

DEFENCE

CHAPTER THREE

RESULTS FOR GOVERNMENT AS DEFENCE'S OWNER

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BUDGETED FINANCIAL STATEMENTS

This section provides the budgeted financial statements for Defence. They have been prepared consistent with the Government's financial budgeting and reporting framework. They consist of the following statements and accompanying notes for both departmental and administered performance:

Budgeted Statement of Financial Performance (Budgeted Operating Statement)

This statement provides a picture of the expected financial results for Defence by identifying expenses and revenues over 2002-03 and the forward estimates. This highlights whether Defence is operating at a sustainable level in the short term.

Budgeted Statement of Financial Position (Budgeted Balance Sheet)

This shows the projected financial position of Defence for 2002-03 and the forward estimates. It enables decision makers to track the management of Defence's assets and liabilities.

Budgeted Statement of Cash Flows (Budgeted Cash Flow Statement)

The budgeted statement of cash flows categorises expected cash flows arising from operating activities, investing activities and financing activities.

Capital Budget Statement

This shows all proposed capital expenditure and receipts during the budget year and the forward estimates. It also shows how new asset acquisitions are funded by appropriation for outputs, by equity injections or loans, or by sales of existing assets.

Non-financial Assets - Summary of Movement

This statement shows movement in non-financial assets in the budget year.

Note to the Estimated Actual Column of the Departmental Statement of Financial Performance

This table is not required.

Note of Budgeted Assets and Liabilities Administered on Behalf of Government

This note identifies the main revenues and expenses Defence administers on behalf of the Government.

Note of Budgeted Assets and Liabilities Administered on Behalf of Government

This note shows the assets and liabilities Defence administers on behalf of the Government.

Note of Budgeted Administered Cash Flows

This note shows cash flows Defence administers on behalf of the Government.

Note of Administered Capital Budget

This table has been excluded as Defence does not have any administered capital budget items.

Note of Administered Non-Financial Assets – Summary of Movement

This table has been excluded as Defence does not administer any non-financial assets.

Table 3.1: Budgeted Statement of Financial Performance⁽¹⁾

2001-02 Projected Result \$'000		2002-03 Previous Estimate \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
REVENUES							
17,859,244	Appropriations from Government	17,700,714	18,235,351	3.0	18,516,150	19,381,451	19,377,526
245,019	Sales of goods and services	250,348	249,368	(0.4)	254,864	260,735	267,253
15,000	Interest	20,000	20,000	-	25,000	30,000	30,000
-	- Net gains from sales of assets	-	-	-	-	-	-
-	- Net gain on foreign exchange	-	-	-	-	-	-
-	- Reversals of previous asset write-downs	-	-	-	-	-	-
-	- Assets recognised due to change in accounting policy	-	-	-	-	-	-
17,572	Other	17,815	17,737	(0.4)	18,048	18,387	18,850
18,136,835	TOTAL REVENUES	17,988,877	18,522,456	3.0	18,814,062	19,690,573	19,693,629
EXPENSES							
5,541,365	Employees	5,843,913	5,874,644	0.5	6,146,999	6,496,039	6,684,035
4,652,751	Suppliers	4,483,504	4,675,891	4.3	4,578,294	4,826,319	4,724,107
23,000	Grants	1,974	1,370	(30.6)	2,013	2,064	2,116
2,678,112	Depreciation and amortisation	2,768,014	2,782,814	0.5	2,826,637	2,984,937	2,742,171
425,327	Write-down of assets	100,000	100,000	-	100,000	100,000	100,000
13,320,555	TOTAL EXPENSES	13,197,405	13,434,719	1.8	13,653,943	14,409,359	14,252,429
32,533	Borrowing cost expense	31,643	31,643	-	30,678	29,633	28,761
4,783,747	NET OPERATING RESULT	4,759,829	5,056,094	6.2	5,129,441	5,251,581	5,412,439
EQUITY INTERESTS							
38,304,586	Accumulated surpluses at 1 July	38,232,886	38,232,886	-	37,573,386	37,484,486	37,336,654
TOTAL AVAILABLE FOR APPROPRIATION							
43,088,333	Capital use charge	42,992,715	43,288,980	0.7	42,702,827	42,736,067	42,749,093
(4,771,747)	Capital withdrawal	(4,759,829)	(5,056,094)	6.2	(5,129,441)	(5,251,581)	(5,412,439)
(83,700)		(775,548)	(659,500)	(15.0)	(88,900)	(147,832)	-
ACCUMULATED SURPLUSES AT 30 JUNE							
38,232,886		37,457,338	37,573,386	0.3	37,484,486	37,336,654	37,336,654

Note

- Capital withdrawal includes \$71.7m capital and \$12m operating receipts returned to the official public account in 2001-02. Operating receipts include \$10m for the reduction of lease supplementation in 2001-02 and \$2m for unused funds associated with Defence support to the Commonwealth Heads of Government meeting.

Table 3.2: Budgeted Statement of Financial Position

2001-02 Projected Result	2002-03 Previous Estimate	2002-03 Budget Estimate	Variation	2003-004 Forward Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate
\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000
ASSETS						
Financial Assets						
500,000	423,631	609,807	43.9	628,816	772,183	772,183
440,708	433,808	433,808	-	433,808	433,808	433,808
-	-	-	-	-	-	-
940,708	857,439	1,043,615	-	1,062,624	1,205,991	1,205,991
Total Financial Assets						
Non-Financial Assets						
7,995,708	7,313,589	7,458,837	2.0	7,429,726	7,291,427	7,296,220
35,836,378	37,039,011	37,010,550	(0.1)	38,451,182	39,649,182	41,450,088
3,194,225	3,106,816	3,127,706	0.7	3,031,828	2,930,885	2,842,518
136,062	100,360	100,360	-	65,433	29,501	37,018
482,963	482,963	482,963	-	482,963	482,963	482,963
47,645,336	48,042,739	48,180,416	0.3	49,461,132	50,383,958	52,108,807
48,586,044	48,900,178	49,224,031	0.7	50,523,756	51,589,949	53,314,798
TOTAL ASSETS						
LIABILITIES						
Debt						
380,981	369,386	369,386	-	356,825	343,218	328,738
213	213	213	-	213	213	213
381,194	369,599	369,599	-	357,038	343,431	328,951
Total Debt						
Provisions and Payables						
2,842,288	2,956,058	2,956,058	-	3,074,384	3,197,449	3,293,372
416,326	416,326	416,326	-	416,326	416,326	416,326
72,159	72,159	72,159	-	72,159	72,159	72,159
3,330,773	3,444,543	3,444,543	-	3,562,869	3,685,934	3,781,857
3,711,967	3,814,142	3,814,142	-	3,919,907	4,029,365	4,110,808
44,874,077	45,086,036	45,409,889	0.7	46,603,849	47,560,584	49,203,990
TOTAL LIABILITIES						
NET ASSETS						
EQUITY						
1,411,251	2,293,861	2,501,666	9.1	3,723,056	4,860,856	6,504,262
5,229,940	5,334,837	5,334,837	-	5,396,307	5,363,074	5,363,074
38,232,886	37,457,338	37,573,386	0.3	37,484,486	37,336,654	37,336,654
44,874,077	45,086,036	45,409,889	0.7	46,603,849	47,560,584	49,203,990
TOTAL EQUITY						
Represented by						
1,533,469	1,470,937	1,675,292	13.9	1,694,301	1,856,265	1,878,601
47,052,575	47,429,241	47,548,739	0.3	48,829,455	49,733,684	51,436,197
1,531,124	1,574,184	1,587,791	0.9	1,619,011	1,665,418	1,701,850
2,180,843	2,239,958	2,226,351	(0.6)	2,300,896	2,363,947	2,408,958

Table 3.3: Budgeted Statement of Cash Flows

2001-02 Projected Result \$'000		2002-03 Previous Estimate \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
OPERATING ACTIVITIES							
17,859,244	Appropriations from Government	17,700,714	18,235,351	3.0	18,516,150	19,381,451	19,377,526
266,091	Sales of goods and services	271,878	270,814	(0.4)	276,782	283,158	284,625
15,000	Interest	20,000	20,000	-	25,000	30,000	30,000
741,051	Net GST refund	762,765	792,160	3.9	822,983	828,045	822,429
15,572	Other	15,815	15,737	(0.5)	16,048	16,387	18,850
18,896,958	Total cash received	18,771,172	19,334,062	3.0	19,656,963	20,539,041	20,533,430
5,431,986	Employees	5,730,143	5,760,874	0.5	6,028,673	6,372,974	6,588,112
5,618,313	Suppliers	5,178,390	5,420,978	4.7	5,325,317	5,573,844	5,475,541
23,000	Grants	1,974	1,370	(30.6)	2,013	2,064	2,116
32,533	Other	31,643	31,643	-	30,678	29,633	28,761
11,105,832	Total cash used	10,942,150	11,214,865	2.5	11,386,681	11,978,515	12,094,530
	NET CASH FROM/(TO)						
7,791,126	OPERATING ACTIVITIES	7,829,022	8,119,197	3.7	8,270,282	8,560,526	8,438,900
INVESTING ACTIVITIES							
198,914	Proceeds from sales of property, plant and equipment	868,814	699,766	(19.5)	171,852	214,312	40,000
198,914	Total cash received	868,814	699,766	(19.5)	171,852	214,312	40,000
2,979,417	Purchase of specialist military equipment	3,451,767	3,586,909	3.9	3,903,825	3,729,538	4,077,514
489,738	Purchase of property, plant and equipment	471,900	485,473	2.9	509,788	626,713	617,873
3,469,155	Total cash used	3,923,667	4,072,382	3.8	4,413,613	4,356,251	4,695,387
	NET CASH FROM/(TO)						
(3,270,241)	INVESTING ACTIVITIES	(3,054,853)	(3,372,616)	10.4	(4,241,761)	(4,141,939)	(4,655,387)
FINANCING ACTIVITIES							
32,788	Other	-					
754,175	Equity appropriation	882,610	1,090,415	23.5	1,221,390	1,137,800	1,643,406
786,963	Total cash received	882,610	1,090,415	23.5	1,221,390	1,137,800	1,643,406
10,704	Repayments of debt	11,595	11,595	-	12,561	13,607	14,480
4,771,747	Capital use charge	4,759,829	5,056,094	6.2	5,129,441	5,251,581	5,412,439
83,700	Capital withdrawal	775,548	659,500	(15.0)	88,900	147,832	-
4,866,151	Total cash used	5,546,972	5,727,189	3.2	5,230,902	5,413,020	5,426,919
	NET CASH FROM/(TO)						
(4,079,188)	FINANCING ACTIVITIES	(4,664,362)	(4,636,774)	(0.6)	(4,009,512)	(4,275,220)	(3,783,513)
	Net Increase/(Decrease) in						
441,697	Cash Held	109,807	109,807	-	19,009	143,367	-
58,303	Cash at 1 July	313,824	500,000	59.3	609,807	628,816	772,183
500,000	CASH AT 30 JUNE	423,631	609,807	43.9	628,816	772,183	772,183

Table 3.4: Capital Budget Statement

2001-02 Projected Result \$'000	2002-03 Previous Estimate \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
CAPITAL EXPENDITURE						
2,979,417	3,451,767	3,586,909	3.9	3,903,825	3,729,538	4,077,514
489,738	471,900	485,473	2.8	509,788	626,713	617,873
3,469,155	3,923,667	4,072,382	3.8	4,413,613	4,356,251	4,695,387
TOTAL CAPITAL PAYMENTS						
Funded from:						
754,175	882,610	1,090,415	23.5	1,221,390	1,137,800	1,643,406
2,587,766	2,947,791	2,941,701	(0.2)	3,109,271	3,151,971	3,011,981
127,214	93,266	40,266	(56.8)	82,952	66,480	40,000
3,469,155	3,923,667	4,072,382	3.8	4,413,613	4,356,251	4,695,387
TOTAL CAPITAL FUNDING						
CAPITAL RECEIPTS						
	-	-	-	-	-	-
198,914	868,814	699,766	(19.5)	171,852	214,312	40,000
(71,700)	(775,548)	(659,500)	(15.0)	88,900	147,832	-
127,214	93,266	40,266	(56.8)	82,952	66,480	40,000
NET CAPITAL RECEIPTS						

Table 3.5: Non-Financial Assets – Summary of Movement

Revised Budget Year 2002-03	Land	Buildings	Commercial Vehicles, Other Equipment and Infrastructure	Specialist Military Equipment	Software	Other Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROSS VALUE							
Gross value as at 30 June 2002	2,120,129	8,821,592	7,107,860	51,341,159	99,664	131,168	69,621,572
Gross value – additions	6,183	214,706	253,350	3,586,909	2,291	8,943	4,072,382
Gross value – revaluations		104,897					104,897
Gross value – disposals	(61,415)	(586,903)	(91,425)	(39,934)			(779,677)
Gross value – write-offs				(100,000)			(100,000)
GROSS VALUE AS AT 30 JUNE 2003	2,064,897	8,554,292	7,269,785	54,788,134	101,955	140,111	72,919,174
ACCUMULATED DEPRECIATION/AMORTISATION							
Accumulated depreciation/amortisation as at 30 June 2002		(2,946,013)	(2,765,753)	(19,846,888)	(49,433)	(45,337)	(25,653,424)
Depreciation/amortisation on assets held at the beginning of the year		(239,134)	(335,512)	(2,161,232)	(18,914)	(28,022)	(2,782,814)
Accumulated depreciation/amortisation on assets disposed through the year		24,795	27,852	34,164			86,811
ACCUMULATED DEPRECIATION/AMORTISATION AS AT 30 JUNE 2003		(3,160,352)	(3,073,413)	(21,973,956)	(68,347)	(73,359)	(28,349,427)
WRITTEN DOWN VALUE AS AT 30 JUNE 2003	2,064,897	5,393,940	4,196,372	32,814,178	33,608	66,752	44,569,747

Table 3.6: Note of Budgeted Revenue and Expenses Administered on Behalf of Government

2001-02 Projected Result \$'000	2002-03 Previous Estimate \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
REVENUES						
2,305,879	2,200,181	2,205,881	0.3	2,305,881	2,205,881	2,405,881
411,600	-	211,920	100	181,980	252,340	28,920
694,860	682,497	682,497	-	683,683	687,389	687,389
3,412,339	2,882,678	3,100,298	7.5	3,171,544	3,145,610	3,122,190
EXPENSES						
2,300,000	2,200,000	2,200,000	-	2,300,000	2,200,000	2,400,000
5,700	-	5,700	100	5,700	5,700	5,700
179	181	181	-	181	181	181
2,305,879	2,200,181	2,205,881	0.3	2,305,881	2,205,881	2,405,881

Table 3.7: Note of Budgeted Assets and Liabilities Administered on Behalf of Government

2001-02 Projected Result \$'000	2002-03 Previous Estimates \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
ASSETS						
Financial assets						
170	170	170	-	170	170	170
27,181,654	2,171,987	28,081,654	n/a ⁽¹⁾	28,981,654	29,781,654	30,781,654
1,546,261	1,546,261	1,546,261	-	1,546,261	1,546,261	1,546,261
28,728,085	3,718,418	29,628,085	n/a ⁽¹⁾	30,528,085	31,328,085	32,328,085
28,728,085	3,718,418	29,628,085	n/a ⁽¹⁾	30,528,085	31,328,085	32,328,085
LIABILITIES						
Provisions and Payables						
27,100,000	28,000,000	28,000,000	-	28,900,000	29,700,000	30,700,000
18,260	18,620	18,260	-	18,260	18,260	18,260
27,118,260	28,018,620	28,018,260	-	28,918,260	29,718,260	30,718,260
27,118,260	28,018,620	28,018,260	-	28,918,260	29,718,260	30,718,260
Represented by:						
1,300,170	1,400,170	1,300,170	(7.1)	1,400,170	1,400,170	1,400,170
27,427,915	2,318,248	28,327,915	n/a ⁽¹⁾	29,127,915	29,927,915	30,927,915
1,300,179	1,400,623	1,300,181	(7.2)	1,400,181	1,400,181	1,400,181
25,818,081	26,617,997	26,718,079	0.4	27,518,079	28,318,079	29,318,079

Note

1. A percentage variation is not appropriate for this comparison.

Table 3.8: Note of Budgeted Administered Cash Flows

2001-02 Projected Result \$'000		2002-03 Previous Estimate \$'000	2002-03 Budget Estimate \$'000	Variation %	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000
OPERATING ACTIVITIES							
	Appropriations from						
1,305,879	Government	1,300,410	1,305,881	0.4	1,405,881	1,405,881	1,405,881
411,600	Interest and Dividends		211,920	100	181,980	252,340	28,920
694,860	Other	682,447	682,497	-	683,683	687,389	687,389
<u>2,412,339</u>	Total Cash Received	<u>1,982,857</u>	<u>2,200,298</u>	11.0	<u>2,271,544</u>	<u>2,345,610</u>	<u>2,122,190</u>
1,300,000	Military benefits	1,300,000	1,300,000	-	1,400,000	1,400,000	1,400,000
1,106,460	Cash to Official Public Account	682,497	894,417	31.1	865,663	939,729	716,309
5,700	Subsidies		5,700	100	5,700	5,700	5,700
179	Other	360	181	(49.7)	181	181	181
<u>2,412,339</u>	Total Cash Used	<u>1,982,857</u>	<u>2,200,298</u>	11.0	<u>2,271,544</u>	<u>2,345,610</u>	<u>2,122,190</u>
	NET CASH FROM/(TO)						
	- OPERATING ACTIVITIES	-	-	-	-	-	-

NOTES TO THE BUDGETED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF KEY ACCOUNTING POLICIES

Budgeted Financial Statements

Budgeted financial statements have been included to show the planned financial performance over the 2002-03 Budget year, and each of the following forward years from 2003-04 to 2005-06.

Budgeted statements of financial performance, financial position, and cash flows and a budgeted capital statement are provided to show the revenues, expenses, assets and liabilities of Defence. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework.

Budgeted financial estimates are provided for both *departmental* and *administered* financial items. *Departmental*, or controlled, financial statements are those statements which include revenues, expenses, assets and liabilities over which Defence has discretion, responsibility and authority. *Departmental* financial statements represent the financial performance of Defence in delivering its outputs.

Administered financial estimates (shown as shaded) include revenues, expenses, assets and liabilities that Defence administers on behalf of Government, but over which Defence does not have management control. These typically include military superannuation benefits.

The projected results for 2001-02, shown in the Portfolio Budget Statements for comparative purposes, are based on estimates at the time the Portfolio Budget Statements were prepared and are not necessarily estimates determined during the *Additional Estimates Statements 2001-02*. These estimates include pressures and opportunities which have arisen during, or are foreseen for the remainder of, the 2001-02 financial year. Audited financial results for Defence will be provided in the annual report following the completion of the financial year.

In recognition of the budget development and scrutiny process, variations explained in the budgeted financial statements are between the Budget and the previously published forward estimate for 2002-03 (*Portfolio Additional Estimates Statements 2001-02*) unless otherwise noted. This most recent previous estimate for 2002-03 is also included in these budgeted financial statements for comparative purposes.

Unless otherwise stated, the convention used in these budgeted financial statements is to round amounts to the nearest \$'000. Totals are the sum of unrounded figures.

Employee Entitlements

Liabilities to employees comprise salaries, allowances, annual leave, long service leave, superannuation, redundancies and military workers compensation.

Property, Plant and Equipment

Asset recognition threshold

A capitalisation threshold of \$10,000 (reduced from \$25,000 as of 2000-01) has been adopted for all classes of property, plant and equipment. Items below this threshold may be recognised as group assets if, as a group, they are valued over \$50,000 (reduced from \$500,000 as of 2000-01).

Depreciation and amortisation

Items of property, plant and equipment are written-down to their estimated residual values over their estimated useful lives to Defence using in all cases the 'straight-line' method of depreciation from the time they are first held ready for use. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Asset disposals

The gain or loss on disposal of property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the net proceeds of disposal.

Inventory

All inventory held by Defence is held not for sale. As historic cost information is not available in all instances, inventory not held for sale is brought to account at average cost, replacement cost or last purchase cost. Costs are assigned to issued inventory on the same basis.

Provision for inventory obsolescence

Inventory is considered obsolete or obsolescent based upon current inventory levels and expected usage of such assets in light of expected equipment platform phaseouts.

Investments

Investments held on behalf of the Commonwealth bodies are included as administered assets and brought to account as the value of the Commonwealth's share of the net assets of the entity as at 30 June 1997, except where there has been a return from the equity to the owner (Government).

Taxation

Defence's activities are exempt from all forms of taxation except fringe benefits tax and the goods and services tax. Defence is able to recover all goods and services tax payments from the Australian Taxation Office.

Capital Use Charge

An annual capital use charge of 11 per cent (reduced from 12 per cent in 2000-01) has been imposed by the Commonwealth on net Departmental assets.

Foreign Exchange

The department has received supplementation in its funding base for overseas purchases. This was calculated by employing appropriate exchange rates prior to the 2001-02 budget. Further supplementation is currently provided on a year-by-year basis and is derived by reference to variations in exchange rates from those which underpinned the 2001-02 budget.

NOTE 2 - BUDGETED STATEMENT OF FINANCIAL PERFORMANCE - VARIATIONS IN ESTIMATES

This note provides explanations for the material variations between the 2002-03 Budget and the previous 2002-03 forward estimates as published in the *Portfolio Additional Estimates Statements 2001-02* for Defence.

Departmental Statements

Budgeted Statement of Financial Performance

Appropriations from Government

The price to the Government of Defence's outputs directly equates to the full operating costs of inputs used by Defence during the year in delivering the outputs. Defence's remaining funding requirements for the year are provided as new capital injection. Defence's budgeted cash flow statement shows how total cash received by Defence during the year is used to meet operating, investing and financing costs.

While the price of Defence's outputs to the Government for 2002-03 is expected to increase by \$534.6m from the previous estimate, Defence's overall funding from the Government in 2002-03 is expected to increase by \$742.4m.

The increase in the price of outputs to the Government (\$534.6m) is made up of a number of new adjustments including:

- Defence's continued contribution to the war against terrorism (\$169.3);
- re-instatement of operational funding associated with enhanced communications from 01-02 (\$47.3m);
- funding to conduct operations to protect Australia's northern and western borders from unauthorised arrivals (\$19.6m);
- enhanced tactical assault (\$7.6m) and incident response capability (\$16.0m);
- enhanced protective security including e-security (\$29.9m);
- transfer from the Department of Finance and Administration for Special Purpose Aircraft (\$5.8m);
- supplementation for changes in foreign exchange rates (\$90.0m); and
- increase in capital use charge funding (\$296.2m) as a result of a revised net asset position. It is anticipated that all this increased funding will fully offset the increase in payment for capital use charge back to the Government.

The above funding increases have been partially offset by:

- administrative savings (\$97.0m);
- reductions in spending as a result of changed government price parameters (\$40.1m); and
- claw-back of lease supplementation due to delayed sales of properties (\$10.0m).

Equity

The equity injection from the Government increased by \$207.8m as a result of:

- Defence's continued contribution to the war against terrorism (\$29.7m);
- funding to conduct operations to protect Australia's northern and western borders from unauthorised arrivals (\$2.7m);
- enhanced tactical assault (\$25.5m) and incident response capability (\$2.5m);
- enhanced protective security including e-security (\$13.5m);
- increased munition stocks (\$20.9m);
- supplementation to cover shortfalls in capital proceeds (\$38.0m); and
- supplementation for changes in foreign exchange rates (\$261.0m).

The above funding increases have been partially offset by:

- reduced capital purchases (\$150.0m) to be re-instated in 2003-04;
- reduced special military equipment purchases to fund increased munition stocks (\$20.9m); and
- reductions in spending as a result of changed government price parameters (\$15.1m).

Sales of Goods and Services

The estimate for sales of goods and services has decreased by \$0.7m or 0.4 per cent from previous estimates due to movements in government released price parameters.

Other Revenue

The estimate for other revenue has decreased by \$0.1m or 0.4 per cent from previous estimates due to movements in government released price parameters.

Employee Expenses

Employee expenses will increase by \$30.7m, or 0.5 per cent, from previous estimates, as a result of increased spending associated with new budget measures. More details in relation to Defence's people can be found in Chapter 5 of this document.

Suppliers Expense

Suppliers expenses will increase by \$192.4m, or 4.3 per cent, as a result of estimated increased spending associated with Government's measures and the effects of foreign exchange movements.

The anticipated increases in costs have been offset predominantly by administrative savings (\$97.0m), price movements (\$18.0m) and claw-back of lease supplementation (\$10.0m) due to delayed sales of properties.

Depreciation and Amortisation

Depreciation and amortisation will increase by \$14.8m or 0.5 per cent, from previous estimates, due to purchases of capital equipment associated with new Government measures.

Budgeted Statement of Financial Position

Land and Buildings

Land and buildings has increased by \$145.2m, or 2.0 per cent, from previous estimates. This increase is a result of deferral of property sales and acquisition of property as outlined in the Government's new measures.

Infrastructure, Plant and Equipment

Infrastructure, plant and equipment has decreased by \$28.5m, or 0.1 per cent, from previous estimate. This movement is mainly due to the flow on effects of a projected increase of (\$186.2m) in specialist military equipment write-offs in 2001-02; increased purchases in 2002-03 resulting from Government's new measures (\$73.5m); increased costs of purchase due to price and exchange rate movements (\$245.9m); deferral of \$150.0m capital acquisitions to 2003-04 and reduction in specialist military equipment purchases to fund increased munitions stocks (\$20.9m).

Inventories

Inventories have been increased by \$20.9m, or 0.7 per cent, from previous estimate to provide for an increase in munition stocks. This increase has been funded internally by a reduction in specialist military equipment.

Budgeted Statement of Cash Flows

In general, commentary for cash flows associated with operating items are included under the relevant statement of financial performance item above. Reasons for material variances elsewhere are outlined below.

Net GST Refund

Defence is registered as an Australian Business and is therefore able to claim input tax credits from the Australian Taxation Office.

Proceeds of Sale of Property, Plant and Equipment

Proceeds from the sale of property, plant and equipment have reduced by \$169.0m or 19.5 per cent due predominantly to the projected reduction in the number and value of properties planned for disposal.

Purchase of Specialist Military Equipment

Purchases of specialist military equipment have increased by \$135.1m or 3.9 per cent. This variance is due to increased capital spending as a result of Government decisions and the effects of movement in price indices.

Purchase of Property, Plant and Equipment

Estimated purchases of property, plant and equipment have increased by \$13.6m, or 2.9 per cent, for 2002-03 to provide for enhanced perimeter fencing in various Defence establishments, and facilities for Tactical Assault Group and Incident Response Regiment.

Equity Appropriation

Details of the equity appropriation changes were included previously under appropriations from Government.

Capital Use Charge

Capital use charge has increased by \$296.2m, or 6.2 per cent, due predominantly to an increase in equity reported in the statement of financial performance. Equity has increased as a direct result of Government decisions reflected in the price of outputs explained under the heading appropriations to Government.

Capital Withdrawal

Cash withdrawals by the Government (ie returns to the Government for assets sales) have reduced by \$116.0m, or 15 per cent, as a result of changes to the asset sales program.

Administered Statements

Dividends

Dividends reflect those amounts, both normal and special dividends, to be received from the Defence Housing Authority and returned to the Government

Administered Superannuation

The appropriation receivable has been aligned to agree with the military benefits payable. This change in accounting policy now reflects the ability to draw on receivables to fund benefit payments accrued in prior periods.

Subsidies

The subsidy amount appearing in the statement of financial performance is provided by special appropriation and relates to support provided to qualifying military personnel by way of subsidy to acquire or renovate family homes.

CAPITAL BUDGET

OVERVIEW

The capital budget for 2002-03 totals \$4,072.4m. This is funded from appropriations for outputs, from capital receipts and from the equity injection. The capital budget is summarised in the table below.

Table 3.9: Defence Capital Budget 2002-03

	New Projects \$m	Ongoing Projects \$m	Total \$m
Specialist Military Equipment	348.1	3,238.8	3,586.9
Land and Buildings	17.2	203.7	220.9
Other Equipment and Infrastructure	0.0	253.4	253.4
Software and Other Intangibles	0.0	11.2	11.2
TOTAL	365.3	3,707.1	4,072.4

The Defence Capability Plan, which was formulated in conjunction with the White Paper, is a detailed, costed, ten-year plan for Australia's military capabilities.

The projects listed below are the second round of major capital equipment projects in the Defence Capability Plan proposed for Government approval as part of the implementation of the White Paper. The first round of Defence Capability Plan projects was approved in 2001-02.

The balance of Defence Capability Plan projects will be brought forward for Government approval progressively over the ten-year period. More detail on the list of projects proposed for approval shown below is provided in the Defence Capability Plan.

New major capital equipment projects proposed for Government approval in 2002-03 include⁽¹⁾:

- accredited secure intelligence facilities;
- additional trooplift helicopters;
- air warfare destroyers study;
- air-to-air refuelling;
- air-to-surface stand-off weapons system⁽²⁾;
- anzac anti-ship missile defence;
- Anzac undersea and surface warfighting upgrade program - mine and obstacle avoidance sonar;
- battlefield command support system;
- battlespace communications systems (land);

1. This list does not include a number of highly classified projects, a number of smaller project, study phases in support of project development, and Capability and Technology Demonstrators.

2. This is the final instalment of funding for a previously approved phase of this project.

- Collins submarine combat system;
- Defence management systems improvement;
- direct fire weapon;
- electronic warfare self-protection for tactical aircraft⁽³⁾;
- enhanced bridging capabilities;
- explosive ordnance – warstock;
- FFG standard-01 missile replacement;
- general service field vehicles⁽⁴⁾;
- geospatial information infrastructure and services;
- high-frequency surface wave radar;
- incident response regiment;
- M113 upgrade;
- new aerospace combat capability - options determination;
- nulka active missile decoy⁽⁵⁾; and
- patrol boat replacement.

New capital facilities projects approved by Government for 2002-03 are:

- RAAF Williamtown – redevelopment stage 1 and airborne early warning and control works – Williamtown, New South Wales;
- RAAF Richmond Reinvestment – Richmond, New South Wales; and
- RAAF Tindal perimeter security fence – Katherine, Northern Territory.

New capital facilities projects proposed for Government approval in 2002-03 are:

- Defence communications and information training school – Watsonia, Victoria;
- Defence imagery and geospatial organisation accommodation – Canberra, Australian Capital Territory;
- Headquarters Australian Theatre – Bungendore, New South Wales;
- Holsworthy base redevelopment second tactical assault group and incidence response regiment – Holsworthy, New South Wales;
- multi user depot – Canberra, Australian Capital Territory;
- RAAF College – Wagga, New South Wales and East Sale, Victoria;
- RAAF Edinburgh electronic warfare squadron building upgrade – Edinburgh South Australia; and
- rationalisation at Victoria Barracks – Melbourne, Victoria.

3. Additional funding for existing phase.

4. This is a Real Cost Increase for an already approved phase of this project.

5. Additional project phase.

MAJOR CAPITAL EQUIPMENT PROJECTS

The following table and descriptions provide details on the approved project expenditure, the estimated cumulative expenditure to 30 June 2002 and the estimated expenditure for 2002-03 of the top 20 (by level of expenditure) major capital equipment projects for Defence.

Table 3.10: Top 20 Projects by Forecast 2002-03 Expenditure⁽¹⁾⁽²⁾

	Approved Project Expenditure	Estimated Cumulative Expenditure to 30 June 2002	2002-03 Budget Estimate
	\$m	\$m	\$m
Airborne Surveillance And Control			
Airborne Early Warning and Control	3,455	385	404
Maritime			
Anzac Ship Project ⁽³⁾	5,279	4,462	258
FPG Progressive Upgrade - Implementation	1,413	669	165
Minehunter Coastal Acquisition	1,241	1,071	61
Evolved Sea Sparrow Missile Phase 2B/3	280	39	58
New Submarine Project	5,112	5,006	55
Underwater and Surface Warfighting Upgrade	167	33	43
Collins Class Submarine Augmentation	228	168	40
Aerospace			
F/A-18 Hornet Upgrade - Phase 2	1,524	378	222
Armed Reconnaissance Helicopter	1,858	123	176
Air-to-Air Weapons Capability – Phase 1	310	205	96
P-3C Update	903	667	91
Air-to-Surface Stand-off Weapon Capability	335	241	78
Anzac Ship Helicopter	1,017	787	72
Land			
Australian Light Armoured Vehicles	616	161	134
Bushranger Infantry Mobility Vehicles	316	70	60
Electronic Systems			
High Frequency Modernisation	585	251	83
Milsatcom - Military Satellite Payload	375	284	60
Defence Messaging and Directory Environment	107	27	50
Tactical Air Defence Radar Systems	203	127	42
TOTAL TOP 20 PROJECTS	25,323	15,153	2,247

Notes

1. Excludes projects that were not in contract at the time of preparation of the table.
2. Projects removed from the Top 20 table since the Portfolio Additional Estimates Statements 2001-02 are: Evolved SeaSparrow Missile Phase 2A, Penguin Missile Project, Strategic Airlift Capability, Lead-In Fighter Capability, F/A-18 Hornet Upgrade Phase 1 and Jindalee Operational Radar Network.
3. Project approval, expenditure and estimate figures are the net cost of the 10 ship program after deducting New Zealand revenue.

Project Schedules

Airborne Early Warning and Control

This project will provide Defence with an airborne early warning and control capability, with the provision of four aircraft and associated supplies and support. Reconsideration of the project in the context of the White Paper resulted in the project scope being reduced from six aircraft to four, with options for up to a further three aircraft later. A contract for four aircraft was signed with Boeing in December 2000, but the effective date of the contract was

June 2001 when the United States Government granted the export licences. The planned in-service date is 2007.

The project remains on schedule following the conduct of a number of major sub-system design reviews in 2001-02. Further reviews will be conducted throughout 2002-03.

This project contributes to Air Force Capabilities.

Anzac Ship Project

This project involves delivery of 10 ships, associated shore facilities and logistic support. Two of the 10 ships (02 and 04) are for the Royal New Zealand Navy. Five ships have been delivered and are in service with the Royal Australian Navy and the Royal New Zealand Navy.

Ship 08 (*Ballarat*) is planned for launch in May 2002 and delivery in mid 2004. Ship 06 (*Stuart*) is planned for delivery in May 2002. In mid-2003, Ship 07 (*Parramatta*) is scheduled for delivery, Ship 09 (*Toowoomba*) is to be launched and Ship 10 (*Perth*) is to have its keel laid.

This project contributes to Navy Capabilities.

FFG Progressive Upgrade – Implementation

The FFG Upgrade Project seeks to regain a comparative regional capability for FFG guided missile frigates to ensure that they remain effective and supportable to the end of their life.

The prime contractor, ADI Limited, intends to conduct the upgrade at its Garden Island facility, commencing with HMAS *Sydney* (FFG 03) in late 2003 and completing with HMAS *Newcastle* (FFG 06) in 2008. An overall schedule delay of up to 24 months is now likely. This does not include the additional contracted eight-month schedule window for uncertainty, primarily relating to the availability of the ships and minor schedule adjustments. A significant contributing factor for this schedule delay relates to the development and delivery of the combat system software. Detailed schedule replanning is being developed by ADI, in conjunction with the project authority, and is expected to be completed by the third quarter of 2002.

This project contributes to Navy Capabilities.

Minehunter Coastal Acquisition

The Minehunter Coastal Project provides for the delivery of six coastal minehunters and associated supplies, including combat system and platform system trainers at HMAS Waterhen in Sydney.

The first four ships, HMA Ships *Huon*, *Hawkesbury*, *Norman* and *Gascoyne*, have all been delivered to the Navy and are currently progressing towards acceptance into naval service. The fifth ship, HMAS *Diamantina*, was launched in December 2000 and was delivered in April 2002. The sixth and final ship, HMAS *Yarra*, was launched in January 2002 and is scheduled for delivery in September 2002.

This project contributes to Navy Capabilities.

Evolved SeaSparrow Missile Phase 2B/3

This project will introduce the Evolved SeaSparrow Missile into Navy service. The requirement of the international consortium to complete missile environmental qualification and safety certification has caused a delay in the delivery of missiles to Australia for test firing. Delivery is now to occur later in 2002. The delivery schedule for missiles to be embarked as deployable weapons is contingent upon completion of the missile qualification and safety test program in the United States. Progressive missile deliveries will occur throughout 2003 and subsequent years. Anzac Ship 05 (*Warramunga*) and Ship 06 (*Stuart*) are Evolved SeaSparrow Missile capable.

This project contributes to Navy Capabilities.

New Submarine Project

This project is to provide six Collins-class submarines with associated infrastructure and support. Five submarines have been delivered, with the sixth (*Rankin*) expected to be delivered late in 2002 having completed sea trials and a class shock trial. In July 1999, following the McIntosh/Prescott report, the project aim was modified to "achieving a fully operational and sustainable submarine capability as quickly as possible, within the approved resources". The additional work under the expanded aim is being progressed under two separate but related projects covering Collins-class submarine augmentation and Collins-class sustainability and reliability enhancements.

This project contributes to Navy Capabilities.

Underwater and Surface Warfighting Upgrade

This project will enhance the Anzac Ship surface and sub-surface warfare capability. The project has been split into three capabilities: Harpoon anti-ship missiles, a mine and obstacle avoidance system and a torpedo self-defence system.

The first element of the project – installation of the Harpoon surface-to-surface missile capability – is being acquired through an alliance contract between the Commonwealth, Tenix and Saab to enter into production in 2002-03 and enter service in 2004. Missiles will be acquired under a separate project. The Anzac alliance will also provide a target cost estimate for the mine and obstacle avoidance system in the third quarter of 2002. The third phase of the underwater and surface warfighting upgrade – the torpedo self-defence system – has been deferred for consideration beyond 2002-03.

This project contributes to Navy Capabilities.

Collins Class Submarine Augmentation

The scope of this project is to provide combat system augmentation and propeller and hull improvements to specified submarines to bring them to an improved level of operational capability as quickly as possible. Initial hull improvements to HMAS *Collins* (submarine 01) were completed in August 1999. Work to upgrade two further submarines (submarine 04 *Dechaineux* and submarine 05 *Sheean*) to the interim level of improved capability was essentially completed by December 2000, but some outstanding combat system tasks have been deferred due to the priorities set by the Commander

Australian Naval Submarine Group and the availability of the submarines. As a result, the third and final phase of the combat system augmentation was split into two stages. The first is expected to be completed in May 2002, but the remaining stage comprising final software installation on the submarines will be deferred to the second half of 2002. A further two submarines (submarine 01 *Collins* and submarine 06 *Rankin*) will have further platform improvements completed during 2002.

This project contributes to Navy Capabilities.

F/A-18 Hornet Upgrade – Phase 2

This project seeks to upgrade the F/A-18 fighter fleet to rectify capability deficiencies, which limit the effectiveness of the aircraft in its air combat role. The project schedule for 2002-03 includes the completion of the first production phase of the upgrade, commencement of the radar upgrade production and the commencement of the design and development phase for the cockpit and display upgrade. Phase two work in 2002-03 includes improved cockpit displays and the provision of a moving map, a helmet-mounted cueing system and improved datalinks. Preliminary work will also commence on structural improvements to extend the life of the airframe. Some aspects of the electronic warfare self-protection phase have been deferred.

This project contributes to Air Force Capabilities.

Armed Reconnaissance Helicopter

This project will provide Defence with 22 armed reconnaissance helicopters, a training system including simulation devices for aircrew and maintenance personnel, a software support facility and a ground mission management system.

Acquisition and through-life support contracts were signed with Eurocopter International Pacific in December 2001. The 15-year through-life support contract will provide logistic support for the armed reconnaissance helicopter system and is anticipated to commence in 2005. The first helicopters are planned to be introduced into service in Australia, for training purposes, in December 2004.

This project contributes to Army Capabilities.

Air-to-Air Weapons Capability – Phase 1

This project seeks to maintain a credible air-to-air weapons capability for F/A-18 aircraft through the acquisition and integration of new beyond-visual-range and within-visual-range missiles.

The project schedule for 2002-03 includes the delivery of additional beyond-visual-range missiles and within-visual-range missiles. There will be ongoing work for integration and testing of the within-visual-range missile on the F/A-18 aircraft involving the Defence Science and Technology Organisation and the Air Force Aircraft Research and Development Unit.

This project contributes to Air Force Capabilities.

P-3C Update

This project is to update the P-3C Orion fleet to assure continued operational effectiveness through to the planned withdrawal date of 2015. Under the update project, the radar, acoustic system, data management system, and navigation and communications equipment will all be replaced with integrated, modern systems.

Planned activities for 2002-03 include the acceptance of the AP-3C, the operational mission simulator and the systems engineering laboratory. The prototype aircraft has been delivered (some 38 months behind schedule) and is undergoing testing. Acceptance of the prototype aircraft is anticipated to occur in September 2002.

This project contributes to Air Force Capabilities.

Air-to-Surface Stand-off Weapons System Capability

This project will acquire and bring into service the AGM-142E missile weapon for fitment to F-111C aircraft. It will provide the ADF with a capability to strike non-hardened and semi-hardened unitary targets while providing improved stand-off range, thereby contributing to the survivability of the aircraft. The project schedule for 2002-03 includes continued delivery of missiles into Australia as well as items of ground support equipment. Aircraft and missile integration design, which has been carried over from the previous year, will be completed, with prototype aircraft modification to commence at RAAF Amberley, Queensland.

This project contributes to Air Force Capabilities.

Anzac Ship Helicopter

This project will acquire 11 Super Seasprite helicopters for the Anzac ships, which will provide an enhanced capability to the ADF for surface surveillance, anti-surface warfare, contact investigation and maritime utility tasks.

The contract is running three and a half years late, with aircraft acceptance planned for December 2004. The delay has been caused substantially by the failure of the former Litton company to develop the software that integrates the aircraft and weapons systems. The prime contractor, Kaman, has recently sub-contracted CSC Australia and Northrop Grumman Information Technology to complete the development of this software in place of Litton. This software is planned to be delivered in August 2004.

The full mission flight simulator is under development in the United States and is planned to be re-assembled at Naval Air Station (NAS), Nowra, New South Wales, by mid-2003. As with the aircraft, the simulator will then await the development of integrated weapons system software.

Deliveries of aircraft spares, documentation, and ground support and test equipment is ongoing. The aircraft will be capable of firing the Penguin missile being acquired under a separate project. Missile deliveries have commenced.

Safe Air Limited is carrying out final aircraft build assembly at NAS Nowra. Seven aircraft have been reassembled.

The In-Service Support Centre, which includes a software support centre, engineering support and logistic management functions, has been commissioned. This centre is still being developed while awaiting the delivery of operational software. Staffing for the centre has been wound back due to the delay in delivery of the aircraft.

This project contributes to Navy Capabilities.

Australian Light Armoured Vehicles

This project is for the acquisition of wheeled light-armoured vehicles that provide the basis of the Army's armoured reconnaissance and surveillance capability.

As a result of previous phases, the Army has a fleet of 113 vehicles in service. Primarily, these equip the 2nd Cavalry Regiment located in Darwin. Elements of the unit equipped with Australian light armoured vehicles have been deployed successfully in East Timor. Phase three of the project includes non-completed elements of Phase two (surveillance suite, gunnery trainer and commander's weapon station) and the acquisition of up to an additional 150 vehicles. These vehicles will be used to complete the equipping of the 2nd Cavalry Regiment and to equip the 2nd/14th Light Horse Regiment, which is located in Brisbane. Phase three is proceeding on schedule and vehicle deliveries into units will commence in mid-2003.

This project contributes to Army capabilities.

Bushranger Infantry Mobility Vehicles

This project is currently contracted to deliver 370 infantry mobility vehicles in six variants from ADI Ltd. The vehicles, when delivered, will provide two motorised infantry battalion groups to the Army. Three prototype vehicles have been delivered since April 2000 and Defence trials have highlighted problems with reliability, internal noise and air portability. In May 2001, ADI was advised that the Government would not grant approval to proceed to production until reliability problems associated with the design were rectified. The schedule is now 24 months late and Defence and ADI are attempting to negotiate a contract amendment with acceptable cost, schedule and capability results. Defence will be providing the Government with a proposed way forward by the end of May 2002.

This project contributes to Army Capabilities.

High Frequency Modernisation

This project was instigated to replace naval high-frequency radio stations at Canberra, Darwin, Exmouth, Sydney, Cairns and HMAS Stirling (Perth) and the Air Force high-frequency radio stations at Sydney, Townsville, Darwin and Perth, and to improve the high-frequency radio communications capability of selected ADF mobile platforms (ships, aircraft and communications shelters). The first stage of the project will replace the existing facilities, while the second stage will provide increased levels of automation to improve capability and reduce reliance on staff. Finalisation of the integration and system testing of the replacement system components is scheduled for 2002-03, together with

transition of Navy and Air Force radio network operational capability and staff to the integrated system.

Second stage development has commenced. Operational transition to the second stage of increased levels of automation, improved capability and reduced personnel will be introduced progressively in the period from 2003 to 2005.

This project contributes to Defence Operations.

Milsatcom – Military Satellite Payload

This project will provide Defence with a satellite communications capability over the Asia-Pacific region in the X, Ka and UHF communications frequency bands. The capability will comprise a Defence-owned communications payload operating on board the Optus C1 satellite, together with anchor stations and payload control infrastructure located at Defence facilities in Canberra. The Optus C1 satellite is currently undergoing system-level testing in the United States and is scheduled for launch in December 2002 from Kourou in French Guiana. After a test and evaluation program following launch, operational services for Defence communications will commence in mid-2003. The Optus C1 satellite will also provide SingTel Optus with commercial telecommunications services into Australia, New Zealand and Asia. Arrangements have been put in place for the joint management of this shared satellite asset.

This project contributes to Defence Operations.

Defence Messaging and Directory Environment

This project is delivering an electronic authentication framework for e-business and e-operations applications on existing Defence networks. This trusted framework will enable Defence to better pursue numerous automated workflow applications. The project will provide a service to over 300 sites and over 65,000 Defence users. An initial level of capability will be completed in 2003. Included in the project scope are electronic signature and privacy protection, a corporate directory service, a Defence common access card (Smart Card), Smart messaging and e-business gateways and trusted interpersonal e-mail with military messaging features.

This project contributes to Defence Operations.

Tactical Air Defence Radar Systems

This project will acquire four mobile air-defence radar systems to replace the existing radars. The project will also provide a tactical ground transport capability for the new systems, and satellite communications between the new systems and the fixed air-defence sites. System production and integration, followed by acceptance testing and evaluation, are continuing, following delays arising from the contractor's technical difficulties. Operational evaluation of the radar and communications systems is to be finalised early in 2003, with final acceptance occurring mid-2003.

This project contributes to Air Force capabilities.

FACILITIES PROJECTS

Program of Works	Budget Estimate 2002-03 \$m
Total New Buildings and Works	425.7
Acquisitions	14.1
Facilities Operations Capital Works	7.0
Estimated Expenditure Slippage	-91.7
Total Capital Facilities Expenditure	355.1

Significant Current Facilities Projects

The following table and descriptions provide detail on planned progress and estimated expenditure for the significant major facilities projects with an in-year spend in 2002-03 greater than \$5m.

Table 3.11: Significant Facilities Projects in 2002-03

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure 2002 \$m	Estimated Expenditure to 30 June 2002 \$m	Budget Estimate 2002-03 \$m
QUEENSLAND			
Forde			
Canungra – Defence Intelligence Training Centre	17.4	1.5	15.9
Groom			
Oakey – Oakey Base Redevelopment	76.2	3.0	35.0
Herbert			
Townsville – Lavarack Barracks Redevelopment Stage 3	170.6	8.4	40.5
Townsville – RAAF Townsville Redevelopment Stage 1	70.1	62.6	5.7
Townsville – RAAF Townsville Redevelopment Stage 2	72.5	8.0	29.4
NEW SOUTH WALES			
Eden/Monaro			
Eden – Navy Ammunitioning Facility	40.0	6.0	14.0
Gilmore			
Nowra – HMAS Albatross Redevelopment	110.0	93.2	5.1
Parramatta			
Ermington – Pre-Disposal Site Works	33.1	2.9	7.6
Paterson			
Williamtown - RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works ⁽¹⁾	149.0	0	10.0
VICTORIA			
Melbourne Ports			
Fishermans Bend – Relocation of DSTO Aeronautical and Maritime Research Laboratory	61.2	9.0	35.0
SOUTH AUSTRALIA			
Bonython			
Edinburgh – RAAF Edinburgh Redevelopment Stage 1	39.9	3.5	22.0
NORTHERN TERRITORY			
Solomon			
Darwin – 1 Aviation Regiment Relocation ⁽¹⁾	75.0	0	10.0
Lingari			
Timber Creek - Bradshaw Field Training Area Infrastructure	64.8	10.9	27.0
AUSTRALIAN CAPITAL TERRITORY			
Canberra			
Canberra – Defence Network Operations Centre	19.6	1.2	15.0

Note

1. Subject to Parliamentary approval. Joint Standing Committee on Public Works hearing dates to be advised.

Canungra, Queensland – Defence Intelligence Training Centre

This project will provide new working accommodation for the headquarters, administration, instruction and course development elements, replacing inadequate facilities. The centre will provide specialised instructional areas and office accommodation for command, management, support and instructional staff, together with associated amenities, in a secure environment. Parliamentary approval was given on 27 September 2001. The design consultant has been appointed. The project is due for completion in late 2003.

This project contributes to Navy, Army and Air Force and Intelligence Capabilities.

Oakey, Queensland - Oakey Base Redevelopment

This project will redevelop Oakey Base to optimise it for support of Army rotary wing flying training, including the future armed reconnaissance helicopter and basic helicopter training which has relocated from Fairbairn in the Australian Capital Territory. The project will rationalise, upgrade and expand facilities for rotary wing training and training support. Other elements include an emergency response station, workshops, hot refuel facility, trainees living-in accommodation and a civil terminal. The managing contractor has been appointed and construction should be completed by mid-2004.

This project contributes to Army Capabilities.

Townsville, Queensland - Lavarack Barracks Redevelopment Stage 3

The aim of this project is to undertake the next stage of the redevelopment of Lavarack Barracks. The project is intended to upgrade or provide new working accommodation for existing units and to provide for the future relocation of Headquarters 11 Brigade and supporting units from Jezzine Barracks, Townsville. The managing contractor for the project has been appointed and construction has commenced, with completion planned for 2005.

This project contributes to Army Capabilities.

Townsville, Queensland - RAAF Townsville Redevelopment Stage 1

This project will provide new facilities, including loading aprons and aircraft and vehicle support infrastructure, to support the operational role of RAAF Townsville. The redevelopment of the base will be carried out in three or more stages, with Stage 1 due for completion by August 2002. An indigenous land-use agreement with local indigenous groups has been negotiated to permit construction of operational facilities. The consolidated vehicle maintenance workshop has been completed.

This project contributes to Air Force Capabilities.

Townsville, Queensland - RAAF Townsville Redevelopment Stage 2

Stage 2 of the redevelopment is to enhance the overall effectiveness of RAAF Townsville by grouping related base functions, providing facilities to contemporary standards and alleviating occupational health and safety problems stemming from cramped and temporary accommodation. The scope

of work comprises air movement facilities, transit accommodation, combined messing facilities, a dangerous goods compound, main base entrance, physical fitness complex, base training and support complex, combined headquarters complex and engineering services and demolition. The managing contractor has been appointed. Design has commenced and construction is planned to be completed in 2004.

This project contributes to Air Force Capabilities.

Eden, New South Wales - Naval Ammunitioning Facility

This project provides a naval ammunitioning facility to replace the former facility at Newington on the Sydney Olympics site. Point Wilson in Victoria is being used as an interim facility. Land tenure issues, including negotiation of an indigenous land-use agreement, have been completed. Construction of the wharf commenced in March 2002, for completion by mid-2003. Ammunition storage facilities to support the naval ammunitioning facility will be tendered in mid-2002.

This project contributes to Navy Capabilities.

Nowra, New South Wales - HMAS Albatross Redevelopment

This two-stage project aims to replace existing facilities and services that are beyond economical repair and to redevelop the operational and administration support facilities. Stage 1 includes aircraft support, storage and maintenance facilities, the air traffic control tower, explosive ordnance storage and loading facilities, and training facilities. Stage 2 includes new flight deck procedural trainers, a helicopter underwater escape trainer, runway arrestor systems, aircraft pavements and wash facilities, a gymnasium, fencing, engineering services and demolition. Stage 1 is complete. Stage 2 construction has commenced and is scheduled for completion by mid to late 2002.

This project contributes to Navy Capabilities.

Ermington, New South Wales - Ermington – Pre-Disposal Site Works

The aim of these works is to prepare this 20 hectare site on the Parramatta River for disposal. The works involve two elements:

- progressive site filling and stabilisation of the soil to provide a secure and stable building platform for future residential development. This element of the work commenced in October 2001; and
- the installation of trunk infrastructure (including main roads, water, sewer, power and telecommunications) to enable the site to be progressively sold as a series of 'super lots' over the next three years, the first sale occurring early in 2003.

The infrastructure works will commence immediately following the issuing of development consent, expected by September 2002. Disposal planning for the rezoning, master planning and development of the site has proceeded in close association with the Ermington Resident's Committee.

Williamstown, New South Wales - RAAF Williamstown Redevelopment Stage 1 and Airborne Early Warning and Control Works

This project will provide a range of new and redeveloped facilities and infrastructure necessary for the introduction into service of the airborne early warning and control (AEW&C) capability to be based at RAAF Williamstown. It will provide a new AEW&C precinct comprising a headquarters and maintenance complex for the AEW&C squadron, aircraft parking aprons with hydrant refuelling capability, a new fuel farm, new ordnance loading aprons, and improvements to the base engineering services, runway, taxiways and airfield lighting. The project includes an AEW&C Support Centre as a separate turnkey component to be delivered by the prime equipment contractor. The project is planned for Joint Standing Committee on Public Works consideration in September 2002, with completion by the end of 2006.

This project contributes to Air Force Capabilities.

Melbourne, Victoria - Relocation of Defence Science and Technology Organisation's Aeronautical and Maritime Research Laboratory

This project will relocate Defence Science and Technology Organisation functions from Maribyrnong to Fishermans Bend, and will include the integration of common functions, and the construction of enhanced research and laboratory facilities. The project will permit the subsequent disposal of the Maribyrnong site. The project is currently in the design stage and early works packages have been awarded. Construction of major work packages is planned to commence in mid-2002 and be completed in late 2003. The managing contractor is taking longer to arrange contracts than anticipated due to an overrun in costings.

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

Edinburgh, South Australia - RAAF Edinburgh Redevelopment Stage 1

This project will provide new administrative, workshop and warehousing facilities, as well as an upgrade of engineering services and an aircraft shelter. The provision of the warehouse may be excluded from the scope of works depending on the outcome of the Defence Integrated Distribution System project. Construction is planned to commence in mid-2002, with completion by mid-2003.

This project contributes to Air Force Capabilities.

Timber Creek, Northern Territory - Bradshaw Field Training Area Infrastructure

This project provides the necessary infrastructure to allow the use of the Bradshaw property as a field training area for the 1st Brigade. Significant delays have been experienced and the project is now some three years behind its original program. A native title claim and an aboriginal land rights claim continue to affect the project. In-principle agreement has been reached on an indigenous land-use agreement. A contract for the construction of the bridge over the Victoria River was awarded in November 2001, and construction is expected to be completed by June 2002. Contracts for the remainder of the

works will not be let until the indigenous land-use agreement has been signed and registered. Project completion is currently planned for December 2003.

This project contributes to Army Capabilities.

Darwin, Northern Territory – 1 Aviation Regiment Relocation

This project will provide new facilities for 1 Aviation Regiment at Robertson Barracks in Darwin and includes permanent purpose-built working, training and domestic accommodation facilities as part of their relocation and collocation in Darwin. Work is progressing to finalise the user requirement brief and production of initial budget estimates and preparation for a Parliamentary Public Works Committee hearing in July 2002.

This project contributes to Army Capabilities.

Canberra – Defence Network Operations Centre

This project will provide basic facilities at HMAS Harman to allow later installation of a range of communications activities. Contract arrangements are being put into place, with a view to project completion before late 2003.

This project will contribute to Defence Operations.

Capital Facilities Expenditure By Electorate

The following table provides details of estimated expenditure on works in progress and new works in the Defence capital facilities program for 2002-03. The table provides details of both major and medium projects by state, federal electorate and location. All major works (expenditure \$6.0m or greater) and medium works (expenditure \$0.250m to \$5.999m) are approved at an out-turn cost, inclusive of fee for service and contingency.

Table 3.12: All Major and Medium Capital Projects, Estimated 2002-03 Expenditure

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Expenditure to 30 June 2002	Budget Estimate 2002-03
	\$'000	\$'000	\$'000
*indicates planned new commencements in 2002-03			
QUEENSLAND			
Blair – Major Works			
Amberley – RAAF Amberley – Base Redevelopment	77,400	74,800	2,600
Blair – Medium Works			
Amberley – RAAF Amberley – Relocated Defence Materiel Organisation Strike Reconnaissance Systems Program Office	5,960	1,000	4,960
Amberley – RAAF Amberley – Fire and Security School ⁽¹⁾	2,400	0	2,400
Amberley – RAAF Amberley – Weapons Training Simulation System	900	800	100
Amberley – RAAF Security and Fire School Working Dog Accommodation*	850	0	850
Forde – Major Works			
Canungra – Defence Intelligence Training Centre	17,400	1,500	15,900
Groom – Major Works			
Oakey – Oakey Base Redevelopment	76,200	3,000	35,000
Herbert – Major Works			
Townsville – Lavarack Barracks Redevelopment Stage 2 ⁽²⁾	151,587	147,036	250
Townsville – Lavarack Barracks Redevelopment Stage 3	170,649	8,394	40,467
Townsville- RAAF Townsville – Redevelopment Stage 1	70,100	62,600	5,730
Townsville – RAAF Townsville – Redevelopment Stage 2	72,546	7,980	29,444
Herbert – Medium Works			
RAAF Townsville – Flight Deck Procedural Training Facility	2,310	0	10
RAAF Townsville – 25m Range	560	100	460
Townsville – Lavarack Barracks Tactical Training Simulation Capability	4,500	100	4,400
Townsville – Lavarack Barracks Regional Training Centre North Queensland Facilities	3,000	0	500
Townsville – Halifax Bay Range Relocation	3,000	0	10
Mount Stuart - Mount Stuart Training Area Grenade Range Construction*	400	0	400
Total Queensland	659,762	307,310	143,481
NEW SOUTH WALES			
Eden-Monaro – Major Works			
Eden - Naval Ammunitioning Facility	40,000	6,000	14,000
Gilmore – Major Works			
Nowra – HMAS Albatross – Base Redevelopment	110,000	93,200	5,100
Gilmore—Medium Works			
Nowra – HMAS Albatross – Commander Australian Naval Aviation Group Office Refurbishment	1,800	1,500	300
Nowra – Relocation Defence Materiel Organisation Naval Aviation Systems Program Office	3,900	3,600	300
Hughes – Medium Works			
Holsworthy - Special Operations Forward Military Operations in Urban Terrain Facilities*	5,000	0	3,000
Lindsay – Medium Works			
Penrith – Construction of Army Multi-User Depot ⁽¹⁾	5,286	184	5,102
Macquarie – Major Works			
Richmond – Reinvestment ^{(3)*}	40,000	0	3,000
Macquarie – Medium Works			
Richmond – RAAF Richmond – Fuel Farm Upgrade	3,000	50	2,900
Richmond – Air Lift Building 107 Office Accommodation*	1,500	0	1,000
North Sydney – Medium Works			
Waverton – HMAS Waterhen – Wharf Power Infrastructure	578	400	168
Waverton – HMAS Waterhen – Relocation Defence Materiel Organisation Mine Warfare and Clearance Diving Systems Program Office	2,025	0	1,000
Waverton – HMAS Waterhen – Relocation of Maritime Operations Division, DSTO	5,600	0	3,000
Parramatta – Major Works			
Ermington – Pre-Disposal Site Works	33,106	2,900	7,600
Paterson – Major Works			
Williamtown - RAAF Williamtown – Eastern Regional Operations Centre	18,000	16,882	1,100
Williamtown - RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning And Control Works ^{(3)*}	149,000	0	10,000
Paterson – Medium Works			
Williamtown - RAAF Williamtown – Building Extension for Computer Services	1,400	50	1,300
Williamtown - RAAF Williamtown – Lead-In Fighter Works ⁽¹⁾	965	114	835
Williamtown - RAAF Williamtown – Duckhole Hill Radar Works	950	30	900

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Expenditure to 30 June 2002	Budget Estimate 2002-03
*indicates planned new commencements in 2002-03	\$'000	\$'000	\$'000
Williamstown - RAAF Williamstown – Install Dehumidifiers to Aircraft Shelters	483	30	410
Williamstown - RAAF Williamstown – Salt Ash Perimeter Fence	500	0	500
Williamstown - RAAF Williamstown – Relocation Defence Materiel Organisation Tactical Fighter Systems Program Office	2,757	1,950	50
Williamstown - RAAF Williamstown – Weapons Training Simulation System	900	800	100
Williamstown - RAAF Williamstown – Child Care Facility*	2,000	0	2,000
Sydney – Medium Works			
Mosman – Headquarters Training Command Army Relocation	5,900	4,300	1,600
Warringah – Medium Works			
Balmoral – I Commando Company Collocation	5,500	0	2,500
Total New South Wales	440,150	131,990	67,765
VICTORIA			
Ballarat – Medium Works			
Ballarat – Construction of Army Multi-User Depot	5,830	40	5,790
Bendigo – Medium Works			
Bendigo – Construction of Army Multi-User Depot	5,017	5,012	5
Gippsland – Medium Works			
East Sale – East Sale Child Care	1,800	0	1,800
Jagajaga – Medium Works			
Watsonia – Regional Training Centre Facilities	5,500	0	1,500
Lalor – Medium Works			
Laverton – RAAF Band*	4,100	0	3,100
Laverton – Defence International Training Centre*	2,440	0	2,440
McEwan – Medium Works			
Puckapunyal – Puckapunyal Child Care Centre*	1,700	0	1,700
McLeod – Regional Training and Simulation Centre*	2,000	0	2,000
Maribyrnong – Major Works			
Albion – Decontamination Works	28,635	27,185	670
Melbourne – Medium Works			
South East Melbourne – Construction of Army Multi-User Depot	4,953	4,900	50
Melbourne – Victoria Barracks – Relocation Defence Materiel Organisation Land Systems Division	5,650	5,000	100
Melbourne Ports – Major Works			
Fishermans Bend – DSTO Relocation of Research Laboratories	61,200	9,000	35,000
Corio – Medium Works			
Geelong – Construction of Army Multi-User Depot	2,800	263	2,534
Corangamite – Medium Works			
Fort Queenscliff – Soldier Career Management Agency Relocation to Fort Queenscliff	5,800	4,700	600
Total Victoria	137,425	56,100	57,289
SOUTH AUSTRALIA			
Bonython – Major Works			
Edinburgh – RAAF Edinburgh – Redevelopment Stage 1	39,887	3,500	22,000
Bonython – Medium Works			
Edinburgh – RAAF Edinburgh – Airfield Defence	3,500	0	3,400
Edinburgh - RAAF Edinburgh – Relocation Defence Materiel Organisation Maritime Patrol Systems Program Office	1,604	0	1,200
Edinburgh – DSTO Hybrid Torpedo Simulator Facility	1,716	8	1,600
Edinburgh – Systems Simulation Centre Extension	2,500	8	2,400
Edinburgh – DSTO Virtual Ship	903	4	850
Edinburgh – Uninterrupted Power Supply Electronic Warfare Building	1,400	20	1,300
Edinburgh – Aerial Test Field Relocation	1,870	0	1,800
Edinburgh – Refurbish Defence Science and Technology Organisation Land Operations Division Facilities	5,600	4,600	200
Edinburgh – Relocation Defence Materiel Organisation Over the Horizon Radar Systems Program Office	5,039	0	4,300
Wakefield – Medium Works			
Port Wakefield – Ammunition Breakdown Facility	5,300	0	4,800
Total South Australia	69,319	8,140	43,850
WESTERN AUSTRALIA			
Brand – Medium Works			
Garden Island - HMAS Stirling – Periscope Workshop Facility	2,600	240	2,300
Garden Island - HMAS Stirling –Torpedo/Underwater Target Teams Facility	1,500	0	0
Garden Island - HMAS Stirling – Armoury, Magazine and Gunners Store ⁽¹⁾	950	21	850
Garden Island - HMAS Stirling – Wharf Services Upgrade ⁽¹⁾	5,830	10	4,900

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Expenditure to 30 June 2002	Budget Estimate 2002-03
*indicates planned new commencements in 2002-03	\$'000	\$'000	\$'000
Garden Island - HMAS Stirling – DSTO Submarine and Surface Combatants Science and Technology Facility Extension*	2,500	0	2,200
Curtin – Medium Works			
Swanbourne – 4 Signal Troop Facilities	3,210	0	2,800
Pearce – Major Works			
Bullsbrook - RAAF Base Pearce – Facilities for Lead-In Fighter	6,936	6,642	200
Total Western Australia	23,526	6,913	13,250
NORTHERN TERRITORY			
Solomon – Major Works			
Darwin – Robertson Barracks Joint Army Deployment Facility Development Stage 2	268,300	235,373	250
Darwin – Larrakeyah Barracks North Australia Naval Infrastructure Stage 1	12,600	12,473	127
Darwin – 1 Aviation Regiment Relocation ⁽³⁾	75,000	0	10,000
Darwin - RAAF Darwin – Development of Operational Facilities Project	59,458	56,050	1,000
Darwin - RAAF Darwin – Base Redevelopment	11,670	6,900	3,600
Solomon – Medium Works			
Darwin – Robertson Barracks – Emergency Response Facilities	4,000	0	3,000
Darwin – Robertson Barracks Tactical Training and Simulation Site	5,300	25	4,775
Darwin - RAAF Darwin – Central Emergency Power Station	4,400	4,150	250
Darwin - Married Quarters Electrical Upgrade	3,600	400	2,600
Palmerston - 1 Brigade Military Operations in Urban Territory Facility Construction*	5,500	0	2,000
Darwin -Vehicle Shelters*	3,000	0	3,000
Various sites - Air Defence Radar Sites*	1,040	0	400
Katherine - RAAF Tindal – Perimeter Security Fence ^{(3)*}	9,250	0	4,250
Timber Creek - Bradshaw Field Training Area Infrastructure	64,783	10,925	27,000
Lingiari – Medium Works			
Bathurst Island – Facilities Upgrade ⁽¹⁾	3,500	0	2,000
Katherine - Delamere Radar Facilities	2,000	0	2,000
Katherine - RAAF Tindal – Approach Control Facility	1,800	1,600	100
Katherine – RAAF Tindal – Northern Regions Operations Centre Redevelopment	1,250	200	1,050
Katherine – RAAF Tindal – 400m Range	3,500	5	2,900
Katherine – RAAF Tindal – Vehicle Shelters*	1,000	0	1,000
Katherine – RAAF Tindal – Living-In Accommodation	5,800	0	4,700
Katherine – RAAF Tindal – Living-In Accommodation Stage 2*	5,000	0	2,000
Total Northern Territory	551,751	328,101	78,002
AUSTRALIAN CAPITAL TERRITORY			
Canberra – Major Works			
Canberra – Defence Network Operations Centre	19,600	1,200	15,000
Fraser – Medium Works			
Jervis Bay – HMAS Creswell—Waterfront Facility for 4RAR	2,410	0	2,400
Jervis Bay – Remediation of Mary Creek	1,100	0	100
Total Australian Capital Territory	23,110	1,200	17,500
OTHER – Medium Works			
RAAF Butterworth – Building Upgrades	5,000	0	2,000
Project Ninox – Training, Storage and Maintenance for Night Fighting Equipment – Various Locations ⁽¹⁾	5,800	3,300	2,500
Air Traffic Control Systems – Various Locations	3,258	3,022	50
Total Other	14,058	6,322	4,550
TOTAL NEW BUILDINGS AND WORKS	1,919,101	846,076	425,687

Notes

1. The variations in the total estimated project budget reflect changed prices.
2. Includes \$7.292m GST applied to Living-in Accommodation.
3. Subject to Parliamentary approval. Joint Standing Committee on Public Works hearing dates are to be advised.

