

## PROGRAM NINE: ACQUISITION

### OBJECTIVE

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

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

### DESCRIPTION

The Acquisition Program acquires equipment and promotes industry support to underpin Australia's defence capability.

The Program Manager is the Deputy Secretary Acquisition who is assisted by Division Heads. This body is known as the Acquisition Program Executive.

The Program comprises the following Sub-Programs:

- 9.1. Capital Equipment: is responsible for the acquisition of major capital equipment to meet ADF operational requirements.
- 9.2. Industry and Procurement Infrastructure:<sup>1</sup> develops and manages Defence policy for industry and industry-related programs; manages defence export and material cooperation activities, administers the Government's defence and strategic export controls; develops and administers Defence's contracting policy and provides contracting advice and support; and provides acquisition management systems support, and administers quality assurance and the regional Acquisition shopfront activities.

### STRATEGIES FOR 1998-99

In pursuit of Defence and Program objectives, the Acquisition Program will:

- a. play a major role in capability development through participation in the Defence Capability Committee and the Capability Forum;
- b. develop for each project an Equipment Acquisition Strategy which defines the method of procurement, identifies the timetable and authorities responsible for action, and is consistent with Government procurement policies;

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1. Sub-Program 9.2 Acquisition Support was renamed Industry and Procurement Infrastructure following the 1997-98 Budget.

- c. develop specifications, cost estimates and schedules for major capital equipment projects in consultation with the project sponsors, and provide advice and assistance on industry and contracting issues;
- d. acquire and deliver major capital equipment that meets the endorsed capability requirements and agreed performance specifications;
- e. monitor the financial and physical performance of major capital equipment projects and their fulfillment of capability, acquisition and industry involvement objectives;
- f. research, develop, initiate and implement policies and solutions for development of defence industry capability, quality assurance, procurement, export and materiel cooperation programs;
- g. identify and implement contracting policies and processes that reflect best practice in the acquisition of complex systems; and
- h. implement the organisational and staffing changes and related management processes stemming from the Defence Reform Program.

### **PERFORMANCE MEASURES FOR 1998-99**

The extent to which:

- a. 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;
- b. defence industry policies, programs and procurement contribute to developing and sustaining cost-effective capabilities relevant to the nation's defence;
- c. defence purchasing policies and processes represent best practice within the overall framework of Government purchasing policy; and
- d. the Program achieves Defence Reform Program savings and other targets.

### **PERFORMANCE FORECAST FOR 1998-99**

#### **Major Capital Equipment**

The internal reporting of the Defence Acquisition Organisation focuses on the top twenty Major Capital projects. The descriptions, and following table, provide details of estimated expenditure in Division 181 for these twenty projects with the most significant expenditure programmed in 1998-99. Collectively, these twenty projects will account for in excess of 70% of the total Major Capital Equipment expenditure during the 1998-99 financial year.

#### *Anzac Ship Project*

This project involves the construction of ten ships, including two for New Zealand, and associated shore facilities and support equipment. The contract is currently 69% complete, remains on target

for both cost and overall schedule and is ahead of its planned Australia/New Zealand industry commitment. Major milestones include the scheduled delivery of Ship 03 (*Arunta*) in mid-1998; the delivery of Ship 04 (*Te Mana*) in early 1999 and the keel-laying for Ship 07 (*Parramatta*) in mid-1999.

#### *New Submarine Project*

This project involves the purchase of six Collins class submarines, associated shore facilities and support equipment. Submarine 01 (HMAS *Collins*) and Submarine 02 (HMAS *Farncomb*) have been delivered. Submarine 01 will commence post-delivery availability refit in July this year while Submarine 02 continues to operate off Western Australia. Submarine 03 (*Waller*) is currently undergoing sea trials and is expected to be delivered in the last quarter of 1998. Submarine 04 (*Dechaineux*) was launched on 12 March 1998 and will commence sea trials in late 1998. The remaining two boats are to be delivered progressively with Submarine 06 (*Rankin*) scheduled for delivery by mid-2001.

#### *Minehunter Coastal Project*

This project is for the construction of six Italian-designed Huon class minehunters and associated supplies. The project is now 65% complete with the outfitting of MHC 01 (*Huon*) and MHC 02 (*Hawkesbury*) well under way. The *Huon*, which was launched in July 1997, is expected to be delivered by the end of 1998 and the *Hawkesbury* was launched in April 1998. MHC 03 (*Norman*) and MHC 04 (*Gascoyne*) are planned to be launched early in 1999 and 2000 respectively. The keel laying for MHC 05 (*Diamantina*) and MHC 06 (*Yarra*) are planned for August 1998 and May 1999 respectively.

#### *Hydrographic Ship Project*

This project involves the acquisition of two hydrographic ships and associated equipment. The ship construction contract is 70% complete. Construction of Ship 01 is 78% complete and construction of Ship 02 is 60% complete. The design is now 90% complete with the launch of Ship 01 achieved in July 1997 and the keel-laying for Ship 02 achieved in January 1997. Final delivery of both ships is expected in the first half of 1999.

#### *Evolved Seasparrow Missile*

This stage of the project plans to integrate the Evolved Sea Sparrow Missile into Anzac Ships 05-07 and acquire trials and inventory missiles for these ships. The missiles are being acquired through the NATO Seasparrow Consortium under a Memorandum of Understanding, which was signed by Australia in August 1997. Contract award for the low rate initial production missiles is planned for mid-1998 with deliveries commencing in late 1999.

#### *Strategic Airlift Capability*

Twelve C130J-30 aircraft have been ordered to replace the ageing C130E Hercules. Delivery of the first aircraft was planned for June 1997, but this has now slipped due to difficulties Lockheed Martin are experiencing with obtaining United States Federal Aviation Administration Certification of the aircraft. This certification is now planned for mid-1998 with delivery of the first aircraft scheduled for late 1998. The remaining eleven aircraft will progress through various stages of construction, with delivery of these aircraft currently scheduled through until 1999. The delays in obtaining certification mean that significant payments by Defence on this project are currently being withheld. This is likely to result in expenditure of only \$40m for this project in 1997-98.

### *Lead-In Fighter Capability*

This project involves the purchase of 33 British Aerospace Hawk 127 jet trainers to provide lead-in fighter training and fast-jet training support to the ADF. The contract was signed in June 1997, with delivery of the first Hawk aircraft scheduled to occur in early 2000. Major activities planned to occur in 1998-99 are the continued development by British Aerospace of the Hawk 100 baseline aircraft to meet the Commonwealth's specifications, the structural completion of the first aircraft and completion of the contract support facility at RAAF Base Williamtown.

### *Anzac Helicopter Capability*

This project is for the procurement of 11 intermediate maritime surveillance helicopters complete with onboard systems. A contract was signed with Kaman International Corporation in June 1997 with the first Anzac Ship helicopter to be delivered into Nowra in 2001 and the first flight embarked during 2002. Major activities planned to occur during 1998-99 include a Critical Design Review for the aircraft hardware and software, a Production Readiness Review and a configuration audit of the software integration laboratory.

### *P-3C Update Implementation*

Eighteen RAAF P-3C Orion Maritime Patrol Aircraft will be extensively upgraded with new sensors and avionics systems. Factory acceptance testing for subsystems integration will be conducted throughout 1997 and into 1998. The first aircraft was inducted for modification at Greenville, Texas in October 1997, and is planned for delivery to the RAAF in mid-1999. The remaining aircraft will be refurbished by Boeing Australia, in Avalon, commencing in the third quarter of 1998 and completing by 2002. Three P-3B training aircraft are also being acquired, with the first having been delivered in August 1997, and the remaining two expected to be delivered between April and September 1998.

### *Jindalee Operational Radar Network*

RLM Management Company, a joint venture of Lockheed Martin and Tenix Defence Systems, now has responsibility for managing the contract on behalf of Telstra. This change involves, amongst other things, a revised schedule and revised payment arrangements that will be reflected in amendments to the prime contract. While the December 2001 final acceptance date is challenging, the schedule remains achievable based on current information from the company. Measured progress to date is 66% against the revised contract baseline. Activities in 1998-99 will mainly involve participation in technical reviews and the monitoring of scheduled progress of work against the approved plan. The major subcontractor, GEC Marconi, is expected to complete the majority of its work during 1998-99.

### *High Frequency Modernisation*

This project provides a Modernised High Frequency Communications System as the primary survivable means of fixed tactical communications to ADF mobile units within Australia and offshore. The successful contractor, Boeing Australia, was announced in late 1997 and the contract was signed on 31 December 1997. Completion of the core system is planned for 2002, with the enhanced capability system to be completed by 2004. Activity during 1998-99 will concentrate on gaining RAAF Design Authorised Contractor Status, Systems Preliminary Design Reviews (late 1998) and construction of a Network Management Facility at Russell Offices, Canberra, which is planned for completion in early 1999.

### *Active Missile Decoy*

This project is to acquire an Active Missile Decoy system for RAN major surface combatants. Production is being undertaken in collaboration with the United States under a Memorandum of

Understanding signed in June 1996. A contract for the production of the decoys was signed with British Aerospace Australia in June 1997, with deliveries of decoys planned to commence in late 1998. Other major activities planned to occur in 1998-99 include the completion of a decoy system and decoy firing trials on HMAS *Melbourne*, and the installation of the system on HMA Ships *Darwin* and *Newcastle*.

#### *Military Satellite Communications*

This project provides a mobile satellite communications capability based on commercial satellite communications systems. The major activities planned for 1998-99 are the signing of a contract for the aircraft satellite communications system for the B-707 Aircraft and the C-130H Hercules, and a separate contract for an ADF satellite capability as part of a shared military/commercial satellite..

#### *Wagtail Tactical Radios*

This project is to acquire manpack radios and armoured vehicle intercom systems for use in the Army's fleet of M113 armoured personnel carriers. Deliveries of the manpack radios commenced in January 1998, with final deliveries planned for late 1999. The vehicle intercom systems are now in full production with deliveries planned to complete in early 1999.

#### *FFG Upgrade Implementation*

This project will upgrade the RAN's six Guided Missiles Frigates (FFGs) and provide a permanent land-based test site. Tenders from ADI Limited and Tenix Defence Systems are currently under evaluation, with contract award scheduled to occur in late 1998 or early 1999.

#### *Australian Light Armoured Vehicles*

The transition into service of the 111 vehicles purchased under the Phase Two contract will be finalised in 1998-99. Phase Three was approved in December 1997 and is the follow-on purchase of an additional 150 vehicles. Planning to acquire these vehicles is under way with the delivery of the first Phase Three vehicles expected to occur in FY2000-01.

#### *Ninox Night-Fighting Equipment and Surveillance Capability*

This project involves the acquisition of night-fighting equipment, including night-vision goggles and weapon sights, and surveillance devices, including ground surveillance radars, thermal imaging systems for both hand-held use and for vehicle-fighting platforms, and remotely-deployable battlefield sensors. Deliveries of night-fighting equipment are scheduled to commence late in 1998 and the Request for Tender for ground surveillance radars is due for release in mid-1998. Other major activities planned for 1998-99 include the issuing of Requests for Tender for the range of thermal imaging systems and for remote battlefield sensors.

#### *F/A-18 Hornet Upgrade*

The RAAF's 71 F/A-18 Hornets will be upgraded to incorporate modern anti-jam radios, mission computers and an interim electronic warfare software upgrade. A tender from Boeing US is being evaluated with contract award expected in late 1998.

#### *2CRU/3CRU Control and Reporting Units*

This project will provide communication switching systems, displays and data processing equipment at Numbers 2 and 3 Control and Reporting Units. The major activity planned for 1998-99 is the signing of the prime equipment and logistics support contracts in late 1998. Initial contract activity during 1998-99 will concentrate on the System Functional, System Requirements and Preliminary Design Reviews.

*Tactical Air-Defence Radar Systems*

This project is to acquire four tactical air defence radar systems to replace the existing AN/TPS-43 air defence radars. The project will also provide a transport capability for the new systems, and satellite communications between the new systems and the Fixed Air Defence Sites. Contract signature for the prime equipment and logistics support contracts is expected to occur in mid-1998. Initial contract activity during 1998-99 will concentrate on the System Functional, System Requirements and Preliminary Design Reviews.

*ADF Joint Command Support Environment (Phase 5B)*

This project will provide an Air Command Support System for Air Headquarters which will replace the existing RAAF Basic Air Command Support System. Phase 5B is the development of planned enhancements to the initial system through the provision of additional capability and an expansion of the system at Headquarters Air Command, Groups, Wings, the Northern Regional Operations Centre and representative squadrons. During 1998-99, the basic installation of the system at seventeen air bases is expected to be completed.

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

	Approved Project Cost	Estimated Spend to 30 Jun 1998	Budget Estimate 1998-99
	\$m	\$m	\$m
<b>MARITIME &amp; GROUND</b>			
Anzac Ship	6,037.6	3,915.4	410.7
New Submarine	5,003.0	4,636.3	95.1
Minehunter Coastal	1,193.3	698.0	163.8
Hydrographic Ship	214.4	136.0	41.0
Evolved Seasparrow Missile	118.6	50.7	39.1
<b>AEROSPACE</b>			
Strategic Airlift Capability	953.9	672.4	266.1
Lead-In Fighter Capability	837.4	229.2	275.2
Anzac Helicopter Capability	787.3	247.3	220.2
P-3C Update Implementation	756.0	456.7	80.2
<b>ELECTRONIC SYSTEMS</b>			
HF Modernisation - Remainder of Network	513.0	42.4	57.1
Active Missile Decoy	169.6	65.4	45.8
Military Satellite Communications	102.2	32.3	33.2
Wagtail Tactical Radios	85.5	32.2	37.7
<b>TOTAL PROJECTS AT CONTRACT</b>	<b>16,771.8</b>	<b>11,214.3</b>	<b>1,765.2</b>

	<b>Approved Project Cost</b>	<b>Estimated Spend to 30 Jun 1998</b>	<b>Budget Estimate 1998-99</b>
	\$m	\$m	\$m
<b>PROJECTS NOT YET AT CONTRACT</b>			
This category includes projects which have yet to award all significant contracts:	2,466.6	93.7	345.2
FFG Progressive Upgrade – Implementation			
Australian Light Armoured Vehicles – Additional			
Ninox Night Fighting and Surveillance Capability			
F/A-18 Hornet Upgrade			
2CRU/3CRU Control and Reporting Units			
Tactical Air Defence Radars			
ADF Joint Command Support Environment			
<b>TOTAL TOP 20 MAJOR CAPITAL EQUIPMENT PROJECTS</b>	<b>19,238.4</b>	<b>11,308.0</b>	<b>2,110.4</b>

**Notes:**

1. The details provided in the table include the present approved project cost, estimated expenditure to the end of 1997-98 and the amount estimated by the project offices to be spent in 1998-99.
2. The estimates prepared by the project offices have regard to the progression of the project and known or estimated ordering, delivery and payment patterns. The projects are then separately and independently reviewed within the Acquisition Program to ensure the financial program is realistically based and achievable.

**Industry and Procurement Infrastructure**

The future direction of Defence's relationship with industry will be articulated in the *Defence Industry Policy Statement*, planned to be released by the Minister for Defence Industry, Science and Personnel in mid-1998. The policy statement will apply to all levels of defence purchasing and interaction with industry, not just the Acquisition Program.

The statement will address, among other things, Defence priorities for industry; measures for maximising Australian industry involvement (including small to medium enterprises) and the flexible use of competition to promote sustainable, cost-effective industry development. The Industry and Procurement Infrastructure Division has had a key role in the development of the statement, and will have a pivotal role in its implementation.

Dedicated staff support will continue to be provided to the Office of Asset Sales for the sale of Australian Defence Industries and the Australian Submarine Corporation, and the Program will continue the preparation of due diligence impact statements and other relevant documentation.

Industry involvement plans that meet specific project needs and are linked more clearly to wider industry capability goals and objectives will input directly into acquisition projects and the production of industry issues papers associated with the acquisition of key capabilities will be increased.

Industry missions to the US, Europe and Asia will be undertaken to promote Australian Defence industries.

Active participation in international export control and non-proliferation regimes and timely administration of export control regulations will continue.

In consultation with industry, there will be further development and improvements to Defence's purchasing and contracting policies and programs.

Implementation of Commonwealth purchasing arrangements and electronic commerce will continue.

## RESOURCES

**Table 9.2: Defence Function Outlays Summary**

Sub-Program	1997-98	1997-98	1997-98	1998-99	Variation	
	Budget Estimate	Revised Estimate	Estimated Outcome	Budget Estimate	98-99 Budget less 97-98 Outcome	%
	\$'000	\$'000	\$'000	\$'000	\$'000	%
9.1 Capital Equipment	2,363,844	2,429,616	2,353,585	2,748,174	394,589	16.8
9.2 Industry & Procurement Infrastructure	64,685	48,254	50,792	8,099	-42,693	-84.1
<b>Program Total</b>	<b>2,428,529</b>	<b>2,477,870</b>	<b>2,404,377</b>	<b>2,756,273</b>	<b>351,896</b>	<b>14.6</b>

**Table 9.3: Staffing Summary**

Sub-Program	1997-98	1997-98	1997-98	1998-99	Variation	
	Budget Estimate	Revised Estimate	Estimated Outcome	Budget Estimate	98-99 Budget less 97-98 Outcome	%
	Personnel Numbers					
9.1 Capital Equipment	1,790	1,792	1,671	1,775	104	6.2
9.2 Industry & Procurement Infrastructure	508	512	460	282	-178	-38.7
<b>Program Total</b>	<b>2,298</b>	<b>2,304</b>	<b>2,131</b>	<b>2,057</b>	<b>-74</b>	<b>-3.5</b>

**Table 9.4: Staffing Profile**

Personnel		Sub-Program		Total
		9.1	9.2	
Permanent Force	97-98 Revised	761	6	767
	97-98 Estimated	761	6	767
	98-99 Budget	611	6	617
Civilian	97-98 Revised	1,031	506	1,537
	97-98 Estimated	910	454	1,364
	98-99 Budget	1,164	276	1,440
<b>Total Personnel</b>	<b>97-98 Revised</b>	<b>1,792</b>	<b>512</b>	<b>2,304</b>
	<b>97-98 Estimated</b>	<b>1,671</b>	<b>460</b>	<b>2,131</b>
	<b>98-99 Budget</b>	<b>1,775</b>	<b>282</b>	<b>2,057</b>

**Table 9.5: Defence Portfolio Outlays Summary**

Division/Appropriation Item	1997-98	1997-98	1997-98	1998-99	Variation	
	Budget	Revised	Estimated	Budget	98-99 Budget less	
	Estimate	Estimate	Outcome	Estimate	97-98 Outcome	%
	\$'000	\$'000	\$'000	\$'000	\$'000	%
180-01 RUNNING COSTS						
Service Personnel	45,373	48,034	48,823	40,475	-8,348	-17.1
Civilian Personnel	87,970	80,766	81,319	81,396	77	0.1
Administrative Expenses	34,157	30,668	26,824	32,688	5,864	21.9
Facilities Operations	356					
180-02 OTHER SERVICES	4,355	4,395	4,395	1,580	-2,815	-64.1
181 EQUIPMENT & STORES	2,331,572	2,386,750	2,305,628	2,700,381	394,753	17.1
183 DEFENCE PRODUCTION	17,644	17,849	17,849	17,887	38	0.2
184 PAYMENTS to ADI	1,167	1,167	1,167	50	-1,117	-95.7
<b>Total Defence Function Appropriations (A)</b>	<b>2,522,594</b>	<b>2,569,629</b>	<b>2,486,005</b>	<b>2,874,457</b>	<b>388,452</b>	<b>15.6</b>
<b>Total Defence Function Receipts (Offset Within Outlays) (B)</b>	<b>-94,065</b>	<b>-91,759</b>	<b>-81,628</b>	<b>-118,184</b>	<b>-36,556</b>	<b>44.8</b>
<b>Total Defence Function Outlays (C)=(A+B)</b>	<b>2,428,529</b>	<b>2,477,870</b>	<b>2,404,377</b>	<b>2,756,273</b>	<b>351,896</b>	<b>14.6</b>

<b>Non-Defence Function Outlays (D)</b>						
Proceeds from the sale of Avalon Airport Geelong		120	120		-120	-100
<b>Total Defence Portfolio Outlays (E)=(C+D)</b>	<b>2,428,529</b>	<b>2,477,990</b>	<b>2,404,497</b>	<b>2,756,273</b>	<b>351,776</b>	<b>14.6</b>

## Defence Reform Program

DRP savings in 1998-99 reflect a reduction due to the disbandment of the Defence Industry Development Program, and savings primarily related to the reduction of staffing levels in both the Quality Assurance Branch and the Defence Acquisition Regional Offices. They also reflect efficiencies expected upon collocation of Acquisition Program staff at Russell.

**Table 9.6: Estimated DRP Savings**

Category (\$m)	1997-98	1998-99	1999-00	2000-01	2001-02	MATURE
Acquisition and Industry	26.3	24.8	23.2	26.0	28.5	31.5
<b>Total</b>	<b>26.3</b>	<b>24.8</b>	<b>23.2</b>	<b>26.0</b>	<b>28.5</b>	<b>31.5</b>

**Table 9.7: Estimated Cumulative DRP Personnel Savings**

Category	1998-99		1999-00		2000-01		2001-02		MATURE	
	ADF	APS	ADF	APS	ADF	APS	ADF	APS	ADF	APS
Acquisition and Industry	150	267	211	190	292	108	353	8	414	8
<b>Total</b>	<b>150</b>	<b>267</b>	<b>211</b>	<b>190</b>	<b>292</b>	<b>108</b>	<b>353</b>	<b>8</b>	<b>414</b>	<b>8</b>

**Table 9.8: Explanation of Major Variations**

Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 9.5	(\$'000)	%
<b>Defence Function Outlay (1997-98 Estimated Outcome)</b>	<b>2,404,377</b>	
<b>180-01 RUNNING COSTS</b>		
<i>Service Personnel</i>		
<b>Real Variations</b>		
Increased provision associated with ADF Workplace Bargaining Agreement	990	
Variation in 3% Productivity Benefits resulting from movements in average staffing levels and changes in per capita rates, including the impact of pay increases	-109	
Variations to attributions and rank profile structure following the refinement of post-DRP Program structures and Service personnel baselines	-191	
Reduced provision for allowances	-655	
Variations in Accrual Based Superannuation payments resulting from the impact of pay increase, revised Employer Contribution Rates and movements in average staffing levels	-942	
<b>DRP Savings</b>		
Related to Acquisition and Industry	-7,170	

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 9.5</b>	<b>(\$'000)</b>	<b>%</b>
<b>Transfers</b> Transfer of Living Out Allowance to Program 8 arising from the Housing and Accommodation Policy Review	-271	
Total Service Personnel	-8,348	-17.1
<i>Civilian Personnel</i>		
<b>Real Variations</b>		
Increase in provision following delays in 1997-98 recruitment as a result of DRP reorganisations, proposed changes to the Public Service Act and the introduction of the proposed Defence Employee Industrial Agreement	1,022	
Variation in 3% Productivity Benefits resulting from movements in average staffing levels and changes in per capita rates	110	
Variations in Accrual Based Superannuation payments resulting from revised Employer Contribution Rates and movements in average staffing levels	35	
Miscellaneous minor variations	80	
<b>DRP Savings</b>		
Related to Acquisition and Industry	4,074	
<b>DRP Reinvestment</b>		
Non-recurrence of costs of 1997-98 DRP redundancies	-3,381	
<b>Transfers</b>		
Net Program transfers including the transfer of Quality Assurance staff and Navy Minor Capital function to Program 6	-1,863	
Total Civilian Personnel	77	0.1
<i>Administrative Expenses</i>		
<b>Real Variations</b>		
Increased requirement for specialist project management training as a result of civilianisation initiatives	1,808	
Increased requirement for administration functions including development of Acquisition Program-specific systems for improved financial management and reporting	1,500	
Increased requirement for competency training for Graduate Acquisition Trainees/Trainee Engineers and complex procurement	1,200	
Increased requirements for Quality Assurance in Technology Branches	200	
Net effect of retrospective price and exchange movement	-116	
<b>DRP Savings</b>		
Related to Acquisition and Industry	619	
<b>Transfers</b>		
Transfer of funding for Ship Radar Classification from Program 1	200	

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 9.5</b>	(\$'000)	%
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange parameters	453	
Total Administrative Expenses	5,864	21.9
<b>180-02 OTHER SERVICES</b>		
<b>Real Variations</b>		
Non-recurrence of requirement for Cockatoo Island Dock legal expenses	-40	
Reduced provision for Rockwell product liability costs	-2,775	
Total Other Services	-2,815	-64.1
<b>181-00 EQUIPMENT AND STORES</b>		
<b>Real Variations</b>		
Variations in schedule and cash-flow requirements in major capital equipment projects:		
- Lead-in Fighter Capability	116,511	
- Strategic Airlift Capability	86,270	
- Anzac Helicopter Capability	57,305	
- Military Satellite Communications	21,175	
- Wagtail Satellite Communications	17,286	
- High Frequency Modernisation	14,703	
- Active Missile Decoy	2,084	
- Evolved Seasparrow	-10,405	
- Anzac Ship	-12,302	
- Minehunter Coastal	-22,784	
- Hydrographic Ship	-27,000	
- P-3C Update Implementation	-47,862	
- New Submarine	-55,544	
- Cash flow variations to other major projects, including those 'not yet to contract'	66,988	
Increased requirement for Minimum Essential Emergency Network Maintenance Contract	1,600	
Reduced funding for Business Process Re-engineering Project	-90	
Reduced funding for Trade Commissioners	-174	
Net effect of retrospective price and exchange movement	-19,254	
<b>DRP Savings</b>		
Related to Acquisition and Industry	796	
<b>Transfers</b>		
Net Program transfers primarily relating to Minor Capital for Programs 1,2, & 6	2,084	

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 9.5</b>	<b>(\$'000)</b>	<b>%</b>
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange parameters	203,366	
Total Equipment and Stores	394,753	17.1
<b>183-00 DEFENCE PRODUCTION</b>		
<b>Real Variations</b>		
Funding for the dredging of the Garden Island Dock	1,000	
Decreased requirement for the Defence Required Support Capability at Mulwala	-205	
Non-recurrence of funding due to Completion of Garden Island Dockyard Repair and Maintenance Program Phase 2	-238	
Non-recurrence of funding due to Completion of relocation of Explosives Factory Albion	-800	
Miscellaneous minor variations	1	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange parameters	280	
Total Defence Production	38	0.2
<b>184-00 PAYMENTS TO ADI</b>		
<b>Real Variations</b>		
Non-recurrence of costs associated with Mulwala Compliance Program	-1,116	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange parameters	-1	
Total Payments to ADI	-1,117	-95.7
<b>Total Defence Function Appropriations Variation (A)</b>	<b>388,452</b>	<b>15.6</b>
<b>DEFENCE RECEIPTS</b>		
<b>Real Variations</b>		
Non-recurrence of receipts for Western Australian Marine Support Facility	4,412	
Net effect of retrospective price and exchange movement	987	
Non-recurrence of receipts for equipment disposals	308	
Increase in Anzac Ship receipts	-13,611	
Increase in ADI receipts due to a loan made by the Commonwealth due for repayment in 1998-99	-28,000	
Miscellaneous minor variations	341	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange parameters	-993	
<b>Total Defence Receipts Variation (B)</b>	<b>-36,556</b>	<b>44.8</b>
<b>Total Defence Function Outlay Variation (A+B)</b>	<b>351,896</b>	<b>14.6</b>
<b>TOTAL DEFENCE FUNCTION OUTLAY (1998-99 BUDGET ESTIMATE)</b>	<b>2,756,273</b>	

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 9.5</b>	<b>(\$'000)</b>	<b>%</b>
<b>NON-DEFENCE FUNCTION OUTLAY (1997-98 ESTIMATED OUTCOME)</b>	<b>120</b>	
<b>Real Variations</b>		
Adjustment to Commonwealth Supplementary Agreement made on sale of Avalon Airport Geelong	-120	
<b>Total Non-Defence Function Outlay Variation</b>	<b>-120</b>	<b>-100.0</b>
<b>NON-DEFENCE FUNCTION OUTLAY (1998-99 BUDGET ESTIMATE)</b>	<b>0</b>	

<b>DEFENCE PORTFOLIO OUTLAY (1997-98 ESTIMATED OUTCOME)</b>	<b>2,404,497</b>	
Variation in Function Outlay	351,896	
Variation in Non-Defence Function Outlay	-120	
<b>TOTAL DEFENCE PORTFOLIO OUTLAY (1998-99 BUDGET ESTIMATE)</b>	<b>2,756,273</b>	