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PORTFOLIO OVERVIEW

THE DEFENCE MISSION

The most fundamental responsibility of the Government is to provide for the security of Australia, its people or its interests. This fundamental responsibility is reflected in the Defence mission:

To prevent or defeat the use of armed force against our country or its interests.

This statement of the enduring reason for the existence of the Defence organisation guides the development of defence policy, planning, programs and activities. The core defence business is to ensure that the Australian Defence Force (ADF) is able to operate effectively in conflict, should that be necessary, and to contribute to managing Australia's national security interests in such a way that conflict does not occur. The mission involves, therefore, two key dimensions: the development and maintenance of the capacity to defeat any use or threat of armed force against Australia or its interests; and the promotion of a regional and global security environment which enhances Australia's security by reducing the likelihood of armed attack against Australia or its interests.

Australia is geographically positioned within a region of rapidly changing economic, political and social circumstances. The challenge for Defence is to provide a force with the capabilities necessary to carry out our mission but also a force that provides Government with options with which to respond to a given circumstance or threat. It is a force structured for war but adapted for peace, able to react to emerging contingencies, and offering a viable defence of Australia while also capable of operating in conjunction with allies and neighbours.

It is with these aims in mind that Defence has developed six goals that, as they are achieved, will ensure a force capable of delivering to Government the responses and options it requires. The goals encompass both the development of Defence capability and the evolution of the organisation. The goals are:

- Goal One: More Combat-Ready Capability
- Goal Two: Stronger Future Capability
- Goal Three: Closer Alliances and International Strategic Relationships
- Goal Four: Enhanced National Support
- Goal Five: Growing Skills and Knowledge
- Goal Six: Stronger Leadership and Better Management

The goals, and the key objectives for each for 1999-2000, are discussed in more detail overleaf.

KEY OBJECTIVES FOR 1999-2000

Goal One - More Combat-Ready Capability

The Government looks to Defence to provide a wide range of effective military options in any situation that might arise. Defence's most important responsibility and top priority therefore is to maintain military capability ready for operations, including, if necessary, combat. This is reflected in the Defence output structure, which identifies the elements of combat capability as the key products Defence provides to the Government. Defence strives to expand the operational effect that can be achieved with the assets in place and to realise fully the potential capability of the ADF.

Key objectives in this area include maximising the numbers in combat-related forces, and related initiatives to overcome personnel shortfalls in high-readiness land force units and operational fast-jet squadrons. Over the coming year, Defence will continue to increase ADF readiness - a second brigade will be brought to a level of 28 days' readiness notice by June this year (although the full resource reallocations necessary to achieve this level of increased readiness will be adjusted during this financial year - see *User Guide p. vi* in this document). Projects to improve electronic-warfare self-protection for aircraft and provide increased stocks of precision-guided munitions will also enhance the survivability and strike potential of our aircraft. Amphibious capability will be enhanced as the two amphibious landing ships complete their conversions and support craft are purchased.

Defence is committed to bringing the Collins class submarines into full operational service. In addition the Minister for Defence has appointed an independent review team, led by Dr Malcolm McIntosh of the CSIRO and Mr John Prescott from private industry, to examine the project.

Goal Two - Stronger Future Capability

As well as providing today's force, Defence is responsible for developing the capabilities that will defend Australia well into the future. Defence must transition the existing force structure into the force needed in the future. The ADF must take advantage of technological advances and other trends, particularly in integrating the command, control, communication and intelligence systems that underpin the 'knowledge edge'.

Substantial work is under way on the development of future capabilities. In the coming year, Defence will establish an Office of the Revolution in Military Affairs to study the implications of the likely strategic and technological developments and to coordinate the work already under way in Defence. Enhancements to existing platforms, such as the F/A-18s and the Anzac and guided missile frigates, will improve their warfighting capabilities and prolong their operational life.

New arrangements within the Jindalee Over the Horizon Radar Network will ensure that this project is an operational capability with a fully-integrated system by 2001-02. This will be a critical component in the development of an integrated all-source surveillance system for our air and maritime approaches.

Other key capability objectives during 1999-2000 are to enhance operational-level logistic support for deployed forces; restructure Army combat elements in the light of task-force trials; determine future ground-based air defence requirements and commence acquisition of suitable systems; develop information operations capability; acquire anti-chemical and anti-biological warfare equipment; and set the future imagery architecture.

Goal Three - Closer Alliances and International Strategic Relationships

Australia's strategic policy places a high priority on alliances and regional defence relationships through which the Government can seek to influence the strategic environment and help to make conflict less likely. Australia's alliances with the United States and New Zealand, and its network

of bilateral and multilateral defence relationships throughout the Asia-Pacific region, are among its most important strategic assets.

Defence will seek to reinforce its position as Papua New Guinea's principal strategic partner and to manage the evolution of the defence relationship with all countries in South-East Asia during the current economic and political uncertainty in the region. In particular, we will work with the Indonesian military to support its transition away from political involvement and encourage its development as a conventional, externally oriented defence force. Defence will also seek to deepen and broaden its relationships in North Asia. Defence will use our alliance with the United States to improve access to high-technology capabilities and to improve strategic and operational cooperation and intelligence capabilities.

Defence will continue to be able to engage in major humanitarian and peacekeeping operations as directed by the Government. These operations continue to enhance Australia's reputation as a sound ally and a force for stability in the region. In February 1999, the Government announced that the HMAS *Melbourne* would deploy to the Arabian Gulf as part of the multi-national Maritime Interception Force, which was established in 1990 in support of United Nations sanctions imposed on Iraq after its invasion of Kuwait. The ship will conduct routine maritime interception patrols and boarding operations of suspect vessels as part of the ninth such deployment in support of the Maritime Interception Force. The ship is expected to return to Australia in September 1999.

Goal Four - Enhanced National Support

To maximise Australia's military capabilities, Defence needs to develop, support and operate the ADF as cost-effectively as possible. Many functions can be performed more effectively and efficiently by organisations outside Defence and, increasingly, Defence is utilising support services from industry.

To assist efficient service delivery, Defence is taking steps to promote the development of the skills and capacities needed from the civil sector. In the coming year, Defence will identify specific new areas of national support and develop more effective cooperative arrangements, including improved access arrangements with Australia's airlines during contingencies.

In 1999-2000, Defence will continue to implement the initiatives identified in the Defence Industry Strategic Policy Statement to improve our cooperation with industry. Already, over half of the initiatives have been implemented. Defence will work to ensure that the sale of Australian Defence Industries will enhance the ability of industry to contribute to Defence and wider Government objectives.

Defence is working to integrate Defence education and training with the national education and training system. Over the coming year, Defence will continue to develop closer links with the national and vocational education and training sectors.

Goal Five - Growing Skills and Knowledge

The skills and knowledge of Defence's people are critical to military capability. Defence recognises that, as the nature of work changes, so the workforce will need to change. Defence people will need to become better educated, more adaptable, more innovative and receive appropriate remuneration. Growing the skills and knowledge of Defence people, and supporting competitive remuneration rates to meet these demands, is one of the key priorities for 1999-2000. A revised ADF remuneration structure is being developed, including a review of allowances and differing pay structures for elements of the workforce. Departmental classification and remuneration structures will also be reviewed.

In meeting this goal over the coming year, Defence will continue to develop the Australian Defence College, established in January 1999, to improve operational and strategic-level command and policy skills. This will be accompanied by a comprehensive review of entry-level tertiary education

for officers and a review of the ADF recruiting strategy. Defence will also implement an integrated human resource strategy, including a structured individual performance management scheme, to maximise the potential and contributions of our people.

Defence will also establish an Australian Institute of Strategic Policy designed to provide a centre of expertise of direct value to Defence through the provision of policy-relevant research. Once established, the institute will enhance the quality of policy making with rigorous and independent research and advice.

To ensure that personnel services are delivered efficiently to all current and past members of Defence, a joint review by the Departments of Defence and Veterans' Affairs is being undertaken. The review is examining the areas of compensation, non-operational health and safety, records management and commemorations, and will identify where services can be better provided through revised operational arrangements between the two departments. The review is also examining the management of separation of personnel from Defence to ensure that career transitions are made as easy as possible.

Goal Six - Stronger Leadership and Better Management

Defence has identified a number of specific initiatives to improve the way decisions are made and results achieved. The Defence Executive has been established as the key strategic-level decision-making forum and leadership focus for Defence. In support of the executive decision making process, Defence is developing a system of capability assessment reports to act as both an index of our outputs and a primary basis for resource allocation.

Key objectives for the coming year include the completion of the major management changes involved under the Defence Reform Program. The Defence Executive has established a Defence Reform Program Strategic Management and Reporting Team, under the direction of a First Assistant Secretary and reporting to the Secretary, to provide a focus for reform achievement, including the development of an integrated change management strategy. The new accrual and output-based management framework will be implemented on 1 July 1999. Acquisition processes will be reformed to allow faster introduction of new capabilities into service. Major emphasis continues to be placed on remediation and management of Year 2000 information technology issues.

Defence will continue to improve military strategy and response options planning as an effective basis upon which to judge capability priorities and preparedness requirements. Defence Headquarters will finalise a simplified basis for decisions on preparedness, and authoritative preparedness objectives will be issued under the Chief of the Defence Force Preparedness Directive 1999.

The Government has directed that a Defence White Paper be drawn up for consideration and release in the year 2000. This will be a major review of Australian defence policy in a changing strategic environment, and follows the major changes to the Defence organisation initiated under the Defence Reform Program. It will be the first opportunity since 1994 to make a comprehensive statement of developments in Australia's defence policy. Once accepted and published, the White Paper is intended to stimulate public debate on defence issues and increase understanding in the community of Defence roles and capabilities.

An important measure of the effectiveness of the Defence organisation as a whole is the community's understanding and perception of the Defence Force. A major national benchmark research report has been completed which shows that there has been a steady improvement in the public image and awareness of, and support for, the ADF over the past decade. Quarterly reports from a continuing public-attitude monitoring survey have also been produced which indicate that the public perception of the ADF is continuing to improve.

DEFENCE OUTCOME AND OUTPUTS

Defence has a single outcome, which is based closely on the Defence mission:

Outcome: The prevention or defeat of armed force against Australia or its interests.

The Australian Defence Force, and therefore the Defence organisation, exists and is structured for the achievement of this outcome. The outcome provides a comprehensive focus for both combat-related and non-combat tasks that Defence delivers on behalf of the Government. Prevention, in this context, includes all tasks that contribute to a more stable and certain international environment, such as peacekeeping and assistance in overseas disaster-relief operations. Armed force includes incidents of acts of terrorism and other breakdowns of order within Australia which may require Defence aid to the civil power. Other non-combat tasks conducted in Australia at the direction of Government, including assistance with natural disasters or with Aboriginal communities, use capabilities developed for the defence of Australia or its interests, and help to develop, train and maintain appropriate skill levels. They also demonstrate to the Australian public the value and professionalism of the ADF in times of sustained peace.

In pursuit of this outcome, Defence produces 22 outputs, which contribute to four key deliverables to Government:

- the delivery of combat capability (Outputs 1-19);
encompasses the military capabilities which the Defence Organisation delivers, and the combat capabilities which it has the capacity to deliver, to achieve specific military and strategic goals which the Government may seek in preventing or defeating armed force against Australia or its interests.
- the promotion of a favourable regional and global security environment (Output 20);
encompasses Defence activities which enhance regional and global stability and Australia's standing in the region, thus reducing the likelihood of the threat or use of armed force against Australia or its interests.
- the delivery of services to support the nation which are possible as a result of Australia's military capacity (Output 21);
encompasses the support provided to the Government and community in non-combat related roles including civil search and rescue and civil surveillance, using the capabilities developed for the defence of Australia.
- the provision of strategic military and defence policy support (Output 22).
encompasses the contribution of the Defence organisation to the development of Government policy on strategic, military and defence issues.

The Defence Outcome also includes the items administered by the Department on behalf of the Commonwealth, namely, military superannuation schemes, investments in ADI Ltd and the Defence Housing Authority, and the Young Endeavour youth training scheme.

Defence Outcome Performance Indicators

A summary of performance indicators that measure the effectiveness of Defence in achieving its outcome can be found in the following table:

Table 1.1: Defence Outcome Performance Indicators

Performance Indicators
<p>Combat Capability</p> <p>Preparedness</p> <ul style="list-style-type: none"> • The level of preparedness of the Australian Defence Force meets the standard set in the Chief of the Defence Force's Preparedness Directive and subordinate directives against each capability output. • The Australian Defence Force's major training/exercise program is met. <p>Operations</p> <ul style="list-style-type: none"> • Any hostile violations of Australia's sovereignty or interests are deterred, identified and responded to successfully. • Australian Defence Force joint task force performance in major activities meets the required standard. • Specific Government taskings for the delivery of defence capability are met.
<p>Non-Combat Related Tasks</p> <ul style="list-style-type: none"> • Planned non-combat-related defence activities contributing to national security and regional stability are met. • Anticipated and unanticipated Government taskings for the delivery of non-combat capability, which contribute to national, regional and global stability, are met.

Military capability is achieved by developing a force structure appropriately prepared for operations. Preparedness¹ is a measurement of how ready (readiness) and how sustainable (sustainability) the whole or part of the ADF is to undertake military operations. The readiness of forces to be committed to operations within a specified time is dependent on the availability and proficiency of personnel, equipment, facilities and consumables. Sustainability is measured in terms of the ability to provide personnel, equipment, facilities and consumables to enable a force to complete its period of operations.

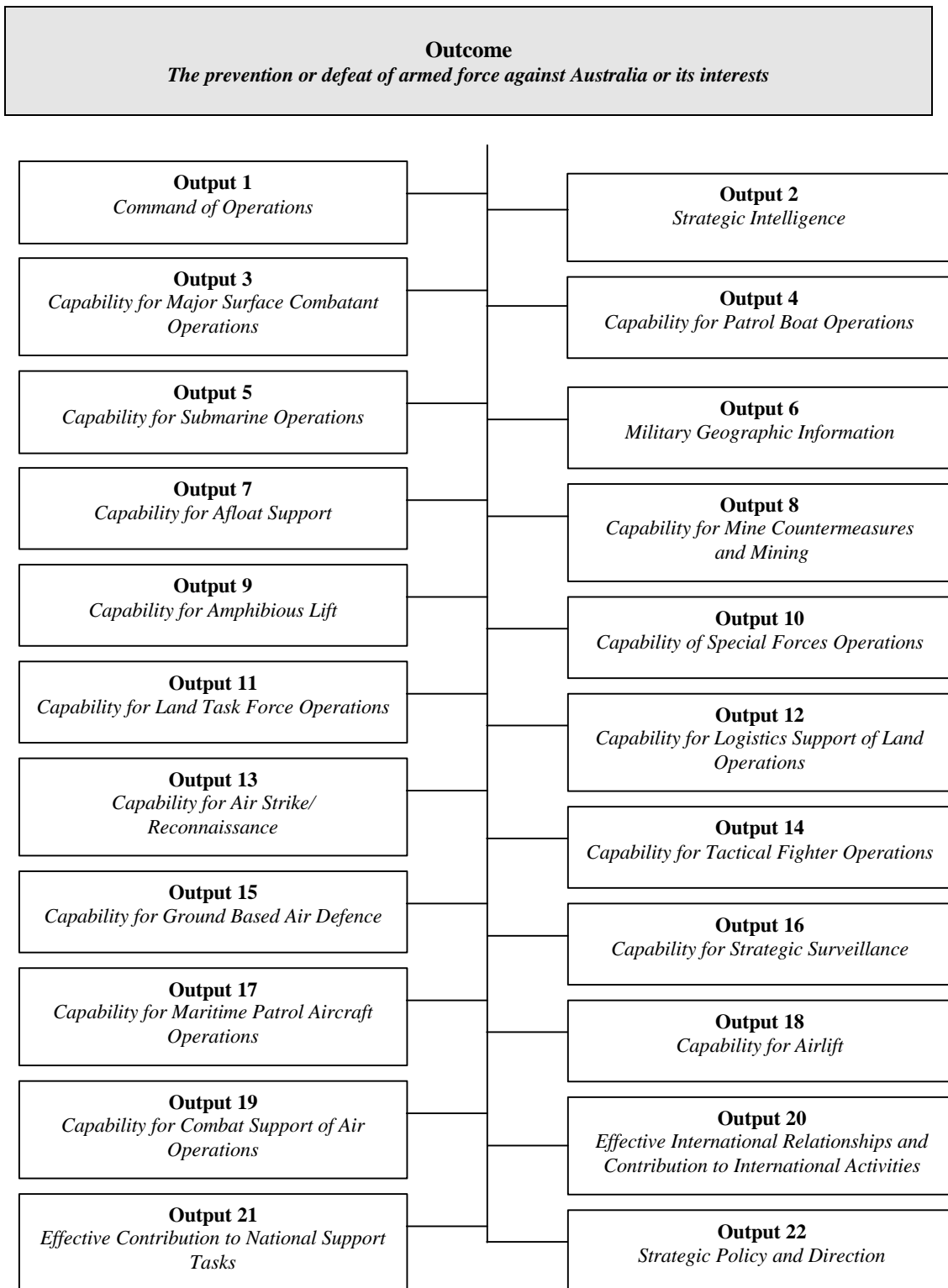
The two levels of military capability specified for forces within the ADF are derived from the concept of maintaining forces at an appropriate minimum level of capability (or MLOC) in peacetime and ensuring that those forces are able to work up to an appropriate higher level of task-specific capability (or operational level of capability - OLOC), within a given time, in order to conduct operations effectively.

The Chief of the Defence Force's Preparedness Directive contains strategic planning guidance, lists military response options and sets preparedness requirements. It informs all subordinate preparedness directives at the operational level which set specified levels of preparedness and contain the capability standards against which force units measure and report. The evaluation and reporting of preparedness ensure that there is regular feedback in the planning process and that objectives and resource allocations are refined as necessary to meet objectives.

Performance information relating to each of the 22 outputs is provided in *Section Three* of this document.

¹ Preparedness concepts and planning are explained in more detail in the *Glossary*.

DEFENCE OUTCOME/OUTPUT STRUCTURE CHART



DEFENCE REFORM PROGRAM PROGRESS

The Defence Reform Program is a long-term agenda for organisational and cultural change within the Defence organisation. It is making an important contribution to the delivery of Defence outputs to government, by delivering increased resources to combat capabilities, and contributing to an ADF which is able to undertake military operations effectively, efficiently and successfully.

Under the Defence Reform Program, many of Defence's outputs are being enhanced through the reinvestment of efficiency dividends. Key deliverables include:

- more resources, personnel and enhanced logistic support for combat units;
- improvements to future capabilities through increased resources for new capital equipment;
- enhanced national support through increased use of the skills and abilities of Australian industry to support the Defence effort;
- improved skills and knowledge by streamlining the provision of education and training; and
- improved management through streamlined processes and improved structures.

Within two years of the commencement of the program, nearly one third of the efficiency targets have been met. The following section outlines briefly the improvements in combat capabilities that are being achieved as a result of these savings.

Benefits of Reform

The rising cost of readiness and modern capabilities necessitates that an increasing level of resources be allocated to combat forces. A major benefit of the reform program is that Defence will be able to maintain a second brigade-sized group, including supporting air and naval units, at the same degree of readiness as the Ready Deployment Force at Townsville.

Other benefits of the reform program include:

- increased investment in new capabilities;
- increased numbers of personnel in the combat force;
- enhancements to amphibious transport capability;
- the remedying of a range of logistic shortfall problems; and
- funding the costs of some new capabilities introduced into service.

Details of the resource aspects of reinvestment into outputs are outlined in Table 1.4 and are detailed against relevant outputs in *Section Three* of this document.

This document does not include any specific reinvestment or reallocation of resources to achieve the increased preparedness of a second brigade. The funding requirements of this initiative are still being identified and will be notified in the Additional Estimates. The pace at which the drawdown of a 50,000 ADF is to be achieved is also subject to further review, due in part to the increased preparedness requirements. These reviews will affect the reallocation of resources described in Table 1.4.

Certain reinvestment decisions flow across a number of outputs and a generic explanation of the benefits of reform are outlined below.

New Capital Investment

Rather than assign Defence Reform Program savings to individual investment projects, which would be arbitrary and artificial, the savings have been used to increase the level of funding available for new equipment. At maturity, annual major investment expenditure will increase by \$139m or 5% of the current \$2,750m major capital equipment program. This reinvestment is reported as single line in Table 1.4.

Retaining the Australian Defence Force at 50,000

The Defence Reform Program could have reduced the ADF permanent force to 42,700 personnel (from a baseline of 56,600) through reductions and the results of the market testing of Service positions. Maintaining the ADF at about 50,000 and increasing the proportion of personnel in the combat force to 65% represents the largest reinvestment of reform savings. These additional costs result from the retention of substantially higher numbers of Defence Force personnel while providing the civilian staff and contractors' costs necessary to undertake the support tasks previously undertaken by these Defence Force personnel.

The breakdown of the 50,000 by Service is:

Navy:	14,000
Army:	23,000
Air Force:	13,000.

Although the ADF overall will be smaller than before the reform program, there will be capability enhancements and a real increase in the size of the combat force. The Navy is restructuring its workforce to enhance its combat capability and to ensure the successful introduction into service of new capabilities such as the Anzac Frigates, the Collins Class submarines, the Huon class minehunters, the Super Seasprite helicopters and the Hydrographic ships. The retention of HMAS Tobruk also has significant personnel implications for the Navy workforce as well as contributing to the enhancement of Defence's amphibious lift capability.

The Army has commenced the development of an expanded Ready Deployment Force. Other specific combat capability enhancements include the formation of the 1st Intelligence Battalion to support land task force operations, and the Chemical, Biological, and Radiological Response Unit to support the Olympics and provide ongoing counter-terrorist capability. Reform program reinvestment in combat related logistics has contributed to the attainment of readiness levels for land task force units through the improved availability and serviceability of a range of combat-related equipment.

Additional Air Force personnel are being recruited for the Jindalee over the horizon radar and the airborne early warning and control aircraft. These personnel will facilitate the introduction of these capabilities into service. Combat aircrew numbers generally will also be increased with particular emphasis on training more fast-jet pilots. The Air Force's ability to deploy to northern or regional airfields is also being enhanced through the training of specialist personnel within the Combat Support Group. The Air Force is developing formations to ensure that the bare bases in the north of Australia can be supported adequately.

As studies are continuing into the employment of the 50,000 ADF, the reinvestment is not reported by output in this document, but is reported as single line in Table 1.4. Figures in this document are based on achieving an average funded strength of 50,000 full-time ADF personnel in 1999-2000. The pace at which the drawdown of a 50,000 ADF is to be achieved is currently subject to further review. This will be affected by increased preparedness and operational requirements. Consequent adjustments to resource allocations will be notified in the Additional Estimates.

Increased Ammunition Stocks for the Maritime Force

This reinvestment provides levels of stockholdings for the Navy to support the retention of safe levels of skill proficiency and weapons system functionality and certification, and to provide stockholdings to meet strategic and preparedness requirements.

Reform Program Outcomes for 1999-2000

Market Testing

The Commercial Support Program has been subsumed into the Defence Reform Program. It is a competitive tendering and contracting initiative through which commercial and in-house bids compete for the provision of services, with the resulting decisions giving the best value for money for Defence. Market testing assists in the achievement of the Defence outcome by strengthening the national support base for Defence through a more effective partnership with Australian industry and by ensuring the most effective and efficient use of all resources.

Defence Market Testing - Progress Summary as at 22 April 1999

Evaluation Decisions Made	87	
In-House Options	23	(26.4%)
Commercial Contracts	59	(67.8%)
Status Quo Retained	5	(5.8%)
Projected recurring annual savings	\$206.0m	

Savings To Date

Mean projected % of annual savings	32.8%
Number of Positions Tested	9390
Total Value of Commercial Contracts	\$2,026.3m

Market Support Decisions Expected in 1999-2000

To achieve expected recurring annual savings, the market testing program has been accelerated under the Defence Reform Program. In 1999-2000, 28 market testing activities, covering approximately 7,000 positions, are expected to be decided. The size of the potential contracts, with some to exceed \$100 million in total, has attracted significant interest in industry in the early stages of the tendering processes.

The market testing of garrison support services (messing, cleaning, guarding services, domestic services etc) across Australia is expected to be completed by late 1999. The market testing of clerical and administrative support functions across Australia has commenced and the results of this activity are expected to be announced progressively during 1999-2000.

The rationalisation of Defence publishing and printing services will be largely completed by the end of June 1999 and market testing will commence in 1999-2000.

The tender evaluation for Class 8 Medical and Dental Stores is almost complete with the announcement of the successful tenderer early in 1999-2000. The tender process for the Defence Integrated Distribution System project has commenced.

Scoping studies are under way for the market testing of:

- F-111 and C130 aircraft maintenance;
- Medical and dental supplies;
- Explosive ordnance storage and distribution; and
- Army laboratory and engineering support.

The Defence Integrated Distribution System Project is examining physical warehousing distribution and some regional maintenance activities of Defence logistics in 26 locations across Australia (this subsumes the market testing of regional maintenance activities in South Queensland, the National Storage and Distribution project and the Southern Logistics Battalion).

The following table lists all decisions expected in 1999-2000.

Table 1.2: Market Testing Decisions Expected for 1999-2000

Activity Name	Total Positions	Decision Announced
501 Wing (RAAF Amberley) - F111 Workshop	60	October 1999
501 Wing (RAAF Amberley) - Avionics Workshop	221	April 2000
501 Wing (RAAF Amberley) - F111 Weapons Systems	284	May 2000
503 WG C130 Deep Maintenance	243	November 1999
503 WG Avionics	78	April 2000
Australian Defence Force Explosive Ordnance Project	525	November 1999
Naval Materiel Requirements Data Management	9	November 1999
Defence Integrated Distribution System	1,550	March 2000
Joint Logistics Unit - South Edinburgh Airfield Services	22	March 2000
Army Engineering Agency Laboratories/Ranges	190	May 2000
Mechanical Engineering Operational Maintenance Function	189	June 2000
Australian Defence Force Recruiting	89	November 1999
Defence Personnel Records	160	June 2000
Routine Pathology Services	55	December 1999
Victorian Health Services	277	December 1999
Non-Operational Health Services	666	February 2000
Optometry	0	March 2000
Routine Radiology Services	87	March 2000
Clerical and Administrative Support - South Australia	273	October 1999
Re-testing of Facilities and Property Operations - DSTO Melbourne	0	December 1999
Clerical and Administrative Support - Queensland	203	December 1999
Clerical and Administrative Support - Southern Victoria	372	March 2000
Clerical and Administrative Support - ACT/Southern NSW	262	May 2000
Clerical and Administrative Support - Sydney Central	261	June 2000
Clerical and Administrative Support - Sydney West/South	136	June 2000
Garrison Support - Riverina & Murray Valley	148	September 1999
Garrison Support - South Coast of NSW	257	October 1999
Garrison Support - Western Sydney	336	October 1999
Total Positions	6,953	

Note: The projected number of positions and decision dates are subject to change as the Commercial Support Program process is refined for each activity. The table is current as at 22 April 1999.

Other Efficiency Measures

A number of electricity supply contracts have been entered into, generating around \$5m in annual savings, and new arrangements for energy usage, including significantly reducing energy consumption and the further testing of supply contracts, will be implemented progressively throughout 1999-2000 and in following years.

Several joint agencies have been created which will deliver more efficient logistic services. These include the:

- Joint Ammunition and Logistics Agency;
- Joint Fuels and Lubricants Agency; and
- Joint Logistics Systems Agency.

Defence Support Command has commenced a number of projects, including a revised defence supply management chain, the Defence Inventory and Purchasing Segmentation Framework, increasing vendor-held stock, direct vendor delivery and forward purchasing agreements to enable Defence inventory to be managed better in terms of criticality, availability, usage and value.

The Australian Defence College was opened in January 1999 as the senior institution in Defence's system of professional military education. The college is the coordinating structure for all Defence and ADF education institutions and is improving the efficient delivery of all senior management education and training. Defence is on track to implement a collocated and integrated staff course in Weston Creek by January 2001, to be known as the Australian Command and Staff Course. The course will prepare selected officers for Command and/or Staff appointments in single Service, joint and integrated environments.

Rationalisation of Army training delivery and collocation of training establishments continues. Medical Assistant training at the Army Logistics Training Centre is now conducted entirely within the Albury-Wodonga region. A Regional Training Centre (NSW) has been established at Steel Barracks, Casula, to provide distance education for full and part time personnel. Training continues to be consolidated at the Combined Arms Training Centre, Puckapunyal, with the transfer of selected training from Singleton.

The Acquisition Group is completing a major business process re-engineering project to increase effectiveness and streamline processes. Civilianisation of military positions in the Group is continuing, as is collocation into the new Russell buildings. Collocation will lead to the rationalisation of administrative staff across the Group. The Group is also increasing the size of its graduate intake of engineers, business advisers and lawyers.

The privatisation of ADI Limited is scheduled for completion during 1999-2000.

Continuing efficiencies have resulted from the amalgamation of all estate management functions into the Defence Estate Group, including the establishment of the Defence Estate Regional Offices. The progressive implementation of the Strategic Plan for the Defence Estate will be instrumental in achieving Defence Reform Program objectives, including one-off savings targets.

- One-off savings are anticipated from the disposal of a number of properties including Gan Gan, Kelvin Grove, Torrens Training Depot, North Head and Albeura Street Hobart
- Recurrent savings have been achieved from reduced overhead costs with the introduction of new longer term facilities maintenance contracts and a reduction in the number of fixed plant and equipment maintenance contracts.

Strategic Management and Reporting Team

The Government has established a high level Strategic Management and Reporting Team to enhance the profile and maintain the momentum of the Defence Reform Program. This joint Service and civilian team will report directly to the Secretary. The team will facilitate the implementation of the Defence Reform Program, particularly the change management strategy.

In summary, the Defence Reform Program is:

- focussing Defence on its responsibility to provide capabilities to defeat armed aggression against Australia and support of the Government's wider objectives;
- improving long-term planning, command and management structures;
- streamlining support organisations and structures within Defence to achieve more efficient services to combat units;
- competing a range of Defence activities with industry to achieve higher quality and more cost-effective provision of services; and
- redirecting resources from enabling services to combat capabilities to provide more effective Defence forces.

The following tables summarise Defence Reform Program progress. Reconciliation tables showing Group contributions are included in *Section Five* of this document.

Table 1.3: Defence Reform Program Cumulative Resources Available for Reinvestment by Major Initiative Category⁽¹⁾

	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m
Defence Reform Program Initiative:				
Defence Command and Management	17	18	19	19
Intelligence	3	3	3	3
Capability Development	0	0	0	0
Acquisition and Industry ⁽²⁾	31	35	34	35
Science and Technology ⁽³⁾	3	8	10	10
Facilities and Long Term Force Disposition ⁽⁴⁾	10	11	11	12
Logistics	107	174	198	203
Personnel Planning	70	115	150	277
Education and Training	39	56	64	68
Administrative Support	259	359	353	370
Information Management	18	34	40	46
Defence Cooperation ⁽⁵⁾	0	0	2	2
Total	557	813	884	1,045
Other:				
Unallocated ⁽⁶⁾	17	80	82	81
Superannuation ⁽⁷⁾	82	129	142	156
Fringe Benefits Tax ⁽⁷⁾	18	30	34	38
Total Gross Resources Available ⁽⁸⁾	675	1052	1,139	1,320
Provision for contractor support				
- Contracts Funded ⁽⁹⁾	-97	-97	-98	-99
- Residual Provision ⁽¹⁰⁾	-123	-319	-355	-355
Total Net Resources Available	455	636	686	866
Add One-Off Savings ⁽¹¹⁾				
Capital Facilities	15	35	90	65
Equipment & Stores	0	0	20	70
Defence Cooperation (one-off elements)	4	4	0	0
Total One-Off Savings	19	39	110	135
Unallocated \$125m Administrative Savings ⁽¹²⁾	0	0	66	115
Total Resources Available for Reinvestment	474	675	862	1,116

Notes:

- The figures in the table include minor implementation and transition costs being borne by Groups – major transition/implementation costs are not included and will be funded from a separate Portfolio provision (see Table 1.4). The Defence Reform Program Resource Category figures do not include the costs of contracts for services to be delivered by external providers (see Note 9 below). Figures may not add due to rounding.
- The resource redirections in 1999-2000 and onwards are net of the costs of rationalisation and civilianisation in the Acquisition Program.
- This category relates to Science and Technology initiatives across Defence.
- One-off savings have now been removed from this item and listed separately.
- Defence Cooperation savings for 1998-99 were included in the 'unallocated' savings in the 1998-99 Budget. Savings related to Defence Cooperation are now recorded as one-off savings, until the ongoing savings of \$2m are achieved in 2001-02.

6. These planned savings are expected to be achieved through a range of initiatives that have not yet been allocated by Group or Major Initiative Category. This provision has varied since the 1998-99 Portfolio Budget Statement, due in part to the recosting of Defence Reform Program savings in 1998, and because the rationing and catering savings previously listed under the logistics category are subject to review.
7. The planned savings in Superannuation and Fringe Benefits Tax have been calculated on the basis of the anticipated reductions in personnel numbers.
8. The resource reallocations listed in the table are the gross resource reallocations to be achieved, including the salary and operating costs of support areas to be market tested.
9. This line represents the estimated cost of the contracts for the services to be delivered by external providers.
10. This line represents a centrally held provision for future contracts. Once a contract is awarded, the costs of the contract are transferred from this provision and to the Contracts Funded line.
11. One-off savings relate to the facilities sales program, Defence Cooperation savings up to 2000-01 and some reduced inventory levels as recommended by Defence Efficiency Review and the Defence Reform Program.
12. In the 1996-97 Budget, the Department of Defence made a reduction in administrative expenditure totalling \$125m per annum (which has subsequently increased to \$136m per annum), which has been reallocated to a range of capability related expenditure initiatives. Reinvestment of the unallocated savings from 2000-01 onwards has been combined with the Defence Reform Program reinvestment for reporting purposes. Reinvestment details for the \$125m Administrative Savings are as follows:

	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m
Programmed Savings	136	136	136	136
-Land Force Capabilities	118	33	8	2
-Strike	51	14	39	3
-Maritime and Air Defence	44	77	6	0
-C3I	7	9	7	6
-Personnel Initiatives	17	10	10	10
-Other Government Initiatives	1	0	0	0
Total Reinvestment	238	143	70	21
Unallocated Savings	0	0	66	115

Table 1.4: Reinvestment of Available Defence Reform Program Resources ⁽¹⁾

Defence Reform Program Reinvestments	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m
Defence Reform Program Net Ongoing Resources Available	455	636	686	866
Defence Reform Program One-Off Savings	19	39	110	135
Unallocated \$125m Administrative Savings	0	0	66	117
Total Resources Available for Reinvestment	474	675	862	1,116
Reinvestment Initiative Details ⁽²⁾				
-New Capital Investment	85	169	139	139
-Amphibious Capabilities	26	17	24	24
-Capability - Related Logistics Costs	120	168	74	74
-New Capabilities - Net Personnel & Operating Costs	68	96	84	66
-Defence Science - Capability Projects	15	23	23	23
-Provision for 50,000 ADF ⁽³⁾	45	338	434	539
-Pilot Training	5	4	4	4
Defence Reform Program Transition Costs	82	50	40	30
Total Reinvestment ⁽⁴⁾	447	866	822	899

Notes:

1. Table may not add due to rounding.

2. This document does not include any reinvestment or reallocation of resources to achieve the increased preparedness of a second brigade. The funding requirements of this initiative are still being identified and will be notified in the Additional Estimates. These requirements will affect the resources available for other initiatives in this table.
3. The provision of resources for the 50,000 ADF is an interim measure only, based on full achievement of the 50,000 ADF in 1999-2000. The way this rundown will be achieved is still subject to detailed review, including the Government's increased preparedness requirements and further studies into the rank profile, disposition, skill level and readiness of the force. The outcome of these reviews may alter the extent of the reinvestment required in 1999-2000. This line also subsumes the Army Program reinvestment identified separately in the Portfolio Budget and Additional Estimates Statements in 1998-99.
4. These initiatives have projected gross expenditure levels either in excess or less than the resource reallocations to be achieved through the Defence Reform Program and the \$125m Administrative Savings Initiative. This strategy has been adopted because of uncertainty about the lead times and achievable expenditure spreads, particularly in equipment and logistics items. Expenditure in a particular year will be matched to the funds available by cash management techniques, review of priorities or provision of extra funds from within the overall Defence Budget. At this stage, further decisions on the reallocation of additional resources have not been made.

Table 1.5: Cumulative Defence Reform Program Military Personnel Reductions by Major Initiative Category ^{(1) (2) (3)}

Defence Reform Program Initiative	1999-2000	2000-01	2001-02	2002-03
	ADF	ADF	ADF	ADF
Defence Command and Management Arrangements	195	220	220	224
Intelligence	22	27	27	27
Capability Development	-1	-1	-1	-1
Acquisition and Industry	238	298	298	298
Science and Technology ⁽⁴⁾	44	129	137	137
Facilities and Long Term Force Disposition	56	56	56	56
Logistics	1,397	2,798	3,345	3,445
Personnel Planning	604	942	1,308	1,387
Education and Training	621	892	1,042	1,102
Administrative Support	2,908	4,542	4,542	4,542
Information Management	126	340	440	540
Total Defence Reform Program Service Personnel Reductions	6,210	10,243	11,414	11,757

Notes:

1. These savings represent cumulative ongoing totals of actual personnel numbers to be reduced or redirected to priority combat positions in any given year as a result of rationalisation, streamlining or market testing activities carried out as part of the Defence Reform Program. They do not represent average strength figures because of uncertainties due to the market testing program.
2. Figures represent both the positions to be abolished and an assumed 90% reduction of military positions in those functions to be market tested (market-test assumptions are broadly based on historical experience).
3. These figures do not include the reinvestment of Defence Reform Program resources in ADF personnel (see Table 1.4).
4. This category relates to Science and Technology initiatives across Defence.

Table 1.6: Cumulative Defence Reform Program Civilian Personnel Reductions by Major Initiative Category ^{(1) (2) (3)}

Defence Reform Program Initiative	1999-2000	2000-01	2001-02	2002-03
	APS	APS	APS	APS
Defence Command and Management Arrangements	181	186	188	188
Intelligence	32	37	37	37
Capability Development				
Acquisition and Industry	295	286	203	203
Science and Technology ⁽⁴⁾	10	48	49	49
Facilities and Long Term Force Disposition	91	91	91	91
Logistics	903	1,017	1,114	1,114
Personnel Planning	239	239	239	239
Education and Training	118	132	161	172
Administrative Support	1,107	1,325	1,333	1,333
Information Management	181	221	221	221
Total Defence Reform Program Civilian Personnel Reductions	3,157	3,582	3,636	3,647

Notes:

1. The figures in the tables represent the cumulative ongoing reductions of actual personnel numbers rather than Average Strength.
2. Figures represent both the positions to be abolished and an assumed 25% reduction of civilian positions in those functions to be market tested (market-test assumptions are based on historical experience).
3. These figures do not include the reinvestment of Defence Reform Program resources in ADF personnel (see Table 1.4).
4. This category relates to Science and Technology initiatives across Defence.

1999-2000 BUDGET SUMMARY

OVERVIEW

The Government has committed to maintain Defence funding in real terms for the 1999-2000 Budget and the 2000-03 Forward Estimates. On this basis, under the new accrual-based budgeting framework, total funding available to Defence in 1999-2000 is \$18,042m. This comprises resourcing of the Defence Outcome of \$16,541m, an Equity Injection of \$1,278m and Capital Receipts of \$224m.

The total resourcing of the Defence Outcome is \$16,541m in 1999-2000, \$16,911m in 2000-01, \$17,336m in 2001-02 and \$17,839m in 2002-03. The resourcing of the Defence Outcome comprises two main elements: the price of the 22 Departmental outputs, totaling \$14,588m in 1999-2000, and items administered by the Defence Portfolio, totalling \$1,953m in 1999-2000. The price of Departmental outputs includes a capital use charge, introduced in 1999-2000 as part of the new accrual framework.¹ The Outcome Appropriation is included in Bill No 1.

The price of the 22 Defence outputs is summarised in Table 1.11. Further details relating to the outputs can be found in *Section Three* of this document.

The Equity Injection of \$1,278m in 1999-2000 has been determined as follows. As part of the new accrual-based budgeting framework, Defence's global budget flexibility is to continue. Defence has calculated the total resourcing required to deliver the Defence Outcome and the 22 outputs, and an Equity Injection has been used as the funding mechanism to "top up" Defence to the Government-agreed real growth level (currently 0%). This funding contributes to capital investment needed to maintain Defence capability into the future. The Equity Injection appropriation is included in Bill No 2. Defence is also able to retain certain Capital Receipts for use in purchasing additional capital items. These are estimated to be \$224m in 1999-2000.

Table 1.7 summarises Defence's overall funding in 1999-2000 and over the Forward Estimates.

Table 1.7: Total Estimated Defence Funding for 1999-2000 and the Forward Estimates

Defence Funding Arrangements	1999-2000 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Price of Departmental Outputs				
Appropriation from Government before Capital Use Charge	9,814,886	10,132,359	10,501,358	10,727,762
Add Capital Use Charge	4,463,092	4,578,760	4,664,413	4,738,393
Revenue from Government for Departmental Outputs	14,277,978	14,711,119	15,165,771	15,466,155
Add Departmental Revenues from Independent Sources	309,857	308,708	338,513	395,553
Total Price of Outputs	14,587,835	15,019,827	15,504,284	15,861,708
Add Total Administered Expenses	1,952,874	1,890,677	1,832,202	1,977,334
Total Resourcing of Defence Outcome	16,540,709	16,910,504	17,336,486	17,839,042
Add Capital Funding not included in the cost of the Defence Outcome				
Equity Injection	1,278,230	1,061,688	914,720	919,860
Capital Receipts	223,535	198,486	273,244	190,093
Total Defence Funding	18,042,474	18,170,678	18,524,450	18,948,995

1. The capital use charge represents the opportunity cost of capital tied up in assets and is intended to show the true price of outputs and to encourage good asset management. The supplementation in 1999-2000 of \$4,463.1m was calculated by multiplying Defence's opening net assets of \$35,914.2m plus the equity injection of \$1,278.2m by 12% (comprising 6% for the cost of money based on the long term bond rate and 6% for a margin for risk). Defence will be charged on 30 June 2000 on the basis of 12% of its closing net assets.

Table 1.7 shows an increase in total proposed funding from the 1999-2000 Budget across the Forward Estimates period, which is largely the result of an increasing capital use charge (due to an increasing asset base) and the effect of outturning prices. The Equity Injection, as the residual or balancing item, decreases across the Forward Estimates as capital investment is increasingly funded internally from the increasing depreciation expense.

While the real level of Defence funding has been maintained in 1999-2000, Defence has been required to absorb within existing outlays a range of additional costs and expenditure pressures arising from Defence and Government-related initiatives. Examples include the cost of bringing a second Army brigade and associated units to 28 days' notice to move and sustaining that level of increased preparedness for two years, transition and implementation costs of the Defence Reform Program, costs associated with peace monitoring operations on Bougainville and operations in support of Coalition forces in the Gulf.

After removing the effect of the capital use charge, Defence Departmental Appropriations as a share of forecast Gross Domestic Product in 1999-2000 is estimated to be 1.8 %, compared to 1.9 % proportion forecast for 1998-99.

APPROPRIATIONS

Under the new budget framework, Defence will receive three appropriations; Revenue from Government for Departmental outputs, an Administered Appropriation, and a Departmental Equity Injection. The total appropriation for the Department of Defence in the 1999-2000 Budget is \$17,509m. These appropriations are summarised in the following table.

Table 1.8: Total Appropriations for the Department of Defence for 1999-2000.

Planned Outcome: The prevention or defeat of armed force against Australia or its interests	Total \$'000
Price of Outputs	
(A) Total Price of Outputs (100%)	14,587,835
(B) Total Revenues from Independent Sources (2%)	309,857
(C) Revenue from Government (Appropriations for Departmental Outputs) – Annual Bill 1 (98%) (C=A-B)	14,277,978
Administered Expenses	
(D) Special Appropriations	1,949,673
(E) Annual Appropriations – Bill 1	3,201
(F) Total Administered Appropriations (F=D+E)	1,952,874
(G) Total Appropriations Net of Departmental Equity Injections (G=C+F)	16,230,852
(H) Departmental Equity Injection – Bill 2	1,278,230
(I) Total Appropriations ⁽¹⁾ (I=G+H)	17,509,082

Note:

- The difference between the Total Appropriations in this table and the total Defence Funding in the previous table results from the non-appropriation revenue available to Defence – revenues from independent sources (\$309.857m) and capital receipts (\$223.535m).

Table 1.9: Total Estimated Expenses of Defence Outcome

	Total \$'000
(A) Total Appropriations Net of Departmental Equity Injections	16,230,852
(B) Revenues from Independent Sources	309,857
(C) Total Estimated Expenses (C=A+B)	16,540,709

TRANSLATION FROM CASH OUTLAYS TO THE ACCRUAL BUDGET

Previous Defence Budgets highlighted Defence Function Outlays in cash terms. The concept of Defence Function Outlays aligns broadly with Appropriations for Departmental outputs (Departmental Appropriations) in the new accrual framework. Table 1.10 shows how the Departmental Appropriations, Defence Function Outlays in 1998-99, relate to the Total Price of Defence outputs.

Table 1.10: Explanation of the Translation from Departmental Appropriations (equivalent to Defence Function Outlays) to the Total Price of Outputs

	Estimated Actual 1998-99 \$'000	Budget Estimate 1999-2000 \$'000	Estimated 2000-01 \$'000	Estimated 2001-02 \$'000	Estimated 2002-03 \$'000
Total Price of Outputs	10,165,805	14,587,835	15,019,827	15,504,284	15,861,708
Less Revenues from Independent Sources	394,417	309,857	308,708	338,513	395,553
Revenue from Government for Outputs	9,771,388	14,277,978	14,711,119	15,165,771	15,466,155
Add: Equity Injection	1,238,774	1,278,230	1,061,688	914,720	919,860
Departmental Appropriations	11,010,162	15,556,208	15,772,807	16,080,491	16,386,015
Less: Capital Use Charge	0	4,463,092	4,578,760	4,664,413	4,738,393
Departmental Appropriations net of Capital Use Charge	11,010,162⁽¹⁾	11,093,116	11,194,047	11,416,078	11,647,622

Note:

1. The Defence Departmental Appropriations figure in 1998-99 differs from the Defence Function figure in the 1998-99 Portfolio Additional Estimates Statements. This difference is due to the reclassification of certain items into the Administered Appropriation under the accrual-based budgeting framework. These items, and their 1998-99 quantum, are the MSBS Retention Benefit (\$16.043m), Housing Loan Assistance Scheme (\$4.000m), Young Endeavour Receipts (-\$1.611m) and repayments of advances to the States under Housing Agreements (-\$1.662m).

The following table demonstrates the translation of the price of individual outputs from a cash basis in 1998-99 to the accrualised figure in the 1999-2000 Budget. The two principle reasons for the increased funding from 1998-99 Estimated Actual figures to the 1999-2000 Budget Estimate are the inclusion of the capital use charge and price updating to the 1999-2000 figures.

Table 1.11: Defence Outcome - Translation from 1998-99 Cash Outlays to the 1999-2000 Accrual Budget

Defence Outcome	1998-99 Estimated Actual Cash⁽¹⁾	1998-99 Estimated Actual Accrual	1999-2000 Budget Estimate Accrual⁽²⁾
Price of Departmental Outputs	\$m	\$m	\$m
1. Command of Operations	630.8	540.6	582.4
2. Strategic Intelligence	261.7	267.5	331.1
3. Capability for Major Surface Combatant Operations	1,433.1	1,471.3	2,391.0
4. Capability for Patrol Boat Operations	196.9	235.1	252.7
5. Capability for Submarine Operations	588.7	369.4	904.7
6. Military Geographic Information	245.4	140.7	205.0
7. Capability for Afloat Support	182.1	180.7	227.9
8. Capability for Mine Countermeasures and Mining	87.9	132.0	294.8
9. Capability for Amphibious Lift	142.9	191.9	256.9
10. Capability for Special Forces Operations	170.9	167.8	206.7
11. Capability for Land Task Force Operations	3,004.5	2,844.4	3,781.1
12. Capability for Logistics Support of Land Operations	405.5	337.3	401.1
13. Capability for Air Strike/Reconnaissance	557.7	508.9	660.3
14. Capability for Tactical Fighter Operations	598.2	812.4	1,186.3
15. Capability for Ground Based Air Defence	71.5	57.8	74.9
16. Capability for Strategic Surveillance	405.6	171.2	361.8
17. Capability for Maritime Patrol Aircraft Operations	484.8	420.7	721.8
18. Capability for Airlift	644.4	528.5	904.2
19. Capability for Combat Support of Air Operations	210.4	143.8	149.4
20. Effective International Relationships and Contribution to International Activities	219.6	274.7	274.6
21. Effective Contribution to National Support Tasks	245.3	89.0	100.8
22. Strategic Policy and Direction	239.3	280.3	318.3
Total Price of Departmental Outputs⁽³⁾	11,026.9	10,165.8	14,587.8
Total Administered Expenses	1,266.3	1,866.9	1,952.9
Total Resourcing for the Defence Outcome	12,293.2	12,032.7	16,540.7

Notes:

1. The 1998-99 Estimated Actual in cash terms includes total expenditure on capital items and is therefore not comparable with either the 1998-99 Estimated Actual in accrual terms or the 1999-2000 accrual Budget Estimate.
2. The 1999-2000 Budget Estimate includes the Capital Use Charge.
3. The total price of Departmental outputs and the price of each individual output includes Revenues from Independent Sources.

While Defence is appropriated on the basis of its Outcome and 22 outputs, it will continue to manage its activities through the 14 organisational Groups. Details of the Group Structure and planned activities for 1999-2000 are set out in *Section Four* of this document. The following table outlines the linkages between the outputs and the Groups by summarising the Group contributions to the 22 outputs.

Table 1.12: Group Contributions to Total Price of Departmental Outputs 1999-2000

Group	DHQ	Navy	Army	Air Force	Intel.	SCA	JET	DPE	Acq	S & T	DE	DIS	DCS	FIG	Total
Output	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	60.9	51.8	59.8	39.9		19.0	2.7	44.5	55.9	29.6	65.2	131.7	18.5	3.0	582.4
2	7.7	14.0	1.4	1.8	161.7	0.2	2.3	23.1	17.4	21.3	54.4	6.2	17.3	2.3	331.1
3		1,311.9	0.5	15.3		321.3	8.6	141.6	318.8	30.6	142.8	26.7	63.7	9.3	2,391.0
4		116.8	0.1	0.1		33.6	1.6	26.2	2.6	1.7	30.1	4.9	33.3	1.7	252.7
5		526.7	0.1	0.1		62.6	1.7	23.8	207.6	22.6	40.0	5.6	12.2	1.8	904.7
6	0.4	111.8	0.1	2.5		25.0	1.0	14.1	25.2	0.2	12.3	3.4	8.0	1.0	205.0
7		127.2	0.0	0.5		34.9	1.3	20.0	1.3	2.4	26.0	4.1	8.8	1.4	227.9
8		127.9	0.0	0.0		29.9	0.7	9.3	66.1	9.3	40.3	2.2	8.3	0.7	294.8
9		135.4	5.2	0.0		34.7	1.3	23.0	9.0	0.5	30.6	4.1	11.7	1.4	256.9
10			112.7	0.0		29.9	1.3	21.6	2.3	1.5	22.6	4.0	9.5	1.4	206.7
11			1,800.9	14.5		479.7	20.5	330.1	56.6	33.8	772.4	62.6	187.6	22.5	3,781.1
12			165.8			47.2	2.6	64.6	3.2	3.6	90.6	7.8	12.8	2.8	401.1
13			0.1	281.9		133.0	2.7	52.5	45.1	14.8	100.1	8.3	18.8	3.0	660.3
14			0.2	771.0		117.6	2.8	58.5	55.8	25.7	126.9	9.2	15.5	3.1	1,186.3
15			33.0	1.7		14.3	0.4	6.4	4.3	1.7	7.6	1.1	4.0	0.4	74.9
16			0.1	112.7		32.5	1.2	21.7	114.9	19.2	48.7	3.7	5.9	1.3	361.8
17			0.1	414.0		76.0	2.2	49.3	84.0	7.0	65.4	6.8	14.7	2.4	721.8
18			1.0	401.1		137.2	3.1	70.5	93.5	4.7	135.0	10.1	44.6	3.4	904.2
19			8.0	70.2		2.8	0.9	19.1	10.1	4.6	24.5	2.9	5.2	1.0	149.4
20	89.1	5.8	19.6	18.0		23.3	1.3	21.9	6.1	0.5	6.9	5.6	75.2	1.4	274.6
21		9.5	8.1	27.2		24.4	0.9	15.3			6.7	4.1	3.7	1.0	100.8
22	37.5	23.5	13.8	60.9		41.3	2.3	38.0		0.7	20.3	9.1	64.6	6.3	318.3
TOTAL	195.5	2,562.3	2,230.5	2,233.3	161.7	1,720.4	63.1	1,095.2	1,179.6	235.9	1,869.3	324.4	643.8	72.7	14,587.8

Note: This table was derived from the Group operating budgets attributed through a set of costing rules to the 22 outputs. The Group contributions to Defence outputs include service salaries and the capital use charge. The full titles of Groups can be found in *Section Four* of this document.

PERSONNEL

A summary of personnel estimates for 1998-99 and 1999-2000 is provided in the following table. It shows that the planned Permanent Defence Force average funded strength for 1999-2000 is 50,000, a decrease of 2,997 from the Estimated Actual for 1998-99 of 52,997. This decrease is due to general reductions in line with outcomes flowing from the Defence Reform Program. The planned number of Reserves for 1999-2000 is 30,695, an increase of 728 over the Estimated Actual for 1998-99. Total civilian average funded strength is planned to decrease from an Estimated Actual of 16,819 in 1998-99 to 16,560 in 1999-2000, a reduction of 259. This reflects the impact of Defence Reform Program reductions, which are partly offset by civilianisation and continued recruitment of base-level and graduate entrants.

The planned target strength of the ADF on which this document is based is 50,000. The pace at which the drawdown to the 50,000 is to be achieved is currently being reviewed, including in relation to the impact of the increased preparedness requirements. When this review is finalised, the personnel and the financial estimates for 1999-2000 and beyond will be adjusted. Revised estimates will be reported in the 1999-2000 Portfolio Additional Estimates Statements.

Table 1.13: Summary of 1998-99 and 1999-2000 Personnel Estimates

	Budget Estimate 1998-99	Revised Estimate 1998-99	Estimated Actual 1998-99	Budget Estimate 1999-2000	Variation 1999-2000 Budget less 1998-99 Estimated Actual %	
Personnel Numbers (Average Strength)						
Permanent Forces						
- Navy	13,850	13,748	13,666	13,550	-116	-0.8
- Army	24,400	24,426	24,201	23,200	-1,001	-4.1
- Air Force	15,785	15,500	15,130	13,250	-1,880	-12.4
Total Permanent Forces	54,035	53,674	52,997	50,000⁽¹⁾	-2997	-5.7
Reserves⁽²⁾						
- Navy	1,836	1,803	1,804	1,803	-1	-0.1
- Army	26,507	26,100	26,100	26,850	750	2.9
- Air Force	1,800	2,063	2,063	2,042	-21	-1.0
Total Reserves	30,143	29,966	29,967	30,695	728	2.4
Civilian	17,042	16,851	16,730	16,471	-259	-1.5
Trust Account Staff	89	89	89	89	0	0.0
Total Civilian	17,131	16,940	16,819	16,560	-259	-1.5
Total Staffing	101,309	100,580	99,783	97,255	-2,528	-2.5

Notes:

1. While the target strength breakdown of the 50,000 ADF is Navy – 4,000, Army - 23,000 and Air Force – 13,000, Navy is unable to reach its target strength in 1999-2000 and the Forward Estimates. Accordingly Army and Air Force have been given higher allocations in the interim.
2. Reserve numbers include Ready Reserve numbers.

CAPITAL BUDGET

The capital budget for 1999-2000 totals \$3,579m. It is funded partly from the Defence Outcome through depreciation and other accrual items, from Capital Receipts that include proceeds from the disposal of assets, and from the Departmental Equity Injection of \$1,278.2m. Table 1.14 provides a summary of the Capital Budget.

Table 1.14: Defence Capital Budget

	New Projects	Ongoing Projects	Total
	\$m	\$m	\$m
Major Capital Equipment Projects	60.1	2,690.1	2,750.2
Capital Facilities Projects	13.5	415.0	428.5
Minor Capital Equipment		247.5	247.5
Other Assets		152.4	152.4
Total	73.6	3,505.0	3,578.6

Further details of the Capital Budget are provided in *Section Two* - Table 2.7.

In 1999-2000, \$2,750.2m is planned to be spent on new major capital equipment. Projects approved by the Government in the 1999-2000 Budget include:

- the acquisition of reconnaissance and aerial fire support helicopters;
- equipment to enhance ADF minesweeping and minehunting capabilities;
- additional air-to-air missiles for F/A-18 aircraft;
- air-to-surface weapons for F-111s;
- Evolved Seasparrow surface-to-air missiles for ANZAC and FFG guided missile frigates;
- equipment for F-111 Aircraft Electronic Countermeasures;
- equipment to extend the life of ADF field vehicles;
- the acquisition of joint intelligence and command support systems; and
- a package of five Capability and Technology Demonstrators.

Details of the top 20 previously approved projects are set out in Table 1.15. Significant events in this year's major capital equipment program include delivery of the ANZAC ships (Te Mana and Warramunga), delivery of the minehunter coastal ships (MHCO2 Hawkesbury and MHCO3 Norman), delivery of 12 C130J-30 aircraft which will replace the ageing C130E Hercules, delivery of 7 Hawk 127 jet trainers, delivery of four production aircraft and the Operational Mission Simulator, Systems Engineering Laboratory and Mission Replay and Analysis Module from the P-3C Orion Maritime Patrol aircraft upgrade. Activity continues on the ANZAC ship upgrade projects, the ANZAC ship helicopter, F/A-18 Hornet Upgrade and Jindalee Operational Radar Network.

\$428.5m is planned to be spent in 1999-2000 on major capital facilities projects. New major capital facilities initiatives approved in the Budget, which will be referred to the Parliamentary Standing Committee on Public Works, include:

- the rationalisation of existing messing facilities at the Enoggera Army Base (home of the 7th Task Force and the Deployable Joint Force Headquarters);
- the Aeronautical and Maritime Research Laboratory relocation in Melbourne;
- the redevelopment of RAAF Base Edinburgh; and
- the RAAF College Development to collocate a number of RAAF training units at a location to be announced.

Continuing major capital facilities projects address the Joint Army Deployment Facility to support the increased Defence presence in the north of Australia, the development of HMAS Stirling in Western Australia and RAAF Base Darwin in the Northern Territory.

MAJOR CAPITAL EQUIPMENT

The following descriptions and table provide details on planned progress and estimated expenditure for each of the twenty most significant Major Capital Equipment projects in 1999-2000. Collectively, these twenty projects will account for in excess of 70% of total Major Capital Equipment expenditure during the 1999-2000 financial year.

Anzac Ship Project

Ship 04 (Te Mana) is scheduled to be delivered in August 1999. Ship 07 (Parramatta) is scheduled to be launched in March 2000 and Ship 05 (Warramunga) is due for delivery in June 2000. Two major Anzac Ship upgrade programs will be advanced during the year. The Underwater and Surface Warfighting Upgrade Program is likely to be awarded to Tenix Defence Systems by Contract amendment to the Anzac Ship Contract in late 1999 or early 2000. Under the Anzac Warfighting Improvement Program, which seeks to upgrade the air warfare capabilities of the Anzac Ships, Project Definition Studies are planned to be awarded in late 1999 and a Request for Tender for the implementation of the upgrade should be released in mid 2000.

This project contributes to capability for Major Surface Combatant Operations (Output 3).

New Submarine Project

Submarine 04 (Dechaineux) is scheduled for delivery in September 1999. Launching of 05 (Sheean) is in May 1999, while the last, 06 (Rankin), remains scheduled for delivery in mid 2001. Work in conjunction with the United States Navy to enhance submarine combat system capability and acoustic performance is progressing to schedule and cost and significant improvement in these areas is expected by mid to late 1999.

This project contributes to capability for Submarine Operations (Output 5).

Minehunter Coastal

MHC01 (Huon) will be commissioned in May 1999. MHC02 (Hawkesbury) commenced sea trials in early March 1999 and is due for delivery in December 1999. MHC03 - MHC05 are under construction, with the delivery of Ship 3 and the keel laying of Ship 6 in 1999-2000.

This project contributes to capability for Mine Countermeasures and Mining (Output 8).

Night Fighting Surveillance Capability

This project seeks to acquire a variety of equipment to overcome deficiencies in the Land Force's night observation and surveillance capabilities. Deliveries of Night Fighting Equipment have commenced and will conclude in the fourth quarter of 2000. Ground Surveillance Radars will provide an all-weather target detection and classification capability at ranges up to 35 km, depending on line of sight. An evaluation of tenders for the radar systems, together with the establishment of a through life support capability in Australia, is currently under way and contract signature is expected in late 1999.

This project contributes to capability for Special Forces Operations and Land Task Force Operations (Outputs 10, 11).

Evolved SeaSparrow Missile

Project SEA 1428 will introduce the Evolved SeaSparrow Missile capability into Navy service. This will include the Anzac combat system integration, the upgrade of Anzac shore facilities to support the Evolved SeaSparrow Missile configuration, the upgrade of the intermediate level maintenance facility, and the acquisition of missiles for both Anzac and FFG classes. A Contract Amendment Proposal for the installation of Evolved SeaSparrow Missile into Anzac Ships 05-07 is scheduled for approval in mid 1999, and upgrade of the Ordnance Support & Training Centre and Anzac Ship Support Centre will commence shortly thereafter. The first firing will be conducted from Anzac 05 (Warramunga) during post-Delivery trials in mid-2000.

This project contributes to capability for Major Surface Combatant Operations (Output 3).

Strategic Airlift Capability

Twelve C130J-30 aircraft have been ordered to replace the ageing C130E Hercules. Full United States Federal Aviation Administration Certification of the C130J-30 aircraft was completed in December 1998. Deliveries to the Air Force, which were originally scheduled between July 1997 and November 1998, have been delayed by developmental problems and should now start in mid to late 1999 with the last aircraft delivered in early to mid 2000. A post-delivery modification program is being proposed by the contractor to address a number of current deficiencies in the aircraft design.

This project contributes to capability for Airlift (Output 18).

Lead-In Fighter Capability

A contract for 33 British Aerospace Hawk 127 jet trainers to provide lead-in fighter training and fast-jet training support to the ADF was signed in June 1997. The first Hawk 127 should commence developmental test flying in July 1999, with delivery in the second quarter of 2000. Delivery of the seventh aircraft is expected by Jul 2000.

This project contributes to capability for Air Strike/Reconnaissance and Tactical Fighter Operations (Outputs 13 & 14).

Anzac Helicopter Capability

A contract was signed in June 1997 with Kaman Aerospace International Corporation for eleven helicopters, with provision for an option to procure additional helicopters. The first Anzac Ship helicopter is to be delivered into Nowra in November 2000 and the last helicopter delivered in 2002. Prototype helicopter flight tests are planned to commence in August 1999. The in-service support contract facility at Nowra is under construction, and expected to be ready for occupancy in October/November 1999.

This project contributes to capability for Major Surface Combatant Operations (Output 3).

P3C Update Implementation

The Air Force P3C Orion Maritime Patrol Aircraft fleet will be upgraded extensively with new sensors and avionics systems. Boeing Australia will modify the aircraft at Avalon following the prototype development in the United States of America. Boeing commenced aircraft production in January 1999 and is due to finish this activity in April 2002. During 1999-2000, the Commonwealth will take delivery of four production aircraft. Delivery of the Operational Mission Simulator, Systems Engineering Laboratory and Mission Replay and Analysis Module is expected to occur by October 1999.

This project contributes to capability for Maritime Patrol Aircraft Operations (Output 17).

F/A-18 Hornet Upgrade

Under Phase 1 of the Hornet Upgrade Project, 71 F/A-18 Hornets will be upgraded to incorporate modern anti-jam radios, improved navigation and identification systems, upgraded mission computers and an interim electronic warfare software upgrade. Phase 2 of the Project was approved in 1998-99 Budget and seeks to extend the capability of the Hornet to fulfil its air defence role and includes upgrades to the radar, electronic warfare systems, and secure data link and displays. Installation of the Phase 1 modifications to the aircraft and ground support systems are planned to be progressed as contract changes to the Phase 1 Prime Contract following detailed planning and selection of Australian sub-contractors. These contract changes are planned to be signed by the end of 1999. Modification of the initial two prototype aircraft for Phase 1 is planned to commence during the 2nd quarter of 2000 with modification of all aircraft completed during the 3rd quarter of 2001. It is planned to have a Phase 2 radar acquisition foreign military sales case accepted by July 1999. Installation of the radar and upgrade of associated support systems is planned to occur immediately following the Phase 1 modifications commencing with a prototype installation during the 2nd quarter of 2001.

This project contributes to capability for Tactical Fighter Operations (Output 14).

Jindalee Operational Radar Network

The transfer of software work from Marconi to RLM will necessitate a partial re-design of software elements, hardware interfaces and the Network acceptance test program. That activity and assessment of the revised project schedule is planned to be validated in early 1999-2000.

Technical review by Defence, to assist retirement of risks, will continue as will direct participation in increasingly comprehensive integration, test and evaluation activities. Delivery of early integration versions of Jindalee Operational Radar Network software and initial operations to test progressively greater combinations of hardware and software, involving the remote Radar sites, will proceed during the period. Preliminary radar test transmissions and receptions will be involved.

Novation of the Jindalee Operational Radar Network contract from Telstra to RLM is targeted for the middle of 1999-2000, at which time Defence will recommence making contract payments. Commonwealth acceptance requirements for the Network are to be substantially finalised by negotiation with RLM.

This project contributes to capability for Strategic Surveillance (Output 16).

High Frequency Network Modernisation

The Project Design Review is expected to be completed during 1999-2000. Facilities construction at the four nodes and one Network Management Facility are expected to be completed and facilities construction for the second Network Management Facility is expected to commence.

This project contributes to capability for Command of Operations (Output 1).

Active Missile Decoy

Fitting of Active Missile Decoys (Nulka) to HMAS *Newcastle* and *Canberra* will be completed and acceptance into naval service of the Active Missile Decoys system is planned. Testing and qualification of the Active Missile Decoy Fire Control System software remains a risk. After acceptance into naval service, the remainder of the surface combatants will be progressively fitted with the Active Missile Decoy system with the last Anzac ship to be fitted in 2004.

This project contributes to capability for Major Surface Combatant Operations (Output 3).

Tactical Air-Defence Radar Systems

This project is to acquire four tactical air defence radar systems to replace obsolete radar systems. 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 occurred in August 1998. Contract activity during 1999-2000 will concentrate on Critical Design Review, system production, and the early phases of developmental and acceptance testing. The new systems are expected to be delivered during 2001-2002.

This project contributes to capability for Strategic Surveillance (Output 16).

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 1999-2000 is the signing of the prime equipment and logistics support contracts in late 1999. Initial contract activity during 1999-2000 will concentrate on the System Requirements, System Functional, and Preliminary Design Reviews.

This project contributes to capability for Strategic Surveillance (Output 16).

FFG Upgrade

The FFG Upgrade Project seeks to regain the relative capability of FFG guided missile frigates to ensure they remain effective and supportable through to their end of life. A Request for Tender for Phase 2, the detailed design and installation of the Upgrade in all six frigates closed in March 1998

and ADI Ltd were announced as the preferred tenderer in November 1998. Contract negotiations commenced in March 1999 with contract award planned for mid 1999. ADI plans to conduct the Upgrade at its Garden Island Facility, commencing with HMAS *Adelaide* (FFG 01) in late 2001 and completing with HMAS *Newcastle* (FFG 06) in 2005-06.

This project contributes to capability for Major Surface Combatant Operations (Output 3).

Australian Light Armoured Vehicles

Contract signature, for 150 vehicles, is scheduled for 1999-2000. The first vehicle deliveries are scheduled for 2000-01. Initial deliveries of ammunition will commence during 1999-2000.

This project contributes to capability for Land Task Force Operations (Output 11).

Light Tactical Airlift Capability

This project seeks the acquisition of light transport aircraft to maintain the capability currently represented by the Caribou aircraft. The project consists of two phases. Phase 1 includes the acquisition of the aircraft and its in-service management and support, with Phase 2 covering acquisition of a full flight simulator, including operations and support, for the aircraft. Tender evaluation is proceeding.

This project contributes to capability for Airlift (Output 18).

Airborne Early Warning and Control Aircraft

This project will provide the Australian Defence Force with an airborne early warning and control capability. The project scope includes provision for 6 or 7 aircraft depending upon the final capability assessment. Final evaluation is under way, following closure of the Request for Tender for System Acquisition on 27 January 1999. Delivery of the first aircraft is expected to occur in 2003-04.

This project contributes to capability for Strategic Surveillance (Output 16).

Military Satellite Communications

In the 1999/2000 financial year, contracts for both the aircraft satellite communications and the ADF satellite capability contract are planned to be signed. Work will continue on the Defence Mobile Satellite Communications Network with some improvements planned to be delivered during the year. Also, the development of a Theatre Broadcast Technology Demonstrator is expected to commence in 1999-2000.

This project contributes to capability for Command of Operations (Output 1).

The following table provides details on the approved project cost, the cumulative expenditure to 30 June 1999 and the estimated expenditure for 1999-2000 of the Top 20 Major Capital Equipment projects for Defence.

Table 1.15: Top 20 Projects by Forecast 1999-2000 Expenditure

	Approved Project Cost (Dec 98 Prices) \$m	Cumulative Expenditure to 30 June 1999 \$m	Budget Estimate 1999-2000 \$m
Maritime and Ground			
Anzac Ship	6,101.8	4,307.0	365.3
New Submarine	5,026.9	4,715.6	110.2
Minehunter Coastal	1,205.9	813.8	106.4
Night Fighting Surveillance Capability	238.5	132.2	52.0
Evolved SeaSparrow Missile	296.0	165.9	74.0
Aerospace			
Strategic Airlift Capability	1,020.2	702.1	150.3
Lead-In Fighter Capability	963.7	457.9	241.8
Anzac Helicopter Capability	884.6	443.9	158.5
P3C Update Implementation	834.9	500.2	129.1
F/A-18 Hornet Upgrade	260.0	80.1	40.6
Electronic Systems			
Jindalee Radar Network	1,180.9	837.2	69.6
High Frequency Network Modernisation	531.3	112.6	80.4
Active Missile Decoy	176.5	98.8	37.7
Tactical Air Defence Radars	176.3	98.9	39.3
2CRU/3CRU Control & Reporting Units	136.8	50.7	39.3
Projects Not Yet At Contract			
This category includes projects which have yet to award all significant contracts:			
FFG Progressive Upgrade – Implementation			
Additional Australian Light Armoured Vehicles			
Light Tactical Airlift Capability			
Airborne Early Warning & Control			
Military Satellite Communications	4,790.5	110.0	488.5
TOTAL TOP 20 PROJECTS	23,824.8	13,626.9	2,183.0

Note: Budget Estimates in December 1998 prices

NEW MAJOR FACILITIES PROJECTS FOR 1999-2000

The following descriptions and table provides detail on, and estimated expenditure for, the new Major Facilities projects approved in the 1999-2000 Budget.

Enoggera Barracks, Rationalisation of Catering Services – Brisbane, QLD

This project will redress inefficiencies at Gallipoli Barracks, Enoggera, through improved rationing and meal preparation practices and rationalisation of the existing kitchens to achieve more efficient delivery of services. This will result in three centralised kitchens (currently 14 kitchens) and a dedicated kitchen for 2nd Field Hospital. Options to be assessed for rationing include centralised food preparation and cook chill technology. To achieve these efficiencies, it is likely that further rationalisation of living-in accommodation will be required.

This project makes a contribution to the capability for Land Task Forces Operations and Logistics Support of Land Operations (Outputs 11 & 12).

DSTO Fishermens Bend, Relocation of Aeronautical & Maritime Research Laboratory – Melbourne, VIC

This project will improve operational and cost effectiveness for DSTO's Aeronautical and Maritime Research Laboratory, which currently has two principal sites located in Melbourne. Works include the relocation of functions from Maribyrnong to Fishermens Bend, integration of common functions and enhanced capabilities.

This project contributes to a number of outputs, in particular capability for Major Surface Combatant Operations, Submarine Operations, Air Strike/Reconnaissance and Tactical Fighter Operations (Outputs 3,5,13 & 14).

RAAF BASE Edinburgh, Stage 1 Redevelopment – Edinburgh, SA

This project will overcome facilities deficiencies on the Base and implement recurring cost savings associated with rationalisation and consolidation of facilities. Stage one relocates and consolidates the Aircraft Research and Development Unit into new administrative and support facilities on the Base, provides new facilities for the Maritime Patrol Logistics Management Squadron, and rationalises the logistics support functions and engineering services in the technical area of the base.

This project contributes to a number of outputs, in particular capability for Maritime Patrol Aircraft Operations (Output 17).

RAAF Colleges Development – Location to be advised.

The current RAAF College is located at RAAF Point Cook, which is due to close around 2001. This project will synthesize training associated with the Officer Education and Training Scheme and the Airmen Education Training Scheme within the RAAF College so that it becomes the focal point for the delivery of the single service ethos and military skills needed for the Air Force. Other RAAF bases are currently being examined as potential sites for the new RAAF College.

This project attributes to a number of defence capabilities, especially capability for Major Surface Combatant Operations, Land Task Forces Operations, Air Strike/Reconnaissance and Tactical Fighter Operations (Outputs 3,11,13 & 14).

Table 1.16: New Major Projects 1999-2000

PROGRAM OF WORKS (State, Federal electorate and locality)	Total Approved Project Cost \$m	Estimated Expenditure 1999-2000 \$m
QUEENSLAND		
Brisbane		
Enoggera – Enoggera Barracks - Catering Rationalisation	15.0	6.5
VICTORIA		
Melbourne Ports		
DSTO Aeronautical & Maritime - Research Laboratory Relocation	56.2	3.0
SOUTH AUSTRALIA		
Bonython		
Edinburgh – RAAF Edinburgh – Stage 1 Redevelopment	34.4	2.0
LOCATION TO BE ANNOUNCED		
RAAF College Development	36.0	2.0
TOTAL NEW MAJOR PROJECTS	141.6	13.5

SIGNIFICANT CURRENT FACILITIES PROJECTS

The following descriptions and table provides detail on planned progress and estimated expenditure for the significant ongoing Major Facilities projects in 1999-2000. Full details on all major and medium ongoing facilities projects, by Federal Electorate, is provided in *Section Five* of this document.

Lavarack Barracks Redevelopment Stage 2 – Townsville, QLD

Stage 2 Redevelopment will provide various facilities and infrastructure, including new single soldier living accommodation, to ensure the long-term viability of Lavarack Barracks as the major base of the ADF Rapid Deployment Force. A managing contractor has been engaged with work due to commence in May 1999.

This project contributes to capability for Land Task Forces Operations (Output 11).

RAAF Base Townsville Redevelopment Stage 1 – Townsville, QLD

This project provides new facilities, including loading aprons and aircraft support infrastructure, to support the operational role of RAAF Base Townsville. The Environmental Impact Assessment was completed in February 1999 and a Section 30 referral to the Australian Heritage Commission is required. Land acquisition is being progressed.

This project contributes to a number of outputs, in particular to Air Strike/Reconnaissance, Tactical Fighter Operations and Airlift (Outputs 13, 14, 18).

RAAF Base Townsville – Construct Facilities for Blackhawk Helicopters – Townsville, QLD

This project provides new facilities, including hangars, aprons, wash down facilities, fire protection systems, maintenance workshops and equipment storage areas for the helicopters operated by the 5th Aviation Regiment. The project will be completed in late 1999.

This project contributes to capabilities for Amphibious Lift, Special Forces Operations and Land Task Force Operations (Outputs 9,10 & 11).

51st Far North Queensland Regiment – Various locations, QLD

Planning and land acquisition for depots for 51st Far North Queensland Regiment is under way, with a project consultant and a managing contractor already engaged. Construction commenced in mid 1998.

This project contributes to capability for Land Task Forces Operations (Output 11).

RAAF Base Amberley Redevelopment – Amberley, QLD

This project overcomes immediate deficiencies in the existing facilities at RAAF Base Amberley, and provides improved aircraft maintenance, operation, support and training facilities. The primary role of units at the base is to support the Strike Reconnaissance Group. Construction is expected to commence by mid 1999 with completion by mid 2002.

This project contributes to a number of outputs, in particular to Air Strike/Reconnaissance, Tactical Fighter Operations and Maritime Patrol Aircraft Operations (Outputs 13, 14, 17).

Naval Ammunitioning Facility – Eden, NSW

Defence is re-examining its requirements for the provision of re-ammunitioning facilities for Navy ships at a location nearer to the Fleet base and the East Coast Exercise Area. A report on the feasibility, cost and environmental assessment requirements for establishing such a facility at Twofold Bay is expected. The feasibility of importing Defence Explosive Ordnance at a commercially licensed port is also being investigated.

This project contributes to outputs which include Major Surface Combatant Operations, Patrol Boat Operations, Submarine Operations and Afloat Support (Outputs 3, 4, 5, 7).

HMAS Albatross Redevelopment – Nowra, NSW

This is a staged project that will provide updated facilities to support continuing operations at the Base. For Stage 1, the initial design development for all elements is progressing and the air traffic control tower works element has commenced. For Stage 2, the functional briefs and Public Works Committee evidence are being progressed.

This project contributes to a number of outputs, in particular to Major Surface Combatant Operations, Patrol Boat Operations, Afloat Support and Amphibious Lift (Outputs 3, 4, 7, 9).

RAAF Base Williamstown, Eastern Region Operations Centre Development - Williamstown, NSW

This project provides new facilities to accommodate air defence operations, training, maintenance, administration and logistics activities. Construction is scheduled for commencement in the first half of 1999.

This project contributes to capability for Command and Operations and Strategic Intelligence (Output 1, 2)

East Coast Armaments Interim Facility – Point Wilson, VIC

This project provides an interim ammunition replenishment facility for the Navy following the closing of the existing facility in Sydney Harbour in December 1999. The works at Port Wilson will include ventilation and security upgrading to existing explosives ordnance storehouses, construction of a transit facility and upgrading to the cathodic protection to the wharf.

This project contributes to outputs which include Major Surface Combatant Operations, Patrol Boat Operations, Submarine Operations and Afloat Support (Outputs 3, 4, 5, 7).

Albion Former Explosives Factory Decontamination, Melbourne VIC

The former Albion Explosives factory will be decontaminated to the extent required permitting disposal of the property. Remediation design has been completed and the contract for the remediation of the site has been let. The works commenced in 1999.

The decontamination of the property will enable it to be disposed of and the proceeds of the sale returned to the portfolio for reinvestment.

HMAS Stirling Development Stage 3 – Perth, WA

The works will complete the development as part of the Two-Ocean Basing Policy. Construction commenced prior to the end of 1998 and will be completed in January 2000. Stage 2 works will be largely completed by the end of 1999.

This project contributes to a number of outputs, in particular to Major Surface Combatants Operations, Patrol Boat Operations, Submarine Operations, Military Geographic Information Systems and Afloat Support (Outputs 3, 4, 5, 6, 7).

Joint Army Deployment Facility Development Stage's 1 and 2- Darwin, NT

These projects support the relocation of the 1st Brigade to Darwin. The Stage 1 development was physically completed in February 1999. Stage 2 is ahead of schedule and is expected to be completed in 2000.

These projects contribute to capability for Land Task Forces Operations (Output 11).

RAAF Base Darwin, the Development of Operational Facilities Project - Darwin, NT

The Development of Operational Facilities Project is continuing with a planned completion date of December 1999. Ordnance Loading Aprons, a Central Emergency Power Station and engineering services will be constructed during 1999.

This project contributes to a number of outputs in particular to increased capability for Air Strike/Reconnaissance, Tactical Fighter Operations and Maritime Patrol Aircraft Operations (Outputs 13, 14, 17).

Bradshaw Field Training Area - Timber Creek, NT

Construction of infrastructure to allow the environmentally sustainable use of the Bradshaw Field Training Area has been delayed pending the acquisition of freehold title.

This project contributes to capability for Land Task Forces Operations (Output 11).

Delamere Air Weapons Range, Electronic Range Development - Katherine, NT

This project will support Project Air 5395 and enhance the Air Combat Training System at the Delamere Air Weapons Range. Facilities provided will include emitter sites and associated civil works in the Delamere area, briefing and monitoring facilities at RAAF Base Tindal, a briefing facility at RAAF Base Darwin and briefing and repair facilities at RAAF Base Williamstown.

This project contributes to a number of outputs in particular capability for Air Strike/Reconnaissance and Tactical Fighter Operations (Output 13, 14).

Russell Redevelopment - Canberra, ACT

Russell Buildings R1 and R2 have been completed and occupied. Redevelopment of the Russell Offices continues on schedule and within budget, with the refurbishment of buildings R3, R4 and R8 (formerly buildings F, G and A) planned to be completed and occupied by the end of May 1999.

This project contributes to all outputs.

Collocation of Staff Colleges - Canberra, ACT

This project will enable participation in a single course, the Australian Command and Staff Course, through the collocation of the three single Service Staff Colleges and equivalent civilian training. The collocated facility will assist Defence Estate rationalisation allowing vacation of Fort Queenscliff by Army enabling transfer to the Government of Victoria under the Federation Fund. Vacation of RAAF Staff College facilities at Fairbairn (sold with Canberra Airport) will facilitate closure of the base. Vacation of RAN Staff College facilities will provide the opportunity to consolidate other defence activities at HMAS Penguin.

This project will contribute to all Defence outputs (Outputs 1 - 22).

The following table provides details of the approved project cost, the expenditure to 30 June 1999 and the estimated expenditure for 1999-2000 of significant current Major Facilities projects. A full list of Major and Medium Facilities Projects by Federal Electorate may be found in *Section Five* of this document.

Table 1.17: Significant Current Major Facilities Projects ⁽¹⁾

PROGRAM OF WORKS (State, Federal Electorate and Locality)	Approved project cost	Estimated Expenditure to 30 June 99	Estimated Expenditure in 1999-2000
	\$m	\$m	\$m
QUEENSLAND			
Herbert			
Townsville - Redevelop of Lavarack Barracks St 2	139.3	1.3	27.7
Townsville – Redevelop of RAAF Base St 1	70.1	-	2.0
Townsville - Construct facilities for Blackhawks	22.1	21.4	2.0
Leichardt			
Cairns – Construct facilities for 51 FNQR	22.5	3.8	17.7
Oxley			
Amberley RAAF Base Amberley Redevelopment	77.4	5.0	30.0
NEW SOUTH WALES			
Eden/Monaro			
Eden – Navy Ammunitioning Facility	67.0	6	3.6
Gilmore			
HMAS Albatross – Redevelopment of Naval Base	110.0	5.5	44.6
Patterson			
Williamstown - Eastern Regional Operations Centre Development	18.0	0.9	16.5
VICTORIA			
Corio			
Point Wilson – Construction of East Coast Armament Interim Facility	6.1	5.0	1.1
Maribyrnong			
Albion – Decontamination Works	38.6	11.8	8.0
WESTERN AUSTRALIA			
Brand			
HMAS Stirling – Development Stage 2 Phase B/C	129.4	122.8	3.0
HMAS Stirling - Base Development Stage 2D	39.5	30.7	1.0
HMAS Stirling - Base Development Stage 3	19.0	8.1	8.4
NORTHERN TERRITORY			
Northern Territory			
Darwin – Joint Army Deployment Facility Development Stage 2	268.3	191.4	45.4
Darwin – The Development of Operational Facilities Project RAAF Base Darwin	59.5	29.0	29.0
Delamere – Air Weapons Range Electronic Range Development –Air Combat Training	12.3	-	0.5
Timber Creek – Bradshaw Station Infrastructure	54.0	1.7	26.0
ACT			
Fraser			
Russell – Redevelopment of Office Facilities	225.2	215.8	9.4
Canberra			
Weston – Construction of collocated staff colleges	25.7	-	5.0

Note:

1. All major works (ie \$6.0m or greater) and medium works (ie \$0.250m to \$5.999m) are approved at an out-turn cost inclusive of fee for service and contingency.

PORTFOLIO EVALUATIONS

The Defence Portfolio Evaluation Strategy, endorsed by the Defence Audit and Program Evaluation Committee in December 1997, is designed to enhance evaluation as an integral part of the Defence performance management framework. It flows directly from the Government's performance management principles and complements continuous performance monitoring by ensuring the targeted utilisation of evaluation as a more precise tool to assist in effective management. The strategy established an annual schedule of portfolio-level evaluations.

Portfolio evaluations for 1999-2000, endorsed by the Defence Audit and Program Evaluation Committee in April 1999, are Defence Workforce Management, Risk Management in Defence and Provision of Supplier Services to Groups.

Outcomes from portfolio evaluations conducted in 1998-99 will be reported in the Defence Annual Report to be tabled at the end of October 1999.

