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CAPITAL INVESTMENT PROGRAM

This chapter discusses investment in Defence capability through the development and acquisition of major equipment, the provision of buildings and infrastructure, and the purchase of other capital items.

This chapter should be read in conjunction with Volume Two—Defence Materiel Organisation.

3.1 OVERVIEW

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3.2 MAJOR CAPITAL EQUIPMENT PROGRAM

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OVERVIEW

OVERVIEW OF THE CAPITAL INVESTMENT PROGRAM

The Capital Investment Program comprises:

- the major capital equipment program which includes two components:
 - the Unapproved Major Capital Equipment Program (Defence Capability Plan)—managed by the then Chief Capability Development Group¹; and
 - the Approved Major Capital Equipment Program—managed by the Chief Executive Officer, Defence Materiel Organisation²;
- the Capital Facilities Program—managed by the then Deputy Secretary Corporate Services³;
- Other Capital Purchases—managed by the Service Chiefs and Group Heads; and
- Capital Receipts—managed by the Service Chiefs and Group Heads.

Defence's capital investment program includes expenditure that is sourced from both the capital and operating budgets. For example, research and development work, project studies, design work, specialist and professional advice and project office overheads are treated as operating expenses rather than being capitalised. In addition,

certain project costs such as initial spares and the first three years of maintenance support costs are charged to the project, but brought to account as inventory purchases or suppliers expense in the operating budget. Accordingly, the Defence Capital Investment Program comprises both capital and operating funds. The mix of funding will continue to change, reflecting project throughput and the individual circumstances for each project. Table 3.1 shows the investment program by both its capital and operating elements.

OVERVIEW OF FINANCIAL PERFORMANCE IN 2005–06

The actual result in 2005–06 was \$287.7m higher than the revised estimate as detailed in Table 3.1.

1. From 1 July 2006, the Chief, Capability Development is an executive within Australian Defence Headquarters.

2. For information on the Approved Major Capital Equipment Program, see *Defence Annual Report Volume 2—Defence Materiel Organisation*.

3. As a result of a Defence restructure, from 1 July 2006 the new position of Deputy Secretary Defence Support was created.

TABLE 3.1**DEFENCE FINANCIAL PERFORMANCE FOR THE CAPITAL INVESTMENT PROGRAM 2005–06**

Component	Budget Estimate	Revised Estimate	Actual Result	Variance
	\$m	\$m	\$m	\$m
—Capital Component ⁽¹⁾	3,148.9	3,152.3	3,346.9	194.5
—Operating Component	598.9	586.7	541.5	–45.2
1. Major Capital Equipment Program⁽²⁾	3,747.8	3,739.0	3,888.4	149.3
—Capital Component	423.9	305.2	379.8	74.6
—Operating Component	23.2	41.2	50.5	9.3
2. Capital Facilities Program⁽³⁾	447.1	346.4	430.3	83.9
3. Other Capital Purchases⁽⁴⁾	582.7	631.3	722.4	91.0
Total Capital Component	4,155.5	4,088.8	4,449.1	360.1
Total Operating Component	622.1	627.9	592.0	–35.9
4. Gross Capital Investment Program (1+2+3)	4,777.6	4,716.7	5,041.1	324.2
5. Less Net Capital Receipts	24.9	24.9	61.4	36.5
6. Net Capital Investment Program (4–5)	4,752.7	4,691.8	4,979.7	287.7

Notes:

1. Includes the capitalisation of the DMO Acquisition Service Fee.
2. See further details on p. 176.
3. See further details on p. 180.
4. See further details on p. 196.

MAJOR CAPITAL EQUIPMENT PROGRAM (+\$149.3M)

CAPABILITY DEVELOPMENT



The Chief Capability Development Group, Lieutenant General David Hurley, is responsible for developing Defence's future capability.

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Capability Development Group drives the implementation of plans for Defence's future capability. This year marked the second year since the Group's formation in response to the 2003 Kinnaird Defence Procurement Review. Major achievements this year included the completion of the Defence Capability Strategy and the release of the *Defence Capability Plan 2006–16* (DCP).

The DCP is a detailed, costed plan for Australia's military capabilities for the next ten-year period, with broad guidance on major investments over the following ten years. The plan is reviewed and updated annually to take account of changing strategic circumstances, new technologies and changed priorities. It sets out the planned investment in new equipment under six capability goals—land, air combat, maritime forces, strike, information and intelligence. In 2005–06, a major update of the Defence Capability Plan was conducted, leading to the public release of the 2006–16 DCP in June 2006. The release of a public version is designed to keep

Australian industry abreast of Defence's major acquisition planning so industry too can play its part in capability development.

The DCP is implemented through a mandatory 'two pass' approval process by the Government. In 2005–06, the Government agreed to eight first-pass project approvals and 12 second-pass project approvals, plus a number of other studies and project development activities, at a cost of \$7.2 billion. Notable approvals included the Follow-on Standoff Weapons Capability for the F/A-18 Hornet (AIR 5418) and the Black Hawk Midlife Upgrade/Replacement (AIR 9000). In addition to projects within the DCP, the Government also approved the rapid acquisition of four Heavy Airlift C-17 aircraft. In support of the 'two pass' approval system, the Group continued the Kinnaird reform process, notably in the application of test and evaluation and simulation to the pre-second pass approval process. The Group also strengthened its relationship with the DMO by embedding DMO project managers within the Capability Systems Division.

2005–06 also saw the release of other important publications, including the second version of the *Defence Capability Development Manual* and the *Network Centric Warfare Roadmap*. These documents provide guidance for the development of capability proposals and capability planning, and a roadmap to focus ADF efforts towards being a more cohesive and integrated force by 2020.

THE DEFENCE CAPABILITY PLAN

The approved major capital equipment program comprises those projects that generally cost in excess of \$20m and which, following approval, are transferred from the Defence Capability Plan to the DMO to manage the acquisition phase.

Funding for approved major capital equipment projects, including project management and overhead costs, is provided by Defence to the DMO under separate Materiel Acquisition Agreements for each project.

Projects costing between \$8m and \$50m are approved jointly by the Ministers for Defence and Finance and Administration. Projects costing more than \$50m are approved by the National Security Committee of Cabinet.

Since the Defence White Paper was published in December 2000, the Government has approved more than 150 major projects or phases of projects with an approximate cost of \$28.2 billion. During 2005–06, a number of projects and studies were approved at a cost of \$7.2 billion, as shown in Table 3.2. The Government will be presented with further projects for consideration in 2006–07.

KEY ACHIEVEMENTS FOR 2005–06

Significant projects progressed for Government approval during 2005–06 included:

- the acquisition of up to four C-17 Heavy Airlift aircraft and associated support equipment (AIR 8000 Phase 3);
- an additional 34 MRH-90 helicopters to replace the current Black Hawk and Sea King helicopter fleets (AIR 9000 Phase 4);
- the upgrade of the ANZAC-class frigate anti-ship missile defence system (SEA 1448 Phase 2B);
- the acquisition of the AEGIS combat system for the Air Warfare Destroyer (SEA 4000 Phase 3.1);
- the acquisition of the Joint Air to Surface Stand-off Missile for the F/A-18 (AIR 5418 Phase 1); and
- first-pass approval for the Amphibious Ships project, and the provision of funding to conduct further design, technical and through-life support studies. (JP 2048 Phase 4A/4B).

CHAPTER 3

TABLE 3.2

LIST OF MAJOR CAPITAL EQUIPMENT PROJECTS APPROVED BY THE GOVERNMENT IN 2005-06⁽¹⁾⁽²⁾

Project No	Phase	Name	Approval Budget (Band \$m)	Status as at 30 June 2006
Support to the Development of the Major Capital Equipment Program				
		Capability Technology Demonstrators (2005)	20-30	Various
		Capability Technology Demonstrators (2006)	20-30	Various
		Project Development Funding	20-30	Various
AIR 7000	1.1	North West Shelf Unmanned Aerial Vehicle trials	Less than 20	1
First Pass Approval				
JP 2008	3F	Military Satellite Capability	Less than 20	4
JP 2048	4A/4B	Amphibious Ships	20-30	3
JP 2080	2B	Defence Management Systems Improvement	Less than 20	Various
JP 2099	1	Identity Management—Project CERTE	Less than 20	4
LAND 17	1	Artillery Replacement	Less than 20	4
LAND 75	3.4	Battlefield Command Support System	Less than 20	4
LAND 125	3	Soldier Enhancement Version 2	20-30	4
LAND 144	1	Counter Mine Capability	Less than 20	4
Second Pass Approval				
AIR 5418	1	Follow-on Standoff Weapons Capability	350-450	2
AIR 8000	3	Heavy Airlift (C-17)	2,000-2,500	1
AIR 9000	4	Black Hawk Midlife Upgrade/Replacement ⁽³⁾ (<i>together with Sea King Replacement</i>)	2,000-2,500	1
JP 129	2	Airborne Surveillance for Land Operations	100-150	2
JP 2077	2C	Automated Identification Technologies	20-30	1
JP 2095	1	Aviation Fire Trucks	20-30	3
JP 2098	1	Joint Combined Training Centre	20-30	1
JP 5408	2B	ADF Global Positioning System Enhancement	50-75	4
SEA 1439	5B.1	Collins Mast UHF(3)	30-50	1
SEA 1448	2B	ANZAC Anti-Ship Missile Defence Upgrade—Fire Control Radar	350-450	1
SEA 1448	3	CEA AUSPAR—Further Development of AUST Phased Array Radar	Less than 20	1
SEA 4000	3.1	Air Warfare Destroyer Program—AEGIS Combat System	1,000-1,500	1

Key to Project Status Categories

1. Project under way (contract signed)
2. Tender Closed
3. Out to Tender
4. Yet to go to Tender

Various: Either contributing to more than one project or consisting of several internal phases of varying status

Notes:

1. This list excludes highly classified projects.
2. This list excludes a number of projects that support the development of the new major capital equipment program, such as the Rapid Prototyping Development and Evaluation Program.
3. This project was planned for approval in 2006-07, but was brought forward to 2005-06.

APPROVED MAJOR CAPITAL EQUIPMENT

An overview of the Approved Major Capital Equipment Program, including the top 30 projects in 2005–06, can be found in the *Defence Annual Report Volume Two—Defence Materiel Organisation*.

KEY ACHIEVEMENTS IN 2005–06

All up, Defence spent \$3,888.4m on the major capital equipment program which was \$149.3m more than the revised estimate. This included start-up expenditure on the range of new projects listed in Table 3.2.

The higher than planned result in 2005–06 reflects the early progression of the C-17 project with the initial deposit payment of \$386m made in June 2006, rather than early in 2006–07 as planned, when the 2006–07 Budget was announced.

The following projects contributed to the \$3,888.4m result:

- Air 8000 Phase 3 Heavy Airlift (\$386.0m);
- Air 5077 Phase 3 Airborne Early Warning & Control (\$338.5m);
- Air 87 Phase 2 Armed Reconnaissance Helicopter (\$261.6m);
- Air 5402 ADF Air Refuelling Capability (\$193.6m);
- Sea 1348 Phase 2 ANZAC Ship Project (\$180.6m);
- Air 5376 Phase 2 F/A 18 Hornet Upgrade Project (\$154.4m);
- Land 907 Phase 1 Tank Replacement Project (\$153.2m);
- Sea 1444 Phase 1 Armidale-Class Patrol Boat (\$151.2m);
- Air 9000 Phase 2 Additional Troop Lift Helicopter (\$119.8m); and
- Sea 1439 Phase 4A Collins Replacement Combat System (\$90.4m).

CAPITAL FACILITIES PROGRAM (+\$83.9M)

The Capital Facilities Program funds the construction of buildings and infrastructure projects including specialised ranges, training and accommodation facilities, maintenance hangars, messes and warehouse facilities. The program develops facilities and infrastructure to support the introduction of new military equipment into operational service, as well as maintaining facilities to support Defence personnel where they work, live and train. The program comprises approved and unapproved major and medium projects.

Approval processes for capital facilities projects vary according to value. Major capital facilities projects cost at least \$6m and are subject to Government consideration and review by the Joint Statutory Committee on Public Works. Medium facilities projects have budgets between \$250,000 and \$6m. Medium facilities projects between \$5m and \$6m are subject to ministerial approval. Projects under \$5m are approved by departmental delegates.

The three major Capital Facilities Program projects in 2005–06 were:

- the RAAF Williamtown Redevelopment Stage 1 and airborne early warning and control works at RAAF Williamtown;
- the Special Forces Training Facilities project at Holsworthy; and
- the RAAF Amberley Redevelopment Stage 2 works.

Total expenditure on Defence's capital facilities program in 2005–06 was \$83.9m above the projected result of \$346.4m. This result was due primarily to the work

completed at RAAF Amberley, where contractors worked 24 hours a day to strengthen and widen the main runway pavement. Other projects where expenditure exceeded projected results included the RAAF Williamtown Redevelopment Stage 1 and airborne early warning and control works at RAAF Williamtown, and the Special Operations Working Accommodation project at Holsworthy.

The operating expenses component of Defence's major capital facilities program was \$9.3m above the projected result of \$41.2m. Operating expenses include all costs incurred in developing projects such as preliminary designs, environmental clearances and cost estimates for facilities including whole-of-life operating and maintenance costs. The 2005–06 result represented a substantial increase in project development activity and has significantly increased the aggregate value of projects approved for construction.

APPROVED MAJOR CAPITAL FACILITIES PROJECTS

In 2005–06, the Government approved six major projects. Of these, two projects received parliamentary approval. These projects are the Holsworthy 171 Aviation Squadron Relocation and HMAS Cairns Base Redevelopment and both are reported in Tables 3.3 and 3.4. The remaining four projects are scheduled for consideration by the Parliament in 2006–07. In 2005–06, parliamentary approval was also obtained for seven projects approved in late 2004–05.

During the same period, 16 medium projects received either departmental or ministerial approval to proceed.

Table 3.3 and the following descriptions provide details on progress and expenditure during 2005-06 on major capital facilities projects.

TABLE 3.3**APPROVED MAJOR CAPITAL FACILITIES PROJECTS BY STATE AND FEDERAL ELECTORATE**

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2006 \$m	2005-06 Budget Estimate \$m	2005-06 Additional Estimate \$m	2005-06 Actual Expenditure \$m
NEW SOUTH WALES					
Gilmore					
Nowra: HMAS Albatross Base Redevelopment	110.3	110.0	3.5	5.0	5.1
Hughes					
Holsworthy:					
Special Forces Training Facilities	79.6	59.9	50.0	45.0	36.9
Special Operations Working Accommodation and Base Redevelopment Stage 1	207.7	15.2	-	3.0	15.2
171 Aviation Squadron Relocation	92.0	2.2	-	-	2.2
Kingsford Smith					
Randwick: Disposal and Rationalisation—interim works	8.8	4.1	4.5	2.0	0.4
Macquarie					
Richmond: RAAF Richmond Reinvestment	35.0	30.0	10.2	8.5	5.5
Parramatta					
Ermington:					
Pre-Disposal Site works	33.1	22.6	7.5	7.5	6.3
Paterson					
Williamtown: RAAF Williamtown Redevelopment Stage 1 and Airborne Early Warning and Control Works	129.2	109.9	27.5	51.0	64.7
Riverina					
RAAF Wagga: College Relocation	— ⁽¹⁾	5.3	— ⁽¹⁾	— ⁽¹⁾	5.3
Total New South Wales	695.7	359.2	103.2	122.0	141.6
VICTORIA					
Melbourne Ports					
Fishermans Bend: Relocation of DSTO Platforms Sciences Laboratory	106.2	62.4	20.0	10.0	10.3
Gippsland					
RAAF East Sale: College Relocation ⁽¹⁾	133.4	5.3	-	7.0	5.3
Total Victoria	239.6	67.7	20.0	17.0	15.6

continued

CHAPTER 3

TABLE 3.3
CONTINUED

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2006 \$m	2005–06 Budget Estimate \$m	2005–06 Additional Estimate \$m	2005–06 Actual Expenditure \$m
QUEENSLAND					
Blair					
Amberley: RAAF Amberley Base Redevelopment Stage 2	285.6	42.6	–	25.0	42.6
Forde					
Canungra: Kokoda Barracks Redevelopment	86.7	17.2	–	16.0	17.2
Herbert					
Townsville:					
Lavarack Barracks Redevelopment Stage 3	171.1	170.3	6.5	4.0	3.7
Leichhardt					
HMAS Cairns Redevelopment ⁽²⁾	76.3	–	–	–	–
Total Queensland	619.7	230.1	6.5	45.0	63.5
SOUTH AUSTRALIA					
Wakefield					
Edinburgh:					
Defence Science and Technology Organisation Edinburgh—Extension to Joint Electronic Warfare Building	19.9	19.8	11.7	11.7	14.2
Port Wakefield:					
Ordnance Breakdown Facility	8.4	5.6	–	5.0	5.0
Total South Australia	28.3	25.4	11.7	16.7	19.2
NORTHERN TERRITORY					
Lingiari					
Timber Creek: Bradshaw Field Training Area Infrastructure	64.8	62.4	23.0	24.7	28.8
Solomon					
Darwin:					
1st Aviation Regiment Relocation	82.0	79.6	31.8	32.0	32.0
Darwin Naval Base—Patrol Boat Facilities	19.2	3.7	3.8	6.0	1.7
Total Northern Territory	166.0	145.7	58.6	62.7	62.5
TOTAL	1,749.3	828.1	200.0	263.4	302.4

Notes:

1. RAAF College Relocation Wagga/East Sale has an approved budget of \$133.4m covering two locations, RAAF East Sale and RAAF Wagga. Total project expenditure is reported under RAAF East Sale – College Relocations.
2. HMAS Cairns Redevelopment was approved in June 2006, after publication of the *Portfolio Additional Estimates Statements 2005–06*.

NEW SOUTH WALES

NOWRA—HMAS ALBATROSS BASE REDEVELOPMENT

Achieved

This project replaced existing facilities and engineering services that were beyond economical repair, and included redevelopment of operational and administration support facilities. Key elements completed in 2005–06 included the construction of a helicopter flight deck procedural trainer where shipboard procedures can be simulated, and a base-wide power control and monitoring system and associated generator controls. The project was completed in mid-2006. This project contributes to Navy capability.

HOLSWORTHY—SPECIAL FORCES TRAINING FACILITIES

Partially Achieved

This project provides specialised ranges and training facilities to support special forces units based at Holsworthy. The significant earthworks required for the 400-metre range and the training facilities are substantially complete. The construction of the training buildings and supporting infrastructure is well advanced and will continue into 2006–07. Construction is scheduled for completion in late 2007. This project contributes to Army and joint force capabilities.

HOLSWORTHY—SPECIAL OPERATIONS WORKING ACCOMMODATION AND BASE REDEVELOPMENT STAGE 1

Partially Achieved

This project provides facilities to support a full-time commando capability, the Tactical Assault Group (East), the Incident Response Regiment, and Special Operations Command elements along with the supporting upgrade of base infrastructure. Construction on high priority work packages commenced in mid-2006. Construction is scheduled for

completion in mid-2009. This project contributes to Army and Special Operations capabilities.

HOLSWORTHY—171 AVIATION SQUADRON RELOCATION

Achieved

This project will relocate 171 Aviation Squadron from Townsville to Holsworthy. Interim facilities will be available for the unit to relocate in early 2007. Construction of permanent facilities commenced in mid-2006 and is on schedule for completion by mid-2008. This project contributes to Army and Special Operations capabilities.

RANDWICK—DISPOSAL AND RATIONALISATION—INTERIM WORKS

Partially Achieved

This project, which is related to the Defence property disposal program, will allow the disposal of surplus land at Randwick. Key activities such as site remediation and the development of a public environmental park are now scheduled for 2006–07. A plan is being prepared for Government consideration to allow disposal of further segments of the property. The net return from the sale of the additional segments would be returned to the Government in future years.

RICHMOND—RAAF RICHMOND REINVESTMENT

Partially Achieved

This project involves a limited capital reinvestment to address pressing infrastructure deficiencies. Construction of the combined headquarters building is now complete. The upgrade of the high voltage electrical reticulation and stormwater system is planned for 2006–07. The project is scheduled for completion in late 2006. This project contributes to Air Force capability.

ERMINGTON—PRE-DISPOSAL SITE WORKS***Partially Achieved***

This project is preparing the Ermington site for disposal and involves the progressive filling and stabilisation of flood-prone areas of the site, and the installation of trunk services infrastructure to enable the site to be sold in stages. During 2005–06, the trunk infrastructure works were substantially progressed with completion expected in early 2007. The remainder of the site is scheduled for sale as a whole in 2007–08.

WILLIAMTOWN—RAAF WILLIAMTOWN REDEVELOPMENT STAGE 1 AND AIRBORNE EARLY WARNING AND CONTROL WORKS***Achieved***

This project provides a range of new and redeveloped facilities and the infrastructure necessary to support the introduction into service of the airborne early warning and control capability. The No. 2 Squadron hangar, pavement and airfield works, and engineering services are complete. The project is scheduled for completion in late 2007. This project contributes to Air Force capability.

RAAF COLLEGE EAST SALE AND WAGGA RELOCATION***Achieved***

This project will relocate the RAAF College from RAAF Williams (Point Cook) and RAAF Edinburgh to RAAF East Sale and RAAF Wagga. The project will provide working, training and living-in accommodation for headquarters, administrative staff and students. Construction commenced in December 2005 and is planned for completion in mid-2008. This project contributes to Air Force capability.

VICTORIA**FISHERMANS BEND—RELOCATION OF DEFENCE SCIENCE AND TECHNOLOGY ORGANISATION PLATFORMS SCIENCES LABORATORY*****Partially Achieved***

This project will relocate DSTO functions from Maribyrnong to Fishermans Bend, integrating common functions and providing enhanced research laboratory facilities. The works on the conference centre, the chemical, biological, radiological and nuclear defence centre building and the Maritime Platforms Division facilities will continue into 2006–07. Construction is scheduled for completion in mid-2007. This project contributes to Navy, Army and Air Force capabilities.

QUEENSLAND**AMBERLEY—RAAF AMBERLEY REDEVELOPMENT STAGE 2*****Achieved***

This project will provide new facilities for the relocation of 9th Force Support Battalion and the establishment of multi-role tanker transport capability at RAAF Amberley and will provide upgraded trunk engineering services for the base. The works to support the battalion include workshops, administration buildings, hardstanding and vehicle shelters. The works for the multi-role tanker transport aircraft include construction of administration buildings, airfield pavement upgrades, maintenance facilities and the provision of hydrant refuelling. The engineering services works include refurbishment and upgrading of the electrical reticulation, communications, water, stormwater, and sewerage infrastructure. The project is planned for completion in early 2008. This project contributes to Army and Air Force capability.

CANUNGRA—KOKODA BARRACKS REDEVELOPMENT***Achieved***

This project will provide upgraded training and mess facilities, and working and living-in accommodation for the Army training units at Canungra. The project includes the provision of upgraded engineering services. Construction commenced in December 2005 and the project is scheduled for completion in late 2007. This project contributes to Army capability.

TOWNSVILLE—LAVARACK BARRACKS REDEVELOPMENT STAGE 3***Achieved***

This project provides new working facilities for Army units at Lavarack Barracks. Facilities for the 1st and 2nd Battalions, the Royal Australian Regiment, Headquarters 3rd Brigade, dental health, training and associated base engineering infrastructure upgrades have been completed. The project was completed in late 2005. This project contributes to Army capability.

CAIRNS—HMAS CAIRNS REDEVELOPMENT***Achieved***

This project provides a combination of new and refurbished facilities to accommodate a full range of operational and support functions at HMAS Cairns, including appropriate berthing space and shore services to accommodate all vessels home-ported at HMAS Cairns. The project received parliamentary approval in June 2006. Construction is expected to commence in the second half of 2006 and is scheduled for completion in 2009. This project contributes to Navy capability.

SOUTH AUSTRALIA**EDINBURGH—DEFENCE SCIENCE AND TECHNOLOGY ORGANISATION
EDINBURGH—EXTENSION TO JOINT
ELECTRONIC WARFARE BUILDING*****Achieved***

This project provided facilities to support the collocation of electronic warfare activities, with additional space for the software support facilities for a number of ADF platforms that are, or will shortly be, fitted with electronic warfare equipment. The project was completed in May 2006. This project contributes to joint forces capabilities.

**PORT WAKEFIELD—ORDNANCE
BREAKDOWN FACILITY*****Achieved***

This project provides a new facility for the breakdown and analysis of ammunition and ordnance. Construction commenced in January 2006 and is scheduled for completion by the end of 2006. This project contributes to Navy, Army and Air Force capabilities.

NORTHERN TERRITORY**TIMBER CREEK—BRADSHAW FIELD
TRAINING AREA INFRASTRUCTURE*****Achieved***

This project provides engineering services and infrastructure to allow the use of Bradshaw as a field training area for the 1st Brigade. Internal access roads were completed in November 2005. The training force maintenance area, base camp, range control and caretaker facilities were completed in July 2006. The residual work, fencing, signage and air corridor markers are due for completion by December 2006. This project contributes to Army capability.

DARWIN—1ST AVIATION REGIMENT RELOCATION***Partially Achieved***

This project provides new facilities for the 1st Aviation Regiment at Robertson Barracks in Darwin and includes purpose-built working, training and domestic accommodation facilities. Six of the seven construction packages are complete. The final package, consisting of the simulator building and military instruction block, is scheduled for completion in late 2006, after minor delays were experienced due to work sequencing. This project contributes to Army capability.

DARWIN—DARWIN NAVAL BASE—PATROL BOAT FACILITIES***Achieved***

This project provides upgraded facilities at the Darwin Naval Base for the new Armidale-class patrol boats. Construction of the wharf extension is complete. Construction of the balance of the project commenced in early 2006 and is being completed in stages to allow the continuing operation of the naval base and to support the staged introduction of the patrol boats. The construction is due for completion in late 2007. This project contributes to Navy capability.

STATUS OF MAJOR PROJECTS FORESHADOWED FOR GOVERNMENT AND JOINT STATUTORY COMMITTEE ON PUBLIC WORKS CONSIDERATION IN 2005–06

Defence foreshadowed a number of projects for consideration by the Joint Statutory Committee on Public Works in 2005–06. Table 3.4 provides details on the progress of the proposed projects.

APPROVED MEDIUM CAPITAL FACILITIES PROJECTS

Table 3.5 shows spending in 2005–06 for medium facilities projects. Medium capital facilities projects are those expected to cost between \$250,000 and \$6m.

STATUS OF MEDIUM CAPITAL FACILITIES PROJECTS FOR DEPARTMENTAL APPROVAL IN 2005–06

Table 3.6 lists new medium capital facilities projects (costing between \$250,000 and \$6m) foreshadowed for approval in 2005–06.

TABLE 3.4**STATUS OF MAJOR CAPITAL PROJECTS FORESHADOWED FOR GOVERNMENT AND JOINT STATUTORY COMMITTEE ON PUBLIC WORKS CONSIDERATION IN 2005–06**

Program of Major Works (by state, federal electorate and locality)	Current Status
NEW SOUTH WALES	
Hughes	
Holsworthy:	
Special Operations Working Accommodation and Base Redevelopment Stage 1	Expediency motion 17 August 2005
Relocation of 171 Aviation Squadron	Expediency motion 15 February 2006
VICTORIA	
Jagajaga	
Watsonia: Defence Force School of Signals	Deferred to 2006–07
QUEENSLAND	
Blair	
Amberley:	
RAAF Amberley—Relocation of 9th Force Support Battalion ⁽¹⁾	Expediency motion 2 November 2005
RAAF Amberley—Engineering Services Upgrade ⁽¹⁾	Expediency motion 2 November 2005
Construction of facilities for the Multi Role Tanker Transport Aircraft ⁽¹⁾	Expediency motion 2 November 2005
Forde	
Canungra: Kokoda Barracks Redevelopment	Expediency motion 17 August 2005
Leichhardt	
Cairns: HMAS Cairns Redevelopment	Expediency motion 14 June 2006
SOUTH AUSTRALIA	
Wakefield	
Port Wakefield Ammunition Facility	Expediency motion 1 June 2005
NORTHERN TERRITORY	
Solomon	
Darwin:	
Darwin Naval Base—Patrol Boat Facilities	Expediency motion 17 August 2005
RAAF Darwin Redevelopment Stage 2	Deferred to 2006–07
Robertson Barracks—Redevelopment	Deferred to 2006–07
OTHER	
Gippsland and Riverina	
RAAF Colleges Relocation—RAAF East Sale and RAAF Wagga	Expediency motion 2 November 2005
MALAYSIA	
RAAF Butterworth Headquarters Rationalisation	Deferred to 2006–07

Note:

1. These projects are now reported as RAAF Base Amberley—Redevelopment Stage 2.

TABLE 3.5

APPROVED MEDIUM CAPITAL FACILITIES BY STATE AND FEDERAL ELECTORATE

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2006 \$'000	2005–06 Budget Estimate \$'000	2005–06 Additional Estimates \$'000	2005–06 Actual \$'000
NEW SOUTH WALES					
Hughes					
Holsworthy:					
Interim Special Forces Works	5,500	5,025	–	2,800	2,484
Defence Police Training Centre ⁽¹⁾	4,960	4,024	–	–	4,024
1 Commando Company—Interim Relocation ⁽³⁾	1,100 ⁽²⁾	958	–	1,100	958
Lindsay					
Orchard Hills: Encanister Decanister Facility	5,050 ⁽²⁾	4,685	1,800	2,000	2,587
Macquarie					
Richmond—RAAF Richmond:					
Aircraft Shelters ⁽¹⁾	500	328	–	–	328
Fuel Farm Upgrade	4,640	3,887	600	1,400	426
North Sydney					
HMAS Waterhen: Mine Warfare and Clearance Divers Systems Project Office Relocation ⁽¹⁾	2,446	1,207	–	–	1,207
Paterson					
Williamstown—RAAF Williamstown:					
Airborne Early Warning and Control Aircraft Static Wash Facility ⁽¹⁾	1,510	1,500	–	–	1,500
Air Defence Ground Environment / Air Traffic Control System Program Office Accommodation ⁽¹⁾	4,490	3,959	–	–	3,959
Hornet Upgrade Facilities	808	764	300	790	732
Tactical Air Defence Radar System Vehicle Shelters	1,200	1,006	300	900	960
Noise Attenuation works at Salt Ash and Williamstown Public Schools ⁽¹⁾	900	451	–	–	451
Sydney					
Garden Island: Navy Heritage Centre	5,500	5,476	2,000	2,400	2,417
Total New South Wales	38,604	33,270	5,000	11,390	22,033
VICTORIA					
Corio					
Geelong: Construction of Army Multi-User Depot	4,250	2,354	3,750	1,800	2,181

continued

TABLE 3.5

CONTINUED

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2006 \$'000	2005–06 Budget Estimate \$'000	2005–06 Additional Estimates \$'000	2005–06 Actual \$'000
Gippsland					
East Sale: East Sale Child Care Centre	3,564	3,411	500	600	906
Indi					
Latchford Barracks: Weapons Training Simulation System	1,600	1,458	850	210	119
Jagajaga					
Watsonia Regional Training Centre ⁽¹⁾	5,813	38	–	–	38
Lalor					
RAAF Williams—Laverton:					
Defence International Training Centre	3,205	3,100	2,100	2,100	2,186
RAAF Band Training and Rehearsal Facility ⁽⁴⁾	4,100	37	2,000	–	–
McEwen					
Puckapunyal:					
Australian Light Armoured Vehicle Mission Essential Training Facility	3,560	3,191	700	700	1,021
Tank Replacement Facilities (Land 907) ⁽¹⁾	1,720	1,090	–	–	1,090
Regional Training and Simulation Centre	2,200	188	1,125	–	–
Regional Weapons Storage and Minor Repair Facility ⁽¹⁾	1,380	1,057	–	–	1,057
Total Victoria	31,392	15,924	11,025	5,410	8,598
QUEENSLAND					
Brisbane					
Enoggera:					
Bushmaster Critical Infrastructure Upgrade (formerly critical infrastructure upgrade)	3,200	2,993	2,139	2,785	2,653
Australian Light Armoured Vehicle Workshops	4,500	4,036	1,500	1,000	857
Capricornia					
Shoalwater Bay Training Area Joint Combined Training Centre ⁽¹⁾	2,680	5	–	–	5
Groom					
Oakey: Museum of Australian Army Flying	1,645	1,643	500	550	578

continued

CHAPTER 3

TABLE 3.5

CONTINUED

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2006 \$'000	2005-06 Budget Estimate \$'000	2005-06 Additional Estimates \$'000	2005-06 Actual \$'000
Herbert					
Lavarack Barracks:					
Helicopter Underwater Escape Training Facility	2,235	2,156	1,735	2,100	2,027
Combat Training Centre—Live Simulation, Range Instrumentation and Information System Maintenance and Storage Facility	2,800	2,439	1,000	1,500	1,678
Communications and Information Systems Centre Facilities ⁽¹⁾	1,400	1,368	–	–	1,368
RAAF Townsville:					
Base Training and Support Facility	5,300	4,885	4,700	4,800	4,834
Kennedy					
Townsville: Field Training Area Air Weapons Range	4,200	3,651	3,600	3,800	3,604
Total Queensland	27,960	23,176	15,174	16,535	17,604
SOUTH AUSTRALIA					
Wakefield					
Edinburgh: Aircraft Signature Turntable	1,900	1,660	670	100	90
Total South Australia	1,900	1,660	670	100	90
WESTERN AUSTRALIA					
Brand					
HMAS Stirling:					
Submarine Land Based Test Facility ⁽¹⁾	3,200	48	–	–	48
Anti-Ship Missile Defence Facility ⁽¹⁾	4,400	51	–	–	51
Guided Weapons In-Service Support Facility ⁽¹⁾	2,600	39	–	–	39
Vertical Launch System Extension to the ANZAC Ship Support Centre ⁽¹⁾	1,600	1,300	–	–	151
Light weight Torpedo Facility ⁽¹⁾	1,990	1,681	–	–	1,589
Wharf Services Upgrade	5,830	5,497	1,400	1,600	1,373
Curtin					
Irwin Barracks: Weapons Training Simulation System	1,600	1,458	850	210	119
Kalgoorlie					
Taylor Barracks: Trainee Accommodation ⁽¹⁾	1,755	6	–	–	6
Total Western Australia	22,975	10,080	2,250	1,810	3,376

continued

TABLE 3.5

CONTINUED

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2006 \$'000	2005-06 Budget Estimate \$'000	2005-06 Additional Estimates \$'000	2005-06 Actual \$'000
NORTHERN TERRITORY					
Lingiari					
Bathurst Island: Tactical Air Defence Radar System	5,800	5,602	1,500	2,400	2,348
Delamere Radar Facilities ⁽¹⁾	2,000	-	-	-	-
Katherine:					
RAAF Tindal Airborne Early Warning and Control Operations Facility ⁽¹⁾	4,950	10	-	-	10
Advanced Medium Range Air-to-Air Missile Secure Facility / Advanced Short Range Air-to-Air Missile Secure Facility	1,730 ⁽²⁾	1,665	600	1,000	1,346
Mount Bundy: 1 Brigade Military Operations in Urban Terrain Facility ⁽¹⁾	1,850	55	-	-	55
Solomon					
Darwin:					
Married Quarters Electrical Upgrade	4,850	4,485	600	200	221
Special Operations Forward Mounting Facility	2,500	105	2,500	1,000	105
Robertson Barracks Advanced Gunnery Training Simulator Facility ⁽¹⁾	700	683	-	-	683
Total Northern Territory	24,380	12,605	5,200	4,600	4,768
AUSTRALIAN CAPITAL TERRITORY					
Fraser					
Federation Guard Facilities	4,200	4,049	800	2,000	2,418
Total Australian Capital Territory	4,200	4,049	800	2,000	2,418
TOTAL	151,411	100,764	40,119	41,845	58,887

Notes:

1. Project approved after publication of the *Portfolio Additional Estimates Statements 2005-06*.

2. Increase in out-turn cost.

3. Approval to increase project budget granted after publication of the *Portfolio Additional Estimates Statements 2005-06*.

4. Project has subsequently been cancelled.

TABLE 3.6 STATUS OF PROPOSED MEDIUM CAPITAL FACILITIES PROJECTS

Program of Medium Works (State, Federal Electorate and Locality)	Current Status
NEW SOUTH WALES	
Hughes	
Holsworthy:	
Defence Police Training Centre	Approved
Childcare Centre	Under Development
Macquarie	
RAAF Richmond Aircraft Shelters ⁽¹⁾⁽²⁾	Approved
North Sydney	
HMAS Waterhen: Mine Warfare and Clearance Divers Systems Program Office Relocation	Approved
Paterson	
RAAF Williamtown:	
Airborne Early Warning and Control Aircraft Static Wash Facility	Approved
Air Defence Ground Environment / Air Traffic Control Program Office Accommodation	Approved
Noise Attenuation works at Salt Ash and Williamtown Public Schools	Approved
VICTORIA	
Jagajaga	
Watsonia Regional Training Centre ⁽¹⁾⁽²⁾	Approved
McEwen	
Puckapunyal:	
Tank Replacement Facilities (Land 907)	Approved
Regional Weapons Storage and Minor Repair Facility	Approved
QUEENSLAND	
Capricornia	
Shoalwater Bay Training Area Joint Combined Training Centre ⁽¹⁾⁽²⁾	Approved
Herbert	
Lavarack Barracks: Communications and Information Systems Centre Facilities ⁽¹⁾⁽²⁾	Approved
WESTERN AUSTRALIA	
Brand	
HMAS Stirling:	
Submarine Land Based Test Facility	Approved
Anti-Ship Missile Defence Facility	Approved
Guided Weapons In-Service Support Facility (formerly Joint Ammunition Logistics Organisation West—Working Accommodation)	Approved
ANZAC Ship Support Centre Expansion for Anti-Ship Missile Defence	Approved

continued

TABLE 3.6*CONTINUED*

Program of Medium Works (State, Federal Electorate and Locality)	Current Status
Light Weight Torpedo facility	Approved
Submarine Software Systems Group ⁽³⁾	Deferred until 2007–08
Navy Personnel and Training Centre (West)	Under Development
Kalgoorlie	
Taylor Barracks: Trainee accommodation	Approved
NORTHERN TERRITORY	
Lingiari	
Delamere: Radar Facilities	Approved
Katherine: RAAF Tindal Airborne Early Warning and Control Operations Facility ⁽¹⁾⁽²⁾	Approved
Mount Bundy: Military Operations in Urban Terrain	Approved

Notes:

1. Approved after the production of the *Portfolio Additional Estimates Statements 2005–06*.
2. Project approval accelerated due to departmental priorities.
3. The deferral of this project approval is due to delays in departmental development of the project and conflicting priorities.

APPROVED PROJECTS BEING DEVELOPED FOR PRIVATE FINANCING ARRANGEMENTS

NEW SOUTH WALES

EDEN-MONARO – HEADQUARTERS JOINT OPERATIONS COMMAND (FORMERLY HEADQUARTERS AUSTRALIAN THEATRE)

The Headquarters Joint Operation Command Project will bring together the Chief of Joint Operations and strategic staff located in Canberra with the Sydney-based Deputy Chief of Joint Operations, joint staff and operations, plans, intelligence, logistics, personnel and other staffs of the environmental Commands into an integrated staff structure at a headquarters facility to be constructed approximately 11 kilometres south-west of Bungendore, New South Wales.

The contract for the construction of the Headquarters Joint Operations Command facility and the delivery of supporting services for a 30-year term under private financing arrangements was finalised with Praeco Pty Ltd (Leighton Contractors Pty Ltd and ABN AMRO Australia Limited) on 30 June 2006,

with financial close achieved by 28 July 2006. In April 2006, expressions of interest were sought from industry for the delivery of the command, control, communications, computing and intelligence systems under a single contract. The contract was put to tender on 14 August 2006 and closed on 18 September 2006. Tenders are currently being evaluated.

The Headquarters will represent an investment at an estimated cost of \$339.2m (2006–07 outturned prices) in buildings, infrastructure, fit-out, land acquisition and command, control, communications, computing and intelligence systems.

A traditional (or direct) procurement strategy is being used to acquire, install and maintain the command, control, communications, computing and intelligence systems.

The project contributes to Command of Operations capability.



Night work to place concrete on runway at RAAF Amberley

RAAF AMBERLEY—FACILITIES FOR MULTI-ROLE TANKER TRANSPORT AIRCRAFT

RAAF Amberley is one of the Air Force's largest bases. Located 8km west of Ipswich, on the western edge of Brisbane, the site has been used for military operations since 1938.

With a population of 2,500 people, the base contributes significantly to the local economy. There are currently around 2,000 military personnel and up to 500 civilian employees, contractors and service providers working full time on the base.

RAAF Amberley is the proud home for the Air Force's F-111 aircraft and supporting squadrons, the Headquarters Combat Support Group and various operations and support units.

The Air Force's air-to-air refuelling capability is performed by No. 33 Squadron, which is currently located at RAAF Richmond in western Sydney. This Squadron is being re-equipped with the multi-role tanker transport aircraft and will relocate from Richmond to Amberley in early 2008.

With the introduction of the multi-role tanker transport aircraft and relocation of No. 33 Squadron, new facilities are required at Amberley. These facilities will include a new squadron headquarters, maintenance complex and ground support equipment shelter; a new aircraft parking area with a wash point; an extension of the existing refuelling system; upgrades to the main runway and parallel taxiway; a new office facility for the Logistic Management Unit and a simulator facility.

A vital element of the project is the aircraft pavement works, which are required to take the weight of the new aircraft. This work on the main runway includes repairing and replacing existing pavement concrete slabs, thickening the flexible pavement asphalt overlay, and re-aligning the runway lighting.

An F-111 makes
a perfect landing
at RAAF Amberley



Air to ground photograph of
RAAF Amberley base
redevelopment

The budget for the multi-role tanker transport aircraft facilities project at Amberley is \$132.7m. Construction began in March 2006 and is due for completion in early 2008.

These new facilities are one of three projects included in the current \$285.6m RAAF Amberley Redevelopment Stage Two. For further details on this project see p. 184.

OTHER CAPITAL PURCHASES (+\$91.0M)

Other capital purchases comprise minor capital equipment projects, purchase of repairable items and other plant and equipment exceeding the capitalisation threshold of \$10,000, other property, plant and equipment, software and intangibles.

Minor capital projects are generally valued between \$250,000 and \$20m, and cover new equipment, modifications to existing equipment or enhancements to new equipment. Minor projects costing between \$8m and \$20m are approved jointly by the Ministers for Defence and Finance and Administration. The Minister for Defence approves projects costing between \$5m and \$8m. The Service Chiefs and Group Heads, or their nominated delegates, approve projects costing less than \$5m.

Repairable items are items such as engines, gearboxes and components of platforms. These items are acquired to sustain a pool of

spares for use while worn and broken items are repaired, maintained or replaced. Other capital equipment also includes purchases of information technology and administrative assets, other property, plant and equipment assets and software and intangibles costing more than \$10,000.

Other capital purchases totalled \$722.4m in 2005–06, which was \$91.0m more than the revised estimate of \$631.3m, as detailed in Table 3.7.

The reasons for the variation include:

- changes in the number, value and schedule of minor projects, including slippage of some projects (-\$19.5m);
- effort applied to increasing Repairable Items holdings to Serviceable Asset target levels following sustained operational tempo and effects of ageing platforms (+\$105.0m); and
- a range of minor variations in the other property plant and equipment (+\$5.5m).

TABLE 3.7
OTHER CAPITAL PURCHASES

Group/Item Description	Budget Estimate \$m	Revised Estimate \$m	Actual Result \$m	Variation \$m
Minor Capital	170.9	173.9	154.5	-19.5
Repairable Items	252.4	277.0	382.0	105.0
Other Plant and Equipment	159.4	180.4	185.9	5.5
Total Other Capital	582.7	631.3	722.4	91.0

CAPITAL RECEIPTS (+\$36.5M)

The capital receipts program comprises proceeds from property sales which are returned to the Government in the form of equity, and proceeds from the sale of specialised military equipment and commercial vehicles, and other plant and equipment items which are retained by Defence under the Section 31 Agreement.

Net capital receipts for 2005–06 totalled \$61.4m, or \$36.5m more than the revised estimate. Details are shown in Table 3.8 with an explanation of the variations for each category detailed below.

PROPERTY SALES (-\$32.9M)

In 2005–06, Defence received \$44.0m from the sale of property, which was \$32.9m below the revised estimate of \$76.9m. This was due to a number of factors, including additional time required to consider State Government priority sale proposals.

Net proceeds of \$27.6m were returned to the Government, and \$16.4m was retained by Defence to meet disposal costs.

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TABLE 3.8
DEFENCE CAPITAL RECEIPTS 2005–06

	Budget Estimate	Revised Estimate	Actual Result	Variance
Category	\$m	\$m	\$m	\$m
Proceeds from the sale of land and buildings	88.6	76.9	44.0	-32.9
Less: Capital withdrawal (Net proceeds returned to Government)	-70.2	-58.5	-27.6	30.9
Proceeds retained by Defence from sale of land and buildings	18.4	18.4	16.4	-2.0
Revenue from sale of housing	-	-	19.9	19.9
Less: Capital Withdrawal (net proceeds returned to Government)	-	-	-19.9	-19.9
Proceeds retained by Defence from the sale of housing	-	-	-	-
Proceeds from sale of specialist military equipment	-	-	0.3	0.3
Proceeds from sale of other property, plant and other equipment	6.5	6.5	44.7	38.2
Net Capital Receipts	24.9	24.9	61.4	36.5

**SALE OF DEFENCE HOUSING
AND ANNUITY (+0M)**

Defence received \$19.9m from the sale of annuities by the Defence Housing Authority in 2005–06. As required under the Section 31 Agreement that came into effect at the start of 2005–06 Defence has returned these proceeds to Government.

**PROCEEDS FROM SALE OF
SPECIALIST MILITARY
EQUIPMENT (+\$0.3M)**

Defence realised \$0.3m from the disposal of Specialist Military Equipment, which included the disposal of eight Container Load Trailers and a 38' Riviera from the VIP Boat Squadron.

**PROCEEDS FROM SALE OF
OTHER PROPERTY, PLANT AND
OTHER EQUIPMENT (+\$38.2M)**

The 2005–06 result was \$38.2m more than the revised estimate due to the proceeds for commercial vehicle sales being returned to Defence from the DMO.