 2	456,289	683,005	1,816,608	1,515,806	2,188,258
<b>Total capital appropriations</b>	<b>456,289</b>	<b>683,005</b>	<b>1,816,608</b>	<b>1,515,806</b>	<b>2,188,258</b>
<b>Represented by:</b>					
Purchase of non-financial assets	376,697	629,105	1,740,071	1,477,208	2,148,425
Annual finance lease costs	79,592	53,900	76,537	38,598	39,833
Other items	-	-	-	-	-
<b>Total items</b>	<b>456,289</b>	<b>683,005</b>	<b>1,816,608</b>	<b>1,515,806</b>	<b>2,188,258</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	456,289	683,005	1,816,608	1,515,806	2,188,258
Funded by finance lease costs	404,287	468,552	-	-	-
Funded internally from departmental resources <sup>(1)</sup>	4,034,269	3,986,155	4,253,232	4,515,173	4,648,454
<b>Total</b>	<b>4,894,845</b>	<b>5,137,712</b>	<b>6,069,840</b>	<b>6,030,979</b>	<b>6,836,712</b>
<b>Reconciliation of cash used to acquire assets to asset movement table</b>					
Total purchases	4,894,845	5,137,712	6,069,840	6,030,979	6,836,712
less additions by finance lease	404,287	468,552	-	-	-
less additions by creditors / borrowings	-	-	-	-	-
plus borrowing/finance costs	74,605	113,921	127,271	125,399	123,826
plus Annual finance lease costs	79,592	53,900	76,537	38,598	39,833
less Gifted asset	-	-	-	-	-
less s32/restructuring	-	-	-	-	-
<b>Total cash used to acquire assets</b>	<b>4,644,755</b>	<b>4,836,981</b>	<b>6,273,648</b>	<b>6,194,976</b>	<b>7,000,371</b>

**Note**

1. Includes the following sources of funding:

- annual and prior year appropriations
- donations and contributions
- gifts
- internally developed assets
- s31 relevant agency receipts
- proceeds from the sale of assets.

Table 56: Statement of Departmental Asset Movements (2013-14)

	Land \$'000	Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure, Plant and Equipment \$'000	Computer Software \$'000	Other Intangibles \$'000	Heritage and Cultural Assets \$'000	Assets Held for Sale \$'000	Total \$'000
<b>As at 1 July 2013</b>									
Gross book value	4,579,475	12,519,029	94,425,805	7,999,174	949,538	156,170	984,939	25,698	121,639,828
Accumulated depreciation/amortisation and impairment	-	1,164,637	53,667,391	1,047,102	482,176	107,868	-	-	56,469,174
<b>Opening net book balance</b>	<b>4,579,475</b>	<b>11,354,392</b>	<b>40,758,414</b>	<b>6,952,072</b>	<b>467,362</b>	<b>48,302</b>	<b>984,939</b>	<b>25,698</b>	<b>65,170,654</b>
<b>CAPITAL ASSET ADDITIONS</b>									
<b>Estimated expenditure on new replacement assets</b>									
By purchase - appropriation equity	-	952,343	3,179,327	531,047	4,112	2,331	-	-	4,669,160
By purchase - donated funds	-	-	-	-	-	-	-	-	-
By finance lease	-	-	-	468,552	-	-	-	-	468,552
<b>Total additions</b>	<b>-</b>	<b>952,343</b>	<b>3,179,327</b>	<b>999,599</b>	<b>4,112</b>	<b>2,331</b>	<b>-</b>	<b>-</b>	<b>5,137,712</b>
<b>Other movements</b>									
Assets held for sale	-	-	-	-	-	-	-	-	-
Reclassifications <sup>[1]</sup>	-	-	411,397	32,471	-	-	-	-	443,868
Depreciation and amortisation	-	579,747	2,325,933	471,899	54,530	9,478	-	-	3,441,587
Disposal of entities or other operations (including restructuring)	36,200	11,434	-	32,253	-	-	-	-	79,887
Other disposals <sup>[2]</sup>	-	53,008	668,236	53,132	-	-	-	-	774,376
<b>Total movements</b>	<b>36,200</b>	<b>644,189</b>	<b>3,405,566</b>	<b>589,755</b>	<b>54,530</b>	<b>9,478</b>	<b>-</b>	<b>-</b>	<b>4,739,718</b>
<b>As at 30 June 2014</b>									
Gross book value	4,543,275	13,406,930	97,348,293	8,945,859	953,650	158,501	984,939	25,698	126,367,145
Accumulated depreciation/amortisation and impairment	-	1,744,384	55,993,324	1,519,001	536,706	117,346	-	-	59,910,761
<b>Closing net book value</b>	<b>4,543,275</b>	<b>11,662,546</b>	<b>41,354,969</b>	<b>7,426,858</b>	<b>416,944</b>	<b>41,155</b>	<b>984,939</b>	<b>25,698</b>	<b>66,456,384</b>

## Notes

1. Reclassifications include assets first found.
2. Other disposals includes write-offs.

**Table 57: Variation in Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Revenue</b>				
<b>Non-taxation</b>				
Interest	31,849	31,849	-	-
Dividends	49,717	49,717	-	-
Military superannuation contributions	1,256,539	1,279,134	22,595	1.8
Fees	10,228	12,192	1,964	19.2
Other	40,282	76,648	36,366	90.3
<b>Total non-taxation</b>	<b>1,388,615</b>	<b>1,449,540</b>	<b>60,925</b>	<b>4.4</b>
<b>Total revenue administered on behalf of Government</b>	<b>1,388,615</b>	<b>1,449,540</b>	<b>60,925</b>	<b>4.4</b>
<b>EXPENSES ADMINISTERED IN BEHALF OF GOVERNMENT</b>				
Subsidies	117,353	106,589	-10,764	-9.2
Military retention benefits	77,103	77,103	-	-
Military superannuation benefits	4,250,459	4,202,885	-47,574	-1.1
<b>Total expenses administered on behalf of Government</b>	<b>4,444,915</b>	<b>4,386,577</b>	<b>-58,338</b>	<b>-1.3</b>

**Table 58: Variation in Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	65,353	64,293	-1,060	-1.6
Investments accounted for using the equity method	2,279,257	2,188,131	-91,126	-4.0
Loans	509,580	509,580	-	-
<b>Total financial assets</b>	<b>2,854,190</b>	<b>2,762,004</b>	<b>-92,186</b>	<b>-3.2</b>
<b>Non-financial assets</b>				
Prepayments	152,069	152,069	-	-
<b>Total non-financial assets</b>	<b>152,069</b>	<b>152,069</b>	<b>-</b>	<b>-</b>
<b>Total assets administered on behalf of Government</b>	<b>3,006,259</b>	<b>2,914,073</b>	<b>-92,186</b>	<b>-3.1</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Payables</b>				
Other	5,159	5,159	-	-
<b>Total payables</b>	<b>5,159</b>	<b>5,159</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>				
Superannuation - DFRB <sup>[1]</sup>	444,171	448,096	3,925	0.9
Superannuation - DFRDB <sup>[2]</sup>	25,400,766	25,450,787	50,021	0.2
Superannuation - MSBS <sup>[3]</sup>	25,663,834	25,484,781	-179,053	-0.7
<b>Total provisions</b>	<b>51,508,771</b>	<b>51,383,664</b>	<b>-125,107</b>	<b>-0.2</b>
<b>Total liabilities administered on behalf of Government</b>	<b>51,513,930</b>	<b>51,388,823</b>	<b>-125,107</b>	<b>-0.2</b>

**Notes**

1. Defence Force Retirement Benefits.
2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

**Table 59: Variation in Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)**

	2013-14 Previous Estimate \$'000	2013-14 Budget Estimate \$'000	Variation \$'000	Variation %
<b>OPERATING ACTIVITIES</b>				
<b>Cash Received</b>				
Interest	31,849	31,849	-	-
Military superannuation contr butions	1,256,483	1,279,078	22,595	1.8
Fees	10,228	12,192	1,964	19.2
Other	40,282	76,648	36,366	90.3
<b>Total cash received</b>	<b>1,338,842</b>	<b>1,399,767</b>	<b>60,925</b>	<b>4.6</b>
<b>Cash Used</b>				
Subsidies paid	117,353	106,589	-10,764	-9.2
Military benefits	1,986,025	2,006,026	20,001	1.0
<b>Total cash used</b>	<b>2,103,378</b>	<b>2,112,615</b>	<b>9,237</b>	<b>0.4</b>
<b>Net cash from (used by) operating activities</b>	<b>-764,536</b>	<b>-712,848</b>	<b>51,688</b>	<b>-6.8</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Dividends	45,813	45,813	-	-
<b>Total cash received</b>	<b>45,813</b>	<b>45,813</b>	<b>-</b>	<b>-</b>
<b>Net cash from (used by) investing activities</b>	<b>45,813</b>	<b>45,813</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>-718,723</b>	<b>-667,035</b>	<b>51,688</b>	<b>-7.2</b>
Cash at the beginning of the reporting period	-	-	-	-
Cash from the Official Public Account for appropriations	2,103,378	2,112,615	9,237	0.4
Cash to the Official Public Account	-1,384,655	-1,445,580	-60,925	4.4
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Table 60: 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
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	31,849	31,849	31,849	31,849	31,849
Dividends	45,813	49,717	52,306	59,456	63,230
Military superannuation contributions	1,250,204	1,279,134	1,332,987	1,390,431	1,449,214
Fees	11,115	12,192	12,950	13,569	13,968
Other	41,448	76,648	67,403	77,090	47,157
<b>Total non-taxation</b>	<b>1,380,429</b>	<b>1,449,540</b>	<b>1,497,495</b>	<b>1,572,395</b>	<b>1,605,418</b>
<b>Total revenue administered on behalf of Government</b>	<b>1,380,429</b>	<b>1,449,540</b>	<b>1,497,495</b>	<b>1,572,395</b>	<b>1,605,418</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Subsidies	98,036	106,589	116,914	125,697	132,946
Military retention benefits	64,223	77,103	95,883	77,940	93,000
Military superannuation benefits	5,785,962	4,202,885	4,393,053	4,593,987	4,804,892
<b>Total expenses administered on behalf of Government</b>	<b>5,948,221</b>	<b>4,386,577</b>	<b>4,605,850</b>	<b>4,797,624</b>	<b>5,030,838</b>

**Table 61: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (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
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	60,333	64,293	66,938	73,417	77,247
Investments accounted for using the equity method	2,175,636	2,188,131	2,188,630	2,188,087	2,184,570
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total financial assets</b>	<b>2,745,549</b>	<b>2,762,004</b>	<b>2,765,148</b>	<b>2,771,084</b>	<b>2,771,397</b>
<b>Non-financial assets</b>					
Prepayments	164,772	152,069	150,086	178,546	226,946
<b>Total non-financial assets</b>	<b>164,772</b>	<b>152,069</b>	<b>150,086</b>	<b>178,546</b>	<b>226,946</b>
<b>Total assets administered on behalf of Government</b>	<b>2,910,321</b>	<b>2,914,073</b>	<b>2,915,234</b>	<b>2,949,630</b>	<b>2,998,343</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Other	5,159	5,159	5,159	5,159	5,159
<b>Total payables</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>
<b>Provisions</b>					
Superannuation - DFRB <sup>[1]</sup>	475,302	448,096	421,758	396,311	371,780
Superannuation - DFRDB <sup>[2]</sup>	25,396,401	25,450,787	25,468,585	25,449,604	25,392,713
Superannuation - MSBS <sup>[3]</sup>	23,250,701	25,484,781	27,879,102	30,432,546	33,148,860
<b>Total provisions</b>	<b>49,122,404</b>	<b>51,383,664</b>	<b>53,769,445</b>	<b>56,278,461</b>	<b>58,913,353</b>
<b>Total liabilities administered on behalf of Government</b>	<b>49,127,563</b>	<b>51,388,823</b>	<b>53,774,604</b>	<b>56,283,620</b>	<b>58,918,512</b>

**Notes**

1. Defence Force Retirement Benefits.
2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

**Table 62: 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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	31,849	31,849	31,849	31,849	31,849
Military superannuation contributions	1,250,148	1,279,078	1,332,931	1,391,102	1,449,158
Fees	11,115	12,192	12,950	13,569	13,968
Other	41,448	76,648	67,403	77,090	47,157
<b>Total cash received</b>	<b>1,334,560</b>	<b>1,399,767</b>	<b>1,445,133</b>	<b>1,513,610</b>	<b>1,542,132</b>
<b>Cash used</b>					
Subsidies paid	98,036	106,589	116,914	125,697	132,946
Military benefits	1,890,164	2,006,026	2,101,173	2,191,371	2,311,399
<b>Total cash used</b>	<b>1,988,200</b>	<b>2,112,615</b>	<b>2,218,087</b>	<b>2,317,068</b>	<b>2,444,345</b>
<b>Net cash from (used by) operating activities</b>	<b>-653,640</b>	<b>-712,848</b>	<b>-772,954</b>	<b>-803,458</b>	<b>-902,213</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Dividends	49,654	45,813	49,717	52,306	59,456
<b>Total cash received</b>	<b>49,654</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>	<b>59,456</b>
<b>Net cash from (used by) investing activities</b>	<b>49,654</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>	<b>59,456</b>
<b>Net increase (decrease) in cash held</b>	<b>-603,986</b>	<b>-667,035</b>	<b>-723,237</b>	<b>-751,152</b>	<b>-842,757</b>
Cash at the beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	1,988,200	2,112,615	2,218,087	2,317,068	2,444,345
Cash to the Official Public Account	-1,384,214	-1,445,580	-1,494,850	-1,565,916	-1,601,588
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **3.3.2 Notes to the Financial Statements**

The financial statements have been prepared in accordance with the Australian Accounting Standards and the Finance Minister's Orders.

### 3.4 Consolidated Budgeted Financial Statements for the Department of Defence (including DMO)

**Table 63: Consolidated Budgeted Departmental Net Cost of Service (cash) for the Department of Defence (including DMO) (for the period ending 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
<b>NET COST OF SERVICE (CASH)</b>					
<b>Cost of Service</b>					
Employee payments	10,478,328	10,727,745	11,075,248	11,999,791	12,182,598
Supplier payments	8,646,428	9,305,856	9,821,785	10,360,578	10,672,952
Purchase of specialist military equipment	3,281,071	3,179,327	4,744,438	5,236,210	5,665,817
Purchase of inventory	894,485	1,054,362	1,139,271	1,312,058	1,399,897
Purchase of other property, plant and equipment	1,212,425	1,492,844	1,328,489	797,933	1,174,138
Other cash used	1,619,002	1,515,708	1,775,719	1,887,558	1,961,213
<b>Total cash used</b>	<b>26,131,739</b>	<b>27,275,842</b>	<b>29,884,950</b>	<b>31,594,128</b>	<b>33,056,615</b>
Own source receipts	1,876,435	1,940,798	2,113,070	2,324,365	2,346,510
<b>Total cash received</b>	<b>1,876,435</b>	<b>1,940,798</b>	<b>2,113,070</b>	<b>2,324,365</b>	<b>2,346,510</b>
<b>Net cost of service (cash)</b>	<b>24,255,304</b>	<b>25,335,044</b>	<b>27,771,880</b>	<b>29,269,763</b>	<b>30,710,105</b>
<b>FUNDED BY</b>					
Appropriation Bill 1 (price of outcomes)	23,838,370	24,700,810	25,994,005	27,799,999	28,536,196
Appropriation Bill 2 (equity injection)	456,289	683,005	1,816,608	1,515,806	2,188,258
Net cash to the Official Public Account	-14,077	-48,771	-38,733	-46,042	-14,349
<b>Total funding source</b>	<b>24,280,582</b>	<b>25,335,044</b>	<b>27,771,880</b>	<b>29,269,763</b>	<b>30,710,105</b>
<b>Change in budgeted cash</b>	<b>-25,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 64: Consolidated Comprehensive Departmental Income Statement (showing net cost of services) for the Department of Defence (including DMO) (for the period ending 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
<b>Expenses</b>					
Employees	10,522,811	10,779,324	11,168,734	12,085,817	12,290,782
Suppliers	9,208,158	10,179,189	10,788,664	11,468,671	11,770,379
Grants	77,193	67,572	115,680	88,867	89,811
Depreciation and amortisation	3,685,598	3,444,177	3,668,720	3,878,467	4,113,368
Finance cost	94,342	132,739	156,574	157,926	159,132
Write-down of assets and impairment of assets	1,101,918	1,133,488	1,173,553	1,223,865	1,275,829
Losses from sale of assets	7,565	-	-	-	-
Other expenses	84,617	68,886	66,209	146,261	127,518
<b>Total expenses</b>	<b>24,782,202</b>	<b>25,805,375</b>	<b>27,138,134</b>	<b>29,049,874</b>	<b>29,826,819</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sales of goods and rendering of services	486,279	457,206	457,218	483,194	492,644
Other revenue	108,382	109,154	111,938	114,812	117,744
<b>Total own-source revenue</b>	<b>594,661</b>	<b>566,360</b>	<b>569,156</b>	<b>598,006</b>	<b>610,388</b>
<b>Gains</b>					
Assets now recognised	520,744	551,602	577,814	603,459	630,053
Sale of assets	-	15,907	26,720	95,626	76,459
Other gains	-31,547	-32,371	-33,216	-34,081	-34,969
<b>Total gains</b>	<b>489,197</b>	<b>535,138</b>	<b>571,318</b>	<b>665,004</b>	<b>671,543</b>
<b>Total own-source income</b>	<b>1,083,858</b>	<b>1,101,498</b>	<b>1,140,474</b>	<b>1,263,010</b>	<b>1,281,931</b>
<b>Net cost of (contribution by) services</b>	<b>23,698,344</b>	<b>24,703,877</b>	<b>25,997,660</b>	<b>27,786,864</b>	<b>28,544,888</b>
Revenue from Government	23,806,445	24,703,877	25,997,660	27,786,864	28,544,888
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>108,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>108,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 65: Consolidated Budgeted Departmental Balance Sheet for the Department of Defence (including DMO) (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
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	68,091	68,091	68,091	68,091	68,091
Trade and other receivables	124,180	124,180	124,180	124,180	124,180
Tax assets	199,971	199,971	199,971	199,971	199,971
Appropriation receivable	346,857	349,924	353,579	340,444	349,136
Other receivables	140,601	140,422	139,864	138,926	138,926
<b>Total financial assets</b>	<b>879,700</b>	<b>882,588</b>	<b>885,685</b>	<b>871,612</b>	<b>880,304</b>
<b>Non-financial assets</b>					
Land and buildings	15,933,867	16,205,821	16,393,961	16,664,320	16,796,616
Infrastructure, plant and equipment	6,959,271	7,434,393	7,295,688	6,939,944	6,564,455
Specialist military equipment	40,758,414	41,354,969	43,352,043	45,681,536	48,236,687
Intangibles	515,803	458,323	409,982	409,484	409,271
Heritage and cultural	984,939	984,939	984,939	984,939	984,939
Inventories	5,578,165	5,487,528	5,402,542	5,335,496	5,272,880
Prepayments	1,520,190	1,520,173	1,520,155	1,520,137	1,520,118
<b>Total non-financial assets</b>	<b>72,250,649</b>	<b>73,446,146</b>	<b>75,359,310</b>	<b>77,535,856</b>	<b>79,784,966</b>
Assets held for sale	25,698	25,698	25,698	25,698	25,698
<b>Total assets</b>	<b>73,156,047</b>	<b>74,354,432</b>	<b>76,270,693</b>	<b>78,433,166</b>	<b>80,690,968</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	2,157,025	2,188,314	2,242,568	2,293,009	2,259,793
Other Payables	381,496	392,149	405,590	389,349	395,914
<b>Total payables</b>	<b>2,538,521</b>	<b>2,580,463</b>	<b>2,648,158</b>	<b>2,682,358</b>	<b>2,655,707</b>
<b>Interest bearing liabilities</b>					
Leases	1,086,866	1,501,518	1,424,981	1,386,383	1,346,550
<b>Total interest bearing liabilities</b>	<b>1,086,866</b>	<b>1,501,518</b>	<b>1,424,981</b>	<b>1,386,383</b>	<b>1,346,550</b>
<b>Provisions</b>					
Employee provisions	2,456,454	2,497,380	2,577,425	2,679,692	2,781,311
Restoration, decontamination and decommissioning	895,877	914,695	943,998	976,525	1,011,831
Other provisions	9,520	9,520	9,520	9,520	9,520
<b>Total provisions</b>	<b>3,361,851</b>	<b>3,421,595</b>	<b>3,530,943</b>	<b>3,665,737</b>	<b>3,802,662</b>
<b>Total liabilities</b>	<b>6,987,238</b>	<b>7,503,576</b>	<b>7,604,082</b>	<b>7,734,478</b>	<b>7,804,919</b>
<b>NET ASSETS</b>	<b>66,168,809</b>	<b>66,850,856</b>	<b>68,666,611</b>	<b>70,698,688</b>	<b>72,886,049</b>
<b>EQUITY</b>					
Contributed equity	17,856,086	18,538,133	20,353,888	21,868,819	24,056,180
Reserves	14,715,815	14,715,815	14,715,815	14,715,815	14,715,815
Retained surplus (accumulated deficit)	33,596,908	33,596,908	33,596,908	34,114,054	34,114,054
<b>Total equity</b>	<b>66,168,809</b>	<b>66,850,856</b>	<b>68,666,611</b>	<b>70,698,688</b>	<b>72,886,049</b>

**Table 66: Consolidated Budgeted Departmental Statement of Cash Flows for the Department of Defence (including DMO) (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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	23,838,370	24,700,810	25,994,005	27,799,999	28,536,196
Goods and services	485,249	454,757	456,324	482,277	490,048
Net GST received	1,164,982	1,253,549	1,426,107	1,532,082	1,592,532
Other cash received	152,920	130,826	132,593	136,044	141,223
Cash transfer from the Official Public Account (receivables)	-	-	-	-	-
<b>Total cash received</b>	<b>25,641,521</b>	<b>26,539,942</b>	<b>28,009,029</b>	<b>29,950,402</b>	<b>30,759,999</b>
<b>Cash used</b>					
Employees	10,478,328	10,727,745	11,075,248	11,999,791	12,182,598
Suppliers	8,646,428	9,305,856	9,821,785	10,360,578	10,672,952
Net GST paid	1,164,982	1,253,549	1,426,107	1,532,082	1,592,532
Grants	77,193	67,572	115,680	88,867	89,811
Other cash used	214,248	21,073	28,329	101,094	114,066
Cash transfer to the Official Public Account (receivables)	14,077	48,771	38,733	46,042	14,349
<b>Total cash used</b>	<b>20,595,256</b>	<b>21,424,566</b>	<b>22,505,882</b>	<b>24,128,454</b>	<b>24,666,308</b>
<b>Net cash from (used by) operating activities</b>	<b>5,046,265</b>	<b>5,115,376</b>	<b>5,503,147</b>	<b>5,821,948</b>	<b>6,093,691</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sale of land and buildings	44,537	65,506	61,675	136,685	84,497
Proceeds from sales of infrastructure, plant and equipment	28,747	36,160	36,371	37,277	38,210
<b>Total cash received</b>	<b>73,284</b>	<b>101,666</b>	<b>98,046</b>	<b>173,962</b>	<b>122,707</b>
<b>Cash used</b>					
Purchase of land and buildings	841,670	952,343	897,160	524,270	919,405
Purchase of infrastructure, plant and equipment	351,834	534,058	420,007	217,218	193,210
Purchase of specialist military equipment	3,281,071	3,179,327	4,744,438	5,236,210	5,665,817
Purchase of intangibles	18,921	6,443	11,322	56,445	61,523
Purchase of inventory	894,485	1,054,362	1,139,271	1,312,058	1,399,897
Selling costs on sale of assets	8,382	5,693	1,795	1,518	1,145
Finance costs	74,605	113,921	127,271	125,399	123,826
<b>Total cash used</b>	<b>5,470,968</b>	<b>5,846,147</b>	<b>7,341,264</b>	<b>7,473,118</b>	<b>8,364,823</b>
<b>Net cash from (used by) investing activities</b>	<b>-5,397,684</b>	<b>-5,744,481</b>	<b>-7,243,218</b>	<b>-7,299,156</b>	<b>-8,242,116</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	456,289	683,005	1,816,608	1,515,806	2,188,258
<b>Total cash received</b>	<b>456,289</b>	<b>683,005</b>	<b>1,816,608</b>	<b>1,515,806</b>	<b>2,188,258</b>
<b>Cash used</b>					
Repayment of debt	79,592	53,900	76,537	38,598	39,833
Cash to the Official Public Account	-	-	-	-	-
<b>Total cash used</b>	<b>79,592</b>	<b>53,900</b>	<b>76,537</b>	<b>38,598</b>	<b>39,833</b>
<b>Net cash from (used by) financing activities</b>	<b>376,697</b>	<b>629,105</b>	<b>1,740,071</b>	<b>1,477,208</b>	<b>2,148,425</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>25,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	42,813	68,091	68,091	68,091	68,091
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>68,091</b>	<b>68,091</b>	<b>68,091</b>	<b>68,091</b>	<b>68,091</b>



**Table 67: Consolidated Budgeted Income and Expenses Administered on Behalf of Government for the Department of Defence (including DMO) (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
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	31,855	31,855	31,855	31,855	31,855
Dividends	45,813	49,717	52,306	59,456	63,230
Military superannuation contributions	1,250,204	1,279,134	1,332,987	1,390,431	1,449,214
Fees	11,115	12,192	12,950	13,569	13,968
Other	41,448	76,648	67,403	77,090	47,157
<b>Total non-taxation</b>	<b>1,380,435</b>	<b>1,449,546</b>	<b>1,497,501</b>	<b>1,572,401</b>	<b>1,605,424</b>
<b>Total revenue administered on behalf of Government</b>	<b>1,380,435</b>	<b>1,449,546</b>	<b>1,497,501</b>	<b>1,572,401</b>	<b>1,605,424</b>
<b>EXPENSES ADMINISTERED IN BEHALF OF GOVERNMENT</b>					
Subsidies	98,036	106,589	116,914	125,697	132,946
Military retention benefits	64,223	77,103	95,883	77,940	93,000
Military superannuation benefits	5,785,962	4,202,885	4,393,053	4,593,987	4,804,892
<b>Total expenses administered on behalf of Government</b>	<b>5,948,221</b>	<b>4,386,577</b>	<b>4,605,850</b>	<b>4,797,624</b>	<b>5,030,838</b>

**Table 68: Consolidated Budgeted Assets and Liabilities Administered on Behalf of Government for the Department of Defence (including DMO) (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
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	60,333	64,293	66,938	73,417	77,247
Investments accounted for using the equity method	2,175,636	2,188,131	2,188,630	2,188,087	2,184,570
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total financial assets</b>	<b>2,745,549</b>	<b>2,762,004</b>	<b>2,765,148</b>	<b>2,771,084</b>	<b>2,771,397</b>
<b>Non-financial assets</b>					
Prepayments	164,772	152,069	150,086	178,546	226,946
<b>Total non-financial assets</b>	<b>164,772</b>	<b>152,069</b>	<b>150,086</b>	<b>178,546</b>	<b>226,946</b>
<b>Total assets administered on behalf of Government</b>	<b>2,910,321</b>	<b>2,914,073</b>	<b>2,915,234</b>	<b>2,949,630</b>	<b>2,998,343</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Other	5,159	5,159	5,159	5,159	5,159
<b>Total payables</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>	<b>5,159</b>
<b>Provisions</b>					
Superannuation - DFRB <sup>[1]</sup>	475,302	448,096	421,758	396,311	371,780
Superannuation - DFRDB <sup>[2]</sup>	25,396,401	25,450,787	25,468,585	25,449,604	25,392,713
Superannuation - MSBS <sup>[3]</sup>	23,250,701	25,484,781	27,879,102	30,432,546	33,148,860
<b>Total provisions</b>	<b>49,122,404</b>	<b>51,383,664</b>	<b>53,769,445</b>	<b>56,278,461</b>	<b>58,913,353</b>
<b>Total liabilities administered on behalf of Government</b>	<b>49,127,563</b>	<b>51,388,823</b>	<b>53,774,604</b>	<b>56,283,620</b>	<b>58,918,512</b>

**Notes**

1. Defence Force Retirement Benefits.
2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

**Table 69: Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) (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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	31,979	31,855	31,855	31,855	31,855
Military superannuation contributions	1,250,148	1,279,078	1,332,931	1,391,102	1,449,158
Fees	11,115	12,192	12,950	13,569	13,968
Other	45,666	76,648	67,403	77,090	47,157
<b>Total cash received</b>	<b>1,338,908</b>	<b>1,399,773</b>	<b>1,445,139</b>	<b>1,513,616</b>	<b>1,542,138</b>
<b>Cash used</b>					
Subsidies paid	98,036	106,589	116,914	125,697	132,946
Military benefits	1,890,164	2,006,026	2,101,173	2,191,371	2,311,399
<b>Total cash used</b>	<b>1,988,200</b>	<b>2,112,615</b>	<b>2,218,087</b>	<b>2,317,068</b>	<b>2,444,345</b>
<b>Net cash from (used by) operating activities</b>	<b>-649,292</b>	<b>-712,842</b>	<b>-772,948</b>	<b>-803,452</b>	<b>-902,207</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Dividends	49,654	45,813	49,717	52,306	59,456
<b>Total cash received</b>	<b>49,654</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>	<b>59,456</b>
<b>Net cash from (used by) investing activities</b>	<b>49,654</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>	<b>59,456</b>
<b>Net increase (decrease) in cash held</b>	<b>-599,638</b>	<b>-667,029</b>	<b>-723,231</b>	<b>-751,146</b>	<b>-842,751</b>
Cash at the beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	1,988,200	2,112,615	2,218,087	2,317,068	2,444,345
Cash to the Official Public Account	-1,388,562	-1,445,586	-1,494,856	-1,565,922	-1,601,594
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **Appendices**

<b>Appendix A</b>	<b>Defence Cooperation Program</b>
<b>Appendix B</b>	<b>The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)</b>
<b>Appendix C</b>	<b>Major Capital Facilities Program</b>
<b>Appendix D</b>	<b>Approved Projects being Developed for Private Financing Arrangements</b>
<b>Appendix E</b>	<b>Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works Consideration in 2013-14</b>

## Appendix A: Defence Cooperation Program

Defence's international engagement supports the Government's broader foreign policy goal of building confidence and transparency in the Asia-Pacific Region and globally.

The aims and objectives of the Defence Cooperation Program (DCP) are to:

- contribute to regional security
- work with regional partners and others to shape a stable environment
- consolidate Australia's position as a key partner on regional security issues
- encourage and assist the development of defence self-reliance within regional countries.

These objectives are enhanced by assisting regional security forces in the areas of:

- defence reform and governance
- strategic planning
- analysis
- counter terrorism
- maritime security
- peacekeeping
- humanitarian assistance and disaster relief
- communications
- logistic support
- education and training
- countering the threat of improvised explosive devices and unexploded ordnance
- preparedness for chemical, biological, radiological and explosive incidents and pandemics.

By assisting the development of professional and sustainable defence forces and Pacific police forces in the region, the DCP is improving the ability of our partners to contribute to national and regional security objectives. Australian assistance includes ADF and civilian advisers, a range of training initiatives and bilateral exercises, capacity building initiatives, and equipment and infrastructure projects.

A key element of the DCP is the Pacific Patrol Boat Program, through which Australia has provided 22 Patrol Boats (with associated personnel and technical assistance) to 12 countries. The Program engages Pacific navies and police maritime wings and is designed to help Pacific island countries improve their ability to independently police their maritime zones. Other important areas of focus are the continued development of Timor-Leste's Defence Force and Secretariat of Defence, as well as our support to the reinvigoration of Papua New Guinea's Defence Force.

**Table 70: Defence Cooperation Program Budget 2013-14**

Region	2012-13	2013-14
	Estimated	Budget
	Actual \$'000	Estimate \$'000
Papua New Guinea <sup>[1]</sup>	19,457	27,096
South Pacific Region	29,737	37,122
South-East Asia	16,957	17,049
Other regional activities	6,469	7,121
Defence International Training Centre <sup>[2]</sup>	5,334	5,498
<b>Total</b>	<b>77,954</b>	<b>93,886</b>

**Notes**

1. The increased budget for Papua New Guinea reflects the further investment in Defence Cooperation Program funding set out in the Defence Portfolio Budget Statements 2012-13.

2. The Defence International Training Centre provides training in Australia to the defence forces of South-East Asia and South Pacific nations and to other selected overseas personnel. The Defence International Training Centre is managed by VCDF Group.

**Table 71: South Pacific Region Budget 2013-14**

South Pacific	2012-13	2013-14
	Estimated	Budget
	Actual \$'000	Estimate \$'000
Timor-Leste <sup>[1]</sup>	4,385	3,740
Vanuatu	964	986
Solomon Islands	924	924
Tonga <sup>[2]</sup>	2,044	3,841
Samoa	169	108
Cook Islands	114	134
Republic of the Marshall Islands	269	190
Federates States of Micronesia	238	161
Tuvalu	294	243
Kir bati	351	171
Palau	214	235
DCP Housing & Support <sup>[3]</sup>	1,720	5,500
Pacific Patrol Boat Program <sup>[4]</sup>	18,051	20,889
<b>Total</b>	<b>29,737</b>	<b>37,122</b>

**Notes**

1. The decreased budget for Timor-Leste reflects the transfer of English Language Trainer costs to DCP Housing & Support.

2. The increased budget for Tonga reflects the planned purchase of a landing craft medium.

3. The increased budget for DCP Housing & Support reflects the transfer of costs for English Language Trainers from the Timor-Leste budget and the transfer of housing costs for posted members from the Services.

4. The increased budget for the Pacific Patrol Boat Program reflects increased costs as the boats age.

**Table 72: South-East Asia Region Budget 2013-14**

South-East Asia	2012-13	2013-14
	Estimated	Budget
	Actual \$'000	Estimate \$'000
Singapore	71	82
Philippines	3,546	3,229
Thailand	2,903	2,913
Malaysia	3,723	3,721
Indonesia	3,569	3,730
Vietnam	1,903	1,904
Cambodia and Laos	1,230	1,277
Brunei	12	21
Myanmar	-	172
<b>Total</b>	<b>16,957</b>	<b>17,049</b>

## Appendix B: The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)

The Defence Capability Plan (DCP) is a costed, detailed development plan for Australia's future military capabilities. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget. The plan sets out the proposed investment in new capability, reviewed and revised as part of the financial year 2013-14 budget.

Tables 73, 74 and 75 provide details of the projects likely to be considered for approval by Government in Financial Year 2013-14.

**Table 73: Defence Capability Plan Projects in Development for First Pass Approval  
Consideration within the Financial Year 2013-14<sup>[1][2]</sup>**

Project Number	Project Title
AIR 5077 Phase 5A	AEW&C Interoperability Compliance Upgrade
AIR 7000 Phase 2C	Maritime Patrol Aircraft Replacement - P-8 Increment 3
JP 154 Phase 2	Joint Counter Improvised Explosive Device Capability
JP 157 Phase 1	Replacement National Support Base Aviation Refuelling Vehicles
JP 1771 Phase 1	Geospatial Support Systems for the Land Force
JP 2069 Phase 3	High Grade Cryptographic Equipment
JP 2110 Phase 1B	Chemical, Biological, Radiological and Nuclear Defence
LAND 53 Phase 1BR	Night Fighting Equipment Replacement
LAND 400 Phase 2	Land Combat Vehicle System
SEA 1397 Phase 5B	Nulka Missile Decoy Enhancements
SEA 1448 Phase 4B	ANZAC Air Search Radar Replacement
SEA 1654 Phase 3	Maritime Operational Support Capability

### Notes

1. Project Development activities, Capability and Technology Demonstrator and some sensitive projects are not included in the list.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).



**Table 74: Defence Capability Plan Projects In Development for Second Pass Approval Consideration within the Financial Year 2013-14<sup>[1][2][3]</sup>**

Project Number	Project Title
AIR 5416 Phase 4B.2	C-130J Large Aircraft Infrared Counter Measure (LAIRCM)
AIR 6000 Phase 2A/2B	New Air Combat Capability - 3 squadrons
AIR 7000 Phase 2B	Maritime Patrol Aircraft Replacement
AIR 9000 Phase 7	Helicopter Aircrew Training System
JP 2008 Phase 5B.1	Military Satellite Capability - Wideband Terrestrial Infrastructure
JP 2064 Phase 3	Geospatial Information, Infrastructure and Services
JP 2068 Phase 2B.2	Computer Network Defence
JP 2089 Phase 3B	Tactical Information Exchange Domain (Data Links) - Armed Reconnaissance Helicopter
JP 2097 Phase 1B	REDFIN – Enhancements to Special Operations Capability
JP 3029 Phase 1	Space Surveillance
JP 3029 Phase 2	Space Telescope
JP 2099 Phase 1	Identity Management
LAND 17 Phase 1C.1	Artillery Replacement - Towed Howitzer
LAND 125 Phase 3B	Soldier Enhancement Version 2 - Survivability
LAND 136 Phase 1	Land Force Mortar Replacement
LAND 998 Phase 1	Replacement Aviation Fire Trucks
SEA 1442 Phase 4	Maritime Communication Modernisation

**Notes**

1. Project Development activities, Capability and Technology Demonstrator and some sensitive projects are not included in the list
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).
3. Projects planned for a combined First and Second Pass approval have been included within the list.

**Table 75: Defence Capability Plan Projects in Development for Other Approval Consideration within the Financial Year 2013-14<sup>[1][2]</sup>**

Project Number	Project Title
LAND 17 Phase 1C.2	Future Artillery Ammunition
LAND 121 Phase 5B	Overlander – Medium and Heavy Tactical Training Vehicles

**Notes**

1. 'Other' projects include interim considerations that have not been included as being developed for either First or Second Pass consideration.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).

## Appendix C: Major Capital Facilities Program

The Facilities Program comprises approved and unapproved major and medium projects.

Major capital facilities projects are defined as having expenditure over \$15m and are subject to Government approval and review by the Parliamentary Standing Committee on Public Works (PWC). Medium facilities projects have an expenditure of between \$250,000 and \$15m. Projects between \$8m and \$15m are subject to Government approval, but are not formally reviewed by the PWC. Details of these projects are provided in this Appendix.

The Major Capital Facilities Program gives priority to projects that support and sustain current and future capability requirements, other government initiatives, meet legislative obligations and assist initiatives that support Defence personnel. A significant proportion of the program funding is directed towards the provision of basic engineering and infrastructure services, in support of new projects and upgrades to existing facilities.

## Approved Major Capital Facilities Projects

**Table 76: Approved Major Capital Facilities Projects by State and Federal Electorate**

	State and Electorate	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2013 \$m	2013-14 Budget Estimate \$m
<b>Enhanced Land Force Stage 2 Works<sup>[1]</sup></b>				
Singleton Training Area	NSW - Hunter	-	109	10.1
Simpson Barracks, Watsonia	VIC - Jagajaga	-	20	-
RAAF Amberley	QLD - Blair	-	10	-
Kokoda Barracks, Canungra	QLD - Forde	-	41	40.3
Lavarack Barracks, Townsville	QLD - Herbert	-	71	-
Greenbank Training Area	QLD - Rankin	-	103	13.0
Gallipoli Barracks, Enoggera	QLD - Ryan	-	627	133.5
Wide Bay Training Area	QLD - Wide Bay	-	58	19.0
RAAF Edinburgh	SA - Wakefield	-	35	-
Majura Field Training Area	ACT - Fraser	-	23	-
<b>Total</b>		<b>1,457.8</b>	<b>1,096.0</b>	<b>216.1</b>
<b>Enhanced Land Force Stage 1 Works<sup>[1]</sup></b>				
Holsworthy Barracks	NSW - Hughes	-	38.6	-
Singleton Training Area	NSW - Hunter	-	62.0	-
Kapooka Training Area	NSW - Riverina	-	104.1	-
Swan Island	VIC - Corangamite	-	6.4	-
Puckapunyal Training Area	VIC - McEwan	-	63.8	10.5
RAAF Amberley	QLD - Blair	-	122.5	-
Townsville	QLD - Herbert	-	185.4	3.3
Edinburgh Defence Precinct	SA - Wakefield	-	23.7	1.3
Campbell Barracks	WA - Curtin	-	3.9	-
<b>Total</b>		<b>793.1</b>	<b>610.4</b>	<b>15.1</b>
<b>Defence Logistics Transformation Program<sup>[1]</sup></b>				
Defence National Storage & Distribution Centre, Moorebank	NSW - Hughes	-	45.8	146.5
Wadsworth Barracks, Bandiana	VIC - Indi	-	-	7.8
RAAF Amberley	QLD - Blair	-	5.0	68.7
Townsville	QLD - Herbert	-	-	9.6
RAAF Edinburgh	SA - Wakefield	-	-	6.4
Robertson Barracks	NT - Solomon	-	10.0	88.1
<b>Total</b>		<b>752.7</b>	<b>60.8</b>	<b>327.1</b>
<b>Moorebank Units Relocation<sup>[2]</sup></b>				
Steele Barracks, Moorebank	NSW - Hughes	<b>352.9</b>	<b>45.0</b>	<b>101.5</b>
<b>Amberley Redevelopment Stage 3</b>				
RAAF Amberley	QLD - Blair	<b>331.5</b>	<b>312.4</b>	<b>13.6</b>
<b>Albatross Redevelopment Stage 3</b>				
HMAS Albatross, Nowra	NSW - Gilmore	<b>192.0</b>	<b>0.5</b>	<b>39.9</b>
<b>East Sale Redevelopment</b>				
RAAF East Sale	VIC - Gippsland	<b>185.6</b>	<b>13.9</b>	<b>79.0</b>

Table 76(Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

		Total Estimated Expenditure State and Electorate \$m	Estimated Cumulative Expenditure to 30 June 2013 \$m	2013-14 Budget Estimate \$m
<b>Defence Facilities at HMAS Harman</b>				
HMAS Harman	ACT - Canberra	163.5	156.8	0.3
<b>Defence Force School of Signals</b>				
Simpson Barracks, Watsonia	VIC - Jagajaga	101.3	89.2	3.3
<b>ADFA Redevelopment</b>				
ADFA	ACT - Fraser	98.5	46.4	32.4
<b>Airfield Capital Works<sup>[1]</sup></b>				
RAAF Williamtown	NSW - New castle	-	-	9.6
RAAF Amberley	QLD - Blair	-	11.5	24.8
RAAF Townsville	QLD - Herbert	-	-	6.5
RAAF Darwin	NT - Solomon	-	8.2	12.7
<b>Total</b>		<b>74.7</b>	<b>19.7</b>	<b>53.6</b>
<b>HMAS Penguin and Pittwater Annexe Redevelopment<sup>[1]</sup></b>				
Pittwater Annexe	NSW - MacKellar	-	4.5	2.0
HMAS Penguin, Balmoral	NSW - Warringah	-	45.0	9.8
<b>Total</b>		<b>63.3</b>	<b>49.5</b>	<b>11.8</b>
<b>Facilities for Replacement Towed Artillery (LAND 17)<sup>[1]</sup></b>				
Gaza Ridge Barracks, Bandiana	VIC - Indi	-	1.9	2.4
Bridges Barracks, Puckapunyal	VIC - McEwan	-	1.9	2.0
Lavarack Barracks, Townsville	QLD - Herbert	-	2.7	2.3
Gallipoli Barracks, Enoggera	QLD - Ryan	-	5.5	16.3
RAAF Edinburgh	SA - Wakefield	-	1.6	2.3
Robertson Barracks, Darwin	NT - Solomon	-	1.9	3.2
<b>Total</b>		<b>46.5</b>	<b>15.6</b>	<b>28.4</b>
<b>Liverpool Military Area High Voltage Reticulation Systems Upgrade</b>				
Liverpool Military Area	NSW - Hughes	19.6	3.5	15.3
<b>Scottsdale Specific Nutritional Capability</b>				
Scottsdale	TAS - Bass	18.7	7.0	7.8
<b>Explosive Ordnance Storage<sup>[3]</sup></b>				
Proof & Experimental Establishment Port Wakefield	SA - Wakefield	15.5	13.2	2.2
<b>Facilities for Joint Counter Improvised Explosive Device Capability<sup>[1]</sup></b>				
Steele Barracks, Moorebank	NSW - Hughes	-	0.1	3.1
Singleton Training Area	NSW - Hunter	-	0.1	0.5
Wadsworth Barracks, Bandiana	VIC - Indi	-	-	1.5
Simpson Barracks, Watsonia	VIC - Jagajaga	-	-	1.8
Kokoda Barracks, Canungra	QLD - Forde	-	0.1	0.4
Townsville Training Area	QLD - Herbert	-	0.2	0.5
Cultana Training Area	SA - Grey	-	-	0.3
Edinburgh Defence Precinct	SA - Wakefield	-	0.1	2.8
Campbell Barracks, Perth	WA - Curtin	-	-	0.7
RAAF Darwin	NT - Solomon	-	0.1	0.6
<b>Total</b>		<b>13.4</b>	<b>0.7</b>	<b>12.2</b>

**Table 76(Cont): Approved Major Capital Facilities Projects by State and Federal Electorate**

	State and Electorate	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2013 \$m	2013-14 Budget Estimate \$m
<b>6th Aviation Regiment - Expanded 171 Aviation Squadron Facilities</b>				
Holsworthy Barracks	NSW - Hughes	11.7	9.2	0.0
<b>Australian Operational Concept Contingency and Stores<sup>[1]</sup></b>				
RAAF Williams	VIC - Lalor	-	0.5	-
RAAF Townsville	QLD - Herbert	-	1.2	-
Gallipoli Barracks, Enoggera	QLD - Ryan	-	0.3	-
RAAF Edinburgh	SA - Wakefield	-	0.6	-
Derwent Barracks, Glenorchy	TAS - Denison	-	0.5	0.1
RAAF Darwin	NT - Solomon	-	1.3	-
<b>Total</b>		<b>7.9</b>	<b>4.4</b>	<b>0.1</b>
<b>Thermal Test Facility</b>				
Fishermans Bend	VIC - Melbourne Ports	6.6	2.6	3.6
<b>Corrosion Control Facility<sup>[4]</sup></b>				
RAAF Tindal	NT - Lingiari	6.3	2.0	4.2
<b>Corrosion Control Facility and Spray Paint Booth Facilities Upgrade</b>				
RAAF Williamstown	NSW - Newcastle	6.3	2.4	3.2
<b>Potable Water Supply Upgrade</b>				
RAAF Pearce	WA - Pearce	3.1	2.3	0.8
<b>Triangular Island Facility Upgrade</b>				
Shoalwater Bay Training Area	QLD - Capricornia	2.2	2.2	0.0
<b>Projects in or about to enter Defects Liability Period</b>			3,227.1	4.8
<b>Total</b>	-	<b>4,724.6</b>	<b>5,792.7</b>	<b>976.2</b>

**Notes**

1. These projects cross state and electoral boundaries. Estimated cumulative expenditure to 30 June 2013 and expenditure estimates for 2013-14 are provided in the table per location.
2. This amount represents the Defence funded element of the Moorebank Units Relocation Project. The Department of Finance and Deregulation are funding the remaining element of \$517.1m with a total approved project value of \$870.0m.
3. Total project budget increase approved in August 2012.
4. Total project budget increase approved in February 2013.

## **New South Wales**

### **HMAS Albatross Redevelopment Stage 3**

The project will replace ageing and obsolete engineering services and infrastructure. It will also provide a combination of new and refurbished facilities to support operational and training outcomes as well as enabling functions. The project is programmed to be completed in mid 2016.

### **Moorebank Units Relocation**

The Moorebank Units Relocation, Holsworthy, New South Wales project supports the Government's proposed Moorebank Intermodal Freight Terminal on Commonwealth owned-Defence occupied land at Moorebank. The project is delivering new facilities at Holsworthy Barracks to relocate affected Defence units and facilities from the proposed Moorebank Intermodal Transport site, including the School of Military Engineering. The project is funded from the Government's Moorebank Intermodal Freight Terminal initiative and the Defence Portfolio. The project is programmed to be completed in late 2015.

### **Liverpool Military Area High Voltage Reticulation Systems Upgrade**

The Liverpool Military Area High Voltage Reticulation Systems Upgrade, New South Wales project is providing improved energy supply and distribution to the Liverpool Military Area, primarily at Holsworthy Barracks. This project will provide a necessary increase in electrical supply to the Liverpool Military Area and improved electrical reticulation within Holsworthy Barracks. The project is programmed to be completed in late 2015.

## **Victoria**

### **RAAF Base East Sale Redevelopment Stage 2**

This project will provide in-ground engineering services upgrades, new working accommodation, new training and maintenance facilities, security upgrades, new air traffic control complex, new commercial and community facilities, a new chapel, new firing range, new living-in accommodation and demolition of redundant facilities. The project is programmed to be completed in mid 2015

### **Watsonia - Defence Force School of Signals**

This project will provide new working accommodation, improved security arrangements and upgraded living-in accommodation for the Defence Force School of Signals at Simpson Barracks. Construction commenced in October 2008. The Living-In Accommodation and other major components of the project are now complete. Completion of the final refurbishment element is currently being assessed in relation to remaining funds available to the project.

## **Queensland**

### **RAAF Amberley Redevelopment Stage 3**

The project will provide new trainee living-in accommodation and messing facilities, physical fitness facilities, office, medical and working accommodation, consolidation of maintenance facilities, construction of a new fuel farm and a base security upgrade. Construction commenced in 2008. Works have been progressively completed from 2009. The project is programmed to be completed in early to mid 2014.

## **Tasmania**

### **Scottsdale: Specific Nutritional Capability**

The project provides a reinvestment in the existing Defence Science and Technology Organisation nutritional capability at Scottsdale through the construction of replacement food technology laboratories and working facilities. The project is programmed to be completed in late 2013.

## **Australian Capital Territory**

### **Australian Defence Force Academy Redevelopment**

The project aims to address the functional deficiencies of the teaching, training, office and living in accommodation and mess facilities at ADFA to meet current and future academic and military training needs for the next 20 to 30 years. The project is programmed to be completed in mid 2015.

### **Defence Facilities at HMAS Harman**

The project will provide an extension to the existing Defence Network Operation Centre that controls and monitors communication activities within Defence, as well as providing new data storage facilities for other capability projects and additional support facilities for the Army. The project is programmed to be completed in mid 2013.

## **Various Locations**

### **Defence Logistics Transformation Program**

The project aims to modernise and enhance the wholesale storage, distribution and land materiel functions of Joint Logistic Command units nationally to provide optimum support to Defence operations. The project will provide enhanced logistics facilities at Moorebank New South Wales, Bandiana Victoria, Amberley and Townsville Queensland, Palmerston Northern Territory, Edinburgh South Australia and Guilford and Garden Island Western Australia. The project is programmed to be completed in late 2015.

### **Enhanced Land Force - Facilities Stage 1**

The project will provide modern, purpose-built facilities and supporting infrastructure for the relocation of the 3rd Battalion, the Royal Australian Regiment from Sydney to Townsville. The works involve the construction of new and refurbished accommodation and training facilities, as well as the construction of common use facilities and site infrastructure upgrades at Townsville and other Defence sites across five states. Facilities at Kapooka, Singleton, Holsworthy and Puckapunyal will provide modern accommodation and supporting infrastructure for increased Army initial employment training. At RAAF Bases Amberley, Edinburgh and Richmond, new facilities will be provided for joint enabling elements supporting the enhanced land force capabilities. Facilities at RAAF Base Richmond, Campbell Barracks Perth, Holsworthy, Singleton and RAAF Amberley have been completed. Completion of the remaining elements is scheduled by late 2013.

### **JP 154 Facilities for Joint Counter Improvised Explosive Device Capability - Stage 2 - Other Sites**

The project aims to provide test and evaluation facilities at Nurrungar (Woomera, South Australia) and Edinburgh (Adelaide, South Australia), plus storage and training facilities at 14 other sites across Australia. The project is programmed to be completed in late 2013.



## **Enhanced Land Force - Facilities Stage 2**

The project will provide modern purpose-built facilities and supporting infrastructure for the 8th/9th Battalion the Royal Australian Regiment and supporting elements of the Army's 7th Brigade at Gallipoli Barracks in Enoggera, Brisbane. The project includes the construction of new and refurbished accommodation and training facilities, as well as common use facilities and site infrastructure upgrades at Enoggera and other Defence sites across four States and both mainland Territories.

Facilities at Townsville, Singleton, Duntroon and Watsonia will provide modern accommodation and supporting infrastructure for increased Army career training. In Sydney, at RAAF Bases Amberley, at Edinburgh and at nine Defence Training Areas, new and refurbished facilities with site infrastructure upgrades will be provided for Army and joint enabling elements supporting the Enhanced Land force capabilities. Works at Garden Island and Balmoral were completed in 2010. Facilities at Garden Island, HMAS Penguin, Watsonia, Puckapunyal, RAAF Base Amberley, Townsville Field Training Area, Majura Field Training Area and Royal Military College Duntroon have been completed. The project is programmed to be completed in late 2014.

## **HMAS Penguin and Pittwater Annexe Redevelopment**

The project will provide a comprehensive upgrade of base wide engineering services infrastructure, security works and working accommodation for training and support functions. The project is programmed to be completed in late 2013.

## **Airfield Capital Works (Amberley, Darwin, Townsville, Williamtown)**

The project aims to resurface asphalt pavement and the replace airfield lighting at RAAF Base Amberley, RAAF Base Darwin, RAAF Base Townsville and RAAF Base Williamtown. Construction is programmed to be completed in mid 2014.

## **Facilities for Replacement Towed Artillery (LAND 17)**

The project will provide new and upgraded facilities to support the introduction into service of new towed artillery. The works are planned at six sites: Enoggera, Puckapunyal, Townsville, Edinburgh, Darwin and Bandiana. The project is programmed to be completed in late 2013.

## Appendix D: Approved Projects being Developed for Private Financing Arrangements

### Project Single Living Environment and Accommodation Precinct (Single LEAP Phase 2)

Project Single LEAP Phase 2 is an extension of the delivery of new single living-in accommodation facilities at various sites around Australia. The project has been approved to deliver a further 3,015 units at 14 bases around mainland Australia. Table 77 provides details of the 14 elements of Phase 2.

**Table 77: Single LEAP Phase 2 by State, Federal Electorate and Locality<sup>[1]</sup>**

State	Electorate	Locality
NEW SOUTH WALES	Gilmore	Nowra: HMAS Albatross
	Riverina	RAAF Base Wagga
		Kapooka: Blamey Barracks
VICTORIA	Indie	Abury/Wodonga: Bandiana
	Jagajaga	Watsonia: Simpson Barracks
	McEwen	Puckapunyal
QUEENSLAND	Herbert	Townsville: Lavarack Barracks
SOUTH AUSTRALIA	Wakefield	RAAF Base Edinburgh
WESTERN AUSTRALIA	Brand	Garden Island: HMAS Stirling
	Curtin	Swanbourne: Campbell Barracks
NORTHERN TERRITORY	Solomon	Darwin: Robertson Barracks
		Darwin: HMAS Coonawarra (Larrakeyah Barracks)
AUSTRALIAN CAPITAL TERRITORY	Fraser	Royal Military College Australian Defence Force Academy

**Note**

1. Work has commenced at all sites, with the last site due for completion by February 2014. Under the Public Private Partnership arrangement, annual payments to the Strategic Partner will commence after Commercial Acceptance of each site.

## Appendix E: Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works Consideration in 2013-14

During 2013-14, Defence expects to present a number of facilities proposals to the Government and the Public Works Committee (PWC). Table 78 provides details of the proposed major capital projects expected to be referred to the PWC in 2013-14. In some cases, the projects may require the Government's approval before referral to the PWC.

**Table 78: Program of Works Foreshadowed for Consideration and Approval**

	State/Electorate	Actual/Indicative PWC Referral Date	Actual/Indicative PWC Hearing Date <sup>[1]</sup>	Current Status
<b>Capital Facilities Projects Foreshadowed for PWC Consideration in 2013-14</b>				
RAAF Base Williamtown Redevelopment Stage 2	NSW - New castle	Early 2014	Mid 2014	In development
Defence Science and Technology Organisation (DSTO) Fishermans Bend - Human Protection Performance and Security	VIC - Melbourne Port	21-Mar-13	30-Apr-13	In development
Facilities for Air Warfare Destroyer (SEA 4000)	Multiple	21-Mar-13	23-Apr-13	In development
Facilities for Amphibious Deployment and Sustainment (Joint Project (JP) 2048)	Multiple	21-Mar-13	23-Apr-13	In development
Facilities for the MH-60R Seahawk Maritime Combat Helicopters (AIR 9000 Phase 8)	Multiple	21-Mar-13	22-Apr-13	In development
Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)	Multiple	Early 2014	Mid 2014	In development
Facilities for Force Protection Research and Training (Joint Project (JP)154)	Multiple	Early 2014	Mid 2014	In development

**Table 78 (Cont): Program of Works Foreshadowed for Consideration and Approval**

	State/Electorate	Actual/Indicative PWC Referral Date	Actual/Indicative PWC Hearing Date <sup>[1]</sup>	Current Status
<b>Medium Projects Foreshadowed to Seek Approval in 2013-14</b>				
Army Emergency Response Facilities, Luscombe Airfield - Holsworthy	NSW - Hughes			In development
Hunter Water Corporation Wastewater Transfer Scheme - RAAF Williamstown	NSW - Newcastle			In development
Support Facilities for Joint Project (JP) 2048 Phase 3 Landing Helicopter Dock (LHD) Landing Crafts – Sydney	NSW - Wentworth			In development
End of Lease Relocation - Sydney University	NSW - Sydney			In development
Samford Road – Gallipoli Barracks Enoggera	QLD - Ryan			In development
Proof & Experimental Establishment (P&EE) Road and Carpark Upgrade - Graytown	VIC - Murray			In development
Low Level Bridge - HMAS Stirling	WA - Brand			In development
Armoury - Royal Military College Duntroon	ACT - Fraser			In development
Cyber Security Operational Centre (CSOC) Refurbishment – Russell Offices	ACT - Fraser			In development
Shoal Bay Receiving Station (SBRS) Facilities Upgrade - Darwin	NT - Lingiari			In development
Flood Mitigation Project - RAAF Darwin	NT - Solomon			In development
Proof & Experimental Establishment (P&EE) Vibration Test Facility Port Wakefield	SA - Wakefield			In development
Joint Project (JP)154 Phase 3A (Project Ningau) Australian Protected Route Clearance Capability	Multiple			In development
Joint Project (JP) 2059 Phase 3 - Water Purification and Desalination Equipment	Multiple			In development
Facilities for Australian Light Armoured Vehicle (ASLAV) Crew Procedural Trainer (CPT)	Multiple			In development

**Note**

1. Hearing dates will be subject to the Committee's consideration and agreement.

## **New South Wales**

### **RAAF Base Williamtown Redevelopment Stage 2**

The project aims to support and improve the functionality and capability of the Base, while at the same time upgrade or replace critical ageing infrastructure to meet future requirements. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2014, and be completed in late 2018.

### **Fishermans Bend - Human Protection Performance and Security**

The project will provide new and upgraded site security and will rectify identified accommodation shortfalls within on-site Human Protection Performance Division facilities located at the Defence Science and Technology Organisation site at Fisherman Bend in Melbourne. Subject to Parliamentary clearance, construction is scheduled to commence in mid 2013 with completion in early 2016.

## **Various Locations**

### **Facilities for Air Warfare Destroyer (SEA 4000)**

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island, Sydney, for the new Hobart Class Air Warfare Destroyer. The works also include the provision of training facilities at HMAS Watson and Randwick Barracks. Subject to Parliamentary clearance, construction is scheduled to commence in mid 2013, and be completed in late 2015.

### **Facilities for Amphibious Deployment and Sustainment (JP 2048)**

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island, Sydney, for the new Canberra Class Landing Helicopter Dock Ship. The works also include the provision of training facilities at Randwick Barracks. Subject to Parliamentary clearance, construction is scheduled to commence in mid 2013, and be completed in late 2015.

### **Facilities for the MH-60R Seahawk Maritime Combat Helicopters (AIR 9000 Phase 8) (previously reported as Facilities for Future Naval Aviation Combat System Support Air 9000 Phase 8)**

The project aims to provide new and upgraded facilities for operational maritime helicopter squadrons at HMAS Stirling and HMAS Albatross. The works include the provision of facilities for explosive ordnance storage, aircraft hangars, aircraft workshops, synthetic training, and working accommodation. Subject to Parliamentary clearance, construction is scheduled to commence in late 2013, and be completed in mid 2017.

### **Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)**

The project aims to provide new and upgraded facilities to support the introduction into service of the Chinook Helicopter. The works will be primarily at 5 Aviation Regiment at RAAF Base Townsville. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2014, and be completed in early 2017.

### **Facilities for Force Protection Research and Training (JP 154)**

This project aims to provide test and evaluation facilities at Nurrungar (Woomera, South Australia) and Edinburgh (Adelaide, South, Australia), plus storage and training facilities at 14 other sites across Australia. Subject to Government and Parliamentary clearance, construction is scheduled to commence mid 2014, and be completed in mid 2015.



# **Defence Materiel Organisation**

## **Agency Resources and Planned Performance**

### **Section 1: DMO Overview and Resources**

- 1.1 Strategic Direction Statement
- 1.2 DMO Resource Statement
- 1.3 People

### **Section 2: DMO Outcomes and Planned Performance**

- 2.1 Outcomes and Performance Information

### **Section 3: DMO Explanatory Tables and Budgeted Financial Statements**

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

# 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)<sup>1</sup> 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 than 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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<sup>1</sup> 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.

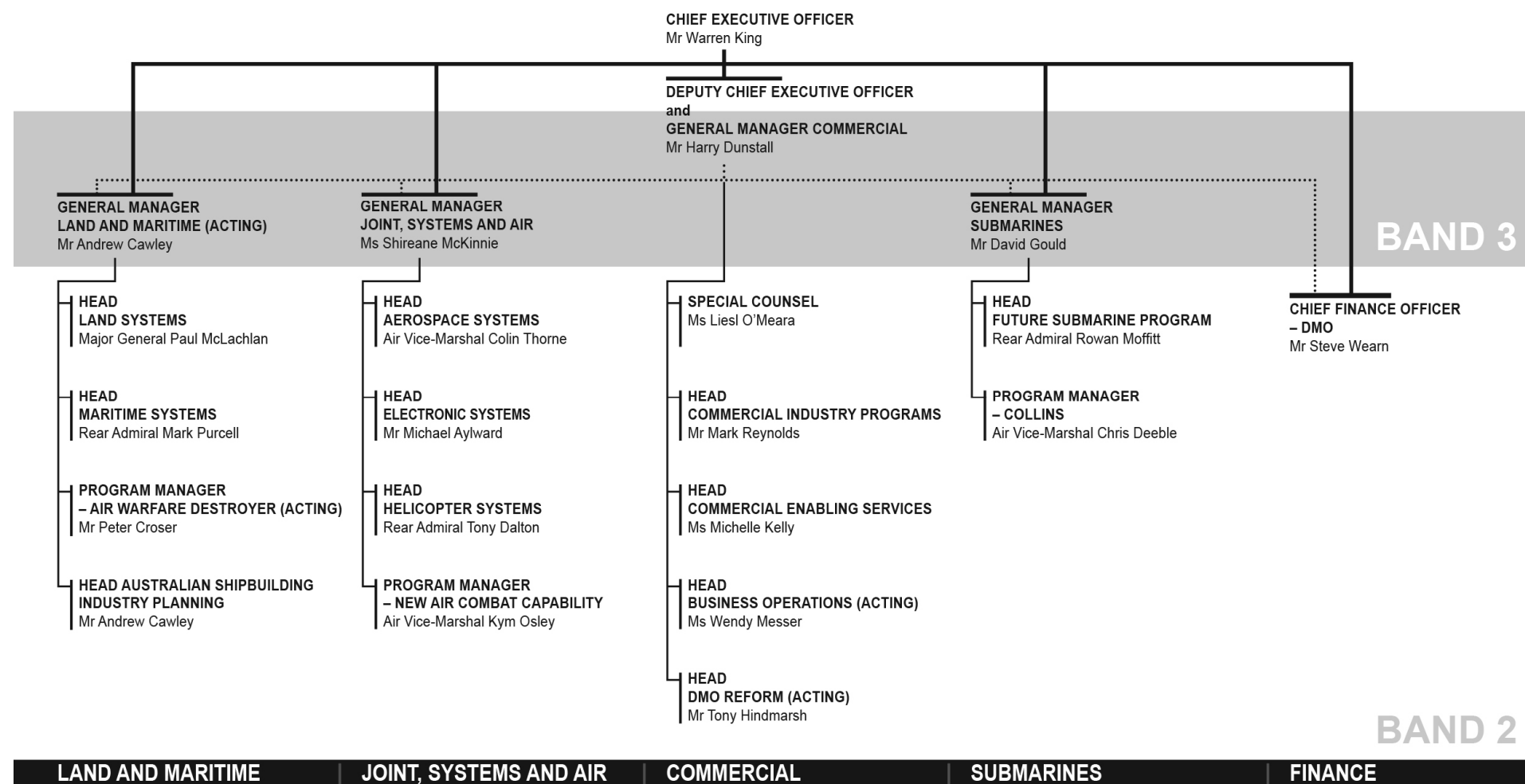
## **Reform Implementation**

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
	<b>ORDINARY ANNUAL SERVICES</b>				
	<b>Departmental appropriation</b>				
	Prior year departmental appropriation <sup>[1]</sup>	320,000	-	320,000	326,647
	Departmental appropriation <sup>[2]</sup>	-	907,791	907,791	911,104
	<b>Total departmental appropriation</b>	<b>320,000</b>	<b>907,791</b>	<b>1,227,791</b>	<b>1,237,751</b>
<b>A</b>	<b>Total ordinary annual services</b>	<b>320,000</b>	<b>907,791</b>	<b>1,227,791</b>	<b>1,237,751</b>
	<b>Total Available Annual Appropriations</b>	<b>320,000</b>	<b>907,791</b>	<b>1,227,791</b>	<b>1,237,751</b>
	<b>SPECIAL ACCOUNTS</b>				
	Opening balance <sup>[3]</sup>	320,000	-	320,000	326,647
	Appropriation receipts <sup>[4]</sup>	-	907,791	907,791	911,104
	Appropriation receipts - other agencies <sup>[5]</sup>	-	8,708,445	8,708,445	8,111,760
	Non-Appropriation receipts to Special Accounts	-	60,569	60,569	57,708
<b>B</b>	<b>Total special accounts</b>	<b>320,000</b>	<b>9,676,805</b>	<b>9,996,805</b>	<b>9,407,219</b>
	<b>Total resourcing (A + B)</b>	<b>640,000</b>	<b>10,584,596</b>	<b>11,224,596</b>	<b>10,644,970</b>
	Less appropriations drawn from annual appropriations above and credited to special accounts	320,000	907,791	1,227,791	1,237,751
<b>C</b>	<b>Total net resourcing for DMO</b>	<b>320,000</b>	<b>9,676,805</b>	<b>9,996,805</b>	<b>9,407,219</b>

**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**

	<b>2012-13</b>	<b>2013-14</b>
	<b>\$'000</b>	<b>\$'000</b>
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 <sup>[1]</sup>	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 with 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
<b>A Sub Total ADF Permanent Force<sup>[1]</sup></b>	<b>1,404</b>	<b>1,389</b>	<b>1,779</b>	<b>1,800</b>	<b>1,822</b>
<b>B DMO APS</b>	5,411	5,307	5,529	5,548	5,583
APS - ADF backfill <sup>[2]</sup>	339	363	-	-	-
<b>Total DMO APS</b>	<b>5,750</b>	<b>5,670</b>	<b>5,529</b>	<b>5,548</b>	<b>5,583</b>
<b>C Contractors<sup>[3]</sup></b>	27	48	48	46	46
<b>Total Workforce Strength (A + B + C)</b>	<b>7,181</b>	<b>7,107</b>	<b>7,356</b>	<b>7,394</b>	<b>7,451</b>

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

**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.

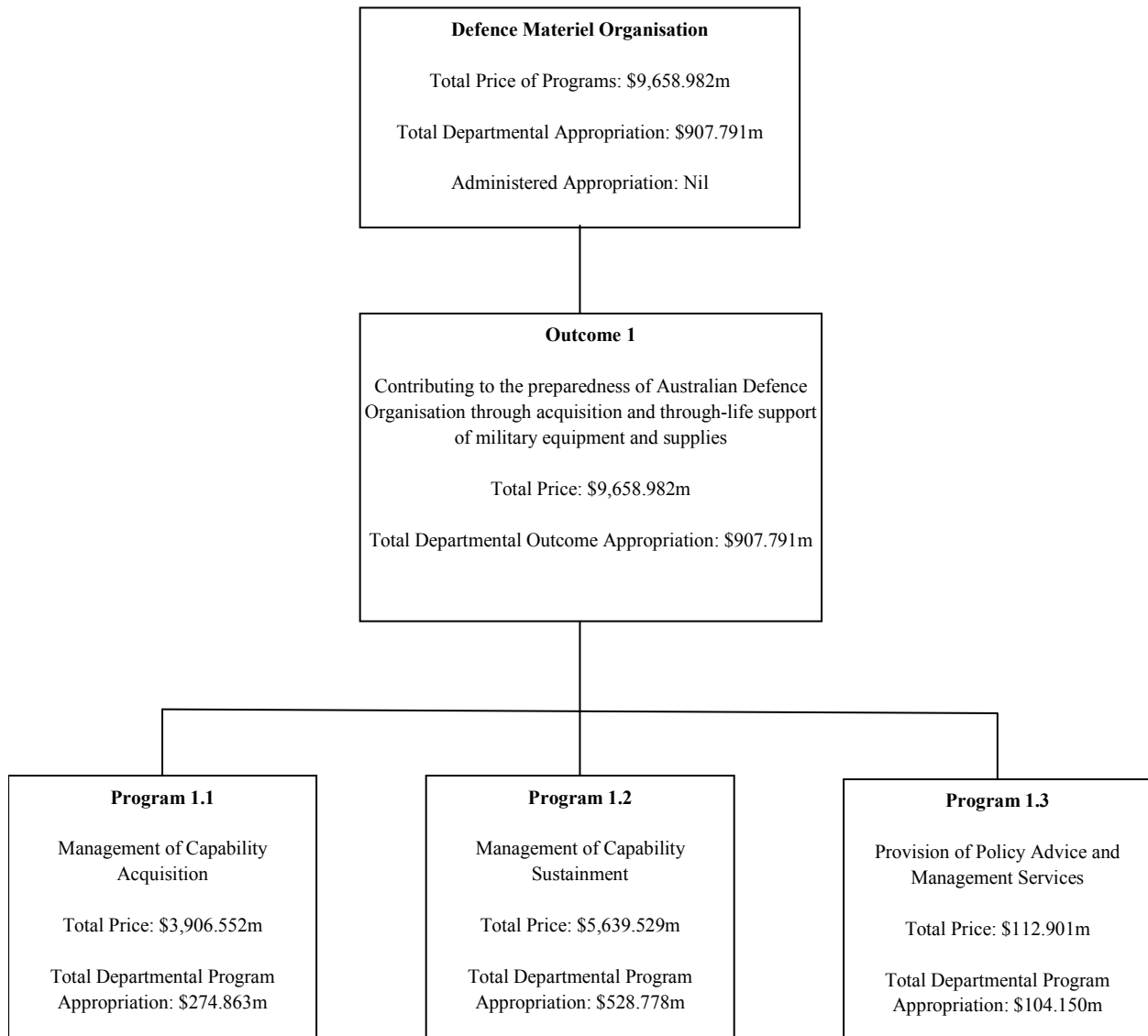
3. Reflects the ADF Permanent forces and includes Reservists undertaking continuous full-time service.

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**

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

### 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 <sup>(1)</sup>	10,170	10,424	10,685	10,952	11,226
<b>Total Program Expenses</b>	<b>3,558,181</b>	<b>3,906,552</b>	<b>5,502,912</b>	<b>6,272,061</b>	<b>6,568,023</b>

#### 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
<b>General Manager Joint, Systems and Air</b>				
<b>Aerospace Systems</b>				
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 <sup>[1]</sup>
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
<b>Electronic Systems</b>				
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
<b>Helicopter Systems</b>				
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
<b>New Air Combat Capability</b>				
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	2,561	240	231
<b>General Manager Land and Maritime</b>				
<b>Air Warfare Destroyer</b>				
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
<b>Explosive Ordnance</b>				
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
<b>Land Systems</b>				
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
Additional 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
Artillery Replacement 155MM Howitzer	LAND 17 Phase 1A	323	136	28
<b>Maritime Systems</b>				
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
<b>General Manager Submarines</b>				
<b>Future Submarines</b>				
Future Submarine - Acquisition	SEA 1000 Phase 1A	214	35	58
<b>Total -Top 30 Projects (Gross Plan)</b>				
		<b>40,024</b>	<b>19,483</b>	<b>3,158</b>

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

**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
<b>General Manager Joint Systems and Air</b>						
<b>Aerospace Systems</b>						
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.
<b>Electronic Systems</b>						
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.

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	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
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
<b>New Air Combat Capability</b>						
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	Project has been completed.
<b>Helicopter Systems</b>						
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.
<b>General Manager Land and Maritime</b>						
<b>Land Systems</b>						
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.
<b>Maritime Systems</b>						
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
<b>Explosive Ordnance</b>						
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
<b>General Manager Submarines</b>						
<b>Collins</b>						
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 <i>Collins</i> 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<sup>[1]</sup>**

	Project number / phase	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m
<b>Navy</b>				
Digital Voice Recording Equipment	NMP1822	20	6	3
<b>Army</b>				
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
<b>Air Force</b>				
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
<b>Total - Top 10 Minor Projects</b>		<b>171</b>	<b>79</b>	<b>38</b>

### 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
<b>A</b>	Top 10 Projects Gross Plans	38
<b>B</b>	Other Approved Project Gross Plans	15
<b>C</b>	<b>Total Gross Plan Project Estimates (A+B)</b>	<b>53</b>
<b>D</b>	Management Margin: Slippage	-
<b>E</b>	<b>Payments Required from Defence for Approved Programs (C+D)</b>	<b>53</b>
<b>F</b>	Projects Planned for Government Consideration and Transfer to the DMO	90
	<b>Total Estimated Funds Available (E+F)</b>	<b>143</b>

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 <sup>(1)</sup>	22,996	23,571	24,160	24,764	25,383
<b>Total program expenses</b>	<b>5,094,973</b>	<b>5,639,529</b>	<b>6,128,150</b>	<b>6,460,583</b>	<b>6,711,643</b>

**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
<b>General Manager Joint, Systems &amp; Air</b>	
<b>Aerospace Systems</b>	
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
<b>Electronic Systems</b>	
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
<b>Helicopter Systems</b>	
Multi Role Helicopter - MRH90	121
Armed Reconnaissance Helicopter Weapons System	104
S70A-9 Black Hawk Weapons System	77
S70B-2 Seahawk Weapons System	65
<b>General Manager Land &amp; Maritime</b>	
<b>Explosive Ordnance</b>	
Explosive Ordnance - Navy, Army, Air Force	370
<b>Land Systems</b>	
ADF Clothing	70
General Service B Vehicle Fleet	67
Australian Defence Organisation Commercial Vehicles Fleet	51
Health Systems	40
<b>Maritime Systems</b>	
Fuels & Lubricants - Air Force, Army & Navy	507
Anzac Class Frigate	224
Adelaide Class Frigate	89
Mine Hunter Coastal	81
Armidale Class Patrol Boat	40
<b>General Manager Submarines</b>	
<b>Collins Submarine Management Program</b>	
Collins Class Submarines	574
<b>Total - Top 30 Products</b>	<b>3,672</b>
Other Approved Sustainment Product Estimates	994
<b>Total Sustainment Product Funds Available</b>	<b>4,665</b>
Support to Operations	297
<b>Total Sustainment and Operations Funding</b>	<b>4,962</b>

## 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 <sup>(1)</sup>	6,182	6,302	6,425	6,551	6,680
<b>Total program expenses</b>	<b>111,093</b>	<b>112,901</b>	<b>110,788</b>	<b>92,044</b>	<b>95,204</b>

**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, competitiveness 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, competitiveness 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**

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

#### 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
<b>Total</b>	<b>27,911</b>	<b>22,160</b>

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](http://www.defence.gov.au/dmo/id/sadi/index.cfm)>

<[www.defence.gov.au/dmo/id/picip/](http://www.defence.gov.au/dmo/id/picip/)>

<[www.defence.gov.au/dmo/id/industry\\_skilling/](http://www.defence.gov.au/dmo/id/industry_skilling/)>

<[www.defence.gov.au/dmo/jsf/NACC\\_ISP.cfm](http://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
<b>EXPENSES</b>					
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
<b>Total expenses</b>	<b>8,764,247</b>	<b>9,658,982</b>	<b>11,741,850</b>	<b>12,824,688</b>	<b>13,374,870</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
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
<b>Total own-source revenue</b>	<b>7,851,743</b>	<b>8,749,791</b>	<b>10,788,025</b>	<b>11,833,906</b>	<b>12,335,735</b>
<b>Gains</b>					
Other gains	1,400	1,400	1,400	1,400	1,400
<b>Total gains</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>
<b>Total own-source income</b>	<b>7,853,143</b>	<b>8,751,191</b>	<b>10,789,425</b>	<b>11,835,306</b>	<b>12,337,135</b>
<b>Net cost of (contribution by) services</b>	<b>911,104</b>	<b>907,791</b>	<b>952,425</b>	<b>989,382</b>	<b>1,037,735</b>
Revenue from Government	911,104	907,791	952,425	989,382	1,037,735
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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
<b>ASSETS</b>					
<b>Financial assets</b>					
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
<b>Total financial assets</b>	<b>546,063</b>	<b>549,130</b>	<b>552,785</b>	<b>539,650</b>	<b>481,039</b>
<b>Non-financial assets</b>					
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
<b>Total non-financial assets</b>	<b>1,373,362</b>	<b>1,373,783</b>	<b>1,374,216</b>	<b>1,374,659</b>	<b>1,375,113</b>
<b>Total assets</b>	<b>1,919,425</b>	<b>1,922,913</b>	<b>1,927,001</b>	<b>1,914,309</b>	<b>1,856,152</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
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
<b>Total payables</b>	<b>1,356,432</b>	<b>1,358,876</b>	<b>1,361,344</b>	<b>1,342,336</b>	<b>1,277,657</b>
<b>Provisions</b>					
Employee provisions	187,270	188,314	189,934	196,250	202,772
Other provisions	5,698	5,698	5,698	5,698	5,698
<b>Total Provisions</b>	<b>192,968</b>	<b>194,012</b>	<b>195,632</b>	<b>201,948</b>	<b>208,470</b>
<b>Total liabilities</b>	<b>1,549,400</b>	<b>1,552,888</b>	<b>1,556,976</b>	<b>1,544,284</b>	<b>1,486,127</b>
<b>NET ASSETS</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>
<b>EQUITY</b>					
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
<b>Total parent entity interest</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>
<b>Total equity</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>	<b>370,025</b>

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

**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
<b>OPERATING ACTIVITIES</b>					
<b>Cash Received</b>					
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
<b>Total cash received</b>	<b>9,662,623</b>	<b>10,275,417</b>	<b>12,492,424</b>	<b>13,662,279</b>	<b>14,297,238</b>
<b>Cash used</b>					
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	-	-	-	-
<b>Total cash used</b>	<b>9,634,407</b>	<b>10,272,406</b>	<b>12,489,337</b>	<b>13,659,115</b>	<b>14,293,995</b>
<b>Net cash from (used by) operating activities</b>	<b>28,216</b>	<b>3,011</b>	<b>3,087</b>	<b>3,164</b>	<b>3,243</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	2,938	3,011	3,087	3,164	3,243
<b>Total cash used</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>	<b>3,164</b>	<b>3,243</b>
<b>Net cash from (used by) investing activities</b>	<b>-2,938</b>	<b>-3,011</b>	<b>-3,087</b>	<b>-3,164</b>	<b>-3,243</b>
<b>Net increase (decrease) in cash held</b>	<b>25,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	24,722	50,000	50,000	50,000	50,000
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>



**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
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally from departmental resources <sup>[1]</sup>	2,938	3,011	3,087	3,164	3,243
<b>Total</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>	<b>3,164</b>	<b>3,243</b>
<b>Reconciliation of cash used to acquire assets to asset movement table</b>					
Total purchases	2,938	3,011	3,087	3,164	3,243
<b>Total cash used to acquire assets</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>	<b>3,164</b>	<b>3,243</b>

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

### 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
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Foreign exchange losses	-	-	-	-	-
<b>Total Expenses administered on behalf of Government</b>	-	-	-	-	-
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	6	6	6	6	6
Other	-	-	-	-	-
<b>Total non-taxation</b>	6	6	6	6	6
<b>Total income administered on behalf of Government</b>	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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	4,348	6	6	6	6
<b>Total Cash received</b>	<b>4,348</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Net cash from or (used by) operating activities</b>	<b>4,348</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Net increase (decrease) in cash held and cash equivalents held</b>	<b>4,348</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
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
<b>Cash and cash equivalents at end of reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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.



# Defence Housing Australia

## Agency Resources and Planned Performance

### **Section 1: DHA Overview and Resources**

- 1.1 Strategic Direction Statement
- 1.2 DHA Resource Statement
- 1.3 Budget Measures

### **Section 2: DHA Outcomes and Planned Performance**

- 2.1 Outcomes and Performance Information

### **Section 3: DHA Explanatory Tables and Budgeted Financial Statements**

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

# Defence Housing Australia

## Section 1: DHA Overview and Resources

### 1.1 Strategic Direction Statement

The Primary function of Defence Housing Australia (DHA), as set out by the *Defence Housing Authority Act 1987*, is to provide housing and related services for members of the Australian Defence Force (ADF) and their families in line with the Defence operational requirements. DHA seeks to deliver positive outcomes for Defence while also functioning as a Government Business Enterprise charged with operating commercially and delivering shareholder return targets.

DHA achieves its function through a contracted relationship with the Commonwealth of Australia (Defence). A Services Agreement outlined the commercial arrangements and the responsibilities of both parties in providing housing services to the members of the ADF and their families. In accordance with the governance arrangements for Government Business Enterprises DHA prepares a Corporate Plan to be agreed with its shareholder ministers.

The DHA Corporate Plan for 2013-14 has been developed in an environment whereby suitable, well located housing solutions are difficult to obtain in major capital cities. DHA aims to meet the forecast Defence housing requirements through an extensive capital program which constructs, purchases and leases properties from private investors or in bulk from property developers. The development of land for residential housing forms a substantial part of DHA's operations. This reflects the importance to DHA of the cost effective supply of well located land for its construction program.

DHA will undertake major projects to upgrade or replace Defence owned housing on and off base to a modern standard of housing. DHA has initiated a program to provide housing for single Defence members nationally and has also assumed increased responsibility for the allocation of single members to on-base living in accommodation.

The capital program is primarily funded through the cashflows generated by a sale and leaseback program to investors, as well as the disposal of properties no longer suitable for provisioning purposes. In December 2012 DHA established a subsidiary company, DHA Investment Management Limited. ASIC has granted the subsidiary an Australian Financial Services Licence for Managed Investment Schemes. This will enable DHA to sell properties through a fund and for units in the fund to be offered to investors.



## DHA Organisational Structure

DHA reports to two shareholder ministers – the Minister for Defence and the Minister for Finance and Deregulation.

DHA has an independent Board comprising of nine directors:

- A Chairman appointed by the Shareholder Ministers;
- Four directors with expertise in residential property, real estate, building, social planning and finance;
- Three directors nominated respectively by the Chief of the Defence Force, and the Secretaries of the Departments of Defence, and Finance and Administration; and
- The Managing Director of DHA (also the Chief Executive Officer) is appointed by the Board and is the only Executive Director.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Peter Howman
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	Hon JAL (Sandy) Macdonald
Commercial Director	Hon Arch Bevis
Nominee Secretary of Defence	Mr Peter Sharp
Nominee Chief of Defence Force	Air Vice Marshal Gary Beck AO (Rtd)
Nominee Secretary of Finance and Deregulation	Ms Janice Williams

DHA has an Advisory Committee which has the following members:

Chairman	Air Vice Marshal Gary Beck AO (Rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Michael Van Balen RAN
Appointee of Chief of Army	Major General Angus J. Campbell, DSC, AM
Appointee of Chief of Air Force	Air Vice Marshal Gavin (Leo) Davies CSC
Appointee of Defence Housing Australia	Mr Peter Howman

DHA's wholly owned subsidiary entity DHA Investment Management Limited has a Board comprising a Chairperson and two directors.

The DHA Investment Management Limited Board members are:

Chairperson	Ms Carol Holley
Commercial Director (and Managing Director DHA)	Mr Peter Howman
Commercial Director	Mr Michael Del Gigante

## 1.2 DHA Resource Statement

Table 104 shows the total resources for all sources. The table summarises how resources will be applied by outcome and by departmental classification.

**Table 103: DHA Resource Statement – Budget Estimates for 2013-14 as at Budget May 2013<sup>[1]</sup>**

	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
<b>Opening balance/Reserves at bank</b>	-		230,890		230,890	254,780
<b>REVENUE FROM GOVERNMENT</b>						
<b>Other services</b>						
Bill 2-Non-Operating-Equity	-		-		-	-
Bill 2-Non-Operating-Loan	-		-		-	-
<b>Total other services</b>	-		-		-	-
<b>Total annual appropriations</b>	-		-		-	-
<b>Payments from related entities<sup>[2]</sup></b>						
Department of Defence	-		576,030		576,030	501,460
<b>Total</b>	-		576,030		576,030	501,460
<b>Total funds from Government</b>	-		576,030		576,030	501,460
<b>FUNDS FROM INDUSTRY SOURCES</b>						
<b>FUNDS FROM OTHER SOURCES</b>						
Interest	-		4,689		4,689	6,032
Sale of goods and services	-		493,184		493,184	459,767
<b>Total</b>	-		497,873		497,873	465,799
<b>Total net resourcing for DMO</b>	-		1,073,903		1,073,903	967,259

### Notes

1. DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered 'departmental' for all purposes.

2. Revenue for sale of goods and services provided by Department of Defence that is not specified within the annual appropriation bills as a payment to the CAC Act body.

Reader Note: All Figures are GST exclusive.

## **1.3 Budget Measures**

There are no budget measures relating to DHA for the May 2013 budget.

## **Section 2: DHA Outcomes and Planned Performance**

### **2.1 Outcome and Performance Information**

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of Defence in achieving Government outcomes.

**Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus**

## Outcome 1 Strategy

DHA will meet this outcome through the execution of the Services Agreement on Housing and Related Matters (Services Agreement) between the Commonwealth of Australia (Defence) and DHA.

Under the terms of the Service Agreement, DHA provides a provisioning schedule to Defence in response to the Defence Housing Forecast (DHF). A Capital Program is also developed which contains the detailed financial program of capital expenditure related to the provisioning schedule. The key drivers of DHA's Capital Program are changed to ADF strength and disposition; changes to Defence housing policy and standards; and DHA's need to replace ageing stock.

## Outcome Expense Statement

Table 105 provides an overview of the total expenses for Outcome 1, by program.

**Table 104: Budgeted Expenses for Outcome 1**

<b>Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>Estimated Actual \$'000</b>	<b>Budget Estimate \$'000</b>
<b>Program 1.1 Other Departmental - DHA</b>		
Revenue from Government	-	-
Payment from related entities	545,230	576,030
Revenues from other independent sources	392,176	453,864
<b>Total for Program 1.1</b>	<b>937,406</b>	<b>1,029,894</b>
<b>Total Expenses for Outcome 1</b>	<b>937,406</b>	<b>1,029,894</b>
	<b>2012-13</b>	<b>2013-14</b>
<b>Average Staffing Level (number)</b>	<b>589</b>	<b>614</b>

## Contributions to Outcome 1

### Program 1.1: The provision of Defence housing and housing related services

#### Program 1.1 Objective

- Provide modern quality housing that meets Defence requirements and community standards.
- Meet financial return targets.

#### Program 1.1 Deliverables

- Deliver housing provisioning schedule outcomes to within 5% of agreed numbers.
- Deliver major land developments and acquisition/construction activities in key Defence locations.
- Achieve sustainable sale and leaseback and disposal revenues.

#### Program 1.1 Key Performance Indicators

Key performance indicators	2012-13 Revised budget	2012-13 On target	2013-14 Budget target	2014-15 Forward year 1	2015-16 Forward year 2	2016-17 Forward year 3
Houses supplied against provisioning schedule	95%	Yes	98%	98%	98%	98%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	5.8%	Yes	6.5%	6.6%	7.5%	7.5%

## **Section 3: DHA Explanatory Tables and Budgeted Financial Statements**

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of agency 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**

Not applicable to DHA.

### **3.2 Budgeted Financial Statements**

#### **3.2.1 Difference in Agency Resourcing and Financial Statements**

Not applicable to DHA.

#### **3.2.2 Analysis of Budgeted Financial Statements**

DHA operates in a commercial environment and seeks to deliver financial returns to Government through its provisioning activities. Returns are also generated through development and construction activities as well as from capital appreciation on the housing owned by DHA.

DHA will not require any direct appropriations to achieve its outcome.



### 3.2.3 Budgeted Financial Statements

**Table 105: Comprehensive Income Statements (Showing Net Cost of Service) (for the period ended 30 June)<sup>[1]</sup>**

	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
<b>EXPENSES</b>					
Employees	59,555	62,202	64,966	66,625	70,061
Suppliers	821,328	911,041	935,909	952,701	1,010,686
Depreciation and amortisation	20,674	20,802	20,404	20,194	19,502
Finance cost	31,849	31,849	31,849	31,849	31,849
Write-down of assets and impairment of assets	4,000	4,000	4,000	4,000	4,000
Income tax expenses	27,674	31,478	30,160	34,109	37,001
<b>Total expenses</b>	<b>965,080</b>	<b>1,061,372</b>	<b>1,087,288</b>	<b>1,109,478</b>	<b>1,173,099</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sales of goods and rendering of services	483,725	522,314	509,736	498,939	549,891
Share of net profit from associates	400	76	-	-	-
Interest	5,639	4,525	4,544	8,352	6,782
<b>Total revenue</b>	<b>489,764</b>	<b>526,915</b>	<b>514,280</b>	<b>507,291</b>	<b>556,673</b>
<b>Gains</b>					
Sale of assets	83	77	84	83	68
<b>Total gains</b>	<b>83</b>	<b>77</b>	<b>84</b>	<b>83</b>	<b>68</b>
<b>Total own-source income</b>	<b>489,847</b>	<b>526,992</b>	<b>514,364</b>	<b>507,374</b>	<b>556,741</b>
<b>Net cost of (contribution by) services</b>	<b>475,233</b>	<b>534,380</b>	<b>572,924</b>	<b>602,104</b>	<b>616,358</b>
Revenue from Government	501,460	576,030	605,113	639,980	656,421
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>26,227</b>	<b>41,650</b>	<b>32,189</b>	<b>37,876</b>	<b>40,063</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	18,263	18,793	19,201	19,591	19,216
<b>Total other comprehensive income</b>	<b>18,263</b>	<b>18,793</b>	<b>19,201</b>	<b>19,591</b>	<b>19,216</b>
<b>Total comprehensive income</b>	<b>44,490</b>	<b>60,443</b>	<b>51,390</b>	<b>57,467</b>	<b>59,279</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>44,490</b>	<b>60,443</b>	<b>51,390</b>	<b>57,467</b>	<b>59,279</b>

**Note**

1. Prepared in line with Australian Accounting Standards.

**Table 106: Budgeted Departmental Balance Sheet (as at 30 June)<sup>[1]</sup>**

	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
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	230,906	199,421	213,595	220,771	202,166
Trade and other receivables	49,559	101,639	134,845	141,516	175,899
Investments accounted for under the equity method	2,718	1,714	1,714	1,714	1,714
Accrued Revenue	6,261	6,613	7,497	8,480	8,098
Other receivables	25,562	27,526	29,331	30,796	31,839
<b>Total financial assets</b>	<b>315,006</b>	<b>336,913</b>	<b>386,982</b>	<b>403,277</b>	<b>419,716</b>
<b>Non-financial assets</b>					
Land and buildings	1,561,362	1,573,643	1,578,923	1,574,383	1,526,515
Property, plant and equipment	8,095	11,086	14,875	19,264	22,990
Inventories	919,449	897,999	840,541	839,110	868,791
Tax assets	20,163	20,863	20,863	20,863	21,351
<b>Total non-financial assets</b>	<b>2,509,069</b>	<b>2,503,591</b>	<b>2,455,202</b>	<b>2,453,620</b>	<b>2,439,647</b>
Assets held for sale	36,453	36,453	36,453	36,453	36,453
<b>Total assets</b>	<b>2,860,528</b>	<b>2,876,957</b>	<b>2,878,637</b>	<b>2,893,350</b>	<b>2,895,816</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	7,198	4,465	4,576	4,711	3,616
Current tax liabilities	3,660	3,122	104	3,194	2,983
Dividends	46,873	50,777	53,366	60,515	63,230
Other payables and accrued expenses	91,178	93,012	93,770	94,819	95,430
<b>Total payables</b>	<b>148,909</b>	<b>151,376</b>	<b>151,816</b>	<b>163,239</b>	<b>165,259</b>
<b>Interest bearing liabilities</b>					
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total interest bearing liabilities</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>
<b>Provisions</b>					
Employee provisions	19,913	22,631	25,515	28,420	31,402
Provisions for restoration	90,157	91,954	91,378	91,995	93,229
Other	3,789	2,509	2,357	4,114	4,295
<b>Total provisions</b>	<b>113,859</b>	<b>117,094</b>	<b>119,250</b>	<b>124,529</b>	<b>128,926</b>
<b>Total liabilities</b>	<b>772,348</b>	<b>778,050</b>	<b>780,646</b>	<b>797,348</b>	<b>803,765</b>
<b>NET ASSETS</b>	<b>2,088,180</b>	<b>2,098,907</b>	<b>2,097,991</b>	<b>2,096,002</b>	<b>2,092,051</b>
<b>EQUITY<sup>[2]</sup></b>					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,676,076	1,694,869	1,714,070	1,733,661	1,752,877
Retained surplus	15,956	7,890	-12,227	-33,807	-56,974
<b>Total parent entity interest</b>	<b>2,088,180</b>	<b>2,098,907</b>	<b>2,097,991</b>	<b>2,096,002</b>	<b>2,092,051</b>
<b>Total equity</b>	<b>2,088,180</b>	<b>2,098,907</b>	<b>2,097,991</b>	<b>2,096,002</b>	<b>2,092,051</b>

**Notes**

1. Prepared in line with Australian Accounting Standards.

2. Equity is the residual interest in assets after deduction of liabilities.

**Table 107: Budgeted Statement of Cash Flows (for the period ended 30 June)<sup>[1]</sup>**

	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
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	961,227	1,069,050	1,083,650	1,099,268	1,167,321
Interest	6,032	4,689	4,468	8,170	6,857
<b>Total cash received</b>	<b>967,259</b>	<b>1,073,739</b>	<b>1,088,118</b>	<b>1,107,438</b>	<b>1,174,178</b>
<b>Cash used</b>					
Employees	58,337	59,678	62,388	63,951	67,079
Suppliers	842,961	900,359	891,385	951,034	1,045,898
Borrowing costs	31,849	31,849	31,849	31,849	31,849
Taxes paid	28,603	32,016	33,178	31,019	37,700
<b>Total cash used</b>	<b>961,750</b>	<b>1,023,902</b>	<b>1,018,800</b>	<b>1,077,853</b>	<b>1,182,526</b>
<b>Net cash from (used by) operating activities</b>	<b>5,509</b>	<b>49,837</b>	<b>69,318</b>	<b>29,585</b>	<b>-8,348</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property plant and equipment	134,255	124,047	139,084	143,058	73,036
<b>Total cash received</b>	<b>134,255</b>	<b>124,047</b>	<b>139,084</b>	<b>143,058</b>	<b>73,036</b>
<b>Cash used</b>					
Purchase of property plant and equipment	155,454	159,556	144,511	113,161	22,778
<b>Total cash used</b>	<b>155,454</b>	<b>159,556</b>	<b>144,511</b>	<b>113,161</b>	<b>22,778</b>
<b>Net cash from (used by) investing activities</b>	<b>-21,199</b>	<b>-35,509</b>	<b>-5,427</b>	<b>29,897</b>	<b>50,258</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	-	-	-	-	-
Proceeds from issuing financial	-	-	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Dividends paid	48,594	45,813	49,717	52,306	60,515
<b>Total cash used</b>	<b>48,594</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>	<b>60,515</b>
<b>Net cash from (used by) financing activities</b>	<b>-48,594</b>	<b>-45,813</b>	<b>-49,717</b>	<b>-52,306</b>	<b>-60,515</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>-64,284</b>	<b>-31,485</b>	<b>14,174</b>	<b>7,176</b>	<b>-18,605</b>
Cash and cash equivalents at the beginning of the reporting period	295,190	230,906	199,421	213,595	220,771
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>230,906</b>	<b>199,421</b>	<b>213,595</b>	<b>220,771</b>	<b>202,166</b>

**Note**

1. Prepared in line with Australian Accounting Standards.

**Table 108: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2013-14)**

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity / Capital \$'000	Total Equity \$'000
<b>Opening balance as at 1 July 2013</b>	<b>15,956</b>	<b>1,676,076</b>	<b>-</b>	<b>396,148</b>	<b>2,088,180</b>
Balance carried forward from previous period	-	-	-	-	-
<b>Opening balance</b>	<b>15,956</b>	<b>1,676,076</b>	<b>-</b>	<b>396,148</b>	<b>2,088,180</b>
<b>Comprehensive income</b>					
Comprehensive income recognised directly in equity:					
Other comprehensive income	41,650	-	-	-	41,650
Gain/loss on revaluation of property	-	18,793	-	-	18,793
<b>Sub-total comprehensive income</b>	<b>41,650</b>	<b>18,793</b>	<b>-</b>	<b>-</b>	<b>60,443</b>
<b>Total comprehensive income recognised directly in equity</b>	<b>57,606</b>	<b>1,694,869</b>	<b>-</b>	<b>396,148</b>	<b>2,148,623</b>
<b>Transactions with owners</b>					
Distribution to owners					
Returns on capital:	-	-	-	-	-
Dividends	-49,716	-	-	-	-49,716
<b>Sub-total transaction with owners</b>	<b>-49,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-49,716</b>
<b>Estimated closing balance as at 30 June 2014</b>	<b>7,890</b>	<b>1,694,869</b>	<b>-</b>	<b>396,148</b>	<b>2,098,907</b>

**Table 109: Departmental Capital Budget Statement<sup>[1]</sup>**

	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
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally from departmental resources <sup>[2]</sup>	80,225	94,815	94,446	82,906	22,778
<b>Total</b>	<b>80,225</b>	<b>94,815</b>	<b>94,446</b>	<b>82,906</b>	<b>22,778</b>
<b>Reconciliation of cash used to acquire assets to asset movement table</b>					
Total purchases	80,225	94,815	94,446	82,906	22,778
plus reclassification	-	-	-	-	-
plus other	75,199	64,741	50,065	30,255	-
<b>Total cash used to acquire assets</b>	<b>155,424</b>	<b>159,556</b>	<b>144,511</b>	<b>113,161</b>	<b>22,778</b>

**Notes**

1. Prepared in line with Australian Accounting Standards.
2. Funded internally through proceeds from sale of assets.

**Table 110: Statement of Asset Movements (2013-14)**

	Land \$'000	Buildings \$'000	Other Property, Plant and Equipment \$'000	L&B IP&E held for sale \$'000	Total \$'000
<b>As at 1 July 2013</b>					
Gross book value	819,893	741,509	38,001	36,453	1,635,856
Accumulated depreciation/amortisation and impairment	-	-40	-29,906	-	-29,946
<b>Opening net book balance</b>	<b>819,893</b>	<b>741,469</b>	<b>8,095</b>	<b>36,453</b>	<b>1,605,910</b>
<b>CAPITAL ASSET ADDITIONS</b>					
<b>Estimated expenditure on new replacement assets</b>					
By purchase - Government funding	-	-	-	-	-
By purchase - other	29,854	59,961	5,000	-	94,815
<b>Total additions</b>	<b>29,854</b>	<b>59,961</b>	<b>5,000</b>	<b>-</b>	<b>94,815</b>
<b>Other movements</b>					
Disposals	-	-	-	-77,534	-77,534
Transfer to assets held for sale	-38,767	-38,767	-	77,534	-
Depreciation and amortisation	-	-	-2,009	-	-2,009
<b>Total other movements</b>	<b>-38,767</b>	<b>-38,767</b>	<b>-2,009</b>	<b>-</b>	<b>-79,543</b>
<b>As at 30 June 2014</b>					
Gross book value	810,980	762,703	43,001	36,453	1,653,137
Accumulated depreciation/amortisation and impairment	-	-40	-31,915	-	-31,955
<b>Closing net book value</b>	<b>810,980</b>	<b>762,663</b>	<b>11,086</b>	<b>36,453</b>	<b>1,621,182</b>

## Glossary

Accumulated depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Additional estimates	Where amounts appropriated at Budget time are required to change, Parliament may make adjustments to portfolios through the Additional Estimates Acts.
Administered appropriation	Revenue, expenses, assets and liabilities administered by an agency for the Commonwealth (such as taxes, benefits payments and public debt) that are not concerned with running the agency or its commercial activities.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Assets, liabilities, revenues and expenses that are controlled by Defence or a subsidiary. Includes officials allocated to the organisation.
Amortisation	A term used interchangeably with depreciation, except that it applies to a non-current physical asset under finance lease, or a non-current intangible asset, over its limited useful life.
Appropriation	An authorisation by Parliament to spend money from the Consolidated Revenue Fund (the principal working fund of the Commonwealth) for a particular purpose.
Annual appropriation	Two Appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the Additional Estimates.
Assets	Future economic benefits controlled by Defence as a result of past transactions or other past events. Assets are initially recognised at the cost of acquisition. Non-financial assets are subject to ongoing revaluation assessment.
Assets under construction	Assets under construction by Defence for Defence, or for the use of another entity according to a construction contract where Defence controls the asset until completion, or assets under construction or otherwise being made ready by another entity for use by Defence.
Australian Accounting Standards	Specify techniques of accounting practice and the method of presenting financial information about a reporting entity.
Average funded strength	A budgetary measure used to count the average number of ADF members paid on a full-time equivalent basis during a financial year.
Capability	The combination of military equipment, personnel, logistics support, training, resources, etc. that provides Defence with the ability to achieve its operational aims.
Capability Manager	A Capability Manager is responsible for raising, training and sustaining in-service capabilities through the coordination of fundamental inputs to capability. Capability Managers include the Service Chiefs, the Chief of Joint Operations and the Chief Information Officer.
Capital budget	All proposed capital expenditure funded by appropriation for outcomes, by equity injections or loans and/or appropriations for administered capital, or by other sources.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.

Coalition	Countries including Australia who provide troops, logistical support or assistance in Military Operations, peacekeeping or reconstruction efforts.
Combined exercise	An exercise or activity involving one or more Services of the ADF with the forces of other countries.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund. The fund is not a bank account. The Official Public Account reflects most of the operations of the fund.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Defence Capability Plan	The Defence Capability Plan is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget.
Defence information environment	Encompasses all of Defence's computing and communication capabilities at all classification levels. It supports all Defence warfighting functions, including overseas deployed elements and connection to Coalition networks, as well as the day-to-day management functions.
Defence Management and Finance Plan	The Defence Management and Finance Plan provide Ministers and central agencies with a clear oversight of Defence planning and financing strategies. It describes the strategies agreed through the 2000 Defence White Paper and subsequent Strategic Review papers. As a compendium of information attached to Defence's annual Portfolio Budget Submission, it is intended to help Ministers make informed strategic and budgetary decisions on Defence, by bringing into one document the expected financial position of the portfolio taking into account existing commitments and proposed new investments. The Plan also provides the Government with the information necessary to ensure that its investment in Defence is both affordable and sustainable.
Defence Procurement Review	An independent review initiated by the Government in December 2002 to examine the procurement process for major acquisitions in Defence. The review was led by Mr Malcolm Kinnaird and is also known as the Kinnaird Review.
Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Discretionary grants	Payments where the portfolio Minister and paying agency have discretion in determining whether or not a particular applicant should receive funding and may or may not impose conditions in return for the grant. There is a central discretionary grants register.
Employee	Any Australian Public Service officer of Defence or serving Defence Force member who receives a salary or wage, along with other benefits, for the provision of services whether on a full-time, part-time, permanent, casual or temporary basis.
Employee expenses	Include, but are not limited to, benefits provided to employees in the form of salaries and wages, performance pay, senior officers' allowances, leave, and superannuation, but does not include amounts paid or owed to employees as reimbursement of out-of-pocket expenses.
Equity injection	An additional contribution, over and above the cost of outputs. Equity injections form part of the Commonwealth's investment in Defence.

Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.
<i>Financial Management and Accountability Act 1997</i>	The Act establishes the regulatory framework for financial management within Defence and other public sector agencies.
Force element	A component of a unit, a unit or an association of units having common prime objectives and activities.
Force element group	A grouping of force elements with an appropriate command and control structure for a specified role or roles (eg the Navy Submarine Group).
Forward estimates	The level of proposed expenditure for future years, based on relevant demographic, economic and other future forecasting assumptions. The Government required forward estimates for the following three financial years to be published in each annual Federal Budget paper.
Garrison Support Services	Includes a range of base support services such as ground maintenance, hospitality, training area management, base security, transport, air support and fire fighting and rescue services.
Group	A high-level organisational grouping of functions and activities used by the Defence Executive as its primary management grouping (e.g. the Capability Development Group).
Hardened and Networked Army	The Army's key initiative to modernise and meet future operations demands and requirements of the Government. It will increase the size and firepower of the land force, improve the protection provided to troops, and allow them to communicate better on the future battlefield.
Infrastructure	Items owned, leased or otherwise under the control of Defence in support of activities on land and within buildings. Infrastructure includes items such as runways, roads, car parks, parade grounds, ovals, lighting, water, sewerage and other general service related items. It does not include land upon which, or within which, it is constructed or those fixed items integral to, and under, buildings.
Interoperability	The ability of systems, units or forces to provide the services to, and accept services from, other systems, units or forces and to use the services so exchanged to enable them to operate effectively together.
Inventory	Inventory is comprised of consumable stores and supplies, fuel and explosive ordnance used in the delivery of Defence services. These are items which are consumed in normal use, lose their identity during periods of use by incorporation into, or attachment upon, another assembly, as a result of wear and tear, cannot be reconditioned because their design does not make it possible or their specific values do not justify it.
Joint exercise	An exercise involving two or more Services of the ADF.
Liabilities	Sacrifices of future economic benefits that Defence is presently obliged to make to other entities as a result of past transactions or other past events.
Materiel Acquisition Agreements	Materiel Acquisition Agreements cover the Defence Materiel Organisation's acquisition services to Defence for both major and minor capital equipment.



Materiel Sustainment Agreements	Materiel Sustainment Agreements are between the Capability Managers and the Chief Executive Officer of the Defence Materiel Organisation. These agreements cover the sustainment of current capability, including good and services such as repairs, maintenance, fuel and explosive ordnance.
Military response options	A set of generic tasks that describe the range of military options the Government could consider as a basis for a response to a particular situation or contingency.
Net assets	See Equity.
Network Centric Warfare	The aim of Network Centric Warfare is to improve the ability of the ADF to collaborate internally with supporting agencies and with coalition partners across organisation and geographic boundaries. Network Centric Warfare would allow Defence to harness recent development in computing and communications technologies to enhance decision making and warfighting capability.
Operating result	Equals revenue less expense.
Operational tempo	The rate at which the ADF is able to deliver its operations effects, for example, the rate at which forces are dispatched and the time in which they are turned around for their next task. At the local level, this might translate to the crew of an aircraft spending a very small amount of time on the ground before it is re-tasked for its next mission. At the organisational level, this translates to available fighting forces spending very little time at home before they are deployed again for their next operation.
Outcomes	The results that the Government seeks from Defence, and are achieved by the successful delivery of its outputs, to the standards set in the Portfolio Budget Statements. For more information, see Defence's Section 2 - Planned Outcome Performance.
Permanent forces	The permanent Navy, the regular Army and the permanent Air Force.
Platforms	Refers to air, land, surface or sub-surface assets that are discrete and taskable elements within the ADF.
Portfolio Additional Estimates Statements	Similar to the portfolio budget statement and prepared at Additional Estimates time to support and update on the Government's original annual budget for Defence.
Portfolio Budget Statements	The document presented by the Minister for Defence to Parliament to inform Senators and Members of the basis for the Defence budget appropriations in support of the provisions in Appropriations Bills 1 and 2. The statements summarise the Defence budget and provides detail of outcome performance forecasts and resources in order to justify expenditure for Defence.
Prescribed agency	An agency established by regulation under the <i>Financial Management and Accountability Act 1997</i> . The Act provides financial management authority to, and requires accountability by the Chief Executive of an agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Professional Service Providers	Individuals with specialist skills contracted to fill a line position.
Purchaser-provider arrangements	Arrangements under which the outputs of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies and state/territory government or private sector bodies.

Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the three key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Readiness	The readiness of forces to be committed to operations within a specified time, dependent on the availability and proficiency of personnel, equipment, facilities and consumables.
Reserves	The Naval Reserve, the Army Reserve and the Air Force Reserve.
Revenues	Inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of Defence, other than those relating to contributions by the Commonwealth, that result in an increase in equity during the reporting period.
Risk management	At the highest level, involves the identification and mitigation of those risks that have the potential to adversely affect the achievement of agreed output performance at the agreed output price.
Special account	Balances existing within the Consolidated Revenue Fund, that are supported by standing appropriations ( <i>Financial Management and Accountability Act 1997</i> , ss.20 and 21). Special accounts allow money in the Consolidated Revenue Fund to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (s.20 of the <i>Financial Management and Accountability Act 1997</i> ) or through an Act of Parliament (referred to in s.21 of the <i>Financial Management and Accountability Act 1997</i> ).
Special Appropriations (including Standing Appropriations)	An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year. Standing appropriations are a sub-category consisting of ongoing special appropriations — the amount appropriated will depend on circumstances specified in the legislation.
Specialist military equipment	Items of a specific military nature and that are not available through the normal external market in their current form to other than government military purchasers. It includes the prime military equipment plus the direct support items associated with the equipment.
Standard Defence Supply System (SDSS)	A key information system for the financial management of inventory, general stores, repairable items and other assets associated with Defence's logistic capability.
System Program Office	The office of the Program Manager. It serves as the single point of contact with industry, government agencies, and other activities participating in the acquisition process of a given system.
Theatre	The area in which military operations and activities take place.
Two-pass approval process	The process by which major capital investment proposals are developed for consideration and approval by the Government.

Unit ready days	The number of days that a force element is available for tasking, by the Maritime commander, either outside of major maintenance and within planned readiness requirements, or in accordance with contracted availability. Planned unit ready days are determined for each Force Element Group by aggregating total days for the unit in commission, less all days when the unit is programmed to be in major maintenance and conducting associated pre-workup (preparations for initial operational training) or based on the total number of days the force element is contracted to be available to Defence. Contracted availability applies to the Armidale-class patrol boats and may apply to other classes in the future.
Weighted average cost	An inventory valuation method which considers the fluctuating prices and quantities of acquired goods in computing of the cost of inventory. The weighted average method takes the prices of units at the beginning inventory and the varying prices of purchases made and are weighted by the number of units to determine the weighted average cost per unit. It may be computed as the weighted average cost of all available goods present in a given period, or as a weighted moving average cost adjusted when new goods are delivered.
Write-downs	The reduction in the value of assets.

# Acronyms

## A

AADC	Armidale Class Patrol Boats
AAF	Army Amenities Fund
AAFCANS	Army and Air Force Canteen Service
ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
ADFHQ	Australian Defence Force Headquarters
ADO	Australian Defence Organisation
AFATDS	Advanced Field Artillery Tactical Data System
AGIMO	Australian Government Information Management Office
AIS	Aeronautical Information System
AMCIP	Approved Major Capital Investment Program
AMSO	Australian Military Sales Office
ANAO	Australian National Audit Office
APS	Australian Public Service
APRCC	Australian Protected Route Clearance Capability
ASMD	Anti-Ship Missile Defence
AUSAID	Australian Agency for International Development
AWD	Air Warfare Destroyer

## B

BAU	Business as Usual
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## C

C-RAM	Counter Rocket, Artillery & Mortar
CCSM	Collins class Submarine
CDF	Chief of the Defence Force
CDG	Capability Development Group
CDIP	Capability Development Improvement Program
CEO	Chief Executive Officer
CFOG	Chief Finance Officer Group
CIR	Capability Investment and Resources
CIOG	Chief Information Officer Group
CJOPS	Chief of Joint Operations

COO	Chief Operating Officer
CPTs	Crew Procedural Trainers

## D

DACC	Defence Assistance to the Civil Community
DCB	Departmental Capital Budget
DCEO	Deputy Chief Executive Officer
DCP	Defence Capability Plan
DFACA	Defence Force Aid to the Civil Authority
DFAT	Department of Foreign Affairs and Trade
DFRB	Defence Force Retirement Benefits
DFRDB	Defence Force Retirement and Death Benefits Scheme
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
DHFCS	Defence High Frequency Communications System
DMO	Defence Materiel Organisation
DPG	Defence People Group
DSRG	Defence Support and Reform Group
DSTO	Defence Science & Technology

## E

ELF	Enhanced Land Force
ES	Electronic Support
ESSM	Evolved Sea Sparrow Missiles

## F

FFG	Guided Missile Frigate
FMA	Financial Management and Accountability
FOC	Full Operational Capability

## G

GMCOM	General Manager Commercial
GM LM	General Manager Land and Maritime
GM JSA	General Manager Joint Systems and Air

## **H**

HF	High Frequency
HMAS	Her Majesty's Australian Ship
HQ	Headquarters
HQJOC	Headquarters Joint Operations Command

## **I**

ICT	Information and Communications Technology
IFR	International Fleet Review
IISS	International Institute for Strategic Studies
ILMF	Intermediate Level Maintenance Facility
IOC	Initial Operational Capability
IPA	Independent Project Analysis
ISPE	Industry Skilling Program Enhancement
ISSC	In-Service Support Contract

## **J**

JLC	Joint Logistics Command
JOC	Joint Operations Command
JP	Joint Project
JPD	Joint Project Directive
JSF	Joint Strike Fighter

## **L**

LAIRCM	Large Aircraft Infrared Counter Measure
LEAP	Living Environment and Accommodation Precinct
LHD	Landing Helicopter Dock
LOGIS	Logistics Information Systems

## **M**

MAA	Materiel Acquisition Agreement
MECC	Ministerial and Executive Coordination and Communication
MFO	Multi-National Force Observers
MHC	Coastal Mine Hunter
MHFCS	Modernised High Frequency (HF) Communications System
MIMT	Moorebank Intermodal Freight Terminal
MRH	Multi-Role Helicopter

MRTT	Multi-Role Tanker Transport
MSA	Materiel Sustainment Agreement
MSBS	Military Superannuation and Benefits Scheme

## N

NPOC	Net Personnel & Operating Costs
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## O

OP	Operation
OPA	Official Public Account
OSCDF	Office of the Secretary & CDF

## P

PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PIC	Priority Industry Capability
PICIP	Priority Industry Capability Innovation Program
PWC	Committee on Public Works
PWEA	Point Wilson Explosive Area

## R

RAAF	Royal Australian Air Force
RADM	Rear Admiral
RANCCF	Royal Australian Navy Central Canteens Fund

## S

SADI	Skilling Australia's Defence Industry
SAR	Search and Rescue
SATCOM	Satellite Communications
S&T	Science & Technology
SIE	Single Information Environment
SOETM	Services for Other Entities and Trust Moneys
SME	Specialist Military Equipment
SPO	System Program Office

## T

TACAN	Tactical Air Control and Navigation
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URD	Unit Ready Days
USAF	United States Air Force
USN	United States Navy

## **V**

VCDF	Vice Chief of the Defence Force
VRs	Voluntary Redundancies

## **W**

WGS	Wideband Global SATCOM System
WTSS	Weapons Training Simulation System