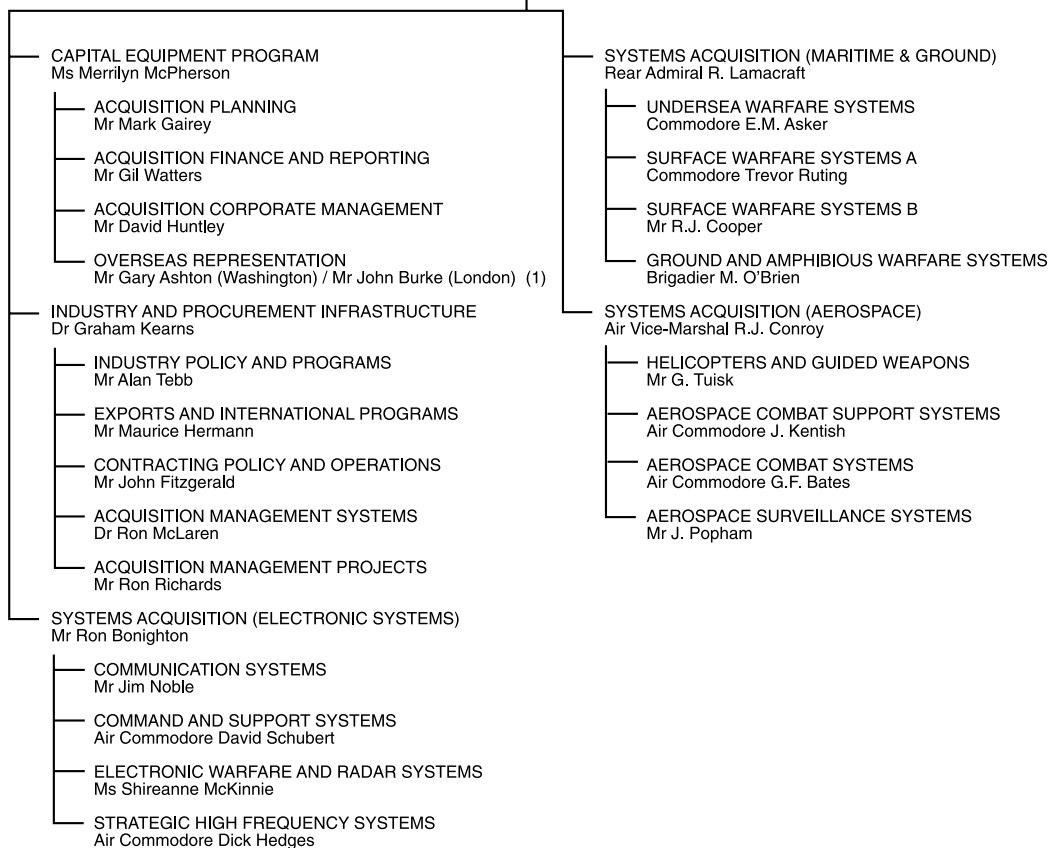


DEPUTY SECRETARY — ACQUISITION
Mr Garry Jones

ACQUISITION



Note:

1 Responsible to the Deputy Secretary Acquisition and to the Head of the Australian Defence Staff (Washington/London) depicted under Defence Attaches/Advisers Abroad.

Effective at 30 June 1999

GROUP 9: ACQUISITION

OBJECTIVE

To realise the Government's priorities for the development of Australian defence capabilities through:

- timely acquisition and delivery of major capital equipment and systems that meet endorsed operational requirements, achieve value for money and are supportable; and
- development of policies to enhance the capability of Australian industry in support of defence self-reliance.

DESCRIPTION

The Acquisition Group acquires equipment and promotes industry support to underpin Australia's defence capability. The Group Manager is the Deputy Secretary Acquisition who is assisted by Division Heads. This body is known as the Acquisition Executive. The Group comprises the two areas: Capital Equipment, and Industry and Procurement Infrastructure.

PERFORMANCE OUTCOMES FOR 1998-99

The Acquisition Group achieved the following outcomes during 1998-99:

New major capital equipment meets operational and support requirements and acquisitions occur within approved cost estimates, on schedule and in accordance with government industry and procurement policies

The Acquisition Group manages over 200 major capital equipment projects. A realistic performance measure for the Group is the achievement of the largest 20 or so projects, which comprises the bulk of expenditure on major capital equipment projects. While many of these projects have had real cost variations over their life (which can sometimes extend to 10-15 years), these variations are less than 1% of the initial approved project budget. All acquisition activity undertaken in Defence is in accordance with government industry and procurement policies.

Most of the top 20 projects will deliver their respective capability on or near schedule. The major exceptions are the Collins-class submarines and the Jindalee Over-the-Horizon Radar Network, which are both significantly behind schedule in regard to full planned capability.

Defence industry policies, programs and procurement contribute to developing and sustaining cost-effective capabilities relevant to the nation's defence

Defence is communicating its needs more effectively with industry, as evidenced by industry's increasing interest in the range of programs that facilitate its involvement in Defence business. Most of 49 initiatives identified in the Government's *Defence and Industry Strategic Policy Statement* (released in June 1998) were completed or substantially progressed. The sustainability of the local defence industry was enhanced through gaining export contracts worth over \$120m and a more aggressive use of Australian industry involvement targets to help redress a significant fall in expenditure in Australia on major capital equipment.

Defence purchasing policies and processes represent best practice within the overall framework of government purchasing policy

Defence continues to be a public sector leader in procurement practices. This is evidenced by the recent Joint Committee on Public Accounts and Audit Report No. 369 into Australian government procurement, where current Defence practice has been recommended for use by

other departments and agencies. The major effort Defence expends to maintain and broaden the procurement and project management skills of its personnel is illustrated by the fact that in 1998-99, around 2,000 personnel gained qualifications in simple procurement, a further 1,000 achieved qualifications at the complex level and an additional 60 successfully completed studies at the postgraduate level. Defence is also currently sponsoring procurement competency training to other departments and agencies.

The Group achieves Defence Reform Program savings and other targets

The Group exceeded its Defence Reform Program efficiency gains target for 1998-99 (\$32.5m achieved against \$26.5m targeted in the 1998-99 budget). With one exception, all Defence Reform Program initiatives progressed according to plan, including the efficiency gains from a reduction of 265 in civilian staff numbers. The one disappointment concerned the shortfall in the rate of civilianisation of ADF positions; 118 achieved versus the target of 150 positions. This was due to the difficulties in attracting appropriately skilled civilians in place of Service officers, for the remuneration being offered. Increased use was made of professional service providers and other contracted staff to progress the major equipment projects.

PERFORMANCE AGAINST FORECAST FOR 1998-99

Major Capital Equipment

The internal reporting of the Acquisition Group focuses on the top 20 or so major capital equipment projects because of their importance to the delivery of Defence outputs and the management of annual expenditure. The projects listed below were selected on their estimated expenditure during the 1998-99 financial year. The descriptions provide details of performance for these major projects.

Anzac Ship Project

Partially Achieved as Forecast Anzac Ship 03 (*Arunta*) was delivered in October 1998 and commissioned in December 1998. Delivery dates for Ships 03 – 07 were reviewed and extended due to excusable delay under the contract. As a result, Anzac Ship 04 (*Te Mana*) is scheduled for delivery in September 1999. Ship 06 was launched in April 1999 and the keel laying of Ship 07 occurred in June 1999.

The delivery schedule of Ships 05 – 10 has been reviewed due to the proposed installation of significant capability enhancements during construction. This review has resulted in an extension of four months to the delivery date for Ship 10 and adjusted schedules for earlier ships.

New Submarine Project

Not Achieved as Forecast Submarine 01 (HMAS *Collins*) commenced post-delivery docking and refit in June 1998. This activity was scheduled for completion in December 1998 but emergent work, largely related to repair of welds in those sections of the submarine fabricated in Sweden, and other modifications to the submarine, extended the work until it was completed in August 1999. Submarine 02 (HMAS *Farncomb*) has continued to operate from her homeport in Western Australia. Submarine 03 (HMAS *Waller*) was delivered and provisionally accepted in April 1999, 27 months later than the original schedule, before joining HMAS *Farncomb* in Western Australia. Submarine 04 (*Dechaineux*) commenced sea trials in October 1998 as forecast and these are continuing. Submarine 05 (*Sheean*) was launched in May 1999 and Submarine 06 (*Rankin*) remains under construction and is now 94% structurally complete.

The principal issues requiring management attention were related to the noise characteristics of the submarines, combat system capability and the reliability of the diesel engines. These

were the most significant of a number of technical problems that have delayed the final acceptance of the submarines into service. In June 1999, the Government-appointed review team of Dr McIntosh and Mr Prescott delivered their *Report to the Minister for Defence on the Collins-class Submarine and Related Matters*.

Minehunter Coastal Project

Not Achieved as Forecast This project is now 85% complete but a few months behind schedule. MHC 01 (HMAS *Huon*) was delivered in March 1999, commissioned in May 1999 and is currently undergoing operational trials prior to formal acceptance into service which is planned for late 2000. MHC 02 (*Hawkesbury*) successfully completed shock trials in April 1999 and is currently undertaking sea trials before delivery in December 1999. MHC 03 (*Norman*) was launched in May 1999. MHC 04 (*Gascoyne*) and MHC 05 (*Diamantina*) are under construction. MHC 06 (*Yarra*) had its keel laid on schedule in June 1999. The schedule for ships 03-06 is considered tight, but achievable.

Hydrographic Ship Project

Not Achieved as Forecast The delivery of *Leeuwin* and *Melville* has been delayed due to a dispute between the Commonwealth and parties involved in construction. Negotiations are continuing and, subject to the resolution of the dispute, it is now expected that the ships will be delivered in late 1999, a slippage of several months.

Evolved Seasparrow Missile

Achieved as Forecast Phase 2A of the project involves the integration of the missiles into Anzac Ships 05-07 and the acquisition of trials and inventory missiles for the Anzac Ships and FFG's. As a consequence of a slip in the NATO consortium schedule, missile deliveries will now commence in late 2000, coinciding with the delivery of Anzac Ship 05.

Strategic Airlift Capability

Not Achieved as Forecast The delivery of the 12 C130J-30 aircraft is more than two years behind schedule due to a number of developmental problems, as well as delays Lockheed Martin, the contractor, experienced in obtaining United States certification for the aircraft. Contract payments by Defence have accordingly been re-phased from 1998-99 to 1999-2000. The Commonwealth and the contractor have amended their contract with regard to conditional acceptance of aircraft with interim software configurations. The delivery of the first aircraft is now scheduled to occur in September 1999, with the rest expected to arrive by mid-2000. Progressive software upgrades to the final capability are planned in December 1999 and December 2000.

Lead-In Fighter Capability

Achieved as Forecast The physical design of the lead-in-fighter was finalised and production ramped up to the extent that 27 aircraft were in manufacture by the end of June 1999. Design and development of the aircraft avionics continued, with software loads and avionics equipment being tested on a British Aerospace demonstrator aircraft. The first Commonwealth aircraft commenced final assembly in the United Kingdom in May 1999. In Australia, the British Aerospace support facility at Williamstown in New South Wales was completed and officially opened by the Prime Minister in April 1999. British Aerospace is progressively placing contracts with local industry and preparations for the local assembly of aircraft have commenced.

Anzac Helicopter Capability

Achieved as Forecast Of the major activities planned for 1998-99, the critical design review for the helicopter hardware and software was conducted in February 1999 and the production

readiness review was successfully completed in May 1999. The in-service contract support facility is under construction at Nowra.

P-3C Update Implementation

Not Achieved as Forecast The first of type aircraft completed its first flight in May 1999 and refurbishment of the other aircraft is under way at Avalon. The first (prototype) AP-3C aircraft is expected to be delivered to Edinburgh by December 1999, several months behind forecast. Recent slippage in the delivery date is due to the late delivery of data management software by Lockheed Martin Tactical Defense Systems and the need for Raytheon to resolve a number of anomaly reports raised in testing to date. The last of three P-3B training aircraft arrived in Edinburgh in June 1999.

Jindalee Operational Radar Network

Achieved as Forecast Work on this project is now at 80% of the budgeted cost of the project. With the imminent formal hand-over of Radar 2 in Western Australia to RLM Management Company, GEC Marconi (a major subcontractor) will have completed its specific project contributions to the network. All responsibilities will now reside with RLM Management Company, the joint venture managing the contract on behalf of Telstra. However, Marconi will retain support obligations of a long-term nature, such as warranty and latent defect responsibilities, spares availability and support. A major demonstration of actual target detection and tracking is imminent. This will confirm that the network can operate successfully when fully commissioned in late 2001 or early 2002.

High Frequency Modernisation

Not Achieved as Forecast The project incurred a delay of several months due to the revision of the specifications for mobile platforms and their existing capabilities to allow the new system to be 'backwards compatible'. A further delay was due to the contractor relocating from Sydney to Brisbane and the recruitment of new staff. The system functional review was successfully completed at the end of June 1999, but the system preliminary design review has slipped from 1998 to late 1999. The accommodation for the network management facility at Russell Offices, in Canberra was completed in June 1999 but it is yet to be fitted out with furniture and technical equipment.

Active Missile Decoy

Not Achieved as Forecast The active missile decoy launch subsystem is currently in the final stages of acceptance from the prime contractor. (The Nulka decoy has already been accepted into service). However, some last-minute problems have been discovered in the subsystem software that will delay acceptance until early 2000. The software is complex and the project office is placing stringent demands on safety and functionality. It will only be accepted from the prime contractor when there is a high degree of confidence that it can be used successfully in combat. HMA Ships *Melbourne*, *Darwin*, *Canberra* and *Newcastle* have been fitted with the system in its current configuration. The remaining 10 major fleet units will be fitted between 2000-2004. The United States Navy, which has purchased the Nulka decoy, has developed its own launch subsystem, which will be fitted to over 100 ships, with the first in late 1999.

Military Satellite Communications

Partially Achieved as Forecast A contract for the upgrade of the Defence mobile satellite communication network was awarded as planned. A contract for the planned ADF satellite capability, as part of a shared military/commercial satellite, was not signed as planned as the tender offer was judged unsatisfactory. Negotiations are proceeding regarding a new offer by

the company involved and contract award is expected in October 1999. A contract for aircraft satellite communications systems was not achieved as planned. The operational requirement is being reviewed and the possible changes may require new tenders to be called.

Wagtail Tactical Radios

Partially Achieved as Forecast The manpack radios are being delivered as forecast. An additional 360 radios were ordered in April 1999 in support of Project Bushranger. The manufacturer of the armoured vehicle intercom systems experienced technical problems that delayed delivery. These problems have now been resolved and delivery is expected to be completed by mid-2000.

FFG Upgrade Implementation

Achieved as Forecast This project is proceeding as planned with contract signature achieved in June 1999. All six ships will be upgraded in build order at Australian Defence Industries' Garden Island facility in Sydney. The first FFG is scheduled to commence the upgrade in mid-2002, while the last upgrade is scheduled for completion in early 2006.

Australian Light Armoured Vehicles

Achieved as Forecast All 111 vehicles have been delivered as forecast and the capability has achieved acceptance by users of the vehicle. The third phase follow-on purchase for delivery in 2000-01 is proceeding as planned.

Night-Fighting Equipment and Surveillance Capability

Partially Achieved as Forecast Delays have occurred in the delivery of sniper night-sights and other night-fighting equipment due to production difficulties experienced by the contractor. These difficulties have now been resolved. The final perimeter surveillance equipment has been delivered with the contract approaching closure. Racal Australia has been chosen as the preferred tenderer for the ground surveillance radar project.

F/A-18 Hornet Upgrade

Achieved as Forecast Phase one design was completed with the acquisition of all hardware and software now under contract and deliveries of some systems under way. A contract was signed in June 1999 with Boeing for incorporation of the phase one aircraft modification and support equipment upgrades. Raytheon's APG-73 radar was selected as the replacement radar and the process of source selection of the remaining phase two systems commenced. Several risk mitigation studies in regard to phase two were completed, in conjunction with Boeing, to identify the major risks, establish risk reduction activities and develop the project schedule.

2CRU/3CRU Control and Reporting Units

Not Achieved as Forecast The preferred tenderer, Boeing Australia Limited, was announced in September 1998. The signing of the prime equipment and logistics support contracts has been delayed in order to undertake a number of risk reduction activities arising from the tendered proposals. Activities include re-analysis of the communications switch and scoping new approved requirements for the specification to ensure that a capability can be brought into service within the current budget. The contracts are now scheduled to be signed early in 2000.

Tactical Air-Defence Radar Systems

Achieved as Forecast This project is proceeding as planned, with a contract signed with Lockheed Martin Corporation in August 1998. The system functional review was completed in March 1999 and the system requirement review was completed in January 1999. The preliminary design review is on target for completion in July 1999.

Australian Defence Force Joint Command Support Environment (Phase 5B)

Achieved as Forecast The basic installation of the ADF joint command support environment at 17 bases has been achieved as planned and work is proceeding on the development of planned enhancements.

Industry and Procurement Infrastructure

Achieved as Forecast Effective communication is fundamental to developing and sustaining a cost-effective industry capability. There is positive and increasing interest from industry about the direction of industry policy and about the programs that are used to facilitate their involvement in the nation's defence. This is evidenced by interest in the Industry Policy Consultative Forum, record numbers at the annual Defence Procurement Conference and the associated briefing program, and access rates from Acquisition's web-site of documents such as the expanded *Unclassified Pink Book* and the revised *Defence Needs of Australian Industry*.

The *Defence and Industry Strategic Policy Statement*, released in June 1998, saw significant implementation action during the year with over 90% of the 49 initiatives complete or substantially complete. Updated on progress are placed regularly on the Acquisition web-site.

The annual Defence Procurement Conference continued to grow in significance attracting a record of nearly 800 delegates. An associated briefing program undertaken in capital cities and regional centres was similarly successful, and enjoyed record attendances. In addition, industry was provided with greater access to information with the launching of the Acquisition web-site. The site received a nomination for 'best government site' in the 1999 *Australian Internet Awards*.

The sustainability of Australian defence industry was enhanced through defence suppliers signing export contracts worth in excess of \$120m. In addition, assistance was provided to companies bidding for other overseas contracts valued at over \$1b. These results were achieved despite a slow-down in Asian markets due to the economic crisis.

Several long-term market opportunities were identified through the first defence industry mission ever to travel to the Middle East. Technology transfer, in support of Defence acquisition programs, was aided through the administration of export controls that protect equipment and technologies acquired from overseas suppliers from re-export.

These measures should help to redress a significant fall in recent years of expenditure in Australia on major capital equipment from 68% in 1989-90 to 43% in 1998-99. This fall can be attributed, in large part, to a movement away from procurement in the maritime sector towards procurement in the aerospace sector, where the supporting infrastructure is less developed. The shift is not permanent. To help deal with the decline, Acquisition has instituted more focused use of Australian industry involvement targets.

Dedicated staff support was, and will continue to be, provided to the Office of Asset Sales and Information Technology Outsourcing for the sale of Australian Defence Industries Limited and the Australian Submarine Corporation. The Group is involved in the evaluation of offers and the subsequent negotiations with the preferred purchasers. The sale of Australian Defence Industries Limited should be completed in 1999.

Table 9.1: Major Capital Equipment Expenditure for Top 20 Projects by 1998-99 Expenditure

Project Name	Approved Project Cost \$m	Expenditure to 30/6/99 \$m	1998-99 Budget \$m	1998-99 Actual \$m
MARITIME AND GROUND				
Anzac Ship	6,101.8	4,368.1	425.8	426.4
Minehunter Coastal	1,205.9	867.4	139.4	160.0
New Submarine	5,026.9	4,726.6	75.2	121.2
Ninox	238.5	66.8	46.8	33.5
Hydrographic Ship	217.1	159.4	45.0	29.0
Amphibious Transport	98.6	61.2	29.6	19.0
AEROSPACE				
Lead-In Fighter Capability	963.7	445.9	283.3	227.4
Anzac Helicopter Capability	884.6	436.0	227.8	190.7
Strategic Airlift Capability	1,020.2	702.3	172.1	170.6
P3C Update Implementation	834.9	516.5	76.0	63.4
Harpoon Missiles	98.3	57.3	34.7	47.6
Air-To-Surface Weapon System - Training Capability	312.9	45.9	30.2	39.9
Airborne Early Warning Initial Design Activity	36.2	27.6	25.4	24.0
P3C Update	209.7	199.2	12.1	12.1
ELECTRONIC SYSTEMS				
Active Missile Decoy (Ph 2 & 3)	176.5	117.7	49.3	56.6
Wagtail Tactical Radios	88.9	74.6	39.0	39.6
Military Satellite Acquisition	106.3	52.2	21.4	26.6
ADF Joint Command Support (Ph 3)	56.3	29.9	39.4	19.4
HF Modernisation	531.3	51.0	18.1	18.7
ATC Radars (ADATS)	196.0	131.3	19.9	16.6
ADF Joint Command Support (Ph 5b)	53.5	20.6	25.3	15.8
Total Top 20 Major Capital Equipment Projects	18,458.2	13,084.0	1,835.7	1,758.4

Note: A number of these projects are not included in the project reporting by outcomes above. This is because Table 9.1 shows the Top 20 Projects by 1998-99 expenditure only, not necessarily by total size of the Project.

RESOURCES

Table 9.2: Defence Function Outlays Summary

Sub-Group	1998-99	1998-99	1998-99	Variation	
	Budget Estimate \$m	Revised Estimate \$m	Actual Outcome \$m	(98-99 Actual less Revised Estimate) \$m	%
9.1 Capital Equipment	2,748.2	2,579.1	2,699.0	119.9	4.7
9.2 Industry & Procurement Infrastructure	8.1	33.5	34.0	0.5	1.6
Group Total	2,756.3	2,612.5	2,733.0	120.5	4.6

Table 9.3: Staffing Summary

Sub-Group	1998-99 Budget Estimate	1998-99 Revised Estimate	1998-99 Actual Outcome	Variation (98-99 Actual less Revised Estimate)	
	Personnel Numbers			No	%
9.1 Capital Equipment	1,775	1,585	1,586	1	0.1
9.2 Industry & Procurement Infrastructure	282	272	246	-26	-9.6
Group Total	2,057	1,857	1,832	-25	-1.3

Table 9.4: Staffing Profile

Personnel		Sub-Group		
		9.1	9.2	Total
Permanent Force	98-99 Budget	611	6	617
	98-99 Revised	617	0	617
	98-99 Actual	589	0	589
Civilian	98-99 Budget	1,164	276	1,440
	98-99 Revised	968	272	1,240
	98-99 Actual	997	246	1,243
Total	98-99 Budget	1,775	282	2,057
Personnel	98-99 Revised	1,585	272	1,857
	98-99 Actual	1,586	246	1,832

1998-99 Defence Reform Program Progress

Defence Reform Program implementation in 1998-99 focused on the civilianisation program and achieving savings from its collocation into new accommodation at Russell, Australian Capital Territory. The program recommended that the proportion of military staff in Acquisition be reduced and replaced by civilians. The civilianisation program began during 1997-98, and the Group, in conjunction with the Service Groups, has identified 278 military positions for eventual civilianisation; 118 military positions were civilianised and filled by public service personnel to the end of 1998-99. This achievement was less than planned due to the difficulties in attracting appropriately skilled civilians in place of ADF officers.

The majority of Acquisition staff located in Canberra have now been collocated in new accommodation in Russell. Rationalisation of staffing levels was undertaken in 1998-99 with a saving of almost 10 percent of Acquisition positions (145 positions) located in Canberra returned to the Portfolio.

The Defence Reform Program also made several recommendations relating to the rationalisation of industry functions in Acquisition. The wind back of the Acquisition presence in the regions to small and streamlined 'shop-fronts', restructuring the quality assurance function and other initiatives, resulted in 84 positions and consequent savings.

During the year, further progress was made with Acquisition's business process re-engineering project that has now entered its implementation phase. The benefits will include improved acquisition cycle times and more efficient and effective acquisition processes. Also, the proposed sale of Australian Defence Industries was advanced considerably in 1998-99 with consortium bids lodged by 30 June 1999. In August 1999, the Minister for Defence announced that the Transfield Thomson – CSF Joint Venture was the preferred tender for Australian Defence Industries.

In summary, Acquisition achieved a cumulative and continuing efficiency gains of over \$30 million by end 1998/99, and is well advanced towards meeting the mature target of \$36 million.

Table 9.5: 1998-99 Defence Reform Program Resources Available for Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	\$m	\$m	\$m	\$m	%
Acquisition and Industry	24.8	28.6	30.5	1.9	6.6
Superannuation	1.7	2.0	2.0	0	0
Total	26.5	30.6	32.5	1.9	6.2

Table 9.6: 1998-99 Defence Reform Program Personnel Reductions - ADF

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	Personnel Numbers			No	%
Acquisition and Industry	150	150	118	-32	-21.3
Total Personnel Reductions	150	150	118	-32	-21.3

Table 9.7: 1998-99 Defence Reform Program Personnel Reductions – APS

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	\$m	\$m	\$m	\$m	%
Acquisition and Industry	267	265	265	0	0
Total Personnel Reductions	267	265	265	0	0

Table 9.8: 1998-99 Defence Reform Program Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	\$m	\$m	\$m	\$m	%
DRP Transition Costs	0	0	7.1	7.1	0
Total	0	0	7.1	7.1	0

Table 9.9: Reconciliation of Appropriations for the Defence Acquisition Group

Division/Appropriation Item	1998-99	1998-99	1998-99	Variation	
	Budget Estimate \$m	Revised Estimate \$m	Actual Outcome \$m	(98-99 Actual less Revised Estimate) \$m	%
180-01 Running Costs					
Service Personnel	40.5	40.2	38.9	-1.2	-3.1
Civilian Personnel	81.4	75.7	82.1	6.4	8.5
Administrative Expenses	32.7	35.5	32.7	-2.8	-8.0
Facilities Operations	0	0	0	0	0
180-02 Other Services	1.6	6.2	1.0	-5.2	-83.9
181 Equipment & Stores	2,700.4	2,525.7	2,648.2	122.5	4.9
183 Defence Production	17.9	8.7	7.5	-1.2	-13.8
184 Payments to ADI	0.1	0.1	0	-0.1	-100
Total Defence Function Appropriations (A)	2,874.5	2,692.0	2,810.5	118.5	4.4
Total Defence Function Receipts (Offset Within Outlays) (B)	-118.2	-79.4	-77.5	2.0	-2.5
Total Defence Function Outlays (C)= (A+B)	2,756.3	2,612.5	2,733.0	120.5	4.6

Full accrual information for this Group is available in the 1998-1999 Financial Statements in Appendix F to Part One of this document.

Table 9.10 Major Variations between 1998-99 Revised Estimate and 1998-99 Actual Outcome

Appropriation	\$m
180-01 RUNNING COSTS	
Service Personnel (-\$1.2m)	
Variation due to improvements in military attribution methods	-2.6
Defence Reform Program Gains	
Related to Acquisition and Industry	1.5
Civilian Personnel (\$6.4m)	
Net Group transfers	0.3
Variation in accrual based superannuation and 3 % productivity benefit liability based on movements in average staffing levels, changes in per capita rates and the impact of pay increases	0.4
Miscellaneous minor variations	0.7
Defence Reform Program Gains	
Related to Acquisition and Industry	-2.1
Defence Reform Program Reinvestment	
Defence Reform Program related redundancies	7.1
Administrative Expenses (-\$2.8m)	
Higher than forecast expenditure on professional service providers	1.0
Lower than forecast expenditure on systems engineering, earned value management and government business enterprise consultancies	-0.4
Delays in contracting appropriate professional service providers for business process re-engineering project	-0.6

Appropriation	\$m
Lower than forecast expenditure on office requisites and incidentals	-1.2
Miscellaneous minor variations	-0.3
Defence Reform Program Gains	
Related to Acquisition and Industry	-1.3
180-02 OTHER SERVICES (-\$5.2m)	
Lower than forecast expenditure under the Sale and Purchase of shares in ASTA Ltd agreement and other compensation and legal	-5.2
181 EQUIPMENT & STORES (\$122.5m)	
Net variations for revised project deliveries, exchange rate variations and cash flow requirements:	
Bushranger Infantry Mobility Vehicle	46.7
New Submarine	46.0
FFG Upgrade	34.0
IH Missile Project	29.7
Minehunter Coastal	20.6
Training Capability for Air to Air Weapons	20.3
Harpoon Missiles	12.9
ALR 2002 Radar Warning Receiver	9.9
Air-to-Surface Weapon System – Training Capability	9.8
Active Missile Decoy (Ph 2&3)	7.3
Evolved Sea Sparrow	6.5
Wagtail Tactical Radios	0.7
Anzac Ship	0.6
Strategic Airlift Capability	-1.5
P3C Update Implementation	-12.6
Hydrographic Ship	-16.0
MILSATCOM	-26.8
Anzac/OPC Helicopter Capability	-37.1
Lead-in Fighter Capability	-55.9
Net variations for revised project deliveries, exchange rate variations and cash flow requirements for other projects	19.7
Net Group transfers primarily associated with the new major investment program	6.6
Reduction in minors program	2.0
Lower than forecast expenditure related to minimum essential emergency network	-1.0
Miscellaneous minor variation	0.1

Appropriation	\$m
183 DEFENCE PRODUCTION (-\$1.2m)	
Payment of DRSC Mulwala invoices prior to the transfer of responsibility to Support Command	2.0
Reduced expenditure against Nomad due to slippage	-0.4
Net Group transfers primarily associated with Defence Estate assuming responsibility for R&M Mulwala and DRSC Garden Island Dockyard	-2.8
184 PAYMENTS TO AUSTRALIAN DEFENCE INDUSTRIES (-\$0.1m)	
Requirement did not arise to utilise contingency funds budgeted for Occupational Health and Safety and Environmental issues arising from the Commonwealth's previous ownership of Mulwala	-0.1
DEFENCE PORTFOLIO RECEIPTS (\$2.0m)	
Delay in refund from the ASTAAS Subsidy	3.5
Lower than forecast ANZAC receipts	0.9
Lower than forecast royalties from ADI Minesweeping and Support System	0.5
Higher than anticipated receipts from projects	-2.9

