

DEFENCE
CHAPTER FIVE
PLANNED OUTCOME
PERFORMANCE

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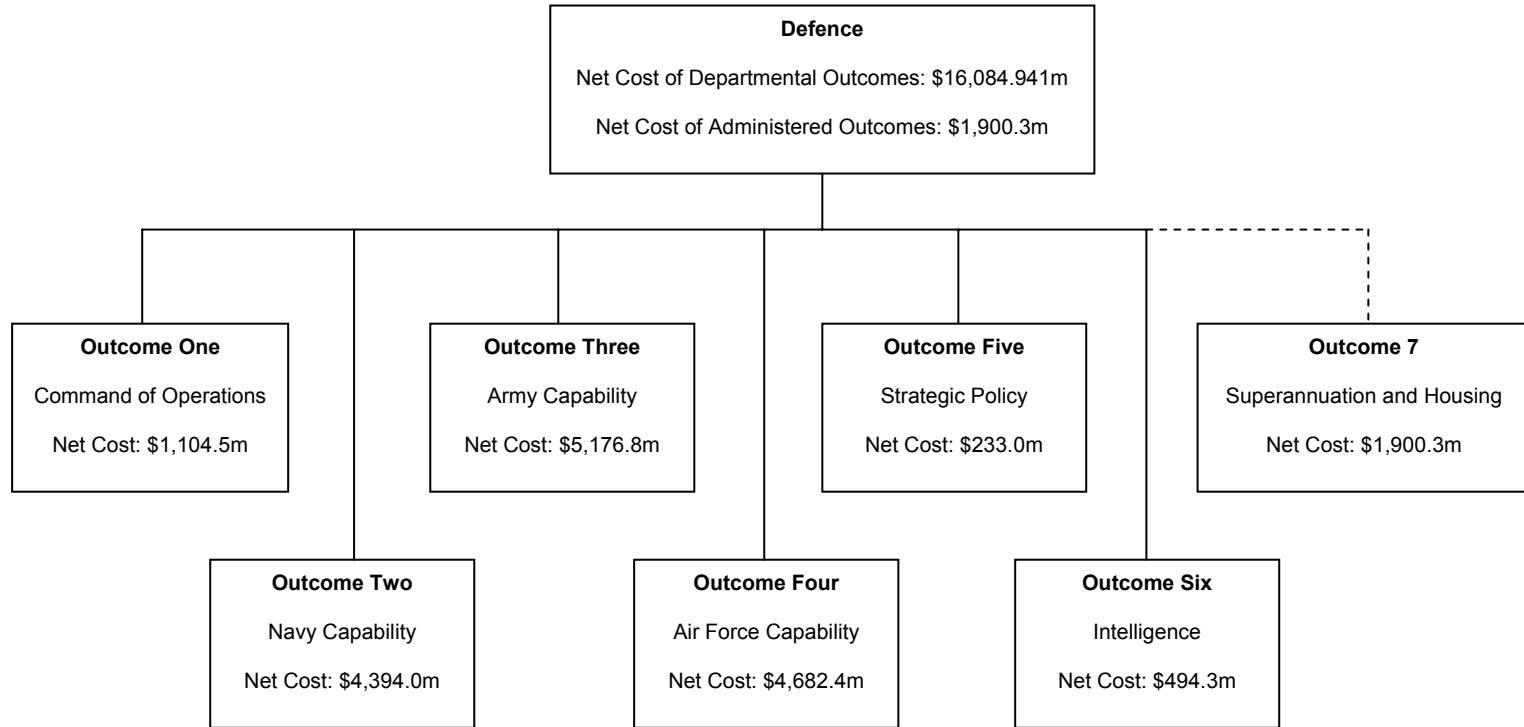
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DEFENCE OUTCOMES – REVISED ESTIMATES



DEFENCE OUTCOME AND OUTPUT STRUCTURE

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OUTCOME TWO – Navy Capability for the Defence of Australia and its Interests

OUTPUTS

- 2.1 Capability for Major Surface Combatant Operations
- 2.2 Capability for Naval Aviation Operations
- 2.3 Capability for Patrol Boat Operations
- 2.4 Capability for Submarine Operations
- 2.5 Capability for Afloat Support
- 2.6 Capability for Mine Warfare
- 2.7 Capability for Amphibious Lift
- 2.8 Capability for Hydrographic, Meteorological and Oceanographic Operations

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- 3.8 Capability for Operational Logistic Support to Land Forces
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- 4.1 Capability for Air Combat Operations
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OUTPUT

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OUTPUTS

- 7.1 Superannuation Support Services for Current and Retired Defence Personnel
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COST OF DEFENCE OUTCOMES

Table 5.a: Cost Summary of Defence Outcomes

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
OUTCOME 1 - COMMAND OF OPERATIONS IN DEFENCE OF AUSTRALIA AND ITS INTERESTS						
1.1 - Command of Operations	371,713	554,315	182,602	441,006	450,908	444,505
1.2 - Defence Force Military Operations and Exercises	499,032	526,433	27,401	261,707	250,393	227,037
1.3 - Contribution to National Support Tasks	10,178	23,724	13,546	21,251	22,799	23,173
Sub-total for Outcome One ⁽³⁾	880,924	1,104,472	223,549	723,963	724,100	694,716
OUTCOME 2 - NAVY CAPABILITY FOR THE DEFENCE OF AUSTRALIA AND ITS INTERESTS						
2.1 - Capability for Major Surface Combatant Operations	1,605,701	1,601,949	-3,752	1,567,312	1,675,910	1,705,865
2.2 - Capability for Naval Aviation Operations	504,698	507,188	2,491	578,463	604,773	612,829
2.3 - Capability for Patrol Boat Operations	277,648	282,488	4,840	282,707	293,420	301,427
2.4 - Capability for Submarine Operations	779,765	776,763	-3,002	721,530	756,097	737,684
2.5 - Capability for Afloat Support	214,290	224,558	10,268	271,337	282,635	286,797
2.6 - Capability for Mine Warfare	355,832	365,741	9,909	370,442	385,592	393,395
2.7 - Capability for Amphibious Lift	370,160	381,772	11,612	395,223	413,140	422,105
2.8 - Capability for Hydrographic, Meteorological and Oceanographic Operations	241,063	253,537	12,474	266,022	278,842	285,626
Sub-total for Outcome Two	4,349,157	4,393,997	44,840	4,453,037	4,690,409	4,745,728

	Budget Estimate ⁽¹⁾ 2005-06	Revised Additional Estimate 2005-06	Variation ⁽²⁾	Forward Estimate 2006-07	Forward Estimate 2007-08	Forward Estimate 2008-09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
OUTCOME 3 - ARMY CAPABILITY FOR THE DEFENCE OF AUSTRALIA AND ITS INTERESTS						
3.1 - Capability for Special Operations	500,281	499,767	-513	530,178	556,173	571,618
3.2 - Capability for Medium Combined Arms Operations	926,273	841,130	-85,143	867,509	914,937	939,892
3.3 - Capability for Light Combined Arms Operations	1,030,887	983,791	-47,096	1,014,643	1,067,961	1,108,890
3.4 - Capability for Army Aviation Operations	577,197	544,755	-32,442	563,715	588,844	594,987
3.5 - Capability for Ground Based Air Defence	129,625	109,898	-19,726	121,858	127,355	130,564
3.6 - Capability for Combat Support Operations	384,632	372,252	-12,380	409,567	427,702	440,434
3.7 - Capability for Regional Surveillance	124,492	130,832	6,340	155,294	160,325	162,004
3.8 - Capability for Operational Logistic Support to Land Forces	575,652	570,362	-5,289	581,557	606,988	625,780
3.9 - Capability for Motorised Combined Arms Operations	550,510	549,217	-1,294	588,407	613,963	630,203
3.10 - Capability for Protective Operations	613,377	574,783	-38,595	950,177	985,260	993,988
Sub-total for Outcome Three	5,412,926	5,176,788	-236,138	5,782,906	6,049,507	6,198,360
OUTCOME 4 - AIR FORCE CAPABILITY FOR THE DEFENCE OF AUSTRALIA ITS INTERESTS						
4.1 - Capability for Air Combat Operations	1,769,462	1,768,420	-1,042	1,536,286	1,599,633	1,620,917
4.2 - Capability for Combat Support of Air Operations	761,662	776,988	15,327	958,524	974,687	1,006,662
4.3 - Capability for Surveillance and Response Operations	1,104,931	1,132,276	27,345	1,175,263	1,206,198	1,202,743
4.4 - Capability for Airlift Operations	1,018,846	1,004,695	-14,151	1,062,209	1,112,787	1,136,874
Sub-total for Outcome Four	4,654,901	4,682,379	27,478	4,732,282	4,893,305	4,967,196

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
OUTCOME 5 - STRATEGIC POLICY FOR THE DEFENCE OF AUSTRALIA ITS INTERESTS						
5.1 - International Policy, Activities and Engagement	188,067	190,039	1,972	162,079	167,490	168,056
5.2 - Strategic Policy and Military Strategy	43,262	42,975	-288	40,348	41,891	42,832
Sub-total for Outcome Five	231,329	233,013	1,684	202,427	209,381	210,888
OUTCOME 6 - INTELLIGENCE FOR THE DEFENCE OF AUSTRALIA AND ITS INTERESTS						
6.1 - Intelligence	467,384	494,291	26,907	467,495	494,528	494,224
Sub-total for Outcome Six	467,384	494,291	26,907	467,495	494,528	494,224
NET COST FOR DEFENCE DEPARTMENTAL OUTCOMES						
	15,996,621	16,084,941	88,320	16,362,110	17,061,231	17,311,112
Approved Allocated Profit/(Loss)	-18,900	48,600	67,500	-	-	-
DEPARTMENTAL APPROPRIATIONS FROM GOVERNMENT ⁽⁴⁾						
	15,977,721	16,133,541	155,820	16,362,110	17,061,231	17,311,112
OUTCOME 7 - SUPERANNUATION AND HOUSING SUPPORT SERVICES FOR CURRENT AND RETIRED DEFENCE PERSONNEL						
7.1 - Superannuation Support Services for Current and Retired Defence Personnel	1,847,625	1,909,625	62,000	1,923,625	2,004,625	2,092,625

	Budget Estimate ⁽¹⁾ 2005-06	Revised Additional Estimate 2005-06	Variation ⁽²⁾	Forward Estimate 2006-07	Forward Estimate 2007-08	Forward Estimate 2008-09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
7.2 - Housing Assistance for Current Defence Personnel	-6,026	5,276	750	-9,079	-15,189	-15,189
7.3 - Other Administered Expenses and Revenues	-4,000	4,000	-	-2,500	-2,500	-2,500
NET COST OF ADMINISTERED OUTCOMES	1,837,599	1,900,349	62,750	1,912,046	1,986,936	2,074,936
TOTAL COST TO GOVERNMENT ⁽⁵⁾	17,815,320	18,033,890	218,570	18,274,156	19,048,167	19,386,048

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Estimates 2005-06* (pp.90-91).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. This number differs from Table 2.8 due to the operating profit of \$48.6m.
4. Cross-referenced to serial 1 in Table 2.1.
5. Cross-referenced to Table 5.b.

NET COST OF DEFENCE OUTCOMES

Table 5.b: Net Cost of Defence Outcomes

	Budget Estimate ⁽¹⁾	Revised Additional Estimate	Variation ⁽²⁾	Forward Estimate	Forward Estimate	Forward Estimate
	2005-06 \$'000	2005-06 \$'000	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Departmental Income						
Revenues						
Sales of Goods and Services	-186,682	-374,716	-188,034	-258,130	-262,840	-270,138
Other	-186,159	-248,536	-62,377	-228,076	-229,760	-233,003
Total Revenue	-372,841	-623,252	-250,411	-486,206	-492,600	-503,141
Gains						
Reversals of Previous Asset, Write Downs	-30,000	-250,000	-220,000	-72,500	-35,000	-35,000
Net Gains from Sale of Assets	-95,063	-	95,063	-	-	-
Total Gains	-125,063	-250,000	-124,937	-72,500	-35,000	-35,000
Total Income	-497,904	-873,252	-375,348	-558,706	-527,600	-538,141
EXPENSES						
Employees	6,587,528	6,358,716	-228,812	6,549,692	6,827,268	7,259,006
Suppliers	6,946,746	7,121,909	175,163	6,885,384	7,257,258	7,061,071
Grants	1,275	7,275	6,000	5,201	1,327	2,246
Depreciation and Amortisation	2,771,838	3,145,023	373,185	3,336,323	3,409,595	3,434,486
Finance Costs	32,075	29,914	-2,161	32,716	26,883	25,944
Write-down of Assets and Impairment of Net Losses from Sale of Assets	60,000	275,356	215,356	107,500	65,000	65,000
Other	95,063	-	-95,063	-	-	-
	-	20,000	20,000	4,000	1,500	1,500
Total Operating Expenses from Ordinary Activities	16,494,525	16,958,193	463,668	16,920,816	17,588,831	17,849,253
Net Cost of Defence Outcomes	15,996,621	16,084,941	88,320	16,362,110	17,061,231	17,311,112
Approved Allocated Profit/(Loss)	-18,900	48,600	67,500	-	-	-
Departmental Appropriation from Government	15,977,721	16,133,541	155,820	16,362,110	17,061,231	17,311,112

Chapter Five

	Budget Estimate ⁽¹⁾	Revised Additional Estimate	Variation ⁽²⁾	Forward Estimate	Forward Estimate	Forward Estimate
	2005-06 \$'000	2005-06 \$'000	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
ADMINISTERED						
Revenues	-701,751	-701,751	-	-704,054	-710,164	-710,164
Expenses	2,539,350	2,602,100	62,750	2,616,100	2,697,100	2,785,100
Net Cost of Administered Outcome	1,837,599	1,900,349	62,750	1,912,046	1,986,936	2,074,936
Total Cost to Government	17,815,320	18,033,890	218,570	18,274,156	19,048,167	19,386,048

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.93).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.

Table 5c: Overall Cost to the Government in 2005-06 of Defence Outcomes (Departmental and Administered)

	Outcome 1 Command of Operations	Outcome 2 Navy Capabilities	Outcome 3 Army Capabilities	Outcome 4 Air Force Capabilities	Outcome 5 Strategic Policy	Outcome 6 Intelligence	Total Departmental Outcomes	Outcome 7 ⁽¹⁾	Grand Total
Departmental Income									
Revenues									
Sales of Goods and Services	-15,766	-76,377	-145,057	-130,828	-3,904	-2,784	-374,716	-	-374,716
Other ⁽²⁾	-11,570	-61,682	-94,382	-65,823	-9,142	-5,937	-248,536	-	-248,536
Total Revenue	-27,336	-138,059	-239,439	-196,651	-13,046	-8,721	-623,252	-	-623,252
Gains									
Reversals of Previous Asset, Write Downs	-9,832	-14,242	-123,362	-99,552	-2,977	-35	-250,000	-	-250,000
Net Gains from Sale of Assets	-	-	-	-	-	-	-	-	-
Total Gains	-9,832	-14,242	-123,362	-99,552	-2,977	-35	-250,000	-	-250,000
Total Income	-37,168	-152,301	-362,802	-296,203	-16,023	-8,756	-873,252	-	-873,252
EXPENSES									
Employees	472,497	1,453,295	2,701,566	1,439,437	86,514	205,407	6,358,716	-	6,358,716
Suppliers	633,587	1,959,708	1,935,776	2,233,489	155,506	203,844	7,121,909	-	7,121,909
Grants	345	1,748	3,416	1,535	76	155	7,275	-	7,275
Depreciation and Amortisation	30,897	1,080,868	762,454	1,172,537	6,152	92,114	3,145,023	-	3,145,023
Finance Costs	1,424	7,351	13,766	6,365	326	683	29,914	-	29,914

	Outcome 1 Command of Operations	Outcome 2 Navy Capabilities	Outcome 3 Army Capabilities	Outcome 4 Air Force Capabilities	Outcome 5 Strategic Policy	Outcome 6 Intelligence	Total Departmental Outcomes	Outcome 7 ⁽¹⁾	Grand Total
Write-down of Assets and Impairment of Net Losses from Sale of Assets	1,802	36,504	118,944	117,710	171	226	275,356	-	275,356
Other	230	2,729	-6,893	3,695	97	142	-	-	-
Other	858	4,094	10,562	3,815	194	477	20,000	-	20,000
Total Operating Expenses from Ordinary Activities	1,141,640	4,546,298	5,539,590	4,978,582	249,036	503,047	16,958,193	-	16,958,193
Net Cost of Defence Outcomes	1,104,472	4,393,997	5,176,788	4,682,379	233,013	494,291	16,084,941	-	16,084,941
ADMINISTERED									
Revenues	-	-	-	-	-	-	-	-701,751	-701,751
Expenses	-	-	-	-	-	-	-	2,602,100	2,602,100
Net Cost of Administered Outcome	-	-	-	-	-	-	-	1,900,349	1,900,349

Note

1. Outcome Seven is titled Superannuation and Housing Services for Current and Retired Defence Personnel.
2. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.

OUTCOME ONE – COMMAND OF OPERATIONS

Outcome 1 – Command of Operations in Defence of Australia and its Interests

Output 1.1	Command of Operations
Output 1.2	Defence Force Military Operations and Exercises
Output 1.3	Contribution to National Support Tasks

Performance information is as reported in the *Portfolio Budget Statements 2005-06* except for revisions to Outputs 1.2 and 1.3.

Cost Summary of Outcome One

Total Budgeted Cost to the Government

Table 5.1.1: Outcome One – Command of Operations

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-9,767	-15,766	-5,999	-12,210	-12,419	-12,795
Other ⁽³⁾	-8,147	-11,570	-3,423	-10,416	-10,491	-10,638
Total Revenue	-17,914	-27,336	-9,422	-22,626	-22,910	-23,433
Gains						
Reversals of Previous Asset, Write Downs	-125	-9,832	-9,707	-614	-269	-269
Net Gains from Sale of Assets	-4,088	-	4,088	-	-	-
Total Gains	-4,212	-9,832	-5,619	-614	-269	-269
Total Income	-22,126	-37,168	-15,041	-23,240	-23,179	-23,702
EXPENSE						
Employees	295,060	472,497	177,437	343,676	351,742	364,659
Suppliers	577,578	633,587	56,009	370,699	363,716	321,849
Grants	64	345	281	237	67	114
Depreciation and Amortisation	24,304	30,897	6,593	29,874	29,847	29,978
Finance Costs	1,712	1,424	-288	1,552	1,202	1,113
Write-down of Assets and Impairment of Net Losses from Sale of Assets	244	1,802	1,558	978	628	628
Other	4,088	230	-3,857	-	-	-
	-	858	858	186	78	78
Total Operating Expenses from Ordinary Activities	903,050	1,141,640	238,590	747,203	747,279	718,417
Net Cost of Outcome One⁽⁴⁾	880,924	1,104,472	223,549	723,963	724,100	694,716

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.100).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.

3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
4. Cross-reference to Tables 5.a and 5.c.

Table 5.1.2: Breakdown of Outcome One by Output

	Budget Estimate (1) 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation (2) \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2008-08 \$'000	Forward Estimate 2008-09 \$'000
Output 1.1 – Command of Operations	371,713	554,315	182,602	441,006	450,908	444,505
Output 1.2 – Defence Force Military Operations and Exercises	499,032	526,433	27,401	261,707	250,393	227,037
Output 1.3 – Contribution to National Support Tasks	10,178	23,724	13,546	21,251	22,799	23,173
Net Cost of Outcome One (3)	880,924	1,104,472	223,549	723,963	724,100	694,716

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.104).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Cross-reference to Table 5.1.1.

Output 1.2 – Defence Force Military Operations and Exercises**ADF Operations**

The following military operation commenced since the publication of the *Portfolio Budget Statements 2005-06*.

Table 5.1.3: Supporting Wider Interests

Operation	Objective
Palate II Commenced June 2005 Forces: Army	ADF provision of a Military Liaison Officer to the United Nations Assistance Mission in Afghanistan.

Australian Defence Force Exercise Program

Joint ADF exercises and combined exercises with the defence forces of other countries remain as reported in the *Portfolio Budget Statements 2005-06* with the following additions/amendments.

Table 5.1.4 (revised): Combined ADF/United States Exercises

Exercise	Australian Forces	Objective
Pacific Reserve 05 July 2005 Cancelled	Army	To foster relations and interoperability between Australian and United States Army Reserve sub-units.
Tamex 05-4 July–August 2005 Cancelled	Navy and Air Force	To practise combined Anti-Submarine Surveillance/ Anti-Submarine Warfare operations with Royal Australian Navy guided missile conventional submarine.
Extendex 05 August 2005 Cancelled	Air Force	To conduct maritime patrol aircraft undersea warfare training.
Tacit Response 05 September 2005 Cancelled	Special Forces	To conduct the Australian portion of a United States-led multilateral activity. Special Forces elements will deploy to a Forward Operating Base and conduct tactical training in surrounding training areas.

Exercise	Australian Forces	Objective
Tamex 05-5 October 2005 Cancelled	Navy and Air Force	To practise combined Anti-Submarine Surveillance/ Anti-Submarine Warfare operations with a Royal Australian Navy guided missile conventional submarine.
Lungfish 05 September–October 2005 (Air Force did not participate) Revised Forces	Navy	To practise undersea warfare with joint independent maritime patrol aircraft cooperation and to practise and develop combined Royal Australian Navy/United States Navy submarine operations.
Extendex 06-1 24 February – 10 March 2006 New	Air Force and Navy	To conduct maritime patrol aircraft undersea warfare training.
Tamex 06-1 1–7 June 2006 New	Air Force and Navy	To practise combined Anti-Submarine Surveillance/ Anti-Submarine Warfare operations with Royal Australian Navy guided missile conventional submarine.

Table 5.1.5 (revised): Combined ADF/New Zealand Exercises

Exercise	Australian Forces	Objective
Tasman Exchange 05 September 2005 Cancelled	Army	To further develop interoperability between the Australian and New Zealand armies by conducting a field training exercise.

Table 5.1.6 (revised): Other Combined Exercises

Exercise	Australian Forces	Participating Countries	Objective
Temple Jade 05 April–May 2005 (was July 2005) Revised date	Army	Thailand	To provide an opportunity for training and exercising with a Thai rifle company exchange.
Mastex 05 August 2005 (Air Force did not participate) Revised Forces	Navy	Malaysia	To improve the interoperability of the ADF and the Republic of Malaysian forces in combined maritime procedures and tactics.
Southern Tiger 05 September 2005 (was October 2005) Revised date	Army	Malaysia	To enhance interoperability between the Australian and Malaysian armies at the tactical level, in an environment unfamiliar to the Malaysian troops.
Taa Nok In Sii 05-2 October 2005 Cancelled	Navy and Air Force	Thailand	To progressively develop Royal Thai Navy maritime air surveillance capability and combined Royal Thai Navy and Royal Australian Air Force surveillance procedures.
Pacific Protector 06 Proliferation security initiative 06-1 April 2006 (formerly Western Protector) Renamed	Navy and Air Force	Proliferation Security Initiative nations will be invited to participate	To conduct an air/ground interdiction exercise hosted by Australia.
Albatros Ausindo 06 7–12 May 06 New	Air Force	With Indonesia, to be conducted from Darwin	To foster closer relationships between the Indonesian Air Force and the Royal Australian Air Force, and enhance Maritime Security.
Austhai 06 14–20 May 06 (Concurrent with Taa Nok Insii 06-1) New	Navy and Air Force	Thailand	Progress basic interoperability in aspects of maritime warfare common to the Royal Australian Navy and Royal Thai Navy.

Exercise	Australian Forces	Participating Countries	Objective
Tamex 06-2 1–7 June 06 New	Air Force	US	To practise combined Anti-Submarine Surveillance/ Anti-Submarine Warfare operations with Royal Australian Navy guided missile conventional submarine.
Neptune Warrior/ Fincastle 06 12–29 June 06 New	Air Force	UK, NZ, Canada	Anti-Submarine Warfare Competition.

Output 1.3 – Contribution to National Support Tasks

ADF Operations

National support tasks remain as reported in the *Portfolio Budget Statements 2005-06* with the following additions.

Table 5.1.7: Peace Time National Tasks

Operation	Objective
Bali Assist II Commenced October 2005 Ceased October 2005 Forces: Air Force	To provide medical support to the victims of the 1 October 2005 Bali bombing.
Nauru Assist III Commenced September 2005 Ceased September 2005 Forces: Air Force	To provide assistance to the Government of Nauru in disposing of unexploded wartime ordnance.
Pakistan Assist Commenced November 2005 Forces: Army and Air Force	To provide assistance to the victims of the Pakistan earthquake.

OUTCOME TWO – NAVY CAPABILITY

Outcome 2 – Navy Capability for the Defence of Australia and its interests

Output 2.1	Capability for Major Surface Combatant Operations
Output 2.2	Capability for Naval Aviation Operations
Output 2.3	Capability for Patrol Boat Operations
Output 2.4	Capability for Submarine Operations
Output 2.5	Capability for Afloat Support
Output 2.6	Capability for Mine Warfare
Output 2.7	Capability for Amphibious Lift
Output 2.8	Capability for Hydrographic, Meteorological and Oceanographic Operations

Performance information is as reported in the *Portfolio Budget Statements 2005-06* except for revisions to Outputs 2.1, 2.2, 2.3, 2.4, 2.6, 2.7 and 2.8.

Cost Summary of Outcome Two

Table 5.2.1: Outcome Two – Navy Capability for the Defence of Australia and its Interests

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-52,380	-76,377	-23,997	-76,451	-78,038	-79,756
Other ⁽³⁾	-41,898	-61,682	-19,784	-56,103	-56,474	-57,214
Total Revenue	-94,278	-138,059	-43,781	-132,554	-134,512	-136,970
Gains						
Reversals of Previous Asset, Write Downs	-5,328	-14,242	-8,913	-13,738	-6,903	-6,903
Net Gains from Sale of Assets	-18,452	-	18,452	-	-	-
Total Gains	-23,780	-14,242	9,538	-13,738	-6,903	-6,903
Total Income	-118,058	-152,301	-34,243	-146,292	-141,415	-143,873
EXPENSE						
Employees	1,560,907	1,453,295	-107,611	1,553,360	1,611,834	1,712,885
Suppliers	1,921,679	1,959,708	38,029	1,913,253	2,052,425	2,022,546
Grants	297	1,748	1,452	1,272	309	523
Depreciation and Amortisation	945,478	1,080,868	135,390	1,101,903	1,146,456	1,133,045

	Budget Estimate ⁽¹⁾ 2005-06	Revised Additional Estimate 2005-06	Variation ⁽²⁾	Forward Estimate 2006-07	Forward Estimate 2007-08	Forward Estimate 2008-09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Finance Costs	7,749	7,351	-398	8,043	6,662	6,464
Write-down of Assets and Impairment of Net Losses from Sale of Assets	12,654	36,504	23,850	20,633	13,796	13,796
Other	18,452	2,729	-15,723	-	-	-
	-	4,094	4,094	864	342	342
Total Operating Expenses from Ordinary Activities	4,467,215	4,546,298	79,083	4,599,328	4,831,825	4,889,601
Net Cost of Outcome Two ⁽⁴⁾	4,349,157	4,393,997	44,840	4,453,037	4,690,409	4,745,728

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.119).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
4. Cross-reference to Tables 5.a and 5.c.

Table 5.2.2: Breakdown of Outcome Two by Output

	Budget Estimate ⁽¹⁾ 2005-06	Revised Additional Estimate 2005-06	Variation ⁽²⁾	Forward Estimate 2006-07	Forward Estimate 2007-08	Forward Estimate 2008-09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Output 2.1 – Capability for Major Surface Combatant Operations	1,605,701	1,601,949	-3,752	1,567,312	1,675,910	1,705,865
Output 2.2 – Capability for Naval Aviation Operations	504,698	507,188	2,491	578,463	604,773	612,829
Output 2.3 – Capability for Patrol Boat Operations	277,648	282,488	4,840	282,707	293,420	301,427
Output 2.4 – Capability for Submarine Operations	779,765	776,763	-3,002	721,530	756,097	737,684
Output 2.5 – Capability for Afloat Support	214,290	224,558	10,268	271,337	282,635	286,797
Output 2.6 – Capability for Mine Warfare	355,832	365,741	9,909	370,442	385,592	393,395

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 2.7 – Capability for Amphibious Lift	370,160	381,772	11,612	395,223	413,140	422,105
Output 2.8 – Capability for Hydrographic, Meteorological and Oceanographic Operations	241,063	253,537	12,474	266,022	278,842	285,626
Net Cost of Outcome Two ⁽³⁾	4,349,157	4,393,997	44,840	4,453,037	4,690,409	4,745,728

Notes

- Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.123).
- The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
- Cross-reference to Table 5.2.1.

Output 2.1 – Capability for Major Surface Combatant Operations

Performance Targets			
Vessel Type	Number	Budget Estimate	Revised Estimate
Guided missile frigates	5 ⁽¹⁾	1,262 URD ⁽²⁾	1,164 URD ⁽³⁾
Anzac-class frigates	7 ⁽⁴⁾	1,787 URD	1,737 URD ⁽³⁾

Notes

- HMAS *Canberra* decommissioned on 12 November 2005, reducing the number of guided missile frigates from six to five.
- Unit Ready Days (URD) is 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.
- The URD total has been revised in line with changes in the FFG Upgrade project for the guided missile frigates and the scheduled maintenance program of HMAS *Warramunga*, an Anzac-class frigate.
- HMAS *Toowoomba* achieved unit readiness on 24 October 2005, increasing the number of Anzac-class frigates from six to seven.

Output 2.2 – Capability for Naval Aviation Operations

Performance Targets			
Aircraft	Number	Budget Estimate (hours)	Revised Estimate (hours)
Seahawks	16	4,200	3,300 ⁽¹⁾
Sea Kings	6	2,000	1,200 ⁽²⁾
Squirrels	13	4,000	3,700 ⁽³⁾
Super Seasprites	11	1,800	975 ⁽⁴⁾

Notes

- The Seahawk flying hours target has been reduced due to the implementation of a revised maintenance regime.
- The Sea King flying hours target has been reduced due to the April 2005 accident in Nias, Indonesia and the subsequent requirement to reconstitute the capability.
- The Squirrel flying hours target has been reduced due to unscheduled maintenance required to rectify tail rotor faults.
- The Super Seasprite flying hours target has been reduced due to greater than expected usage of supply items and subsequent demands on supply chains.

Output 2.3 – Capability for Patrol Boat Operations

Performance Targets			
Vessel Type	Number	Budget Estimate	Revised Estimate
Fremantle-class patrol boats	14 ⁽¹⁾	3,906 URD	4,179 URD ⁽²⁾
Armidale-class patrol boats	1	928 URD	546 URD ⁽³⁾

Notes

1. The number of Fremantle-class patrol boats will reduce from 14 to eight during 2005-06. The original reduction from 14 to five boats has been revised to accommodate delays in the delivery of the Armidale-class patrol boats.
2. The increase in the Fremantle-class patrol boat URD target is due to a revision of the Fremantle-class patrol boat decommissioning program.
3. The decrease in the Armidale-class patrol boat URD target has resulted from delays in the scheduled delivery of four ships and emerging training requirements based on ongoing experience with the introduction of the class.

Output 2.4 – Capability for Submarine Operations

Performance Targets			
Vessel Type	Number	Budget Estimate	Revised Estimate
Submarines	6	1,560 URD	1,463 URD ⁽¹⁾

Note

1. The submarines' URD target has been reduced due to delays in completing certification licensing requirements for HMAS *Collins*' post full-cycle docking, changes to HMAS *Farncomb*'s intermediate docking program and delays in completing certification licensing requirements for HMAS *Rankin*'s post mid-cycle docking.

Output 2.6 – Capability for Mine Warfare

Performance Targets			
Vessel Type	Number	Budget Estimate	Revised Estimate
Coastal mine hunters	6	1,826 URD	1,937 URD ⁽¹⁾

Note

1. The increase to the URD target for the coastal mine hunters is due to a change in the refit schedule for HMAS *Diamantina*.

Output 2.7 – Capability for Amphibious Lift

Performance Targets			
Vessel Type	Number	Budget Estimate	Revised Estimate
Heavy landing ship	1	219 URD	227 URD ⁽¹⁾
Amphibious landing ships	2	577 URD	535 URD ⁽²⁾
Heavy landing craft	6	2,013 URD	1,800 URD ⁽³⁾

Notes

1. The increase in the URD target for the heavy landing ship is due to the rescheduling of a major maintenance period for HMAS *Tobruk*.
2. The decrease in the URD target for the amphibious landing ships is due to the rescheduling of a major maintenance period for HMAS *Manoora*.
3. The decrease in the URD target for the heavy landing craft is due to extensions of scheduled maintenance periods to accommodate an emergent main engine replacement program. Further unforeseen delays in the delivery of equipment associated with this program also occurred.

Output 2.8 – Capability for Hydrographic, Meteorological and Oceanographic Operations

Performance Targets			
Vessel/Aircraft/Unit/Chart Production	Number	Budget Estimate	Revised Estimate
Survey motor launches	4	1,178 URD	1,105 URD ⁽¹⁾
Laser airborne depth sounder aircraft	1	810 hours	920 hours ⁽²⁾
Deployable geospatial support team	1	Availability 365 days; planned deployments 113 days	Availability 365 days; planned deployments 146 days ⁽³⁾
Mobile meteorological and oceanographic teams	1	Availability 730 days; Planned deployments 300 days	Availability 730 days; Planned deployments 256 days ⁽⁴⁾
Chart production: - New charts/editions - New charts/diagrams for Navy use only - Electronic navigational chart cells		30 8 103	67 ⁽⁵⁾ 12 ⁽⁶⁾ 136 ⁽⁷⁾
Oceanographic database production: - Complete database updates		6	24 ⁽⁸⁾

Notes

1. The target number of URD for survey motor launches has decreased due to extended deep level maintenance periods required to rectify engineering defects in HMA Ships *Paluma* and *Mermaid*.
2. The *Portfolio Budget Statements 2005-06* erroneously reported the laser airborne depth sounder aircraft's target as 810 flying hours. The target is 920 flying hours, which aligns with the aircraft's contracted availability.
3. The target number of deployment days for the deployable geospatial support team has increased due to additional requirements for survey activity and exercise involvement.
4. The target number of deployment days for mobile meteorological and oceanographic teams has decreased due to personnel shortages, necessitating reduced exercise support.
5. The target number for new charts/editions has been increased to include the Papua New Guinea chart remediation project.
6. The target number for new charts/diagrams for Navy use only has increased by four due to additional requests received and endorsed for production during 2005-06.
7. The target number for electronic navigational chart cells has been increased to include the Papua New Guinea chart remediation project.
8. The target number for completed database updates has been increased to reflect six updates per quarter.

OUTCOME THREE – ARMY CAPABILITY

Outcome 3 – Army Capability for the Defence of Australia and its Interests

Output 3.1	Capability for Special Operations
Output 3.2	Capability for Medium Combined Arms Operations
Output 3.3	Capability for Light Combined Arms Operations
Output 3.4	Capability for Army Aviation Operations
Output 3.5	Capability for Ground-Based Air Defence
Output 3.6	Capability for Combat Support Operations
Output 3.7	Capability for Regional Surveillance
Output 3.8	Capability for Operational Logistic Support to Land Forces
Output 3.9	Capability for Motorised Combined Arms Operations
Output 3.10	Capability for Protective Operations

The planned performance for Outcome Three is as reported in the *Portfolio Budget Statements 2005-06* except for the following Output revisions.

Cost Summary for Outcome Three

Table 5.3.1: Outcome Three – Army Capability for the Defence of Australia and its Interests

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-76,828	-145,057	-68,229	-101,204	-102,988	-106,323
Other ⁽³⁾	-75,909	-94,382	-18,473	-86,617	-87,310	-88,698
Total Revenue	-152,738	-239,439	-86,701	-187,821	-190,298	-195,021
Gains						
Reversals of Previous Asset, Write Downs	-10,696	-123,362	-112,666	-20,854	-10,446	-10,446
Net Gains from Sale of Assets	-43,621	-	43,621	-	-	-
Total Gains	-54,318	-123,362	-69,045	-20,854	-10,446	-10,446

Outcome Three: Army Capability

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Total Income	-207,056	-362,802	-155,746	-208,674	-200,743	-205,466
EXPENSE						
Employees	2,952,868	2,701,566	-251,302	2,861,332	2,993,465	3,204,701
Suppliers	1,904,309	1,935,776	31,467	2,252,124	2,361,011	2,310,673
Grants	602	3,416	2,814	2,436	625	1,059
Depreciation and Amortisation	684,789	762,454	77,665	827,079	860,858	853,447
Finance Costs	14,400	13,766	-635	15,065	12,523	12,178
Write-down of Assets and Impairment of Net Losses from Sale of Assets	19,392	118,944	99,551	31,430	21,020	21,020
Other	43,621	-6,893	-50,514	-	-	-
	-	10,562	10,562	2,114	749	749
Total Operating Expenses from Ordinary Activities	5,619,982	5,539,590	-80,392	5,991,580	6,250,251	6,403,827
Net Cost of Outcome Three⁽⁴⁾	5,412,926	5,176,788	-236,138	5,782,906	6,049,507	6,198,360

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.136).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
4. Cross-reference to Tables 5.a and 5.c.

Table 5.3.2: Breakdown of Outcome Three by Output

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 3.1 – Capability for Special Operations	500,281	499,767	-513	530,178	556,173	571,618
Output 3.2 – Capability for Medium Combined Arms Operations	926,273	841,130	-85,143	867,509	914,937	939,892
Output 3.3 – Capability for Light Combined Arms Operations	1,030,887	983,791	-47,096	1,014,643	1,067,961	1,108,890
Output 3.4 – Capability for Army Aviation Operations	577,197	544,755	-32,442	563,715	588,844	594,987

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 3.5 – Capability for Ground-Based Air Defence	129,625	109,898	-19,726	121,858	127,355	130,564
Output 3.6 – Capability for Combat Support Operations	384,632	372,252	-12,380	409,567	427,702	440,434
Output 3.7 – Capability for Regional Surveillance	124,492	130,832	-6,340	155,294	160,325	162,004
Output 3.8 – Capability for Operational Logistic Support to Land Forces	575,652	570,362	-5,289	581,557	606,988	625,780
Output 3.9 – Capability for Motorised Combined Arms Operations	550,510	549,217	-1,294	588,407	613,963	630,203
Output 3.10 – Capability for Protective Operations	613,377	574,783	-38,595	950,177	985,260	993,988
Net Cost of Outcome Three ⁽³⁾	5,412,926	5,176,788	-236,138	5,782,906	6,049,507	6,198,360

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.140).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Cross-reference to Table 5.3.1.

Output 3.1 – Capability for Special Operations

Since the *Portfolio Budget Statements 2005-06*, Special Operations Command has gained a special forces training centre.

Output 3.4 – Capability for Army Aviation Operations

Since the *Portfolio Budget Statements 2005-06*, the capability for army aviation operations has gained:

- an aviation airmobile squadron, and
- a fixed wing surveillance squadron.

Additionally, the performance target for flying rate of effort has been amended to the following:

Table 5.3.3: Flying Hours Rate of Effort for 2005-06 Revised Estimates

Aircraft Type	Number	Budget Estimate (hours)	Revised Estimate (hours)
S-70A9 Black Hawk	35	8,600	7,500 ⁽¹⁾
B-206 Kiowa	41	9,505	11,000 ⁽²⁾
UH-1H Iroquois	25	3,550	4,090 ⁽³⁾
ARH Tiger ⁽⁴⁾	9	1,740	515 ⁽⁵⁾
B300 King Air 350	3	2,000	1,000 ⁽⁶⁾

Notes

1. A reduction of 1,100 Black Hawk hours has been caused by unscheduled maintenance tasks during deeper maintenance servicing, and work to rectify structural cracking.
2. An increase of 1,495 Kiowa hours has been caused by the slippage of the Armed Reconnaissance Helicopter Tiger training program, thereby requiring additional Kiowa hours to keep 1st Aviation Regiment aircrew current.
3. An increase of 540 Iroquois hours has been caused by the need to retain the aircraft in-service for six months longer than initially planned, thereby requiring an additional training effort.
4. There are currently four Armed Reconnaissance Helicopter Tigers. Five more will be delivered between now and the end of 2005-06.
5. A reduction of 1,225 Armed Reconnaissance Helicopter Tiger hours has been caused by the inability to train the required number of qualified flying instructors.
6. A reduction of 1,000 King Air 350 hours has been caused by an optimistic assessment of the availability of aircraft post role equipment modification and the service release of the aircraft.

Output 3.8 - Capability for Operational Logistic Support to Land Forces

The two logistic force headquarters detailed in the *Portfolio Budget Statements 2005-06* are now one logistic force headquarters.

OUTCOME FOUR – AIR FORCE CAPABILITY

Outcome 4 – Air Force Capability for the Defence of Australia and its Interests

<i>Output 4.1</i>	<i>Capability for Air Combat Operations</i>
<i>Output 4.2</i>	<i>Capability for Combat Support of Air Operations</i>
<i>Output 4.3</i>	<i>Capability for Surveillance and Response Operations</i>
<i>Output 4.4</i>	<i>Capability for Airlift Operations</i>

Performance information is as reported in the *Portfolio Budget Statements 2005-06*, except for the following revisions to performance targets in Outputs 4.1 and 4.4.

Cost Summary for Outcome Four

Table 5.4.1: Outcome Four – Air Force Capability for the Defence of Australia and its Interests

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-43,883	-130,828	-86,945	-60,205	-60,944	-62,822
Other ⁽³⁾	-46,768	-65,823	-19,055	-61,138	-61,529	-62,250
Total Revenue	-90,651	-196,651	-106,000	-121,343	-22,474	-125,071
Gains						
Reversals of Previous Asset, Write Downs	-13,829	-99,552	-85,723	-37,250	-17,342	-17,342
Net Gains from Sale of Assets	-26,538	-	26,538	-	-	-
Total Gains	-40,367	-99,552	-59,184	-37,250	-17,342	-17,342
Total Income	-131,018	-296,203	-165,184	-158,593	-139,815	-142,413
EXPENSE						
Employees	1,475,647	1,439,437	-36,210	1,472,069	1,533,713	1,625,496
Suppliers	2,191,900	2,233,489	41,589	2,049,184	2,171,215	2,109,985
Grants	282	1,535	1,253	1,067	294	498
Depreciation and Amortisation	1,056,379	1,172,537	116,157	1,306,501	1,292,660	1,338,751
Finance Costs	7,478	6,365	-1,113	6,942	5,443	5,084
Write-down of Assets and Impairment of	27,695	117,710	90,015	54,418	29,520	29,520

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Net Losses from Sale of Assets	26,538	3,695	-22,844	-	-	-
Other	-	3,815	3,815	694	275	275
Total Operating Expenses from Ordinary Activities	4,785,919	4,978,582	192,662	4,890,875	5,033,121	5,109,610
Net Cost of Outcome Four⁽⁴⁾	4,654,901	4,682,379	27,478	4,732,282	4,893,305	4,967,196

Notes

- Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.151).
- The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
- Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
- Cross-reference to Tables 5.a and 5.c.

Table 5.4.2: Breakdown of Outcome Four by Output

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 4.1 – Capability for Air Combat Operations	1,769,462	1,768,420	-1,042	1,536,286	1,599,633	1,620,917
Output 4.2 – Capability for Combat Support of Air Operations	761,662	776,988	15,327	958,524	974,687	1,006,662
Output 4.3 – Capability for Surveillance and Response Operations	1,104,931	1,132,276	27,345	1,175,263	1,206,198	1,202,743
Output 4.4 – Capability for Airlift Operations	1,018,846	1,004,695	-14,151	1,062,209	1,112,787	1,136,874
Net Cost of Outcome Four⁽³⁾	4,654,901	4,682,379	27,478	4,732,282	4,893,305	4,967,196

Notes

- Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.155).
- The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
- Cross-reference to Table 5.4.1.

Output 4.1 – Capability of Air Combat Operations

Performance Targets			
Aircraft Type	Number	Budget Estimate (hours)	Revised Estimate (hours)
F-111	28 ⁽¹⁾	3,800	3,500 ⁽²⁾
Hawk Lead-in Fighter	33	9,000	7,500 ⁽³⁾

Notes

1. An additional five F-111G aircraft are in long-term storage and a further two F-111G have been broken down for spares.
2. F-111 decrease of 300 flying hours is as a result of aircraft modifications associated with the introduction of AGM 142 capability.
3. Hawk Lead-in Fighter decrease of 1,500 hours. With experience gained over five years of operations, Air Force is changing the balance/composition of its Hawk workforce in order to improve overall long term capability and sustainability.

Output 4.4 – Capability for Airlift Operations

Performance Targets			
Aircraft Type	Number	Budget Estimate (hours)	Revised Estimate (hours)
C-130H and C-130J Hercules	12 C-130H 12 C-130J	15,000	14,000 ⁽¹⁾
DHC-4 Caribou	14	5,080	4,100 ⁽²⁾
B300 Beechcraft King Air Navigator Training aircraft	8 ⁽³⁾	5,700	4,200 ⁽⁴⁾
PA 34 Seneca (leased) ⁽⁵⁾	2	0	793

Notes

1. C-130 Hercules reduction in flying hours is the result of ongoing operational commitments.
2. DHC-4 Caribou decrease of 980 hours, this is being addressed by Air Force through changes to the balance/composition of the Caribou workforce – to improve overall long term capability and sustainability.
3. An additional aircraft has been leased to meet training requirements.
4. B300 Beechcraft decrease of 1,500 to 4,200 flying hours is due to aircraft modifications to incorporate the Airborne Navigation Training module, and delays in aircrew qualification.
5. To overcome the transitional B300 issues, 2 PA34 Senecas (flown by Air Training Wing personnel) were leased to conduct the initial ten sorties of the NAV/OBS curriculum up to December 2005.

OUTCOME FIVE – STRATEGIC POLICY

Outcome Five – Strategic Policy for the Defence of Australia and its Interests

Output 5.1 International Policy, Activities and Engagement

Output 5.2 Strategic Policy and Military Strategy

Performance information is as reported in the *Portfolio Budget Statements 2005-06*.

Cost Summary for Outcome Five

Table 5.5.1: Outcome Five – Strategic Policy for the Defence of Australia and its Interests

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-2,291	-3,904	-1,612	-3,267	-3,587	-3,429
Other ⁽³⁾	-8,890	-9,142	-252	-8,533	-8,645	-8,809
Total Revenue	-11,181	-13,046	-1,865	-11,800	-12,231	-12,238
Gains						
Reversals of Previous Asset, Write Downs	-14	-2,977	-2,964	-18	-16	-16
Net Gains from Sale of Assets	-648	-	648	-	-	-
Total Gains	-662	-2,977	-2,315	-18	-16	-16
Total Income	-11,843	-16,023	-4,180	-11,819	-12,248	-12,254
EXPENSE						
Employees	87,417	86,514	-903	91,684	95,932	101,373
Suppliers	149,860	155,506	5,645	115,767	118,998	114,901
Grants	12	76	65	58	12	21
Depreciation and Amortisation	4,926	6,152	1,227	6,323	6,346	6,505
Finance Costs	304	326	22	358	312	313
Write-down of Assets and Impairment of	5	171	165	15	13	13
Net Losses from Sale of Assets	648	97	-551	-	-	-
Other	-	194	194	41	16	16
Total Operating Expenses from Ordinary Activities	243,173	249,036	5,864	214,246	221,629	223,142
Net Cost of Outcome Five ⁽⁴⁾	231,329	233,013	1,684	202,427	209,381	210,888

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.161).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
4. Cross-reference to Tables 5.a and 5.c.

Table 5.5.2: Breakdown of Outcome Five by Outputs

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 5.1 – International Policy, Activities and Engagement	188,067	190,039	1,972	162,079	167,490	168,056
Output 5.2 – Strategic Policy and Military Strategy	43,262	42,975	-288	40,348	41,891	42,832
Net Cost of Outcome Five⁽³⁾	231,329	233,013	1,684	202,427	209,381	210,888

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.165).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Cross-reference to Table 5.5.1.

OUTCOME SIX – INTELLIGENCE

Outcome Six – Intelligence for the Defence of Australia and its Interests

Output 6.1 Intelligence

Performance information is as reported in the *Portfolio Budget Statements 2005-06*.

Cost Summary for Outcome Six

Table 5.6.1: Outcome Six – Intelligence for the Defence of Australia and its Interests

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2009-09 \$'000
Income						
Revenues						
Sales of Goods and Services	-1,532	-2,784	-1,252	-4,793	-4,865	-5,014
Other ⁽³⁾	-4,546	-5,937	-1,390	-5,270	-5,310	-5,394
Total Revenue	-6,079	-8,721	-2,642	-10,062	-10,175	-10,408
Gains						
Reversals of Previous Asset, Write Downs	-8	-35	-27	-26	-24	-24
Net Gains from Sale of Assets	-1,716	-	1,716	-	-	-
Total Gains	-1,724	-35	1,688	-26	-24	-24
Total Income	-7,803	-8,756	-954	-10,089	-10,199	-10,432
EXPENSE						
Employees	215,629	205,407	-10,222	227,571	240,582	249,893
Suppliers	201,420	203,844	2,424	184,357	189,892	181,115
Grants	18	155	137	131	19	32
Depreciation and Amortisation	55,961	92,114	36,154	64,642	73,429	72,759
Finance Costs	433	683	250	756	742	793
Write-down of Assets and Impairment of	9	226	217	26	24	24
Net Losses from Sale of Assets	1,716	142	-1,574	-	-	-
Other	-	477	477	101	40	40
Total Operating Expenses from Ordinary Activities	475,186	503,047	27,861	477,584	504,727	504,656
Net Cost of Outcome Six⁽⁴⁾	467,384	494,291	26,907	467,495	494,528	494,224

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.171).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Other revenues include interest and dividends, net foreign exchange gains/losses, and resources received free of charge.
4. Cross-reference to Tables 5.a and 5.c.

Table 5.6.2: Breakdown of Outcome Six by Output

	Budget Estimate ⁽¹⁾ 2005-06 \$'000	Revised Additional Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 6.1 - Intelligence	467,384	494,291	26,907	467,495	494,528	494,224
Net Cost of Outcome Six ⁽³⁾	467,384	494,291	26,907	467,495	494,528	494,224

Notes

1. Budget Estimates are consistent with the *Portfolio Budget Statements 2005-06* (p.174).
2. The variation figures are the difference between the Revised Additional Estimate and the Budget Estimate.
3. Cross-reference to Table 5.6.1.

OUTCOME SEVEN – SUPERANNUATION AND HOUSING SUPPORT SERVICES FOR CURRENT AND RETIRED DEFENCE PERSONNEL

Outcome Seven – Superannuation and Housing Support Services for Current and Retired Defence Personnel

<i>Output 7.1</i>	<i>Superannuation Support Services for Current and Retired Defence Personnel</i>
<i>Output 7.2</i>	<i>Housing Assistance for Current Defence Personnel</i>
<i>Output 7.3</i>	<i>Other Administered Revenues and Expenses</i>

Administered Activities

Outcome Seven covers activities that Defence performs on behalf of the Government relating mainly to the provision of superannuation and housing support services to current and retired Defence personnel. Defence also administers reimbursements from the United Nations for costs associated with East Timor and returns the receipts to the Government.

The outcome, as reported in the *Portfolio Budget Statements 2005-06*, consisted of three outputs, which are described below.

Output 7.1 – Superannuation Support Services for Current and Retired Defence Personnel, provides for the administered costs associated with superannuation services provided to current and retired Defence personnel under the Defence Force Retirement and Death Benefits Scheme and the Military Superannuation and Benefits Scheme. These schemes are managed on Defence's behalf by ComSuper.

Output 7.2 – Housing Assistance for Current Defence Personnel, deals with the administered costs associated with housing assistance. This output covers dividends received from the Defence Housing Authority, the Defence housing subsidy payments, and any other administered items relating to military personnel housing assistance that may occur.

In 2005-06, Defence and the Defence Housing Authority will complete the sixth year of a 10-year agreement for the delivery of housing services to ADF members. The overall aim of the Defence Housing Authority is to provide a single point for housing and re-location services to ADF members and their families including housing assistance provided for current and retired Defence personnel under the Defence HomeOwner Scheme. This scheme provides a subsidy of the interest payable on a home loan for members of the ADF and is covered by the *Defence Force (Home Loans Assistance) Act 1990*.

Output 7.3 – Other Administered Revenues and Expenses, includes interest received on official bank accounts maintained by Defence to support its activities, interest received from the United States Government on foreign military sales advances, United Nations revenues and receivables, and associated net foreign exchange losses and gains

Cost Summary for Outcome Seven

Table 5.7.1: Outcome Seven: Superannuation and Housing Support Services for Current and Retired Defence Personnel

	Budget Estimate 2005-06 \$'000	Revised Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Administered Revenues						
Foreign government and the United Nations reimbursements for East Timor	-4,000	-4,000	-	-2,500	-2,500	-2,500
Foreign exchange gain	-	-	-	-	-	-
Housing dividends	-15,276	-15,276	-	-19,079	-25,189	-25,189
Military superannuation contributions	-682,475	-682,475	-	-682,475	-682,475	-682,475
Other revenues ⁽³⁾	-	-	-	-	-	-
Total Administered Revenues	-701,751	-701,751	-	-704,054	-710,164	-710,164
Administered Expenses						
Housing subsidies	9,250	10,000	750	10,000	10,000	10,000
Retention benefits	30,100	30,100	-	30,100	30,100	30,100
Military Superannuation benefits	2,500,000	2,562,000	62,000	2,576,000	2,657,000	2,745,000
Other expenses	-	-	-	-	-	-
Total Administered Expenses	2,539,350	2,602,100	62,750	2,616,100	2,697,100	2,785,100
Net Cost of Outcome Seven⁽⁴⁾	1,837,599	1,900,349	62,750	1,912,046	1,986,936	2,074,936

Notes

1. The variation figures are the difference between the Budget Estimate and the Projected Result.
2. Other revenues include interest and dividends, net foreign exchange gains/losses and resources received free of charge.
3. Cross-reference to Tables 5.a and 5.b.

Significant Variations

Expenses administered on behalf of the Government will increase by \$62.8m from \$2,539.4m at budget time to \$2,602.1m in 2005-06. This represents an increase of 2.5 per cent from the 2005-06 budget estimate. This variation is due to:

- Revised military superannuation expenses resulting from an actuarial review of both the Defence Force Retirement and Death Benefits Scheme and the Military Superannuation Benefits Scheme (+62.0m); and
- Increased housing subsidies on the basis of higher take up rates currently being experienced (+\$0.8m).

- More detail on the administered appropriations is shown in Tables 7.6, 7.7 and 7.8 in Chapter Seven – Budgeted Financial Statements.

Table 5.7.2: Breakdown of Outcome Seven by Output

	Budget Estimate 2005-06 \$'000	Revised Estimate 2005-06 \$'000	Variation ⁽²⁾ \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Output 7.1 – Superannuation						
Support Services for Current and Retired Defence Personnel	1,847,625	1,909,625	62,000	1,923,625	2,004,625	2,092,625
Output 7.2 – Housing						
Assistance for Current Defence Personnel	-6,026	-5,276	750	-9,079	-15,189	-15,189
Output 7.3 – Other						
Administered Revenues and Expenses	-4,000	-4,000	-	-2,500	-2,500	-2,500
Net Cost of Outcome Seven⁽³⁾	1,837,599	1,900,349	62,750	1,912,046	1,985,436	2,074,936

Notes

1. The variation figures are the difference between the Budget Estimate and the Projected Result.
2. Cross-reference to Tables 5.a, 5.b and 5.7.1.

TABLE OF EXPLANATIONS OF SIGNIFICANT VARIATIONS ACROSS DEFENCE OUTCOMES

Table 5.d: Explanation of Common Variations Across Defence Outcomes

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Employees							
Supplementation for personnel allowances for Operation Slipper including the Chinook deployment	18.8	-	-	-	-	-	18.8
Additional 142 FTE for new measures to improve stocktaking, audit remediation, military leave records, and financial management controls	0.7	2.4	3.3	2.4	0.4	1.5	10.9
Increase in DHA rental charges	0.7	2.0	3.9	2.0	0.1	0.1	8.6
Revision to estimates following a review by the Services of the Reserves employment costs	0.4	1.3	2.5	1.2	-	-	5.5
Net transfers of 40 civilian positions from the Defence Materiel Organisation to Defence.	0.2	0.7	0.9	0.7	0.1	0.4	3.0
Increase in the Comcare premium	0.2	0.7	1.3	0.7	0.0	0.1	3.0
Substitution of 20 PSP positions by more cost effective APS staff	0.1	0.3	0.5	0.3	0.1	0.2	1.5
Attribution of military workforce costs to operations, not undertaken in the original budget	167.9	-26.8	-141.2	-	-	-	0.0
Reallocation of Salaries to Other Expenses	-0.1	-0.2	-0.3	-0.2	-	-0.1	-0.9
Decrease in the number of members receiving rental allowance	-0.3	-1.0	-2.0	-1.0	-	-	-4.4
Decrease in DHA fees and charges to take account of the reduction in annuity rent costs due to the buy-out of properties	-0.8	-2.3	-4.5	-2.3	-0.1	-0.1	-10.0
Reclassification of some personnel initiatives as Suppliers Expenses	-0.8	-2.5	-4.9	-2.5	-0.1	-0.1	-10.9
Transfer of funds to logistics sustainment to offset higher fuel prices	-1.4	-4.3	-8.3	-4.2	-0.1	-0.2	-18.5

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Decrease in FBT costs due in part to the shortfall in military personnel numbers and a refinement of FBT estimates	-1.5	-4.5	-8.8	-4.4	-0.2	-0.2	-19.5
A reduction of 197 positions in the civilian workforce	-1.3	-4.2	-5.9	-4.3	-0.8	-2.7	-19.2
Revision of Civilian Employee estimates having regard for actual costs incurred for 2004/05 and a re-assessment of leave liability some of which was booked in previous year's rather than as budgeted in 2005-06	-2.3	-7.6	-10.3	-7.6	-1.4	-4.8	-34.1
Slippage in the timing of a number of Defence People Plan initiatives	-3.0	-9.2	-18.0	-9.1	-0.3	-0.4	-40.0
Revision downwards of leave expenses because of measures taken to reduce high leave balances, and the booking of leave liability in previous years rather than as budgeted in 2005-06	-4.0	-12.1	-23.7	-11.9	-0.4	-0.5	-52.5
A reduction in average funded strength of 986 comprising 409 Navy, 267 Army, and 310 Air Force due to continuing difficulties in recruiting and retention.	-	-29.0	-19.0	-22.0	-	-	-70.0
Progressive refinement of Defence's cost attribution rule to reflect changes in workforce distributions and expenditure patterns and other variations	3.8	-11.3	-16.8	26.0	1.7	-3.5	0.0
Variation Employees	177.4	-107.6	-251.3	-36.2	-0.9	-10.2	-228.8
Suppliers							
Increase for maintenance services provided to the Defence Materiel Organisation, offset in the Sale of Goods and Services and Other Revenue.	10.4	38.8	48.7	42.5	3.1	3.8	147.2
Increased sustainment payments to Defence Material Organisation, including combat clothing, a wing refurbishment program, submarine combat system augmentation, maritime ranges and higher fuel prices.	6.5	24.2	30.4	26.6	1.9	2.4	92.0
Establishing a program of works to progressively remove asbestos from Defence properties	2.6	9.8	12.3	10.7	0.8	1.0	37.2
Supplementation for Operation Slipper associated with the deployment of a Special Forces Task Group to Afghanistan for up to one year.	26.1	-	-	-	-	-	26.1

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Replacement of non-compliant and sub-standard office fittings, accommodation and physical training equipment.	1.8	6.6	8.3	7.2	0.5	0.6	25.0
A number of priority environment and heritage works including for contamination investigation and remediation works.	1.1	3.9	5.0	4.3	0.3	0.4	15.0
Revision of the price parameters used in the 2005-06 Budget.	0.9	3.5	4.4	3.8	0.3	0.3	13.2
Conversion of military frequency banks to spectrum licenses ensuring long term access.	0.9	3.3	4.2	3.6	0.3	0.3	12.6
An increase in foreign exchange supplementation reflecting the difference between current foreign exchange parameters and those on which the 2005-06 Budget was based.	0.9	3.2	4.1	3.6	0.3	0.3	12.3
Additional supplementation for Operation Slipper for deployment of two Chinook helicopters and 110 personnel to Afghanistan	12.0	-	-	-	-	-	12.0
Increased expenses relating to Defence's contribution to the humanitarian relief effort in Pakistan following the recent earthquake.	12.1	-	-	-	-	-	12.1
Reclassification of some personnel initiatives as suppliers expenditure.	0.8	2.9	3.6	3.1	0.2	0.3	10.9
Additional funding for living-in-accommodation upgrades.	0.5	2.0	2.5	2.2	0.2	0.2	7.5
Rephasing of Operation Anode expenditure from 2004-05 to 2005-06 due to timing issues associated with the remediation of Army Vehicles.	2.0	-	-	-	-	-	2.0
Rephasing of Operation Acolyte expenditure from 2004-05 to 2005-06 due to revised timing of some planning and administration activities associated with the Melbourne 2006 Commonwealth Games.	0.5	-	-	-	-	-	0.5
Additional sale and leaseback funding associated with Lady Gowrie House.	0.0	0.5	-	-	-	-	0.5
Transfer to the Department of Veterans Affairs for Defence's contribution towards the anniversary of the Victory of the Pacific celebrations.	0.0	-0.1	-0.2	-0.1	-	-	-0.5
Reclassification to Other Expenses to better reflect actual expenditure.	-0.1	-0.4	-0.5	-0.4	-	-	-1.5
Reclassification to grants of a payment to Frontline Defence Services to support the provision of Army and Air Force canteen services.	-	-	-1.4	-1.1	-	-	-2.5
Lower maintenance costs associated with Operation Relex II due to the reduction from two FFGs to one FFG.	-2.8	-	-	-	-	-	-2.8

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Reclassification to grants of a payment to the Livingstone Shire Council for improvement works on roads of access to the Shoalwater Bay Training Area used frequently by Defence.	-0.2	-0.9	-1.2	-1.0	-0.1	-0.1	-3.5
Reduced estimate for Operation Catalyst following higher expenditure on strategic lift and personnel costs in 2004-05.	-12.2	-	-	-	-	-	-12.2
Reclassification from other expenses to cover lump sum compensation payments	-0.8	-3.8	-9.8	-3.5	-0.2	-0.4	-18.5
Reclassification of estate upkeep funds from Supplier Expenses to Other Plant, Property and Equipment purchases.	-1.5	-5.5	-6.9	-6.1	-0.4	-0.5	-21.0
Reclassification of inventory purchases as an asset acquisition due to the return of inventory from the Defence Material Organisation to Defence's balance sheet.	-13.4	-49.6	-62.3	-54.4	-3.9	-4.9	-188.4
Progressive refinement of Defence's cost attribution rule to reflect changes in workforce distributions and expenditure patterns and other variations.	7.9	-0.3	-9.5	0.6	2.5	-1.2	0.0
Variation Suppliers	56.0	38.0	31.5	41.6	5.6	2.4	175.2
Grants							
Reclassification from supplier expenses of a payment to the Livingstone Shire Council for improvement works on roads of access to the Shoalwater Bay Training Area used frequently by Defence.	0.3	1.5	1.4	0.2	0.1	0.1	3.5
A grant paid to Frontline Defence Services to support the provision of Army and Air Force canteen services.	-	-	1.4	1.1	-	-	2.5
Variation Grants	0.3	1.5	2.8	1.3	0.1	0.1	6.0
Depreciation and Amortisation							
A thorough evaluation of the existing asset base, including after valuation work completed during 2004-05 with analysis of the proposed roll-out of major capital equipment.	6.5	133.6	76.4	114.2	1.2	36.0	367.9

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
The adoption of Australian Equivalents to International Financial Reporting Standards.	0.1	1.8	1.3	2.0	-	0.2	5.3
Variation Depreciation and Amortisation	6.6	135.4	77.7	116.2	1.2	36.2	373.2
Finance Costs							
A decrease in finance expenses associated with the implementation of Australian Equivalents to International Financial Reporting Standards.	-0.3	-0.4	-0.6	-1.1	-	0.3	-2.2
Variation Finance Costs	-0.3	-0.4	-0.6	-1.1	-	0.3	-2.2
Write Down of Assets and Impairment of Assets							
Stock-taking and audit remediation activities, and the transfer of inventory assets from the Defence Material Organisation to Defence's balance sheet.	1.6	24.5	101.6	92.0	0.2	0.2	220.0
The adoption of Australian Equivalents to International Financial Reporting Standards.	-	-0.6	-2.0	-2.0	-	-	-4.6
Variation Write Down of Assts and Impairment of Assets	1.6	23.9	99.6	90.0	0.2	0.2	215.4
Net Losses from Sale of Assets							
The adoption of Australian Equivalents to International Financial Reporting Standards.	-3.9	-15.7	-50.5	-22.8	-0.6	-1.6	-95.1
Variation Net Losses from Sale of Assets	-3.9	-15.7	-50.5	-22.8	-0.6	-1.6	-95.1
Other Expenses							
Reclassification from supplier expenses to cover lump sum compensation payments	0.8	3.8	9.8	3.5	0.2	0.4	18.5
Realignment from supplier expenses to better reflect the actual classification of expenditure as Other Expenses.	0.1	0.3	0.8	0.3	-	-	1.5
Variation Other Expenses	0.9	4.1	10.6	3.8	0.2	0.5	20.0
Goods and Services							

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Revenue received from the Defence Materiel Organisation for the purchase of maintenance services through the Defence integrated Distribution System contract, following transfer of Joint Logistics Command from the Defence Materiel Organisation to Defence	-2.9	-13.9	-26.4	-23.8	-0.7	-0.5	-68.1
Fuel sales to third parties, resulting from the return of inventory from the Defence Materiel Organisation to Defence's balance sheet.	-1.9	-9.3	-17.7	-15.9	-0.5	-0.3	-45.6
Revenue received from the Defence Materiel Organisation for project related work undertaken by DSTO.	-1.4	-6.8	-13.0	-11.7	-0.4	-0.2	-33.6
Increased revenue from the Department of Foreign Affairs and Trade for Defence's contribution to the humanitarian relief effort in Pakistan following the recent earthquake.	-13.7	-	-	-	-	-	-13.7
An increase in revenue from the sale of goods and services following a thorough review of revenue estimates since the budget.	-1.1	-5.4	-10.3	-9.3	-0.3	-0.2	-26.7
Revision to the price parameters used in the 2005-06 Budget.	-	-0.1	-0.1	-0.1	-	-	-0.3
Progressive refinement of Defence's cost attribution rule to reflect changes in workforce distributions and expenditure patterns and other variations.	15.0	11.5	-0.8	-26.1	0.2	-	0.0
Goods and Services	-6.0	-24.0	-68.2	-86.9	-1.6	-1.3	-188.0
Other Revenue							
Fuel rebates received, resulting from the return of inventory from the Defence Materiel Organisation to Defence's balance sheet.	-2.5	-15.2	-11.3	-13.6	0.0	-1.0	-43.5
An increase in revenue from Other Revenue following a thorough review of revenue estimates since the budget.	-0.9	-4.6	-7.1	-5.4	-0.3	-0.4	-18.7
Revision of the price parameters used in the 2005-06 Budget.	0.0	0.0	-0.1	-0.1	-	-	-0.2
Variation Other Revenue	-3.4	-19.8	-18.5	-19.1	-0.3	-1.4	-62.4
Reversals of Previous Asset Write Downs							
An increase in assets now recognised as a result of a review of planned stock-taking activities, and to account for the transfer of inventory assets back to Defence's balance sheet.	-9.7	-8.9	-112.7	-85.7	-3.0	-	-220.0

Explanation of Variation	Outcome \$m						
	One	Two	Three	Four	Five	Six	Total
Variation Reversals of Previous Asset Write Downs	-9.7	-8.9	-112.7	-85.7	-3.0	-	-220.0
Net Gains from Sale of Assets							
The adoption of Australian Equivalents to International Financial Reporting Standards.	4.1	18.5	43.6	26.5	0.6	1.7	95.0
Variation Net Gains from Sale of Assets	4.1	18.5	43.6	26.5	0.6	1.7	95.0