

# **DEPARTMENT OF DEFENCE**

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## PORTFOLIO OVERVIEW

### THE DEFENCE MISSION

The most fundamental responsibility of the Government is to provide for the security of Australia, its people and its interests. This fundamental responsibility is reflected in the Defence mission:

*To prevent or defeat the use of armed force against Australia and its interests.*

This statement of the enduring reason for the existence of the Defence organisation guides the development of defence policy, planning, programs and activities. The core defence business is to ensure that the Australian Defence Force (ADF) is able to operate effectively in conflict, should that be necessary, and to contribute to managing Australia's national security interests in such a way that conflict does not occur. The mission involves, therefore, two key dimensions: the development and maintenance of the capacity to defeat any use or threat of armed force against Australia and its interests; and the promotion of a regional and global security environment which enhances Australia's security by reducing the likelihood of armed attack against Australia and its interests.

Australia is geographically positioned within a region of rapidly changing economic, political and social circumstances. The challenge for Defence is to provide a force with the capabilities necessary to carry out its mission and to provide the Government with options with which to respond to a given circumstance or threat. It is a force structured for war but adapted for peace, able to react to emerging contingencies and offering a viable defence of Australia while also capable of operating in conjunction with allies and neighbours.

### CHALLENGES AND KEY PRIORITIES FOR 2000-01

The Government, the Defence organisation and the wider community recognise that Defence faces a number of significant challenges. These can be summarised as follows:

- providing effective support to Ministers and the Government;
- assessing the strategic outlook;
- supporting the current high level of operational activity;
- developing defence capabilities to provide the Government with appropriate options;
- determining the appropriate level of resources for Defence and generating efficiency savings to reinvest in Defence capability;
- attracting and retaining the right people; and
- ensuring effective leadership, management and governance arrangements.

We are committed to addressing these challenges in 2000-01.

A key focus in 2000-01 will be the preparation of the White Paper. It will involve an extensive dialogue with the Government and with the community. It will provide Government policy direction that will shape Defence force structure and activities well into the future. It will be prepared against the Government's new strategic outlook.

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The White Paper 2000 has to address a demanding strategic environment. There are fundamentally difficult choices to be made about military capabilities. The White Paper will be preceded by a public discussion paper on defence policy issues (Green Paper), which is intended to educate and inform consultation with the community. The Green Paper will address the nature of the strategic environment and why it matters to us; what we want to be able to do about it; how best we should equip our armed forces; and what it will cost. The discussion process, the results of which will be reported to the National Security Committee of Cabinet, will inform Government decision making about the content of the White Paper.

The focus of the White Paper will be on the development of military capabilities to meet the range of missions the Government wants Defence to perform at a given level of spending. The aim is to expose, in as stark a way as possible, the relationship between the strategic outlook, the essential roles and missions the ADF must perform, the Defence capability implications and money. The result will be some tough decisions about force structure priorities, which could well significantly impact on the shape of the ADF. The White Paper will demonstrate much more clearly than in the past the relationship between specific potential missions and the cost of being able to develop and maintain the capabilities Defence needs to perform each mission.

Defence has been required in recent years, and particularly in 1999-2000, to maintain a high tempo of operations. There has been widespread recognition of the task performed by the ADF in East Timor, which demonstrated the high level of effectiveness of the ADF's operational elements. The high level of operational activity is likely to continue in 2000-01 with the substantial contribution to United Nations Transitional Administration in East Timor (UNTAET), with the Bougainville peacekeeping force and with a very significant contribution to the Sydney Olympics and Paralympics.

The duration of ADF operations support to the UNTAET peacekeeping force is currently unknown but may last for some time and will involve some 1,500 ADF personnel deployed at any one time. Provision of support to the ongoing peace process in Bougainville is also likely to continue. Defence's present contribution to the Peace Monitoring Group on the island comprises 240 ADF personnel and five civilians out of some 306 people maintaining the Lincoln Ceasefire Agreement on Bougainville. ADF contributions to various United Nations and other peace and security operations around the world will continue with 54 personnel presently involved in Mozambique, Bosnia and the Middle East. Defence support to the Sydney Olympic and Paralympics Games for security tasks and general support is currently estimated to cost some \$452m and will involve over 4,000 ADF personnel.

As well as preparing the White Paper and maintaining a high level of operations, Defence will pursue a strategy of continuous organisational renewal with three clear themes:

- purpose;
- people; and
- performance.

The first of these, **purpose**, relates to defining with the Government, through the White Paper process, the fundamental purpose of the Defence organisation. It will provide the basis for force structuring and preparedness and for resourcing Defence. This means addressing the substantial cost pressures that Defence, along with defence forces around the world, faces in providing effective capabilities. It will assist Defence in ensuring that there are clear linkages between Government policy and Defence's corporate strategy.

With clear guidance on our purpose, the second and third themes, **people** and **performance**, can be addressed. These themes are inextricably linked and together form the basis of the program of organisational renewal upon which Defence has embarked. This will see a fundamental renewal of the organisation from within and a strong focus on leadership and performance. That means an ethos of achieving results through people. It will recognise the changes that have occurred within Defence over the last decade, but it will ensure that Defence becomes an adaptable organisation – one which is more effective and efficient and one which is therefore comfortable with an ongoing program and philosophy of continuous improvement.

Improved performance over the whole spectrum of our activities is fundamental to restoring confidence in the Defence organisation. A Defence version of the balanced scorecard will place a strong focus on measuring performance throughout the organisation, and will highlight accountabilities for driving performance towards targeted goals.

All of this requires a strong commitment to improving communications both within and outside the organisation. This approach will be guided by the newly-created Public Affairs and Corporate Communications Division.

## Key Priorities

In tackling these challenges, Defence's key priorities will focus on:

### Delivering Outputs to the Government

This involves delivering the outputs agreed with the Government. The outputs are described in detail in *Section Three* of this document.

The priorities in 2000-01 are to:

- improve support to Ministers, the Parliamentary Secretary and the Government by focusing on the quality of advice and responsiveness of the organisation;
- prepare the Defence White Paper;
- pursue an affordable force structure consistent with the White Paper;
- continue to monitor closely the strategic outlook and provide advice on the implications for Australia of significant developments;
- maintain the tempo of operations required by the Government, particularly in East Timor and Bougainville;
- provide security and general support for the Sydney Olympic and Paralympic Games;
- establish the Australian Strategic Policy Institute;
- fix the problem equipment projects;
- prepare for decisions on major equipment platforms, including combat aircraft and the surface combatant force;
- adopt a whole-of-capability/whole-of-life perspective in developing ADF capabilities;
- integrate ADF workforce planning into whole-of-capability considerations;
- ensure that the Reserves can be used effectively;
- address the sustainability of combat capability;
- continue to rationalise and integrate the provision of materiel support to the ADF, particularly the integration of acquisition and through-life support functions and processes;
- ensure effective reinvestment of efficiency savings into ADF capability;

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- improve preparedness planning and integrate it into the Five Year Defence Program;
- achieve an improved Defence operational and business information environment; and
- continue research into Revolution in Military Affairs-related technologies to help the ADF exploit information superiority and to enhance command support and intelligence.

#### **Resourcing Defence**

This involves making the best use of available resources and astute stewardship of Commonwealth assets to deliver outputs. A budget summary for 2000-01 is provided in *Section One* of this document.

The priorities in 2000-01 are to:

- ensure the effective management and reporting of financial resources and plans to meet agreed Defence output performance levels;
- vigorously pursue efficiency measures, with continuous improvement as an important agent for long-term organisational and cultural change within Defence;
- support the Government's consideration of future Defence funding in the context of the White Paper;
- develop a strategy to deal with the funding pressures in the medium and longer term, including the rising per capita cost of personnel and increasing equipment costs;
- embed accrual management to support effective decision making and to enable Defence to provide informed advice to the Government;
- adopt best practice in asset management; and
- implement arrangements in Defence for the goods and services tax.

#### **Results through People**

This involves attracting and leading people and maximising their skills and knowledge in order to deliver outputs. It is underpinned by a supportive work environment which provides workplace diversity, flexible working arrangements and occupational health and safety. Initiatives related to these priorities can be found in *Section Four* of this document.

The priorities in 2000-01 are to:

- focus on people and performance, with a strong commitment to learning and development;
- introduce a comprehensive performance framework to ensure that what people do is firmly linked to organisational goals, enabling people to take greater responsibility for the work they do and for their careers;
- improve our ability to change and meet varying demands through a culture of continuous improvement;
- encourage the right people with the right skills and the right attitude in the right jobs at the right time;
- ensure that Defence is seen as an employer of choice; and
- introduce strategies to address current recruitment and retention difficulties.

#### **Internal Business Processes**

This involves how we do business in order to deliver outputs. Initiatives related to these priorities can be found in *Section Four* of this document.

The priorities in 2000-01 are to:

- strengthen corporate governance:
  - prepare an overarching corporate plan derived from Government policy – to be released in tandem with the White Paper – and a business plan for each functional unit derived from and clearly linked to the corporate plan;
  - provide clearer responsibilities and better alignment between outputs and organisational structures with an appropriate accountability and responsibility chain;
  - introduce clearer purchaser/provider relationships to ensure efficient delivery of internal services;
  - improve performance reporting and evaluation, using a balanced scorecard;
  - refine corporate management information, financial and non-financial, so that leaders are better able to take critical decisions; and
  - ensure that appropriate security and audit arrangements are in place for the protection of Defence information and assets.
- improve communications:
  - produce an overarching communication strategy for Defence, covering both internal and external communications.
- implement a comprehensive acquisition reform program;
- continue to build on defence industry strategic policy initiatives, including the strategy to engage Australia's national defence support base;
- continue, with the assistance of industry, the market-testing program and implement the findings of completed market-testing activities;
- improve Defence information technology and telecommunications;
- continue the rationalisation and consolidation of the Defence estate; and
- continue the development and implementation of a standardised Defence-wide approach to environmental management, consistent with Commonwealth environmental legislation.

## DEFENCE OUTCOME AND OUTPUTS

### Outcome

The Government funds outputs from Defence to contribute to a single desired outcome:

*The prevention or defeat of the use of armed force against Australia and its interests.*

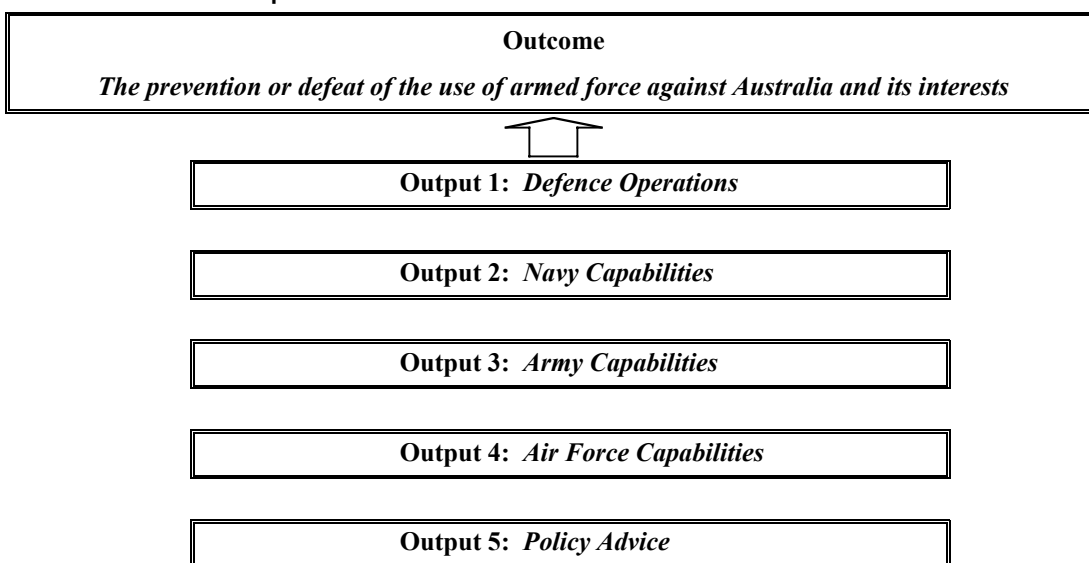
The Australian Defence organisation (ie the Department and the ADF) exists and is structured to deliver outputs for the achievement of this outcome. The outcome provides a comprehensive focus for both combat-related and non-combat tasks that Defence delivers on behalf of the Government. Prevention, in this context, includes all tasks that contribute to a more stable and certain international environment, such as peacekeeping and assistance in overseas disaster-relief operations. Armed force includes incidents of acts of terrorism and other breakdowns of order within Australia which may require Defence aid to the civil power. Other non-combat tasks conducted in Australia at the direction of the Government, including assistance with natural disasters or with indigenous communities, use capabilities developed for the defence of Australia and its interests, and help to develop and maintain appropriate skill levels. They also demonstrate to the Australian public the value and professionalism of the ADF in times of sustained peace.

The Government's desired outcome for Defence is also the *raison d'être* for the items administered by the Department on behalf of the Commonwealth; namely, military superannuation schemes, investments in the Defence Housing Authority and the Young Endeavour youth training scheme.

### Outputs

Defence's output structure has been revised for 2000-01. The 22 outputs used in 1999-2000 have been consolidated into five outputs. The revised output structure is part of Defence's aim to align its outputs and its organisational structure better. The revised outputs are shown in the chart below and more detail on each output is provided in *Section Three* of this document.

#### Defence Outcome/Outputs Structure Chart



## Defence Outcome Performance Indicators

A summary of performance indicators that provide some measure of the effectiveness of Defence in achieving its outcome can be found in the following table:

**Table 1.1: Defence Outcome Performance Indicators**

Performance Indicators
<p><b>Defence Operations</b></p> <ul style="list-style-type: none"> <li>• Any hostile violations of Australia’s sovereignty or interests are deterred or responded to successfully.</li> <li>• Australian Defence Force joint task force operational performance meets the required standard.</li> <li>• Specific Government taskings for the delivery of defence capability are met.</li> <li>• Anticipated and unanticipated Government taskings for the delivery of non-combat capability, which contribute to national, regional and global stability, are met.</li> </ul> <p><b>Combat Capability</b></p> <ul style="list-style-type: none"> <li>• The level of preparedness of the Australian Defence Force meets the standard set in the Chief of the Defence Force’s Preparedness Directive and subordinate directives against each capability output.</li> <li>• The Australian Defence Force is appropriately equipped and trained.</li> </ul> <p><b>Policy Advice</b></p> <ul style="list-style-type: none"> <li>• Planned non-combat related defence activities contributing to national security and regional stability are met.</li> </ul>

Military capability is achieved by developing a force structure appropriately prepared for operations. Preparedness<sup>1</sup> is a measurement of how ready (readiness) and how sustainable (sustainability) the ADF is to undertake military operations. The readiness of forces to be committed to operations within a specified time is dependent on the availability and proficiency of personnel, equipment, facilities and consumables. Sustainability is measured in terms of the ability to provide personnel, equipment, facilities and consumables to enable a force to complete the needed period of operations.

The two levels of military capability specified for forces within the ADF are derived from the concept of maintaining forces at an appropriate minimum level of capability (or MLOC) in peacetime and ensuring that those forces are able to work up to an appropriate higher level of task-specific capability (or operational level of capability - OLOC), within a given time, in order to conduct operations effectively.

The Chief of the Defence Force’s Preparedness Directive contains strategic planning guidance, lists military response options and sets preparedness requirements. It informs all subordinate preparedness directives at the operational level, which set specified levels of preparedness and contain the capability standards against which force units report. The evaluation and reporting of preparedness ensure that there is regular feedback in the planning process and that resource allocations are refined as necessary to meet objectives.

Performance information relating to each of the five outputs is provided in *Section Three* of this document.

<sup>1</sup> Preparedness concepts and planning are explained in more detail in the *Glossary*.

## DEFENCE ORGANISATIONAL STRUCTURE

Defence's organisational structure comprises 12 Groups which are shown below.

Group 1	Defence Headquarters
Group 2	Navy
Group 3	Army
Group 4	Air Force
Group 5	Intelligence
Group 6	Support Command
Group 7	Defence Personnel Executive
Group 8	Acquisition
Group 9	Science and Technology
Group 10	Defence Estate
Group 11	Defence Information Systems
Group 12	Defence Corporate Support

Consideration is currently being given to restructuring the Defence organisation, with a new structure to be in place by 1 July 2000. At time of printing, decisions had not yet been made on the new organisational arrangements.

Defence's revised organisational structure will be included in the Portfolio Additional Estimates Statements for 2000-01.

## 2000-01 BUDGET SUMMARY

### OVERVIEW

Total funding available to Defence in 2000-01 is \$19,355m. This comprises resourcing of the Defence outcome of \$18,210m, an equity injection of \$753m and capital receipts of \$392m.

Defence has been provided with increased funding in the 2000-01 budget and the 2001-04 forward estimates to address a number of specific funding priorities. At the same time, the Government has maintained base-level Defence funding in real terms in the 2000-01 Budget and 2001-04 Forward Estimates. Base-level funding is the amount used to determine real growth in the Defence Budget over time.

Additional funding, in the form of non-base adjustments, has been provided for the following requirements:

- East Timor deployment and related force generation costs in support of UNTAET;
- \$128m plus capital use charge in 2000-01 towards the costs of enhancing two Collins class submarines;
- \$100m in 2000-01 for new initiatives for Reservists, improvements in corporate information technology systems, additional logistics support for Army Reserve units and Navy ship refit requirements;
- increased costs associated with the commercialisation of the Defence Housing Authority; and
- ongoing rental costs of some of the properties sold and leased-back under a Government-agreed program of disposal of Defence property.

Details of the additional funding for East Timor are set out in Table 1.5 and for the other measures in Table 1.8.

The total resourcing of the Defence outcome, including East Timor and the other supplementation, is \$18,210m in 2000-01, \$18,319m in 2001-02, \$18,866m in 2002-03 and \$19,530m in 2003-04. The resourcing of the Defence outcome comprises two main elements: the price of the five Departmental outputs, totalling \$16,450m in 2000-01, and expenses administered by the Defence Portfolio, totalling \$1,760m in 2000-01. The price of Departmental outputs notionally includes a capital use charge component of 12% per annum on opening net assets plus the equity injection.

The price of the five Defence outputs is summarised in Table 1.4. Further details relating to the outputs can be found in *Section Three* of this document.

Defence's global budget arrangements are to continue in 2000-01. Under these arrangements, Defence has been provided with the total level of resources required to deliver its five outputs at specified performance levels. In addition, an equity injection has been provided to maintain base-level funding at zero real growth and for the capital elements of the non-base adjustments such as funding for the submarines, corporate information technology systems and logistics. The equity injection is included in Appropriation Bill No. 2.

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In addition, Defence is able to retain capital receipts of \$392m in 2000-2001. This excludes property disposal receipts of \$480m in 2000-01, which are to be transferred to the Official Public Account.

Table 1.2 summarises Defence's overall funding in 2000-01 and over the 2001-04 forward estimates.

**Table 1.2: Total Estimated Defence Funding for 2000-01 and the Forward Estimates**

<b>Defence Funding Arrangements</b>	<b>2000-01 \$'000</b>	<b>2001-02 \$'000</b>	<b>2002-03 \$'000</b>	<b>2003-04 \$'000</b>
<b>Price of Departmental Outputs</b>				
Appropriation from Government before Capital Use Charge	11,458,472	11,522,790	11,927,326	12,410,259
Add Capital Use Charge	4,646,198	4,658,191	4,713,647	4,757,030
<b>Revenue from Government for Departmental Outputs</b>	<b>16,104,670</b>	<b>16,180,981</b>	<b>16,640,973</b>	<b>17,167,289</b>
Add Departmental Revenues from Independent Sources	345,395	330,200	353,429	336,535
<b>Total Price of Outputs</b>	<b>16,450,065</b>	<b>16,511,181</b>	<b>16,994,402</b>	<b>17,503,824</b>
Add Total Administered Expenses	1,760,364	1,807,733	1,871,379	2,025,989
<b>Total Resourcing of Defence Outcome</b>	<b>18,210,429</b>	<b>18,318,914</b>	<b>18,865,781</b>	<b>19,529,813</b>
Add Capital Funding not included in the cost of the Defence Outcome				
Equity Injection	752,918	698,402	526,225	335,165
Capital Receipts	391,877	186,417	208,374	208,866
<b>Total Defence Funding</b>	<b>19,355,224</b>	<b>19,203,733</b>	<b>19,600,380</b>	<b>20,073,844</b>

Table 1.2 shows an increase in total proposed funding from the 2000-01 budget across the forward estimates period, which is largely the result of additional funding for East Timor combined with the supplementation in 2000-01 for the Collins class submarines, other initiatives and the effect of out-turning prices. The equity injection, as the residual or balancing item, decreases across the forward estimates as capital investment is increasingly funded internally. Capital receipts are shown net of transfers to the Official Public Account for certain property disposals.

Table 1.3 provides a comparison between the estimated actual financial result for 1999-2000, including the East Timor Ad Hoc Appropriation and the 2000-01 budget.

**Table 1.3: Revised 1999-2000 Estimated Actual compared to 2000-01 Budget**

	<b>Estimated Actual 1999-2000 \$'000</b>	<b>Budget 2000-01 \$'000</b>	<b>Variance \$'000</b>
<b>Price of Departmental Outputs</b>			
Appropriation from Government before Capital Use Charge	11,142,153	11,458,472	316,319
Add Capital Use Charge	4,545,083	4,646,198	101,115
<b>Revenue from Government for Departmental Outputs</b>	<b>15,687,236</b>	<b>16,104,670</b>	<b>417,434</b>
Add Departmental Revenues from Independent Sources	394,482	345,395	(49,087)
<b>Total Price of Outputs</b>	<b>16,081,718</b>	<b>16,450,065</b>	<b>368,347</b>
Add Total Administered Expenses	1,702,554	1,760,364	57,810
<b>Total Resourcing of Defence Outcome</b>	<b>17,784,272</b>	<b>18,210,429</b>	<b>426,157</b>
Add Capital Funding not included in the cost of the Defence Outcome			
Equity Injection	765,580	752,918	(12,662)
Capital Receipts	153,901	391,877	237,976
<b>Total Defence Funding</b>	<b>18,703,753</b>	<b>19,355,224</b>	<b>651,471</b>

Total Defence funding has increased in 2000-01 compared to 1999-2000 by \$651m, due in part to the effect of preserving base-level funding in real terms and due also to additional funding, including the measures in Table 1.8. The price of outputs has also increased in real terms, as explained in *Section Three* of this document

After removing the effect of the capital use charge, Defence departmental appropriations as a share of forecast Gross Domestic Product in 2000-01 are estimated to be 1.8% compared to 1.9% for 1999-2000, including the effect of the East Timor Ad Hoc Appropriation.

**Table 1.4: Price of Outputs**

<b>Output</b>	<b>Estimated Actual 1999-2000 \$m</b>	<b>Budget Estimate 2000-01 \$m</b>
1. Defence Operations	1,421	1,387
2. Navy Capabilities	4,549	4,789
3. Army Capabilities	5,261	5,260
4. Air Force Capabilities	4,123	4,335
5. Policy Advice	727	679
<b>Total Price of Outputs</b>	<b>16,081</b>	<b>16,450</b>

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Defence received an Ad Hoc Appropriation in 1999-2000 for expenditure related to East Timor. The appropriation amount was \$740m, including capital use charge. Funding from 2000-01, for continuing East Timor operations under UNTAET, will be provided through the Appropriation (East Timor) Act 1999-2000. Estimates for 2000-01 are based on an ongoing deployment commitment of approximately 1,500 ADF personnel and the generation of additional forces to sustain the deployment.

**Table 1.5: ADF Contributions to United Nations Operations in East Timor**

	<b>Estimated Actual 1999-2000 \$'000</b>	<b>Budget Estimate 2000-01 \$'000</b>	<b>Forward Estimate 2001-02 \$'000</b>	<b>Forward Estimate 2002-03 \$'000</b>	<b>Forward Estimate 2003-04 \$'000</b>
Output Appropriation – East Timor Deployment	405,865	446,955	292,533	253,871	233,158
Force Generation	325,075	474,571	443,920	415,147	442,037
Capital Use Charge	9,000	27,371	32,000	27,912	23,375
<b>Total</b>	<b>739,940</b>	<b>948,897</b>	<b>768,453</b>	<b>696,930</b>	<b>698,570</b>

## APPROPRIATIONS

Under the budget framework, Defence receives three types of appropriations: revenue from government for departmental outputs (Appropriation Bill No.1), administered appropriations (mostly through special appropriations in separate Acts), and a departmental equity injection (Appropriation Bill No.2). The total appropriation for the Department of Defence in 2000-01 is \$18,618m. These appropriations are summarised in Table 1.6.

**Table 1.6: Total Appropriations for the Department of Defence for 2000-01**

OUTCOME	Departmental (Price of Outputs)					Administered					TOTAL APPROPRIATIONS
	Revenue from Government (Appropriations)			Revenue from other sources	Price of Outputs	Annual Appropriations		Special Appropriations	Total Administered Appropriations	\$'000 (J=C+I)	
	Bill No 1	Special Approps	Total			Bill No 1	Bill No 2				
	\$'000 (A)	\$'000 (B)	\$'000 (C=A+B)	\$'000 (D)	\$'000 (E=C+D)	\$'000 (F)	SPPs \$'000 Other \$'000 (G)	\$'000 (H)	\$'000 (I=F+G+H)		
Defence Outcome	16,104,670	-	16,104,670	345,395	16,450,065	2,839	-	1,757,525	1,760,364	17,865,034	
<b>TOTALS</b>	<b>16,104,670</b>	<b>-</b>	<b>16,104,670</b>	<b>345,395</b>	<b>16,450,065</b>	<b>2,839</b>	<b>-</b>	<b>1,757,525</b>	<b>1,760,364</b>	<b>17,865,034</b>	
Departmental Capital (Equity Injections and Loans)										<b>752,918</b>	
Administered Capital										-	
<b>TOTAL APPROPRIATIONS</b>										<b>18,617,952</b>	

**Notes:** Amounts in shading are included in annual appropriation bills.

The "Revenue from Other Sources" figure of \$345.395m is essentially accrual based revenue for the 2000-01 budget year.

The "Receipts from Independent Sources" in the Departmental Cash Flow Statement of \$748.781m reflects real cash inflows during the 2000-01 budget year. The cash flow figure also includes cash received in respect of prior year or future sales.

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Departmental appropriations net of the capital use charge broadly equate to Defence function outlays, the headline figure under the previous cash budgeting arrangements. Table 1.7 shows how Defence's departmental appropriations net of the capital use charge relate to the total price of Defence outputs.

**Table 1.7: Departmental Appropriations Net of Capital Use Charge**

	<b>Estimated Actual 1999-00 \$'000</b>	<b>Budget Estimate 2000-01 \$'000</b>	<b>Estimated 2001-02 \$'000</b>	<b>Estimated 2002-03 \$'000</b>	<b>Estimated 2003-04 \$'000</b>
Total Price of Outputs	16,081,718	16,450,065	16,511,181	16,994,402	17,503,824
Less Revenues from Independent Sources	394,482	345,395	330,200	353,429	336,535
<b>Revenue from Government for Outputs</b>	15,687,236	16,104,670	16,180,981	16,640,973	17,167,289
Add: Equity Injection	765,580	752,918	698,402	526,225	335,165
<b>Departmental Appropriations</b>	16,452,816	16,857,588	16,879,383	17,167,198	17,502,454
Less: Appropriation for Capital Use Charge	4,545,083	4,646,198	4,658,191	4,713,647	4,757,030
<b>Departmental Appropriations net of Capital Use Charge</b>	11,907,733	12,211,390	12,221,192	12,453,551	12,745,424

**Note:** The Defence departmental appropriations figure in 1999-2000 differs from the appropriation figure in the 1999-2000 Portfolio Additional Estimates Statements. This difference is due to the inclusion in these Portfolio Budget Statements of funding received from the 1999-2000 East Timor Ad Hoc Appropriation.

## BUDGET MEASURES

The budget measures relating to Defence contained in the 2000-01 budget are set out in Table 1.8. An explanation of each measure follows the table.

**Table 1.8: Summary of Measures Disclosed in the 2000-01 Budget – Appropriations**

Measure	Budget 2000-01 \$m	Forward Estimate 2001-02 \$m	Forward Estimate 2002-03 \$m	Forward Estimate 2003-04 \$m
<b>Expense Measures</b>				
Supplementation for purchases of Defence Housing Authority Services	68.9	68.6	68.4	68.7
Increasing operational availability of Reserves	20.0			
Supplementation for Commercial Rents	0	20.1	20.7	21.3
Protection of the National Information Infrastructure	0.6	0	0	0
Establishment of the Australian Strategic Policy Institute	0	0	0	0
Review of service entitlements anomalies in respect of South-East Asian service 1955-75	0	0	0	0
<b>Capital Measures</b>				
Sale of Defence property	-480.2	-7.9	-50.0	-2.5
Additional resourcing for logistic support and corporate management systems	80.0	-4.0	-4.0	-4.0
Achievement of improved submarine capability	128.0	0	0	0

### Expense Measures

#### Supplementation for purchase of the Defence Housing Authority Services

The Government will provide the Department of Defence with additional funding for the increased rental costs associated with the adoption of more commercial practices by the Defence Housing Authority. In line with the 1998 review of the Commonwealth ownership of the Defence Housing Authority, the authority is being restructured on a more commercial basis, including commercial pricing of its services to Defence. Consistent with the adoption of more commercial practices, this measure improves the transparency of the authority's pricing. The supplementation to Defence will be budget neutral as the Defence Housing Authority will return funds to the Commonwealth through increased dividends and taxes.

#### Increasing operational availability of Reserves

The Government will provide additional funding to the Department of Defence to enhance attractiveness and proficiency of the Reserves. Initiatives to increase the operational availability of the Reserves and to support their employers are also being considered by the Government.

#### Supplementation for Commercial Rents

The Government has agreed to a program of Defence property sales arising from the outcomes of a joint Department of Finance and Administration/Defence property review. The sales mainly involve metropolitan office sites which will be sold in accordance with the Commonwealth Property Principles. Certain properties will be leased back and this measure will provide Defence with rental supplementation in respect of the commercial rental rates charged. See also related capital measure titled *Sale of Defence property*.

#### Protection of the National Information Infrastructure

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The Government is providing funding to enhance Australia's capability to protect the nation's national information infrastructure from unauthorised access and use. This infrastructure provides access to a range of data and critical information, and covers both public and private sectors. The National Information Infrastructure covers telecommunications, banking and finance, transport and distribution, energy and utilities (electricity, gas and water), information services and other critical government services including defence and emergency services.

The national information infrastructure is an important new issue. It has been identified that e-commerce will add an estimated 2.7 per cent to Australia's GDP or more than \$14 billion per annum. In addition to this measure, the Government will be considering wider matters related to the security of the national infrastructure in the near future. See the related expense measure under the Attorney General's portfolio titled *Protection of the National Information Infrastructure*.

### **Establishment of the Australian Strategic Policy Institute**

The Government is funding the establishment of the Australian Strategic Policy Institute to commence in mid-2000. It is intended to provide a centre of expertise of direct value to government by providing independent policy research and analysis that will enhance the quality of policy making on Defence and strategic issues. The costs of the institute, \$1.7 million in 1999-2000 and \$2.1 million per annum from 2000-01 to 2003-04, will be absorbed within the Defence global budget. This measure delivers on the Government's election commitment in Building Combat Capability.

### **Review of service entitlements anomalies in respect of South-East Asian service 1955-75**

The Department of Defence will absorb the expense (\$1.7m in 2000-01) for provision of medals.

## **Capital Measures**

### **Sale of Defence property**

The Government has agreed to a program of Defence property sales arising from the outcomes of a joint Department of Finance and Administration/Defence property review. The sales mainly involve metropolitan office sites and are being sold in accordance with the Commonwealth Property Principles. The proceeds from the sale of these properties will be returned to the budget under this measure. Certain properties will be leased back and Defence will be provided with rental supplementation in respect of the commercial rental rates charged (see related expense measure titled *Supplementation for Commercial Rents*).

Defence will retain proceeds from other property sales (\$324.2 million over four years) to help offset budgetary pressures. This is in addition to the usual on-going assets sales program undertaken by Defence.

### **Additional resourcing for logistic support and corporate management systems**

The Government will provide additional funding to the Department of Defence to meet budget pressures in the area of logistic support and information systems, in particular:

- capital funding of \$40 million for logistic support activities such as remediation of Reserve unit equipment that was used in East Timor operation and ship refit works; and
- capital funding of \$40 million to be used on expenditure on corporate management systems, which support the introduction of the new resource management framework, including purchaser/provider arrangements.

The increase for 2000-01 in the non-financial assets of the Department of Defence is to meet budget pressures in the areas of logistic support and information systems. The net value of these assets is

reduced by depreciation over the following years. This depreciation expense is funded by the Government, and included in the Department of Defence's departmental resourcing.

**Achievement of improved submarine capability**

The Government will provide additional funding to the Department of Defence for the enhancement of two Collins class submarines. This reflects the Government's acceptance of the McIntosh/Prescott Report that further remedial work be undertaken on the Collins class submarines as matter of priority. The enhancement is due to be completed by December 2000.

## PERSONNEL

A summary of personnel estimates for 1999-2000 and 2000-01 is provided in the following table. The planned permanent ADF average funded strength for 2000-01 is 50,929, a decrease of 89 from the estimated actual for 1999-2000 of 51,018. Continuing problems with the Navy in achieving its planned staffing levels, and personnel savings measures in non-combat areas, would have reduced overall strength to 48,556. However, this will be largely offset by the Government's undertaking to increase the number of Service personnel for the ADF's involvement in East Timor, which is expected to result in an increase of 2,373 ADF personnel in 2000-01.

The planned number of Reserves for 2000-01 is 26,706, a decrease of 594 from the estimated actual for 1999-2000. This decrease is due to Reservists becoming full-time to assist in the ADF's East Timor operations and difficulties in achieving recruiting targets.

Total civilian average funded strength is planned to decrease from an estimated actual of 16,323 in 1999-2000 to 15,755 in 2000-01, a reduction of 568. This reflects the impact of market-testing and the transfer of Military Compensation Rehabilitation Scheme staff to the Department of Veterans' Affairs. This decrease is also a result of Defence Reform Program reductions, which are partly offset by civilianisation and continued recruitment of base-level and graduate entrants.

**Table 1.9: Summary of 1999-00 and 2000-01 Personnel Estimates<sup>(1)</sup>**

	Estimated Actual 1999-2000	Budget Estimate 2000-01	Variation 2000-01 Budget less 1999-00 Estimated Actual	
Personnel Numbers (Average Strength)				%
Permanent Forces				
- Navy	12,901	12,717	-184	-1.4
- Army	24,072	24,677	605	2.5
- Air Force	14,045	13,535	-510	-3.6
<b>Total Permanent Forces</b>	<b>51,018</b>	<b>50,929</b>	<b>-89</b>	<b>-0.2</b>
Reserves				
- Navy	1,803	1,803	0	0
- Army	23,455	22,872	-583	-2.5
- Air Force	2,042	2,031	-11	-0.5
<b>Total Reserves</b>	<b>27,300</b>	<b>26,706</b>	<b>-594</b>	<b>-2.2</b>
Civilian	16,265	15,725	-540	-3.3
Trust Account Staff	58	30	-28	-48.3
<b>Total Civilian</b>	<b>16,323</b>	<b>15,755</b>	<b>-568</b>	<b>-3.5</b>
<b>Total Staffing</b>	<b>94,641</b>	<b>93,390</b>	<b>-1,251</b>	<b>-1.3</b>

**Note**

1. Reserve numbers represent manning levels of the General Reserves. Permanent Forces and civilian numbers are forecasts of the average strength for the financial year.

Table 1.10: Breakdown of Personnel Numbers by Service and Rank<sup>(1)</sup>

	1999-2000 Estimate	2000-01 Estimate
<b>Navy</b>		
1 Star Officers and above	35	33
Senior Officers <sup>(2)</sup>	355	340
Officers	2,422	2,550
Other Ranks	10,089	9,794
Reserves	1,803	1,803
<b>Total Navy</b>	<b>14,704</b>	<b>14,520</b>
<b>Army</b>		
1 Star Officers and above	44	44
Senior Officers <sup>(2)</sup>	550	546
Officers	4,440	4,534
Other Ranks	19,038	19,553
Reserves	23,455	22,872
<b>Total Army</b>	<b>47,527</b>	<b>47,549</b>
<b>Air Force</b>		
1 Star Officers and above	36	36
Senior Officers <sup>(2)</sup>	471	471
Officers	3,484	3,717
Other Ranks	10,054	9,311
Reserves	2,042	2,031
<b>Total Air Force</b>	<b>16,087</b>	<b>15,566</b>
<b>Civilians</b>		
Senior Executives	96	99
Senior Officers <sup>(2)</sup>	3,079	2,985
Others <sup>(3)</sup>	13,090	12,641
Trust Account Staff	58	30
<b>Total Civilians</b>	<b>16,323</b>	<b>15,755</b>
<b>TOTAL DEFENCE</b>	<b>94,641</b>	<b>93,390</b>

**Notes**

1. Reserve numbers represent manning levels of the General Reserves. Permanent Forces and civilian numbers are forecasts of the average strength for the financial year.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and Civilian Executive Level 1 and 2.
3. Includes 91 people employed as casual labour by the Army.

## CAPITAL INVESTMENT

The capital budget for 2000-01 totals \$3,327m. This is funded partly from internal sources such as appropriations received for depreciation and other accrual items, from capital receipts and from the equity injection. The capital budget is summarised in Table 1.11 and presented in more detail in Table 2.4 in Section 2 of this document.

New capital equipment projects approved by the Government in the 2000-01 Budget are:

- military satellite communications ground infrastructure;
- aircraft self protection – collaboration with the United States; and
- Nulka missile decoy system for surface combatants – support arrangements.

While this is a reduction in the number and value of projects traditionally approved in the budget, the amount planned to be spent on new major capital equipment in 2000-01 remains relatively constant due to high levels of approval and commitment carried forward from previous years.

No new capital facilities projects were approved in the 2000-01 budget.

**Table 1.11: Defence Capital Budget**

	New Projects \$'000	Ongoing Projects \$'000	Total \$'000
Specialist Military Equipment	10,600	2,930,138	2,940,738
Land and Buildings		124,203	124,203
Other Equipment and Infrastructure		239,629	239,629
Software and Other Intangibles		22,466	22,466
<b>Total</b>	<b>10,600</b>	<b>3,316,436</b>	<b>3,327,036</b>

## Major Capital Equipment

The following table and descriptions provide details on the approved project cost, the estimated cumulative expenditure to 30 June 2000 and the estimated expenditure for 2000-01 of the top 20 (by level of expenditure) Defence major capital equipment projects in contract.

**Table 1.12: Top 20 Projects by Forecast 2000-01 Expenditure<sup>(1)</sup>**

	Approved Project Cost (Dec 99 prices)	Estimated Cumulative Expenditure to 30 June 2000 (Dec 99 prices)	Budget Estimate 2000-01 (Dec 99 prices)
	\$m	\$m	\$m
<b>Maritime and Ground</b>			
Anzac Ship Project	5,245	4,745	376
FFG Progressive Upgrade – Implementation	1,301	129	116
Minehunter Coastal Acquisition	1,231	967	91
New Submarine Project <sup>(2)</sup>	5,094	4,808	61
Evolved SeaSparrow Missile	311	134	51
Bushranger Project	302	54	38
M113 Upgrade	313	39	31
<b>Aerospace</b>			
Lead-In Fighter Capability	1,031	660	199
P3C Update	871	555	137
Anzac Ship Helicopter	952	556	115
Air To Air Weapons Capability	290	84	87
Air To Surface Stand-off Weapons Capability	395	51	85
F/A -18 Hornet Upgrade Phase 1	273	45	91
Strategic Airlift Capability	1,069	864	38
Seahawk Operational Development Program	157	76	28
<b>Electronic Systems</b>			
MILSATCOM – Military Satellite Payload	330	54	104
Jindalee Operational Radar Network	1,214	845	96
High-Frequency Modernisation	559	95	82
Tactical Air Defence Radar Systems	191	90	45
Australian Defence Air Traffic System	218	145	33
<b>TOTAL TOP 20 PROJECTS</b>	<b>21,347</b>	<b>14,996</b>	<b>1,904</b>

**Notes:**

1. Excludes projects that were not in contract at the time of preparation of the table.
2. Does not include expenditure associated with the enhancement of the two Collins class submarines.

### **Anzac Ship Project**

Ship 05 (Warramunga) is planned for delivery in the first quarter of 2001. Ship 07 (Parramatta) is scheduled for launch in mid-2000 and Ship 08 (Ballarat) is scheduled for launch in mid-2001. The Underwater and Surface Warfare Upgrade Project will enhance the Anzac ship surface and sub-surface warfare capabilities. The enhancements will be incorporated into the Anzac ship project prime contract by way of contract amendment by the end of the third quarter of 2000.

This project contributes to the Navy capability for major surface combatant operations.

### **FFG Progressive Upgrade - Implementation**

The FFG Upgrade Project seeks to regain the capability of FFG guided missile frigates to ensure they remain effective and supportable through to the end of their life. A contract was awarded to ADI in June 1999.

This project contributes to the Navy capability for major surface combatant operations.

### **Minehunter Coastal Acquisition**

MHC02 (Hawkesbury) was delivered in December 1999. MHC03 (Norman) is undergoing sea trials and is due for delivery in mid-2000. MHC04 (Gascoyne) was launched in March 2000 and will be delivered in early 2001. MHC05 and MHC06 are under construction.

This project contributes to the Navy capability for mine warfare operations.

### **New Submarine Project**

Submarines 04 (Dechaineux) and 05 (Sheean) have been designated 'fast track' submarines for priority improvement and augmentation to bring them to an interim operational level of capability by 31 December 2000. As a consequence, provisional acceptance of these two submarines by the Navy will now not take place until the end of 2000. Submarine 06 (Rankin) is 96% structurally complete and is expected to be launched towards the end of 2000. Options to achieve full capability for the Collins class are being prepared for consideration by the Government towards the middle of 2000, in the context of the Defence White Paper.

This project contributes to the Navy capability for submarine operations.

### **Evolved SeaSparrow Missile**

This project introduces the Evolved SeaSparrow Missile capability into Navy service during 2000-01. Missile deliveries are scheduled to commence in the first quarter of 2001. Anzac Ship 05 (Warramunga) will be the first Anzac ship delivered with the integrated Evolved SeaSparrow Missile installed. An upgrade of the Ordnance Support and Training Centre and Anzac Ship Support Centre in Williamstown will be completed in mid-2000. The first Missile firing will be conducted from Warramunga during post-delivery trials in mid-2001.

This project contributes to the Navy capability for major surface combatant operations.

### **Bushranger Project**

Project Bushranger (Phase 3) will increase the mobility of selected infantry battalions by equipping them with infantry mobility vehicles. Phase 3 of the project consists of the procurement of 341 infantry mobility vehicles from ADI. Significant activities planned for 2000-01 include the commencement of production of infantry mobility vehicles, signing through-life support contracts and initial procurement of support equipment.

This project contributes to the Army capability for motorised infantry operations.

### **M113 Upgrade**

The M113 Upgrade Project aims to upgrade the Army's M113 family of vehicles to the M113AS3 standard to allow them to continue to provide effective service through to 2020 and beyond. The project is currently under review to confirm that the level of capability being sought and the number of vehicles to be upgraded will provide an appropriate, cost-effective light-armoured fighting vehicle capability for the Army into the future. Subject to the review, it is expected that the Commonwealth will negotiate and sign a contract in 2000-01.

This project contributes to the Army capability for mechanised operations.

### **Lead-In Fighter Capability**

This project is to acquire a replacement aircraft for the Macchi MB-326H that has a planned withdrawal date of 2000. The replacement aircraft will be used in lead-in fighter and ADF support roles. A significant part of the latter role will be fast-jet support to the Navy fleet. The major activity planned in 2000-01 is the acceptance of the initial seven Hawk aircraft at Williamtown in mid-2000 (representing a useable training fleet). A further 14 aircraft will be delivered in late 2000 and the remaining 12 aircraft are expected to be delivered at a rate of approximately two every month thereafter. Training devices are also to be accepted in 2000-01 and RAAF in-service operations are to commence.

This project contributes to the Air Force capability for tactical fighter operations.

### **P3C Update**

This project is to update the P3C Orion fleet to assure continued operational effectiveness through to the planned withdrawal date of 2015. Under the update project, the radar, acoustic system, data management system, navigation equipment and communications equipment will all be replaced with integrated, modern systems. Activities for 2000-01 include the acceptance of aircraft 01 to 06, the operational mission simulator and the Systems Engineering Laboratory.

This project contributes to the Air Force capability for maritime patrol aircraft operations.

### **Anzac Ship Helicopter**

This project will acquire 11 maritime surveillance helicopters for the Anzac class frigates which will provide an enhanced capability to the ADF for surface surveillance, anti-surface warfare, contact investigation and maritime utility tasks. Deliveries of aircraft spares, documentation and ground support and test equipment will be ongoing throughout 2000-01. Other major activities will include the training of the initial group of helicopter maintainers and aircrew in preparation for the delivery to the Commonwealth of the first three aircraft (with the initial software build) in 2001. Australian production of aircraft will also commence. Software activities will include delivery of the Software Integration Laboratory to the In-Service Support Centre in 2001 and commencement of aircraft software integration testing in the United States.

This project contributes to the Navy capability for naval aviation operations.

### **Air To Air Weapons Capability**

This project seeks to maintain a credible air to air weapons capability for F/A-18 aircraft. To do this, it will acquire a new beyond-visual-range missile and new within-visual-range missile, together with a helmet-mounted sight. Activities for 2000-01 include the delivery of missiles for test and evaluation for both beyond-visual-range and within-visual-range capabilities. There will be ongoing work for integration of the within-visual-range missile into the F/A-18 weapon system involving the Defence Science and Technology Organisation and the Air Force Aircraft and Development Unit. Facilities for storage of missiles at Defence establishments will be upgraded.

This project contributes to the Air Force capability for tactical fighter operations.

### **Air To Surface Stand-off Weapons Capability**

This project will acquire and bring into service the AGM-142E stand-off weapon for fitment to the F-111C aircraft. It will provide the ADF with a capability to strike non-hardened and semi-hardened unitary targets while providing greater stand-off range, thereby improving the survivability of the F-111C aircraft. The activities for 2000-01 include delivery of the dummy training equipment as well as items of ground support equipment. Aircraft and missile integration design will be completed and prototype aircraft modification will commence.

This project contributes to the Air Force capability for air strike/reconnaissance.

### **F/A-18 Hornet Upgrade Phase 1**

This project seeks to upgrade the Air Force F/A-18 fighter fleet to rectify capability deficiencies, which jeopardise the effectiveness of the aircraft in its primary intercept and neutralisation role. This phase consists of the installation of radios resistant to jamming, upgraded mission computers, an additional avionics multiplex bus and an interim software upgrade to the radar warning receiver. Key activities for 2000-01 include the acceptance of the first two upgraded aircraft in late 2000 followed by the commencement of upgrades on the remainder of the fleet. It is expected that approximately half the fleet of 71 aircraft will be upgraded by the end of 2000-01, with the remainder to be completed in the first half of 2001-02.

This project contributes to the Air Force capability for tactical fighter operations.

### **Strategic Airlift Capability**

This project is to acquire 12 C-130J-30 aircraft to replace the C-130E fleet operated by 37 Squadron. The Commonwealth agreed, in August 1999 to a concept of conditional aircraft acceptance which would provide the Air Force with aircraft that could be operated safely in routine line-haul operations with the remaining capability shortfalls to be overcome by three post-delivery block upgrades. Seven RAAF C-130J-30 aircraft have been accepted in the initial configuration. The eighth aircraft was accepted in December 1999 in the second configuration. All 12 aircraft are planned to be accepted by mid-2000, with the first upgrades planned to be completed by mid-2001.

This project contributes to the Air Force capability for airlift.

### **Seahawk Operational Development Program**

This project will fit a thermal imaging system and electronic support and counter-measure systems to all 16 Navy S-70B-2 Seahawk helicopters. It will acquire and integrate these systems onto the aircraft and adapt the Seahawk support systems at the Air Warfare Systems Centre. Modifications will be made to the prototype helicopter allowing ground and flight installed performance testing throughout 2001. Following successful completion of testing, production of the remaining 15 helicopters will be authorised. In addition to the helicopter modifications, work to bring the flight mission simulator and the software support centre to the same configuration as the helicopters will commence.

This project contributes to the Navy capability for naval aviation operations.

### **Milsatcom – Military Satellite Payload**

This project will provide the ADF with a dedicated military payload on an Optus commercial satellite and will deliver a range of communications capabilities including the establishment of infrastructure for the ground control and management of the Defence payload. The contract for the Australian Defence Satellite Communications Capability was signed in October 1999. Work on development of the satellite will progress throughout 2000-01. The capability is expected to be in place by mid-2002.

This project contributes to the Defence Operations capability for command of operations.

### **Jindalee Operational Radar Network**

This project will provide two over-the-horizon radars; one near Longreach, Queensland and the other near Laverton, Western Australia. Each will be operated from the Jindalee Operational Radar Network Coordination Centre at RAAF Edinburgh, South Australia. Activity in 2000-01 will centre on integrating and optimising the hardware and the full suite of 'pedigree' software at the remote sites following the successful verification of initial capability in late 1999. Evaluation and acceptance testing by the contractor and Defence is scheduled to be conducted over 2001 and into 2002, with commencement of RAAF-controlled surveillance operations projected for mid-2002. An external study into possible connection of the Longreach radar sites to the Queensland power grid in order to substantially reduce future running costs has been commissioned. The study has not, as yet, identified suitable technology to meet the radar's pulsating power requirements without affecting the stability of power for other users.

This project contributes to the Air Force capability for strategic surveillance.

### **High-Frequency Modernisation**

This project was instigated to replace Naval High-Frequency Stations at Canberra, Darwin, Exmouth, Sydney, Cairns and HMAS Stirling (WA) and the Air Force High-Frequency stations at

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Sydney, Townsville, Darwin and Perth, and to upgrade and provide compatible High-Frequency equipment in selected ADF mobile platforms (ships, aircraft and communications shelters). Prime-contract activity scheduled for 2000-01 includes construction of new network node buildings, fit-out of the main network management facility, assembly of the large transmitting 'rosette' antenna arrays and completion of the detailed design review for the core system. Defence will furnish the inter-node communications links to the contractor during 2000-01.

This project contributes to the Defence Operations capability for command of operations.

### **Tactical Air Defence Radar Systems**

This project is to acquire four mobile air defence radar systems to replace the existing air defence radars. The project will also provide a transport capability for the new systems and satellite communications between the new systems and the fixed air defence installation. Project activity during 2000-01 will concentrate on system production and integration, acceptance test and evaluation, operational evaluation and transition into service. The new systems are expected to be delivered during 2001-02.

This project contributes to the Air Force capability for strategic surveillance.

### **Australian Defence Air Traffic System**

This project replaces air traffic control equipment at all Defence sites throughout Australia. The replacement is planned to provide efficient, modern military air traffic control services that will accommodate current and predicted changes in airspace classifications. The new system is also planned to be interoperable with both the air defence systems and the new Airservices Australia air traffic system. The Defence air traffic system is expected to be commissioned at eight of the 12 intended sites during 2000-01.

This project contributes to the Air Force capability for strategic surveillance.

## Significant Current Facilities Projects

The following table and descriptions provide detail on planned progress and estimated expenditure for the significant ongoing major facilities projects in 2000-01.

**Table 1.13: Significant Major Facilities Projects**

<b>PROGRAM OF WORKS (State, Federal Electorate and Locality)</b>	<b>Approved project cost \$m</b>	<b>Estimated Expenditure to 30 June 00 \$m</b>	<b>Budget Estimate 2000-01 \$m</b>
<b>QUEENSLAND</b>			
<b>Herbert</b>			
Townsville - Lavarack Barracks Redevelopment Stage 2	139.3	25.2	75.6
Townsville - RAAF Townsville Redevelopment Stage 1	79.0	1.3	20.0
<b>Oxley</b>			
Amberley - RAAF Amberley Redevelopment	77.4	18.3	40.0
<b>NEW SOUTH WALES</b>			
<b>Eden/Monaro</b>			
Eden - Navy Ammunitioning Facility	40.0	7.4	16.1
<b>Gilmore</b>			
Nowra – HMAS Albatross Redevelopment	110.0	38.7	24.1
<b>Patterson</b>			
Williamstown – RAAF Williamstown: Eastern Regional Operations Centre Development	18.0	16.1	1.9
<b>VICTORIA</b>			
<b>Melbourne Ports</b>			
Fishermans Bend - Relocation of DSTO Aeronautical and Maritime Research Laboratory	56.2	0.3	4.0
<b>Maribyrnong</b>			
Albion - Decontamination of former Albion Explosives Factory	28.6	22.3	3.5
<b>SOUTH AUSTRALIA</b>			
<b>Bonython</b>			
Salisbury - RAAF Edinburgh Redevelopment Stage 1	37.7	0.1	3.1
<b>NORTHERN TERRITORY</b>			
<b>Darwin</b>			
Darwin – Joint Army Deployment Facility Development Stage 2	268.3	213.2	14.1
Darwin - RAAF Darwin: Development of Operational Facilities Project	59.5	54.3	3.7
<b>ACT</b>			
<b>Fraser</b>			
Campbell Park – Campbell Park Refurbishment	30.0	13.1	7.5
<b>Canberra</b>			
Weston – Australian Command and Staff College	28.0	7.4	20.4

**Lavarack Barracks Redevelopment Stage 2 – Townsville, Qld**

Stage 2 of the Lavarack Barracks redevelopment will provide various facilities and infrastructure, including new single-soldier living accommodation, to ensure the long-term viability of Lavarack Barracks as the major base of the ADF Ready Deployment Force. A managing contractor has been engaged and work has commenced. Construction is expected to be completed in December 2001.

This project contributes to Army capabilities.

**RAAF Townsville Redevelopment Stage 1 – Townsville, Qld**

Stage 1 works include operational facilities for fighter/strike and maritime aircraft, the consolidation of maintenance activities into a single complex and the replacement/upgrade of base engineering services. An Indigenous Land Use Agreement for the land on which to site the operational facilities is being negotiated. It is expected that construction will start in October 2000 and be completed in January 2002.

This project contributes to Air Force capabilities.

**RAAF Amberley Redevelopment – Amberley, Qld**

This project provides improved aircraft maintenance, operational support and training facilities at RAAF Amberley. The primary role of units at the base is to support the Strike Reconnaissance Group. Construction commenced mid-1999 with completion expected by mid-2002.

This project contributes to Air Force capabilities.

**Navy Ammunitioning Facility – Eden, NSW**

Defence is examining its requirements for the provision of re-ammunitioning facilities for Navy ships from the fleet base and the east coast exercise area. The parliamentary Public Works Committee conducted a hearing into a proposal to establish the facility at Twofold Bay, Eden, NSW. Subject to parliamentary approval, it is anticipated that the contract for the wharf will be let by November 2000, with completion of the project in early 2002.

This project contributes to Navy capabilities.

**HMAS Albatross Redevelopment – Nowra, NSW**

This project will provide modern facilities to support continuing operations at the base. For Stage 1, the initial design development for all elements is progressing and the air traffic control tower works element was completed in April 2000. For Stage 2, a parliamentary Public Works Committee hearing covering the additional works now included in the project took place in March 2000.

This project contributes to Navy capabilities.

**RAAF Williamtown: Eastern Regional Operations Centre Development - Williamtown, NSW**

The project is for the construction of new facilities to accommodate air defence operations, training, maintenance, administration and logistics activities. Construction will be completed in mid-2000.

This project contributes to Air Force capabilities.

**Relocation of DSTO Aeronautical and Maritime Research Laboratories – Fishermans Bend, Vic**

This project aims to improve operational and cost efficiencies for the Defence Science and Technology Organisation's Aeronautical and Maritime Research Laboratory, which currently has two principal sites located in Melbourne. The proposal provides for the relocation of functions from Maribyrnong to Fishermans Bend, integration of common functions and enhanced capabilities. A parliamentary Public Works Committee hearing on the proposed relocation took place in March 2000.

This project contributes to Navy, Army and Air Force capabilities.

**Decontamination of former Albion Explosives Factory – Albion, Vic**

A remediation and redevelopment agreement was signed with the Victorian Urban Land Authority in November 1997 for the authority to manage all further remediation and disposal of the site. Remediation design has been completed and the contract for the remediation of the site has been let. The works are expected to be completed in mid-2000.

**RAAF Edinburgh Redevelopment Stage 1 – Salisbury, SA**

This project comprises relocating and consolidating the Aircraft Research and Development Unit into new administrative and support facilities on the base, new facilities for the Maritime Patrol Logistics Management Squadron, rationalisation of logistics support functions and engineering services in the technical area of the base. A parliamentary Public Works Committee hearing on the proposed redevelopment is planned to occur in the third quarter of 2000.

This project contributes to Air Force capabilities.

**Joint Army Deployment Facility Development Stage 2 – Darwin, NT**

This project supports the relocation of the 1st Brigade to Robertson Barracks in Darwin. The Stage 1 development was physically completed in February 1999. Stage 2 is ahead of schedule and is expected to be completed in late 2000. Finishing stages 1 and 2 will see the completion of operational, command, administration, accommodation, domestic, recreational and industrial facilities.

This project contributes to Army capabilities.

**RAAF Darwin: Development of Operational Facilities Project – Darwin, NT**

The project, to support the strategic development of the north of Australia, is continuing with a planned completion date of October 2000. Operational technical support facilities, a base command post and fuel storage and ordnance loading aprons are complete. A central emergency power station and engineering services will be completed in mid-2000.

This project contributes to Air Force capabilities.

**Campbell Park Refurbishment – Campbell Park, ACT**

Refurbishment of Campbell Park Offices commenced in mid-1999 and is scheduled to be completed towards the end of 2000.

This project contributes to all Defence outputs.

**Australian Command and Staff College – Weston, ACT**

The purpose of this project is to enable the collocation of the three single-Service staff colleges and equivalent civilian training functions. Work commenced in December 1999 and is scheduled to be completed in January 2001 to coincide with the first intake of students.

This project contributes to all Defence outputs.

**PORTFOLIO EVALUATIONS**

Defence's portfolio evaluation strategy is designed to enhance evaluation as an integral part of the Defence performance management framework. It flows directly from the Government's performance management principles and complements continuous performance monitoring by ensuring the targeted utilisation of evaluation as a more precise tool to assist in effective management. The strategy includes an annual schedule of portfolio-level evaluations.

Portfolio evaluations endorsed by the Defence Audit and Program Evaluation Committee for calendar year 2000 are:

- Career Management Practices;
- Management of Contractor Relationships; and
- Gender Integration (including broader equity issues).

The scope and terms of reference for these evaluations are currently being developed.

Portfolio evaluations endorsed by the Defence Audit and Program Evaluation Committee for calendar year 2001 are:

- Enterprise Resource Planning in Defence; and
- Progress in Pursuing the National Support Agenda.

Results from portfolio evaluations conducted in 2000-01 will be reported in the Defence Annual Report to be tabled in October 2001.

## COMPETITIVE TENDERING AND CONTRACTING

The Commercial Support Program has been a long-term competitive tendering and contracting initiative through which commercial and in-house bids compete for the provision of services, with the resulting decision giving the best value for money for Defence. This market testing assists in the delivery of Defence outputs by strengthening the national support base for Defence through a more effective partnership with Australian industry and by ensuring the most effective and efficient use of all resources.

### Market-Testing Decisions Expected in 2000-01

In 2000-01, eight further market-testing decisions, involving some 1,250 positions, are expected to be taken. These are listed in the following table.

**Table 1.14: Market-Testing Decisions Expected in 2000-01**

Activity Name	Total Positions to be tested	Decision Announced
501 Wing (RAAF Amberley) - F111 Engines	118	July 2000
Army Engineering Agency Engineering Manufacturing Unit	31	July 2000
Maintenance of T56 Engines	12	October 2000
Victorian Health Services	275	November 2000
Woomera Support Services	38	August 2000
Publishing and Printing	252	October 2000
Clerical and Administrative Support – Sydney Combined	192	September 2000
Clerical and Administrative Support - ACT/Southern NSW	332	July 2000
<b>Total Positions</b>	<b>1,250</b>	

**Note:** The projected number of positions and decision dates are subject to change as the process is refined for each activity. The table is current as at 1 May 2000.

Decisions in 2000-01 will see the completion of testing of three series of activities – the remainder of 501 Wing, the Army Engineering Agency and clerical and administrative support. The last two clerical and administrative support activities (Sydney Combined was listed in 1999-2000 as two separate activities) were scheduled for May/June 2000 but have slipped to the commencement of 2000-01. Victorian health services will now be decided in November 2000. The non-operational health services activity has now been refined into two activities with significant market-testing work to occur within 2000-01. No announcement dates have been decided for these two activities at the time of printing. Market-testing work on other health services will also be undertaken in 2000-01.

2000-01 will also see the implementation of major market-testing decisions taken in 1999-2000. These include 501 Wing (F111 aircraft maintenance), 503 Wing (C130 deep maintenance), the ADF Explosive Ordnance project, the Defence Integrated Distribution System project and the clerical and administrative activities in South Australia, Queensland, southern Victoria and the Australian Capital Territory.

## PURCHASER/PROVIDER ARRANGEMENTS

### Cross Agency Overview

Defence has a purchaser/provider arrangement with the Defence Housing Authority. The authority provides Defence with housing services for ADF personnel.

Defence purchases nearly all of the services provided by the Defence Housing Authority. The authority provides details within this document of its outcome, output and financial statements.

### Control Arrangements

The Defence Housing Authority is a statutory authority responsible, through its Board, to the Minister for Finance and Administration and the Minister Assisting the Minister for Defence. It was established in 1987, commencing operations on 1 January 1988, and provides a range of customer services formerly delivered by the Department of Defence.

The authority's activities are overseen by a Board comprising:

Chairman	-	Mr P E Jollie;
Managing Director	-	Mr K T Lyon;
Commercial Director	-	Mr M J Brandon-Baker;
Commercial Director	-	Mr T R O'Brien;
Commercial Director	-	Mr J D O'Grady;
Commercial Director	-	Ms H Ryan;
ADF representative	-	Major General P J Dunn AO;
ADF representative	-	Rear Admiral G F Smith AM RAN;
ADF representative	-	Major General P J Abigail AO;
ADF representative	-	Air Vice Marshal A W Titheridge AM;
Department of Defence representative	-	Dr I S Williams; and
Service families representative	-	Mrs J Swann.

### Resourcing

The purchase of services from the Defence Housing Authority is resourced through 'Revenues from Government' for Defence Outputs (see Table 2.1 in *Section Two*). The 2000-01 budget estimate for this is \$386.8m, which includes \$68.9m for the additional costs associated with the commercialisation of the authority.

### Budget measures

The Department of Defence will be provided with supplementary funding (\$68.9m for 2000-01) for the increased costs associated with the adoption of more commercial practices by the Defence Housing Authority. The supplementation will meet the increased costs to the Department of Defence associated with the authority's commercially pricing its services.