

# **DEPARTMENT OF DEFENCE**

## **SECTION THREE OUTPUTS**

### **RESOURCING OF DEFENCE OUTPUTS**

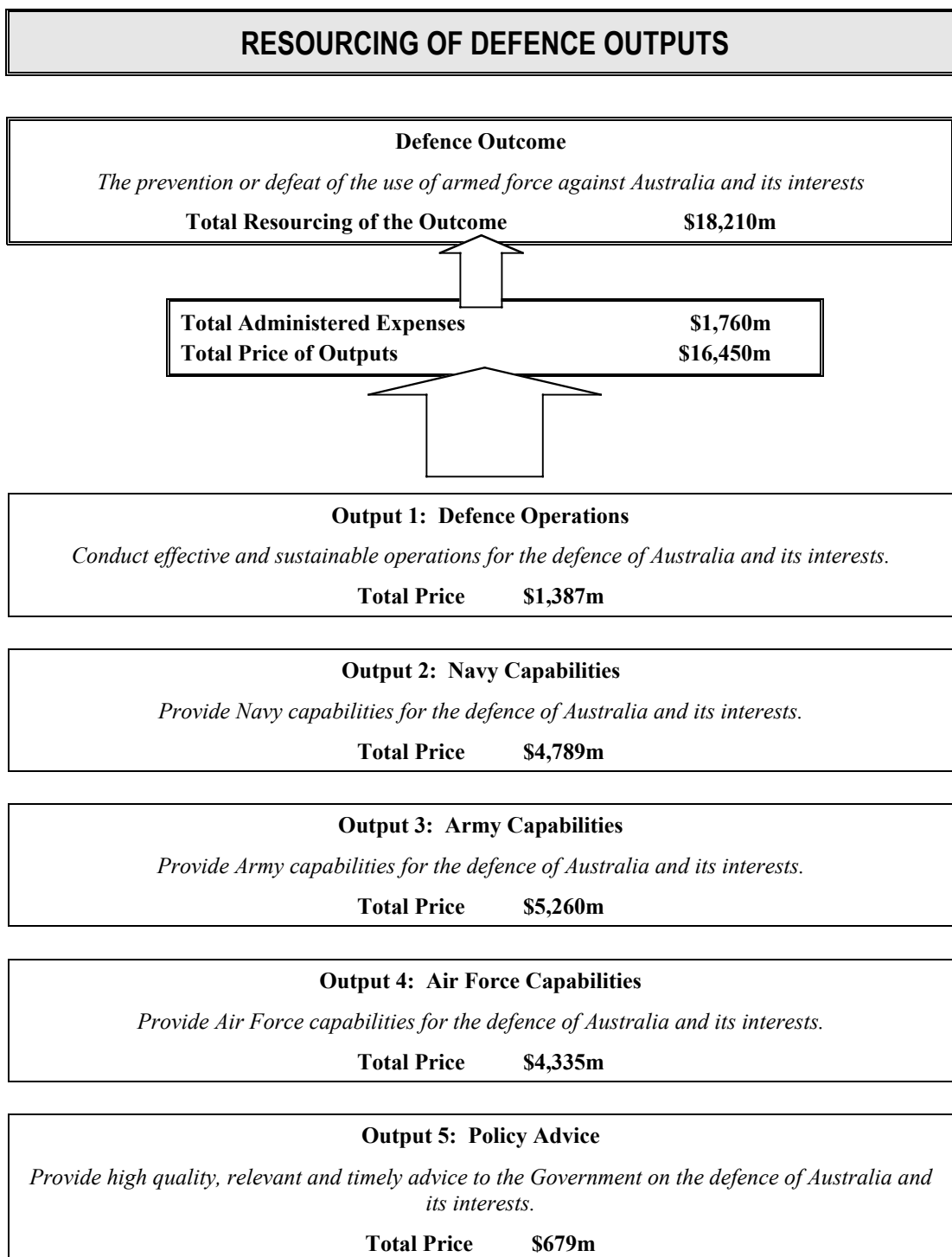
**OUTPUT 1: DEFENCE OPERATIONS**

**OUTPUT 2: NAVY CAPABILITIES**

**OUTPUT 3: ARMY CAPABILITIES**

**OUTPUT 4: AIR FORCE CAPABILITIES**

**OUTPUT 5: POLICY ADVICE**



## OUTPUT 1: DEFENCE OPERATIONS

### DESCRIPTION

Defence contributes to the achievement of the Government's desired outcome through the provision of Defence operations including:

- effective command of military campaigns, operations and other activities;
- effective ADF combat and non-combat operations;
- strategic plans to support successful ADF operations;
- military geospatial information capabilities;
- effective international activities, including overseas deployments and representation, to enhance the ADF's ability to conduct successful operations; and
- emergency and non-emergency support to the Government and Australian community in non-combat related roles, which are possible as a result of Defence's military capabilities.

### PERFORMANCE TARGETS FOR 2000-01

#### Priorities for 2000-01

##### Command of Operations

- Develop and maintain an ADF capability to provide effective command of campaigns, operations and other activities to deter or defeat the use of armed force against Australia or its interests.
- Determine the operational preparedness requirements necessary to meet the Chief of the Defence Force's December 1999 Preparedness Directive.
- Identify strategies and develop strategic plans for the successful conduct of ADF operations.
- Achieve strategic objectives and satisfy exercise preparedness objectives and individual joint exercise objectives.
- Provide military strategic planning guidance for the planning of military campaigns and activities.
- Develop national and Defence policies for information operations.
- Progress the development of the ADF's satellite communications capability.
- Upgrade priority elements of the Defence wide area communications network.
- Modernise the ADF's high-frequency communications capability.
- Provide command support system hardware and software to high-priority ADF units, particularly in the Army.

### **ADF Military Operations**

- Satisfy agreed military objectives.
- Effectively command, deploy, sustain, and redeploy forces.
- Develop and maintain military strategic planning guidance, including a range of military response options, to inform ADF preparedness, campaign planning and the conduct of combat operations and ADF peacekeeping and humanitarian operations.
- Continue provision of ADF operations support to the UNTAET peacekeeping force (Operation Tanager). The duration of this operation is currently unknown but is expected to last for some time and will involve approximately 1,500 ADF personnel deployed at any one time.
- Provide ADF support to the Sydney Olympic Games (Operation Gold) involving some 4,000 personnel.
- Continue support to Operation Bel Isi 2 to maintain the Lincoln Ceasefire Agreement on Bougainville. This comprises the Peace Monitoring Group of approximately 306 personnel including 240 ADF personnel and five Defence civilians.
- Continue ADF contributions to United Nations and other peace and security operations around the world:
  - Operation Coracle – humanitarian de-mining support by two personnel to United Nations Demining Program, Mozambique;
  - Operation Osier – staff officer support by 10 personnel to the Stabilisation Force, Bosnia Herzegovina;
  - Operation Paladin – 13 military observers with the United Nations Truce Supervisory Organisation, Middle East;
  - Operation Blazer – specialist support by two personnel to the United Nations Special Commission, Iraq; and
  - Operation Mazurka – 27 observers with the multinational force, Sinai.
- Provide analytical and systems support to increase the preparedness of ADF rotation units prior to deployment with UNTAET and improve the capability of ADF units in East Timor to conduct operations.

### **Military Geospatial Information**

- Establish geospatial information infrastructure and services as a critical component of a balanced, flexible and interoperable set of geospatial information.
- Continue conducting a program to enhance the ability of the RAAF Aeronautical Information Service to support current and future flight operations.
- Continue the review of the ADF Geospatial Information Strategic Plan.

### **International Activities and Regional Engagement**

- Develop, coordinate and facilitate the conduct of Defence's program of international engagement activities, including science and technology.
- Maintain comprehensive high-level bilateral discussions and reciprocal visits with regional and allied defence organisations on defence engagement programs and defence reform and management, in support of the Defence International Engagement Plan.
- Support the achievement of the Government's desired outcome through bilateral and multilateral international activities.
- Maintain effective management processes for the expenditure of defence cooperation funds on projects of mutual benefit with our regional neighbours.

- Investigate establishing a formal relationship with the Nato Research and Technology Organisation.
- Continue to provide specialist technical advice to the Government on further development of the Biological Weapons Convention.
- Sign a revised memorandum of understanding governing the Technical Cooperation Program between the United Kingdom, the United States of America, Canada, New Zealand and Australia.

#### **National Support Tasks**

- Provide surface and aerial surveillance, intelligence and operations planning support to Coastwatch.
- Provide ADF military support to the states as directed by the Government, where state resources are insufficient or not readily available.
- Provide support for the chemical, biological and radiological defence capability for the Sydney 2000 Olympics.

### **Capability Enhancement Initiatives for 2000-01**

#### **Command of Operations**

- Implement the December 1999 Australian Theatre Operational Preparedness Directive.
- Commence the inaugural Australian Command and Staff Course in January 2001 to promote a joint and integrated approach to command and staff functions to improve performance in operational headquarters and elsewhere.
- Undertake an assessment of the ADF's ability to process information during warfare to help develop priorities for integration of command, control, communications, computing, intelligence, surveillance and reconnaissance capabilities over the next five years.
- Implement the Theatre Broadcast System as a demonstrator and interim operational capability following the successful deployment of the developmental system in East Timor.
- Develop an advanced version of a prototype portable toolkit capable of rapid on-site deployment to assist in detecting and managing intrusion on computer networks.
- Extend Joint Command Support System infrastructure to theatre headquarters components and develop software applications to enhance operational planning.
- Develop command and control capabilities for Joint Task Force Headquarters.
- Complete the development of a software component for the combined display of imagery and geospatial information that can be used as a foundation to display other command, control, communications, computing, intelligence, surveillance and reconnaissance information.
- Bring forward a proposal for the location of an integrated Headquarters Australian Theatre.

#### **ADF Military Operations**

- Redevelop Defence's deployable health capabilities to ensure effective support for war fighting and other operations. The first phase, a project definition study, is to be completed by 2002-03.
- Expand the Joint Intelligence Support System to the tactical level of command.

**Military Geospatial Information**

- Commission two new 2,500 tonne hydrographic ships (Melville and Leeuwin).
- Commence upgrade of the survey motor launches, to be completed in 2003.
- Develop a digital database, for commissioning in 2002, at the Australian Hydrographic Office to support production of digital products.
- Complete upgrade of the tactical environmental support system for commissioning in mid-2000.
- Establish oceanographic data-exchange agreements with the United States Navy during 2000-01 and the Royal Malaysian Navy by January 2001.
- Produce a coordinated geospatial information research and development plan by the end of 2001.
- Continue to revitalise a number of Asia Pacific regional geospatial information-sharing arrangements.

**CAPABILITY PERFORMANCE INFORMATION**

**Table 3.1.1: Performance Targets**

<b>Capability Details</b>	<b>Performance Targets</b>
<p><b>Command of Operations</b> Development and maintenance of an ADF capability to provide effective command of military campaigns, operations and other activities for:</p> <ul style="list-style-type: none"> <li>• defeating attacks against Australia;</li> <li>• defence of regional interests;</li> <li>• defence of global interests;</li> <li>• protection of national interests; and</li> <li>• other national support tasks.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• No preparedness shortfalls against Australian Theatre Operational Preparedness Directive.</li> <li>• No shortfalls against exercise preparedness objectives.</li> <li>• 100% of total headquarters' positions filled with adequately trained personnel.</li> <li>• 100% achievement of strategic objectives.</li> <li>• No post-operation reports identifying command deficiencies.</li> <li>• 100% achievement of individual joint exercise objectives.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Tempo of campaigns, operations and exercises commanded.</li> <li>• Extent to which available resources satisfy operational and exercise activity.</li> <li>• Number of operations conducted as required by Government.</li> </ul>
<p><b>ADF Military Operations</b> Forces assigned by Service Chiefs that can meet operational preparedness directives.</p> <p><i>Note: The nature of ADF military operations is such that it is not possible to anticipate or predict the likelihood or scope of the ADF's involvement in military contingencies. The success of a military operation is measured against the satisfaction of the commander's intent and the attainment of the designated end-state.</i></p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Deployed forces are effectively commanded, deployed, sustained, and redeployed.</li> <li>• Agreed military objectives are satisfied.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Number of operations conducted as required by Government.</li> </ul>

Capability Details	Performance Targets
<p><b>Military Geospatial Information</b>                      Provision of hydrographic, topographic, aeronautical, meteorological and oceanographic information through an ongoing collection, production and dissemination program to support:</p> <ul style="list-style-type: none"> <li>• operational users and ADF operational requirements;</li> <li>• training or other users to support ADF preparedness; and</li> <li>• national users to satisfy Hydrographer RAN responsibilities as national hydrographer.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Able to satisfy operational requirements with digital and paper products.</li> <li>• Provide coverage required:                             <ul style="list-style-type: none"> <li>- to required standard and specification;</li> <li>- to satisfy AS9002 quality accreditation where appropriate; and</li> <li>- in the format required.</li> </ul> </li> <li>• Able to provide an effective response to short-notice requirements in support of operations and exercises.</li> <li>• Able to provide geospatial data and products in support of military response options/Chief of the Defence Force's Preparedness Directive requirements.</li> <li>• Able to satisfy requirements within the time required, in respect of both forecast production and short notice requirements.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Achieve planned production targets.</li> <li>• Achieve targets for acquisition of hydrographic and topographic data and products to meet short notice requirements.</li> </ul>
<p><b>International Activities and Regional Engagement</b>                      Maintenance of effective international relationships, and management of overseas deployments and representation which enhance the ADF's ability to conduct successful operations by better positioning the ADF now and in the future in relation to countries of strategic significance to Australia.</p> <p>International activities that support the Defence International Engagement Plan and contribute to the whole-of government consideration of a range of international activities.</p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Successfully conduct a program of visits by senior Defence and Government representatives.</li> <li>• Successfully conduct a program of working-level engagement activities, meetings, and seminars.</li> <li>• Successfully conduct a program of overseas ADF deployments in support of Defence Cooperation, including exercises and combined operations.</li> <li>• Successfully conduct a program of Defence Cooperation activities, including education, training and exchanges.</li> <li>• Effectively manage the expenditure of defence cooperation funds for projects of mutual benefit with our regional neighbours.</li> <li>• Services provided:                             <ul style="list-style-type: none"> <li>- display qualities of anticipation and initiative, enabling effective shaping of Australia's strategic security environment; and</li> <li>- represent unity of effort across Defence and government, and a common understanding of Australia's strategic objectives.</li> </ul> </li> <li>• Responses to crises are rapid and effective.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• As required by Defence and government representatives.</li> </ul>

Capability Details	Performance Targets
<p><b>National Support Tasks</b>                      ADF emergency and non-emergency assistance to the Government and the Australian community in non-combat related roles.</p> <p><i>Note: The nature of national support tasks is such that it is not possible to anticipate or predict the likelihood or scope of the ADF's involvement in national support tasking. Only the ADF contribution to civil surveillance is routinely tasked in response to Government direction. In other cases, ADF involvement is a result of calls for assistance from the applicable civil authority in response to natural and human-caused disasters affecting the Australian community.</i></p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Maintain forces identified in the Australian Theatre Operational Preparedness Directive (OPD) at the levels of preparedness specified for Defence Force Aid to the Civil Power.</li> <li>• Maintain forces identified in the OPD at the levels of preparedness identified for Defence Assistance to the Civil Community.</li> <li>• Progress achieved by the Army against the Army/Aboriginal and Torres Strait Islander Commission community assistance project.</li> <li>• Maintain forces identified in the OPD at the levels of preparedness specified for civil search and rescue.</li> <li>• 100% of authorised search and rescue tasks completed without further incident.</li> <li>• Maintain forces identified in the OPD at the levels of preparedness specified for Defence support to civil surveillance.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Number of emergency management tasks undertaken.</li> <li>• 100% of directed aid to the civil power tasks successfully completed.</li> <li>• 100% of assistance to the civil community tasks accepted and completed by the ADF in accordance with agreed terms and standards.</li> <li>• As required to meet specified Army/Aboriginal and Torres Strait Islander Commission community assistance project milestones.</li> <li>• Number of search and rescue tasks undertaken involving ADF assistance.</li> <li>• 250 hours of aerial surveillance provided by P-3C aircraft.</li> <li>• 1,800 ship-days of surface patrol and response provided by patrol boats.</li> <li>• Number of other significant surveillance and/or response tasks conducted.</li> </ul>

## PRICE OF OUTPUT 1

Table 3.1.2: Total Price of Output 1

	Estimated Actual 1999-2000	Budget Estimate 2000-01	Variation (Estimated Actual to Budget Estimate)	
	\$m	\$m	\$m	%
<b>Operating Expenses</b>				
Employees – Military	459.5	455.5	-4.0	-0.9
Employees – Civilian	90.3	80.1	-10.2	-11.3
Suppliers	463.5	474.6	11.1	2.4
Inventory Consumption	112.3	70.5	-41.8	-37.2
Depreciation and amortisation	71.0	86.1	15.1	21.3
Net losses from sales of assets <sup>(1)</sup>	2.9	-	-2.9	-100.0
Write-down of assets	16.4	-	-16.4	-100.0
Other	8.4	6.5	-1.9	-22.6
<b>Total operating expenses</b>	<b>1,224.3</b>	<b>1,173.3</b>	<b>-51.0</b>	<b>-4.2</b>
Capital Use Charge	196.4	214.0	17.6	9.0
<b>Total Price of Output</b>	<b>1,420.7</b>	<b>1,387.3</b>	<b>-33.4</b>	<b>-2.4</b>

**Note:**

1. At the Defence portfolio level, the sale of assets has resulted in a loss (expense) in 1999-2000 and a gain (revenue) in 2000-01. When determining the price of outputs, expenses are included but revenue is excluded. Accordingly, the net gain from the sale of assets in 2000-01 shown in Table 2.1 is not in the table above.

**Explanation of significant variations****Employees – Military (-\$4.0m)**Price

- +\$7.9m Full-year effect of the ADF Enterprise Productivity Arrangement.  
+\$5.9m Provision for the adoption of more commercial practices by Defence Housing Authority.

Real

- \$17.1m Revised East Timor deployment requirements including force generation.  
+\$11.3m Revised provisions because of changes in methodology of allocating allowances and revised calculation of long service leave and annual leave expenses.  
-\$5.4m Efficiency gains in non-core areas resulting from market testing.  
-\$3.8m Intention to have support activity positions filled at a lower occupancy level, and revised provisions because of changes in methodology of allocating allowances.  
-\$2.9m Centrally-held provision for unallocated fringe benefits tax savings.  
-\$0.2m Reduction associated with variation in Service personnel occupancy numbers.

Section Three

**Employees – Civilian (-\$10.2m)**

Price

+\$4.4m Centrally-held provision for anticipated civilian pay outcome.

Real

-\$6.8m Revised East Timor deployment requirements.

-\$5.2m Represents cost for Defence Topographic Agency. Due to an oversight, funding for the agency been allocated in 1999-2000. Funding will be allocated for 2000-01 and the forward estimates.

-\$1.9m Other minor miscellaneous variations.

-\$0.7m Efficiency gains in non-core areas resulting from market testing.

**Suppliers (+\$11.1m)**

Real

+\$55.8m Revised East Timor deployment requirements including force generation.

-\$32.0m Non-recurring funding for Operation Safe Haven.

-\$15.9m Additional funding for non-recurring operations in 1999-2000.

+\$10.0m Re-allocation of suppliers from Output 3 (military employee expenses) in support of the Olympics (Operation Gold).

+\$8.6m Delivery of two hydrographic ships (Melville and Leeuwin), including increased spares support for hydrographic survey activity.

-\$8.5m Non-recurring information technology support costs for Project Diary and Y2K remediation.

-\$7.8m Write-off of assets under construction.

-\$7.5m Non-recurring funding in 1999-2000 for Y2K remediation and Defence Reform Program transition costs. Also includes a reduction in compensation and legal expenses and in capital acquisition preliminary design studies.

+\$7.0m Net effect of the centrally-held provision for implementation costs of savings initiatives, including market testing, garrison support, rationalisation of clerical and administration activities, reductions in travel and subsequent efficiency gains.

+\$1.3m Air Force holdings of funds to be allocated throughout the year to high-priority tasks.

-\$1.1m Disposal of land and buildings.

Transfer

+\$1.7m Removal expenses transferred from 'Other'.

**Inventory Consumption (-\$41.8m)**

-\$48.2 Revised East Timor deployment requirements.

+\$4.5m Delivery of two hydrographic ships (Melville and Leeuwin).

**Depreciation and Amortisation (+\$15.1m)**

Real

+\$11.5m Acquisitions of upgraded communications systems as part of East Timor force generation.

+\$8.3m Delivery of two hydrographic ships (Melville and Leeuwin).

-\$5.0m Disposal of administrative assets and land and buildings.

**Net Losses from Sales of Assets (-\$2.9m)**

Real

-\$2.8m Disposal of land and buildings, reflecting a loss in 1999-2000 while a gain is forecast in 2000-01.

**Write-down of Assets (-\$16.4m)**

-\$16.4m The write-down relates to outstanding loans made to ADI Ltd for \$93m. The loan amounts were wrapped into the final sale arrangements and were either waived or assumed by other entities. Defence is to receive partial reimbursement direct from the Budget in 2000-01. The \$16.4m amount represents the apportioned share of the write off for this output.

**Other (-\$1.9m)**

-\$1.7m Removal expenses transferred to 'Suppliers'.

**Capital Use Charge (+\$17.6m)**

Real

+\$8.3m Upgrade of communications systems (both high frequency and military satellites).

+\$11.9m Delivery of two hydrographic ships (Melville and Leeuwin).

-\$6.0m Disposal of land and buildings.

+\$3.0m Survey Motor Launch project.

## OUTPUT 2: NAVY CAPABILITIES

### DESCRIPTION

Defence contributes to the achievement of the Government's desired outcome through the provision of capabilities for maritime operations. Navy capabilities are: Surface Combatant Operations, Naval Aviation Operations, Patrol Boat Operations, Submarine Operations, Afloat Support Operations, Mine Warfare Operations and Amphibious Lift Operations.

The Navy provides maritime forces that contribute to the ADF's capacity to defeat attacks against Australia, defend regional interests, defend global interests, shape the strategic environment and protect national interests. Navy capabilities provide maritime patrol and response, interdiction and strategic strike, protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, combat search and rescue and escort duties. Peacetime activities include maritime surveillance and response within the Australian exclusive economic zone in support of Coastwatch, distribution of humanitarian aid and maritime search and rescue.

### PERFORMANCE TARGETS FOR 2000-01

#### Priorities for 2000-01

- Ensure that Navy capabilities meet directed preparedness requirements and sustain ongoing operational commitments.
- Build up the amphibious capability and introduce two Collins class submarines into operational service.
- Develop and implement real-time management information systems which link performance and resourcing levels to support capability-based decision making.
- Develop affordable designs to take the present Navy through the short term (c2003) and enhance its capabilities into the medium term (c2010).
- Develop a new Navy plan and continue implementation of the new Navy structure to strengthen capability-based management.
- Provide specified Navy capability in support of the Sydney Olympic Games.
- Implement strategies aimed at improving the management of the Navy's workforce, particularly its retention and recruiting rates.
- Pursue better business linkages and further efficiencies in the utilisation of resources assigned or used in support of the Navy capabilities.
- Influence the development of national and international maritime policy.
- Continue to foster a positive public image for the Navy.

## Significant Capability Enhancement Initiatives

### All Navy Capabilities

- Embed the new Navy structure by 31 December 2000. The new structure includes:
  - the formation of Force Element Groups aligned with the Defence output and capability structure; and
  - the appointment of Force Element Group commanders responsible for capability management and the delivery of people and assets to meet operational requirements.
- Implement strategies to improve the match between available qualified staff and critical force structure requirements.
- Improve training planning and training effectiveness processes for personnel to operate Super Seasprite helicopters, hydrographic ships and replacement patrol boats.
- Continue to evolve capability management concepts to pursue decisions to enhance the combat power of the surface combatant fleet and the capabilities of the Collins class submarines and to support higher-level decision making through the new Navy Systems Command arrangements.
- Develop Force Element Group master plans and improved costing methodologies to support decision making.
- Continue the implementation of the recommendations of the HMAS *Westralia* Board of Inquiry.
- Develop the long-term Navy plan with emphasis on force structure, infrastructure, and strategic workforce planning.

### Surface Combatant Force

- Manage the Guided Missile Frigate Upgrade project to improve the self-defence capabilities of the six frigates and extend the hull life of the first four ships by five years. The ships' reliability, maintainability and habitability will also be enhanced. The upgrades will occur in build order at ADI's Garden Island Facility Sydney from 2002 through to 2006. A combat systems maintenance and training centre will be established at Garden Island and the current training facilities at HMAS Watson will be upgraded. Construction of the combat systems centre at Garden Island will commence in the first quarter of 2000 and the upgrade systems detailed design will be finalised by mid-2001.
- Continue several projects relating to the acquisition and upgrading of Anzac class ships. These include the under-sea and surface warfare upgrade, the acquisition of 11 SH-2G(A) Super Seasprite helicopters for the Anzac and continued development of the Evolved SeaSparrow Missile. Anzac Ship 05 Warramunga will be delivered during the first quarter of 2001 with the evolved missiles installed.
- Complete the project definition phase for the acquisition new ADF lightweight anti-surface warfare torpedoes by mid-2001. The new lightweight torpedoes will greatly increase the capability to defeat enemy submarines, with the first weapons to be introduced in 2005.
- Conduct a sea trial of an experimental active control system for reducing the propulsion machinery vibration component of the underwater acoustic signature of surface ships.

### **Naval Aviation Force**

- Introduce three SH-2G(A) Super Seasprite helicopters in 2000-01, along with the Penguin anti-surface missile system, with the last aircraft due to be delivered in 2002.
- Continue to introduce electronic support measures and forward-looking infrared sensors for Seahawk helicopters, with the process to be completed in 2003-04. The four attrition reserve Seahawks will be brought into service by 2003-04.
- Accept Kalkara, the ADF aerial-target system, into service by December 2000.

### **Patrol Boat Force**

- Examine early replacement of the patrol boat force as an option that might represent a better value-for-money alternate and potentially more cost-effective strategy for the provision of a patrol and response capability out to 2020. While ground-breaking options, such as replacement vessels built to commercial specifications, and funding under private financing arrangements are examined, the Fremantle class patrol boat life-of-type extension remains on hold.

### **Submarine Force**

- Produce two limited-capability Collins class submarines by December 2000, in accordance with the Government approved plan to overcome class operational deficiencies and improve reliability. A further plan to produce six fully capable submarines will be considered. Nusubs Dechaineux and Sheean are being modified to achieve the limited capability, allowing HMAS *Otama*, the last of the Oberon class submarines, to decommission at the end of 2000. The delivery of a simulator and training rig is planned for late 2000, and delivery of the underwater noise range is scheduled in the first quarter of 2001.
- Manage the HMAS *Collins* upgrade schedule for completion by late 2000.
- Develop collaborative research programs with industry and tertiary institutions to improve operational capabilities of submarines.
- Commence selection of a replacement heavyweight torpedo.

### **Afloat Support Force**

- Continue planning to replace HMAS *Westralia* which is likely to be withdrawn from service in 2009 because the ship is not compliant with the 1978 International Maritime Organisation pollution regulations.

### **Mine Warfare Force**

- Accept delivery of two Huon class minehunter coastal vessels; Nuship Norman in mid-2000 and Nuship Gascoyne in early 2001. The final two vessels will be delivered in 2001-02.
- Continue development of an acoustic mine imaging system designed to enhance the minehunter coastal capability using ultra-sonic technology to positively identify and allow disposal of bottom objects, for completion in 2003.
- Accept delivery for testing in late 2000 of an acoustic generator that will provide a programmable broadband acoustic source to effectively emulate ships' acoustic signatures and counter modern smart mines. This capability will be incorporated into the influence minesweep.
- Research sonar system strategies at the advanced mine warfare sonar facility to detect, locate and classify maritime mines.

### **Amphibious Lift Force**

- Continue the landing craft heavy life-of-type extension program. The program aims to extend the life of the vessels by eight years and is due for completion in late 2002.

- Complete the amphibious transport modification and refit program for HMA Ships *Manoora* and *Kanimbla*, which will enable them to each embark, transport and then lodge ashore 450 troops using a combination of Army landing craft and ADF helicopters. Modifications include the installation of a hanger for four Black Hawk helicopters, three helicopter landing spots, a hospital facility, 70 tonne crane for loading/unloading the landing craft, extensive command and control facilities and Army briefing rooms. HMAS *Manoora* has departed the dockyard and commenced first-of-class sea trials. HMAS *Kanimbla* is scheduled to commence contractor's sea trials at the end of 2000.

## CAPABILITY PERFORMANCE INFORMATION

**Table 3.2.1: Performance Targets**

Capability Details	Performance Targets
<p><b>Major Surface Combatant Force</b> Provision of the major surface combatant force at levels of capability to:</p> <ul style="list-style-type: none"> <li>• assert sea control;</li> <li>• conduct surveillance;</li> <li>• conduct maritime patrol and response operations;</li> <li>• collect intelligence;</li> <li>• conduct counter-insurgency operations;</li> <li>• protect shipping, offshore territories and assets; and</li> <li>• conduct operations other than war in support of Government.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 6 FFG – 1,762 MLOC days<sup>(1)(2)(3)</sup></li> <li>• 1 DDG – 365 MLOC days</li> <li>• 2 FFH – 730 MLOC days</li> </ul>
<p><b>Naval Aviation Force</b> To provide the organic aviation capabilities required to:</p> <ul style="list-style-type: none"> <li>• support the assertion of sea control and the conduct of surveillance;</li> <li>• conduct maritime patrol and response operations;</li> <li>• collect intelligence;</li> <li>• conduct counter insurgency operations;</li> <li>• protect shipping, offshore territories and assets; and</li> <li>• conduct military support operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 5 Bell 206B<sup>(4)</sup></li> <li>• 6 AS350BA Squirrel</li> <li>• 7 SK50/50A Sea King</li> <li>• 16 S-70B-2 Seahawk</li> <li>• 3 Super Seasprite SH-2G(A)</li> <li>• 20 Kalkara</li> <li>• Support for Sydney Olympics of up to 3 SK50 Sea Kings for a total of 30 days.</li> </ul>
<p><b>Patrol Boat Force</b> Provision of the patrol boat force at levels of capability to:</p> <ul style="list-style-type: none"> <li>• conduct peacetime surveillance;</li> <li>• conduct maritime patrol and response operations within coastal waters; and</li> <li>• conduct operations other than war in support of Government.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 15 Patrol Boats – 4,334 MLOC days</li> <li>• Provide 1,800 patrol boat days for surveillance of the Australian Fishing Zone and provide at least 33 ship visits for patrol of the Bass Strait oil rigs.<sup>(5)</sup></li> </ul>

Capability Details	Performance Targets
<p><b>Submarine Force</b> Provision of the submarine force at levels of capability to conduct:</p> <ul style="list-style-type: none"> <li>• covert surveillance and reconnaissance;</li> <li>• offensive operations against warships, submarines and merchant shipping; and</li> <li>• mining and support to special operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 3 Collins – 450 MLOC days</li> <li>• 1 Oberon – 90 days notice for operations<sup>(6)</sup></li> </ul>
<p><b>Afloat Support Force</b> Provision of the afloat support force at levels of capability required to:</p> <ul style="list-style-type: none"> <li>• provide under-way replenishment of fuel, water, stores and ammunition; and</li> <li>• provide strategic bulk fuel transport.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 1 AOR – 345 MLOC days</li> <li>• 1 AO – 270 MLOC days</li> </ul>
<p><b>Mine Warfare Force</b> Provision of the mine countermeasures force at levels of capability to:</p> <ul style="list-style-type: none"> <li>• conduct mine clearance from beaches, shallow and deep water; and</li> <li>• conduct route-survey and lead-through operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 2 MHC – 630 MLOC days</li> <li>• 2 MHI – 315 MLOC days<sup>(7)</sup></li> </ul>
<p><b>Amphibious Lift Force</b> Provision of the amphibious lift force at levels of capability to:</p> <ul style="list-style-type: none"> <li>• conduct amphibious operations;</li> <li>• support land operations from sea;</li> <li>• provide strategic, operational, tactical and administrative sea transport; and</li> <li>• provide support to beach intelligence gathering.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 1 LSH – 260 MLOC days</li> <li>• 2 LPA – 445 MLOC days</li> <li>• 6 LCH – 1,735 MLOC days<sup>(8)</sup></li> <li>• 1 AKR – 320 MLOC days<sup>(9)</sup></li> </ul>

**Notes:**

1. Time at Minimum Level of Capability (MLOC) is the unit of performance measurement for individual warfare capabilities, ie the capability to conduct anti-surface operations, anti-submarine operations, anti-air operations and the capability to conduct maritime support operations. As the range and depth of capability varies between classes of ship due to their design, MLOC results are aggregated to provide performance information at the Force Element Group level. Breakdowns of MLOC performance information below this level are classified.
2. The MLOC assessment process for Navy capabilities includes objective assessments of equipment, equipment condition, personnel and collective training. Ship days at MLOC is an aggregate measure which encompasses numerous lower-level quantity and quality measures. The performance target is the theoretical maximum for all ships to be at MLOC when not conducting deep depot-level maintenance or conducting workup to MLOC. This figure is the maximum possible and may need amendment in light of actual experience gained with the MLOC assessment process.
3. Naval platforms are considered to be in inventory on delivery. The degree to which ships can perform an operational role after delivery is reflected in the days at MLOC figure.
4. Assumes that Bell 206B aircraft are not transferred to the Army during 2000-01.
5. May be achieved by RAN vessels other than patrol boats.
6. The Oberon class submarine remains on 90 days notice for operations while strategies are effected to improve Collins class submarine performance.

7. The mine hunter inshore craft are experiencing extended serviceability problems, thus reducing the expected availability from the theoretical maximum of 730 MLOC days to 315 MLOC days.
8. The Landing Craft Heavy vessels are due to receive the life-of-type extension, with three ships undergoing significant refit during 2000-01.
9. The lease on the fast catamaran HMAS *Jervis Bay* will expire in May 2001.

### PLANNED FLYING HOURS 2000-01

**Table 3.2.2: Flying Hours**

Flying Activities	Budget Estimate 2000-01
Bell 206B	1,030 hours
AS350BA Squirrel	2,200 hours
SK50/50A Sea King	2,000 hours
S-70B-2 Seahawk	4,450 hours
Super Seasprite SH-2G(A)	1,200 hours
Kalkara	39 launches

### PRICE OF OUTPUT 2

#### Resourcing Strategy for Navy Capabilities

The following broad resourcing strategies underpin the overall increase of 5.3% in the price of Navy capabilities in 2000-01:

- Costs for employing RAN members will reduce as a consequence of poor recruiting and separation rates, leading to difficulties in filling established positions, particularly shore postings, with average numbers in uniform estimated at 12,717 for the year, offsetting these reductions are planned pay rises.
- Costs for inventory replenishment for the fleet will be lower than consumption rates as inventory holding levels are rationalised, including the removal of obsolete and surplus stock, so reducing asset holding costs.
- Increased logistic costs are necessary for in-service support contracts and other operating expenses likely to be incurred for newer capabilities entering service with the fleet.
- Additional funding has been necessary to remedy the more pressing logistic shortfalls across the rest of the fleet, although constraints will still need to be applied on operating expenses for the major surface combatants – close management will be necessary to ensure adequate capability levels are sustained for these units.
- Asset depreciation will continue to rise as new vessels are delivered from a range of major acquisition projects.
- Economies will be necessary in overhead costs such as information technology support to the fleet and contractor costs, in order to support the new force element group commander organisations and other leadership initiatives, as well as Navy-specific support for the Olympics.

Table 3.2.3: Total Price of Output 2

	Estimated Actual	Budget Estimate	Variation	
	1999-2000	2000-01	(Estimated Actual to Budget Estimate)	
	\$m	\$m	\$m	%
<b>Operating Expenses</b>				
Employees – Military	886.8	878.7	-8.1	-0.9
Employees – Civilian	235.1	239.4	4.3	1.8
Suppliers	822.5	921.6	99.1	12.0
Inventory Consumption	212.7	269.0	56.3	26.5
Depreciation and amortisation	576.9	738.3	161.4	28.0
Net losses from sales of assets <sup>(1)</sup>	3.9	-	-3.9	-100.0
Write-down of assets	31.8	-	-31.8	-100.0
Other	19.6	13.4	-6.2	-31.6
<b>Total operating expenses</b>	<b>2,789.3</b>	<b>3,060.4</b>	<b>271.1</b>	<b>9.7</b>
Capital Use Charge	1,759.9	1,728.1	-31.8	-1.8
<b>Total Price of Output</b>	<b>4,549.2</b>	<b>4,788.5</b>	<b>239.3</b>	<b>5.3</b>

**Note:**

- At the Defence portfolio level, the sale of assets has resulted in a loss (expense) in 1999-2000 and a gain (revenue) in 2000-01. When determining the price of outputs, expenses are included but revenue is excluded. Accordingly, the net gain from the sale of assets in 2000-01 shown in Table 2.1 is not in the table above.

**Explanation of significant variations****Employees – Military (-\$8.1m)**Price

- +\$23m Full-year effect of the ADF Enterprise Productivity Arrangement.
- +\$15m Provision for the adoption of more commercial practices by the Defence Housing Authority.

Real

- \$24m Centrally-held provision for unallocated Fringe Benefits Tax savings.
- \$17m Movement of funding associated with pay in lieu of long service and annual leave from expense account to provision account.
- \$11m Reduced provision due to lower than expected recruitment and retention.
- +\$6m Revised East Timor deployment requirements including force generation.

**Employees – Civilian (+\$4.3m)**Price

- +\$7m Centrally-held provision for anticipated civilian pay outcome.

Real

- \$2m Efficiency gains in non-core areas.

**Suppliers (+\$99.1m)**Price

- +\$10m Centrally-held 2000-01 price and exchange update funds.

Real

- +\$89m Increasing logistics support expenses as new ships enter service (\$44m for Anzac class, \$18m for Huon class, \$27m for Collins class).

- + \$17m Recovery of expenses from deferral of HMA Ships *Melbourne* and *Anzac* refit, maintenance and other logistic support as part of offsets in 1999-2000 for increased East Timor deployment requirements.
- \$11m Non-recurrence of Y2K remediation and Project Diary activities in 1999-2000.
- \$11m Delayed delivery of HMAS *Kanimbla* causing lower than planned logistic support.
- \$7m Reduced provision resulting from Defence Reform Program and other efficiency measures.
- + \$3m Provision for information technology equipment leases.
- Transfer
- + \$6m Removal expenses transferred from 'Other'.

**Inventory Consumption (+\$56.3m)**

Real

- + \$56m Overall increased provision for inventory consumption for new capabilities entering service offset by decommissioning of HMA Ships *Hobart* and *Brisbane* (\$27m for Collins class, \$17m for major surface combatants, \$7m for Minehunter Coastal class, \$5m for amphibious landing platforms).

**Depreciation and Amortisation (+\$161.4m)**

Price

- \$17m Revaluation and change in useful life of assets. Major contributors to the reduction are the changes in useful life of the Collins class components (*Collins*, *Farncomb* and *Waller*) and HMAS *Westralia* with the revaluation and relife of HMA Ships *Canberra*, *Darwin*, *Adelaide* and *Newcastle*.

Real

- + \$232m Full-year impact on depreciation provision of deliveries during 1999-2000 (\$10m for Minehunter Coastal *Hawkesbury* and \$3m for HMAS *Manoora*), and part-year impact on provision for deliveries during 2000-01 (\$162m for Collins class *Dechaineux* and *Sheean*, \$20m for *Anzac* class *Warramunga*, and \$10m for Minehunter Coastals *Norman* and *Gascoyne*, \$3m for HMAS *Kanimbla*).
- \$46m Effect of withdrawal from service of various fleet assets, such as three guided missile destroyers, the last Oberon class submarine (*Otama*) and the anticipated withdrawal of the two HS748 aircraft.
- \$4m Accelerated disposal program for Defence properties and a change in methodology for calculation of depreciation following a review.

**Net Losses from Sales of Assets (-\$3.9m)**

Real

- \$5m Changed accounting practices now result in the costs associated with preparing land for resale being treated as enhancements to the assets (increasing value) rather than as costs that should be attributed to the gain or loss on sale of the asset.
- + \$1m Lower resale value of motor vehicles in 2000-01 resulting in a higher loss on disposal.

**Write-down of Assets (-\$31.8m)**

Real

- \$32m The write-down relates to outstanding loans made to ADI Ltd for \$93m. The loan amounts were wrapped into the final sale arrangements and were either waived or assumed by other entities. Defence is to receive partial reimbursement direct from the Budget in 2000-01. The \$31.8m amount represents the apportioned share of the write off for this output.

Section Three

**Other (-\$6.2m)**

Transfer

-\$6m Removal expenses transferred to 'Suppliers'.

**Capital Use Charge (-\$31.8m)**

Price

+\$13m Revaluation of assets. Major contributors are increases in the value of the Collins class submarines (*Collins, Farncomb and Waller*), and guided missile frigates (*Canberra, Darwin, Adelaide, Newcastle*), partly offset by decreases in the value of Anzac class frigates (*Anzac and Arunta*).

Real

-\$89m Depreciation of assets. Contributors are \$34m for Major Surface Combatants Operations, \$4m for Naval Aviation Operations, \$4m for Patrol Boat Operations, \$34m for Submarine Operations, \$3m for Afloat Support, \$6m for Mine Warfare and \$4m for Amphibious Lift.

+\$56m Provision for increase in asset under construction (major contributors are \$25m for FFG upgrade, \$14m for Super Seasprite, \$3m for Seahawk upgrade, \$3m for Harpoon and Evolved SeaSparrow missiles.

-\$11m Accelerated disposal program for Defence properties and a change in methodology for calculation of depreciation following a review.

## OUTPUT 3: ARMY CAPABILITIES

### DESCRIPTION

Defence contributes to the achievement of the Government's desired outcome through the provision of capabilities for land operations. The Army capabilities are: Special Force Operations, Mechanised Operations, Light Infantry Operations, Army Aviation Operations, Combat Support to Land Operations, Motorised Infantry Operations and Protective Operations.

The Army provides land forces that contribute to the ADF's capacity to defeat attacks against Australia, defend regional interests, defend global interests, shape the strategic environment and protect national interests. Army capabilities provide the capacity to defeat incursions on or to recapture Australian territory, to seize and protect forward-operating bases, to conduct surveillance and reconnaissance operations, to conduct special operations, to conduct special recovery, counter terrorist and combat search and rescue operations, to provide service-assisted and service-protected evacuation, to provide command, control, communications and information to support tasks, to provide operational-level sustainment of land-based operations and to provide humanitarian assistance.

### PERFORMANCE TARGETS FOR 2000-01

#### Priorities for 2000-01

- Ensure that Army capabilities meet directed preparedness requirements and sustain ongoing operational commitments, such as those commitments for East Timor.
- Maintain the expanded Ready Deployment Force and the rotational elements for East Timor at designated levels. This includes the reconstitution of lower-readiness donor formations, units and equipment pools, as well as rotational elements after return from East Timor.
- Develop and implement the Army management framework to align whole-of-Army business processes towards the efficient and effective delivery of Defence capabilities. This encompasses whole-of-life capability management as well as broader corporate management responsibilities.
- Develop affordable designs for the Army-in-being through to 2003, and for the enhanced combat force through to 2010, as a basis for short and medium-term development.
- Continue to exploit technology and simulation in order to provide a more efficient and effective command information management system, and optimise the effectiveness and efficiency of force development, readiness evaluation, training and education.

## **Significant Capability Enhancement Initiatives**

### **All Army Capabilities**

- Expand Australian Regular Army personnel numbers to support the sustainment of the Ready Deployment Force.
- Undertake work-up training for East Timor for 1 RAR and 4 RAR battalion groups.
- Continue, in the context of the Army management framework, to develop and implement the collective training system as a basis for informing performance measures for preparedness and the maintenance of professional standards and core skills.
- Convert progressive training regimes for all full-time and part-time personnel to a competency-based training and assessment regime, and pursue increased use of outsourced training where it is cost effective so to do.
- Increase the use of distance education and training, technology-based training and associated regional residential training through regional training centres to optimise efficiency and effectiveness.
- Establish a combat training centre, incorporating the maintenance of a database of lessons learned, to provide readiness evaluation and continuous capability improvement.
- Conduct 'Headline 2000', a major seminar wargame designed to assess the war fighting concept and structure for the mechanised component of the enhanced combat force. The wargame focuses especially on combat service support, battle command and information exchange.
- Evaluate tenders and potential solutions for Project Wundurra – Soldier of the Future.

### **All Army Capabilities - Equipment**

- Introduce the light engineer tractor to enhance the combat engineer capability.
- Acquire hand-held laser rangefinders to provide a capability for accurate engagement of selected point targets by snipers, infantry soldiers and armoured vehicle crews.
- Introduce into service a multi-band inter/intra team radio to provide ground forces with the capability to communicate with rotary and fixed wing aircraft on operations and in training.
- Introduce the Battlefield Command and Support System to 3 Brigade, Training Command Army and selected land force units.
- Introduce Ninox night-fighting equipment to enhance the night observation and surveillance capability of the Ready Deployment Force and of other land forces.
- Continue the introduction into service of the Global Positioning System - Navstar to enhance the accuracy of navigation.
- Continue the replacement of aging radio equipment with a new combat net radio - Wagtail to improve VHF communications.

### **Capability for Special Force Operations**

- Continue the development and manning of 4 RAR to improve its operational effectiveness for service in East Timor.
- Continue the introduction into service of equipment for counter-terrorist operations to enhance special operations capability.

### **Capability for Mechanised Operations**

- Acquire a combat vehicle tactical engagement simulation system for the M113 and the Australian light armoured vehicle to provide realistic direct-fire engagement simulation for training with combat vehicles.

- Develop future warfighting concepts and capabilities for the conduct of mechanised/motorised operations through the Army Experimental Framework 2000.

**Capability for Light Infantry Operations**

- Acquire a land mine effects simulation system to improve mine awareness of soldiers within a brigade training environment.

**Capability for Army Aviation Operations**

- Commence operating two new Chinooks from July 2000.
- Introduce a high-fidelity flight and mission simulator for the S-70A-9 Black Hawk helicopter.
- Complete an initial analysis of data from a structural loads assessment program for the Black Hawk helicopter, using the results for validating stress prediction models, component retirement times and airframe life-of-type.
- Continue collaborative research, development and engineering with the United States in aircraft electronic warfare self-protection technologies.
- Implement agreed outcomes of the ADF rotary wing flying training rationalisation study.

**Capability for Combat Support to Land Operations.**

- Enhance force mobility by providing land mine clearance vehicles to support the rapid clearance of land mines from routes and minefields.
- Acquire a 20 tonne ISO container handling and towing capability that will enhance distribution operations from beach terminals to field unit locations. This capability will initially be employed in support of operations in East Timor.
- Roll-out the Standard Defence Supply System to Army units to enhance the visibility and management of Army's logistic assets by consolidating supply, distribution, stores accounting and maintenance activities to significantly improve the Army's logistic management. An interim field logistic management system will provide deployed units with the capability to continue working during periods of disrupted communications, pending the development of full deployability of the ADF information management system.
- Replace the in-service fleet of recovery vehicles with medium recovery vehicles to provide an improved recovery capability.
- Complete development of a distribution and maintenance computer modelling tool and begin validation trials.

**Capability for Motorised Infantry Operations**

- Enhance the capability through the introduction into service of supporting projects including Ninox night-fighting equipment, the Global Positioning System - Navstar, and the combat net radio - Wagtail.

**Capability for Protective Operations**

- Provide clearer definition of the roles and tasks of this capability through the Reserve roles and tasks study and the development of call-out and job-protection legislation.
- Continue to provide high-calibre, individually-trained volunteers to round out and reinforce regular units.
- Address deficiencies in personnel numbers and some mission-essential items resulting from the redistribution of people and equipment for the expansion of the Ready Deployment Force.

## CAPABILITY PERFORMANCE INFORMATION

**Table 3.3.1: Performance Targets**

Capability Details	Performance Targets
<p><b>Special Forces</b> This capability is focused on the Army Special Operations Group. These forces cover a range of special operations tasks such as counter terrorism, strategic strike, special recovery, and long range reconnaissance, beyond the range and capabilities of other ADF force elements.</p> <p>The special forces capability is designed to:</p> <ul style="list-style-type: none"> <li>• exploit deception and surprise; and</li> <li>• employ techniques which are discreet, non-escalatory, avoid collateral damage, and which span the continuum of elite conventional to unconventional operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Special Operations Group, comprising: <ul style="list-style-type: none"> <li>- Headquarters Special Operations;</li> <li>- Special Air Service Regiment;</li> <li>- 4 Battalion Royal Australian Regiment (Cdo);</li> <li>- 1 Commando Regiment; and</li> <li>- 126 Commando Signals Squadron.</li> </ul> </li> </ul>
<p><b>Mechanised Operations</b> This capability is focused on 1 Brigade. It provides high levels of organic mobility and firepower capable of conducting peacekeeping, peace enforcement and combat operations.</p> <p>The mechanised force is designed to:</p> <ul style="list-style-type: none"> <li>• Exploit mobility, protection, inherent command, control, communications, computing, intelligence, surveillance and reconnaissance, and firepower; and</li> <li>• Achieve surprise, offensive action, concentration of force and rapidity of execution, all of which arise from the employment of the combined arms team.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 1 Brigade, comprising: <ul style="list-style-type: none"> <li>- a headquarters;</li> <li>- a mechanised infantry battalion;</li> <li>- a reconnaissance regiment;</li> <li>- an armoured regiment; and</li> <li>- combat and logistic support units.</li> </ul> </li> </ul>
<p><b>Light Infantry Operations</b> This capability is focused on 3 Brigade and the Parachute Battalion Group. It provides an air transportable capability to conduct a range of military support and combat operations.</p> <p>The light infantry force is designed to:</p> <ul style="list-style-type: none"> <li>• exploit strategic, operational and tactical mobility;</li> <li>• exploit flexibility, adaptability and utility across the full spectrum of conflict; and</li> <li>• achieve surprise, rapidity of execution and the capacity to seize and hold ground.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 3 Brigade, comprising: <ul style="list-style-type: none"> <li>- a headquarters;</li> <li>- 2 infantry battalions;</li> <li>- an armoured mobility for 2 infantry companies; and</li> <li>- combat and logistic support units.</li> </ul> </li> <li>• The Parachute Battalion Group.</li> </ul>

Capability Details	Performance Targets
<p><b>Army Aviation Operations</b></p> <p>This capability is focused on the Aviation Support Group and 1 and 5 Aviation Regiments. It provides integral air mobility, medium lift, reconnaissance, surveillance and aerial fire support to military support, combat and special operations.</p> <p>It provides the organic aviation capabilities required to:</p> <ul style="list-style-type: none"> <li>• conduct surveillance and armed reconnaissance;</li> <li>• conduct tactical airlift;</li> <li>• conduct command and control support; and</li> <li>• conduct combat service support.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 36 Black Hawk</li> <li>• 43 Kiowa</li> <li>• 6 Chinook</li> <li>• 25 Iroquois</li> <li>• 17 Squirrel</li> <li>• 3 King Air</li> <li>• 2 Twin Otter</li> </ul>
<p><b>Combat Support to Land Operations</b></p> <p>Combat support to land operations incorporates ground-based air defence, combat support operations, and operational logistic support to land forces.</p> <p>Ground-based air defence is focused on 16 Air Defence Regiment. It is an integral component of the ADF Air Defence System, and provides short-range point air defence for manoeuvre formations and area defence, within low and medium threat scenarios. Elements of this capability are held at high readiness to support the Ready Deployment Force.</p> <p>Ground-based air defence is characterised by flexible, versatile and rapid establishment of defended airspace in conjunction with other land and joint elements.</p> <p>Combat support operations enhance the conduct of operations through important surveillance and specialist support, particularly construction engineering, topographical, electronic warfare, regional force surveillance units and intelligence support. Small elements of the capability are held at high readiness to support the Ready Deployment Force.</p> <p>Operational logistic support to land forces is based on the Logistic Support Force and provides supply, transport, repair, health and other functions to military support and combat operations.</p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• Logistic Support Force and its integral logistic support units</li> <li>• 16 Air Defence Regiment</li> <li>• Direct command units of Land Command</li> </ul>

Capability Details	Performance Targets
<p><b>Motorised Infantry Operations</b>            Motorised Infantry operations are based on 7 Brigade, an integrated formation of full and part-time personnel. It provides complementary and supplementary reinforcement to the Ready Deployment Force and, when mobilised, a rotation force for the full range of warfighting and military response options tasks and is capable of conducting motorised operations for defeating attacks against Australia. 7 Brigade is the best equipped of the Army's Reserve formations.</p> <p>Motorised infantry operations are designed to:</p> <ul style="list-style-type: none"> <li>• exploit mobility, protection, tactical sustainability, endurance, reconnaissance and surveillance;</li> <li>• exploit flexibility, adaptability and utility using inherent command, control, communications, computing, intelligence, surveillance and reconnaissance systems; and</li> <li>• achieve surprise, rapidity of concentration and execution.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 7 Brigade, comprising:               <ul style="list-style-type: none"> <li>- a headquarters;</li> <li>- 3 motorised battalions;</li> <li>- 1 reconnaissance battalion; and</li> <li>- combat and logistic support units.</li> </ul> </li> </ul>
<p><b>Protective Operations</b>            Protective operations are predominantly provided by the Reserve component of the Army. Operations are focused on providing surge and sustainment forces to the Ready Deployment Force.</p> <p>Protective operations also assist the Australian community during civil emergencies.</p> <p>Protective operation forces are designed to possess the capacity for subtlety, initiative and discrimination at the lower end of the spectrum of conflict.</p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 4, 5, 8, 9, 11 and 13 Brigades, comprising:               <ul style="list-style-type: none"> <li>- a headquarters;</li> <li>- two or three infantry battalions;</li> <li>- an armoured reconnaissance unit; and</li> <li>- combat and logistic support units.</li> </ul> </li> </ul>

### PLANNED FLYING HOURS 2000-01

Table 3.3.2: Flying Hours

Flying Activities	Budget Estimate 2000-01
Black Hawk	8,276 hours
Kiowa	14,595 hours
Chinook	1,270 hours
Iroquois	7,796 hours
Squirrel	3,320 hours
King Air	2,000 hours
Twin Otter	1,200 hours

## PRICE OF OUTPUT 3

### Resourcing Strategy for Army Capabilities

The following broad resourcing strategies underpin a slight decrease of 0.03% in the price of Army capabilities in 2000-01:

- Army personnel numbers are planned to increase from about 24,100 in 1999-2000 to some 24,700 in average staffing terms in 2000-01 to meet the concurrent requirement to support operations in East Timor and other operational commitments.
- The requirement for a quick response to support East Timor operations has necessitated the redistribution of Army regular personnel from lower-priority areas to meet operational commitments. This situation has led to a transfer of significant numbers of part-time personnel to the full-time force.
- Additional funding for new capabilities entering service will be required to meet the logistic cost of in-service support contracts and other operating costs.
- Inventory consumption will increase as a result of the expansion of the Ready Deployment Force and the continuing high operational tempo.
- Asset depreciation and capital use charge provisions will continue to rise as new equipment and other assets are delivered from a range of capital acquisition projects.
- These additional calls on resources have been offset in the shorter term through efficiency measures including market testing and rationalisation.

**Table 3.3.3: Total Price of Output 3**

	Estimated Actual 1999-2000	Budget Estimate 2000-01	Variation (Estimated Actual to Budget Estimate)	
	\$m	\$m	\$m	%
<b>Operating Expenses</b>				
Employees – Military	1,730.2	1,738.6	8.4	0.5
Employees – Civilian	292.0	247.5	-44.5	-15.2
Suppliers	1,186.5	1,250.6	64.1	5.4
Inventory Consumption	361.6	344.9	-16.7	-4.6
Depreciation and amortisation	456.8	494.8	38.0	8.3
Net losses from sales of assets <sup>(1)</sup>	19.6	-	-19.6	-100.0
Write-down of assets	14.0	-	-14.0	-100.0
Other	44.8	35.7	-9.1	-20.3
<b>Total operating expenses</b>	<b>4,105.5</b>	<b>4,112.1</b>	<b>6.6</b>	<b>0.2</b>
Capital Use Charge	1,155.8	1,147.9	-7.9	-0.7
<b>Total Price of Output</b>	<b>5,261.3</b>	<b>5,260.0</b>	<b>-1.3</b>	<b>-0.0</b>

**Note:**

1. At the Defence portfolio level, the sale of assets has resulted in a loss (expense) in 1999-2000 and a gain (revenue) in 2000-01. When determining the price of outputs, expenses are included but revenue is excluded. Accordingly, the net gain from the sale of assets in 2000-01 shown in Table 2.1 is not in the table above.

## Explanation of significant variations

### Employees – Military (\$8.4m)

#### Price

- +\$41.3m Full-year effect of the ADF Enterprise Productivity Arrangement.
- +\$28.5m Provision for the adoption of more commercial practices by the Defence Housing Authority.

#### Real

- \$45.6m Reduced provision primarily resulting from market testing and rationalisation initiatives.
- \$28.6m Centrally-held provision for unallocated fringe benefits tax savings.
- +\$24.6m Revised East Timor deployment requirements relating to force generation.
- +\$20.0m Centrally-held provision for Reserves enhancement initiative.
- \$19.7m Net variation of accrual adjustments for annual leave and long service expense and provisions.
- \$10.0m Re-allocation of Reserve salaries to Output 1 (suppliers expense) in support of the Olympics (Operation Gold).
- +\$5.0m Variation to compensation and legal payments associated with military personnel; based on actuarial reviews.
- \$5.7m Reduced provision related to changes to conditions of service and Service personnel numbers.

### Employees – Civilian (-\$ 44.5m)

#### Real

- \$34.3m Reduced provision primarily resulting from market testing and rationalisation initiatives.
- \$10.3m Reduced provision for transition costs for market testing of non-core activities including voluntary redundancies.

### Suppliers (+\$64.1m)

#### Price

- +\$9.2m Centrally-held 2000-01 price and exchange update funds.

#### Real

- +\$68.0m Revised East Timor deployment requirements relating to force generation.
  - +\$45.8m Provision for logistic support costs to meet lower readiness units and training pool requirements.
  - +\$22.1m Increased provision associated with the introduction into service of new military equipment.
  - +\$9.5m Increased provision resulting from market testing and rationalisation initiatives of non-core activities.
  - \$38.8m Reduction in expensed asset under construction due to fewer purchases under the capitalisation threshold during 2000-01.
  - \$29.5m Non-recurrent costs during 1999-2000 associated with Project Diary and Y2K remediation.
  - \$20.3m Efficiency gains in corporate support activities, including wholesales sales tax, general travel and professional service providers.
  - \$8.9m Reduced provision in facilities maintenance partly offset by increased leasing costs following the property sale and lease back program.
  - \$4.5m Minor miscellaneous variations.
- #### Transfer
- +\$9.4m Removal expenses transferred from 'Other'.

**Inventory Consumption (-\$16.7m)**

Real

- \$25.7m Revised East Timor deployment requirements relating to force generation.
- + \$9.0m Provision to meet lower readiness units and training pool requirements.

**Depreciation and Amortisation (+\$38m)**

Real

- + \$19.7m Revised East Timor deployment requirements including the acquisition of capital equipment.
- \$18.7m Property disposals.
- + \$17.9m Introduction of new equipment in 2000-01 including CH-47D Chinook Helicopters, Black Hawk helicopter simulator and a battlefield command support system.
- + \$17.4m Introduction of new equipment in 1999-2000 including electronic systems, night aiming devices and fighting equipment and circuit switch assemblages.

**Net Losses from Sales of Assets (-\$19.6m)**

Real

- \$22.6m Net loss from the disposal of property and related assets for 1999-2000.
- + \$3.0m Lower resale value of motor vehicles in 2000-01 causing a higher loss on disposal.

**Write-down of Assets (-\$14m)**

Real

- \$13.9m The write-down relates to outstanding loans made to ADI Ltd for \$93m. The loan amounts were wrapped into the final sale arrangements and were either waived or assumed by other entities. Defence is to receive partial reimbursement direct from the budget in 2000-01. The \$13.9m amount represents the apportioned share of the write off for this output.

**Other (-\$9.1m)**

Transfer

- \$9.4m Removal expenses transferred to 'Suppliers'.

**Capital Use Charge (-\$7.9m)**

Real

- \$48.3m Property disposal.
- + \$41.5m Revaluation of specialist military equipment and other plant and equipment.

## OUTPUT 4: AIR FORCE CAPABILITIES

### DESCRIPTION

Defence contributes to the achievement of the Government's desired outcome through the provision of capabilities for air operations. Air Force capabilities are: Air Strike and Reconnaissance, Tactical Fighter Operations, Strategic Surveillance, Maritime Patrol Aircraft Operations, Airlift and Combat Support of Air Operations.

The Air Force provides combat forces that contribute to the ADF's capacity to defeat attacks against Australia, defend regional interests, defend global interests, shape the strategic environment and protect national interests. Air Force capabilities provide precision strike operations, offensive and defensive counter air operations, wide-area surveillance, air defence and airspace control, maritime patrol, anti-submarine and anti-surface warfare activities, tactical and strategic airlift and combat support of air operations. Peacetime activities include maritime surveillance of Australian and regional exclusive economic zones, search and survivor assistance, aeromedical evacuations and VIP transport.

### PERFORMANCE TARGETS FOR 2000-01

#### Priorities for 2000-01

##### Current Force

- Ensure that Air Force capabilities meet directed preparedness requirements and sustain ongoing operational commitments, such as those commitments for East Timor.
- Manage the transition of the C-130J into service, including the conversion of air crews.
- Manage the transition of the lead-in fighter into service, including the training of fast-jet air crews.
- Manage the fast-jet recovery program aimed at increasing operational air crew numbers for the F-111s and F/A-18s.
- Develop a proposal for a new stream training system for pilots.

##### Future Force

- Progress the airborne early warning and control aircraft project to the contract signature and contract management phase.
- Conduct new combat aircraft studies, including the public discussion paper on the F/A-18 replacement options.

##### Capability Management:

- Align Air Force management structures with the new Defence output structure.
- Embed capability management concepts into day-to-day business processes.
- Develop capability plans for Air Force capabilities.
- Develop and refine the reporting framework for Air Force capabilities.
- Continue the development of an ability to cost capability on a whole-of-life basis.

### **Management/People/Resources**

- Continue the development and refinement of the Air Force strategic planning framework, including the Air Force strategic plan and Air Force plan.
- Manage the drawdown to a Permanent Air Force of 13,535 while managing critical workforce vacancies, particularly in the engineering category and maintenance/technical trades.
- Improve internal and external communication within the Air Force.
- Continue the Air Force's culture-shaping program.

## **Capability Enhancement Initiatives for 2000-01**

### **Capability for Air Strike and Reconnaissance**

- Undertake market-testing of 501 Wing maintenance activity and transition to contractor support.
- Continue development of automated test equipment for the maintenance of F-111 avionics equipment.
- Complete final acceptance of the new F-111 mission simulator and its integration into the operational training curriculum.
- Finalise the F-111G commonality upgrade.
- Continue development of the interim electronic warfare self-protection capability, including the conduct of operational test and evaluation.
- Develop the AGM-142 stand-off weapons capability.
- Conduct the F-111 life-of-type and supportability studies.
- Conduct the miniature munition trial in collaboration with the United States.

### **Capability for Tactical Fighter Operations**

- Introduce the Hawk lead-in fighter aircraft into service and phase out the Macchi aircraft.
- Undertake the Hornet upgrade program, including enhancements to mission and support systems.
- Continue development of the integrated avionics system support facility to support the increased operational capability provided by the Hornet upgrade program.
- Introduce the advanced air-to-air missiles for the F/A-18 aircraft into service, including training and support infrastructures.
- Conduct the F/A-18 life-of-type studies, including structural integrity analysis.

### **Capability for Strategic Surveillance**

- Collaborate in the development of airborne early warning and control aircraft design through the commitment of personnel and resources.
- Manage the integration and testing of sensors and processing systems to be delivered under the Jindalee Operational Radar Network.
- Integrate new radars and processing systems delivered by the Australian Defence Air Traffic System.
- Redevelop the capabilities of existing fixed-site air defence display and processing systems to enhance intelligence fusion, facilitate collation of sensor data from a greater diversity of sources and enhance the interoperability of ADF aerospace command, control, communications and intelligence systems with allied systems.

*Section Three*

- Remediate deployable surveillance and control capabilities, including the RAAF Tactical Air Defence System.
- Evaluate the potential of emerging technologies, including the virtual air environment, simulation and modelling to enhance training and operational analysis, and the Global Hawk uninhabited aerial vehicle.

**Capability for Maritime Patrol Aircraft Operations**

- Introduce the upgraded TAP-3 into service, including the conduct of operational test and evaluation.
- Introduce the advanced flight simulator into service and integrate it into the operational training curriculum.
- Conduct life-of-type studies for P-3C, including collaboration with the United States Navy on options for the multi-mission maritime aircraft.

**Capability for Air Lift**

- Introduce the C-130J into service and withdraw the last seven C-130E models from operational service.
- Review the ADF tactical transport capability, including the way ahead for the existing Caribou aircraft capability.
- Conduct life-of-type and supportability studies for the B-707, C-130H and Caribou aircraft.
- Develop the new navigator training aircraft, including the introduction into service of the synthetic navigator trainer.
- Introduce the C-130J flight simulator into service and integrate it into the operational training curriculum.
- Introduce electronic warfare self protection capabilities for selected C-130H aircraft into service, including the conduct of operational test and evaluation.

**Capability for Combat Support of Air Operations**

- Remediate personnel numbers and equipment deficiencies, including weapons and combat equipment, identified from East Timor operations.
- Develop and refine combat support capability and weapon system plans.

## CAPABILITY PERFORMANCE INFORMATION

**Table 3.4.1: Performance Targets**

Capability Details	Performance Targets
<p><b>Capability for Air Strike / Reconnaissance</b> Provision of F-111 aircraft, crews and weapon systems at levels of capability to perform:</p> <ul style="list-style-type: none"> <li>• land strike;</li> <li>• maritime strike;</li> <li>• offensive air support;</li> <li>• counter air; and</li> <li>• air reconnaissance.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 17 F-111C (<i>excludes attrition aircraft</i>)</li> <li>• 4 RF-111C</li> <li>• 14 F-111G</li> </ul>
<p><b>Capability for Tactical Fighter</b> To provide F/A-18 Hornet aircraft, crews and weapon systems at levels of capability to perform:</p> <ul style="list-style-type: none"> <li>• counter air;</li> <li>• offensive air support;</li> <li>• maritime strike; and</li> <li>• air reconnaissance.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 71 F/A-18</li> <li>• 27 Macchi (<i>to be progressively withdrawn commencing early 2001</i>)</li> <li>• 8 Hawk (<i>8 of 33 expected to be delivered by 30 June 2001</i>)</li> <li>• 4 PC9 (<i>forward air control role only</i>)</li> </ul>
<p><b>Capability for Strategic Surveillance</b> To provide sensors and battle management elements as support for:</p> <ul style="list-style-type: none"> <li>• wide-area aerospace surveillance;</li> <li>• air defence;</li> <li>• airspace control; and</li> <li>• battlespace management.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 11 ATC radars</li> <li>• 3 tactical air defence radars</li> <li>• JORN over-the-horizon radar at Laverton (WA) and Longreach (Qld)</li> <li>• Jindalee Radar Facility (NT)</li> </ul>
<p><b>Capability for Maritime Patrol</b> Provision of P-3C aircraft, crews and weapon systems at levels of capability to conduct:</p> <ul style="list-style-type: none"> <li>• maritime surveillance and reconnaissance;</li> <li>• anti-submarine and anti-surface warfare;</li> <li>• maritime strike; and</li> <li>• search and survivor supply activities.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 19 P-3C Orion</li> <li>• 3 TAP-3 Orion</li> </ul>

Capability Details	Performance Targets
<p><b>Capability for Air Lift</b> Provision of air lift aircraft, crews and weapon systems at levels of capability required to provide:</p> <ul style="list-style-type: none"> <li>• air logistics support;</li> <li>• airborne operations;</li> <li>• aeromedical evacuation;</li> <li>• special operations;</li> <li>• VIP flights;</li> <li>• air-to-air refuelling; and</li> <li>• navigator training.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 14 Caribou</li> <li>• 24 C-130 (<i>following the C-130E to C-130J replacement</i>)</li> <li>• 5 Boeing 707</li> <li>• 5 Falcon</li> <li>• 6 HS748</li> <li>• 1 B200 (<i>leased</i>)</li> </ul>
<p><b>Capability for Combat Support of Air Operations</b> Provision of combat support for air operations at levels of capability required to support main operating bases and forward-operating bases within Australia or overseas.</p>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Achieve levels of preparedness directed by CDF for military response options with a warning time of less than 12 months.</li> <li>• Achieve a level of training that maintains core skills and professional standards across all warfare areas.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• 2 Combat Support Wings</li> <li>• 1 Expeditionary Combat Support Wing</li> <li>• 1 Combat Reserve Wing</li> <li>• 1 Air Field Defence Wing</li> </ul>

### PLANNED FLYING HOURS 2000-01

**Table 3.4.2: Performance Targets**

Flying Activities	Budget Estimate 2000-01
F-111	4,000 hours
F/A-18	13,000 hours
Macchi	3,500 hours
Hawk	5,250 hours
PC9/A	21,030 hours
P-3C	9,300 hours
C-130	14,000 hours
B-707	2,136 hours
HS748	2,950 hours
Caribou	5,080 hours
Falcon	3,975 hours

## PRICE OF OUTPUT 4

### Resourcing Strategy for Air Force Capabilities

The following broad resourcing strategies underpin the overall increase of 5% in the price of Air Force capabilities in 2000-01:

- Logistic costs for in-service support contracts and other operating expenses incurred for new capabilities entering service will be fully funded.
- Asset depreciation and capital use charge provisions will continue to rise as new aircraft and other assets are delivered from a range of acquisition projects.

**Table 3.4.3: Total Price of Output 4**

	Estimated Actual 1999-2000	Budget Estimate 2000-01	Variation (Estimated Actual to Budget Estimate)	
	\$m	\$m	\$m	%
<b>Operating Expenses</b>				
Employees – Military	895.4	896.9	1.5	0.2
Employees – Civilian	184.8	176.8	-8	-4.3
Suppliers	761.4	857.6	96.2	12.6
Inventory Consumption	323.2	308.1	-15.1	-4.7
Depreciation and amortisation	533.3	595.4	62.1	11.6
Net losses from sales of assets <sup>(1)</sup>	5.7	-	-5.7	-100.0
Write-down of assets	29.2	-	-29.2	-100.0
Interest	1.1	-	-1.1	-100.0
Other	18.9	13.5	-5.4	-28.6
<b>Total operating expenses</b>	<b>2,753.0</b>	<b>2,848.3</b>	<b>95.3</b>	<b>3.5</b>
Capital Use Charge	1,370.3	1,486.9	116.6	8.5
<b>Total Price of Output</b>	<b>4,123.3</b>	<b>4,335.2</b>	<b>211.9</b>	<b>5.1</b>

**Note:**

1. At the Defence portfolio level, the sale of assets has resulted in a loss (expense) in 1999-2000 and a gain (revenue) in 2000-01. When determining the price of outputs, expenses are included but revenue is excluded. Accordingly, the net gain from the sale of assets in 2000-01 shown in Table 2.1 is not in the table above.

### Explanation of significant variations

#### Employees – Military (\$1.5m)

Price

+\$21.4m Full year effect of the ADF Enterprise Productivity Arrangement.

+\$15.2m Provision for the adoption of more commercial practices by the Defence Housing Authority.

Real

-\$99.2m Efficiency gains in non-core areas resulting from market testing of clerical and administrative, garrison support and logistic functions including 501/503 Wings.

+\$39.6m Revised East Timor deployment requirement, including personnel augmentation.

+\$24.6m Provision for transition costs for market testing of non-core activities.

-\$14.4m Centrally-held provision for unallocated fringe benefits tax savings.

### Section Three

- + \$7.5m Provision for superannuation.
- + \$2.7m Provision for workers' compensation payments.
- + \$2.6m Miscellaneous minor variations.
- + \$1.5m Provision for medical sessional fees.

#### Employee – Civilian (-\$8m)

##### Price

- + \$6.7m Centrally-held provision for anticipated civilian pay outcome.

##### Real

- \$14.6m Provision for transition costs for market testing of non-core activities and reduction in non-core areas resulting from market testing.

#### Suppliers (\$96.2m)

##### Price

- + \$8.7m Centrally-held 2000-01 price and exchange update funds.

##### Real

- + \$47.0m Remediation of logistics shortfalls particularly in relation to F-111 structural integrity tests, airlift readiness particularly for Caribou, C-130, B-707 and T56 engines, P-3C repairable items and funds for the recovery of aircraft support equipment shortfalls.
- + \$41.0m Centrally-held provision for Defence Reform Program transition and market testing costs.
- \$26.9m Provision for compensation and legal expenses, reduced preliminary design studies as well as the non-recurrence of Y2K remediation and Defence Reform Program transition costs.
- + \$17.0m Logistics support for new and replacement equipment.
- + \$14.9m Revised East Timor requirements including force generation.
- + \$14.9m Centrally-held provision for Defence Reform Program transition and market testing costs.
- \$10.2m Centrally-held provision for unallocated Defence Reform Program savings.
- \$8.1m Non-recurrence of Y2K remediation costs in 1999-2000.
- \$7.5m Centrally-held provision for unallocated operating cost savings.
- \$4.5m Efficiency gains in non-core areas resulting from market testing.
- + \$3.8m Minor variations.
- + \$3.5m Provision for minor funding bids.
- \$2.4m Reduced facilities maintenance expenses offset by increased leasing costs following the sale and lease back program.

##### Transfer

- + \$5.0m Removals expenses transferred from 'Other'.

#### Inventory Consumption (-\$15.1m)

##### Real

- + \$11.6m Revalidation of explosive ordnance consumption rates.
- + \$3.1m Increased provision for fuel, based on planned 2000-01 flying program.
- + \$1.7m Revised East Timor deployment requirements including force generation.
- \$0.1m Minor variations.

##### Transfer

- \$31.4m A change to the method of recording sales of aviation fuels to foreign governments. The corresponding offset is recorded under revenue. See note to Table 3.4.3.

#### Depreciation and Amortisation (+\$62.1m)

##### Real

- + \$29.3m progressive delivery of 33 lead-in fighter aircraft.
- + \$15.6m Upgraded P-3C Orion aircraft.

- +\$10.0m Completion of the delivery of 12 C-130J Hercules aircraft.
- +\$8.8m Upgraded F-111 strike aircraft.
- \$5.5m Asset disposal and the sale and lease back of information technology assets.
- +\$3.9m Upgrade of strategic surveillance assets.

**Net Losses from Sales of Assets (-\$5.7m)**

Real

- \$5.7m Non-recurrence in 2000-01 of a net loss from sale of assets within the overall asset disposal program.

**Write-down of Assets (-\$29.2m)**

Real

- \$29.2m The write-down relates to outstanding loans made to ADI Ltd for \$93m. The loan amounts were wrapped into the final sale arrangements and were either waived or assumed by other entities. Defence is to receive partial reimbursement direct from the Budget in 2000-01. The \$29.2m amount represents the apportioned share of the write off for this output.

**Interest (-\$1.1m)**

Real

- \$1.1m Decreased provision as a result of the commencement of new operating lease arrangements for the Falcon aircraft. The previous finance lease incurred these expenses for 1999-2000.

**Other (-\$5.4m)**

Real

- \$0.4m Miscellaneous variations.

Transfer

- \$5.0m Removal expenses transferred to 'Suppliers'.

**Capital Use Charge (+\$116.6m)**

Real

- +\$36.5m Progressive delivery of 33 lead-in fighter aircraft (Hawk) and upgraded F/A-18 aircraft.
- +\$33.2m Completion of the delivery of 12 C-130J Hercules aircraft.
- +\$26.0m Upgrade of strategic surveillance assets.
- +\$23.8m Upgraded F-111 strike aircraft.
- +\$14.4m Upgraded P-3C Orion aircraft.
- \$12.5m Property disposal.
- \$5.3m Minor variations.
- +\$0.5m Delivery of combat support equipment.

## OUTPUT 5: POLICY ADVICE

### DESCRIPTION

Defence contributes to the achievement of the Government's desired outcome through the provision of strategic intelligence and through the provision of high-quality and timely advice in relation to strategic policy and direction, including strategic, capability and resources and management policy, and international defence policy.

### PERFORMANCE TARGETS FOR 2000-01

#### Priorities for 2000-01

##### **Strategic Intelligence**

- Continue development of the Defence intelligence system for better performance against corporate objectives and the development of Defence intelligence capability to meet Defence and government needs.

##### **Strategic Policy and Direction**

###### **Strategic Policy**

- Complete the Defence White Paper, including managing the public consultation process and providing post-White Paper briefings.
- Build on the work done to prepare for the 2000 Defence White Paper by developing and refining broad future options for force structure and assessing the utility of these in a range of scenarios. This will provide the Government with a stronger understanding of the links between strategic aims, ADF capabilities and resource requirements.
- Provide coordinated military advice to the Government through military strategic objectives and military response options and develop military strategic planning guidance.
- Manage Defence's relationship with the Australian Strategic Policy Institute.

###### **Capability Policy**

- Change the process of seeking approval for major investments to provide the Minister and Cabinet with more complete and timely advice on capability issues and options.
- Continue the implementation of capability management improvement initiatives to increase the effectiveness and efficiency of capability development and management.
- Develop and manage Defence's preparedness management system.
- Develop broadly-based total ADF capability evaluation arrangements.
- Develop the architecture for total defence capability.
- Develop a systems engineering approach to assist in developing and evaluating future force structure options.
- Review and prioritise all elements of current capability.
- Continue implementation of the whole-of-Defence national support agenda.
- Pursue ADF capability development opportunities flowing from the 'Revolution in Military Affairs'.

- Provide policy direction and plans and develop capabilities for the present and future Defence information environment.
- Develop tri-Service strategic-level policy to increase the Reserve contribution to ADF capability.
- Develop and oversee the implementation of changes to legislation relating to the call out of the ADF Reserve.

#### **Resources and Management Policy**

- Provide timely and responsive support to the Ministers, the Parliamentary Secretary and the Cabinet.
- Implement a comprehensive program of organisational renewal to align Defence's performance with the Government's requirements.
- Develop more-integrated planning processes, based on an overarching corporate plan, and effective performance measurement, monitoring and reporting arrangements.
- Strengthen corporate governance arrangements.
- Improve the efficacy of internal and external communications on defence issues, and the protection of sensitive information.
- Improve the quality of monthly financial statements and audited annual financial statements.
- Integrate the new tax system into Defence business processes.

#### **International Defence Policy**

- Maintain comprehensive high-level bilateral discussions and reciprocal visits with regional and allied defence organisations on matters of strategic policy.
- Support multilateral security dialogues.

### **Significant Capability Enhancement Initiatives for 2000-01**

#### **Strategic Intelligence**

- Conduct research into image analysis and exploitation tools, and assess future imagery systems to support surveillance.

#### **Strategic Policy and Direction**

##### **Strategic Policy**

- Improve overall synergies in our planning processes by enhancing the links between force options testing, capability and analytical and wargaming processes.
- Develop ADF future warfare concepts for joint, combined and coalition operations within Defence and by engagement with United States' and other defence forces.
- Provide strategic guidance and future warfare concepts in support of ADF preparedness, ADF doctrinal development, force structure and capability planning and command of operations.
- Evaluate future warfare concepts in the Krait series of wargames and evaluate strategic policy in the Taipan series of wargames during 2000-01.

##### **Capability Policy**

- Develop a strategic plan for total defence capability, designed to strengthen the ADF's ability to meet the Government's policy and strategic objectives to be outlined in the Defence White Paper.
- Develop, review and prioritise all proposals for major equipment and facilities that are planned for Government approval during 2000-01 and for the 2001-02 budget.

Section Three

- Produce the classified and unclassified versions of the new unapproved major capital equipment program (*Pink Book*) in 2000-01 after the White Paper is produced.
- Develop the future warfare concepts of command, control, communications and computing, intelligence, surveillance and reconnaissance, tailored effects, force projection, force protection and force sustainment.
- Develop policies and strategies to broaden the range of civil and international support available to Defence planners.
- Develop Defence policy and shaping strategies for industry sectors critical to the prosecution of military operations, including policy for the employment of civilian contractors in support of ADF operations.
- Present to the Government, by September 2000, draft legislation aimed at broadening call-out provisions for the ADF Reserve and providing a modernised system of protection for employers and Reservists.

**Resources and Management Policy**

- Present to the Government, by July 2000, an agreed position with the Department of Finance and Administration on measures to reform financial management arrangements within Defence, including the adoption of a purchaser/provider model for support services and modification of the global Defence budget arrangement.
- Progress the development of portfolio banking and cash management, including completing the market-testing of Defence's transactional banking arrangements and having a transactional banker in place by June 2001.
- Fully implement the new financial management information system, Project Roman, by June 2001.
- Progress the development of a cost management information system to be in place by early 2002.

## CAPABILITY PERFORMANCE INFORMATION

**Table 3.5.1: Performance Targets**

Capability Details	Performance Targets
<p><b>Strategic Intelligence</b> Provision of:</p> <ul style="list-style-type: none"> <li>• intelligence assessment and reporting;</li> <li>• intelligence capability; and</li> <li>• support for the conduct of military operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Intelligence information will be accurate, relevant, timely, responsive, insightful and useful, and will be delivered cost effectively and efficiently.</li> <li>• The Defence intelligence capability will have appropriately developed people, infrastructure, systems, and processes to meet customer requirements, and be able to meet ADF and government needs in times of crisis or conflict.</li> <li>• Level of support for East Timor and other ADF overseas deployments.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• As required by customers.</li> </ul>

<p><b>Strategic Policy and Direction</b>                  Provision of:</p> <ul style="list-style-type: none"> <li>• strategic policy advice to government; and</li> <li>• policy guidance and direction to the Defence organisation on Defence capabilities and strategic priorities to guide the development and use of Australia's armed forces.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Services provided:                         <ul style="list-style-type: none"> <li>- position the Government for the successful achievement of Australia's strategic objectives;</li> <li>- represent unity of effort across government and a common understanding of Australia's strategic objectives;</li> <li>- represent unity of effort across Defence and a common understanding of Australia's strategic objectives; and</li> <li>- display qualities of anticipation and initiative, enabling effective shaping of Australia's strategic security environment.</li> </ul> </li> <li>• Responses to crises are rapid and effective.</li> <li>• Policy advice is relevant, responsive and of a high quality.</li> <li>• Briefings, speeches and submissions are provided as appropriate.</li> <li>• Management and governance is improved and resources are used more effectively and efficiently as the result of performance evaluation, audit, investigation and reporting.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• As required by the Ministers, Cabinet and other customers.</li> </ul>
<p><b>International Defence Policy</b>                  Provision of:</p> <ul style="list-style-type: none"> <li>• international defence policy advice to the Government; and</li> <li>• international defence policy guidance and direction to the Defence organisation to enhance the ADF's ability to conduct successful operations.</li> </ul>	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>• Services provided:                         <ul style="list-style-type: none"> <li>- position Government for successful achievement of Australia's strategic objectives;</li> <li>- display qualities of anticipation and initiative, enabling effective shaping of Australia's strategic security environment; and</li> <li>- represent unity of effort across Defence and a common understanding of Australia's strategic objectives.</li> </ul> </li> <li>• Responses to crises are rapid and effective.</li> <li>• Policy advice is timely, relevant, responsive and of a high quality.</li> <li>• Briefings, speeches and submissions are provided as appropriate.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>• As required by the Ministers, Cabinet and other customers.</li> </ul>

## PRICE OF OUTPUT 5

Table 3.5.2: Total Price of Output 5

	Estimated Actual 1999-2000	Budget Estimate 2000-01	Variation (Estimated Actual to Budget Estimate)	
	\$m	\$m	\$m	%
<b>Operating Expenses</b>				
Employees – Military	177.9	192.4	14.5	8.2
Employees – Civilian	139.0	136.4	-2.6	-1.9
Suppliers	233.6	194.2	-39.4	-16.9
Inventory Consumption	0.4	0.7	0.3	75.0
Depreciation and amortisation	77.9	81.9	4.0	5.1
Net losses from sales of assets <sup>(1)</sup>	1.4	-	-1.4	-100.0
Write-down of assets	1.7	-	-1.7	-100.0
Interest				
Other	6.2	4.1	-2.1	-33.9
<b>Total operating expenses</b>	<b>638.1</b>	<b>609.7</b>	<b>-28.4</b>	<b>-4.5</b>
Capital Use Charge	73.3	69.2	-4.1	-5.6
Net operating surplus <sup>(2)</sup>	15.5	-	-15.5	-100.0
<b>Total Price of Output</b>	<b>726.9</b>	<b>678.9</b>	<b>-48.0</b>	<b>-6.6</b>

**Notes:**

- At the Defence Portfolio level the sale of assets has resulted in a loss (expense) in 1999-2000 and a gain (revenue) in 2000-01. When determining the Price of Outputs, expenses are included but revenue is excluded. Accordingly, the net gain from the sale of assets in 2000-01 shown in Table 2.1 is not in the table above.
- Defence budgets for, and works towards, the achievement of a zero operating balance in the financial year. However, due to the number and complexity of the transactions involved in Defence business, achievement of a zero balance is difficult and has not been possible in 1999-2000, with a net operating surplus of \$15.5m being projected.

As a surplus is achieved when total revenues exceed total expenses, it is difficult to identify the specific causes of a surplus. It is possible, however, to highlight some activities of significance that contributed to the operating result for 1999-2000, including:

- Additional revenue of \$50 million (-\$50m):

The additional revenue results from the sale of fuel and rations to East Timor troop contributing nations. The revenue is earned in this financial year, with payments to be received in 2000-01. The revenue is not recorded against the Timor provision as the activity is not part of the Timor deployment. When the cash is received from the troop contributing nations in the coming financial year, it will be used to restock Defence's inventory.

- Decreases in forecast depreciation of \$48 million (-\$48m):

The decrease is principally due to the downward revaluation of assets and the revision of estimates arising from a rescheduled (and accelerated) disposals program for the Defence estate.

- A decrease in Air Force revenue (+\$16m):

The decrease is a consequence of retaining C-130E aircraft previously budgeted for trade-in. The aircraft were retained for use in Timor and consequently their trade-in is delayed until 2000-01.

## Explanation of significant variations

### Employees - Military (+\$14.5m)

#### Price

+ \$9.0m Full-year effect of the ADF Enterprise Productivity Arrangement.

#### Real

+ \$8.9m Revision due to change in the methodology of allocating allowances.

+ \$3.8m Provision for military redundancies.

+ \$3.9m Provision for the adoption of more commercial practices by the Defence Housing Authority.

+ \$1.7m East Timor force generation

- \$6.4m Efficiency gains in non-core areas.

- \$6.4m Centrally-held provision for unallocated fringe benefits tax savings.

### Employees - Civilian (-\$2.6m)

#### Price

+ \$4.8m Centrally-held provision for anticipated civilian pay outcome.

#### Real

- \$1.5m Efficiency initiatives including rationalisation and market testing.

#### Transfer

- \$5.9m Provision for transition costs for market testing of non-core activities.

### Suppliers (-\$39.4m)

#### Real

- \$21.2m Non-recurrence of Roman implementation funding in 1999-2000.

- \$9.5m Non-recurrence of goods and services tax/Y2K remediation and Project Diary in 1999-2000.

- \$6.7m Reduction in weapons testing activities.

- \$1.5m Efficiency gains in non-core areas.

- \$1.1m Non-recurrence of contractor costs for the Future Operations Centre Analysis Laboratory project.

- \$1.6m Reduction in capital acquisition preliminary design studies and Defence Reform Program transition costs.

#### Transfer

+ 2.1m Removal expenses transferred from 'Other'.

### Depreciation and Amortisation (+\$4.0m)

#### Real

+ \$4.0m Full-year effect of delivery of intelligence assets in 1999-2000.

### Net Loss from Sales of Assets (-\$1.4m)

#### Real

- \$1.4m In 2000-01, there is a forecast gain from the sale of assets 'revenue' as part of the asset disposal program, which is not a cost of the output.

*Section Three*

**Write-down of Assets (-\$1.7m)**

Real

-\$1.7m The write-down relates to outstanding loans made to ADI Ltd for \$93m. The loan amounts were wrapped into the final sale arrangements and were either waived or assumed by other entities. Defence is to receive partial reimbursement direct from the Budget in 2000-01. The \$1.7m amount represents the apportioned share of the write off for this output.

**Other (-\$2.1m)**

Transfer

-\$2.1m Removal expenses transferred to 'Suppliers'.

**Capital Use Charge (-\$4.1m)**

Real

-\$3.6m Disposal of land and buildings.