

DEFENCE

CHAPTER THREE

RESULTS FOR GOVERNMENT AS DEFENCE'S OWNER

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BUDGETED FINANCIAL STATEMENTS

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

Budgeted Statement of Financial Performance (Budgeted Operating Statement)

This statement provides a picture of the expected financial results for Defence by identifying 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 Projected Result \$'000		2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
REVENUES							
18,230,325	Appropriations from Government	18,535,684	14,398,319	(22.3)	14,816,839	14,553,171	15,154,819
244,334	Sales of goods and services	231,802	239,014	3.1	238,026	243,261	248,508
20,000	Interest	25,000	-	(100.0)	-	-	-
415,000	Assets now recognised	-	278,000	-	-	-	-
65,982	Other	41,646	41,931	0.7	42,183	42,555	42,936
18,975,641	Total Revenues	18,834,132	14,957,264	(20.6)	15,097,048	14,838,987	15,446,263
EXPENSES							
6,100,622	Employees	6,160,790	6,575,305	6.7	6,737,877	6,929,293	7,203,329
4,752,018	Suppliers	4,584,573	4,979,608	8.6	5,240,877	5,033,499	5,272,948
1,370	Grants	2,013	1,874	(6.9)	1,911	1,949	1,988
2,677,814	Depreciation and amortisation	2,826,637	2,826,637	-	2,984,937	2,742,171	2,835,282
620,000	Write-down of assets	100,000	378,000	278.0	100,000	100,000	100,000
-	Other	-	-	-	-	-	-
14,151,824	Total Expenses	13,674,013	14,761,424	8.0	15,065,602	14,806,912	15,413,547
31,643	Borrowing cost expense	30,678	31,920	4.0	31,446	32,075	32,716
4,792,174	Net Operating Result	5,129,441	163,920	(96.8)	-	-	-
EQUITY INTERESTS							
38,072,157	Accumulated surpluses at 1 July	37,412,657	37,334,737	(0.2)	37,298,757	37,122,925	37,122,925
42,864,331	Total Available for Appropriation	42,542,098	37,498,657	(11.9)	37,298,757	37,122,925	37,122,925
(5,056,094)	Capital use charge	(5,129,441)	-	(100.0)	-	-	-
(473,500)	Capital withdrawal	(88,900)	(199,900)	124.9	(175,832)	-	-
37,334,737	Accumulated Surpluses as at 30 June	37,323,757	37,298,757	(0.1)	37,122,925	37,122,925	37,122,925

Table 3.2: Budgeted Statement of Financial Position

2002-03 Projected Result \$'000	2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
ASSETS						
Financial Assets						
100,000	1,010,955	100,000	(90.1)	100,000	100,000	100,000
1,219,467	513,392	1,473,826	187.1	1,582,393	1,529,793	1,454,493
1,319,467	1,524,347	1,573,826	3.2	1,682,393	1,629,793	1,554,493
Non-Financial Assets						
8,349,846	8,182,057	8,210,737	0.4	8,042,606	8,042,588	7,968,319
36,275,309	37,993,356	37,234,123	(2.0)	38,052,121	39,489,632	41,244,129
119,731	84,804	84,804	-	48,872	56,389	59,387
3,682,509	3,458,391	3,638,087	5.2	3,559,758	3,491,345	3,544,714
564,424	564,424	564,424	-	564,424	564,424	564,424
48,991,819	50,283,032	49,732,175	(1.1)	50,267,781	51,644,378	53,380,973
50,311,286	51,807,379	51,306,001	(1.0)	51,950,174	53,274,171	54,935,466
LIABILITIES						
Debt						
348,676	336,115	336,115	-	322,508	308,028	292,608
348,676	336,115	336,115	-	322,508	308,028	292,608
Provisions and Payables						
3,068,933	3,187,259	3,140,418	(1.5)	3,228,683	3,272,006	3,295,507
1,033,744	1,033,744	1,033,744	-	1,033,744	1,033,744	1,033,744
15,052	15,052	15,052	-	15,052	15,052	15,052
4,117,729	4,236,055	4,189,214	(1.1)	4,277,479	4,320,802	4,344,303
4,466,405	4,572,170	4,525,329	(1.0)	4,599,987	4,628,830	4,636,911
45,844,881	47,235,209	46,780,672	(1.0)	47,350,187	48,645,341	50,298,555
EQUITY						
2,295,248	3,745,309	3,315,772	(11.5)	4,094,352	5,389,506	7,042,720
6,214,896	6,166,143	6,166,143	-	6,132,910	6,132,910	6,132,910
37,334,737	37,323,757	37,298,757	(0.1)	37,122,925	37,122,925	37,122,925
45,844,881	47,235,209	46,780,672	(1.0)	47,350,187	48,645,341	50,298,555
Represented by:						
2,176,168	2,713,978	2,181,945	(19.6)	2,342,813	2,401,205	2,464,066
48,135,118	49,093,401	49,124,056	0.1	49,607,361	50,872,966	52,471,400
2,122,245	2,164,262	2,148,011	(0.8)	2,179,679	2,195,582	2,204,675
2,344,160	2,407,908	2,377,318	(1.3)	2,420,308	2,433,248	2,432,236

Table 3.3: Budgeted Statement of Cash Flows

2002-03 Projected Result \$'000	2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
OPERATING ACTIVITIES						
18,230,325	18,535,684	14,398,319	(22.3)	14,816,839	14,553,171	15,154,819
265,347	251,737	259,570	3.1	258,496	259,073	264,662
20,000	25,000	-	(100.0)	-	-	-
785,624	826,386	834,387	1.0	835,181	820,492	882,480
63,982	39,646	39,931	0.7	40,183	42,555	42,936
-	-	46,900	-	34,800	52,600	75,300
19,365,278	19,678,453	15,579,107	(20.8)	15,985,499	15,727,891	16,420,197
5,986,292	6,042,464	6,503,820	7.6	6,649,612	6,885,970	7,179,828
5,618,376	5,333,016	5,788,129	8.5	6,016,199	5,801,390	6,224,951
1,370	2,013	1,874	(6.9)	1,911	1,949	1,988
31,643	30,678	31,920	4.0	31,446	32,075	32,716
706,075	-	301,259	-	143,367	-	-
12,343,756	11,408,171	12,627,002	10.7	12,842,535	12,721,384	13,439,483
7,021,522	8,270,282	2,952,105	(64.3)	3,142,964	3,006,507	2,980,714
INVESTING ACTIVITIES						
582,982	195,384	306,384	56.8	242,312	40,000	40,000
582,982	195,384	306,384	56.8	242,312	40,000	40,000
3,241,107	3,911,495	3,552,270	(9.2)	3,345,264	3,709,927	4,150,214
552,561	510,790	514,282	0.7	629,153	617,254	508,294
3,793,668	4,422,285	4,066,552	(8.0)	3,974,417	4,327,181	4,658,508
(3,210,686)	(4,226,901)	(3,760,168)	(11.0)	(3,732,105)	(4,287,181)	(4,618,508)
FINANCING ACTIVITIES						
995,201	1,230,061	1,020,524	(17.0)	778,580	1,295,154	1,653,214
995,201	1,230,061	1,020,524	(17.0)	778,580	1,295,154	1,653,214
11,595	12,561	12,561	-	13,607	14,480	15,420
5,056,094	5,129,441	-	(100.0)	-	-	-
473,500	88,900	199,900	124.9	175,832	-	-
5,541,189	5,230,902	212,461	(95.9)	189,439	14,480	15,420
(4,545,988)	(4,000,841)	808,063	(120.2)	589,141	1,280,674	1,637,794
(735,152)	42,540	-	(100.0)	-	-	-
835,152	968,415	100,000	(89.7)	100,000	100,000	100,000
100,000	1,010,955	100,000	(90.1)	100,000	100,000	100,000

Table 3.4: Capital Budget Statement

2002-03 Projected Result \$'000	2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
CAPITAL EXPENDITURE						
3,241,107	3,911,495	3,552,270	(9.2)	3,345,264	3,709,927	4,150,214
552,561	510,790	514,282	0.7	629,153	617,254	508,294
3,793,668	4,422,285	4,066,552	(8.0)	3,974,417	4,327,181	4,658,508
Funded from:						
995,201	1,230,061	1,020,524	(17.0)	778,580	1,295,154	1,653,214
2,688,985	3,085,740	2,939,544	(4.7)	3,129,357	2,992,027	2,965,294
109,482	106,484	106,484	-	66,480	40,000	40,000
3,793,668	4,422,285	4,066,552	(8.0)	3,974,417	4,327,181	4,658,508
CAPITAL RECEIPTS						
22,896	-	23,532	-	-	-	-
560,086	195,384	282,852	44.8	242,312	40,000	40,000
-	-	-	-	-	-	-
(473,500)	(88,900)	(199,900)	124.9	(175,832)	-	-
109,482	106,484	106,484	-	66,480	40,000	40,000

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	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROSS VALUE							
Gross value as at 30 June 2003	2,260,344	8,969,757	7,534,164	52,452,106	115,773	135,961	71,468,105
Gross value – additions	6,337	240,170	256,768	3,552,270	1,840	9,167	4,066,552
Gross value – revaluations	-	61,470	-	(110,223)	-	-	(48,753)
Gross value – disposals	(48,261)	(163,575)	(96,189)	(63,466)	-	-	(371,491)
Gross value – write-offs	-	-	-	(378,000)	-	-	(378,000)
Gross value – other movements	-	-	-	278,000	-	-	278,000
Gross Value as at 30 June 2004	2,218,420	9,107,822	7,694,743	55,730,687	117,613	145,128	75,014,413
ACCUMULATED DEPRECIATION/AMORTISATION							
Accumulated depreciation/amortisation as at 30 June 2003	-	2,880,255	2,759,711	20,951,250	57,090	74,913	26,723,219
Depreciation/amortisation on assets held at the beginning of the year	-	242,332	359,516	2,178,855	17,912	28,022	2,826,637
Accumulated depreciation/amortisation on assets disposed through the year	-	(7,082)	(23,861)	(34,164)	-	-	(65,107)
Accumulated depreciation/amortisation as at 30 June 2004	-	3,115,505	3,095,366	23,095,941	75,002	102,935	29,484,749
Written Down Value as at 30 June 2004	2,218,420	5,992,317	4,599,377	32,634,746	42,611	42,193	45,529,664



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

2002-03 Projected Result \$'000	2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
Revenues Administered on Behalf of Government						
361,900	205,400	205,400	-	270,200	49,500	49,500
682,497	683,683	630,683	(7.8)	613,389	613,389	613,389
	Total revenues administered on behalf of Government					
1,044,397	889,083	836,083	(6.0)	883,589	662,889	662,889
Expenses Administered on Behalf of Government						
2,230,600	2,230,600	2,230,600	-	2,330,600	2,330,600	2,430,600
5,700	5,700	5,700	-	5,700	5,700	5,700
181	181	181	-	181	181	181
	Total expenses administered on behalf of Government					
2,236,481	2,236,481	2,236,481	-	2,336,481	2,336,481	2,436,481

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

2002-03 Projected Result \$'000		2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
Assets Administered on Behalf of Government							
121	Cash	121	121	-	121	121	121
75,000	Receivables	176,830	50,000	(71.7)	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
	Non-Financial						
84,409	Assets	84,409	84,409	-	84,409	84,409	84,409
Total assets administered on behalf of Government							
1,418,413		1,520,243	1,393,413	(8.3)	1,353,413	1,353,413	1,353,413
Liabilities Administered on Behalf of Government							
27,800,000	Military benefits	28,600,000	28,600,000	-	29,500,000	30,400,000	31,300,000
Total liabilities administered on behalf of Government							
27,800,000		28,600,000	28,600,000	-	29,500,000	30,400,000	31,300,000
Represented by:							
75,121	Current assets	176,951	50,121	(71.7)	10,121	10,121	10,121
	Non-current						
1,343,292	assets	1,343,292	1,343,292	-	1,343,292	1,343,292	1,343,292
-	Current liabilities	-	-	-	-	-	-
	Non-current						
27,800,000	liabilities	28,600,000	28,600,000	-	29,500,000	30,400,000	31,300,000

Table 3.8: Schedule of Budgeted Administered Cash Flows

2002-03 Projected Result \$'000		2003-04 Previous Estimate \$'000	2003-04 Budget Estimate \$'000	Variation %	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
	OPERATING ACTIVITIES						
	Cash Received						
	Cash from the Official Public Account						
1,336,481	Interest and dividends	1,436,481	1,436,481	-	1,436,481	1,436,481	1,536,481
361,900	Other	205,400	205,400	-	270,200	49,500	49,500
784,327		683,683	655,683	(4.1)	653,389	613,389	613,389
2,482,708	Total Cash Received	2,325,564	2,297,564	(1.2)	2,360,070	2,099,370	2,199,370
	Cash Used						
1,330,600	Military benefits	1,430,600	1,430,600	-	1,430,600	1,430,600	1,530,600
5,700	Subsidies	5,700	5,700	-	5,700	5,700	5,700
	Cash to the Official Public Account						
1,146,227	Other	889,083	861,083	(3.1)	923,589	662,889	662,889
181		181	181	-	181	181	181
2,482,708	Total Cash Used	2,325,564	2,297,564	(1.2)	2,360,070	2,099,370	2,199,370
-	Net cash from/(to) operating activities	-	-	-	-	-	-
-	Net (decrease)/ increase in cash held	-	-	-	-	-	-
	Cash at the beginning of the reporting period						
121		121	121	-	121	121	121
121	Cash at the end of the reporting period	121	121	-	121	121	121

NOTES TO THE BUDGETED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF KEY ACCOUNTING POLICIES

Budgeted Financial Statements

Budgeted financial statements have been included to show the planned financial performance over the 2003-04 budget year, and each of the following forward years from 2004-05 to 2006-07.

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

Budgeted financial estimates are provided for both *departmental* and *administered* financial items. *Departmental*, or controlled, financial statements are those statements which include revenues, expenses, assets and liabilities over which Defence has discretion, responsibility and authority. *Departmental* financial statements represent the financial performance of Defence in delivering its 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 projected results for 2002-03, shown in the portfolio budget statements for comparative purposes, are based on estimates at the time these portfolio budget statements were prepared and are not necessarily estimates determined during the *Portfolio Additional Estimates Statements 2002-03*. These estimates include pressures and opportunities that have arisen during, or are foreseen for the remainder of, the 2002-03 financial year. Audited financial results for Defence will be provided in the annual report following the completion of the financial year.

In recognition of the budget development and scrutiny process, variations explained in the budgeted financial statements are between the budget and the previously published forward estimate for 2003-04 (*Portfolio Additional Estimates Statements 2002-03*) unless otherwise noted. This most recent previous estimate for 2003-04 is also included in these budgeted financial statements for comparative purposes.

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

Employee Entitlements

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

Equity Injection

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

Property, Plant and Equipment

Asset recognition threshold

A capitalisation threshold of \$1,000 per item has been adopted for all classes of property, plant and equipment unless the value of the items in the class is less than \$50,000. If this is the case, the item will be capitalised if its individual value is equal to, or exceeds \$10,000.

Depreciation and amortisation

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

Asset disposals

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

Inventory

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

Provision for inventory obsolescence

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

Investments

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

Taxation

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

Capital Use Charge

A capital use charge has previously been imposed by the Commonwealth 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 budget and the previous 2003-04 forward estimates as published in the *Portfolio Additional Estimates Statements 2002-03* for Defence.

Departmental Statements

Budgeted Statement of Financial Performance

Appropriations from Government

The price 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 price of Defence's outcomes to the Government for 2003-04 has decreased by \$4,137m predominantly due to the discontinuation of the capital use charge construct from the 2003-04 budget year onwards, offset by a number of new Government funding initiatives and other budget adjustments.

The net reduction in the price of outcomes to the Government (-\$4,137m) is made up of a number of new adjustments including:

- discontinuation of the capital use charge from 2003-04 onwards (-\$5,129.4m);
- adjustments relating to the cessation of the agency banking incentive scheme (\$28.5m);
- additional funding to meet costs for Operations Bastille and Falconer for 2002-03 and 2003-04 (\$307.0m);
- continuation of funding for Operation Relex II (\$15.1m);
- continuation of funding for enhanced protective security (\$34.6m);
- funding for accelerated growth of ADF personnel numbers (\$49.8m);
- funding for the establishment of a new Special Operations Command (\$21.6m);
- additional funding for logistics costs (\$220.1m);
- increase in employer superannuation contribution (\$19.7m);
- reclassification of operating and capital funding (\$213.8m);
- reimbursement for Bougainville Peace Monitoring Group costs in 2002-03 (\$10.1m);
- additional funding for Special Purpose Aircraft facilities (\$7.1m);
- funding for Radioactive Waste Management contribution (\$0.2m);
- adjustments relating to price and exchange movements (\$71.9m); and
- other transfers and technical adjustments (-\$7.3m).

Equity

The equity injection from the Government has decreased by \$209.5m as a result of:

- additional funding to meet costs for Operations Bastille and Falconer in 2002-03 and 2003-04 (\$139.5m);
- continuation of funding for Operation Relex II (\$2.7m);
- additional funding for logistics costs (\$24.2m); and
- adjustments relating to price and exchange movements (\$49.9m).

The above funding increases have been offset by:

- reclassification of operating and capital funding (-\$213.8m); and
- rescheduling of Defence Capability Plan expenditure (-\$212.0m).

Sales of Goods and Services

The estimate for sales of goods and services has increased by \$7.2m, or 3.1 per cent, from previous estimates due to movements in price parameters.

Interest Revenue

Interest revenue has been reduced to zero from a previous estimate of \$25m reflecting the cessation of the agency banking incentive regime.

Employee Expenses

Employee expenses have increased by \$414.5m, or 6.7 per cent, from previous estimates, as a result of the increased ADF strength associated with new budget measures and salary and allowance increases. More details in relation to Defence's people can be found in Chapter 5 of this document.

Suppliers Expense

Suppliers expenses have increased by \$395m, or 8.6 per cent, primarily due to reclassification of capital to operating expenditure and additional funding for logistics.

Capital Use Charge

The Government has decided to discontinue the capital use charge from 2003-04 onwards. As a result, the impact of the capital use charge from 2003-04 onwards (including corresponding appropriations) has been removed from the budget estimates.

Budgeted Statement of Financial Position

Cash and Receivables

Cash has decreased by \$911.0m, or (90.1) per cent from the previous budget estimate to reflect the transfer of cash reserves to the appropriation receivables as part of the just-in-time cash draw down arrangement that was implemented from January 2003.

The receivables has increased by \$960.4m, or 187.1 per cent, mainly due to the new just-in-time cash draw down arrangement.

Inventories

Inventories has increased by \$179.7m, or 5.2 per cent, from previous estimates. This is primarily due to the additional funding for logistics and Operations Bastille and Relex.

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.

Proceeds from Sales of Property, Plant and Equipment

Proceeds from the sale of property, plant and equipment have increased by \$111m, or 56.8 per cent, from previous estimates reflecting the slippage of planned property disposals from 2002-03 into 2003-04 and the identification of further properties for sale in 2003-04.

Purchase of Specialist Military Equipment

Purchases of specialist military equipment have decreased by \$359.2m or 9.2 per cent. This variance is due to decreased capital spending as a result of Government decisions and the effects of movement in price and exchange indices.

Capital Withdrawal

Capital withdrawal, which represents the return of property sales proceeds to the Government, has increased by \$111m, or 124.9 per cent, from the previous estimate reflecting the slippage of planned property disposals from 2002-03 into 2003-04 and the identification of further properties for sale in 2003-04.

Administered Statements

Other Revenues

Other revenues administered on behalf of 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 East Timor.

NOTE 3 – SUMMARY OF ESTIMATED SPECIAL ACCOUNT BALANCES

Table 3.9: Summary of Estimated Special Account Balances⁽¹⁾⁽²⁾

	Opening Balance	Net Movement	Closing Balance
	2003-04	2003-04	2003-04
	2002-03	2002-03	2002-03
	\$'000	\$000	\$'000
Projects for other governments and non-agency bodies	66,000	-	66,000
	<i>70,326</i>	<i>(4,326)</i>	<i>66,000</i>
Defence Endowments	632	-	632
	<i>566</i>	<i>66</i>	<i>632</i>
Fedorczenko Legacy Fund	160	-	160
	<i>153</i>	<i>7</i>	<i>160</i>
Other Trust Moneys Account	10,950	(10)	10,940
	<i>10,554</i>	<i>396</i>	<i>10,950</i>
Young Endeavour Youth Program Operating Fund	1,990	110	2,100
	<i>1,504</i>	<i>486</i>	<i>1,990</i>
Total Special Accounts	79,732	100	79,832
	<i>83,103</i>	<i>(3,371)</i>	<i>79,732</i>

Notes

1. 2003-04 estimates in bold.
2. 2002-03 projected outcome in italics.

CAPITAL BUDGET

OVERVIEW

Defence Capability Plan

The Defence White Paper set out a new approach to capability planning. The Defence Capability Plan is a detailed, costed plan for Australia's military capabilities over a 10-year period, with broad guidance on major investments over the following 10 years. The plan is reviewed annually to take account of changing strategic circumstances, new technologies and changed priorities.

The plan sets out the planned investment in new equipment under five capability goals - land forces, air combat, maritime forces, strike and information capability.

Capital Investment Program

The capital investment program is not exclusively developed on the basis of the Defence Capability Plan. A number of other elements, such as facilities and minor capital purchases, are included in the capital investment program, which are not a part of the Defence Capability Plan. The capital investment program for 2003-04 totals \$4.28b, with a further \$13.64b to be spent over the forward estimates period. This includes \$213.8m transferred from the capital to the operating budget in 2003-04 and a further \$679.8m in the forward estimates in order to accurately account for the investment program in accordance with accounting standards. The capital investment program is summarised in the table below.

Table 3.10: Capital Investment Program⁽¹⁾

Group/Item Description	Projected Result 2002-03	Budget Estimate 2003-04	Variation 2002-03 to 2003-04	Forward Estimates 2004-05	Forward Estimates 2005-06	Forward Estimates 2006-07
	\$000	\$000	\$000	\$000	\$000	\$000
Not Yet Approved Major Capital Program	24,614	358,339	333,725	636,797	1,763,053	2,627,376
Approved Major Capital Equipment	2,569,245	2,851,220	281,975	2,505,667	1,748,702	1,239,350
Capital Facilities	336,569	375,600	39,031	392,500	363,400	332,400
Other Capital ⁽²⁾	535,104	481,393	(53,711)	439,452	452,025	459,380
Total Capital Budget⁽³⁾	3,465,532	4,066,552	601,020	3,974,417	4,327,181	4,658,508
Operating component of Capital	204,000	213,800	9,800	209,400	226,900	243,500
Total Capital Investment Program	3,669,532	4,280,352	610,820	4,183,816	4,554,080	4,902,006

Notes

1. All figures are presented in outturned prices.
2. Includes minor capital, repairable items, non capital facilities, property, plant and equipment, and software and other intangibles.
3. The total capital budget for 2002-03 differs from the 2002-03 figure for total capital funding in Table 3.4. This is due to a subsequent change in the accounting treatment of operations funding from specialist military equipment to inventory (\$123.8m) and because the operating component of capital is included in the figure in Table 3.4 (\$204m).

Capital/Operating Adjustment

In order to improve the way in which Defence presents its estimates to the Government and to the Parliament, the mix between the capital budget and operating budget has been adjusted to reflect more accurately the way in which funding for the major capital equipment program is actually spent, and accounted for, in accordance with Australian accounting standards. A portion of investment funds is not capitalised but expensed in suppliers expenses including project office costs, project studies, research and development, and travel and other overheads.

To ensure that Defence's estimates and actuals are budgeted and reported in accordance with accounting standards, the Government has agreed to make a budget neutral adjustment to the existing capital operating mix contained in the Defence Capability Plan, as shown below.

Table 3.11: Capital and Operating Adjustment

Defence Capability Plan	2003-04 Budget	2004-05 Forward Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate
	\$m	\$m	\$m	\$m
Decrease in Capital	(213.8)	(209.4)	(226.9)	(243.5)
Increase in Operating	213.8	209.4	226.9	243.5

Capital Reprogramming

The Government has agreed that Defence can retain \$200m in cash reserves at 30 June 2003 associated with the Defence Capability Plan. This requirement arises from the longer than initially planned lead-time to ensure that projects are rigorously assessed prior to seeking Government approval and contract award. The \$200m is quarantined specifically for the Defence Capability Plan to ensure that the investment program can be fully delivered in accordance with the Government's commitments, but is subject to further review and approval by Government in the 2004-05 budget.

Rescheduling of the Defence Capability Plan

The Government has rescheduled \$642.0m in capital funding previously scheduled for 2003 to 2007. This includes \$212.0m in 2003-04. The adjustment of the Defence Capability Plan reflects timing changes due to more rigorous assessment of projects before seeking Government approval. This measure does not reduce the amount the Government has committed to the full Defence Capability Plan funding program. The rescheduling is designed to ensure that the expenditure spread for Defence Capability Plan projects matches the expected schedule.

Property Sales

In the 2002-03 budget, the Government agreed to a Defence property sales program totalling \$659.5m. All of these proceeds were to be returned to the budget in 2002-03, with Defence able to retain any excess. Defence has made good progress and, taking account of adjustments for a number of property sales that have been reviewed or rescheduled including the Government's decision not to proceed with the sale and lease-back of Russell Offices, currently expects to receive \$519.8m in 2002-03. The 2003-04 budget estimate for total property sales is now \$199.9m, all of which is to be returned to the budget. This comprises proceeds from some properties sold in prior years, some sales that have been rescheduled from 2002-03 and a number of new properties that have been identified as being excess to Defence's requirements.

NOT YET APPROVED MAJOR CAPITAL PROGRAM

The first of the four categories of the investment program is Not Yet Approved Major Capital. Since the Defence White Paper was announced, the Government has approved 74 projects or phases of projects with an all up cost of some \$14b. Further projects will be considered for approval by Government in 2003-04. The Defence Capability Plan is being reviewed to reflect the changing strategic environment and informs these investment decisions.

Major projects recently approved by Government

Projects that have recently received Government approval, but which have not yet been transferred to the approved major capital equipment program, include:

- A project to equip the Air Force with a fleet of up to five new generation air-to-air refuellers, which will be capable of refuelling F/A-18, F-111, airborne early warning and control aircraft and a range of coalition aircraft. They will have a significant strategic air lift capacity when not engaged in aerial refuelling tasks, including the ability to carry passengers and cargo. The new capability, to come into service in 2007, will replace the current fleet of Boeing 707 tanker aircraft, which was identified as a limited capability in the Defence White Paper.
- A project to fit electronic warfare self-protection measures to a range of tactical ADF aircraft, including Black Hawk, Sea King and Chinook helicopters and the C-130H Hercules transport aircraft. The first components of the new capability will be introduced from 2004 and the remainder from 2006.
- Phase 3C of the underwater and surface warfighting upgrade. This project will acquire the Petrel mine and obstacle avoidance sonar for the Navy's Anzac-class frigates. The Anzac ship alliance will commence installations in late 2004 and deliver the mine and obstacle avoidance sonar capability in mid-2005. The Petrel system is also being fitted to the guided missile frigates under the FFG upgrade project.
- A range of studies to prepare for the acquisition and support of the Joint Strike Fighter aircraft and supporting systems. The studies will assist in the development of long-term maintenance and support concepts for the Joint Strike Fighter. They will be conducted from 2003 to 2006.

APPROVED MAJOR CAPITAL EQUIPMENT PROJECTS

The second category that constitutes the investment program is approved major capital equipment projects. The following table and descriptions provide details of the top 20 projects, ranked by forecast expenditure in 2003-04.

Table 3.12: Top 20 Projects by Forecast 2003-04 Expenditure ⁽¹⁾

	Approved Project Expenditure	Estimated Cumulative Expenditure to 30 June 2003	2003-04 Budget Estimate
	\$m	\$m	\$m
Aerospace			
Armed Reconnaissance Helicopter	1,869	139	526
F/A-18 Hornet Upgrade – Phase 2	1,606	554	125
Anzac Ship Helicopter	1,030	860	60
P-3C Update	916	761	59
Airborne Early Warning And Control	3,617	934	515
Maritime			
Anzac Ship Project ⁽²⁾	5,333	4,650	226
FFG Upgrade – Implementation	1,445	817	120
Evolved SeaSparrow - Phase 2B/3	299	111	88
Collins Combat System – Phase 4A	454	23	85
Lightweight Torpedo Replacement – Phase 2	293	46	55
Collins-class Reliability and Sustainability Improvements – Phase 3	349	73	50
Mine Hunter Coastal Project	1,242	1,087	45
Underwater and Surface Warfighting Upgrade Phase 3A	174	61	40
New Heavyweight Torpedo	466	44	34
Land			
Australian Light Armoured Vehicles	700	315	171
Joint Logistics			
Air-to-Surface Stand-off Weapon Capability	449	300	68
Air-to-Air Weapons Follow-On Buy	193	111	32
Air-to-Air Weapons Capability	314	223	31
Electronic Systems			
Jindalee Operational Radar Network	1,227	1,051	45
New Air Combat Capability			
Joint Strike Fighter	269	13	36
TOTAL TOP 20 PROJECTS	22,244	12,172	2,410

Notes

1. All approvals and budget estimates amounts are at a December 2002 price basis.
2. Project approval, expenditure and estimate figures are the net cost of the 10 ship program after deducting New Zealand revenue.

Project Descriptions

Armed Reconnaissance Helicopter

This project will provide 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 Commonwealth has signed a 15-year in-service support contract that is expected to commence in 2005.

The schedule for 2003-04 provides for the progressive construction of aircraft one through four at the contractor's facility in Europe. Aircraft five will undergo progressive construction at the contractor's facility at Eagle Farm, Brisbane. Modules for the manufacture of aircraft six and seven will arrive at the contractor's facility at Eagle Farm, Brisbane.

Overall, the program remains on schedule to meet the in-service date for the first two aircraft of December 2004. The helicopter production program is currently progressing well, though, because of sub-contractor problems with the development and production of aircrew training devices, their delivery is currently four months behind the original schedule. This will not affect the overall project schedule.

This project contributes to Army capability.

F/A-18 Hornet Upgrade – Phase 2

This project will upgrade the F/A-18 Hornet fleet to rectify capability deficiencies, which limit the effectiveness of the aircraft in its air combat role. The project schedule for 2003-04 includes the completion of the radar upgrade program and further work in the design and development phase for the cockpit and display upgrade. This work also includes the provision of a moving map, a helmet-mounted cueing system and improved datalinks. Capability options for the electronic warfare self-protection phase will also be assessed.

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

Ten aircraft are now in Australia and the remaining one is in the United States conducting contractual flight trials. The Commonwealth is planning to provisionally accept the aircraft in mid-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.

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 modern systems.

Planned activities for 2003-04 include further deliveries of updated aircraft and acceptance of the systems engineering laboratory. After completion of the initial operational test and evaluation, the Air Force concluded that the AP-3C is superior to the previous model P-3C. Supplementary type certification and service release for the AP-3C Orion aircraft was issued on 21 November 2002. As of April 2003, a total of seven upgraded aircraft have been delivered, and the project is due to be completed by December 2004.

This project contributes to Air Force 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 of the system is essentially complete, with the first Boeing 737 aircraft commencing modifications in early 2003. The second aircraft is due to commence modification activity in mid-2003. A number of ground support segment design reviews are planned during 2003-04. The first production radar commenced testing in November 2002, and is due to be delivered to Boeing in September 2003.

This project contributes to Air Force capability.

Anzac Ship Project

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

Ships 07 (*Parramatta*) and 08 (*Ballarat*) are planned for delivery in the second quarter of 2003 and the third quarter of 2004 respectively. Ships 08 and 09 (*Toowoomba* and *Ballarat*) are planned for launch in the second quarter of 2003, and 10 (*Perth*) in the second quarter of 2004.

This project contributes to Navy capability.

FFG Upgrade – Implementation

This project seeks to regain a comparative regional capability for FFG guided missile frigates and ensure that they remain effective and supportable to the end of their life. The prime contractor, ADI Limited, intends to conduct the upgrade at its Garden Island facility in Sydney, commencing with HMAS *Sydney* (FFG 03) in late 2003 and completing with HMAS *Newcastle* (FFG 06) in 2008. An overall schedule delay of up to 24 months is now likely. A significant contributing factor for this delay has been the development and delivery of the combat system software. The combat and platform systems design is expected to be complete by mid-2003. The lead ship handover date of late 2003 remains achievable, and delivery of the lead ship back into Navy service is planned for the fourth quarter of 2004.

This project contributes to Navy capability.

Evolved SeaSparrow Missile – Phase 2B/3

This project will continue to incorporate the Evolved SeaSparrow Missile capability into Navy service. The first Australian firing was conducted successfully from HMAS *Warramunga* in January 2003 and further trials are planned for late 2003. Some technical issues have delayed missile deliveries, which commenced in January 2003. Progressive missile deliveries will occur throughout 2003 and subsequent years. Anzac Ship 05 (*Warramunga*) and Ship 06 (*Stuart*) are Evolved SeaSparrow Missile capable. The remaining Anzac ships under construction are being modified to fire the missiles and the in-service ships will be upgraded during future maintenance availabilities. The missile has also been selected as an element of the anti-ship missile defence system for the FFG-class frigates under their upgrade program. The missiles for the FFGs are being acquired under this project.

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 the project that implement a program 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 at an advanced stage, with the main acquisition contracts due to be signed by July 2003. A major part of the system is being procured from the United States Navy, initially via a Foreign Military Sales case and later via an armaments cooperative project.

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

This project contributes to Navy capability.

Lightweight Torpedo Replacement – Phase 2

This project will introduce the Eurotorp Mu90 lightweight torpedo into ADF service. It is proposed to fit this 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 among the Commonwealth, Eurotorp and Thales Underwater Systems. The agreement was signed in December 2002.

While the in-service date for the Mu90 torpedo is December 2005, the first platform (Anzac 07) has already received the necessary modifications to be able to fire the weapon. Other platform integration will be complete by 2006, with the possible exception of the helicopters, the integration plan for which remains to be determined by Defence.

The project contributes to the capability of both the Navy and Air Force.

Collins Class Reliability and Sustainability Improvements – Phase 3

This project will provide reliability and sustainability improvement 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.

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. The final ship, HMAS *Yarra*, was commissioned in March 2003. Acceptance into naval service of all ships is expected to occur in late 2003.

This project contributes to Navy capability.

Underwater and Surface Warfighting Upgrade Phase 3A

This project will enhance the Anzac ship surface and sub-surface warfare capabilities. Sub-phase 3A is the Harpoon anti-ship missile launch system, which 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 will commence in mid-2003 and will enter service in late 2004. Missiles are being acquired under a separate joint project.

Other phases of the project are sub-phase 3B, the Sea Defender torpedo self defence system, which has been deferred for consideration beyond 2003-04; and sub-phase 3C, the Petrel mine and obstacle avoidance sonar, which has recently been approved by Government.

This project contributes to Navy 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 Royal Australian Navy.

Government approved the heavyweight torpedo project in March 2003. Defence has since signed a memorandum of understanding with the United States Navy to jointly develop, produce and support the torpedoes.

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.

An armaments cooperative project is being developed between the Royal Australian Navy and the United States Navy for the joint development and production of the MK 48 advanced capability common broadband advanced sonar system torpedo.

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 Cavalry Regiment, in Darwin, and to equip 2/14 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 track to commence delivery of vehicles to Army units in late 2003.

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. It will provide the ADF with a capability to strike non-hardened and semi-hardened unitary targets while providing improved stand-off range, thereby contributing to the survivability of the aircraft. The project schedule for 2003-04 includes ground and flight testing of the prototype aircraft, including an initial missile firing. Delivery of missiles and ground support equipment into Australia is ongoing.

This project contributes to Air Force capability.

Air-to-Air Weapons Follow-on Buy and Air-to-Air Weapons Follow-on Capability

These two projects will maintain 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 project schedule for 2003-04 achieves 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. The within-visual-range missiles also will be accepted by the Commonwealth, the majority of missile deliveries will be received, and the missile will be introduced into service on the F/A-18 aircraft during 2003-04. Additionally, a decision on whether to invest in Australian deeper maintenance and software support for the within-visual-range missiles will be made in this period.

This project contributes to Air Force capability.

Jindalee Operational Radar Network

The Jindalee Operational Radar Network project provides two additional over-the-horizon radars: one near Longreach, Queensland, and the other near Laverton, Western Australia, to supplement the existing Jindalee radar facility outside Alice Springs. The network provides comprehensive wide-area surveillance coverage of the sea-air approaches to Australia from the north and north-west. Acceptance testing of the new radars is complete and operational release occurred in April 2003, involving handover of the network assets to the Air Force for operational training and evaluation and subsequent surveillance operations. Final acceptance, involving completion of the major capital components of the contract, is projected for mid-2003.

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 no formal decision has been made, in June 2002, the Government stated 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 Joint Strike Fighter system development and demonstration stage 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 project. 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 participation 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.

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 3.12.

Table 3.13: Other Significant Projects Ranked by Total Approved Project Cost

	Approved Project Expenditure	Cumulative Expenditure to 30 June 2003	2003-04 Budget Estimate
	\$m	\$m	\$m
Aerospace			
Strategic Airlift Capability	1,097	966	13
Lead-In Fighter Capability	1,020	922	23
Maritime			
New Submarine Project	5,115	5,037	23
Patrol Boat Replacement	⁽¹⁾	3	30
Land			
Upgrade of M113 Armoured Vehicles	550	104	26
Electronic Systems			
High Frequency Modernisation	587	266	14
Milsatcom - Military Satellite Payload	378	333	12
TOTAL REMAINING TOP 20 PROJECTS	8,747⁽²⁾	7,631	141

Notes

1. Project is not yet to contract. The approved project expenditure has been forecast in the Defence Capability Plan at between \$350-450m.
2. Excludes Patrol Boat Replacement project.

Project Descriptions

Strategic Airlift Capability

Twelve C-130J-30 aircraft have been acquired to replace the C-130E 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 the end of 2003 or early in 2004. Interim in-support contracts are in place. Some expenditure associated with contracts and the procurement of remaining spares and documentation has been reprogrammed from 2002-03 to 2003-04. It is anticipated that the long-term in-service support contracts will be developed and implemented during 2003-04.

This project contributes to Air Force capability.

Lead-In Fighter Capability

This project involves the acquisition of 33 Hawk 127 aircraft for lead-in fighter 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. Radar emulation is expected to be delivered in mid-2004 and a proposed radar simulation solution will be considered mid-2003. A latent defect problem with the aircraft oxygen system should be resolved by the end of 2003.

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); both are expected to be completed in 2004.

This project contributes to Navy capability.

Patrol Boat Replacement

This project will deliver a new patrol boat, to be known as the Armidale-class, to replace the ageing Fremantle-class patrol boats. The contract should be signed in 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 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 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 should be capable of operating in higher sea states.

This project contributes to Navy 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 vehicles 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.

High Frequency Modernisation

This project will replace naval high-frequency radio stations at Canberra, Darwin, Exmouth, Sydney, Cairns and Perth and the Air Force high-frequency radio stations at 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 be to replace the existing facilities, while the second stage will build on the first and provide increased levels of automation, improved capability, enhanced security and survivability and reduced 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 now scheduled to occur in 2003-04. The transition of Navy and Air Force radio network operational capability and staff to the integrated system is now scheduled for 2004-05 due to development delays. The second stage will be introduced progressively between 2005 and 2007.

This project contributes to Command of Operations.

Milsatcom - Military Satellite Payload

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

Construction of the satellite and fixed terrestrial infrastructure has been completed and the satellite is scheduled for launch from French Guiana in mid-2003. The original launch date was mid-2002. Plans to launch the satellite in early 2003 were cancelled following the Ariane 5-ECA launch failure in December 2002. The C1 satellite will also provide 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.

This project contributes to Command of Operations.

CAPITAL FACILITIES PROJECTS

The third category that constitutes the investment program is major facilities projects. The following section provides details on estimated expenditure of approved major and medium capital facilities projects in 2003-04, and lists major and medium facilities projects that are foreshadowed for approval in 2003-04.

Major capital facilities projects are those which 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 below \$6m, and are subject to departmental approval. They do not require Government approval or public works committee review.

Defence plans to spend \$375.6m in 2003-04, of which \$317.8m is currently approved, and \$1.088b across the forward estimates period. The major facilities program maintains funding for those projects that are 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 progress and expenditure in 2003-04 for major facilities projects.

Table 3.14: Approved Major Capital Facilities Projects by State and Federal Electorate

Program of Major Works (by State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2003	Budget Estimate 2003-04
	\$m	\$m	\$m
NEW SOUTH WALES			
Eden/Monaro			
Eden – Navy Ammunitioning Facility	43.4	21.4	9.6
Gilmore			
Nowra – HMAS Albatross – Base Redevelopment	110.0	99.9	5.4
Parramatta			
Ermington – Pre-Disposal Site Works	33.2	2.8	9.8
Paterson			
Williamtown – RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works	149.0	4.5	19.0
Total New South Wales	335.6	128.6	43.8
VICTORIA			
Melbourne Ports			
Fishermans Bend – Relocation of Defence Science and Technology Organisation Platforms Sciences Laboratory	61.2	33.6	26.5
Total Victoria	61.2	33.6	26.5
QUEENSLAND			
Forde			
Canungra – Defence Intelligence Training Centre	17.4	10.9	6.5
Groom			
Oakey – Oakey Base Redevelopment	76.2	22.5	40.0
Herbert			
Townsville – Lavarack Barracks Redevelopment Stage 2	151.6	149.0	1.2
Townsville – Lavarack Barracks Redevelopment Stage 3	170.6	40.0	57.0

Owner Perspective

Program of Major Works (by State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2003	Budget Estimate 2003-04
	\$m	\$m	\$m
Townsville – RAAF Townsville Redevelopment Stage 2	72.5	31.5	37.5
Total Queensland	488.3	253.9	142.2
SOUTH AUSTRALIA			
Bonython			
Edinburgh – RAAF Edinburgh – Redevelopment Stage 1	39.9	31.8	3.5
Total South Australia	39.9	31.8	3.5
WESTERN AUSTRALIA			
Brand			
Garden Island – HMAS Stirling Base Development Stage 2D – Static Frequency Converter	39.5	31.4	2.0
Total Western Australia	39.5	31.4	2.0
NORTHERN TERRITORY			
Lingiari			
Timber Creek – Bradshaw Field Training Area Infrastructure Solomon	64.8	13.0	15.0
Darwin – RAAF Darwin – Base Redevelopment	11.7	7.1	4.0
Darwin – RAAF Darwin – Development of Operational Facilities	60.4	59.4	1.0
Total Northern Territory	136.9	79.5	20.0
AUSTRALIAN CAPITAL TERRITORY			
Fraser			
Defence Network Operations Centre	19.6	15.0	4.6
Total Australian Capital Territory	19.6	15.0	4.6
TOTAL	1,121.0	573.8	242.6

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. These works are due for completion by September 2003.

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-2004.

This project contributes to Navy capability.

Ermington, New South Wales – 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. This will enable the site to be sold progressively over the coming years. The infrastructure works will commence in September 2003. Planning is proceeding in close consultation with the Ermington Resident's Committee.

This contributes to Command of Operations.

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 2 Squadron Headquarters facility and initial infrastructure commenced in April 2003 and is due for occupation in early 2004. The managing contractor for the remaining works will be appointed and the design completed in 2003-04, with further minor construction expected until mid-2004.

This project contributes to Air Force capability.

Fishermans Bend, Victoria – Relocation of Defence Science and Technology Organisation's 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 near completion. The chemical, biological and nuclear defence centre will be completed in early 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 construction contractor has been appointed, with construction of the centre nearing 60 per cent completion by June 2003. The centre and the field training facilities are due for completion in late 2003.

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

Oakey, Queensland – Oakey Base Redevelopment

This project will redevelop Oakey base to optimise it for support of Army rotary-wing flying training, including the armed reconnaissance helicopter. Construction commenced on site in September 2002 and is 30 per cent completed, including the commissioning of the new emergency response station. The project is due for completion in June 2004.

This project contributes to Army capability.

Townsville, Queensland – Lavarack Barracks Redevelopment Stage 2

This project provides a range of new facilities and infrastructure, including new single soldier living accommodation, to ensure the long-term viability of Lavarack Barracks as the major base of the ADF Rapid Deployment Force. New industrial facilities, 1,004 living-in units and three combined messes are complete. A final 108 living-in units are planned for 2003-04 to complete the project.

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 commenced in August 2002 of new facilities for 2 Battalion Royal Australian Regiment and these will be completed in October 2003. Similar new facilities for 1 Battalion commenced construction in January 2003 and will be completed by November 2004.

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 facilities currently under construction are transit accommodation, main base entrance, physical fitness, and air movements facilities. All of these works, along with a new combined messing facility, will be completed by February 2004.

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. The provision of the joint logistics unit (south) warehouse was not initially included in the scope of works, pending the outcome of the Defence Integrated Distribution System project. The issue was resolved in late November 2002. Construction is now under way, with plans to complete the works in mid-2003, excepting the warehouse, which is expected to be completed by September 2003.

This project contributes to Command of Operations.

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 will be completed in 2003-04.

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 1 Brigade. Initial works to construct a bridge over the Victoria River allowing access to the Bradshaw property was completed in October 2002. The project has experienced significant delays as a result of protracted negotiations of the indigenous land use agreement. Contracts for the remainder of the works, including road and airfield construction, are expected to be signed around November 2003, subject to signing of the agreement. Construction is expected to commence after the 2003-04 wet season and be completed by October 2005.

This project contributes to Army capability.

Darwin, Northern Territory – RAAF Darwin – Base Redevelopment

This project provides enhanced support facilities at RAAF Darwin, including an air movements facility, and RAAF police and ground defence facilities. The majority of the facilities have been completed and are in use. Upgrades to the base medical facilities and firefighting water supply are in the design stage and will be completed by 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 has been completed. Completion of minor works and final commissioning of the facilities will be undertaken in late 2003.

This project contributes to Air Force capability.

Canberra – Defence Network Operations Centre

This project will provide basic facilities at HMAS Harman to allow later installation of a range of communications activities. The project is proceeding well and is scheduled to be about 75 per cent complete at the end of 2002-03. Project completion is scheduled for the latter half of 2003.

This project will contribute to Command of Operations.

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 on the proposed major capital projects expected for referral and consideration in 2003-04.

Table 3.15: Proposed Major Capital Projects for Parliamentary Consideration in 2003-04

Program of Major Works (by State, Federal Electorate and Locality)	Referral Date	Indicative Hearing Date
NEW SOUTH WALES		
Eden-Monaro		
Bungendore- Headquarters Australian Theatre	December 2003	February 2004
Hughes		
Holsworthy – Redevelopment and Special Forces Infrastructure	December 2003	February 2004
Kingsford Smith		
Randwick – Redevelopment and Disposal of Surplus Land	August 2003	October 2003
Macquarie		
Richmond - RAAF Richmond – Reinvestment	June 2003	August 2003
VICTORIA		
McEwan		
Puckapunyal – ADI Limited Explosive Ordnance Storage	June 2003	August 2003
QUEENSLAND		
Blair		
Amberley - 9 Force Support Battalion and 21 Construction Squadron relocation to Amberley		
Amberley - RAAF Amberley – Infrastructure Upgrade	June 2004	Not yet scheduled
Forde		
Canungra-Redevelopment	April 2004	Not yet scheduled
SOUTH AUSTRALIA		
Bonython		
Edinburgh – RAAF Edinburgh – Extensions to Electronic Warfare Squadron Building	December 2003	February 2004
NORTHERN TERRITORY		
Lingjari		
Katherine – RAAF Tindal – Security Fence	June 2002	July 2003
Solomon		
Darwin – 1 Aviation Relocation	March 2003	July 2003
AUSTRALIAN CAPITAL TERRITORY		
Fraser		
HMAS Harman – Canberra Multi-User Depot	March 2003	May 2003

Bungendore, New South Wales – Headquarters Australian Theatre

Headquarters Australian Theatre is the prime operational-level headquarters for the ADF. Defence is presently reviewing the private financing delivery approach, with a view to confirming the suitability of this approach by mid-2003. An environmental impact statement is being conducted on the proposed site south of Bungendore, and this is due for finalisation by the end of 2003. The facility is scheduled to be ready for occupation in early 2007.

This project contributes to Command of Operations.

Holsworthy, New South Wales – Redevelopment and Special Forces Infrastructure

The Holsworthy program of works will deliver four 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) and facilities for the Incident Response Regiment. 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 early 2004.

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

Randwick, New South Wales – Redevelopment and Disposal of Surplus Land

This project, which is part of the Defence property disposal program, will allow 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. Subject to parliamentary approval, Defence proposes to commence 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.

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 Air Lift Group, as well as an upgrade of the base engineering infrastructure, the provision of a base fitness centre and the construction of additional ablutions.

This project contributes to Air Force capability.

Puckapunyal, Victoria – ADI Limited Explosive Ordnance Storage

This project will establish a long-term magazine facility on Commonwealth land at Puckapunyal for the storage and distribution of ammunition required by military units using range facilities located within the Puckapunyal Military Area and in southern Victoria. The facility will be built, owned and operated by ADI Limited and transferred to the Commonwealth at the end of the contract in 2011.

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

Amberley, Queensland – 9 Force Support Battalion and 21 Construction Squadron Relocation to Amberley

9 Force Support Battalion provides the major element of Defence heavy-lift road transport. 21 Construction Squadron is one of two regular construction squadrons that carry out construction and support engineering tasks throughout Australia. The relocation recognises the benefits of having the two units collocated.

This project contributes to Army capability.

Amberley, Queensland – RAAF Amberley – Infrastructure Upgrade

This project will address pressing infrastructure deficiencies to enable the long-term future development of Amberley. Works include the upgrading of the base engineering infrastructure of water, electricity, sewer, communications and stormwater.

This project contributes to Air Force capability.

Canungra, Queensland – Redevelopment

This project will provide for new and refurbished working and living accommodation and an upgrade to infrastructure services to support the current operations of the Army's career development training.

This project contributes to Army and Intelligence capabilities.

Edinburgh, South Australia – RAAF Edinburgh – Extensions to Electronic Warfare Squadron Building

This project will provide facilities to support the collocation of electronic warfare activities and to provide additional space for the software support facilities for a number of different ADF platforms that are, or will shortly be, fitted with electronic warfare equipment. Project construction is subject to commence in May 2004. The target completion date is May 2005.

This project contributes to Navy, Army and Air Force capabilities

Katherine, Northern Territory – RAAF Tindal – Security Fence

This project will provide a perimeter security fence around the base which is designed to detect and delay intruder access. Subject to parliamentary approval, construction of the fence is expected to commence in late 2003 and be completed by December 2004.

This project contributes to Air Force capability.

Darwin, Northern Territory – 1 Aviation Relocation

This project will provide new facilities for 1 Aviation Regiment at Robertson Barracks in Darwin and includes purpose-built working, training and domestic accommodation facilities. Subject to parliamentary approval, construction is expected to commence in early 2004, with the project to be completed by the end of 2005.

This project contributes to Army capability.

Canberra, Australian Capital Territory – HMAS Harman – 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 is scheduled to commence in September 2003 and be completed by August 2004.

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

Approved Medium Capital Facilities Projects

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

Table 3.16: Approved Medium Capital Facilities by State and Federal Electorate

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Estimated Cumulative Expenditure to 30 June 2003 \$'000	Budget Estimate 2003-04 \$'000
NEW SOUTH WALES			
Macquarie – Medium Works			
Richmond – RAAF Richmond – Fuel Farm Upgrade	3,010	100	2,900
Paterson – Medium Works			
Williamstown – RAAF Williamstown – Child Care Facility ⁽¹⁾	2,200	139	2,069
Total New South Wales	5,210	239	4,969
VICTORIA			
Ballarat – Medium Works			
Ballarat – Construction of Army Multi-User Depot	5,830	3,718	1,135
Corio – Medium Works			
Geelong – Construction of Army Multi-User Depot	4,000	277	3,263
Gippsland – Medium Works			
East Sale – East Sale Child Care	1,800	292	1,508
Lalor – Medium Works			
Laverton – RAAF Band – Training and Rehearsal Facility	4,100	22	3,900
Laverton – Defence International Training Centre	2,440	200	2,040
McEwan – Medium Works			
Puckapunyal – Puckapunyal Child Care Centre	1,700	125	1,575
Puckapunyal – Regional Training and Simulation Centre	2,200	88	2,000
Total Victoria	22,070	4,722	15,421
QUEENSLAND			
Blair – Medium Works			
Amberley – RAAF Amberley – Fire and Security School and Working Dog Accommodation	1,200	750	450
Forde – Medium Works			
Canungra – Water Project	4,000	2,600	600
Herbert – Medium Works			
Townsville – Lavarack Barracks – Tactical Training Simulation Capability	4,900	2,919	1,500
Townsville – Lavarack Barracks – Combat Training Centre (Live)	5,800	848	4,900
Total Queensland	15,900	7,117	7,450
SOUTH AUSTRALIA			
Bonython – Medium Works			
Edinburgh – RAAF Edinburgh – Airfield Defence	3,500	3,400	100
Edinburgh – Defence Science and Technology Organisation Hybrid Torpedo Simulator Facility	1,716	922	694
Edinburgh – Systems Simulation Centre Extension	2,500	964	1,100
Edinburgh – Defence Science and Technology Organisation Virtual Ship Facility	903	512	360
Edinburgh – Uninterrupted Power Supply to Electronic Warfare Building	1,400	923	120
Edinburgh – Aerial Test Field Relocation	1,874	1,824	50
Edinburgh – Refurbish Defence Science and Technology Organisation Land Operations Division Facilities	5,600	4,639	25

Owner Perspective

Program of Works (State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2003	Budget Estimate 2003-04
	\$'000	\$'000	\$'000
Edinburgh – Relocation of Defence Materiel Organisation Over the Horizon Radar Systems Program Office	5,039	672	4,160
Edinburgh – Corporate Services and Infrastructure Centre	3,050	318	2,732
Edinburgh – Defence Science and Technology Organisation Surveillance Analysis Centre	1,050	100	950
Wakefield – Medium Works			
Port Wakefield – Ammunition Breakdown Facility	4,500	200	4,300
Total South Australia	31,132	14,474	14,591
WESTERN AUSTRALIA			
Brand – Medium Works			
Garden Island – HMAS Stirling – Periscope Workshop Facility	2,600	550	2,000
Garden Island – HMAS Stirling – Armoury, Magazine and Gunners Store	1,050	1,030	20
Garden Island – HMAS Stirling – Wharf Services Upgrade	5,850	800	5,000
Garden Island – HMAS Stirling – Defence Science and Technology Organisation Submarine and Surface Combatants Science and Technology Facility Extension	2,550	65	2,400
Curtin – Medium Works			
Swanbourne – 4 Signal Troop Facilities	3,210	100	3,100
Total Western Australia	15,260	2,545	12,520
NORTHERN TERRITORY			
Lingiari – Medium Works			
Bathurst Island – Radar Facilities	4,486	200	2,000
Katherine – RAAF Tindal – New 400m Range	4,380	1,200	3,000
Katherine – RAAF Tindal – Vehicle Shelters	1,000	0	1,000
Katherine – RAAF Tindal – Living-In Accommodation	5,800	2,500	3,200
Solomon – Medium Works			
Darwin – Robertson Barracks – Tactical Training and Simulation Site	5,500	1,000	4,400
Darwin – Married Quarters Electrical Upgrade	3,600	209	2,000
Darwin – Aircraft Hydrant Refuelling	5,600	5,490	100
Total Northern Territory	30,366	10,599	15,700
AUSTRALIAN CAPITAL TERRITORY			
Fraser – Medium Works			
Jervis Bay – HMAS Creswell – Waterfront Facility for 4 Royal Australia Regiment	2,410	20	1,300
Jervis Bay – Remediation of Mary Creek	1,100	91	10
Total Australian Capital Territory	3,510	111	1,310
Other – Medium Works			
Air Traffic Control Systems – Various Locations	3,258	2,928	250
Total Other	3,258	2,928	250
TOTAL MEDIUM NEW BUILDINGS AND WORKS	126,706	42,735	75,211

Note

1. The variation in the total estimated project budget reflects changed prices.

The following table lists new medium capital facilities projects foreshadowed for departmental approval in 2003-04.

Table 3.17: Proposed Medium Capital Facilities Projects for Departmental Approval in 2003-04

Program of Works (State, Federal Electorate and Locality)
NEW SOUTH WALES
Lindsay Werrington (formerly Penrith) – Construction of Army Multi-User Depot
North Sydney Waverton – HMAS Waterhen – Relocation of Defence Materiel Organisation Mine Warfare and Clearance Diving Systems Program Office
VICTORIA
Jagajaga Watsonia – Regional Training Centre Facilities
QUEENSLAND
Herbert Townsville – Lavarack Barracks – Regional Training Centre North Queensland Facilities Townsville – Halifax Bay Range Relocation Townsville – Special Operations Forward Mounting Facility Mount Stuart – Mount Stuart Training Area Grenade Range
WESTERN AUSTRALIA
Brand Garden Island – HMAS Stirling – Torpedo/Underwater Target Teams Facility
NORTHERN TERRITORY
Lingiari Katherine – Delamere Radar Facilities
Solomon Darwin – Vehicle Shelters Darwin – Special Operations Forward Mounting Facility
AUSTRALIAN CAPITAL TERRITORY
Canberra Canberra – Majura Services Development Canberra – Federation Guard Facilities Canberra – Services Study Relocation
Other RAAF Butterworth – Building Upgrades

OTHER CAPITAL

The fourth and final category that constitutes the investment program is other capital, and consists of minor capital equipment projects, purchase of repairable items, other plant and equipment which exceeds the capitalisation threshold of \$10,000 and other property, plant and equipment, software and intangibles. Minor capital projects cover new equipment, modifications to existing equipment or enhancement to new equipment and are generally valued at between \$250,000 and \$20m. Repairable items are items such as engines, gear boxes and components of platforms which have to be acquired as others wear out or become unserviceable. Other capital equipment accounts for \$481.4m of the investment program in 2003-04, which is about \$54m less than is forecast to be spent in 2002-03.

