

# **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 in line 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 revenues and expenses over 2003-04 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 2003-04 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.

### **Schedule of Budgeted Revenues and Expenses Administered on Behalf of Government**

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

### **Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government**

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

### **Schedule of Budgeted Administered Cash Flows**

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

### **Schedule of Administered Capital Budget**

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

### **Schedule 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

2002-03 Actual		2003-04 Budget Estimate	2003-04 Revised Estimate	Variation	2004-05 Forward Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>REVENUES</b>							
18,232,438	Appropriations from Government	14,398,319	14,579,557	1.3	14,929,723	14,642,910	15,244,855
230,545	Sales of goods and services	239,014	243,085	1.7	242,093	247,553	249,726
19,332	Interest	-	-	-	-	-	-
685,537	Revenue from sale of assets	-	306,384	-	242,312	40,000	40,000
17,101	Net foreign exchange gains	-	-	-	-	-	-
866,295	Assets now recognised	278,000	278,000	-	-	-	-
118,390	Other	41,931	87,706	109.2	86,250	87,501	88,778
<b>20,169,637</b>	<b>Total Revenues</b>	<b>14,957,264</b>	<b>15,494,732</b>	<b>3.6</b>	<b>15,500,378</b>	<b>15,017,964</b>	<b>15,623,359</b>
<b>EXPENSES</b>							
6,194,572	Employees <sup>(1)(2)</sup>	6,575,305	6,544,605	-0.5	6,777,338	6,967,215	7,242,683
5,349,874	Suppliers	4,979,608	5,278,452	6.0	5,362,434	5,134,554	5,370,690
2,544	Grants	1,874	1,874	-	1,911	1,949	1,988
2,863,416	Depreciation and amortisation	2,826,637	2,826,654	-	2,984,937	2,742,171	2,835,282
640,549	Value of assets sold	-	306,384	-	242,312	40,000	40,000
586,475	Write-down of assets	378,000	378,000	-	100,000	100,000	100,000
345,596	Other	-	-	-	-	-	-
<b>15,983,026</b>	<b>Total Expenses</b>	<b>14,761,424</b>	<b>15,335,969</b>	<b>3.9</b>	<b>15,468,932</b>	<b>14,985,889</b>	<b>15,590,643</b>
26,755	Borrowing cost expense	31,920	31,263	-2.1	31,446	32,075	32,716
<b>4,159,857</b>	<b>Net Operating Result</b>	<b>163,920</b>	<b>127,500</b>	<b>-22.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EQUITY INTERESTS</b>							
38,072,156	Accumulated surpluses at 1 July	37,334,737	37,144,689	-0.5	37,272,189	37,272,189	37,272,189
<b>42,232,013</b>	<b>Total Available for Appropriation</b>	<b>37,498,657</b>	<b>37,272,189</b>	<b>-0.6</b>	<b>37,272,189</b>	<b>37,272,189</b>	<b>37,272,189</b>
-31,230	Change in accounting policy	-	-	-	-	-	-
5,056,094	Capital use charge	-	-	-	-	-	-
-	Capital withdrawal	(199,900) <sup>(3)</sup>	-	-100.0	-	-	-
37,144,689	<b>Accumulated Surpluses as at 30 June</b>	<b>37,298,757</b>	<b>37,272,189</b>	<b>-0.1</b>	<b>37,272,189</b>	<b>37,272,189</b>	<b>37,272,189</b>

**Notes**

1. Cross references to Table 1.5 on page 12.
2. Cross references to Table 5.2 on page 117.
3. The return of property proceeds to the Government is now being treated as a reduction to the capital component of equity as opposed to accumulated surpluses.

**Table 3.2: Budgeted Statement of Financial Position**

2002-03 Actual		2003-04 Budget Estimate	2003-04 Revised Estimate	Variation	2004-05 Forward Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>ASSETS</b>							
<b>Financial Assets</b>							
99,557	Cash	100,000	99,557	-0.4	99,557	99,557	99,557
1,152,542	Receivables	1,473,826	1,249,611	-15.2	1,358,178	1,305,578	1,230,278
<b>1,252,099</b>	<b>Total Financial Assets</b>	<b>1,573,826</b>	<b>1,349,168</b>	<b>-14.3</b>	<b>1,457,735</b>	<b>1,405,135</b>	<b>1,329,835</b>
<b>Non-Financial Assets</b>							
9,282,868	Land and buildings Infrastructure, plant and equipment	8,210,737	9,129,857	11.2	8,912,396	8,861,902	8,805,853
36,132,004	Intangibles	37,234,123	36,983,689	-0.7	37,892,245	39,435,400	41,218,400
173,709	Heritage and cultural	84,804	130,637	54.0	85,847	65,663	44,769
19,047	Inventories	-	19,047	-	19,047	19,047	19,047
3,832,343	Other	3,638,087	3,807,870	4.7	3,749,395	3,685,432	3,738,801
718,549		564,424	718,548	27.3	718,548	718,548	718,548
<b>50,158,519</b>	<b>Total Non-Financial Assets<sup>(1)</sup></b>	<b>49,732,175</b>	<b>50,789,648</b>	<b>2.1</b>	<b>51,377,478</b>	<b>52,785,992</b>	<b>54,545,418</b>
<b>51,410,618</b>	<b>Total Assets</b>	<b>51,306,001</b>	<b>52,138,816</b>	<b>1.6</b>	<b>52,835,213</b>	<b>54,191,127</b>	<b>55,875,253</b>
<b>LIABILITIES</b>							
<b>Debt</b>							
343,738	Leases	336,115	331,177	-1.5	317,570	303,090	287,670
<b>343,738</b>	<b>Total Debt</b>	<b>336,115</b>	<b>331,177</b>	<b>-1.5</b>	<b>317,570</b>	<b>303,090</b>	<b>287,670</b>
<b>Provisions and Payables</b>							
3,317,711	Employees	3,140,418	3,389,983	7.9	3,478,248	3,521,571	3,545,072
1,200,066	Suppliers	1,033,744	1,200,066	16.1	1,200,066	1,200,066	1,200,066
373,730	Other	15,052	373,729	2,382.9	373,729	373,729	373,729
<b>4,891,506</b>	<b>Total Provisions and Payables</b>	<b>4,189,214</b>	<b>4,963,778</b>	<b>18.5</b>	<b>5,052,043</b>	<b>5,095,366</b>	<b>5,118,867</b>
<b>5,235,244</b>	<b>Total Liabilities</b>	<b>4,525,329</b>	<b>5,294,955</b>	<b>17.0</b>	<b>5,369,613</b>	<b>5,398,456</b>	<b>5,406,537</b>
<b>46,175,374</b>	<b>Net Assets<sup>(2)</sup></b>	<b>46,780,672</b>	<b>46,843,861</b>	<b>0.1</b>	<b>47,465,600</b>	<b>48,792,671</b>	<b>50,468,716</b>
<b>EQUITY</b>							
1,811,008	Capital	3,315,772	2,290,527	-30.9	2,945,499	4,272,570	5,948,615
7,219,674	Reserves	6,166,143	7,281,144	18.1	7,247,911	7,247,911	7,247,911
37,144,692	Accumulated surpluses	37,298,757	37,272,190	-0.1	37,272,190	37,272,190	37,272,190
<b>46,175,374</b>	<b>Total Equity</b>	<b>46,780,672</b>	<b>46,843,861</b>	<b>0.1</b>	<b>47,465,600</b>	<b>48,792,671</b>	<b>50,468,716</b>
2,181,448	Current assets	2,181,945	1,911,490	-12.4	1,962,474	2,027,293	2,091,049
49,229,170	Non-current assets	49,124,056	50,227,325	2.2	50,872,739	52,163,834	53,784,204
2,401,847	Current liabilities	2,148,011	2,430,087	13.1	2,462,218	2,478,348	2,487,564
2,833,397	Non-current liabilities	2,377,318	2,864,868	20.5	2,907,395	2,920,108	2,918,973

**Notes**

1. Refer to Table 3.5 for a detailed breakdown of land and buildings, infrastructure, plant and equipment, intangibles and heritage and cultural.
2. Cross references to Table 1.6 on page 13.

Table 3.3: Budgeted Statement of Cash Flows

2002-03 Actual		2003-04 Budget Estimate	2003-04 Revised Estimate	Variation	2004-05 Forward Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>							
18,230,325	Appropriations from Government	14,398,319	14,579,557	1.3	14,929,723	14,642,910	15,244,855
320,705	Sales of goods and services	259,570	263,991	1.7	262,913	263,739	265,959
21,453	Interest	-	-	-	-	-	-
669,935	Net GST refund	834,387	841,581	0.8	850,757	831,771	892,974
162,559	Other	39,931	85,706	114.6	84,250	87,501	88,778
-	Cash transfer from Official Public Account	46,900	73,816	57.4	34,800	52,600	75,300
<b>19,404,977</b>	<b>Total cash received</b>	<b>15,579,107</b>	<b>15,844,651</b>	<b>1.7</b>	<b>16,162,795</b>	<b>15,878,835</b>	<b>16,568,145</b>
5,866,959	Employees	6,503,820	6,472,333	-0.5	6,689,073	6,923,892	7,219,182
5,464,434	Suppliers	5,788,129	5,389,900	-0.7	5,450,034	5,163,139	5,439,155
2,544	Grants	1,874	1,874	-	1,911	1,949	1,988
28,755	Other	31,920	31,263	-2.1	31,446	32,075	32,716
-	Cash transfer to Official Public Account	301,259	170,886	-43.3	143,367	-	-
<b>12,232,893</b>	<b>Total cash used</b>	<b>12,627,002</b>	<b>12,066,256</b>	<b>-4.4</b>	<b>12,315,831</b>	<b>12,121,055</b>	<b>12,693,041</b>
<b>7,172,085</b>	<b>Net cash from/(to) Operating Activities</b>	<b>2,952,105</b>	<b>3,778,395</b>	<b>28.0</b>	<b>3,846,964</b>	<b>3,757,780</b>	<b>3,875,104</b>
<b>INVESTING ACTIVITIES</b>							
655,017	Proceeds from sales of property, plant and equipment	306,384	306,384	-	242,312	40,000	40,000
<b>655,017</b>	<b>Total cash received</b>	<b>306,384</b>	<b>306,384</b>	<b>-</b>	<b>242,312</b>	<b>40,000</b>	<b>40,000</b>
2,719,134	Purchase of specialist military equipment	3,552,270	3,316,139	-6.6	3,370,074	3,734,369	4,170,554
738,520	Purchase of inventory	-	724,566	-	723,854	755,723	894,390
729,323	Purchase of property, plant and equipment	514,282	511,031	-0.6	636,713	620,279	510,785
<b>4,186,977</b>	<b>Total cash used</b>	<b>4,066,552</b>	<b>4,551,736<sup>(1)</sup></b>	<b>11.9</b>	<b>4,730,641</b>	<b>5,110,371</b>	<b>5,575,729</b>
<b>-3,531,960</b>	<b>Net cash from/(to) investing activities</b>	<b>(3,760,168)</b>	<b>(4,245,352)</b>	<b>12.9</b>	<b>(4,488,329)</b>	<b>(5,070,371)</b>	<b>(5,535,729)</b>
<b>FINANCING ACTIVITIES</b>							
995,201	Equity appropriation	1,020,524	706,334	-30.8	830,804	1,327,071	1,676,045
<b>995,201</b>	<b>Total cash received</b>	<b>1,020,524</b>	<b>706,334</b>	<b>-30.8</b>	<b>830,804</b>	<b>1,327,071</b>	<b>1,676,045</b>
9,959	Repayments of debt	12,561	12,561	-	13,607	14,480	15,420
4,918,116	Capital use charge	-	-	-	-	-	-
474,264	Capital withdrawal	199,900	226,816 <sup>(2)</sup>	13.5	175,832	-	-
<b>5,402,339</b>	<b>Total cash used</b>	<b>212,461</b>	<b>239,377</b>	<b>12.7</b>	<b>189,439</b>	<b>14,480</b>	<b>15,420</b>
<b>(4,407,138)</b>	<b>Net cash from/(to) financing activities</b>	<b>808,063</b>	<b>466,957</b>	<b>-42.2</b>	<b>641,365</b>	<b>1,312,591</b>	<b>1,660,625</b>
<b>Net Increase/(Decrease) in Cash Held</b>							
(767,013)		-	-	-	-	-	-
835,153	Cash at 1 July	100,000	99,557	-0.4	99,557	99,557	99,557
31,416	Exchange rate movements	-	-	-	-	-	-
<b>99,557</b>	<b>Cash at 30 June</b>	<b>100,000</b>	<b>99,557</b>	<b>-0.4</b>	<b>99,557</b>	<b>99,557</b>	<b>99,557</b>

**Notes**

- Total cash used in investing activities is referred to in Table 3.5.
- Represents \$199.9m for property sales proceeds and \$26.9m for operations funding under no-win/no-loss arrangement.

**Table 3.4: Capital Budget Statement**

2002-03 Actual		2003-04 Budget Estimate \$'000	2003-04 Revised Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>CAPITAL EXPENDITURE</b>							
2,719,134	Purchase of specialist military equipment	3,552,270	3,316,139	-6.6	3,370,074	3,734,369	4,170,554
729,323	Purchase of property, plant and equipment	514,282	511,031	-0.6	636,713	620,279	510,785
<b>3,448,457</b>	<b>Total Capital Payments</b>	<b>4,066,552</b>	<b>3,827,170<sup>(1)</sup></b>	<b>-5.9</b>	<b>4,006,787</b>	<b>4,354,648</b>	<b>4,681,339</b>
<b>Funded from:</b>							
995,201	Equity injection	1,020,524	706,334	-30.8	830,804	1,327,071	1,676,045
2,272,503	Operating receipts	2,939,544	3,014,352	2.5	3,109,503	2,987,577	2,965,294
180,753	Net Capital receipts	106,484	106,484	-	66,480	40,000	40,000
<b>3,448,457</b>	<b>Total Capital Funding<sup>(1)</sup></b>	<b>4,066,552</b>	<b>3,827,170</b>	<b>-5.9</b>	<b>4,006,787</b>	<b>4,354,648</b>	<b>4,681,339</b>
<b>CAPITAL RECEIPTS</b>							
29,690	Proceeds from sale of specialist military equipment	23,532	23,532	-	-	-	-
625,327	Proceeds from sales of property, plant and equipment	282,852	282,852	-	242,312	40,000	40,000
(474,264)	Less: Capital withdrawal <sup>(2)</sup>	(199,900)	(199,900)	-	(175,832)	-	-
<b>180,753</b>	<b>Net Capital Receipts</b>	<b>106,484</b>	<b>106,484</b>	<b>-</b>	<b>66,480</b>	<b>40,000</b>	<b>40,000</b>

**Notes**

- Total capital funding equates to serial 6 of Table 3.10 on page 71, if the operating component of Table 3.10 (serial 1.2) is excluded.
- Represents the property proceeds to be returned to the Government.

**Table 3.5: Non-Financial Assets – Summary of Movement**

Revised Budget Year 2003-04	Land	Buildings	Commercial Vehicles, Other Equipment and Infrastructure	Specialist Military Equipment	Software	Other Intangibles	Heritage and Cultural	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>GROSS VALUE</b>								
Gross value as at 30 June 2003	2,454,196	9,548,980	7,289,354	52,723,130	149,532	131,031	19,047	72,315,270
Gross value – additions	-	232,606	275,566	3,316,139	-	2,860	-	3,827,171 <sup>(1)</sup>
Gross value – revaluations	-	61,470	-	-	-	-	-	61,470
Gross value – disposals	(140,861)	(70,975)	(96,189)	(63,466)	-	-	-	(371,491)
Gross value – write-offs	-	-	-	(378,000)	-	-	-	(378,000)
Gross value – other movements	-	-	-	278,000	-	-	-	278,000
<b>Gross Value as at 30 June 2004</b>	<b>2,313,335</b>	<b>9,772,081</b>	<b>7,468,731</b>	<b>55,875,803</b>	<b>149,532</b>	<b>133,891</b>	<b>19,047</b>	<b>75,732,420</b>
<b>ACCUMULATED DEPRECIATION/AMORTISATION</b>								
Accumulated depreciation/amortisation as at 30 June 2003	-	2,720,309	2,540,625	21,339,857	52,868	53,984	-	26,707,643
Depreciation/amortisation on assets held at the beginning of the year	-	242,332	359,533	2,178,855	17,912	28,022	-	2,826,654
Accumulated depreciation/amortisation on assets disposed through the year	-	(7,082)	(23,861)	(34,164)	-	-	-	(65,107)
<b>Accumulated depreciation/amortisation as at 30 June 2004</b>	<b>-</b>	<b>2,955,559</b>	<b>2,876,297</b>	<b>23,484,548</b>	<b>70,780</b>	<b>82,006</b>	<b>-</b>	<b>29,469,190</b>
<b>Written Down Value as at 30 June 2004</b>	<b>2,313,335</b>	<b>6,816,522</b>	<b>4,592,434</b>	<b>32,391,255</b>	<b>78,752</b>	<b>51,885</b>	<b>19,047</b>	<b>46,263,230<sup>(2)</sup></b>

**Notes**

1. Total cash used in investing activities as referred to in Table 3.3.
2. The Written Down Values are represented in Table 3.2.

**Table 3.6: Schedule of Budgeted Revenues and Expenses Administered on Behalf of Government**

2002-03 Actual		2003-04 Budget Estimate \$'000	2003-04 Revised Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>Revenues Administered on Behalf of Government</b>							
374,639	Interest and dividends	205,400	354,100	72.4	144,900	137,700	37,600
668,052	Other	630,683	580,683	-7.9	563,389	563,389	563,389
<b>Total revenues administered on behalf of Government</b>							
<b>1,042,691</b>		<b>836,083</b>	<b>934,783</b>	<b>11.8</b>	<b>708,289</b>	<b>701,089</b>	<b>600,989</b>
<b>Expenses Administered on Behalf of Government</b>							
2,498,659	Military benefits	2,230,600	2,221,200	-0.4	2,321,200	2,421,200	2,421,200
7,394	Subsidies	5,700	7,400	29.8	7,400	7,400	7,400
2,045	Net foreign exchange losses	-	-	-	-	-	-
84,239	Write-down of assets	-	-	-	-	-	-
2,320	Other	181	-	-100.0	-	-	-
<b>Total expenses administered on behalf of Government</b>							
<b>2,594,657</b>		<b>2,236,481</b>	<b>2,228,600</b>	<b>-0.4</b>	<b>2,328,600</b>	<b>2,428,600</b>	<b>2,428,600</b>

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

2002-03 Actual		2003-04 Budget Estimate \$'000	2003-04 Revised Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>Assets Administered on Behalf of Government</b>							
80,226	Cash	121	80,226	66,202.5	80,226	80,226	80,226
50,946	Receivables	50,000	25,000	-50.0	10,000	10,000	10,000
1,258,883	Investments	1,258,883	1,258,883	-	1,258,883	1,258,883	1,258,883
74,018	Prepayments	-	74,018	-	74,018	74,018	74,018
-	Land and buildings	84,409	-	-100	-	-	-
<b>1,464,073</b>	<b>Total assets administered on behalf of Government</b>	<b>1,393,413</b>	<b>1,438,127</b>	<b>3.2</b>	<b>1,423,127</b>	<b>1,423,127</b>	<b>1,423,127</b>
<b>Liabilities Administered on Behalf of Government</b>							
28,100,000	Military benefits	28,600,000	28,900,000	1.0	29,800,000	30,800,000	31,700,000
<b>28,100,000</b>	<b>Total liabilities administered on behalf of Government</b>	<b>28,600,000</b>	<b>28,900,000</b>	<b>1.0</b>	<b>29,800,000</b>	<b>30,800,000</b>	<b>31,700,000</b>
131,172	Current assets	50,121	105,226	109.9	90,226	90,226	90,226
1,332,901	Non-current assets	1,343,292	1,332,901	-0.8	1,332,901	1,332,901	1,332,901
-	Current liabilities	-	-	-	-	-	-
28,100,000	Non-current liabilities	28,600,000	28,900,000	1.0	29,800,000	30,800,000	31,700,000

**Table 3.8: Schedule of Budgeted Administered Cash Flows**

2002-03 Actual		2003-04 Budget Estimate \$'000	2003-04 Revised Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>							
<b>Cash Received</b>							
	Cash from the Official Public Account						
1,392,988		1,436,481	1,428,600	-0.5	1,428,600	1,428,600	1,528,600
374,639	Interest and dividends	205,400	354,100	72.4	144,900	137,700	37,600
682,400	Other	655,683	606,629	-7.5	578,389	563,389	563,389
<b>2,450,027</b>	<b>Total Cash Received</b>	<b>2,297,564</b>	<b>2,389,329</b>	<b>4.0</b>	<b>2,151,889</b>	<b>2,129,689</b>	<b>2,129,589</b>
<b>Cash Used</b>							
1,348,723	Military benefits	1,430,600	1,421,200	-0.7	1,421,200	1,421,200	1,521,200
7,394	Subsidies	5,700	7,400	29.8	7,400	7,400	7,400
1,012,783	Cash to the Official Public Account	861,083	960,729	11.6	723,289	701,089	600,989
1,022	Other	181	-	-100.0	-	-	-
<b>2,369,922</b>	<b>Total Cash Used</b>	<b>2,297,564</b>	<b>2,389,329</b>	<b>4.0</b>	<b>2,151,889</b>	<b>2,129,689</b>	<b>2,129,589</b>
80,105	<b>Net cash from/(to) operating activities</b>	-	-	-	-	-	-
80,105	<b>Net (decrease) / increase in cash held</b>	-	-	-	-	-	-
121	Cash at the beginning of the reporting period	121	80,226	66,202	80,226	80,226	80,226
<b>80,226</b>	<b>Cash at the end of the reporting period</b>	<b>121</b>	<b>80,226</b>	<b>66,202</b>	<b>80,226</b>	<b>80,226</b>	<b>80,226</b>

## 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 2003-04, and each of the following forward years to 2006-07.

Budgeted statements of financial performance, financial position, 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 outcomes.

*Administered* financial estimates 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 budgeted financial statements show the revised budget estimates for 2003-04 and the forward years, as well as the budget estimate for 2003-04 for comparative purposes. In recognition of the budget development and scrutiny process, variations explained in the budgeted financial statements are between the budget and the revised estimate for 2003-04, unless otherwise noted. The actual result for 2002-03 is also included in these budgeted financial statements for comparative purposes and are based on the audited financial results as provided in the 2002-03 annual report.

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.

#### **Asbestos-Related Disease Exposure**

An interdepartmental committee, chaired by the Department of Finance and Administration, commissioned Trowbridge Deloitte to perform an actuarial

study on the nature and extent of the Australian Government's liability for asbestos-related diseases. The study, actuarial assessment of the Australian Government's asbestos-related disease exposure, involved collecting extensive data on individual Australian Government claims, modelling the various sources of claims and conducting interviews with various Australian Government agencies involved in managing the claims.

Based on the calculations provided in the final report as at 30 June 2003, Defence's share of the common law liability is estimated to be \$344.0m.

The provision is based on the best estimate of Defence's potential exposure at 30 June 2003, consistent with the requirement of AASB 1044, *Provisions, Contingent Assets and Contingent Liabilities*. In making the best estimate of the consideration required to settle the provision, the Actuary has applied independent expertise and has used existing historical data, as well as similar claims elsewhere.

The estimate represents the present value of future compensation payments on both future reported claims and currently open claims, including defendant legal costs and is recognised net of apportionment and cross claims with other defendants.

## **Equity Injection**

The equity injection represents an additional contribution to Defence by the Government as owner, which is over and above the revenue from the Government for the price of outputs. It is used entirely to fund capital expenditure.

## **Property, Plant and Equipment**

### **Asset recognition threshold**

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position where they meet the capitalisation threshold. Individual items will be capitalised where the individual value is equal to or exceeds \$10,000. Group assets will be capitalised for items of homogenous nature within a single class where the individual item values equal or exceed \$2,000 and the class group value equals or exceeds \$50,000.

### **Revaluations**

In accordance with Schedule 1 of the Financial Management and Accountability (Financial Statements 2002-2003) Orders and AASB 1041 *Revaluation of Non-Current Assets*, all non-current assets are valued on the fair value basis from 1 July 2002, with the exception of specialist military equipment. Specialist military equipment is no longer required to be revalued and are maintained at cost. This is in accordance with Finance Minister's Orders.

## **Depreciation and amortisation**

Items of property, plant and equipment are depreciated 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 and 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 proceeds of disposal. New disclosure requirements for 2003-04 require the proceeds from asset sales to be separately disclosed from the net book value of assets sold.

## **Inventory**

Costs in bringing each item of inventory to its present location and condition are assigned as follows:

- Defence does not ordinarily hold inventory for sale. Sales recorded represent inventory surplus to requirement and minor fuel sales. Inventory has been brought to account at weighted average cost since 2001-02. Costs are assigned to inventory on the same basis.
- Costs incurred in bringing inventory (primarily explosive ordnance and general stores) to its present location and condition, are capable of being allocated on a reasonable basis and are included in the weighted average cost.

Previously, as historic cost was not available in all instances, inventory was brought to account at average cost, replacement cost or at last purchase price.

## **Provision for inventory obsolescence**

Inventory is considered obsolete based upon the nature of current inventory levels and expected usage of such assets in the achievement of Defence's outcomes.

## **Investments**

Investments held on behalf of the Commonwealth are included as administered assets and are brought to account as the value of the Commonwealth's share as at 30 June 1997, of the net assets of the entity, except where there has been a return of equity to the owner (the Government). This is a requirement of the Finance Minister's Orders. Administered investments in controlled entities are not consolidated because their consolidation is relevant only at the whole-of-government level.

## **Taxation**

Defence's activities are exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST). Defence is able to claim input credits for GST incorporated within the costs of assets and supplies purchased by Defence. Revenues and expenses are recognised net of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances, GST is recognised as part of the cost of acquisition of the assets or part of the item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

## **Capital Use Charge**

A capital use charge has previously been imposed by the Government on the net departmental assets of Defence, as a return on equity. The charge levied in 2001-02 and 2002-03 was 11 per cent (reduced from 12 per cent in 2000-01). This charge is not applicable for Government agencies from 2003-04.

The capital use charge was paid out of Defence's net surpluses in prior years.

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

This note provides explanations for the material variations between the 2003-04 revised budget and the 2003-04 budget estimates as published in the *Portfolio Budget Statements 2003-04* for Defence.

### **Departmental Statements**

#### **Budgeted Statement of Financial Performance**

##### **Appropriations from the Government**

The cost to the Government of Defence's outcomes directly equates to the full operating costs of inputs used by Defence during the year in delivering the outcomes. Defence's remaining funding requirements for the year are provided as new equity 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.

The cost of Defence's outcomes to the Government for 2003-04 has increased by \$181.2m due to new budget measures and a number of other technical adjustments including changes for price and exchange rate parameters as follows:

- supplementation provided by the Government for the operating lease costs of properties sold in 2002-03 under the sale and lease-back program (+\$24.8m);
- supplementation from the Government for an increase in Defence's insurance policy premium (Comcover) (+\$11.7m);
- return of foreign exchange supplementation reflecting the difference between the forecast and actual rates in 2002-03 (-\$3.9m);
- revision to price parameters provided in the 2003-04 budget reflecting movements in the non farm gross domestic product (+\$55.0m);
- rephasing of Operations Bastille/Falconer and Catalyst requirements from 2003-04 into future years (-\$12.3m);
- supplementation from the Government for the net additional cost of operations in the Solomon Islands (Operation Anode) (+\$97.7m);
- supplementation from Government for the implementation costs of the Budget Estimates Framework Review (+\$4.6m);
- Reimbursement of Defence for the operating costs for Operation Bel Isi II in 2002-03 (+\$4.5m);
- supplementation from the Government for the 2003-04 net additional cost of the Bougainville Peace Monitoring Group (Operation Bel Isi II) (+\$4.0m);

- revision to the net additional cost of operations in East Timor (Operation Citadel) (-\$8.2m);
- supplementation from the Government for the establishment of the National Threat Assessment Centre (+\$0.2m); and
- transfer of funding from the Department of Foreign Affairs and Trade for locally engaged staff (+\$3.3m).

### **Sales of Goods and Services**

The estimate for sales of goods and services has increased by \$4.1m, or 1.7 per cent, from the previous budget estimate due to movements in price parameters (\$1.2m) and funding provided to Defence from Coastwatch for its contribution to the costs of a joint research activity.

### **Other Revenues**

Other revenues have increased by \$45.8m, or 109.2 per cent, from the budget estimate predominantly due to the diesel fuel rebate (\$43m), movements in price parameters (\$0.2m) and other adjustments (\$2.6m).

### **Employee Expenses**

Employee expenses have decreased by \$30.7m, or 0.5 per cent, from previous estimates, predominately due to ongoing refinements to the cost of the workforce, following a zero-based budget review, including the correction of the estimates for the overstatement of housing-related fringe benefits tax payments. More details in relation to Defence's workforce/people budget can be found in chapter five of this document.

### **Suppliers Expense**

Suppliers expense have increased by \$298.8m, or 6.0 per cent, predominately reflecting supplementation from the Government for Comcover (\$11.7m), Budget Estimates Framework Review implementation (\$4.6m), operating leases sold under the sale and lease-back program (\$24.8m), price supplementation (\$24.2m), Operation Anode (\$63.3m), Operation Bel Isi II (\$3.6m), and revised phasing for Operations Bastille/Falconer/Catalyst (\$134.4m).

### **Budgeted Statement of Financial Position**

There have been significant adjustments, both increases and decreases, across most balance sheet categories between the budget and revised estimates. These adjustments are due primarily to the revision of opening balance adjustments to align estimates with the 2002-03 audited financial statements. The balance sheet in the *Portfolio Budget Statements 2003-04* was based on forecast 2002-03 closing balances. When the audited statements became available after the end of the financial year, the balance sheet for 2003-04 and all forward years was adjusted to reflect the final 2002-03 closing position. The main drivers include:

- revaluation increments to land and buildings;

- increases in actuarial assessment for military compensation provision;
- asbestos-related disease liability; and
- increased trade creditors.

## **Budgeted Statement of Cash Flows**

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

### **Net GST Refund**

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

### **Purchase of Specialist Military Equipment**

The value of purchases of specialist military equipment has decreased by \$236.1m or 6.6 per cent due to exchange rate savings and as a result of slippage to the capital program offset by increased expenditure on repairable items.

### **Equity**

The equity injection from the Government has decreased by \$314.2m as a result of:

- return of foreign exchange supplementation reflecting the difference between the forecast and actual rates in 2002-03 (-\$35.0m);
- return of foreign exchange supplementation reflecting the difference between parameters provided in the 2003-04 budget and revised rates (-\$256.4m);
- revision to price parameters provided in the 2003-04 budget reflecting movements in the non farm gross domestic product (+\$19.9m);
- rephasing of Operations Bastille/Falconer and Catalyst requirements from 2003-04 into future years (-\$38.4m);
- supplementation from the Government for the net additional cost of operations in the Solomon Islands (Operation Anode) (+\$13.4m);
- supplementation from the Government for the remaining net additional cost of the Bougainville Peace Monitoring Group (Operation Bel Isi II) (+\$1.1m);
- revision to the net additional cost of operations in East Timor (Operation Citadel) (-\$19.4m); and
- supplementation from the Government for the establishment of the National Threat Assessment Centre (+\$0.5m).

## Capital Withdrawal

Capital withdrawal represents the return of funds to the Government. The revised estimate figure of \$226.8m is comprised of \$199.9m for property sales proceeds (unchanged from the Budget position) and the return of \$26.9m of operations funding under the no-win/no-loss arrangement.

## Administered Statements

### Other Revenues

Other revenues administered on behalf of the Government have decreased by \$53m, or 7.8 per cent, from the previous estimate to reflect the revised estimate for reimbursements from foreign governments and the United Nations for ADF support in East Timor.

## NOTE 3 - SUMMARY OF ESTIMATED SPECIAL ACCOUNT BALANCES

**Table 3.9: Summary of Estimated Special Account Flows<sup>(1)(2)</sup>**

	Opening Balance 2003-04 <sup>(3)</sup> <i>2002-03</i> \$'000	Receipts 2003-04 <i>2002-03</i> \$'000	Payments 2003-04 <i>2002-03</i> \$'000	Adjustments 2003-04 <i>2002-03</i> \$'000	Closing Balance 2003-04 <i>2002-03</i> \$'000
Services for other Governments and Non-Agency Bodies – <i>Financial Management and Accountability Act 1997<sup>(4)</sup></i>	<b>72,068</b> <i>70,326</i>	<b>44,000</b> <i>93,353</i>	<b>47,500</b> <i>90,343</i>	- <i>-1,267</i>	<b>68,568</b> <i>72,068</i>
Defence Endowments – <i>Financial Management and Accountability Act 1997<sup>(4)</sup></i>	<b>264</b> <i>566</i>	<b>11</b> <i>14</i>	<b>14</b> <i>22</i>	- <i>-294</i>	<b>261</b> <i>264</i>
Fedorczenko Legacy Fund – <i>Financial Management and Accountability Act 1997<sup>(4)</sup></i>	<b>149</b> <i>153</i>	<b>5</b> <i>6</i>	<b>10</b> <i>10</i>	- <i>-</i>	<b>144</b> <i>149</i>
Other Trust Moneys – <i>Financial Management and Accountability Act 1997<sup>(4)</sup></i>	<b>10,885</b> <i>10,554</i>	<b>585</b> <i>1,112</i>	<b>1,633</b> <i>781</i>	- <i>-</i>	<b>9,837</b> <i>10,885</i>
Young Endeavour Youth Program – <i>Financial Management and Accountability Act 1997<sup>(4)</sup></i>	<b>2,035</b> <i>1,504</i>	<b>625</b> <i>648</i>	<b>1,237</b> <i>117</i>	- <i>-</i>	<b>1,423</b> <i>2,035</i>
<b>Total Special Accounts</b>	<b>85,401</b> <i>83,103</i>	<b>45,226</b> <i>95,133</i>	<b>50,394</b> <i>91,273</i>	- <i>-1,561</i>	<b>80,233</b> <i>85,401</i>

#### Notes

1. 2003-04 revised estimates in bold.
2. 2002-03 projected outcome in italics.
3. The revised opening balance for 2003-04 is the same as the actual closing balance for 2002-03. This balance may have changed from that show in the *Portfolio Budget Statements 2002-03* as the actual for 2002-03 will have been updated to reflect the final budget outcome.
4. These are Departmental special accounts.

# CAPITAL BUDGET

## OVERVIEW

The Defence Capability Plan which followed from the *Defence White Paper 2000* was a detailed plan for Australia's military capabilities with broad guidance on major investments over the decade to 2010-11. Revisions to the plan were announced by the Minister for Defence on 7 November 2003 following consideration by the Government of the Defence Capability Review.

The capital investment program is not developed on the basis of the Defence Capability Plan alone. While representing the key element, there are other components in the investment program, such as facilities and minor capital projects, purchases of repairable items, and other plant and equipment items which are valued above the capitalisation threshold of \$10,000 (\$50,000 for grouped items).

Table 3.10 shows that the capital budget, including capital receipts, has reduced by \$242.5m from \$4,173.9m at the time of the budget to \$3,931.4m.

**Table 3.10: The Revised Capital Program 2003-04<sup>(1)</sup>**

Category	2003-04 Budget Estimate \$m	2003-04 Revised Estimate \$m	Variation  \$m
1 Not Yet Approved Major Equipment <sup>(2)</sup>	358.3	195.5	-162.8
1.1 Capital Equipment component	2,851.2	2,179.8	-671.4
1.2 Operating component	213.8	210.6	-3.2
2 Approved Major Capital Equipment <sup>(3)</sup>	3,065.0	2,390.4	-674.6
3 Capital Facilities <sup>(4)</sup>	375.6	406.9	31.3
4 Other Capital Purchases <sup>(5)</sup>	430.4	554.5	124.1
5 Portfolio Held Funds <sup>(6)(7)</sup>	51.0	490.5	439.5
Sub total Capital Expenditure (1+2+3+4+5)	4,280.4	4,037.8	-242.5
7 Capital Receipts (see Table 3.19) <sup>(7)</sup>	-106.4	-106.4	-
<b>8 Total Capital Budget (6-7)</b>	<b>4,173.9</b>	<b>3,931.4</b>	<b>-242.5</b>

**Notes**

1. The capital budget is resourced from revenue for outputs, from capital receipts and from the equity injection.
2. See detailed explanation at page 72.
3. See detailed explanation at page 72 and 74 to 86.
4. See detailed explanation at pages 87 to 99.
5. See detailed explanation at page 100.
6. See detailed explanation at page 100.
7. The capital receipts and portfolio held funds have been inserted since the *Portfolio Budget Statements 2003-04* to provide a greater level of visibility to the capital budget.

## **NOT YET APPROVED MAJOR CAPITAL PROGRAM (-\$162.8M)**

Since the Defence White Paper was announced, the Government has approved around 100 projects or phases of projects, with an all-up cost of some \$17.3b. Further projects will be considered for approval in 2003-04.

Major projects approved since the *Portfolio Budget Statements 2003-04* include:

- F/A-18 structural refurbishment;
- space-based surveillance;
- Anzac ship anti-missile defence;
- lightweight torpedoes;
- integrated broadcast service;
- laser airborne depth sounder;
- automatic test equipment for the P-3C fleet; and
- additional funding for the logistics information system.

The reduction in the not yet approved major capital program reflects, in part, the progressive transfer to the approved major capital equipment program of projects approved since the 2003-04 budget was announced. These projects entail expenditure of \$162.8m in 2003-04.

## **APPROVED MAJOR CAPITAL EQUIPMENT PROGRAM (-\$674.6M)**

The approved major capital equipment program has been reduced by \$674.6m to \$2,390.4m. Reasons for the variations include:

- return of foreign exchange supplementation reflecting the difference between the parameters provided in the 2003-04 budget and revised rates (-\$215m);
- transfers from the not yet approved major capital equipment program of projects approved since the 2003-04 budget (+\$162.8m);
- net transfers to other Groups for capital facilities and works projects associated with the investment program (-\$10.0m) comprising transfers to the capital facilities program (-\$11.9m) and a transfer from the minor capital equipment program to the approved major capital equipment program (+\$1.9m);
- return of funds to the portfolio for a milestone payment for the airborne early warning and control aircraft project that was planned as part of the 2003-04 program which was recorded as an accrual by Defence Materiel Organisation in 2002-03 but required payment in 2003-04 (-\$108.5m);

- contribution by the Defence Materiel Organisation to the administrative savings program reflecting reduced project travel and project administrative overheads (-\$6.7m); and
- a return of \$500m from the approved major capital investment program to the portfolio due primarily to contractor delays, slower than expected deliveries of United States' Foreign Military Sales and internal rescheduling to accommodate better risk management and more realistic programming of project startups.

## APPROVED MAJOR CAPITAL EQUIPMENT PROJECTS

The following table and descriptions provide revised information on the top 20 major capital equipment projects by forecast expenditure in 2003-04.

**Table 3.11: Top 20 Projects by Forecast 2003-04 Expenditure**

	Approved Project Expenditure (1)	Cumulative Expenditure to 30 June 2003	2003-04 Budget Estimate <sup>(2)</sup>	2003-04 Revised Estimate <sup>(1)</sup>	Variation
	\$m	\$m	\$m	\$m	\$m
<b>Aerospace</b>					
Armed Reconnaissance Helicopter	1,921	140	526	400	-126
Airborne Early Warning and Control	3,274	1,026	516	359	-157
F/A-18 Hornet Upgrade – Phase 2	1,510	533	125	70	-55
P-3C Update	903	757	59	47	-12
Anzac Ship Helicopter	1,002	850	60	41	-19
Lead-in Fighter Capability	1,017	926	24	20	-4
<b>Maritime</b>					
Anzac Ship Project <sup>(3)</sup>	5,333	4,666	226	220	-6
FFG Upgrade – Implementation	1,430	809	120	109	-11
Collins Combat System – Phase 4A	433	26	85	54	-31
Lightweight Torpedo Replacement – Phase 2	301	41	55	53	-2
Evolved Sea Sparrow – Phase 2B/3	274	141	88	39	-49
Collins Reliability and Sustainability Improvements – Phase 3	348	75	50	37	-13
Underwater and Surface Warfighting Upgrade Program – Phase 3A/3C	154	58	40	28	-12
Mine Hunter Coastal Project	1,250	1,085	45	27	-18
<b>Land</b>					
Australian Light Armoured Vehicles	664	316	171	151	-20
Upgrade of M113 Armoured Vehicles	559	107	26	26	-
<b>Joint Logistics</b>					
Air-to-Surface Stand-off Weapon Capability	437	300	68	30	-38
Air-to-Air Weapons Capability	309	221	31	27	-4
<b>Electronic Systems</b>					
Jindalee Operational Radar Network	1,231	1,055	45	37	-8
<b>New Air Combat Capability</b>					
Joint Strike Fighter	220	10	36	29	-7
<b>TOTAL</b>	<b>22,570</b>	<b>13,142</b>	<b>2,396</b>	<b>1,804</b>	<b>-592</b>

### Notes

1. These figures are on a 2003-04 Additional Estimates basis for price and exchange. Updates from the December 2002 basis to the 2003-04 Additional Estimates basis resulted in a reduction in the project cost of some projects, depending upon the currency mix of payments to be made.
2. These figures are on a December 2002 basis for price and exchange.
3. Project approval, expenditure and estimate figures are the net cost of the ten-ship program after deducting New Zealand revenue.

## **Project Descriptions**

### **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. The first interim configuration helicopters are planned to enter service in Australia from December 2004.

The revised estimate reflects three main issues. The major change results from formal certification of the earned value management system allowing payment of earned value claims by the contractor. Under this system, the first earned value payment will be some \$56m less than the preliminary estimates made at contract signature that were the basis of the budget estimate forecast. In addition, \$40m earmarked for construction of facilities at Robertson Barracks in Darwin has been re-phased to later years, as has planned procurement of initial spares of about \$27m.

This project contributes to Army capability.

### **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. The project remains on schedule and on budget, with a planned in-service date of 2007. The design for the airborne element is complete, with the first Boeing 737 aircraft having commenced modification activity in January 2003 and the second aircraft in May 2003. The first production radar was delivered to Boeing in September 2003. Preliminary design reviews for the elements of the ground support segment were successfully completed in the April/October 2003 timeframe and Build 4 of the mission computing software commenced testing in June 2003. Construction of the squadron headquarters building commenced as part of Stage 1 of the RAAF Williamtown redevelopment in May 2003. Construction of a support centre building commenced as part of the prime contract in October 2003.

The revised estimate is due mainly to a prime contract payment being achieved in 2002-03 rather than in 2003-04 as was previously planned. Other reasons include budget updates to expected economic price growth and foreign currency exchange rate adjustments; a reduction in previously forecast Foreign Military Sales payments to the United States Government; revised funding requirements for the performance incentive fee resulting from a planning review; and minor reprogramming.

This project contributes to Air Force capability.

## **F/A-18 Hornet Upgrade – Phase 2**

This project seeks to upgrade the F/A-18 fleet to incorporate enhancements which will allow the aircraft to more effectively perform its air defence tasks.

The project schedule for 2003-04 includes completion of the radar upgrade production phase, assessment of electronic warfare options, and the commencement of the prototype modification phase for improvements to aircrew situational awareness. The improved situational awareness aspects address cockpit displays, a moving map, a helmet-mounted cueing system and improved datalinks. The radar upgrade production phase was completed in August 2003.

The revised estimate is due mainly to a rescheduling of Foreign Military Sales payments to the United States for acquisition of equipment and software, together with delays in getting the cockpit colour displays to contract. Hornet Upgrade Phase 2.3 electronic warfare options are being further analysed.

This project contributes to Air Force capability.

## **P-3C Update**

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

Planned activities for 2003-04 include further deliveries of upgraded AP-3C aircraft, and acceptance of the deployable mission replay analysis module and the systems engineering laboratory. The revised estimate is primarily the result of re-phasing of spares purchases to later years.

Since supplementary type certification and service release of the AP-3C Orion aircraft in November 2002, the Air Force has successfully deployed AP-3C aircraft in support of operations. The twelfth AP-3C aircraft was delivered in January 2004, and delivery of the final aircraft is due by December 2004.

This project contributes to Air Force capability.

## **Anzac Ship Helicopter**

This project will acquire 11 maritime helicopters for the Anzac ships to provide an enhanced capability to the ADF for surface surveillance, anti-surface warfare, contact investigation, and maritime utility tasks. The project also includes the provision of a full mission flight simulator and software support centre.

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 a sub-contractor's development of the integrated software. The prime contractor, Kaman, has engaged new sub-contractors.

The revised estimate is a result of spares purchases and training deliverables being re-phased to later years.

Ten aircraft are now in Australia and the remaining one is in the United States conducting contractual flight trials. The Commonwealth provisionally accepted the first aircraft in October 2003 and accepted two more aircraft by the end of 2003. This interim capability will allow some flying trials of the aircraft and systems as well as some training of Navy personnel. Software development is expected to be near completion by the end of 2003-04.

This project contributes to Navy capability.

### **Lead-in Fighter Capability**

This project involves the acquisition of 33 Hawk 127 aircraft for lead-in fighter training and ADF support roles. Aircraft delivery was completed in October 2001. A planned upgrade to meet advanced training requirements was completed in January 2002. The third and final level of contracted capability, which includes radar simulation and emulation for the ADF support role, has been delayed due to difficulties with the proposed technical solutions. Initial operational capabilities for radar emulation and radar simulation are expected to be delivered in late 2004 and mid-2005 respectively.

This project contributes to Air Force capability.

### **Anzac Ship Project**

This project involves delivery of ten ships, associated shore facilities and logistic support. Two of the ten ships (02 and 04) were for the Royal New Zealand Navy. Seven 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 delivery in the second quarter of 2004 and Ship 09 (*Toowoomba*) is planned for delivery in the third quarter of 2005. Ship 10 (*Perth*) is planned for launch in the second quarter of 2004.

Delivery of Ship 08 (*Ballarat*) has been brought forward from the third quarter of 2004 to the second quarter of 2004 at the request of Tenix Defence, and with Government approval.

This project contributes to Navy capability.

### **FFG Upgrade – Implementation**

This project seeks to regain a comparative regional capability for Adelaide-class FFG guided missile frigates and ensure that they remain effective and supportable to the end of their life. An overall schedule delay of up to 24 months has been mutually agreed between the Commonwealth and the prime contractor, ADI Limited. ADI has commenced the installation/production phase of the upgrade at its Garden Island facility with the Commonwealth handover of the lead ship (HMAS *Sydney*, FFG 03) completed in September 2003. Contractor delivery of the lead ship is planned for late 2004. The upgrade is scheduled to be completed with HMAS *Newcastle* (FFG 06) in 2008.

The revised estimate is mainly due to reprogramming of expenditure against the prime contract into subsequent years. This is a result of reappraisal of the prime contractor's milestone achievements for a number of critical combat system elements.

As a result of the decision to remove the two oldest FFGs from service from 2006 when the last of the new Anzac frigates are delivered, these ships will no longer be considered for upgrade in Project SEA 1390 Phase 2 (FFG Upgrade).

The cost impact of this decision is still to be finalised. Savings will be released from annual operating costs for spares, fuel, maintenance and other running costs, whilst other cost savings will be made under the current prime contract. The contract savings will need to be negotiated with the prime contractor, given it is a fixed price arrangement.

This project contributes to Navy capability.

#### **Collins Combat System – Phase 4A**

This project will provide a replacement combat system for the Collins-class submarines. This will contribute to the development of the submarines' full capability, in conjunction with other phases of a class reliability and sustainability program that implements a number of modifications and enhancements to the submarine platform.

The second of the initial design studies conducted in conjunction with Raytheon Australia, Thales Underwater Systems, Sonartech Atlas, the Australian Submarine Corporation and the United States Navy is complete, with the main acquisition contracts signed between June and October 2003. A major part of the system is being procured from the United States Navy, initially via a Foreign Military Sales case signed in June 2003, and later via an armaments cooperative project currently being negotiated.

Installation of the first replacement combat system is planned for 2006, with all submarines to be upgraded by the end of the decade.

The revised estimate is due to some delays in contract signatures and an expected delay in Foreign Military Sales payments.

This project contributes to Navy capability.

#### **Lightweight Torpedo Replacement – Phase 2**

This project will introduce the Eurotorp Mu90 torpedo into ADF service. It is proposed to fit this improved lightweight torpedo into the Anzac and FFG frigates, anti-submarine warfare helicopters and the AP-3C maritime patrol aircraft. This phase will acquire an initial stock of weapons, integrate the weapon to all platforms, establish a local weapon assembly facility and establish the local in-service support capability. The weapon is being acquired under an alliance agreement between Defence, Eurotorp and Thales Underwater Systems. The agreement was signed in December 2002.

While the in-service date for the Mu90 is December 2005, the first platform (HMAS *Parramatta*) has already received the necessary modifications to be able to deploy the weapon. System integration design activities for the FFGs and the AP-3Cs will be addressed over the next two years. The changes will then be implemented on all Anzac frigates, FFGs and AP-3Cs by mid-2009. The integration plan for the helicopters remains to be determined by Defence. The project contributes to the capability of the Navy and the Air Force.

### **Evolved SeaSparrow – Phase 2B/3**

This project will continue to incorporate the Evolved SeaSparrow Missile capability into Navy service. Progressive missile deliveries will occur throughout 2003. Further missile deliveries are planned for early 2004 and subsequent years. Anzac Ship 05 (HMAS *Warramunga*), Ship 06 (HMAS *Stuart*) and Ship 07 (HMAS *Parramatta*) have been fitted with the Evolved SeaSparrow missile system. The remaining three Anzac ships under construction are being modified to fire Evolved SeaSparrow missiles and the *Anzac* and *Arunta* (the first two Australian Anzac ships) will be upgraded during future maintenance availabilities. Successful operational test firings were conducted in September 2003. The Evolved SeaSparrow missile has also been selected as an element of the anti-ship missile defence system for the FFGs under their upgrade program. The missiles for the FFGs are being acquired under the Evolved SeaSparrow missile project.

The revised estimate is due mainly to the reprogramming of a missile contract payment originally planned for 2003-04 that was brought forward and paid in 2002-03. Missile deliveries remain within schedule.

This project contributes to Navy capability.

### **Collins Reliability and Sustainability Improvements – Phase 3**

This project will provide reliability and sustainability improvements to the Collins-class submarines through the ongoing implementation of the McIntosh/Prescott report recommendations and the work of the submarine capability team. It also addresses current shortcomings in the submarine support infrastructure.

The capability improvements are being progressively implemented during planned maintenance availabilities.

The reduction in planned expenditure in 2003-04 is a result of contractor delays.

This project contributes to Navy capability.

### **Underwater and Surface Warfighting Upgrade – Phase 3A/3C**

This project will enhance the Anzac ships' surface and sub-surface warfare capabilities. This phase of the project has been split into three sub-phases. Sub-phase 3A is the Harpoon anti-ship missile launch system. Harpoon is the standard ADF anti-ship missile launched by other Navy and Air Force platforms. The Harpoon launch capability is being acquired through the Anzac ship alliance

between the Commonwealth, Tenix Defence Systems and Saab Systems. Equipment delivery commenced in mid-2003 and the capability will enter service in late 2004. Missiles will be acquired under a separate project.

Sub-phase 3B is the Sea Defender torpedo self-defence system. This phase has been deferred for consideration beyond 2003-04. Sub-phase 3C is the Petrel mine and obstacle avoidance sonar, and was approved in the 2003-04 budget. This capability is being acquired through the Anzac ship alliance. Installation is planned to commence in late 2004 and delivery of the capability in the first Anzac ship is expected in mid-2005. The Petrel system is also being fitted to Adelaide-class ships under the FFG upgrade project.

The revised estimate is due to reprogramming of Foreign Military Sales payments and the acquisition and installation of launcher equipment. Canister deliveries have commenced and ship installations and delivery remain on schedule.

This project contributes to Navy capability.

### **Mine Hunter Coastal Project**

This project provides for the delivery of six coastal mine hunter vessels and associated supplies, including combat system and platform system trainers at HMAS Waterhen in Sydney.

All six ships, HMA Ships *Huon*, *Hawkesbury*, *Norman*, *Gascoyne*, *Diamantina* and *Yarra*, have been delivered to the Navy and were accepted into naval service in November 2003.

The revised estimate is due to delays in the installation and approval of additional modifications while the contractor resolves outstanding issues.

This project contributes to Navy capability.

### **Australian Light Armoured Vehicles**

Phase 3 of this project is acquiring additional wheeled light armoured vehicles that provide the basis of the Army's armoured reconnaissance and surveillance capability. The additional vehicles will be used to complete the equipping of 2<sup>nd</sup> Cavalry Regiment in Darwin, and to equip 2<sup>nd</sup>/14<sup>th</sup> Light Horse Regiment, which is located in Brisbane.

There have been delays in some elements of the project, such as the surveillance variant and the commander's weapon station. These are considered manageable and the overall project remains on schedule. Vehicles have been delivered to the Army Logistics Training Centre and the School of Armour. Delivery of vehicles to the 2<sup>nd</sup> Cavalry Regiment is due to commence in early 2004.

A significant portion of this project is based in United States' and Canadian dollars, and the revised estimate is due to the strengthening of the Australian dollar.

This project contributes to Army capability.

### **Upgrade of M113 Armoured Vehicles**

This project is upgrading 350 of the Army's fleet of M113 armoured vehicles, which provide transport and fire support for the Army's mechanised infantry forces. Although used operationally in East Timor, the vehicle's capabilities are being overtaken by modern weapons and becoming obsolete.

The upgrade will restore the vehicle's capability with improved protection, firepower, mobility and habitability. It includes applique armour, a new armoured turret and machine gun, a new engine, drive train and suspension, and stretching of 259 vehicles.

A contract for the upgrade was signed in July 2002 and the project is proceeding on schedule, with full production due to commence in 2005 and the first Company group in service in 2006.

This project contributes to Army capability.

### **Air-to-Surface Stand-off Weapon Capability**

This project will acquire and bring into service the AGM-142E missile for fitment to F-111C aircraft. This will provide the ADF with the ability to strike non-hardened and semi-hardened unitary targets while providing improved stand-off range for the aircraft, thereby contributing to its survivability. Delivery of missiles and ground support equipment into Australia is ongoing, as is integration of the missile system with the F-111C aircraft.

The revised estimate is attributed to a reduction in Foreign Military Sales payments of \$27m, a delay in contract negotiations with Boeing to the value of \$5m and a flow-on effect to the simulator upgrade of some \$6m.

This project contributes to Air Force capability.

### **Air-to-Air Weapons Capability**

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

The majority of the within-visual-range missiles will be received during 2003-04 and the missile will be introduced into service on the F/A-18 aircraft. A decision on whether to invest in Australian deeper maintenance and software support for the within-visual-range missiles will be made in 2003-04.

This project contributes to Air Force capability.

### **Jindalee Operational Radar Network**

In April 2003, this project delivered into service two new over-the-horizon radars: one near Longreach, Queensland and the other near Laverton, Western Australia. The project has resulted in a major enhancement of national surveillance capacity achieved via the commissioning of the new high performance radars. With delivery of the Jindalee Operational Radar Network having been successfully achieved, the project's acquisition component is essentially completed. The remaining work is

focused on the relatively low-risk task of maintenance and support of the network for a contracted period of 46 months.. The revised estimate reflects the lower than predicted maintenance and supports costs of maintaining the JORN. Savings have arisen from the improved reliability of complex equipment and reduced operating fuel costs.

This project contributes to Air Force capability.

### Joint Strike Fighter

This project seeks to replace the air combat capability of the F/A-18 and strike capability of the F-111. While a formal decision has not been made, the Government stated in June 2002 its expectation that this capability would be provided by the Lockheed Martin F-35 Joint Strike Fighter. The Joint Strike Fighter is being developed by an international collaborative program, led by the United States, and is in the system development and demonstration stage.

The system development and demonstration phase funds the Australian contribution required to participate in the program. It will provide significant data access and preferential acquisition terms as well as opportunities for Australian industry in the global Joint Strike Fighter program. A memorandum of understanding formalising Australian participation was signed in October 2002.

The first phase provides for collection and analysis of system development and demonstration information, and the associated studies necessary to support a Government procurement decision, in addition to preparatory acquisition activities and facilitation of Australian industry in the Joint Strike Fighter. The second phase addresses the purchase of the aircraft and associated systems and introduction into service. The project is in the early stages of the first phase.

This project contributes to Air Force capability.

### Former Top 20 Projects

The table below provides details on projects that were reported as top 20 projects in the *Portfolio Budget Statements 2003-04* on the basis of budget estimates but do not rank in the top 20 on the basis of the revised estimates.

**Table 3.12: Former Top 20 Projects**

	Approved Project Expenditure <sup>(1)</sup>	Cumulative Expenditure to 30 June 2003	2003-04 Budget Estimate <sup>(2)</sup>	2003-04 Revised Estimate <sup>(1)</sup>	Variation
	\$m	\$m	\$m	\$m	\$m
<b>Joint Logistics</b>					
Air-to-Air Weapons Follow-On Buy	180	111	32	8	-24
New Heavyweight Torpedo	416	55	34	17	-17
<b>TOTAL</b>	<b>596</b>	<b>166</b>	<b>66</b>	<b>25</b>	<b>-41</b>

**Notes**

1. These figures are on a 2003-04 Additional Estimates basis for price and exchange. Updates from the December 2002 basis to the 2003-04 Additional Estimates basis resulted in a reduction in the project cost of these projects, based upon the currency mix of payments to be made.
2. These figures are on a December 2002 basis for price and exchange.

### **Air-to-Air Weapons Follow-on Buy**

This project will complete the air-to-air weapons capability for F/A-18 aircraft through the acquisition of new beyond-visual-range missiles and within-visual-range missiles and associated aircraft launchers.

The remaining delivery of additional beyond-visual-range missiles and the introduction into service of these new variant missiles on the F/A-18 aircraft will occur in 2003-04. The remainder of the within-visual-range missiles will be received during 2004-05.

The revised estimate is due to amended Foreign Military Sales' payment schedules being implemented for the supply of the missiles and associated equipment.

This project contributes to Air Force capability.

### **New Heavyweight Torpedo**

This project will acquire a replacement anti-surface and anti-submarine heavyweight torpedo for the Collins-class submarine. The new heavyweight torpedo will replace the United States Navy Mk48 Mod 4 heavyweight torpedo currently in service with the Navy.

The Government approved the heavyweight torpedo in March 2003. Defence has since signed a memorandum of understanding for an armaments cooperative project with the United States Navy to jointly develop, produce and support the Mk48 advanced capability common broadband advanced sonar system torpedo.

The project scope includes the acquisition of the weapons, associated logistic support, weapon system interface equipment, operational support and test equipment and transition into service of the initial operating capability planned for 2006-07.

A larger than planned initial payment was made in 2002-03 with the establishment of the Armaments Cooperative Project with the United States Navy, resulting in a commensurate reduction in planned expenditure in 2003-04.

This project contributes to Navy capability.

### **Other Significant Projects Ranked by Project Cost**

Other major projects ranked according to their project approval value, but which are not included in the top 20 projects ranked by expenditure in 2003-04, are listed in Table 3.13.

**Table 3.13: Other Significant Projects Ranked by Project Cost**

	Approved Project Expenditure <sup>(1)</sup>	Cumulative Expenditure to 30 June 2003	2003-04 Budget Estimate <sup>(2)</sup>	2003-04 Revised Estimate <sup>(1)</sup>	Variation
	\$m	\$m	\$m	\$m	
<b>Aerospace</b>					
Air-to-Air Refuelling Capability	<sup>(3)</sup>	-	3	3	-
Strategic Airlift Capability	1,091	963	13	9	-4
<b>Maritime</b>					
New Submarine Project	5,116	5,039	23	19	-4
Patrol Boat Replacement	<sup>(4)</sup>	4	30	12	-18
<b>Electronic Systems</b>					
High Frequency Modernisation	585	270	14	10	-4
Milsatcom – Military Satellite Payload	378	333	12	14	2
<b>TOTAL</b>	<b>7,170<sup>(5)</sup></b>	<b>6,609</b>	<b>95</b>	<b>67</b>	<b>-28</b>

**Notes**

1. These figures are on a 2003-04 Additional Estimates basis for price and exchange. Updates from the December 2002 basis to the 2003-04 Additional Estimates basis resulted in a reduction in the project cost of some projects, depending upon the currency mix of payments to be made.
2. These figures are on a December 2002 basis for price and exchange.
3. Project is not yet to contract. The approved project cost has been forecast in the Defence Capability Plan at between \$2,000 - \$2,500m.
4. Project is not yet to contract. The approved project cost has been forecast in the Defence Capability Plan at between \$350 - \$450m.
5. Excludes Air-to-Air Refuelling Capability and Patrol Boat Replacement project costs.

**Project Descriptions****Air-to-Air Refuelling Capability**

This project seeks to replace the Air Force's existing fleet of four Boeing 707s with up to five new-generation tankers. The new tankers would be capable of refuelling not only the F/A-18 aircraft, but also the F-111 aircraft and the new airborne early warning and control aircraft. Refuelling systems will also be compatible with the new Joint Strike Fighter. The aircraft will have significant strategic airlift capability when not engaged in aerial refuelling tasks, including the capacity to carry passengers and cargo.

Planned activities for 2003-04 include tender evaluation, source selection and contract negotiations. Contract signature is planned to occur in early 2004-05.

This project contributes to Air Force capability.

**Strategic Airlift Capability**

Twelve C-130J-30 aircraft have been acquired to replace the C130-E aircraft. A role expansion program is being undertaken by the Air Force to progressively clear the aircraft for full strategic and tactical operations, and is due for

completion by early 2004. Interim in-support contracts are in place. Long-term in-service support contracts will be developed during 2003-04 and progressively implemented.

This project contributes to Air Force capability.

### **New Submarine Project**

This project is to provide six Collins-class submarines and associated infrastructure and support. All major elements of the project including the six submarines have been delivered. The first two submarines (*Collins* and *Farncomb*) are undergoing their first full cycle dockings (refits) with both expected to be completed in 2004.

This project contributes to Navy capability.

### **Patrol Boat Replacement**

This project will deliver new patrol boats, to be known as the Armidale-class, to replace the ageing Fremantle-class patrol boats. Defence Maritime Services Pty Ltd was selected as the preferred tenderer in August 2003. The contract was signed in December 2003 with the first boat planned for delivery in 2004-05 in accordance with the Defence White Paper.

The contractor will also provide through-life support for the Austal designed and built boats under a single contract. This will link the acquisition and support to provide required levels of availability for a minimum 15-year operating term. In total, the new vessels will provide a capability for the Navy to achieve up to 3,000 available days per year for Coastwatch and ADF support operations, plus a surge capacity of up to 600 additional available days per year. The new boat will be larger than the Fremantle-class and will be capable of operating in higher sea states.

The revised estimate is due to contract signature being estimated for earlier in the year; incorporation of the preferred tenderer's negotiated price and delivery schedule; and construction of system program office accommodation in Darwin not proceeding.

This project contributes to Navy capability.

### **High Frequency Modernisation**

This project will replace naval high-frequency radio stations in Canberra, Darwin, Exmouth, Sydney, Cairns and Perth and the Air Force high-frequency radio stations in Sydney, Townsville, Darwin and Perth. The new network will provide enhanced high-frequency radio communications capabilities and compatible high-frequency equipment in selected ADF mobile platforms. The project will deliver the new capability in two stages. The first stage will replace the existing facilities, and the second will provide increased levels of automation, improved capability, and enhanced security and survivability, reduce reliance on staff and incorporate the new equipment into the mobile platforms.

Integration and system testing of the first stage system components, scheduled for 2001-02, was not achieved due to delays in software development and integration issues. This is scheduled to occur in 2003-04 with contract acceptance in the second half of 2004. The transition of Navy and Air Force radio network operational capability and staff to the integrated system is scheduled for 2004-05. The second stage will be introduced progressively during the period from 2005 to 2007.

The revised estimate is due to further contractor delays in achieving performance milestones.

This project contributes to Command of Operations.

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

This project provides Defence with a communications satellite capability across Australia and throughout the Asia Pacific region in the X, Ka and UHF communications frequency bands.

The satellite was launched successfully in June 2003 and operational control of the Defence payload was transferred to Defence in July 2003, following completion of satellite in-orbit testing. The C1 satellite also provides SingTel Optus with commercial telecommunications services over Australia, New Zealand and parts of Asia. Arrangements have been established for the joint operation and management of the shared satellite asset. The project was completed \$28m under budget.

This project contributes to Command of Operations.

## CAPITAL FACILITIES PROJECTS (+\$31.3M)

The Major Capital Facilities program has increased by \$31.3m from \$375.6m to \$406.9m. Of this increase, \$14.9m relates to transfers from the approved major capital equipment program (\$11.9m) and the Air Force's minor capital equipment program (\$3.0m) for the facilities components of specific investment projects. A further \$16.4m relates to a reclassification of works from other capital.

### CAPITAL FACILITIES PROJECTS

The following information provides details of estimated expenditure in 2003-04 for approved major and medium capital facilities projects, and lists the major and medium facilities projects foreshadowed for approval in 2003-04.

Major capital facilities projects have expenditure over \$6m and are subject to Government approval and review by the Joint Standing Committee on Public Works. Medium facilities projects have expenditure between \$250,000 and \$6m. Projects between \$5m and \$6m are subject to Government approval but are not reviewed by the Joint Standing Committee on Public Works and projects under \$5m are approved by departmental delegates.

**Table 3.14: Summary of Capital Works Program 2003-04**

	\$m
Approved Major and Medium Capital Facilities Projects	354.2
Acquisitions	7.1
Asset Maintenance Capital	10.4
Unapproved Projects	35.2
<b>Total</b>	<b>406.9</b>

Defence now plans to spend \$406.9m on the capital works program in 2003-04 and \$1.1b across the forward estimates. The major facilities program maintains funding for projects already approved and gives priority to projects that support the Defence Capability Plan, sustain current capability requirements, support other Government initiatives, meet legislative obligations and assist initiatives that support people.

### Approved Major Capital Facilities Projects

The following table and descriptions provide details on the progress and expenditure in 2003-04 for major capital facilities projects.

**Table 3.15: Approved Major Capital Facilities Projects by State and Federal Electorate**

Program of Major Works	Total Estimated Expenditure	Cumulative Expenditure to 30 June 2003	Budget Estimate 2003-04	Revised Estimate 2003-04	Variation
	\$m	\$m	\$m	\$m	\$m
<b>NEW SOUTH WALES</b>					
<b>Eden/Monaro</b>					
Eden – Naval Ammunitioning Facility	43.4	23.9 <sup>(1)</sup>	9.6	18.5	8.9
<b>Gilmore</b>					
Nowra – HMAS Albatross – Base Redevelopment	110.0	100.0	5.4	2.5	-2.9
<b>Parramatta</b>					
Ermington – Pre-Disposal Site Works	33.2	5.4	9.8	7.0	-2.8
<b>Paterson</b>					
Williamtown – RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works <sup>(2)(3)</sup>	149.0	3.4	19.0	14.0	-5.0
<b>Macquarie</b>					
Richmond – RAAF Richmond – Reinvestment	35.0	-	-	5.0	5.0
<b>Total New South Wales</b>	<b>370.6</b>	<b>132.7</b>	<b>43.8</b>	<b>47.0</b>	<b>3.2</b>
<b>VICTORIA</b>					
<b>Melbourne Ports</b>					
Fishermans Bend – Relocation of Defence Science and Technology Organisation Platforms Sciences Laboratory	61.2	31.0	26.5	25.0	-1.5
<b>Total Victoria</b>	<b>61.2</b>	<b>31.0</b>	<b>26.5</b>	<b>25.0</b>	<b>-1.5</b>
<b>QUEENSLAND</b>					
<b>Forde</b>					
Canungra – Defence Intelligence Training Centre	17.4	8.8	6.5	7.5	1.0
<b>Groom</b>					
Oakey – Oakey Base Redevelopment	76.2	24.5	40.0	40.0	-
<b>Herbert</b>					
Townsville – Lavarack Barracks Redevelopment Stage 2 <sup>(4)</sup>	151.6	148.5	1.2	-	-1.2
Townsville – Lavarack Barracks Redevelopment Stage 3	170.6	54.4	57.0	57.0	-
Townsville – RAAF Townsville Redevelopment Stage 2	72.5	38.9	37.5	33.0	-4.5
<b>Total Queensland</b>	<b>488.3</b>	<b>275.1</b>	<b>142.2</b>	<b>137.5</b>	<b>-4.7</b>
<b>SOUTH AUSTRALIA</b>					
<b>Bonython</b>					
Edinburgh – RAAF Edinburgh – Redevelopment Stage 1 <sup>(5)</sup>	41.5	27.4	3.5	12.4	8.9
<b>Total South Australia</b>	<b>41.5</b>	<b>27.4</b>	<b>3.5</b>	<b>12.4</b>	<b>8.9</b>
<b>WESTERN AUSTRALIA</b>					
<b>Brand</b>					
Garden Island – HMAS Stirling Base Development Stage 2D – Static Frequency Converter	39.5	31.4	2.0	0.5	-1.5
<b>Total Western Australia</b>	<b>39.5</b>	<b>31.4</b>	<b>2.0</b>	<b>0.5</b>	<b>-1.5</b>

Program of Major Works	Total Estimated Expenditure	Cumulative Expenditure to 30 June 2003	Budget Estimate 2003-04	Revised Estimate 2003-04	Variation
	\$m	\$m	\$m	\$m	\$m
<b>NORTHERN TERRITORY</b>					
<b>Lingiari</b>					
Timber Creek – Bradshaw Field Training Area Infrastructure <sup>(6)</sup>	64.8	12.8	15.0	4.0	-11.0
Katherine – RAAF Tindal – Security Fence	9.3	-	-	3.0	3.0
<b>Solomon</b>					
Darwin – RAAF Darwin – Base Redevelopment	11.7	6.9	4.0	4.4	0.4
Darwin – RAAF Darwin – Development of Operational Facilities <sup>(7)</sup>	61.0	59.3	1.0	1.7	0.7
Darwin – 1 <sup>st</sup> Aviation Regiment Relocation <sup>(8)</sup>	75.0	-	-	6.0	6.0
<b>Total Northern Territory</b>	<b>221.8</b>	<b>79.0</b>	<b>20.0</b>	<b>19.1</b>	<b>-0.9</b>
<b>AUSTRALIAN CAPITAL TERRITORY</b>					
<b>Canberra</b>					
Defence Network Operations Centre <sup>(7)</sup>	19.6	16.5	4.6	2.3	-2.3
Canberra – Intelligence Facilities – Russell Offices <sup>(9)</sup>	14.9	-	14.9	11.7	-3.2
Canberra Multi-User Depot	13.5	-	-	12.5	12.5
<b>Total Australian Capital Territory</b>	<b>48.0</b>	<b>16.5</b>	<b>19.5</b>	<b>26.5</b>	<b>7.0</b>
<b>TOTAL</b>	<b>1,270.9</b>	<b>593.1</b>	<b>257.5</b>	<b>268.0</b>	<b>10.5</b>

**Notes**

1. Incorrectly shown in *Defence Annual Report 2002-03* as \$31.1m, which included \$7.2m of works previously carried out on interim facilities at Point Wilson, Victoria.
2. Includes \$47m currently held in the major capital equipment program against the airborne early warning and control project.
3. Delayed due to National Code of Practice issues.
4. Project complete.
5. Project outturn increased to incorporate medium works project for relocation of Maritime Patrol System Program Office (\$1.6m) as part of Edinburgh Redevelopment Stage 1 together with the bringing forward of some Stage 1 works scheduled for 2004-05.
6. Project delayed due to delays in registration of the Bradshaw Partnering Indigenous Land Use agreement.
7. Increase in budget reflects an increase in outturn costs.
8. Includes \$5.9m currently held in the major capital equipment program against the armed reconnaissance helicopter project.
9. This project was erroneously omitted from the *Portfolio Budget Statements 2003-04*

**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 and the Point Wilson interim facility in Victoria. Construction of the wharf and the ammunition storage depot commenced in March 2002 and March 2003 respectively. Work on the wharf is complete, with completion of the ammunition storage depot expected by February 2004.

This project contributes to Navy capability.

**Nowra, New South Wales – HMAS Albatross – Base Redevelopment**

This project replaces existing facilities and services that are beyond economical repair. It includes redevelopment of the operational and administration support

facilities. Major work elements which have been completed include aircraft support, storage and maintenance facilities, the air traffic control tower, explosive ordnance facilities, training facilities and aircraft pavements. Outstanding elements, such as engineering services and the flight deck procedural training facilities, are due for completion by mid-2005. Noise studies and siting issues associated with the new Seasprite helicopter have delayed the completion date of outstanding elements by about six months.

This project contributes to Navy capability.

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

The project involves preparing the site for disposal. It includes two elements: progressive site filling and stabilisation of the soil and the installation of infrastructure services, including water, electricity and telecommunications. This will enable the site to be sold progressively over the coming years. The infrastructure works commenced in February 2004. Planning is proceeding in close consultation with the Ermington Resident's Committee.

### **Williamtown, New South Wales – RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works**

The project provides a range of new and redeveloped facilities and infrastructure necessary for the introduction into service of the airborne early warning and control capability at RAAF Williamtown. Construction of the No. 2 Squadron Headquarters facility and initial infrastructure commenced in April 2003 and will be occupied in February 2004. The managing contractor for the remaining works will be appointed and the planning phase completed in 2003-04, with little further construction expected until mid-2004.

This project contributes to Air Force capability.

### **Richmond, New South Wales – RAAF Richmond – Reinvestment**

This project involves a limited capital reinvestment to address pressing infrastructure deficiencies. The individual building works associated with the reinvestment project support the current operations of the Air Lift Group as well as an upgrade of the base engineering infrastructure. The project received Parliamentary approval in October 2003. Construction is expected to commence in March 2004 and be completed by the end of 2005.

This project contributes to Air Force capability.

### **Fishermans Bend, Victoria – Relocation of Defence Science and Technology Organisation Platforms Sciences Laboratory**

This project will relocate science and technology functions from Maribyrnong to Fishermans Bend and includes the integration of common functions and the construction of enhanced research and laboratory facilities. Construction commenced in mid-2002 and the aeronautical and maritime structures testing

laboratory is complete. The chemical, biological and nuclear defence centre will be completed by mid-2004 along with the bulk of the Maritime Platforms Division laboratory, less fit-out.

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

### **Canungra, Queensland – Defence Intelligence Training Centre**

This project will collocate currently dispersed and inadequately accommodated headquarters, administrative and instructional elements in a modern, purpose-built and secure facility. The project also includes field training facilities. The works commenced in November 2002 and were completed in December 2003.

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

### **Oakey, Queensland – Oakey Base Redevelopment**

This project will redevelop the base to optimise it for support of Army rotary-wing flying training, including the armed reconnaissance helicopter. Construction commenced on site in September 2002 and is 50 per cent complete, including the commissioning of the new emergency response station. The project is due for completion in December 2004.

This project contributes to Army capability.

### **Townsville, Queensland – Lavarack Barracks Redevelopment Stage 3**

This project provides new working facilities for Army units at the barracks to replace existing facilities. Construction of new facilities for the 1<sup>st</sup> Battalion Royal Australian Regiment commenced in January 2003 and these will be completed by October 2004. The stage 3 works will be completed in December 2005.

This project contributes to Army capability.

### **Townsville, Queensland – RAAF Townsville Redevelopment Stage 2**

This project provides a range of new facilities to replace existing ones. Major works include transit accommodation, the main base entrance, a physical fitness centre, an air movements terminal and a new combined messing facility. These main elements are now complete.

This project contributes to Air Force capability.

### **Edinburgh, South Australia – RAAF Edinburgh – Redevelopment Stage 1**

This project will provide enhanced administrative, workshop and warehousing facilities, an upgrade of engineering services and an aircraft shelter. Construction is substantially complete. The major warehouse was completed in November 2003 and the remaining works on the project are scheduled for completion by August 2004.

This project contributes to Air Force and Navy capability.

### **Garden Island, Western Australia – HMAS Stirling Base Development Stage 2D – Static Frequency Converter**

Yet to be completed in the Stage 2D works is the provision of a static frequency converter to provide power to ships. Technical difficulties have prolonged delivery and an assessment is currently being undertaken to determine if these can be overcome. Provided an appropriate strategy can be initiated, the works are expected to be completed by late 2004.

This project contributes to Navy capability.

### **Timber Creek, Northern Territory – Bradshaw Field Training Area Infrastructure**

This project provides engineering services and infrastructure to allow the use of Bradshaw as a field training area for 1st Brigade. The indigenous land use agreement was signed in July 2003. Subject to the ratification of the agreement, contracts for the majority of the works, including road and airfield construction, are expected to be awarded in early 2004. Construction is expected to commence after the 2003-04 wet season and be completed by October 2005.

This project contributes to Army capability.

### **Katherine, Northern Territory – RAAF Tindal – Security Fence**

This project will provide a base perimeter security fence, which is designed to detect and delay intruder access. Parliamentary approval was received in September 2003. Construction of the fence is expected to commence in April 2004 and be completed by December 2004.

This project contributes to Air Force capability.

### **Darwin, Northern Territory – RAAF Darwin – Base Redevelopment**

This project provides enhanced support facilities at RAAF Darwin, including an air movements facility, RAAF police and ground defence facilities. The majority of the facilities have been completed and are in use. A contract to upgrade the base medical facilities was awarded in November 2003. Completion of the facility is expected in April 2004.

This project contributes to Air Force capability

### **Darwin, Northern Territory – RAAF Darwin – Development of Operational Facilities**

This project provides enhanced operational works at RAAF Darwin, including aircraft loading aprons, a fuel farm, a workshop and a base command post. Most of the construction is complete. Completion of minor works and final commissioning of the facilities will be undertaken in March 2004.

This project contributes to Air Force capability.

### **Darwin, Northern Territory – 1<sup>st</sup> Aviation Regiment Relocation**

This project will provide new facilities for the 1<sup>st</sup> Aviation Regiment at Robertson Barracks in Darwin and includes purpose-built working, training and domestic accommodation facilities. Parliamentary approval was received in August 2003. Construction is expected to commence in April 2004, with the project to be completed by the end of 2005.

This project contributes to Army capability.

### **Canberra, Australian Capital Territory – Defence Network Operations Centre**

This project provides basic facilities at HMAS Harman to allow later installation of a range of communications activities. The project was completed in July 2003.

This project contributes to Command of Operations.

### **Canberra, Australian Capital Territory – Intelligence Facilities – Russell Offices**

Russell Offices Building R4 will be refitted to accommodate the increased requirements of the Defence Imagery and Geospatial Organisation. The managing contractor has been selected and the project is expected to be completed by September 2004 .

This project contributes to Intelligence capability.

### **Canberra, Australian Capital Territory – Canberra Multi-User Depot**

This project will provide a multi-user depot at HMAS Harman that will collocate Navy, Army and Air Force operational units, reserves and cadets from the Canberra area to one location. The requirement arises from the recent sale of RAAF Fairbairn and the proposed sale of the Army depot in Canberra city. Work commenced in September 2003 and is scheduled to be completed by August 2004.

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

### **Major Projects Foreshadowed for Joint Standing Committee on Public Works Consideration in 2003-04**

In 2003-04, Defence expects to present proposals to the Joint Standing Committee on Public Works for a number of facilities projects. The following table provides details of the proposed major capital projects expected for referral and consideration in 2003-04.

**Table 3.16: Proposed Major Capital Projects for Parliamentary Consideration in 2003-04**

<b>Program of Major Works (by State, Federal Electorate and Locality)</b>	<b>Referral Date</b>	<b>Indicative Hearing Date</b>
<b>NEW SOUTH WALES</b>		
<b>Eden-Monaro</b>		
Headquarters Australian Theatre <b>Hughes</b>	March 2004	April 2004
<b>Holsworthy – Redevelopment and Special Forces Infrastructure</b>		
Stage 1	March 2004	May 2004
Stage 2	June 2004	August 2004
<b>Kingsford Smith</b>		
Randwick - Disposal and Rationalisation Project (previously referred to as Redevelopment and Disposal of Surplus Land)		
Stage 1	December 2002	March 2004
Stage 2	December 2002	Late 2004
<b>SOUTH AUSTRALIA</b>		
<b>Bonython</b>		
Edinburgh – RAAF Edinburgh - Extensions to Joint Electronic Warfare Operational Support Unit Facility (previously referred to as Extensions to Electronic Warfare Squadron Building)	May 2004	August 2004

**Eden-Monaro, New South Wales – Headquarters Australian Theatre**

Headquarters Australian Theatre is the prime operational-level headquarters for the ADF. This project will collocate joint, single Service and key supporting elements at a site south of Bungendore, NSW. The detailed business case for the project, including the delivery approach, is being considered by the Government in early 2004. A draft environmental impact statement was released in October 2003 and is due for finalisation by early 2004.

This project contributes to Command of Operations.

**Holsworthy, New South Wales – Redevelopment and Special Forces Infrastructure**

The Holsworthy program of works will deliver five project elements: the redevelopment of the Holsworthy Barracks area, the delivery of facilities to support the establishment of a full-time commando capability, the establishment of the Tactical Assault Group (East), facilities for the Incident Response Regiment and facilities for the establishment of Special Operations Command. Development work, conducted throughout 2002-03, will continue during 2003-04 and construction is planned on identified high-priority work packages following Government and Parliamentary consideration in the first half of 2004.

This project contributes to Army capability.

## Randwick, New South Wales – Disposal and Rationalisation Project

This project, which is related to the Defence property disposal program, will allow for the disposal of surplus land at Randwick and associated redevelopment of the portion of the barracks to be retained. To date, there has been progressive remediation of the surplus land, together with infrastructure works, to allow its release. Defence has commenced delivery of community facilities as part of the agreed strategy for the disposal of the site. The base redevelopment works will be required to relocate Defence functions to allow further releases of surplus land.

This project contributes to Army capability.

## Edinburgh, South Australia – RAAF Edinburgh – Extensions to Joint Electronic Warfare Operational Support Unit Facility

This project will provide facilities to support the collocation of joint electronic warfare operational activities and to provide additional space for the software support facilities for various ADF platforms. Construction is scheduled to commence in late 2004. The target competition date is late 2005.

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

## Approved Medium Capital Facilities Projects

The following table details estimated expenditure in 2003-04 for medium facilities projects.

**Table 3.17: Approved Medium Capital Facilities by State and Federal Electorate**

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2003 \$'000	Budget Estimate 2003-04 \$'000	Revised Estimate 2003-04 \$'000	Variation \$'000
<b>NEW SOUTH WALES</b>					
<b>Macquarie – Medium Works</b>					
Richmond – RAAF Richmond – Fuel Farm Upgrade <sup>(1)</sup>	3,010	28	2,900	1,900	-1,000
RAAF Richmond – Upgrade Liquid Oxygen Compound	590	-	-	590	590
<b>Paterson – Medium Works</b>					
Williamstown – RAAF Williamstown – Child-Care Facility <sup>(1)</sup>	2,200	45	2,069	500	-1,569
Williamstown – Advanced Short Range Air-to-Air Missile/Captive Air Test Module Facility <sup>(2)</sup>	1,000	-	-	300	300
RAAF Williamstown – Fuel Farm Rectification	538	-	-	538	538
RAAF Williamstown – Air Weapons Range Security Works	710	-	-	710	710
<b>Kingsford Smith – Medium Works</b>					
Randwick – Community Centre and Environmental Park	4,750	-	-	250	250
<b>Hughes – Medium Works</b>					
Holsworthy – Interim Special Forces Works	4,100	-	-	3,800	3,800
Holsworthy – Camp Sapper Environmental Works	909	-	-	909	909
Holsworthy – Building 106 Refurbishment	1,750	-	-	1,750	1,750

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Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2003 \$'000	Budget Estimate 2003-04 \$'000	Revised Estimate 2003-04 \$'000	Variation \$'000
<b>Sydney</b>					
Garden Island – Building 77 Replacement	1,200	-	-	1,200	1,200
Garden Island – Redevelop Gangway	909	-	-	909	909
Garden Island – Replace West Dock Fender System	1,363	-	-	1,363	1,363
Garden Island – Effluent Recovery System	3,500	-	-	3,500	3,500
<b>Total New South Wales</b>	<b>26,529</b>	<b>73</b>	<b>4,969</b>	<b>18,219</b>	<b>13,250</b>
<b>VICTORIA</b>					
<b>Ballarat – Medium Works</b>					
Ballarat – Construction of Army Multi-User Depot	5,830	3,009	1,135	1,500	365
<b>Corio – Medium Works</b>					
Geelong – Construction of Army Multi-User Depot <sup>(1)</sup>	4,000	159	3,263	20	-3,243
<b>Gippsland – Medium Works</b>					
East Sale – East Sale Child-Care <sup>(1)</sup>	1,800	186	1,508	20	-1,488
<b>Lalor – Medium Works</b>					
Laverton – RAAF Band – Training and Rehearsal Facility <sup>(3)</sup>	4,100	-	3,900	30	-3,870
Laverton – Defence International Training Centre <sup>(1)</sup>	2,440	65	2,040	20	-2,020
<b>McEwan – Medium Works</b>					
Puckapunyal – Puckapunyal Child-Care Centre <sup>(1)</sup>	2,700	-	1,575	200	-1,375
Puckapunyal – Regional Training and Simulation Centre <sup>(3)</sup>	2,200	186	2,000	-	-2,000
Puckapunyal – Australian Light Armoured Vehicle Mission Essential Training Facility <sup>(2)</sup>	3,319	-	-	200	200
<b>Gippsland – Medium Works</b>					
RAAF East Sale – Airfield Lighting	502	-	-	502	502
<b>Indi – Medium Works</b>					
Bandiana – Refurbish Building 304	909	-	-	909	909
Bandiana – Simulated Training Facility	909	-	-	909	909
<b>Total Victoria</b>	<b>28,709</b>	<b>3,605</b>	<b>15,421</b>	<b>4,310</b>	<b>-11,111</b>
<b>QUEENSLAND</b>					
<b>Blair – Medium Works</b>					
Amberley – RAAF Amberley – Fire and Security School Working Dog Accommodation	3,085	1,248	450	1,780	1,330
RAAF Amberley - Emergency Generator	595	-	-	595	595
<b>Kennedy – Medium Works</b>					
Cowley Beach Training Area Refurbishment	1,100	520	-	580	580
<b>Forde – Medium Works</b>					
Canungra – Water Project	5,500	2,192	600	3,300	2,700
Canungra – Training Area Structural Works	900	-	-	900	900
<b>Herbert – Medium Works</b>					
Townsville – Lavarack Barracks – Tactical Training Simulation Centre	4,900	4,411	1,500	350	-1,150
Townsville – Lavarack Barracks – Combat Training Centre (Live)	5,800	1,405	4,900	4,000	-900
<b>Total Queensland</b>	<b>21,880</b>	<b>9,776</b>	<b>7,450</b>	<b>11,505</b>	<b>4,055</b>
<b>SOUTH AUSTRALIA</b>					
<b>Bonython – Medium Works</b>					
Edinburgh – RAAF Edinburgh – Airfield Defence	3,635	3,410	100	90	-10
Edinburgh – DSTO Hybrid Torpedo Simulator Facility	1,545	1,052	694	450	-244
Edinburgh – Systems Simulation Centre Extension	2,384	1,463	1,100	850	-250

<b>Program of Works (State, Federal Electorate and Locality)</b>	<b>Total Estimated Expenditure</b>	<b>Cumulative Expenditure to 30 June 2003</b>	<b>Budget Estimate 2003-04</b>	<b>Revised Estimate 2003-04</b>	<b>Variation</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Edinburgh – DSTO Virtual Ship Facility	840	580	360	240	-120
Edinburgh – Uninterrupted Power Supply to Electronic Warfare Building	1,400	709	120	300	180
Edinburgh – Aerial Test Field Relocation	1,874	1,824	50	50	-
Edinburgh – Refurbish DSTO Land Operations Division Facilities	5,370	4,672	25	100	75
Edinburgh – Relocation of Defence Materiel Organisation Over the Horizon Radar Systems Program Office	5,039	788	4,160	4,160	-
Edinburgh – Corporate Services and Infrastructure Centre	2,350	506	2,732	1,820	-912
Edinburgh – DSTO Surveillance Analysis Centre	1,310	92	950	1,190	240
Edinburgh – Aircraft Signature Turntable <sup>(2)</sup>	1,132	-	-	150	150
Edinburgh – DSTO Refurbish Laboratories 180 and 23	2,190	1,400	-	790	790
<b>Wakefield – Medium Works</b>					
Port Wakefield – Ammunition Breakdown Facility <sup>(3)</sup>	4,500	71	4,300	300	-4,000
<b>Total South Australia</b>	<b>33,569</b>	<b>16,567</b>	<b>14,591</b>	<b>10,490</b>	<b>-4,101</b>
<b>WESTERN AUSTRALIA</b>					
<b>Brand – Medium Works</b>					
Garden Island – HMAS Stirling – Periscope Workshop Facility	3,521	196	2,000	3,000	1,000
Garden Island – HMAS Stirling – Armoury, Magazine and Gunners Store	1,050	984	20	30	10
Garden Island – HMAS Stirling – Wharf Services Upgrade	5,850	782	5,000	3,000	-2,000
Garden Island – HMAS Stirling – DSTO Submarine and Surface Combatants Science and Technology Facility Extension	2,550	56	2,400	2,400	-
Garden Island – HMAS Stirling – Training Unit ANZAC Ship Support Centre <sup>(2)</sup>	5,210	-	-	2,000	2,000
Garden Island – HMAS Stirling – Guided Weapons Maintenance Facility <sup>(2)</sup>	2,500	-	-	1,000	1,000
Garden Island – HMAS Stirling – Joint Ammunition Logistic Organisation West Office Accommodation (formally Torpedo/Underwater Teams Facility)	1,500	-	-	-	-
HMAS Stirling – Low Level Bridge Corrosion Treatment	545	-	-	545	545
<b>Curtin – Medium Works</b>					
Swanbourne – 4 Signal Troop Facilities	3,210	122	3,100	2,000	-1,100
<b>Forrest – Medium Works</b>					
Leeuwin Barracks – Install Residual Current Devices	660	160	-	500	500
<b>Pearce – Medium Works</b>					
RAAF Pearce Install Supervisory Cables	3,200	1,400	-	1,800	1,800
<b>Total Western Australia</b>	<b>29,796</b>	<b>3,700</b>	<b>12,520</b>	<b>16,275</b>	<b>3,755</b>
<b>NORTHERN TERRITORY</b>					
<b>Lingiari – Medium Works</b>					
Bathurst Island – Radar Facilities	4,486	2	2,000	-	-2,000
Katherine – RAAF Tindal – New 400m Range	4,380	1,139	3,000	3,000	-
Katherine – RAAF Tindal – Vehicle Shelters	1,130	-	1,000	800	-200
Katherine – RAAF Tindal – Living-In Accommodation	5,800	2,467	3,200	3,200	-

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Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2003 \$'000	Budget Estimate 2003-04 \$'000	Revised Estimate 2003-04 \$'000	Variation \$'000
<b>Solomon – Medium Works</b>					
Darwin – Robertson Barracks – Tactical Training and Simulation Site	5,500	601	4,400	4,400	-
Darwin – Married Quarters Electrical Upgrade <sup>(1)</sup>	3,600	174	2,000	250	-1,750
Darwin – Aircraft Hydrant Refuelling	5,600	5,490	100	100	-
Darwin – 1 <sup>st</sup> Brigade Military Operations in Urban Terrain	5,660	-	-	1,000	1,000
Darwin – Vehicle Shelters	2,475	-	-	800	800
Darwin – Robertson Barracks Security Upgrade	1,850	-	-	1,850	1,850
Darwin – RAAF Darwin Joint Logistics Unit North Armouries	1,700	-	-	1,700	1,700
Robertson Barracks – Deployed Forces Support Unit Accommodation	1,750	-	-	1,750	1,750
<b>Total Northern Territory</b>	<b>43,931</b>	<b>9,873</b>	<b>15,700</b>	<b>18,850</b>	<b>3,150</b>
<b>AUSTRALIAN CAPITAL TERRITORY</b>					
<b>Fraser – Medium Works</b>					
Jervis Bay – HMAS Creswell – Waterfront Facility for 4 Royal Australian Regiment	2,410	25	1,300	-	-1,300
Jervis Bay – Remediation of Mary Creek	1,100	127	10	10	-
<b>Canberra – Medium Works</b>					
Russell Offices – Passive Defence Works	3,600	-	-	3,600	3,600
Russell – Canberra Area Medical Unit Refurbishment	727	-	-	727	727
Deakin Offices Refurbishment	2,190	-	-	2,190	2,190
<b>Total Australian Capital Territory</b>	<b>10,027</b>	<b>152</b>	<b>1,310</b>	<b>6,527</b>	<b>5,217</b>
<b>Other – Medium Works</b>					
Air Traffic Control Systems – Various Locations	3,258	2,893	250	-	-250
<b>Total Other</b>	<b>3,258</b>	<b>2,893</b>	<b>250</b>	<b>-</b>	<b>-250</b>
<b>TOTAL</b>	<b>197,699</b>	<b>46,639</b>	<b>72,211<sup>(4)</sup></b>	<b>86,176</b>	<b>13,965</b>

**Notes**

1. Delayed due to National Code of Practice compliance issues.
2. Funded from the major capital equipment program.
3. Project scope under review.
4. The approved medium capital facilities projects budget was reported incorrectly in the *Portfolio Budget Statements 2003-04* as \$75.3m in Table 3.16. It should have been reported as \$72.2m.

## Proposed Medium Capital Projects for Departmental Approval in 2003-04

The following table lists new medium capital facilities projects foreshadowed for departmental approval in 2003-04. The entries in the table below are in addition to those reported in Table 3.17 of the *Portfolio Budget Statements 2003-04*.

**Table 3.18: Proposed Medium Capital Projects for Departmental Approval in 2003-04**

Program of Works (State, Federal Electorate and Locality)
<b>VICTORIA</b>
<b>Flinders</b>
HMAS Cerberus – Weapons Training Simulation System
<b>Jagajaga</b>
Watsonia – Regional Training Centre Facilities
<b>QUEENSLAND</b>
<b>Herbert</b>
Townsville – Lavarack Barracks – Helicopter Underwater Escape Training Facility
Townsville – Lavarack Barracks – Regional Training Centre North Queensland Facility
Townsville – Special Operations Forward Mounting Facility
Townsville – Combat Training Centre (Live) Storage and Maintenance Facility
Mount Stuart – Training Area Grenade Range
<b>Kennedy</b>
Townsville – Field Training Area Air Weapons Range
<b>WESTERN AUSTRALIA</b>
<b>Brand</b>
HMAS Stirling – Weapons Training Simulation System
<b>NORTHERN TERRITORY</b>
<b>Solomon</b>
Darwin – Special Operations Forward Mounting Facility
<b>AUSTRALIAN CAPITAL TERRITORY</b>
<b>Canberra</b>
Canberra – Majura Services Development
Canberra – Federation Guard Facilities
Canberra – Services Study Relocation
<b>OTHER</b>
RAAF Butterworth – Building Upgrades

## **OTHER CAPITAL PURCHASES (+\$124.1M)**

This category of the capital investment program comprises purchases of other capital items including minor capital equipment projects, purchase of repairable items, software and intangibles and other plant and equipment exceeding the capitalisation threshold of \$10,000.

Other capital purchases are planned to increase by \$124.1m from \$430.4m to \$554.5m compared with the budget. This is due to:

- additional funding for management information systems projects managed by the Defence Materiel Organisation (+\$20.8m);
- transfer from the Air Force's minor capital program to the capital facilities program (-\$3.0m);
- other variations in minor capital equipment projects (\$-26.3m);
- adjustments to the other plant and equipment and repairable items budgets to reflect a more appropriate mix of funding for the logistics support budget (+\$65.2m);
- adjustments to the capital budget to accurately reflect the lowering of the asset threshold from \$25,000 to \$10,000 for repairable item assets and property plant and equipment (+\$73.8m);
- reclassification of other property, plant and equipment and IT asset purchases and capital facilities (\$-10.7m); and
- variations in operations funding (+\$4.3m).

## **PORTFOLIO HELD FUNDS (+\$439.5M)**

Capital funds totalling \$490.5m are held at the Portfolio level due to:

- \$500m in approved major capital equipment slippage for the reasons explained on pages 72-73 pending decisions by the Government to reprogram these funds in the context of the 2004-05 budget; and
- other minor adjustments relating to other capital purchases (-\$9.5m).