



# DEFENCE ANNUAL REPORT

2012–13 DEPARTMENT OF DEFENCE

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The report should be attributed as the Defence Annual Report 2012–13.

## User guide

The format and content of this report reflect the requirements developed by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit on 24 June 2013 under subsections 63(2) and 70(2) of the *Public Service Act 1999*.

This report addresses the Department of Defence, the Australian Defence Force and the Defence Materiel Organisation. The Department of Veterans' Affairs and Defence Housing Australia, which are parts of the Defence portfolio, have separate annual reports. The Australian Strategic Policy Institute, funded substantially by Defence, is a government-owned company incorporated under the *Corporations Act 2001* and has a separate annual report.

Annual reports, Portfolio Budget Statements and Portfolio Additional Estimates Statements are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio Budget Statements set out performance targets for departmental programs, Portfolio Additional Estimates Statements may contain revised targets, and annual reports show achievement against the targets.

Defence's annual reports are designed to link performance during the year under review with performance forecasts contained in the Portfolio Budget Statements for the following year. This report covers the period 1 July 2012 to 30 June 2013.

The format of this year's report is different to that of previous years. We have produced a frank and more concise report, which is some 30 per cent shorter than last year's. A large amount of detailed information has been placed in an expanded online version of the report. This is in keeping with the Government's digitisation policy.

An electronic version of this report, and supplementary content that includes additional detailed information, can be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports). Supplementary content is shown in **orange bold italics** in the text of this report. As well as including the mandatory reporting elements in the hard copy publication, extra information is included to supplement mandatory and non-mandatory information.



**Australian Government**  
**Department of Defence**

**Senator the Hon David Johnston**

Minister for Defence  
Parliament House  
Canberra ACT 2600

Dear Minister

We present the *Defence Annual Report 2012–13* for the year ended 30 June 2013. The report has been prepared in accordance with section 63 of the *Public Service Act 1999*. Subsection 63(1) of the Act requires that our report to you be tabled in Parliament.

In accordance with section 45 of the *Financial Management and Accountability Act 1997* and pursuant to regulation 16A of the Financial Management and Accountability Regulations 1997, we are satisfied that Defence has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the department and comply with the Commonwealth Fraud Control Guidelines. Defence has taken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud.

Yours sincerely

A handwritten signature in black ink, reading 'Dennis Richardson'.

**Dennis Richardson**  
Secretary

31 October 2013

A handwritten signature in black ink, reading 'D J Hurley'.

**D J Hurley AC, DSC**  
General  
Chief of the Defence Force

31 October 2013

# INSIDE THE DEFENCE 2012–13 ANNUAL REPORT

LETTER OF TRANSMITTAL .....		iii
<b>PART ONE</b>	<b>DEFENCE OVERVIEW.....</b>	<b>1</b>
CHAPTER 1	Reviews by the Secretary and the Chief of the Defence Force.....	3
CHAPTER 2	Departmental overview .....	11
<b>PART TWO</b>	<b>REPORT ON PERFORMANCE .....</b>	<b>29</b>
CHAPTER 3	Defence outcomes and programs .....	31
<b>Program 1.1</b>	Office of the Secretary and CDF .....	37
<b>Program 1.2</b>	Navy Capabilities.....	41
<b>Program 1.3</b>	Army Capabilities .....	46
<b>Program 1.4</b>	Air Force Capabilities .....	49
<b>Program 1.5</b>	Intelligence Capabilities .....	52
<b>Chief Operating Officer overview</b>	.....	56
<b>Program 1.6</b>	Defence Support.....	58
<b>Program 1.7</b>	Defence Science and Technology .....	62
<b>Program 1.8</b>	Chief Information Officer.....	65
<b>Program 1.9</b>	Vice Chief of the Defence Force .....	68
<b>Program 1.10</b>	Joint Operations Command .....	71
<b>Program 1.11</b>	Capability Development .....	73
<b>Program 1.12</b>	Chief Finance Officer .....	75
<b>Program 1.13</b>	Defence People .....	76
<b>Program 1.14</b>	Defence Force Superannuation Benefits .....	78
<b>Program 1.15</b>	Defence Force Superannuation Nominal Interest .....	79
<b>Program 1.16</b>	Housing Assistance.....	80
<b>Program 1.17</b>	Other Administered .....	84
<b>Program 2.1</b>	Operations Contributing to the Security of the Immediate Neighbourhood .....	90
<b>Program 2.2</b>	Operations Supporting Wider Interests .....	93
<b>Program 3.1</b>	Defence Contribution to National Support Tasks in Australia .....	99
<b>PART THREE</b>	<b>MANAGEMENT AND ACCOUNTABILITY .....</b>	<b>101</b>
CHAPTER 4	Cultural and management reform .....	103
CHAPTER 5	Corporate governance.....	113
CHAPTER 6	People.....	123
CHAPTER 7	Asset management and purchasing.....	149
CHAPTER 8	Capital investment programs .....	151

CHAPTER 9	Environmental performance .....	153
CHAPTER 10	Consultancies and contracts .....	155
CHAPTER 11	Grants and payments .....	169
<b>PART FOUR</b>	<b>DEFENCE MATERIEL .....</b>	<b>173</b>
CHAPTER 12	Defence Materiel Organisation .....	175
	<b>DMO overview</b> .....	175
	<b>Performance against DMO strategic priorities</b> .....	178
	<b>DMO financial performance</b> .....	179
	<b>DMO outcome and programs</b> .....	183
	<b>DMO Program 1.1</b> Management of Capability Acquisition.....	183
	<b>DMO Program 1.2</b> Management of Capability Sustainment .....	192
	<b>DMO Program 1.3</b> Provision of Policy Advice and Management Services .....	201
	<b>DMO governance and accountability</b> .....	202
<b>PART FIVE</b>	<b>FINANCIAL STATEMENTS.....</b>	<b>205</b>
APPENDIX A	CORRECTIONS TO THE 2011–12 ANNUAL REPORT.....	379
APPENDIX B	LIST OF REQUIREMENTS .....	380
	ACRONYMS AND ABBREVIATIONS.....	384
	INDEX .....	386

## ► FEATURE ARTICLE QUICK LINKS

10

STABILITY AND SECURITY IMPROVING  
IN AFGHANISTAN

100

DEFENCE LENDS A HAND DURING  
JANUARY 2013 BUSHFIRES

55

NEW CENTRE TO STRENGTHEN  
CYBER SECURITY

107

NEW OFFICE ESTABLISHED TO DEAL  
WITH SEXUAL MISCONDUCT

61

RARE ORCHID FOUND IN DEFENCE  
TRAINING AREA

150

ADF EQUIPMENT IN AFGHANISTAN  
ON THE MOVE

92

CONCLUSION OF OPERATION ASTUTE

174

A NEW TRI-SERVICE CAPABILITY

95

AUSTRALIAN FORCES IN AFGHANISTAN:  
A PROUD RECORD

## ► PROFILE ARTICLE QUICK LINKS

30

JO KOPEC

64

VIVIENNE WHEATON

45

JENNIFER WITTWER



# Lest we forget

**Sadly, eight Australians were killed in action in Afghanistan over the past year. We remember these soldiers and offer our deepest sympathy to their family and friends**

► **Sergeant Blaine Diddams, MG**

Special Air Service Regiment.

Killed during an engagement with insurgents on 2 July 2012.

► **Private Robert Poate**

6th Battalion, Royal Australian Regiment.

Killed as a result of a small-arms incident on 29 August 2012.

► **Corporal Scott Smith, MG**

Special Operations Engineer Regiment.

Killed by an improvised explosive device on 21 October 2012.

► **Sapper James Martin**

2nd Combat Engineer Regiment.

Killed as a result of a small arms incident on 29 August 2012.

► **Private Nathanael Gallagher**

2nd Commando Regiment.

Killed in a helicopter accident on 30 August 2012.

► **Corporal Cameron Baird, MG**

2nd Commando Regiment.

Killed during an engagement with insurgents on 22 June 2013.

► **Lance Corporal Stjepan Milosevic**

2/14th Light Horse Regiment (QMI).

Killed as a result of a small-arms incident on 29 August 2012.

► **Lance Corporal Mervyn McDonald**

2nd Commando Regiment.

Killed in a helicopter accident on 30 August 2012.

Left: The casket of Corporal Cameron Baird who was killed in action on 22 June 2013 is escorted to the Royal Australian Air Force C-130J Hercules by his mates from the Special Operations Task Group.





**PART ONE**  
DEFENCE OVERVIEW





Secretary of the Department of Defence  
Dennis Richardson

# CHAPTER 1

## Reviews by the Secretary and the Chief of the Defence Force

### Secretary's review

Some hard financial choices were made in order to meet the Government's expectations of the department during the last financial year. We pursued a strategy designed to protect ADF personnel and Defence operations, and to minimise impacts on core capabilities. The department prioritised investments and reduced administration costs. Budget volatility made all of this difficult.

The number of Australian Public Service and contracted personnel within the department was reduced. Shared services continued to be developed and implemented. A challenge for the department is to nail down results so far, ensure they can be sustained over the medium term, and develop a process of continual innovation and improvement.

We have actively pursued cultural reform especially in respect of gender and in personal accountability, but we have a long way to go.

A further challenge is our ICT systems, which do not always meet required standards. Our ageing estate also needs critical attention, especially as we introduce new capability and work to meet our increased responsibilities under the *Work Health and Safety Act 2011*.

We have made some progress in implementing the Black Review reforms, which allow Defence as an organisation to make progress against established enterprise-level priorities. We have a Corporate Plan for 2012–17 and a Defence Annual Plan. The Defence Annual Plan details our organisational priorities, assigns clear outcomes and accountability and will be used as a key enterprise management tool. We have established a Defence Civilian Committee to focus on professional skills development and cultural/accountability issues.

The 2013 Defence White Paper dealt with a number of important developments in the strategic environment since the release of the 2009 White Paper. It reaffirmed the Government's strategic policy framework and committed to the core capabilities in the 2009 Defence White Paper. It also committed to enhancing a number of Australia's most important overseas relationships.

## Looking forward

The single biggest challenge for the next 12 months will be the department's ability to continue to deliver agreed strategic objectives should budget volatility continue. There will be a need for continued APS downsizing to ensure we live within our means.

The transition in Afghanistan is now well underway. As the drawdown continues, we will need to continue to address a mix of policy and practical issues.

We are also developing new initiatives in terms of our defence relationships with the United States, China, India, Japan and Indonesia.

Our efforts in developing defence cooperation and strong relationships with the countries in our region will continue. We look to form deeper ties with ASEAN countries, Papua New Guinea and the South Pacific, and the Republic of Korea. The rotation of US marines through northern Australia will continue, with about 1,150 marines in 2014. There are a series of practical issues, such as housing, cost-sharing arrangements and other logistical matters, that need to be addressed to make this a long-term arrangement.

We will implement further reforms in sustainment, procurement and accountability. We will need to upgrade the estate, ICT and logistics infrastructure to support new capabilities and meet work health and safety obligations.

**‘We will implement further reforms in sustainment, procurement and accountability.’**

Our efforts on cultural reform will continue. The Sexual Misconduct Prevention and Response Office was opened in July 2013 to offer services to those in the Australian Defence Force affected by sexual misconduct. Restricted reporting guidelines have been adopted and policy will be rewritten to support it.

The case studies detailed throughout this annual report are a reflection of the efforts and combined talents of the civilian and military workforce of Defence, including the Defence Materiel Organisation and the Defence Science and Technology Organisation.





Chief of the Defence Force  
General David Hurley AC, DSC

## Chief of the Defence Force's review

After more than a decade of high deployment tempo, the Australian Defence Force (ADF) concluded two overseas operations in the 2012–13 financial year. Operation Astute, our mission in Timor-Leste, ceased in April—13 years after Australia's first deployment under International Force East Timor. Our decade-long commitment to the Regional Assistance Mission to Solomon Islands, known as Operation Anode, also ceased in September.

In Afghanistan, a key milestone was achieved in October 2012 when the four Australian-mentored Afghan National Army (ANA) infantry Kandaks assumed the lead for independent operations in Uruzgan. Australian Force elements handed over Uruzgan's Patrol Bases and Forward Operating Bases to the ANA and the resulting change in posture allowed the ADF to move from a Mentoring Task Force to a smaller Advisory Task Force. The first senior ANA officer to visit Australia arrived in September 2012. Major General Abdul Hamid, Commander of the ANA's 205 Corps, spoke highly of the ADF and the significant improvements he has witnessed in Uruzgan.

Australians were immensely proud to see Corporal Daniel Keighran awarded the Victoria Cross for Australia (VC), the third VC for Operation Slipper. The Army also recognised the 2nd Commando Regiment and Special Air Service Regiment for their incredible efforts when the first Battle Honour since the Vietnam War was presented for the Battle of Eastern Shah Wali Kot.

During 2012–13, the ADF had 60 people deployed to five peacekeeping operations throughout the Middle East and North Africa. Four Royal Australian Navy frigates patrolled the Middle East Area of Operations as part of the Australian-led Combined Task Force 150, including HMAS *Toowoomba*, whose crew helped confiscate half a tonne of heroin in one of the largest illegal drug seizures in maritime history.

Closer to home, the ADF's main effort centred on our contribution to maritime security and border protection. At any given time, approximately 500 Defence personnel were assigned to support Operation Resolute along with up to seven Armidale Class Patrol Boats, one major Fleet Unit, three AP3C–Orion maritime patrol aircraft and a Transit Security Element.

In parallel with these operations, the ADF provided assistance to Fiji, Samoa and the Solomon Islands and to flood and fire affected communities in New South Wales, Queensland, Tasmania and Western Australia. The positive social media response from grateful Australians was overwhelming.

**‘The ADF deployed to five peacekeeping operations throughout the Middle East and North Africa’.**



### ADF operations in 2012–13

Anode (Solomon Islands)	Render Safe (South-West Pacific nations)
Aslan (South Sudan)	Resolute (Border Protection)
Astute (Timor-Leste)	Riverbank (Iraq)
Cathedral (Papua New Guinea)	Slipper (Afghanistan)
Evan Assist (Samoa, Fiji)	Slipper (Middle East)
Gateway (South China Sea/Indian Ocean)	Solania (South-West Pacific)
Mazurka (Egypt)	Tower (Timor-Leste)
Paladin (Middle East)	Queensland Flood Assist II (Australia)
Palate II (Middle East)	



In addition to our operational commitments, Defence has continued to make progress on our cultural reform program, known as Pathway to Change. On 26 November 2012, I apologised publicly to those who have suffered sexual, physical or mental abuse while serving in the ADF. This was a significant step in acknowledging past actions and a statement of support for reform actions. Throughout 2013, Defence has worked with the Honourable Len Roberts-Smith and the Defence Abuse Response Taskforce as they have undertaken their important work.

In keeping with my commitment to ensure we provide a fair, just and inclusive work environment for all our members, women already serving in the ADF have, since January, been able to apply to become mine warfare and clearance diving officers in the Navy; airfield defence guards and ground defence officers in the Air Force; and to join the infantry and armoured corps, explosive ordnance disposal and combat engineer squadrons in the Army. Giving women the opportunity to take on these positions complements our commitment to cultural reform under the Pathway to Change strategy.

The tempo over the past year reflects the ADF's workload over the last decade. Tens of thousands of ADF personnel have contributed to achieving Australia's objective to support peace and stability in our region and beyond.

Many challenges remain but our ability to sustain a high operational tempo in parallel with our day-to-day business and deliver results is a credit to our military personnel and the civilians who support them.

**'... our ability to sustain a high operational tempo ... is a credit to our military personnel and the civilians who support them.'**

## STABILITY AND SECURITY IMPROVING IN AFGHANISTAN

**The people of Afghanistan have witnessed remarkable change in the 12 years since the international community responded to the devastating terrorist attacks on the United States and commenced operations to target al-Qaeda and its operatives.**

Since that time, Australia's military mission in Uruzgan province has provided the conditions that have built the capacity of the Afghan National Security Forces and created the security environment that has allowed the development of basic infrastructure and governance.

Along with other international partners, Australia has supported the development of governance and the restoration of services in Uruzgan province. Australia has contributed to the development of basic infrastructure and of primary-care medical facilities, which have made it possible for 80 per cent of women to receive pre-natal visits. Australia has also assisted in the development of schools—now 200 schools are operating across the province, including 38 schools for girls.

Before international forces arrived in Uruzgan, access to medical facilities and schools was hampered by the poor state of roads and river crossings. Today, travelling across the province is quicker and safer following improvements to 200 kilometres of roads and bridges. As a result, commerce and trade have returned to the main marketplaces within the province. These are promising signs that life has improved for the people of Uruzgan.



Across Afghanistan, all of the country's 34 provinces have now entered transition, an extended period of time where the Afghan Government is assuming full responsibility for its own security. Outside Uruzgan province there are important indicators that normalcy is returning to the lives of the Afghan people: 85 per cent of the population have access to basic health care services, compared to 10 per cent under the Taliban; life expectancy has increased by five years; more than seven million children, including 2.5 million girls, are enrolled in school, seven times the number in 2001. While these are telling statistics, development and capacity-building programs will need to continue well into the future.

Afghanistan still faces many challenges, but continued support to development assistance and to security force sustainment will assist the Afghan Government in its goal of creating a secure and prosperous future for its people.

Australia has committed to support Afghanistan's security, governance and development beyond 2014. The comprehensive long-term partnership Australia signed with Afghanistan in May 2012 underpins our commitment to strengthening bilateral ties and long-term support. Australia has also pledged to contribute to a post-2014 'train, advise and assist' mission led by NATO. Through these and other initiatives, Australia will continue to work with our international and Afghan partners to prevent Afghanistan from again becoming a safe haven for terrorists.

## CHAPTER 2

### Departmental overview

#### Role

The primary role of Defence is to defend Australia against armed attack. Australia's defence policy is founded on the principle of self-reliance in the direct defence of Australia, but with a capacity to do more where there are shared interests with partners and allies.

#### Strategic direction

Defence White Papers are Australia's principal public policy documents regarding defence. The White Paper presents the Government's long-term strategic direction and commitments for Australia's national defence as well as future capability requirements.

The 2013 Defence White Paper represents the government of the day's judgment. It was released on 3 May 2013 by the Prime Minister, Julia Gillard, and Minister for Defence, Stephen Smith.

The Government brought forward delivery of the new White Paper by one year from its original 2014 timetable to address the international and domestic developments influencing Australia's national security and defence posture, internationally and domestically, that have emerged since the 2009 Defence White Paper. These include:

- the strategic shift and focus, particularly economically, to the Asia-Pacific and Indian Ocean Rim regions
- the United States re-balance to the Asia-Pacific and Australia's enhanced practical cooperation with the United States pursuant to our 60-year-old alliance relationship
- the Australian Defence Force's operational drawdown from Afghanistan, Timor-Leste and Solomon Islands
- the Australian Defence Force Posture Review
- the adverse effects of the global financial crisis.

The 2013 Defence White Paper outlined the Government's judgment that the strategic shift to the Indo-Pacific means growing prosperity but also brings some uncertainty and risk. The security architecture in our region that will help manage security risks continues to evolve but, as the region's countries modernise their defence forces, there is scope to implement deeper security and strategic partnerships. The White Paper details plans to strengthen these partnerships.

The 2013 Defence White Paper reaffirms the importance of our longstanding alliance with the United States and the core capability commitments the Government made in the 2009 Defence White Paper and since then. The White Paper assumes Australia will maintain a first-class air combat capability during the transition period to the Joint Strike Fighter. It also describes how the Future Submarine Program will focus on the various options available—an evolved Collins class design or new design options—to best identify an option that meets Australia's strategic requirements.



## Portfolio structure

The Defence portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The three most significant elements are:

- the Department of Defence is a department of state, headed by the Secretary of the Department of Defence
- the Australian Defence Force (ADF), commanded by the Chief of the Defence Force (CDF), consists of the three Services—the Royal Australian Navy, the Army and the Royal Australian Air Force (including Reserves). These Services are commanded by Service Chiefs. Each Service Chief also administers their respective Cadet service, although the Cadet service is not a component of the parent Service
- the Defence Materiel Organisation (DMO), a prescribed agency within the Department of Defence, headed by its Chief Executive Officer.

In practice, these elements work closely together and they are broadly regarded as one organisation known simply as Defence.

The portfolio contains some smaller entities, including a number of statutory offices created by the *Defence Force Discipline Act 1982*, which are independent but reside administratively within Defence, and various trusts and companies such as Defence Housing Australia and the Australian Strategic Policy Institute.

Defence Housing Australia is required by legislation to perform its functions in accordance with the policies of the Australian Government and in accordance with sound commercial practice. This means that it has a targeted rate of return and a requirement to make annual dividends and income tax payments.



Defence Housing Australia's main function is to provide adequate and suitable housing for members of the ADF. As at 30 June 2013, it had two shareholder ministers: the Minister for Defence and the Minister for Finance and Deregulation.

The Defence portfolio also contains the Department of Veterans' Affairs and associated bodies, as designated in the Administrative Arrangements Order. This department is administered and reports separately to Defence.

The Australian Strategic Policy Institute is an independent, non-partisan policy institute. It was set up by government to provide fresh ideas on Australia's defence and strategic policy choices. It aims to help Australians understand the critical strategic choices that the country will face over coming years.



The Minister for Defence, the Hon Stephen Smith MP (to 17 September 2013)



The Minister for Defence, Senator the Hon David Johnston (from 18 September 2013)

## Organisational structure

Defence's workforce consists of the ADF members of the Navy, Army and Air Force and members of the Australian Public Service. The joint leadership of the Department by the Secretary and the CDF is known as the 'diarchy'. The diarchy reflects the individual and joint responsibilities and accountabilities of the Secretary and the CDF through the directions given by the Minister for Defence.

### Secretary, Mr Dennis Richardson AO

Mr Dennis Richardson was appointed Secretary of the Department of Defence from 18 October 2012, following the appointment of his predecessor Mr Duncan Lewis as Ambassador to Belgium, the European Union and the North Atlantic Treaty Organization. The Secretary is the principal civilian adviser to the minister and carries out the functions of the agency head under the *Public Service Act 1999*. The Secretary has responsibilities for the administration of Defence under the *Financial Management and Accountability Act 1997* and is responsible for the civilian workforce under the *Public Service Act 1999*.

### Chief of the Defence Force, General David Hurley AC, DSC

General David Hurley was appointed as CDF on 4 July 2011. The CDF is the commander of the ADF, in line with the statutory responsibilities and authority under the *Defence Act 1903*, and is the principal military adviser to the minister.

### Chief Operating Officer

Mr Simon Lewis vacated the Chief Operating Officer position on 18 April 2013 to transfer to the Department of Veterans' Affairs. The position is responsible for strategic reform, support and policy advice to Defence.

### Chief Executive Officer DMO, Mr Warren King

Mr Warren King took up the position of Chief Executive Officer DMO on 16 February 2012, following the retirement of Dr Stephen Gumley. The Chief Executive Officer DMO is accountable for the DMO's performance in purchasing and sustaining capital equipment assets for the ADF, and for the development and implementation of significant reforms in procurement, sustainment and contracting.

## Organisational structure changes

On 22 October 2012, the Defence Support Group was renamed the Defence Support and Reform Group (DSRG). The change of name reflected the structural changes in the Chief Operating Officer organisation, with the Ministerial and Executive Coordination and Communication Division and the Strategic Reform Management Office joining the group.

The formation of the Defence People Group, which commenced on 30 May 2012, was completed on 4 March 2013, with the transfer of People Services Branch from DSRG. The Defence People Group's internal structure will continue to be adjusted to reflect the lessons being learned through the significant reform activities being undertaken across the group.

Logistics Information Systems Branch made the transition from DMO to the Chief Information Officer Group on 14 February 2013. The transition signalled a new era in cooperation between the Defence logistics community and the Chief Information Officer Group.



### Senior Executive changes

With effect 18 April 2013, Mr Simon Lewis, Chief Operating Officer, transferred to the Department of Veterans' Affairs to act as Secretary prior to being promoted to that position in July 2013. As at 30 June 2013, the position remained vacant.

With effect 29 January 2013, Mr Steven Grzeskowiak commenced as the Deputy Secretary Defence Support and Reform.

With effect 26 November 2012, Dr Peter Lawrence commenced as the Chief Information Officer, following the retirement of Mr Greg Farr.

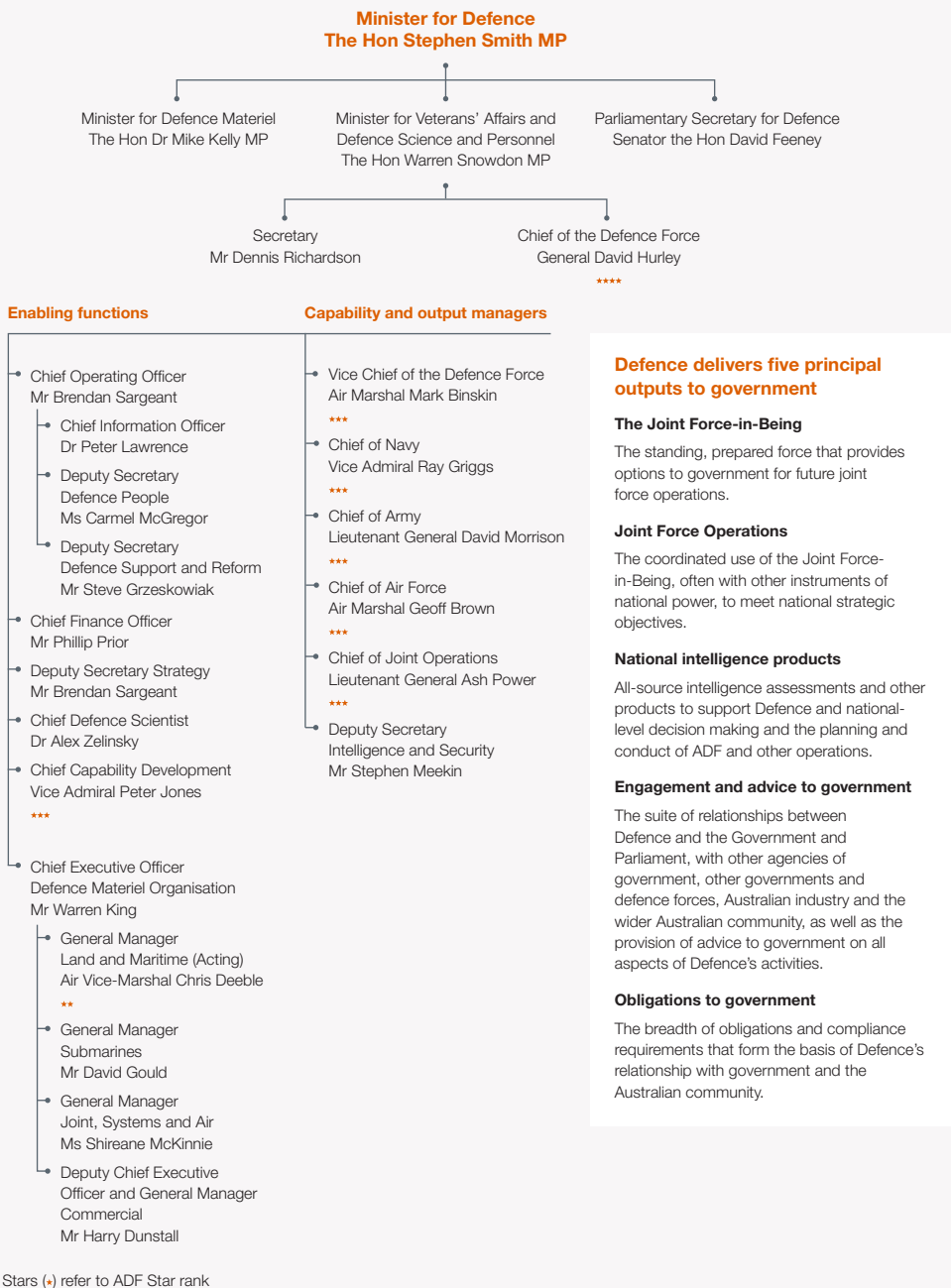
With effect 23 July 2012, Mr David Gould commenced as General Manager Submarines within DMO.

With effect 12 July 2012, Ms Jane Wolfe ceased employment with Defence.

### Changes in ministerial responsibilities

Following the Prime Minister's announcement on changes to the ministry on 4 February 2013, the Hon Dr Mike Kelly AM MP was sworn in as the Minister for Defence Materiel, replacing the Hon Jason Clare MP.

**Figure 2.1**  
**Defence organisational structure as at 30 June 2013**



**Defence delivers five principal outputs to government**

**The Joint Force-in-Being**

The standing, prepared force that provides options to government for future joint force operations.

**Joint Force Operations**

The coordinated use of the Joint Force-in-Being, often with other instruments of national power, to meet national strategic objectives.

**National intelligence products**

All-source intelligence assessments and other products to support Defence and national-level decision making and the planning and conduct of ADF and other operations.

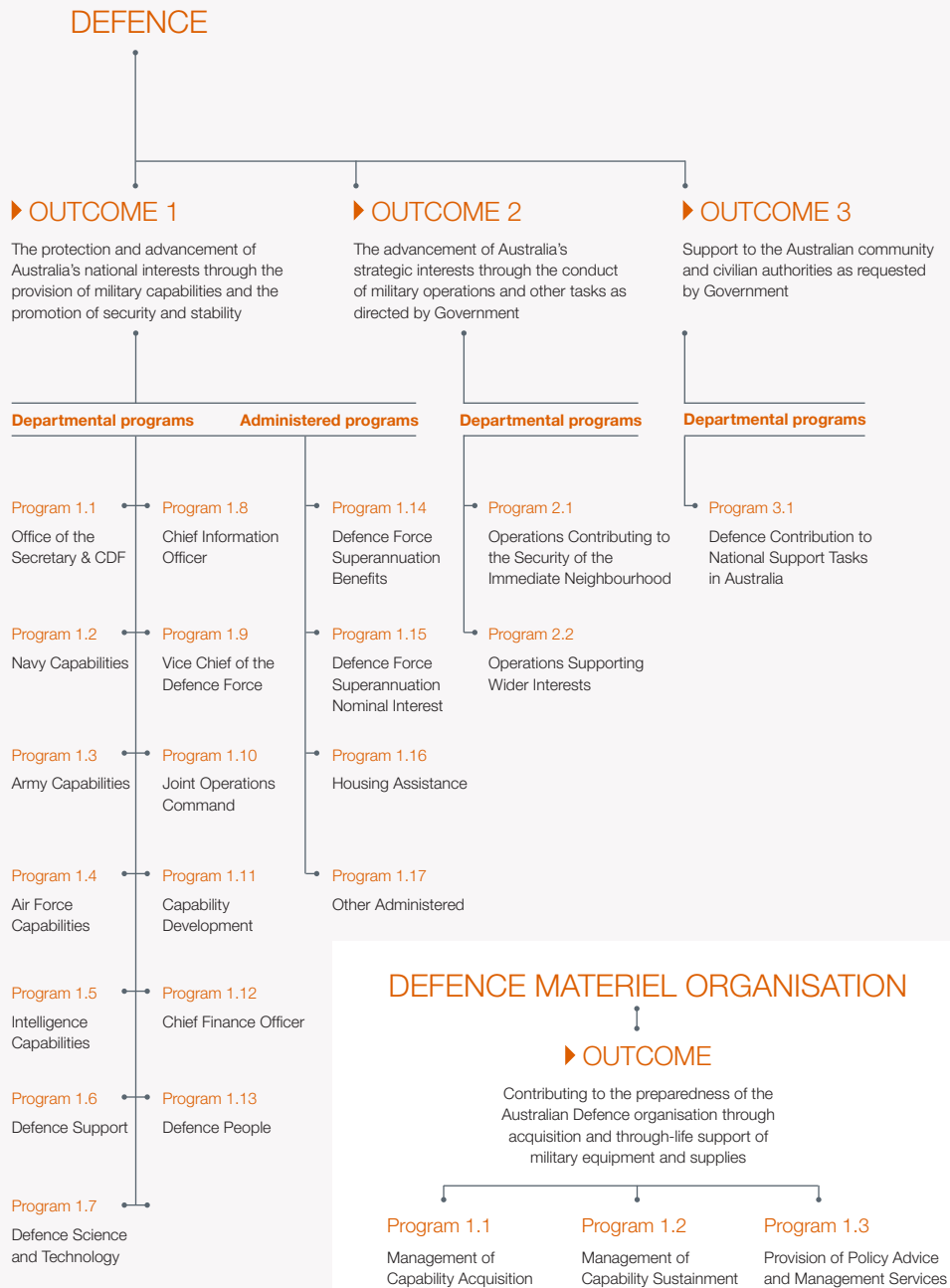
**Engagement and advice to government**

The suite of relationships between Defence and the Government and Parliament, with other agencies of government, other governments and defence forces, Australian industry and the wider Australian community, as well as the provision of advice to government on all aspects of Defence's activities.

**Obligations to government**

The breadth of obligations and compliance requirements that form the basis of Defence's relationship with government and the Australian community.

**Figure 2.2**  
**Structure of Defence outcomes**



## Resource Summary

**Table 2.1**  
**Total cost of Defence outcomes and programs on an accrual basis**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000	%
<b>Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability</b>					
Departmental net cost of service	21,943,465	21,383,224	21,480,625	97,401	..
Administered net cost of service	2,885,557	4,567,792	4,512,225	-55,567	-1
Net cost of service for Outcome 1	24,829,022	25,951,016	25,992,850	41,834	..
<b>Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by government</b>					
Net cost of service for Outcome 2	1,341,283	1,394,516	931,563	-462,953	-33
<b>Outcome 3: Support to the Australian community and civilian authorities as requested by government</b>					
Net cost of service for Outcome 3	9,500	9,500	15,182	5,682	60
<b>Net cost of service for Defence outcomes</b>					
Departmental net cost of service	23,294,248	22,787,240	22,427,370	-359,870	-2
Administered net cost of service	2,885,557	4,567,792	4,512,225	-55,567	-1
<b>Total cost of Defence outcomes</b>	<b>26,179,805</b>	<b>27,355,032</b>	<b>26,939,595</b>	<b>-415,437</b>	<b>-2</b>

### Notes

1. As published in the Portfolio Budget Statements 2012–13.
2. As published in the Portfolio Budget Statements 2013–14.

**Table 2.2**  
**Overall cost to government of Defence outcomes**  
**(departmental and administered)**

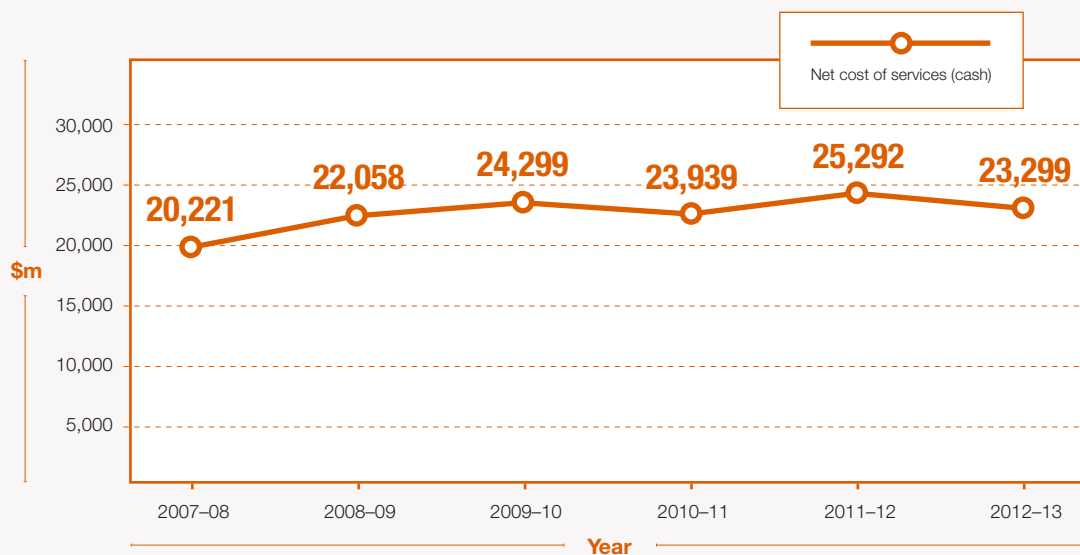
	Outcome 1 \$'000	Outcome 2 \$'000	Outcome 3 \$'000	Total \$'000
<b>DEPARTMENTAL</b>				
<b>Expenses</b>				
Employees	9,691,951	293,608	577	9,986,136
Suppliers	9,168,409	629,419	14,605	9,812,433
Grants	12,036	38,700	-	50,736
Depreciation and amortisation	3,999,977	-	-	3,999,977
Finance cost	85,049	-	-	85,049
Write-down of assets and impairment of assets	800,598	-	-	800,598
Net losses from sale of assets	11,642	-	-	11,642
Other expenses	89,645	65	-	89,710
<b>Total expenses</b>	<b>23,859,307</b>	<b>961,792</b>	<b>15,182</b>	<b>24,836,281</b>
<b>Income</b>				
<b>Revenue</b>				
Goods and services	735,640	30,229	-	765,869
Other revenue	1,259,255	-	-	1,259,255
<b>Total revenue</b>	<b>1,994,895</b>	<b>30,229</b>	<b>-</b>	<b>2,025,124</b>
<b>Gains</b>				
Reversals of previous asset write-downs	317,915	-	-	317,915
Net gains from sale of assets	-	-	-	-
Other gains	65,872	-	-	65,872
<b>Total gains</b>	<b>383,787</b>	<b>-</b>	<b>-</b>	<b>383,787</b>
<b>Total income</b>	<b>2,378,682</b>	<b>30,229</b>	<b>-</b>	<b>2,408,911</b>
<b>Net cost of departmental outcomes</b>	<b>21,480,625</b>	<b>931,563</b>	<b>15,182</b>	<b>22,427,370</b>
<b>ADMINISTERED</b>				
<b>Expenses</b>	5,870,658	-	-	5,870,658
<b>Revenue</b>	1,358,433	-	-	1,358,433
<b>Net cost of administered outcomes</b>	<b>4,512,225</b>	<b>-</b>	<b>-</b>	<b>4,512,225</b>
<b>Total departmental and administered outcomes</b>	<b>25,992,850</b>	<b>931,563</b>	<b>15,182</b>	<b>26,939,595</b>

**Table 2.3**  
**Defence resource statement**

	Actual available appropriation for 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$'000
<b>ORDINARY ANNUAL SERVICES</b>			
Outcome 1	21,491,302	21,707,481	-216,179
Outcome 2	1,394,539	1,182,186	212,353
Outcome 3	9,500	15,182	-5,682
<b>Total departmental outputs</b>	22,895,341	22,904,849	-9,508
<b>Total ordinary annual services</b>	<b>22,895,341</b>	<b>22,904,849</b>	<b>-9,508</b>
<b>OTHER SERVICES</b>			
<b>Departmental non-operating</b>			
Equity injection	456,289	456,289	-
<b>Total departmental non-operating</b>	456,289	456,289	-
<b>Total other services</b>	<b>456,289</b>	<b>456,289</b>	<b>-</b>
<b>Total available annual appropriation</b>	<b>23,351,630</b>	<b>23,361,138</b>	<b>-9,508</b>
<b>SPECIAL APPROPRIATIONS</b>			
<b>Special appropriations limited by criteria/entitlement</b>			
<i>Defence Forces Retirement Benefits Act, 1948 Part 1 s.15D and VIC , s.82ZJ</i>	18,855	18,800	55
<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125</i>	1,368,449	1,294,625	73,824
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	4,462,881	4,461,205	1,676
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	2,443	2,264	179
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	95,593	93,680	1,913
Other Administered	-	84	-84
<b>Total special appropriations</b>	<b>5,948,221</b>	<b>5,870,658</b>	<b>77,563</b>
<b>Total appropriations</b>	<b>29,299,851</b>	<b>29,231,796</b>	<b>68,055</b>
Funding from other sources	2,366,309	2,367,090	-781
Returns to the OPA (net)	-1,398,291	-1,415,995	17,704

	Actual available appropriation for 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$'000
Previous years' outputs (appropriation receivable)	76,857	67,349	9,508
Cash available	18,091	68,460	-50,369
<b>Total other available resources</b>	1,062,966	1,086,904	-23,938
<b>Total resourcing</b>	<b>30,362,817</b>	<b>30,318,700</b>	<b>44,117</b>
<b>Special accounts</b>			
Opening balance	112,451	112,451	-
Appropriation receipts	-	-	-
Appropriation receipts - other agencies	-	-	-
Non-appropriation receipts to special accounts	50,064	29,673	20,391
<b>Total special accounts</b>	<b>162,515</b>	<b>142,124</b>	<b>20,391</b>

**Figure 2.3**  
**Departmental net cost of services (cash): six-year trend**



**Note**

Departmental net cost of services figures are based on in-year dollars.

**Table 2.4**  
**Departmental net cost of services (cash)**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000
<b>Cost of service</b>				
Employee payments	9,841,548	9,879,207	9,921,248	42,041
Supplier payments	8,910,692	8,772,069	8,582,206	-189,863
Purchase of specialist military equipment	2,936,004	3,281,071	3,364,046	82,975
Purchase of inventory	988,753	894,485	900,963	6,478
Purchase of property, plant and equipment <sup>[3]</sup>	1,301,497	1,209,487	1,268,215	58,728
Other <sup>[4]</sup>	876,795	898,179	818,310	-79,869
<b>Total cash used</b>	<b>24,855,289</b>	<b>24,934,498</b>	<b>24,854,988</b>	<b>-79,510</b>
Own source revenue <sup>[5]</sup>	1,675,737	1,596,945	1,555,614	-41,331
<b>Net cost of service (cash)</b>	<b>23,179,552</b>	<b>23,337,553</b>	<b>23,299,374</b>	<b>-38,179</b>
<b>Funded by</b>				
Appropriation Bills 1 & 3 (Price of Outcomes)	23,269,856	22,895,341	22,827,992	-67,349
Appropriation Bills 2 & 4 (Equity injection)	-	456,289	456,289	-
Other appropriation movements	-	-	76,857	76,857
Return of contributed equity	-90,304	-14,077	-15,067	-990
Cash holdings from previous appropriations <sup>[6]</sup>	-	-	3,268	3,268
Increase to cash at bank	-	-	-49,965	-49,965
<b>Total funding source</b>	<b>23,179,552</b>	<b>23,337,553</b>	<b>23,299,374</b>	<b>-38,179</b>
Additional output funding	-	-	-	-
<b>Revised total funding source</b>	<b>23,179,552</b>	<b>23,337,553</b>	<b>23,299,374</b>	<b>-38,179</b>
Defence no-win/no-loss hand-back (net)				165,343
<b>Departmental variance</b>				<b>127,164</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 60.
2. As published in the Portfolio Budget Statements 2013–14, Table 53.
3. Includes purchase of land and buildings, infrastructure, plant and equipment, intangibles and heritage and cultural assets.
4. Includes grants, GST payments, finance costs, repayment of debt, selling costs on sale of assets and other cash used.
5. Includes sale of goods and services, other cash received, GST and proceeds from sale of assets and interest received.
6. Includes Section 31 receipts from OPA less Section 31 receipts transferred to OPA.

**Table 2.5**  
**Departmental income and expenses**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000
<b>Expenses</b>				
Employees	9,862,642	9,919,926	9,986,136	66,210
Suppliers	9,640,819	10,010,392	9,812,433	-197,959
Depreciation and amortisation	3,883,375	3,683,071	3,999,977	316,906
Other expenses <sup>[3]</sup>	1,345,045	1,337,724	1,037,735	-299,989
<b>Total expenses</b>	<b>24,731,881</b>	<b>24,951,113</b>	<b>24,836,281</b>	<b>-114,832</b>
<b>Income</b>				
Revenue from government	23,269,856	22,895,341	22,707,890	-187,451
Other income <sup>[4]</sup>	1,437,633	2,163,873	2,408,911	245,038
<b>Total income</b>	<b>24,707,489</b>	<b>25,059,214</b>	<b>25,116,801</b>	<b>57,587</b>
<b>Surplus/(deficit) attributable to the government</b>	<b>-24,392</b>	<b>108,101</b>	<b>280,520</b>	<b>172,419</b>

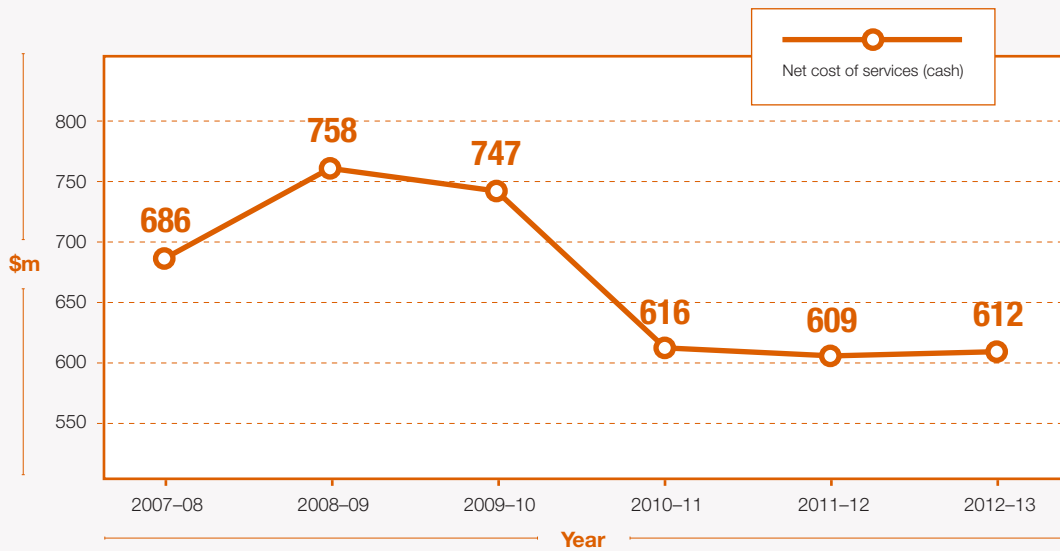
**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 58.
2. As published in the Portfolio Budget Statements 2013–14, Table 51.
3. Includes grants, finance costs, write-down of assets and impairment of assets, foreign exchange losses, losses from sale of assets and other expenses.
4. Includes sale of goods and rendering of services, rental income, other revenue and gains.

**Table 2.6**  
**Departmental income and expenses net variations**

	income and expense variation \$'000	Variation adjustment \$'000	Net variation \$'000
<b>Expenses</b>			
Employees	66,210		
offset by:			
No win / no loss		23,058	
Net employees			89,268
Suppliers	-197,959		
offset by:			
No win / no loss		207,173	
Net suppliers			9,214
Depreciation and amortisation	316,906		
Net depreciation			316,906
Other	-299,989		
offset by:			
Reversal of previous asset write-downs and impairment		291,229	
No win / no loss		-409	
Net other expenses			-9,169
<b>Total expenses</b>	<b>-114,832</b>	<b>521,051</b>	<b>406,219</b>
<b>Income</b>			
Revenue from government	-187,451		
offset by:			
No win / no loss		212,353	
Net revenue from government			24,902
Other income	245,038		
offset by:			
No win / no loss		17,469	
Reversal of previous asset write-downs and impairment		291,229	
Net other income			553,736
<b>Total income</b>	<b>57,587</b>	<b>521,051</b>	<b>578,638</b>
<b>Surplus/(deficit) attributable to the government</b>	<b>172,419</b>	<b>-</b>	<b>172,419</b>

**Figure 2.4**  
**Administered net cost of services (cash): six-year trend**



**Note**

Administered net cost of services figures based on in-year dollars.

**Table 2.7**  
**Administered net cost of services (cash)**

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000	%
<b>Cost of service</b>					
Employees	1,910,631	1,890,164	1,920,671	30,507	2
Subsidies	109,236	98,036	95,547	-2,489	-3
Grants	-	-	-	-	-
Loans to CAC Act bodies	-	-	-	-	-
CAC Act body investments	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash used</b>	<b>2,019,867</b>	<b>1,988,200</b>	<b>2,016,218</b>	<b>28,018</b>	<b>1</b>
<b>Cash received</b>					
Military superannuation contributions	1,215,132	1,250,148	1,265,959	15,811	1
Fees	9,963	11,115	11,231	116	1
Interest	31,849	31,849	30,854	-995	-3
Dividends	48,594	49,654	49,654	-	-
Other	39,057	41,448	46,499	5,051	12
<b>Total cash received</b>	<b>1,344,595</b>	<b>1,384,214</b>	<b>1,404,197</b>	<b>19,983</b>	<b>1</b>
<b>Net cost of service (cash)</b>	<b>675,272</b>	<b>603,986</b>	<b>612,021</b>	<b>8,035</b>	<b>1</b>
<b>Funded by</b>					
Appropriations					
Cash from the Official Public Account for appropriations	2,019,867	1,988,200	2,016,218	28,018	1
Cash transfer to the Official Public Account	-1,344,595	-1,384,214	-1,404,197	-19,983	1
Cash holdings at the beginning of the reporting period	-	-	-	-	-
<b>Total funding source</b>	<b>675,272</b>	<b>603,986</b>	<b>612,021</b>	<b>8,035</b>	<b>1</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012-13, Table 69.
2. As published in the Portfolio Budget Statements 2013-14, Table 62.

**Table 2.8**  
**Administered income and expenses**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000	%
<b>Expenses administered on behalf of government</b>					
Military superannuation benefits	4,053,968	5,785,962	5,712,747	-73,215	-1
Military retention benefits	64,223	64,223	61,883	-2,340	-4
Subsidies	109,236	98,036	95,944	-2,092	-2
Grants	-	-	-	-	-
Foreign exchange losses	-	-	-	-	-
Other	-	-	84	84	-
<b>Total expenses</b>	<b>4,227,427</b>	<b>5,948,221</b>	<b>5,870,658</b>	<b>-77,563</b>	<b>-1</b>
<b>Income administered on behalf of government</b>					
Interest	31,849	31,849	30,854	-995	-3
Foreign exchange gains	-	-	321	321	-
Military superannuation contributions	1,215,188	1,250,204	1,213,777	-36,427	-3
Dividends	45,813	45,813	51,073	5,260	11
Fees	9,963	11,115	14,239	3,124	28
Other	39,057	41,448	48,169	6,721	16
<b>Total income</b>	<b>1,341,870</b>	<b>1,380,429</b>	<b>1,358,433</b>	<b>-21,996</b>	<b>-2</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 67.

2. As published in the Portfolio Budget Statements 2013–14, Table 60.

## Workforce summary

The headline figures for the Defence workforce are the funded strength for the ADF and the actual staffing level (full-time equivalent) for the APS as at 30 June 2013. These figures were 56,117 for the ADF and 21,006 for the APS. The comparable figures for 30 June 2012 were 57,285 and 22,284 respectively.

For the APS, this represents a reduction of 1,278 in actual numbers for the full-time equivalent workforce year on year. This downward trend is also evident in other Defence workforce statistical data. The average full-time equivalent for 2012–13 of 21,534 reflects the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time staff to show the average full-time equivalent. This compares to the average full-time equivalent for 2011–12 of 21,818.

There was a higher number of separations in the second half of 2012–13, resulting in the average full-time equivalent for the year being higher than the actual full-time equivalent at the end of the financial year. As the APS workforce trends downwards, the average figure for the year will always be above the end-of-year actual figure. This downward trend will continue during 2013–14.

Defence's headcount APS staffing figure for the year also showed a downward trend: from 23,299 at 30 June 2012 to 22,107 at 30 June 2013, a reduction of 1,192. The headcount figure includes paid and unpaid employees, covering full-time, part-time, ongoing and non-ongoing employees.

Further details can be found in Chapter 6.





**PART TWO**  
REPORT ON PERFORMANCE **2**

► PROFILE: JO KOPEC

## FROM LONDON TO CANBERRA— CAREER IN LAW AND GOVERNMENT

Jo Kopec started to work in the Freedom of Information (FOI) Directorate in Defence in May 2007, after five years working as a paralegal with the Australian Government Solicitor. Before that, Jo had worked with the law firm Manches in London.

After five years as an FOI case manager in Defence, Jo joined the FOI Review Team in November 2012 and is currently acting in the role of Assistant to the Special Adviser, Freedom of Information.

As part of the team, Jo is involved in a multitude of FOI functions and tasks. Her team manages and is responsible to the branch head for all FOI internal and external reviews and complaints. This includes dealing with the many complexities associated with everything from amendment of records to the release of documents relating to the treatment of detainees in Afghanistan.

A recent internal review of a decision regarding documents about the treatment of detainees in Afghanistan involved the FOI Review Team, Joint Operations Command, and International Policy Division in examining the documents for sensitive information. The three bodies developed reasons for the exempt material, which led to a firm decision well supported by the subject matter experts. The documents were released with exempt material deleted, and then published on Defence's disclosure log.

Since joining the FOI Review Team, Jo said she had expanded her skill set, working with the team on a range of tasks that require a deep understanding of Defence's diverse functions and activities.



‘Jo said she enjoyed working in the Defence environment.’

Following the reforms to the *Freedom of Information Act 1982* in November 2010, former Defence Secretary Allan Hawke conducted a review on the FOI Act, which was completed in 2013. Jo was involved in Defence's input into the review.

Jo was also involved in writing the Defence FOI Better Practice Guide, and has written and updated FOI training material, taking into account recent decisions handed down by the Information Commissioner.

‘It is a very busy job, with a high tempo, which I love’, she said.

‘I work with a great team where we support each other and look forward to coming to work every day.’

## CHAPTER 3

### Defence outcomes and programs

*Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability.*

### Summary

Australia's defence policy continues to be based on four key strategic interests that are interconnected and contribute to Australia's security. These are a secure Australia, a secure South Pacific and Timor-Leste, a stable wider region, which we now conceptualise as the emerging Indo-Pacific, and a stable, rules-based global order. The ADF's purpose is to contribute to the stability and security of Australia's immediate region and help meet our international obligations, and to deter or defeat attacks on Australian territory. Outcome 1 also encompasses all of the policy, command and support functions undertaken by Defence.

A credible ADF is the basis of the principle of self-reliance in deterring or defeating armed attacks on Australia. Maintaining credible high-end capabilities enables us to act decisively when required, deter would-be adversaries and strengthen our regional influence. To that end, Defence's objectives include the enhancement of core ADF capabilities, including undersea warfare, anti-submarine warfare, surface maritime warfare, air superiority, strategic strike, special forces, intelligence, surveillance and reconnaissance, and cyber security. The objective to prioritise core capability delivery will ensure that the ADF remains one of the most capable forces in our region and can deliver on the Government's priorities.

Major accomplishments over the reporting period included Defence's hosting of two rotations of United States Marines in Darwin, the start of annual Defence minister-level meetings with Indonesia, and the conclusion of Operation Astute in Timor-Leste.

Defence continued to prepare for the Afghanistan transition, with all Afghan National Army brigades in Uruzgan province operating independently from November 2012; and the new amphibious capability was introduced, with the first landing helicopter dock ship, HMAS *Canberra*, due to enter service in December 2014.

### Structure

There are 17 programs under Outcome 1. These include departmental outputs for programs 1.1 to 1.13 and administered expenses relating to retirements, superannuation and housing support services.

The program deliverables and key performance indicators tables are assessed using the following key system:

Key	Description
Met	All targets for 2012–13 were met or exceeded.
Substantially met	Targets were mostly met and any issues were being managed.
Partially met	Some targets were met and any issues were being managed.
Not met	No or minimal progress was made against targets.

**Table 3.1**  
**Total cost of Defence Outcome 1**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Program 1.1 Office of the Secretary and CDF</b>					
Revenues from other sources	1,389	542	3,875	3,333	615
Departmental outputs	168,219	142,928	150,342	7,414	5
<b>Program 1.2 Navy Capabilities</b>					
Revenues from other sources	167,686	241,929	93,433	-148,496	-61
Departmental outputs	4,270,118	4,184,758	4,186,711	1,953	..
<b>Program 1.3 Army Capabilities</b>					
Revenues from other sources	146,748	142,543	188,315	45,772	32
Departmental outputs	5,025,969	5,041,977	5,196,453	154,476	3
<b>Program 1.4 Air Force Capabilities</b>					
Revenues from other sources	263,467	290,435	144,787	-145,648	-50
Departmental outputs	4,217,797	4,113,185	4,277,850	164,665	4
<b>Program 1.5 Intelligence Capabilities</b>					
Revenues from other sources	12,813	12,729	7,157	-5,572	-44
Departmental outputs	474,357	507,151	539,361	32,210	6
<b>Chief Operating Officer</b>					
Revenues from other sources	303,300	314,485	353,802	39,317	13
Departmental outputs	4,845,092	4,977,476	4,919,111	-58,365	-1

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Program 1.6 Chief Operating Officer—Defence Support</b>					
Revenues from other sources	295,193	302,183	349,197	47,014	16
Departmental outputs	3,688,491	3,647,778	3,660,129	12,351	..
<b>Program 1.7 Defence Science and Technology</b>					
Revenues from other sources	34,039	40,535	35,233	-5,302	-13
Departmental outputs	439,548	441,397	434,070	-7,327	-2
<b>Program 1.8 Chief Operating Officer—Chief Information Officer</b>					
Revenues from other sources	8,107	12,234	4,251	-7,983	-65
Departmental outputs	833,021	974,401	908,026	-66,375	-7
<b>Program 1.9 Vice Chief of the Defence Force</b>					
Revenues from other sources	244,528	241,241	323,833	82,592	34
Departmental outputs	1,013,394	1,162,672	1,336,670	173,998	15
<b>Program 1.10 Joint Operations Command</b>					
Revenues from other sources	374	1,133	106	-1,027	-91
Departmental outputs	43,274	45,546	31,747	-13,799	-30
<b>Program 1.11 Capability Development</b>					
Revenues from other sources	87,544	71,118	433,201	362,083	509
Departmental outputs	987,597	230,365	-50,171	-280,536	-122
<b>Program 1.12 Chief Finance Officer</b>					
Revenues from other sources	151,354	782,289	823,104	40,815	5
Departmental outputs	458,100	535,769	458,475	-77,294	-14

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Program 1.13 Chief Operating Officer—People Strategies and Policy</b>					
Revenues from other sources	-	68	354	286	421
Departmental outputs	323,580	355,297	350,957	-4,340	-1
<b>Program 1.14 Defence Force Superannuation Benefits</b>					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ<sup>[1]</sup></i>	-	-	-	-	-
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125<sup>[3]</sup></i>	92,344	188,592	115,625	-72,967	-39
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,210,709	2,981,554	3,016,205	34,651	1
<b>Total Administered expenses</b>	<b>1,303,053</b>	<b>3,170,146</b>	<b>3,131,830</b>	<b>-38,316</b>	<b>-1</b>
<i>Administered revenue from other sources</i>	1,215,188	1,250,204	1,213,777	-36,427	-3
<b>Total Program 1.14</b>	<b>87,865</b>	<b>1,919,942</b>	<b>1,918,053</b>	<b>-1,889</b>	<b>..</b>
<b>Program 1.15 Defence Force Superannuation Nominal Interest</b>					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ<sup>[1]</sup></i>	28,531	18,855	18,800	-55	..
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125<sup>[3]</sup></i>	1,481,844	1,179,857	1,179,000	-857	..
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,304,763	1,481,327	1,445,000	-36,327	-2
<b>Total Administered expenses</b>	<b>2,815,138</b>	<b>2,680,039</b>	<b>2,642,800</b>	<b>-37,239</b>	<b>-1</b>
<i>Administered revenue from other sources</i>	-	-	-	-	-
<b>Total Program 1.15</b>	<b>2,815,138</b>	<b>2,680,039</b>	<b>2,642,800</b>	<b>-37,239</b>	<b>-1</b>

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Program 1.16 Housing Assistance</b>					
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	2,883	2,443	2,264	-179	-7
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	106,353	95,593	93,680	-1,913	-2
<b>Total Administered expenses</b>	<b>109,236</b>	<b>98,036</b>	<b>95,944</b>	<b>-2,092</b>	<b>-2</b>
<i>Administered revenue from other sources</i>	9,963	11,115	14,239	3,124	28
<b>Total Program 1.16</b>	<b>99,273</b>	<b>86,921</b>	<b>81,705</b>	<b>-5,216</b>	<b>-6</b>
<b>Program 1.17 Other Administered</b>					
<i>Administered revenue from other sources</i>	116,719	119,110	130,417	11,307	9
<i>Expenses</i>	-	-	84	84	-
<b>Total Program 1.17</b>	<b>-116,719</b>	<b>-119,110</b>	<b>-130,333</b>	<b>-11,223</b>	<b>9</b>
<b>Total resourcing</b>					
Total Departmental outputs	21,943,465	21,383,224	21,480,625	97,401	..
Total Administered	2,885,557	4,567,792	4,512,225	-55,567	-1
Total Departmental revenue from other sources	1,413,242	2,138,979	2,378,682	239,703	11
Total Administered revenue from other sources	1,341,870	1,380,429	1,358,433	-21,996	-2
Equity Injection	-	456,312	456,289	-23	..
<b>Total resources for Outcome 1</b>	<b>27,584,134</b>	<b>29,926,736</b>	<b>30,186,254</b>	<b>259,518</b>	<b>1</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 23.
2. As published in the Portfolio Budget Statements 2013–14, Table 11.
3. At the program level, Departmental Revenues from other sources include minor reclassifications from expenses.

**Table 3.2**  
**Departmental cost summary for Outcome 1<sup>[1]</sup>**

	2012–13 budget estimate <sup>[2]</sup> \$'000	2012–13 revised estimate <sup>[3]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000	%
<b>Expenses</b>					
Employees	9,571,523	9,605,220	9,691,951	86,731	1
Suppliers	8,595,122	8,970,404	9,168,409	198,005	2
Grants	5,512	10,924	12,036	1,112	10
Depreciation and amortisation	3,883,375	3,683,071	3,999,977	316,906	9
Finance cost	92,591	94,342	85,049	-9,293	-10
Write-down of assets and impairment of assets	1,085,305	1,066,060	800,598	-265,462	-25
Net losses from sale of assets	-	7,565	11,642	4,077	54
Other expenses	123,279	84,617	89,645	5,028	6
<b>Total expenses</b>	<b>23,356,707</b>	<b>23,522,203</b>	<b>23,859,307</b>	<b>337,104</b>	<b>1</b>
<b>Income</b>					
<b>Revenue</b>					
Goods and services	816,581	778,668	735,640	-43,028	-6
Other revenue	70,234	834,566	1,259,255	424,689	51
<b>Total revenue</b>	<b>886,815</b>	<b>1,613,234</b>	<b>1,994,895</b>	<b>381,661</b>	<b>24</b>
<b>Gains</b>					
Assets now recognised	521,145	520,744	317,915	-202,829	-39
Reversals of previous asset write-downs	281	-	-	-	-
Other gains	5,001	5,001	65,872	60,871	1,217
Total gains	526,427	525,745	383,787	-141,958	-27
<b>Total income</b>	<b>1,413,242</b>	<b>2,138,979</b>	<b>2,378,682</b>	<b>239,703</b>	<b>11</b>
<b>Departmental cost summary for Outcome 1</b>	<b>21,943,465</b>	<b>21,383,224</b>	<b>21,480,625</b>	<b>97,401</b>	<b>..</b>

**Notes**

1. This table excludes capital payments for outcomes.
2. Total aggregation of Outcome 1 programs as published in the Portfolio Budget Statements 2012–13.
3. Total aggregation of Outcome 1 programs as published in the Portfolio Budget Statements 2013–14.

## Program 1.1 Office of the Secretary and CDF

The primary role of the Office of the Secretary and Chief of the Defence Force (OSCDF) Group is to support the Secretary and the CDF to lead and manage the operational and corporate Defence enterprise. This includes delivering high-quality policy advice and exercising strategic leadership.

The group comprises the personal offices of the Secretary and the CDF, the Strategy Executive, the Audit and Fraud Control Division, and three military justice agencies.

The release of the 2013 Defence White Paper on 3 May 2013 provided the Government's strategic direction to Defence. It also outlined the Government's approach to implementation of agreed Posture Review recommendations. The White Paper gave direction to Defence activities and was reinforced through the Government's priorities in the 2013–14 Budget.

The group made progress in 2012–13 in strengthening accountability, planning and risk management.

Key achievements include the following:

- A new Defence Corporate Plan 2012–17 and the supporting Defence Annual Plan was introduced, with a quarterly enterprise performance and risk report. The Defence Committee is actively monitoring performance throughout the year.
- The implementation of the Defence Enterprise Risk Framework and the completion of initial risk profiles provide Defence with mechanisms to anticipate and manage its material risks, which can inform prioritisation and resource allocation.
- The Reformed Accountability Model pilot was rolled out to Defence Support and Reform Group as the test environment. This pilot, which includes enhanced training on accountability, objective setting and performance management as part of Defence's executive and senior leadership courses, will strengthen the capacity of Defence's future leaders to display and supervise strong accountability behaviours and practices.



Defence will now focus on integrating these products within Defence planning, budgeting and decision-making processes.

The Defence Fraud Control Plan Number 10 was approved, after a fraud risk assessment was conducted. The plan outlines Defence's strategic approach to the prevention and detection of fraud and how Defence will respond when fraud occurs. Defence also strengthened its fraud control framework by integrating the Defence enterprise risk management system to ensure closer alignment with Defence's strategic priorities.

Defence managed a program of bilateral and multilateral outcomes with a wide range of key partners. During the year, deliverables included:

- participation in Association of Southeast Asian Nations Defence Ministers Meeting
- progression of initiatives related to enhanced cooperation with the United States
- signing of the Defence Cooperation Arrangement with Indonesia and implementation of an enhanced strategic dialogue structure (including the Australia–Indonesia High Level Committee)
- enhanced defence collaboration with Japan and the Republic of Korea, including holding the fourth counterpart meeting with Japan and participation in the Republic of Korea's proliferation security initiative exercise Eastern Endeavour 2012
- a ministerial dialogue with China; a People's Liberation Army ship visit to Sydney including a seminar on anti-piracy; and holding the practical humanitarian assistance and disaster relief exercise Cooperation Spirit in Queensland with the People's Liberation Army and the New Zealand Defence Force
- the first visit to Australia by an Indian Defence Minister
- expansion of the Defence Cooperation Program with Papua New Guinea (PNG) and the signing of an Australia–PNG Defence Cooperation Agreement
- continued provision of policy advice to support ADF operations in Afghanistan
- the drawdown of ADF operations in Timor-Leste and Solomon Islands
- enhanced strategic dialogue with Vietnam, including the inaugural annual Defence Ministers' meeting and new government and academic dialogue
- the entry into force of the Australia–Philippines Status of Visiting Forces Agreement.

The Australia – United States Defence Trade Cooperation Treaty commenced on 16 May 2013 and the treaty-related provisions of the *Defence Trade Controls Act 2012* commenced on 6 June 2013. Treaty guidance in the form of the Australian Community Manual, compliance policy and other information resources were developed in consultation with industry and made available on the Defence website. Defence has begun processing applications from industry to join the treaty arrangements.

Implementation of the Woomera Review recommendations continued, with the moratorium on new mining exploration applications ending and the transition phase starting in October 2012. The Bill to support the co-existence scheme, which will balance Defence's war materiel testing needs with non-Defence user access to the Woomera Prohibited Area, was passed by the House of Representatives and referred in June 2013 to the Senate Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report. The draft Rules to support the Bill's implementation were also released for public consultation.

Defence, through the Defence Export Control Office, issued 2,960 export permissions and 2,673 pieces of advice in 2012–13 to industry, individuals and government agencies for a range of goods covered in the Defence and Strategic Goods List.

**Table 3.3**  
**Program 1.1 deliverables**

Deliverable	Status
Ensure group-specific reform and savings initiatives have been achieved	Substantially met
Review the recommendations of the Australian Defence Force Posture Review and incorporate them as appropriate into the 2013 Defence White Paper	Met
Enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes	Met
Align Defence's corporate, enterprise risk and strategic planning functions, including through Defence's annual and corporate plans	Met
Ensure policy advice provided to the Government is accurate, timely and responsive and offers practical and cost-effective approaches to fulfil the Government's defence responsibilities	Substantially met
Ensure both Defence strategic policy and corporate strategy align with Government direction and priorities, including fiscal policy	Met
Ensure Defence's international relationships complement broader foreign policy, promote security and enhance productive Defence partnerships, particularly regionally, including through the Defence Cooperation Program	Substantially met
Provide policy advice on arms control and international collaborative programs	Met
Manage export control of defence and strategic goods	Met
Implement the legislation for the Australia – United States Defence Trade Cooperation Treaty and appropriate treaty guidance to Australian defence industry	Met
Implementation of the recommendations of the Review into the Woomera Prohibited Area	Met
On behalf of the Secretary and CDF undertake independent audits of Defence activities, and coordinate Australian National Audit Office activity in Defence	Met
On behalf of the Secretary and CDF, take a leading role in the prevention and detection of fraud, undertake fraud investigations, and produce the Defence Fraud Control Plan	Met

**Table 3.4**  
**Program 1.1 key performance indicators**

Key performance indicator	Status
Group-specific outcomes and programs are delivered within allocated resources and meet directed efficiency, economy and cultural measures	Substantially met
Staff skills are developed and personnel management practices successfully balance competing priorities	Substantially met
Policy guidance is forward looking, timely, innovative and practical	Met

*More information about group key performance indicators as well as the report on the Defence Cooperation Program are available online.*

## Program 1.2 Navy Capabilities

The Navy supports the ADF in protecting and advancing Australia's strategic interests through the provision of maritime forces.

This support ranges from maritime patrol and response, through to interdiction and strategic strike, and amphibious warfare capabilities. It includes protection of trade, shipping and offshore territories and resources. Support is provided through maritime intelligence collection and evaluation, hydrographic and oceanographic operations, and escort duties. Peacetime activities not only encompass training, but also maritime surveillance and response within Australia's offshore maritime zones. The Navy undertakes hydrographic, oceanographic and meteorological support operations, humanitarian assistance, disaster relief, and maritime search and rescue.

The Navy continued a high tempo of operations, activities and training during the year, set within cultural change and major reforms in a wide range of areas. The Navy maintained its commitment to operations. Despite facing challenges with the sustainment of afloat support forces and the management of contracted sustainment of patrol boats, the Navy met its preparedness, sustainment and leadership of assigned forces requirements through improvements in the availability of amphibious units and submarines. Workforce risks associated with transition to new and future capability and shortages of trained personnel across a number of critical areas were addressed.

There was a skill decay as a result of HMAS *Success*'s extended maintenance period, maintenance of patrol boat crews in support of Operation Resolute and fewer training opportunities because of the reassignment of hydrographic ships to Operation Resolute.

**'The Navy continued a high tempo of operations, activities and training during the year, set within cultural change and major reforms in a wide range of areas.'**

Due to the reassignment, half of the planned survey days were not achieved, resulting in the Navy not meeting the key performance indicator of Hydroscheme 2012–2015. The deliverables of unit-ready days, flying hours and production of navigational charts were mostly met.

Over the year, major fleet units were upgraded. Three long-serving heavy landing craft—*Balikpapan*, *Betano* and *Wewak*—were decommissioned. Coinciding with the Canberra centenary celebrations, the first of the new landing helicopter docks, known as LHDs, was named HMAS *Canberra* and is due for introduction into service in late 2014. The MH-60R Maritime Combat Helicopter was introduced, with 725 squadron in Jacksonville, USA to work towards an initial operational capability in 2015. This helicopter, known as the MH-60R Seahawk Romeo, is replacing the S-70B-2 Seahawks.

The Navy welcomed the Spanish Armada tanker ESPS *Canabria* in February 2013 for a 10-month assignment to the Royal Australian Navy. The ship has provided mutually beneficial training and assessment outcomes for the two countries, as well as supplementing afloat support and disaster relief capabilities.

Substantial progress was made in implementing the New Generation Navy program. The program aims to deliver the necessary cultural change that Navy needs to meet its commitment to the Pathway to Change agenda and the personnel challenges in delivering future capability. Activities for the program in 2012–13 included the launch of the New Generation Navy Strategy 2013–17 in February and continuing training and other initiatives to embed the Navy's signature behaviours. Work also continued on enhancing the Navy's workforce management through people-focused work practices, and diversity and flexibility initiatives.

The Rizzo reforms to rebuild and redesign effective maritime capability management and the technical integrity assurance system that drive seaworthiness and preparedness are progressing well. The scale and scope of this program is significant and the momentum gained this year was critical to achieving progress in Navy engineering, ship life-cycle management and costing, capability management, risk management and seaworthiness management.

December 2012 marked the release of the Coles report, *Study into the business of sustaining Australia's strategic Collins class submarine capability*. The Coles report made a number of recommendations, which have already been implemented, and the Navy continues to work closely with the Defence Materiel Organisation and Australian Submarine Corporation to optimise submarine availability. The performance of the Collins program improved throughout the year against the international benchmarks established by the Coles study, including submarine availability.

**Table 3.5**  
**Program 1.2 deliverables**

Deliverable	Status
Prepare, sustain and lead assigned forces to deliver Navy capability to meet government requirements	Substantially met
Maintain preparedness of Navy capability as directed by the CDF	Met
Be prepared for future credible contingencies and in consultation with the Capability Development Group and the DMO, continue to plan, develop and monitor the delivery of, and transition to new capability	Met
Provide timely, accurate and high-quality advice on Navy capabilities to the CDF, the Secretary and the Government	Met
Deliver Navy-specific reform and savings, without detriment to agreed levels of Navy capability	Met

**Table 3.6**  
**Program 1.2 deliverables—Unit Ready Days (URD)<sup>[1][2]</sup>**

Category	Status
18 major combatants <sup>[3]</sup> 3,915 [4,304] URD	Substantially met
22 minor combatants <sup>[4]</sup> 4,823 [5,323] URD	Substantially met
10 amphibious and afloat support <sup>[5]</sup> 1,817 [2,417] URD	Met
5 maritime teams <sup>[6]</sup> 2,555 URD	Met
9 hydrographic force <sup>[7]</sup> 2,563 [2,967] URD	Substantially met

**Notes**

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
- URD are the aggregate number of days that constituent force elements are available for tasking.
- Major combatants include the Adelaide class frigates, Anzac class frigates and submarines.
- Minor combatants include patrol boats, coastal mine hunters and auxiliary minesweepers.
- Amphibious and afloat support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship and heavy landing craft.
- Maritime teams comprise clearance diving teams, the deployable geospatial support team, and mobile meteorological and oceanographic teams.
- Hydrographic force comprises the hydrographic ships, survey motor launches, chart production office, and meteorological and oceanographic centres.

**Table 3.7**  
**Program 1.2 deliverables—navigational chart production (products)<sup>[1]</sup>**

Product	Status
93 [156] nautical charts	Substantially met
6 nautical publications	Substantially met
30 new electronic navigational chart cells	Met

**Note**

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.

**Table 3.8**  
**Program 1.2 deliverables—flying hours<sup>[1][2]</sup>**

Aircraft	Status
16 S-70B-2 (Seahawks) 4,200 hrs	Substantially met
13 AS350B (Squirrels) 3,600 [4,000] hrs	Substantially met
1 Laser airborne depth sounder aircraft 980 hrs	Substantially met

**Notes**

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
- Flying hours for the MRH-90s operated by 808 Squadron are reported in Table 3.11.

**Table 3.9**  
**Program 1.2 key performance indicators**

Key performance indicator	Status 2012–13
Achieve levels of preparedness directed by the CDF for military response options with a warning time of less than 12 months	Met
Achieve a level of training that maintains core skills and professional standards across all outputs	Substantially met
Achieve mission capability for assigned tasks	Substantially met
Achieve Hydroscheme 2012–2015 data and surveying tasking requirements to meet national hydrographic surveying and charting obligations	Partially met
Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary	Met

*More information about Navy deliverables and key performance indicators is available online.*

► PROFILE: JENNIFER WITTWER

## I A DIVERSE CAREER

Jennifer Wittwer has seen a lot of change in the role of women in her 32 years in the ADF. The recently promoted Navy Captain and former gender adviser to the International Security Assistance Force Afghanistan believes the ADF, and especially the Navy, is now among the leaders on gender issues and gender equality.

‘I’ve seen a lot of change during my career’, Jennifer said.

‘What I have seen is recognition of the changing role of women across the ADF, such that now all positions are open to women.’

Jennifer’s experience in gender issues in Australia and abroad has positioned her well to continue these efforts across the ADF in her new role as the Director National Action Plan for Women, Peace and Security.

‘I have always had an interest in the role of women in Defence, particularly in the Navy’, Jennifer said.

‘I guess it comes from a sense of ensuring that not only did I have a good career in the ADF, but I also wanted to help the other women following me.’

Jennifer joined the Navy in 1981 as a Supply Officer. She has had a diverse career including the development and construction of a childcare centre; the decommissioning of a Navy base and a ship; serving at sea; investigating Australian ADF members’ complaints; conducting administrative inquiries into complaints of unacceptable behaviour; and implementing cultural reform.

Since 1997, Jennifer has contributed to policy development and implementation on unacceptable behaviour and the recruitment and retention of women.



‘I have always had an interest in the role of women in Defence, particularly in the Navy.’

Her work has been recognised nationally many times. Jennifer has recently returned from Afghanistan, where she served as the International Security Assistance Force Joint Command gender adviser. During her deployment she worked closely with US, Afghan and European coalition troops. This gave her an opportunity to observe gender issues in other military forces, and she concluded that Australia is at the forefront.

‘We stack up very highly in the proportion of women in our Defence Force; we have far more progressive gender policies than, say, the United States, which has only just made the decision to open up combat roles’, she said.

## Program 1.3 Army Capabilities

The Army's primary objective is to provide capabilities for land and special operations. The Army also provides forces for peacetime national tasks, including forces with a capability to enhance the national domestic security response to terrorist, chemical, biological, radiological or explosive incidents.

The Army achieved a number of significant milestones over the year, which will assist in the delivery of a modernised land force. Initial operational capability, an important early milestone in the delivery of a complete capability, was reached for various projects, including joint counter improvised explosive devices, additional Chinook helicopters, navigation warfare capability and lightweight howitzers.

A number of projects achieved their final operational capability, signifying the achievement of mature capability by the Army. Among the capabilities achieved were the counter-rocket, artillery and mortar/missiles capability, the chemical, biological, radiological and nuclear defence capability (to better protect ADF personnel against such weapons), tactical electronic warfare systems, and the joint theatre distribution equipment capability.

Several projects achieved significant equipment deliveries over the year, including water purification systems along with appropriate training upgrades delivered to all 431 armoured personnel carriers, and the delivery of 853 trucks and 555 trailers.

**‘The Army achieved a number of significant milestones over the year, which will assist in the delivery of a modernised land force.’**

In response to operationally urgent requests for requirements received from deployed forces, the Army, in conjunction with the DMO, deployed lightweight hand-held mine detectors, new mortar systems, improved combat helmets, blast gauge sensors and man-portable electronic warfare equipment on operations. Electronic countermeasures were installed on armoured sports utility vehicles and a new weapon mount was installed on the Bushmaster protective mobility vehicle. Counter improvised explosive device capabilities were improved by the introduction of an expedient route-opening capability.

Through the establishment of soldier recovery centres, health and wellbeing officers and member support coordinators, the Army has continued to develop and refine its support to wounded, injured and ill personnel. The Army continues to work closely with Joint Health Command and other stakeholders, particularly in the area of mental health, to ensure a continuum of care and support is provided to its personnel.

The plan to increase capability through diversity continues to raise the representation of women in the Australian Regular Army and is on track to increase it from 11 per cent to 12 per cent of the Permanent Force by June 2014. The Army Indigenous Strategy has expanded in scope and seeks to increase Aboriginal and Torres Strait Islander representation to 2.7 per cent, in line with Australian Government targets. A large number of recruiting and retention initiatives now support these two plans. The Army will continue to build on its existing cultural strengths through the implementation of Pathway to Change.

**Table 3.10**  
**Program 1.3 deliverables**

Deliverable	Status
Prepare, sustain and lead assigned forces to deliver Army capability to meet government requirements	Substantially met
Conduct force generation and force preparation for Special Operations, and maintain preparedness of Army capability as directed by the CDF	Met
Continue to contribute to domestic security operations	Met
In consultation with Capability Development Group and the DMO, continue to develop the Army's combat capabilities through improvements in mobility, firepower and force protection	Substantially met
Introduce new capabilities that meet operational requirements	Substantially met
Provide accurate and timely advice to the Government, the CDF and the Secretary	Substantially met
Develop programs to increase diversity within the Army's workforce	Met
Continue to improve programs that provide support for the Army's seriously wounded and ill personnel	Substantially met
Undertake collective training to ensure force elements are prepared for deployment	Met
Improve linkages between resource inputs and collective training outputs within the Army's force generation and preparation continuum	Met
Deliver a single training continuum that unifies the majority of the Army's conventional individual and collective training	Met
Implement reform through the Adaptive Army framework, Army Continuous Modernisation Plan and the Army Plan while continuing preparation of Force Elements for operational commitments and contingencies	Substantially met
Deliver group-specific reform and savings without compromising agreed levels of Army capability, including the revamping of governance, risk, and budgeting and performance achievement management	Met

**Table 3.11**  
**Program 1.3 deliverables—rate of effort (flying hours)**

Deliverable	Status
6 CH-47D Chinook 2,000 hrs	Substantially met
34 S-70A-9 Black Hawk 7,500 hrs	Met
41 B206 Kiowa 6,000 hrs	Substantially met
22 Armed Reconnaissance Helicopter (ARH) Tiger 7,147 hrs	Partially met
46 Multi-Role Helicopter (MRH-90) 3,020 hrs	Partially met

**Table 3.12**  
**Program 1.3 key performance indicators**

Key performance indicator	Status
Achieve levels of preparedness as directed by the CDF	Met
Achieve a level of training that maintains core skills and professional standards across all outputs	Met
Execute force generation and preparation in a manner that balances operational commitments and contingency planning	Met
Provide timely, accurate and considered advice on Army capabilities to the Government, the CDF and the Secretary	Met

*More information about Army deliverables and key performance indicators is available online.*

## Program 1.4 Air Force Capabilities

The Royal Australian Air Force provides immediate and responsive air power options for the Government. Although technology continues to evolve, its mission remains constant—to maintain control of the air; conduct precision strikes; undertake intelligence, surveillance and reconnaissance; provide air mobility; and ensure force protection.

The Air Force provided support to both global and regional operations during the year. The wide range of its operations included Australian border protection, operations in the Middle East and support to the Bundaberg floods. In the Middle East, the C-130 Hercules detachment celebrated two milestones: 10 years of continuous deployment and more than 29,000 flying hours. In late 2012, the AP-3C Orion Middle East detachment returned to Australia after nearly 10 years on operations and 22,535 flying hours.

The modernisation of the Air Force fleet continued. The fleet of 24 F/A-18F Super Hornet aircraft completed more than 10,000 flying hours and achieved Final Operating Capability, as did the Vigilare Command and Control System. The KC-30A Multi Role Tanker Transport and E-7A Wedgetail fleets both achieved Initial Operating Capability. The Air Force took delivery of its sixth C-17A aircraft and Number 35 Squadron was re-established in preparation for the arrival of the C-27J Spartan battlefield airlifter in 2015.

‘The wide range of its operations included Australian border protection, operations in the Middle East and support to the Bundaberg floods.’

The Government announced that 12 EA-18G Growler electronic warfare aircraft would be purchased. After 34 years of service and 244,613 flying hours, the last C-130H Hercules transport aircraft was withdrawn from service in 2012.

The people of the Air Force—permanent, reserve and civilian—manage the strategy, operations, logistics, and support that make air power possible. In 2012, the Air Force New Horizon initiative, which lays the foundations for cultural reform within the Air Force, was launched. The removal of gender restrictions began in January 2013, with all Air Force roles opening up to female applicants.

The Air Force's continued implementation of enduring reform, including change programs supporting the development of cost-conscious behaviours, enabled it to deliver savings while meeting operational tasking, preparedness, and safety and airworthiness requirements.

**Table 3.13**  
**Program 1.4 deliverables**

Deliverable	Status
Prepare, sustain and lead assigned forces in operations to deliver air power to meet government requirements	Met
Maintain preparedness of Air Force capability as directed by the CDF	Met
Be prepared for future credible contingencies and in consultation with the Capability Development Group and the DMO, continue to plan, develop, and monitor the delivery of, and transition to, new capability	Met

Deliverable	Status
Provide air power options to government by meeting directed preparedness requirements while minimising expenditure	Met
Provide accurate and timely advice to the Government, the CDF and the Secretary	Met
Deliver Air Force-specific reform and savings, without compromising capability safety or airworthiness	Substantially met
Engage with government, the public, international partners, Defence groups, industry, other stakeholders and Air Force members to maximise achievement of all outputs	Met

**Table 3.14**  
**Program 1.4 deliverables—flying hours**

Deliverable	Status
63 PC9 17,852 hrs	Substantially met
16 B300 King Air 350 11,400 hrs	Met
12 C-130J Hercules 7,350 hrs	Met
12 C-130H Hercules 900 hrs [0 hours] <sup>[1] [2]</sup>	Met
6 C-17A Globemaster III 4,800 hrs	Met
6 KC-30A 2,950 hrs	Substantially met
2 B737 BBJ 1,600 hrs	Met
3 CL604 Challenger 2,403 hrs	Met

Deliverable	Status
18 AP-3C Orion 7,900 hrs	Substantially met
6 E-7A Wedgetail 2,800 hrs	Substantially met
71 F/A-18A/B Hornet 13,000 hrs	Met
24 F/A-18F Super Hornet 4,800 hrs	Substantially met
33 Hawk 127 7,500 hrs	Partially met

#### Notes

1. Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
2. The increase of the C-130 Hercules rate of effort was made to satisfy tasking requirements (Operations Cathedral and Resolute) and complete critical capability development prior to retirement.

**Table 3.15**  
**Program 1.4 key performance indicators**

Key performance indicator	Status
Achieve levels of preparedness as directed by the Chief of the Defence Force	Substantially met
Achieve a level of training that maintains core skills and professional standards across all outputs	Substantially met
Transition to new capability systems	Met
Grow the cost-conscious culture	Substantially met
Provide timely, accurate and considered advice that meets CDF, Secretary and government requirements	Met

**More information about Air Force deliverables and key performance indicators is available online.**

## Program 1.5 Intelligence Capabilities

The Intelligence and Security Group provides intelligence capabilities that directly assist Defence and government leaders to interpret and anticipate complex issues, and gives vital inputs to strategic and operational decision-making areas across ADF operations, strategic policy and capability development activities.

The group comprises:

- the Defence Security Authority, responsible for supporting Defence to protect its business from unacceptable security risks and for providing security clearances for individuals in Defence, the defence industry and most government departments
- the three Defence intelligence agencies, responsible for supporting Defence and government decision-making and assisting with the planning and conduct of ADF operations:
  - the Defence Intelligence Organisation, responsible for all-source intelligence analysis
  - the Australian Geospatial-Intelligence Organisation (formerly Defence Imagery and Geospatial Organisation), responsible for geospatial intelligence
  - the Australian Signals Directorate (formerly Defence Signals Directorate), responsible for signals intelligence, and the national authority on information, communications and computer security.

During the year, the Defence intelligence agencies continued to be subject to extensive accountability and oversight to protect important principles, such as privacy, and to ensure the legality and probity of agency activities and functions. In addition to the oversight of the Minister for Defence, the agencies were accountable to the Parliamentary Joint Committee on Intelligence and Security, which reviewed administration and expenditure, and the Inspector-General of Intelligence and Security, who provided independent

assurance that the agencies continued to act within the law and appropriately and, in the case of the collection agencies (Australian Signals Directorate and Australian Geospatial-Intelligence Organisation), within the legislative framework of the *Intelligence Services Act 2001*.

Intelligence is central to the ADF's ability to plan and conduct its operations. During the year, intelligence provided important insights into the strategic posture, intent and policy direction, as well as the capabilities and proliferation activities, of countries and non-state actors relevant to Australia's national security.

The Intelligence and Security Group supported ADF and allied operations, principally in Afghanistan, Timor-Leste and Solomon Islands. Civilian intelligence personnel deployed in-theatre were supported by teams in the three intelligence agencies operating 24 hours a day, seven days a week and providing near real-time support.

The Defence Security Authority worked closely with Defence groups, the Services and defence industry to amend the Defence Security Manual to reflect the requirements of the whole-of-government Protective Security Policy Framework and enhance Defence's security culture. Security assurance and reporting activities were restricted during the reporting period while resources were diverted to checking the vetting data of the Australian Government Security Vetting Agency (AGSVA). No compromise of the vetting process was identified.

Due to reform activities and systems transition, the AGSVA consistently met only one ('availability of the ePack system') of the four key performance indicators specified in its Service Level Charter. It did not meet clearance benchmarks in 95 per cent of cases, but has worked closely with its customers to identify and complete priority clearances. The performance indicators 'action customer inquiries' and 'provide monthly updates' were affected for a period of time during the implementation of a new ICT workflow management system.

The Chief Audit Executive conducted the second of three annual audits of AGSVA reform and found progress in the reform program and compliance with government policy to be good.

The Cyber Security Operations Centre, hosted by the Australian Signals Directorate, continued to provide substantial improvements to Defence's cyber capability. The centre continued to increase its intrusion detection and threat assessment capabilities and improved its capacity to respond to incidents affecting systems of national importance.

The directorate continued to work closely with Defence and other government agencies to ensure Australia is protected against new emerging cyber threats and is adequately positioned to meet the Government's requirement to implement the directorate's Top 4 Strategies to Mitigate Targeted Cyber Intrusions, which became mandatory in early 2013. Advice and assistance included producing and disseminating threat assessments, security alerts and guidance, hosting information security workshops and forums to communicate and discuss significant and emerging information security issues with government IT security practitioners, updating the Australian Government Information Security Manual, and conducting vulnerability assessments on Australian Government assets.

**Table 3.16**  
**Program 1.5 deliverables**

Deliverable	Status
Provide timely, accurate and high-quality intelligence and security support in accordance with government priorities to support the ADF, policy and wider security operations	Met
Deliver enhanced capabilities to better exploit next generation technologies, improve intelligence assessment, and enhance the security of the Government's information	Met
Provide advice and assistance to the Government on the security and integrity of electronic information, cryptography and communications technology	Met
Meet the AGSVA's key performance results as specified in the agency's Service Level Charter	Partially met
Strengthen the management framework of the AGSVA	Substantially met
Provide management and strategic direction for Defence's foreign language capability	Met
Ensure the effectiveness of the intelligence and security governance and compliance framework	Substantially met
Strengthen the workforce through targeted recruitment, retention and training initiatives	Met
Ensure effective and efficient transfer of expertise, capabilities and intelligence across key international partnerships, and strengthen collaboration with national agencies	Met
Contribute to reform outcomes	Met

**Table 3.17**  
**Program 1.5 key performance indicators**

Key performance indicator	Status
Deliver intelligence and security services to meet Defence and government requirements	Met
Develop next generation intelligence, geospatial and security capabilities	Met
Strengthen the approach to security across Defence and government	Substantially met
Deliver strategic guidance and management support to meet Defence's foreign language requirements	Met
Achieve best practice in governance and compliance	Substantially met
Ensure that the intelligence and security workforce is developed and skilled	Met
Deliver capability dividends through international and national partnerships	Met

*More information about the Intelligence and Security Group is available online.*

## NEW CENTRE TO STRENGTHEN CYBER SECURITY

**Cyber threats continue to evolve at a dramatic rate, so cyber defence remains a top national security priority for the Australian Government.**

To support this priority, the Cyber Security Operations Centre continues to collaborate with government, industry and international partners with the aim of reducing the risk of exposing Australian government information in cyberspace.

The operations centre was established by the Australian Signals Directorate in 2009 as an initiative of the 2009 Defence White Paper and is responsible for combating cyber security threats against Australia.

The centre provides the Australian Government with a better understanding of sophisticated cyber threats against Australian interests, responds to cyber events of national importance across government and coordinates systems of national importance. It achieves its functions by drawing on an array of sources—from intelligence, law enforcement and industry communities, as well as Australia's overseas allies.

The operations centre has been an important part of the strategy for ensuring the confidentiality, integrity and availability of Australian networks and information.



### The new centre

On 23 January 2013, the Prime Minister, Julia Gillard, announced the establishment of a new Australian Cyber Security Centre. The new centre will combine existing cyber security capabilities across Defence, the Attorney-General's Department, the Australian Security Intelligence Organisation, the Australian Federal Police and the Australian Crime Commission in a single location.

The Australian Cyber Security Centre will improve cooperation within government, enhance whole-of-government engagement with industry and build on the successes of the previous operations centre. It will also focus on the nature and extent of the threat posed by the full spectrum of malicious cyber actors, from cyber criminals and lone hackers through to nation states.

## Chief Operating Officer overview

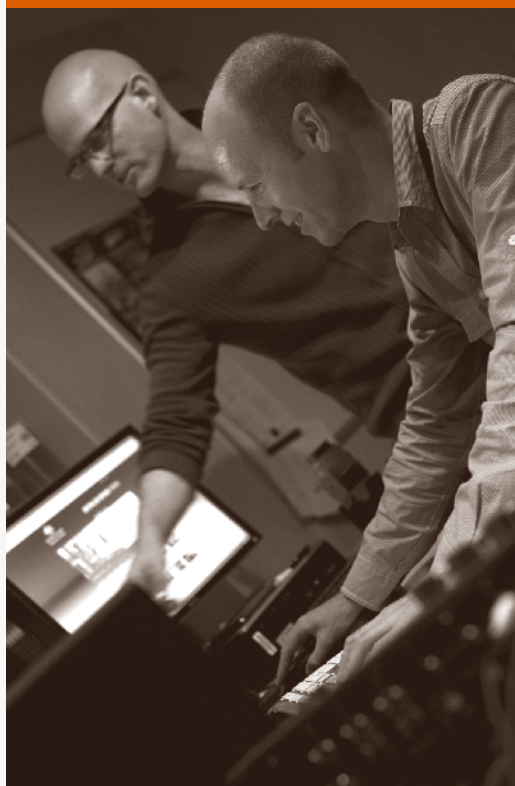
The Chief Operating Officer (COO) organisation comprises the Defence Support and Reform Group, Chief Information Officer Group, the Defence People Group and the Defence Legal Division.

These groups were brought together in February 2012 to drive the Strategic Reform Program and to deliver integrated corporate services that support the effective delivery of core capabilities to Defence. The integration of these functions under the COO helps ensure a consistent approach to organisational reform across Defence, and provides greater accountability and transparency for the delivery of key strategic reform priorities.

Outcome performance for the Defence Support and Reform Group is reported under Program 1.6, for the Chief Information Officer Group under Program 1.8, and for Defence People Group under Program 1.13.

During the year, ADF legal officers provided legal advice, services and assistance in the Middle East, Timor-Leste and Solomon Islands, as well as to other domestic, regional and minor ADF operations and exercises. They provided advice and support to commanders on a range of international and domestic legal issues that affected the conduct of operations and exercises. Within Australia, legal support included advocacy services for members, assistance in administrative inquiries, complaint handling and the proper and lawful functioning of the ADF discipline system.

The review of inquiry, investigation, review and audit systems, structures and processes in Defence, which began in November 2011 has made good progress. The comprehensive review, which began in November 2011, has been split into two phases. Phase One is examining systems and processes for inquiries, investigations and reviews. The phase is well advanced and is scheduled to be completed by the end of September 2013. Phase Two is examining audit systems and processes. This phase of the review is expected to be completed in the second quarter of 2013–14.



**Table 3.18**  
**Chief Operating Officer deliverables**

Deliverable	Status
Provision of specialist legal support to Defence and legal support for ADF operations	Met
Formulate concept, policy, legislation and procedure for the Defence legislative program, including a new Chapter III military court	Met
Continue implementation of the reforms to the Military Justice System	Met

**Table 3.19**  
**Chief Operating Officer key performance indicator**

Deliverable	Status
Support ADF operational capability, including through the deployment of ADF lawyers to provide access to relevant and timely legal support	Met

## Program 1.6 Defence Support

Program 1.6 is delivered by the Defence Support and Reform Group. The group is responsible for delivering most of the shared services, base support, contracting and infrastructure services that support the ADF and Defence groups and is fundamental to generating Defence capability through the services it provides.

The group provides a range of products and services: capital infrastructure involvement, housing, a range of personnel support functions, support and timely advice to ministers, business services, base support services including catering, accommodation, cleaning and grounds maintenance, and managing, developing and sustaining the Defence estate.

The group continued to drive reform across its business during the year, including travel, removals and garrison support to deliver a sustained cost-effective, efficient service. A major reform initiative was the retender for base services, which will deliver estate

and garrison services nationally and replace 21 current contracts. New contracts for Australian domestic base services are expected to be implemented progressively in 2014.

Other reform initiatives included bar hour reductions, the successful trial of a new relocations cost model and the expanded use of cheaper air fares. In March 2013, Defence completed the transition of travel to a whole-of-government arrangement. Work continued on developing the Garrison Estate Management System to support reform. The implementation of the non-material procurement shared service has been phased across each Defence group and Service, with more than half already transitioned. This shared service will be fully operational by July 2014.

The group continued to provide assurance of payroll processing and personnel administration for members deployed to Operation Slipper in Afghanistan, with the number of overpayments of International Campaign Allowance over \$2,000 continuing to decrease, from 335 in 2009–10 to 12 in 2012–13.

**Table 3.20**  
**Program 1.6 deliverables**

Deliverable	Status
Provision of timely, accurate and high-quality advice on Defence Support matters to the CDF, the Secretary and the government	Met
Ensure Defence input to Cabinet and the National Security Committee of Cabinet is timely, relevant and appropriately robust	Met
Ensure policy advice provided to the government is accurate, timely and responsive and offers practical and cost-effective approaches to fulfil the Government's defence responsibilities	Substantially met
Development and delivery of the 2012–13 Major Capital Facilities Program within scope and budget	Substantially met
Development of options for changes to the estate which inform, and are informed, by the Force Structure Review 2013, the Australian Defence Force Posture Review, agreed US Global Force Posture Review initiatives, and Defence White Paper 2013 considerations	Substantially met

Deliverable	Status
Development of environmental policies and strategies in accordance with Defence's obligations towards the <i>Environment Protection and Biodiversity Conservation Act 1999</i> and other environmental policies as outlined in the Defence Environmental Strategic Plan 2010–14	Met
Management of Defence's property leasing, acquisition and disposal programs	Substantially met
Provision of facilities, housing and other support services to support the Enhanced Land Force	Met
Administration of the Defence Home Ownership Assistance Scheme	Met
Provision of garrison and other base support services to support Defence bases and establishments throughout Australia	Substantially met
Continue implementation of the Base Accountabilities Model across all Defence bases to provide a clear separation of responsibility for base management and support services from responsibility for capability	Substantially met
Implementation of group elements of the Base Security Improvement Program	Substantially met
Continue to drive group reform including in the areas of Non-Equipment Procurement and contribute to the Shared Services Reform agenda	Partially met
Provision through a centre of excellence of non-equipment procurement and contracting advice and support, and continuation of the improvement of procurement practices across Defence	Met
Provision of nationally delivered whole-of-Defence corporate services, including accounts processing and travel <sup>[1]</sup>	Met
Establishment of business centres for simple procurement purchasing services and accounts receivable and the transition of accounts processing work from groups/Services <sup>[2]</sup>	Met
Implementation of key pay structures and other military pay reforms in accordance with policy and business requirements, including rectifying current deficiencies in the ADF payroll system, and accelerating the introduction of an improved pay system in support of the ADF Payroll Remediation Task Force	Substantially met

#### Notes

1. On 1 July 2012, the accountability for the delivery of the accounts payable, accounts receivable and credit card management functions was transferred to the Chief Finance Officer Group.
2. On 1 July 2012, all functions due to transfer to the Chief Finance Officer Group were transferred. These functions were the operational delivery of the finance data centre (previously known as the simple procurement purchasing centre), accounts payable centres and the accounts receivable centre.

**Table 3.21**  
**Program 1.6 key performance indicators**

Key performance indicator	Status
Improve business outcomes as part of broader Defence reform, including implementation of the revised responsibilities and accountabilities for base support	Met
Deliver products and services on time and within budget to support the development and delivery of Defence capability	Substantially met
Develop industry engagement and collaborative relationships to ensure the effective and efficient delivery of products and services	Met
Provide ADF members with high-quality service residences, relocation and travel services using cost-effective contract arrangements	Met
Manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time, to budget and compliant with all appropriate regulatory requirements	Substantially met
Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department	Substantially met
Promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements	Substantially met

**More information about the Defence Support and Reform Group's highlights and key performance indicators is available online.**

## RARE ORCHID FOUND IN DEFENCE TRAINING AREA

**The Canberra Spider Orchid, a critically endangered native plant, has been discovered living happily in an operational Defence training area in the Australian Capital Territory.**

‘When we think of a military training area we think of guns, grenades, explosions, soldiers digging, crawling, attacking and patrolling’, said Anneke Staring, an environmental officer from Defence Support Southern New South Wales.

‘Certainly a tiny orchid with a crimson, yellow and green flower that is no bigger than a 20 cent piece doesn’t immediately come to mind. And yet here it is.’

The discovery augurs well for the orchid’s preservation, as this was the first time since 2006 that any specimens had been found—despite routine monitoring of threatened species as part of Defence’s environmental management.

‘This is actually not all that surprising’, Ms Staring said. ‘The orchids are only about 10 centimetres tall, with a single flower of colours that blend in perfectly with their surrounds.’

The Canberra Spider Orchid only grows in the Australian Capital Territory and before 2010 there were just two known populations, adding up to about 230 plants altogether. In 2010, nine further orchid populations were found, containing up to 500 plants in total.

‘When we found these orchid populations we wanted to make sure that our management strategies would help to ensure the survival of the orchids at Majura’, Ms Staring said.



‘The Canberra Spider Orchid is protected under the Environment Protection and Biodiversity Conservation Act and we have a responsibility to look after it, so we contacted the Commonwealth Department of Sustainability, Environment, Water, People and Communities and the Australian National Herbarium. We told them about the discovery and started discussions about conservation.’

The management of the area is now being conducted in accordance with a special recovery plan put in place by that department. Somewhat surprisingly, Defence has been told essentially to keep on doing what it was already doing.

‘We are continuing our regular environmental management, with weed control, feral animal control, bushfire hazard reduction and management of herbivore grazing’, Ms Staring said.

‘The military training is also continuing, with strategic, navigational and manoeuvre activities going on among the orchid populations.’

‘A really important part of the discovery is that the increased population means that we can now allow the experts to come in and collect seed pods and attempt propagation. This wasn’t possible before because of the small number of populations left in the wild.’

The Australian National Herbarium has managed to successfully propagate some seeds in its laboratory in Victoria, and it hopes to use these to establish a new population in an ACT nature reserve.

‘The discovery of this orchid at a longstanding military training site is significant, both for the conservation of this species and for showing the Australian community that conservation and capability can go in hand in hand’, Ms Staring said.

## Program 1.7

### Defence Science and Technology

Program 1.7 is delivered by the Defence Science and Technology Organisation (DSTO). DSTO's objective is to provide expert, impartial science and technology advice and innovative solutions to the Government, Defence and Australia's national security agencies to support the conduct of military operations, the provision of military capabilities and the promotion of security and stability. DSTO also has whole-of-government responsibility for coordinating science and technology support to national security.

In support of military operations in Afghanistan and Timor-Leste, DSTO deployed 14 operations analysts to directly support commanders, as well as deploying 26 fly-away teams. The science and technology support included improved force protection and counter insurgency, and state-of-the-art technologies to protect soldiers from improvised explosive devices. DSTO conducted cultural compatibility studies related to operations in Afghanistan, and supported operational intelligence, surveillance and reconnaissance technologies, campaign assessments in Afghanistan and Timor-Leste, and command, control and intelligence management analysis.

DSTO's science and technology program includes a specific focus on sustainment of the current force and has achieved notable successes in reducing the cost of ownership of major ADF platforms, including AP-3C and C-130J aircraft, Armidale class patrol boats and the Collins class submarine.

DSTO provided technical risk assessments and certification for 44 Defence Capability Plan projects that went to the Government for decision.

Australia's national security capability continued to be improved through whole-of-government access to unique DSTO capabilities in intelligence exploitation, chemical-biological defence, and explosives and blast protection. International national security science and technology collaborative projects continued successfully under DSTO leadership following their transfer of responsibility in 2012 from the Department of the Prime Minister and Cabinet.

DSTO continued its support to Border Protection Command, providing analysis of the command's assets to optimise their application to tasks. DSTO also installed effective maritime surveillance radar on Christmas Island.

DSTO increased its level of engagement with industry and academia, and further developed its active science and technology programs with partner nations. Highlights included:

- establishing a Counsellor Defence Science and Technology position in Tokyo
- signing strategic alliances with the Commonwealth Science and Industrial Research Organisation (CSIRO) and the Australian Nuclear Science and Technology Organisation
- establishing the Centre for Food Innovation with CSIRO and the University of Tasmania
- hosting an international conference on physical employment standards
- collaborating on establishing the Defence Innovation Realisation Fund
- initiating strategic alliances with key Australian companies in the defence and national security domains
- introducing a university competition for robotics development.

The objective of the DSTO strategic enabling research program is to 'future proof' Defence by developing DSTO's scientific knowledge and skills to meet Defence's current and future capability and operational needs. The program is adaptable, allowing promising technologies and innovative developments to be fast-tracked and outcomes to be fielded at the earliest available opportunity. The program continued to foster interactions with and leverage from industry, academia, and Australian and overseas research bodies.

**Table 3.22**  
**Program 1.7 deliverables**

Deliverable	Status
Provide timely, accurate and high-quality advice on defence and national security related matters to the Secretary, CDF and government	Met
Provide effective, relevant and timely solutions and technical support to military operations, to the current force and to national security agencies' operations and capabilities	Substantially met
Provide effective, relevant and timely support to capability development and acquisition decision making, including technical risk assessment and certification for Defence Capability Plan projects	Met
Deliver a program of enabling research aimed at enhancing future Defence capabilities and maintaining world-class research expertise and facilities	Met
Maintain and enhance strategic relationships with external organisations; in particular, international partners, local industry, academia, and national security agencies	Met
Contribute to reform outcomes by continuing to seek and implement improvements in the way DSTO does business and by identifying and evaluating technologies that facilitate efficiencies and savings in the development, operations, repair and maintenance of major ADF platforms	Met

**Table 3.23**  
**Program 1.7 key performance indicators**

Key performance indicator	Status
Advice on science and technology matters is of high quality	Met
The applied research program is balanced in meeting the needs of Defence in support of operations, the current force, capability development and acquisition, and of whole-of-government national security	Substantially met
Science and technology outputs and programs are delivered on time and within agreed resources	Substantially met
Outputs of the research program can be identified as innovative solutions that can be used to enhance capability, reduce risk and save resources	Met
Enabling research is focused on supporting future Defence capability	Substantially met
Science and technology capability is contributed to by a workforce with world-class expertise and facilities and highly leveraged engagement with international defence research organisations, key national security partners, industry and academia	Met

**More information on DSTO's key performance indicators is available online.**

► PROFILE: VIVIENNE WHEATON

## CHAMELEON CONCEPT TO IMPROVE CAMOUFLAGE FOR DEFENCE VEHICLES

The Defence Science and Technology Organisation's Vivienne Wheaton is investigating a new camouflage option to provide extra protection for Defence vehicles.

Wheaton's current research focus is signature management for land platforms. She is tackling one potential solution through a doctoral research collaboration with the University of South Australia.

The collaboration is examining the challenge of developing electrochromic material that can be packaged in a more robust, field-ready way. Electrochromic materials change colour with variations in applied voltages and could be just the trick for blending Defence land platforms into the background.

'Historically, we have developed camouflage that works very well against specific backgrounds', Wheaton said, referring to the paint devised by DSTO for coating vehicles according to a standard specifying colours and near-infrared properties. 'However, backgrounds change, obviously, by moving from one location to the next, and the ADF can expect to deploy vehicles to a wide variety of operational areas.'

Wheaton's research is still in its infancy, but the ADF has expressed interest in the concept.

'It's important that modern camouflage covers most of the electromagnetic spectrum—from visible light, through infrared and radar wavelengths—because battlefield sensors exploit many different parts of the spectrum', Wheaton said.



Wheaton has a small concept display in her Melbourne laboratory using a battery pack to power five sample board-mounted polymer film panels. Within moments of powering on, the densely coloured panels illuminate to a murky green, minimally at first, but enough to visualise the potential of the energy transfer at play. So, as a chameleon lizard alters its appearance to avoid prey, could a military vehicle's camouflage change to enhance its safety?

'If this technology can be developed to create an adaptive camouflage system, ideally the materials would be controlled so as to respond automatically to changes in the environment around them', Wheaton said. She disconnects the modest concept display and the panels become at once charcoal and black again.

Integrating the technology into a multi-spectral solution and resolving field issues are significant future challenges.

## Program 1.8 Chief Information Officer

The Chief Information Officer Group aims to provide Defence with dependable, secure and integrated information and communications technology (ICT) capabilities to support efficient and effective Defence operations, and the conduct of Defence business.

The group provides strategic communications to all theatres of operation in Australia and overseas to the levels agreed with the Services and during planning with Joint Operations Command. Defence continues to take active steps to defend its networks and to improve its capabilities. Defence maintains a disaster recovery plan and capability for its operations and periodically tests and exercises the plan's critical components.

The consolidation of ICT into a shared services model proceeded during the year with the transition of Defence's Fleet Information Systems Support Organisation and Logistics Information Systems functions to the responsibility of the Chief Information Officer. The consolidation of these functions is making possible a more unified approach for the delivery of ICT projects, services and support in Defence. An improved focus on service delivery is being achieved through an organisational restructure that aligns ICT service delivery capabilities to their correct Service owners.

A contract on terrestrial communications was signed with Telstra on 18 April 2013. The \$1.1b six-and-a-half year contract will transform Defence's communications technology to deliver greater business efficiencies and lower costs while supporting Defence's warfighting and business functions.

'The group provides strategic communications to all theatres of operation in Australia and overseas ... Defence continues to take active steps to defend its networks and to improve its capabilities.'

A review of Defence ICT security was completed and a plan to improve security was agreed and implemented.

The Applications Managed Services Partner Arrangement is a Defence initiative to develop deeper links with industry by mandating a collaborative approach to application service provision through pre-qualified preferred industry partners and their subcontractors. The arrangement was used effectively for the sustainment of key enterprise applications in the human resource and finance domains. It was used to deliver project surge capacity in support of many ICT projects during the year. The arrangement has lifted applications development significantly and is delivering capability faster to Defence.

**Table 3.24**  
**Program 1.8 deliverables**

Deliverable	Status
<b>Provide ICT support to military operations</b>	
Maintain support to ADF operations through the provision of agreed ICT support, the delivery of network defensive operations, and the maintenance of a disaster recovery capability	Met
<b>Enable the Raise–Train–Sustain, administration and business operations of Defence</b>	
Plan and implement the next phase of ICT shared services	Substantially met
Deliver ICT services in accordance with the Defence ICT Services Delivery Charter and maintain the integrity and security of the Defence information environment	Partially met
<b>Lead and deliver ICT across Defence</b>	
Mature the Applications Managed Services Partner Arrangement for applications development	Met
Deliver the ICT elements of endorsed projects in the Integrated Plan of Work and the Defence Capability Plan	Substantially met
<b>Lead and deliver the ICT components of reform</b>	
Support reforms to Defence's enterprise and business systems	Substantially met
Embed improved project approval processes (Faster Time to Market) through the implementation of the whole-of-government costing methodology	Substantially met
Lead and optimise Defence's ICT investment	Met
Rebalance spending between investment and sustainment through the standardisation and consolidation of Defence ICT; and the sustainment of existing ICT capabilities in a fit-for-purpose state	Substantially met
<b>Fulfil group governance requirements</b>	
Strengthen ICT capability	Met

**Table 3.25**  
**Program 1.8 key performance indicators**

Key performance indicator	Status
ICT capabilities are developed and sustained in accordance with agreed stakeholder priorities.	Partially met
Strategic investment in consolidated networks, infrastructure, service orientated architecture, applications and information management enables transition to a Single Information Environment.	Substantially met
ICT security is maintained to an appropriate level.	Partially met
ICT shared services reforms are effective in reducing costs and increasing productivity across Defence.	Substantially met
ICT services and service support are delivered in accordance with the Defence ICT Services Delivery Charter and the Defence ICT Services Catalogue.	Partially met

***More information about the Chief Information Officer Group's key performance indicators and achievements is available online.***

## Program 1.9 Vice Chief of the Defence Force

The Vice Chief of the Defence Force Group's mission is to develop, deliver, enable and ensure Defence Joint Capability in order to protect and advance Australia's national and strategic interests. The group provides advice and planning on military strategic effects and commitments, joint military professional education and training, logistics support, health support, ADF Cadet and Reserve policy, joint capability coordination, coordination of the Defence preparedness management system, and joint and combined ADF doctrine.

The VCDF Group has responsibility for the Australian Civil-Military Centre, the Australian Defence Simulation Office, the ADF Parliamentary Program, the Federation Guard, ADF ceremonial activities, the ADF Investigative Service, Strategic Communications Branch, the US Force Posture Review Implementation Team and the Counter Improvised Explosive Device Task Force.

Joint Logistics Command continues to deliver logistics reform through the Defence Logistics Transformation Program, including commencing transition to the new Land Materiel Maintenance contract and commencing construction of new warehouses and workshops.

Considerable effort has been put into ADF workplace reform. At the forefront has been the implementation of Project Suakin, which will put Defence into a position to meet future workforce challenges by establishing a contemporary and flexible workforce structure. Suakin will offer a range of full-time, part-time and casual service options that will make it possible for ADF members to continue to serve as their circumstances change across their working life.

## ‘Joint Logistics Command continues to deliver logistics reform through the Defence Logistics Transformation Program ...’

Work on increasing the Reserves' support capability included updating Defence policies to reflect contemporary employment practices, establishing memorandums of understanding with employers of Reservists, and expanding the supportive employer program. Defence hosted Employer Support awards throughout Australia to recognise employers who support Reserve service. The number of registered supportive employers of ADF Reservists has increased from approximately 500 in 2012, to more than 1,000 by 30 June 2013. A comprehensive review was undertaken of post-operational support for returned Reservists and a plan developed for implementation of its recommendations.

Health reforms include a review of ADF health services and the implementation of its recommendations; and the implementation of the ADF mental health reform program and the ADF Health Services Project. As a result, governance frameworks within Joint Health Command are being significantly improved to ensure services are optimal and policy advice remains accurate and current.

The CDF issued a Directive providing general direction and guidance for administering the ADF Cadets. Following a review of governance of the ADF Cadets, new arrangements for greater policy alignment between the Cadet Services have been agreed.

**Table 3.26**  
**Program 1.9 deliverables**

Deliverable	Status
Lead the preparation of departmental military strategic advice to government via ministerial submissions, ministerial representations, Question Time briefs and Cabinet submissions	Met
Provide military strategic expertise to CDF in order to prepare direction from CDF to subordinate headquarters	Met
Deliver agreed savings and reforms within the VCDF Group including in the areas of Logistics, Reserves, and Preparedness and Personnel and Operating Costs	Substantially met
Deliver coordinated logistic advice and services to the ADF, and provide oversight and assurance of the Defence Logistic Capability	Met
Provide policy advice and deliver services to optimise the health of ADF personnel	Substantially met
Enhance Defence, inter-agency and combined capability coordination	Substantially met
Manage education and training for the defence workforce	Met
Enhance capacity of Reserves to support Defence capability	Met
Provide a coordinated, coherent and well-governed approach to Youth Development Programs in the Australian Defence Organisation in order to provide a positive youth development experience	Met
Promote best-practice civil–military engagement through the Australian Civil–Military Centre	Substantially met

**Table 3.27**  
**Program 1.9 key performance indicators**

Key performance indicator	Status
Timely, accurate and widely consulted advice provided to Government	Met
High level of engagement with Joint Operations Command, International Policy Division, Strategic Policy Division, Australian Civil–Military Centre, and other government agencies, for operational matters	Met
Advice is readily sourced and made available to the Offices of CDF and VDCF to support strategic decision making	Met
ADF operational tempo is managed within concurrency constraints	Met
Group-specific reform and savings have been achieved	Substantially met
ADF operations and exercises receive effective logistics and health support and services	Substantially met
ADF joint and combined operational capability	Substantially met
Delivery of learning outcomes that deliver the skills required for defence capability	Met
Planning and policy frameworks are developed to enhance the contribution of the reserves to Defence and the wider community	Met
Governance and accountability frameworks enhance the youth development experience within the ADF Cadets	Substantially met
Australian Civil–Military Centre delivers its goals effectively and efficiently in accordance with government instructions	Substantially met
ADF investigations are supported by effective and efficient administration	Substantially met
Deliver group-specific outcomes and programs on time and within agreed resources	Substantially met

**More information about the Vice Chief of the Defence Force Group's key performance indicators is available online.**

## Program 1.10 Joint Operations Command

The Chief of Joint Operations, Joint Operations Command supports the planning and conduct of military campaigns, operations, joint exercises, and the preparation of military options for contingencies and crisis management. The Chief of Joint Operations is responsible to the CDF for the effective conduct of military planning and is the CDF's principal adviser on operational matters.

Joint Operations Command conducts joint and combined exercises through the planning, conduct, and evaluation of exercises in accordance with the endorsed Program of Major Service Activities. In 2012–13, all major exercise commitments were met.

*A full table of joint and combined exercises held during the year is available online.*

Regular assessments of current campaigns were conducted to report on progress, risk and additional planning requirements. Joint Operations Command identified the forces and resources necessary to achieve and sustain joint operational effects and provided timely advice to withdraw deployed forces for reconstitution when they are no longer required for operations. It captured operational lessons in order to inform future planning and doctrine.

Joint Operations Command facilitated considered military options to understand the availability of ADF capability for the conduct of deliberate, immediate and crisis planning. It developed a regional campaigning framework to synchronise single Service, joint and combined military activities with whole-of-government activities.

Joint Operations Command conducted military operational planning, including the development and maintenance of contingency and operational plans. It routinely assessed the developing security environment to identify future planning priorities. As a result, it maintained relevant contingency plans for humanitarian assistance and disaster relief, the evacuation of non-combatants and stability operations.

**Table 3.28**  
**Program 1.10 deliverables**

Deliverable	Status
Provide input, in the form of reporting, analysis, plans and preparedness requirements, to the strategic-level ADFHQ and Commonwealth national security decision-making committees on military options and operational matters associated with current operational commitments and future directed contingencies	Met
Plan control, conduct and evaluate the ADF and, where applicable, the whole of government and/or coalition contributions to Government-directed operational commitments	Met
Plan control, conduct and evaluate the ADF's contributions to Defence Assistance to the Civil Community and Defence Force Assistance to the Civil Authority and plan for and coordinate Search and Rescue for military purposes	Met
Plan control, conduct and evaluate the ADF's participation in non-operational domestic and international joint, interagency and bilateral and multilateral exercises and engagement activities scheduled in the endorsed Program of Major Service Activities	Met

Deliverable	Status
Maintain partnerships, collaboration and effective information sharing related to operational matters at the national level and effective engagement at the international level	Met
Provide advice to Service Headquarters, other Defence groups and other government departments as necessary to support the development of policy and capability in relation to current, planned and anticipated operations	Met
Contribute to group-specific reforms and cost reductions	Met

**Table 3.29**  
**Program 1.10 key performance indicators**

Key performance indicator	Status
Input to strategic-level decision-making committees on military options and operational matters, and other advice on the development of capability, is timely and accurate	Met
Operations achieve the Government's direction and intent, and/or, where applicable, the whole-of-government strategy	Met
Forces are deployed and sustained efficiently and effectively, and in accordance with agreed time frames	Met
Operational options and plans are identified as innovative solutions that align with strategic guidance and contribute to meeting government direction, reduce risk, conserve resources and reduce adverse effects on directed ADF preparedness levels	Met
ADF operations and non-operational activities are planned, controlled and conducted in accordance with the promulgated Rules of Engagement and operational governance requirements in the areas of medical administration and clinical governance, and personnel, logistics, finance and contract management	Met

## Program 1.11 Capability Development

Capability Development Group develops and manages the Government's plans for future Defence capability as outlined in the Defence Capability Plan. The plan lists the Unapproved Major Capital Investment Program projects planned for government consideration (first and/or second pass) covering a range of significant future force capabilities, including maritime, land and air platforms and weapons systems, communications and intelligence systems, and enablers of Network Centric Warfare. The group maintains close relationships with a range of stakeholders including capability managers, the Defence Materiel Organisation and industry.

The classified Defence Capability Plan is reviewed and updated on a regular basis to take account of factors that emerge as the capability development process progresses, including changing strategic priorities and economic circumstances; the maturity of projects and the evolution of technology in options under consideration; and operational experience.

The 2012 public Defence Capability Plan was released by the Government on 10 July 2012 and contained those priority projects planned for either first or second pass approval over the four-year forward estimates period. It contained 111 projects, or phases of projects, worth approximately \$153b in capital costs.

These projects will deliver key capabilities for the ADF. The Defence Capability Guide was released on 5 October 2012. This document provides general guidance for industry on projects for the six-year period following the four-year forward estimates period of the public Defence Capability Plan.

**Table 3.30**  
**Program 1.11 deliverables**

Deliverable	Status
Provision of timely, accurate and high-quality advice on all aspects of capability development to the Secretary, CDF and the Government	Substantially met
Development of an affordable and executable Defence Capability Plan	Substantially met
Publication of the public version of the Defence Capability Plan	Substantially met
Management of the Key Defence Assets Register, Unapproved Major Capital Investment Program and Net Personnel Operating Cost (also known as the Defence Capability Plan)	Substantially met
Development of Defence capability investment proposals for consideration by the Government	Substantially met
Provision of independent analysis and contestability of capability proposals	Met
Update and publication of the Defence Capability Development Manual	Substantially met
Enhance the effectiveness of the capability development process through the implementation of Capability Development Improvement Program initiatives	Substantially met

Deliverable	Status
Under the Rapid Prototyping Development and Evaluation program, work collaboratively with Australia's defence industry to develop innovative solutions to complex issues affecting capability and current operations	Substantially met
Deliver independent Test and Evaluation support, trials and demonstrations to Defence throughout the capability system's life cycle	Substantially met

**Table 3.31**  
**Program 1.11 key performance indicators**

Key performance indicator	Status
<p>Submit capability investment proposals within agreed resources and to an agreed standard:</p> <ul style="list-style-type: none"> <li>• implement Capability Development Improvement Program initiatives to improve the timeliness and quality of capability submissions, and reflect these improvements in an update to the Defence Capability Development Manual</li> <li>• introduce Portfolio Management arrangements that improve coordination and performance of capability development activities</li> <li>• introduce corporate information management systems that support end-to-end visibility, planning, management and reporting of capability development</li> </ul>	Substantially met
<p>Contestable advice that delivers:</p> <ul style="list-style-type: none"> <li>• a greater level of confidence that individual proposals have realistic schedule and costs projections, comprehensive risk assessments and mitigation</li> <li>• proposals that are coherent, compelling and consistent with strategic guidance and affordable within the Defence Capability Plan</li> </ul>	Met

**More information about the Capability Development Group's key performance indicators and achievements is available online.**

## Program 1.12 Chief Finance Officer

The Chief Finance Officer Group is responsible for giving strategic financial advice and information to ministers, the Secretary, the CDF and Defence senior leaders. It provides a whole-of-Defence focus for planning, management, monitoring and reporting of key deliverables to the Government, including Defence's outputs.

Defence's financial statements, Portfolio Budget Statements and Portfolio Additional Estimates Statements were prepared and submitted within all reporting deadlines. All whole-of-government reporting requirements were achieved. The Defence Control Effectiveness Report was delivered and Chief Executive Instructions were maintained and updated to reflect changes to financial regulation and policy.

The group is responsible for Defence's financial governance and assurance and manages Defence's budget and its financial policies, principles and

practices in accordance with the *Financial Management and Accountability Act 1997*. The group drives Defence's financial management and improvement programs through providing a shared financial services capability to Defence.

Highlights of the group's achievements during the year have included:

- continued remediation of Defence's financial statements, with the number of Category B findings by the ANAO reducing from 10 in 2011–12 to eight in 2012–13
- coordination of the annual budget cycle process and production of the Portfolio Budget Statements and Portfolio Additional Estimates Statements 2012–13
- introduction of shared financial services across Defence
- enhanced management of taxation and treasury activities across Defence.

**Table 3.32**  
**Program 1.12 deliverables**

Deliverable	Status
Defence financial statements	Met
Defence Portfolio Budget Statements	Met
Defence Portfolio Additional Estimates Statements	Met
Defence Control Effectiveness Report	Met
Defence Chief Executive's Instructions	Met
Monthly/annual input to whole-of-government reporting	Met

**Table 3.33**  
**Program 1.12 key performance indicators**

Key performance indicator	Status
Provide timely and high-quality financial advice to the minister, the Secretary and CDF	Met
Produce Defence's Budget, Financial Statements and the annual Defence Management and Finance Plan within agreed statutory timeframes	Met
Maintain unqualified Financial Statements	Met

# Program 1.13 Defence People

Defence recognises that its people are fundamental to Defence capability and seeks to ensure that there is a correct balance of ADF, APS and contracted personnel with the appropriate skills and experience required to deliver Defence capabilities. *People in Defence—generating the capability for the future force* and its companion document, the *Annual people plan 2012–13*, provide a strategic approach to people matters in Defence.

These documents articulated strategic people objectives and identified a range of people-related projects and initiatives that were undertaken in 2012–13. Collectively, these projects and initiatives are aimed at ensuring that Defence maintains the workforce capability required to achieve its strategic outcomes as directed by the Government.

Table 3.34  
Program 1.13 deliverables

Deliverable	Status
Provide timely, accurate and high-quality advice on key people issues to the Secretary, the CDF and the Government	Met
Complete the projects and initiatives described in the Annual People Plan in order to deliver sustainable people capability through the development of: <ul style="list-style-type: none"> <li>• an attractive and compelling employment offer</li> <li>• a work environment that delivers on its commitments to our people</li> <li>• an effective and efficient people system</li> </ul>	Substantially met
Lead the implementation of Human Resource Shared Services and Workforce and Shared Services Reform and savings across the organisation	Met
Deliver group-specific reform and savings	Met

The two primary objectives of the Defence People Group (DPG) were to deliver sustainable people capability to support the achievement of Defence's key outcomes and lead workforce and shared services reform in the human resource function for the APS workforce across the organisation.

The final phase of the formation of the Defence People Group was completed in 2012–13 with the transfer of the Defence Community Organisation and the People Services Branch from Defence Support and Reform Group, and human resources elements from the other groups and Services. Following completion of the consolidation of various people strategy, policy and service delivery functions in the group, the focus has turned to the stabilisation of shared services as standard business operations.

Cultural reform continued as a high priority in the group, with notable achievements including the development of implementation mechanisms for Pathway to Change. These mechanisms seek to ensure that the reforms required to meet Defence's key outcomes are supported by the necessary shifts in attitude and behaviour.

Deliverable	Status
Establishment of an Organisational Development Unit within DPG to coordinate Defence-wide implementation of Pathway to Change	Met
Establishment of an Organisational Response Unit within DPG to facilitate Defence's interaction with the Defence Abuse Response Taskforce established by government in response to the report of the DLA Piper Review into allegations of sexual or other forms of abuse in Defence	Met
Establishment of a Sexual Misconduct Prevention and Response Office to ensure members who report or disclose incidents of sexual misconduct are given appropriate support to assist with their immediate safety and well being, their care and recovery, and their return to their full work potential	Met

**Table 3.35**  
**Program 1.13 key performance indicators**

Key performance indicator	Status
Advice to the Secretary, CDF and the government on people issues is timely and of a high quality	Met
Projects and initiatives described in the Annual People Plan, which are aimed at delivering a sustainable people capability for Defence, are completed in a timely manner and achieve the desired outcomes	Substantially met
Human Resource Shared Services and Workforce and Shared Services Reforms are achieved in a timely manner, and are effective in reducing costs and improving efficiency across Defence	Met
Culture reform is implemented across Defence	Substantially met
Group-specific outcomes and programs (including those related to Workforce and Shared Services reform) are achieved in a timely manner	Met
Provide professional support services to ADF members and families, including delivery of family support programs and bereavement support in the event of death and serious casualties	Met
Ensure timely recognition of ADF members and ex-serving members in accordance with the Australian and Imperial Honours and Awards systems and civilian long service recognition	Substantially met

# Program 1.14 Defence Force Superannuation Benefits

The objective of Program 1.14 is to administer and report member and employer contributions paid during the year to the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS). It accounts for the liability for these schemes as well as for the Defence Force Retirements Benefits Scheme (DFRB).

All three schemes are managed on Defence's behalf by ComSuper. During the year, Defence provided timely payment of member contributions to ComSuper and quality services for the administration of the three schemes.

This program also includes payment of the MSBS Retention Benefit. Since 1991, Defence has paid the MSBS Retention Benefit to eligible scheme members after 15 years of continuous eligible service. The purpose of the Retention Benefit is to encourage members to serve until they have completed 20 years of service. Due to legislative amendments passed in 2005, the Retention Benefit is not available to members who enlisted after 6 October 2005. In 2012–13, Defence continued the prompt payment of member contributions to ComSuper and the payment of Retention Benefit to those members who have taken up the offer.

**Table 3.36**  
**Program 1.14 deliverable**

Deliverable	Status
Report on superannuation contributions and the movement in liabilities associated with the three military superannuation schemes	Met

**Table 3.37**  
**Program 1.14 key performance indicator**

Key performance indicator	Status
Provision of timely payments to ComSuper and quality administration of DFRB, DFRDB and MSBS employer and member contributions	Met

## Program 1.15 Defence Force Superannuation Nominal Interest

The objective of Program 1.15 is to administer nominal interest for the three military superannuation schemes.

**Table 3.38**  
**Program 1.15 deliverable**

Deliverable	Status
Report on superannuation nominal interest associated with the three military superannuation schemes	Met

**Table 3.39**  
**Program 1.15 key performance indicator**

Key performance indicator	Status
Provide quality administration services for DFRB, DFRDB and MSBS nominal interest transactions	Met

# Program 1.16 Housing Assistance

## Defence Home Owner Scheme

The Defence Home Owner Scheme provides a subsidy on the interest payable on home loans between \$10,000 and \$80,000 (held by clients who applied prior to 30 June 2010). The benefits are provided under an agreement between the National Australia Bank and the Commonwealth Government. The subsidy amount is calculated at 40 per cent of the average monthly interest on the loan.

Prior to its closure, the scheme was available to permanent ADF members who enlisted between 15 May 1985 and 30 June 2008 and to those permanent ADF members who elected to revoke their entitlement under the Defence Service Homes Scheme in favour of a Defence Home Owner Scheme entitlement. Reserves and Emergency Force personnel who provided efficient part-time service were also

eligible for assistance. In some limited circumstances, eligible members who meet certain criteria and did not access their entitlement prior to the 30 June closure may apply for a similar benefit (a subsidised loan of up to \$80,000) under the new Defence Home Owner Assistance Scheme.

## Performance

There have been no applications for an entitlement certificate since the scheme closed on 30 June 2010. There were 1,569 active loans at 30 June 2013 for a total of \$2.3m in payments during 2012–13. This represents a significant decline in the number of members receiving the Home Owner Scheme subsidy since the introduction of the Defence Home Owner Assistance Scheme on 1 July 2008. The National Australia Bank has met its obligations to the Commonwealth as the appointed home loan provider.

**Table 3.40**  
**Comparison of activities, 2008–09 to 2012–13**

Activity	2008–09	2009–10	2010–11	2011–12	2012–13
Applications for entitlement certificate received	230	193	2	0	0
Entitlement certificate issued	196	146	0	0	0
Applications for entitlement certificate declined or withdrawn	34	47	2	0	0
Applications for payments of subsidy received	132	58	46	0	0
Applications for payments of subsidy approved	130	57	46	0	0
Applications for subsidy declined or withdrawn	2	1	0	0	0

Activity	2008–09	2009–10	2010–11	2011–12	2012–13
Amount of Commonwealth subsidy paid	\$8.1m	\$4.3m	\$4.3m	\$3.5m	\$2.3m
Number of subsidy payees at 30 June 2013	4,176	3,172	2,564	2,062	1,569

#### Note

Entitlement certificates are valid for 12 months.

### Defence Home Owner Assistance Scheme

The Defence Home Owner Assistance Scheme is a Commonwealth Government initiative that provides a subsidy on the interest payable on a home loan for members of the ADF. The scheme is open to current and former ADF members who have been in effective service in the ADF on or after 1 July 2008 and who have completed a qualifying period and accrued a Service credit.

The Department of Veterans' Affairs, as the scheme administrator, is responsible for assessing member applications, issuing subsidy certificates to eligible members and processing subsidy payments.

Three appointed home loan providers have the exclusive right to offer members home loans. They are Australian Defence Credit Union, the Defence Bank (formerly the Defence Force Credit Union) and the National Australia Bank.

#### Performance

In its fifth year of operation, the scheme continued to attract a high level of interest from ADF members. A total of 6,010 applications were registered during the year, and 5,675 members received subsidy certificates. Fifty-one per cent of members who applied for a subsidy certificate indicated that the scheme was an influence on their decision to remain in the ADF, and 41 per cent of members indicated it was a key factor in encouraging them to remain in the ADF.

At 30 June 2013, 17,508 members were receiving subsidy assistance under the scheme. In 2012–13, the value of subsidy assistance paid to eligible members totalled \$74.63m. The total amount paid in subsidy assistance since the commencement of the scheme is \$283m.

The Department of Veterans' Affairs continued to meet its obligations under the legislation and Memorandum of Understanding and has provided effective service to the scheme. Defence is satisfied with its performance in administering this scheme and managing the panel of home loan providers to ensure they provide competitive home loan products and services to eligible ADF members. Defence approved a two-year extension to the Memorandum of Understanding for the period 2013–15.

The Department of Veterans' Affairs referred 23 appeals for internal review to the delegate in Defence during the year. Three members applied to the Administrative Appeals Tribunal for an external review.

#### Operational costs

The Department of Veterans' Affairs is paid an annual management and service delivery fee for the administration of both schemes. In 2012–13, the administration costs totalled \$4.5m (excluding GST).

Defence received a total of \$11.1m in remuneration from the three home loan providers during the year.

**Table 3.41**  
**Comparison of housing assistance activities, 2008–09 to 2012–13**

Activity	2008–09	2009–10	2010–11	2011–12	2012–13
Applications for subsidy certificates registered	14,852	7,238	6,774	6,472	6,010
Subsidy certificate issued	14,276	6,899	6,522	6204	5,675
Applications for subsidy certificate declined or withdrawn	576	339	252	268	335
Number of subsidy payees at 30 June 2013	6,989	10,367	13,259	15,618	17,508
Conditional rejections	80	43	39	20	24
Amount of Commonwealth subsidy paid	\$22.23m	\$43.17m	\$65.97m	\$76.99m	\$74.63m

**Note**

Subsidy certificates are valid for 12 months.

**Table 3.42**  
**Program 1.16 deliverables**

Deliverable	Status
Provide ADF members with assistance to achieve home ownership that reflects the contemporary housing and home finance markets	Met
Provide progressively higher levels of assistance for eligible members serving beyond the critical career points of four, eight and twelve years of service	Met
Provide quality services for the administration of the scheme, including the accurate and timely processing of member applications and issuing of subsidy certificates	Met

**Table 3.43**  
**Program 1.16 key performance indicators**

Key performance indicator	Status
Members respond to and take up the scheme	Met
Ensure that interest rates provided to ADF members by the home loan providers are competitive with other interest rates in the market	Met



# Program 1.17

## Other Administered

Program 1.17 comprises the following four elements:

- interest earned on overdue accounts and on official bank accounts held to facilitate operational requirements
- interest on government loans to fund the building of new accommodation, dividends and tax equivalent payments received from the Defence Housing Authority
- revenue received from special public monies for unidentified Comcare receipts
- departmental returns to the Official Public Account arising from sale of assets with an original purchase price in excess of \$10m.

**Table 3.44**  
**Program 1.17 deliverable**

Deliverable	Status
Report on interest and other receipts transferred to the Official Public Account	Met

**Table 3.45**  
**Program 1.17 key performance indicator**

Key performance indicator	Status
Accurate accounting and reporting of Other Administered	Met



*Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government*

## Summary

The ADF advances Australia's strategic interests by planning for, and developing and maintaining, the capability to deter and defeat armed attacks on Australia (its principal task as described in the Defence White Paper) and by planning for, conducting, controlling and evaluating Defence and/or coalition contributions to Australian Government-directed operations. The ADF has contributed to maintaining a stable security environment to enable national programs focused on peace, reconciliation, economic recovery, law and order and good governance to develop across all its operations.

**Table 3.46**  
**Net additional cost of operations**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000
Operation Astute	87,629	121,588	90,045	-31,543
Operation Slipper <sup>[3]</sup>	1,189,788	1,189,788	1,006,497	-183,291
Operation Resolute <sup>[4]</sup>	9,500	9,500	9,586	86
Operation Anode	42,916	42,916	47,401	4,485
Operation Kruger <sup>[4]</sup>	1,878	1,878	3	-1,875
Enhanced Force Protection in Afghanistan <sup>[3][5]</sup>	211,547	164,596	94,542	-70,054
<b>Total Net Additional Costs</b>	<b>1,543,258</b>	<b>1,530,266</b>	<b>1,248,074</b>	<b>-282,192</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 17.
2. As published in the Portfolio Budget Statements 2013–14, Table 4.
3. Government supplementation for Enhanced Force Protection in Afghanistan costs has been captured against Operation Slipper.
4. Costs against Operation Resolute and Kruger have been absorbed by Defence in 2012–13.
5. Government supplementation for Enhanced Force Protection in Afghanistan costs is captured against Outcomes 1 and 2.

**Table 3.47**  
**Net additional cost of operations, 1999–2000 to 2016–17**

	1999–2000 to 2011–12 actual result \$m	2012–13 actual result \$m	2013–14 budget estimate <sup>[5]</sup> \$m	2014–15 forward estimate <sup>[5]</sup> \$m	2015–16 forward estimate <sup>[5]</sup> \$m	2016–17 forward estimate <sup>[5]</sup> \$m	Total \$m
Operation Astute	4,218.1	90.0	5.4				4,313.5
Operation Bel Isi	47.7	0.0	0.0				47.7
Operation Slipper	5,183.0	1,006.5	874.9	217.5	160.1	87.1	7,529.2
Operation Resolute <sup>[1]</sup>	140.3	9.6	9.9	0.0	0.0		159.8
Operation Catalyst	2,364.5	0.0	0.0				2,364.5
Operation Anode	299.0	47.4	11.3	0.1			357.8
Operation Sumatra Assist	44.5	0.0	0.0				44.5
Operation Acolyte	10.5	0.0	0.0				10.5
Operation Deluge	6.7	0.0	0.0				6.7
Operation Pakistan Assist	9.8	0.0	0.0				9.8
Operation Outreach	14.6	0.0	0.0				14.6
Operation Kruger <sup>[2]</sup>	45.3	0.0	0.0				45.3
Enhanced Force Protection in Afghanistan <sup>[3][4]</sup>	435.4	94.5	10.0	16.2			556.2
Defence Support to 2014 G20 Summit	0.0	0.0	7.1				7.1
<b>Total Net Additional Costs</b>	<b>12,819.5</b>	<b>1,248.1</b>	<b>918.5</b>	<b>233.8</b>	<b>160.1</b>	<b>87.1</b>	<b>15,467.3</b>
<b>Sources of Funding for Operations</b>							
Government Supplementation	11,315.7	1,143.9	891.6	217.6	160.1	87.1	13,816.1
Department of Foreign Affairs and Trade	9.1	0.0	0.0	0.0	0.0	0.0	9.1
Department of Defence (Absorbed)	1,494.6	104.1	26.9	16.2	0.0	0.0	1,642.1
<b>Total Cost</b>	<b>12,819.5</b>	<b>1,248.1</b>	<b>918.5</b>	<b>233.8</b>	<b>160.1</b>	<b>87.1</b>	<b>15,467.3</b>

#### Notes

1. Costs against Operation Resolute were absorbed by Defence in 2011–12, 2012–13 and Defence will absorb the cost of Operation Resolute in 2013–14.
2. Costs against Operation Kruger were absorbed by Defence in 2011–12 and 2012–13.
3. Government supplementation for Enhanced Force Protection in Afghanistan costs was captured against Outcomes 1 and 2.
4. Government supplementation for Enhanced Force Protection in Afghanistan costs was captured against Operation Slipper.
5. As published in the Portfolio Budget Statements 2013–14, Table 4.

**Table 3.48**  
**Total cost of Defence Outcome 2<sup>[1]</sup>**

	2012-13 budget estimate <sup>[2]</sup> \$'000	2012-13 revised estimate <sup>[3]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000	%
<b>Program 2.1 - Operations Contributing to the Security of the Immediate Neighbourhood</b>					
Revenue from other sources	3,100	3,600	2,497	-1,103	-31
Departmental outputs	130,545	164,504	133,171	-31,333	-19
<b>Program 2.2 - Operations Supporting Wider Interests</b>					
Revenue from other sources	21,291	21,294	27,732	6,438	30
Departmental outputs	1,210,738	1,230,012	798,392	-431,620	-35
<b>Total resourcing</b>					
Total Departmental outputs	1,341,283	1,394,516	931,563	-462,953	-33
Total Departmental revenue from other sources	24,391	24,894	30,229	5,335	21
Equity Injection	-	-23	-	23	-100
<b>Total resources for Outcome 2</b>	<b>1,365,674</b>	<b>1,419,387</b>	<b>961,792</b>	<b>-457,595</b>	<b>-32</b>

**Notes**

1. This table excludes capital payments for outcomes.
2. As published in the Portfolio Budget Statements 2012-13, Table 47.
3. As published in the Portfolio Budget Statements 2013-14, Table 35.

**Table 3.49**  
**Departmental cost summary for Outcome 2<sup>[1]</sup>**

	2012–13 budget estimate <sup>[2]</sup> \$'000	2012–13 revised estimate <sup>[3]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000	%
<b>Expenses</b>					
Employees	290,917	314,504	293,608	-20,896	-7
Suppliers	1,036,399	1,030,690	629,419	-401,271	-39
Grants	38,358	38,358	38,700	342	1
Depreciation and amortisation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	35,858	-	-35,858	-100
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	65	65	-
<b>Total expenses</b>	<b>1,365,674</b>	<b>1,419,410</b>	<b>961,792</b>	<b>-457,618</b>	<b>-32</b>
<b>Income</b>					
<b>Revenue</b>					
Goods and services	24,391	24,894	30,229	5,335	21
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>24,391</b>	<b>24,894</b>	<b>30,229</b>	<b>5,335</b>	<b>21</b>
<b>Gains</b>					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>24,391</b>	<b>24,894</b>	<b>30,229</b>	<b>5,335</b>	<b>22</b>
<b>Total resources for Outcome 2</b>	<b>1,341,283</b>	<b>1,394,516</b>	<b>931,563</b>	<b>-462,953</b>	<b>-32</b>

**Notes**

1. This table excludes capital payments for outcomes.
2. Total aggregation of Outcome 2 programs as published in the Portfolio Budget Statements 2012–13.
3. Total aggregation of Outcome 2 programs as published in the Portfolio Budget Statements 2013–14.



## Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood

Defence is focused on the security, stability and cohesion of our immediate neighbourhood, which we share with Indonesia, New Zealand, Papua New Guinea, Timor-Leste and the island countries of the south-west Pacific.

Defence has completed one short-notice operation in Papua New Guinea (Cathedral) involving the provision of logistic support to national elections, and conducted five long lasting operations (Astute, Anode, Gateway, Solania and Tower) in the Asia-Pacific region. ADF support to stability in Timor-Leste (Astute) ceased on 19 April 2013, while the concurrent support to the United Nations Integrated Mission in Timor-Leste (Tower) ceased on 15 December 2012. Commitment to operations in Solomon Islands by the ADF through the Regional Assistance Mission to Solomon Islands (RAMSI) ceased on 1 July 2013 prior to completing base closures and withdrawal on 5 September 2013. Periodic maritime surveillance missions continued through operations Solania and Gateway.

*More information on Defence activities that enhance the capabilities of regional partner nations through the Defence Cooperation Program is available online.*

There were two AP-3C maritime patrol aircraft deployments conducted during the year (fewer than the historical norm due to competing priorities for the aircraft with Operation Resolute). In addition, Navy vessels operating or transiting the region provided the opportunity for surveillance reporting under Operation Solania.

The exercise Pacific Partnership 2013 was conducted between 25 May 2013 and 19 August 2013. During the mission, medical, dental, veterinary and engineering aid to Kiribati, the Marshall Islands, Papua New Guinea, Samoa, Solomon Islands and Tonga was delivered. Australia was the lead nation for activities in Papua New Guinea, with HMAS *Tobruk* providing assistance to the townships of Vanimo and Wewak. The total Australian commitment to the exercise was around 300 personnel.

**Table 3.50**  
**Program 2.1 deliverables**

Operation	Objective	Status
Tower 2006–12	Contribute to the United Nations Integrated Mission in Timor-Leste	Met
Astute 2006–13	Contribute security support to the Government of Timor-Leste and the United Nations Mission in Timor-Leste	Met
Anode 2003–13	Contribute to the DFAT-led Regional Assistance Mission to Solomon Islands. The ADF mission is to assist the Solomon Islands Government in maintaining a secure environment in order to foster social, economic and political stability in Solomon Islands	Met
Gateway 1981–	Conduct Northern Indian Ocean and South China Sea maritime surveillance patrols	Met
Cathedral May–July 2012	Provide airlift support to the Government of Papua New Guinea (PNG) between 30 May and 30 July 2012 in order to support the conduct of the 2012 PNG national election	Met
Solania 1988–	Conduct south-west Pacific maritime surveillance patrols	Met

The ADF delivered the following operational elements in support of government directives to assist in regional development and contingencies that occurred in 2012–13.

**Table 3.51**  
**Operations in support of regional development and contingencies**

Operation	Objective	Status
Pacific Partnership 2013 25 May – 19 August 2013	Provide annual humanitarian and civic assistance that improves United States and Australian military, and partner nation, capacity for dealing with future humanitarian assistance and disaster relief response contingencies in the region	Met
Evan Assist 19–23 December 2012	Movement of disaster relief stores to Fiji and Samoa following Cyclone Evan	Met

## CONCLUSION OF OPERATION ASTUTE

**The ADF formally concluded Operation Astute in Timor-Leste and redeployed all troops and equipment to Australia in the first half of 2013.**

The Australian-led International Stabilisation Force ceased security operations and began to depart Timor-Leste in November 2012, with the last of the ADF personnel returning home to Australia on 27 March 2013. The last commander of Joint Task Force 631, Lieutenant Colonel Mick Sasse, flew into Australia after the final handover of Australian bases to the Government of Timor-Leste.

Chief of Joint Operations Lieutenant General Ash Power said the mission had been a success in restoring public order and stability.

'Personnel from Australia and New Zealand are proud of the part they played in assisting the Timor-Leste security force's efforts to restore stability to their nation', Lieutenant General Power said.

'Overall, the ADF is proud to have assisted the Timorese people in the quest for self-determination and governance. We all look forward to continued strong relationships with Timor-Leste defence personnel into the future.

'Approximately 29,000 deployment orders have been issued to personnel, some multiple times, to Timor-Leste since operations in the young nation started with International Force East Timor in 1999.



'Our personnel have done an outstanding job to build relationships based on mutual respect and have maintained a strong rapport with the people of Timor-Leste throughout our involvement since the first deployment to the country in 1999.'

The end of the operation was declared after the Helicopter Point of Disembarkation became the final base to be handed over this year to the Government of Timor-Leste on 25 March 2013.

Other bases handed over include the Aircraft Point of Disembarkation at Dili Airport on 18 March 2013 and the Forward Operating Base 'Camp' Phoenix on 21 February 2013.

Three Army Black Hawk helicopters, four infantry platoons, 102 vehicles and more than 50 shipping containers of equipment have been returned to Australia since November 2012. Other items including infrastructure and some vehicles have been gifted to the Government of Timor-Leste.

Australia is continuing its strong security relationship with Timor-Leste through the Defence Cooperation Program, which is continuing its mission to support the development of the Timor-Leste Defence Force.

A team of 24 Australian military and civilian personnel has remained in Timor-Leste to provide training and mentoring support to the Timor-Leste Defence Force and the Secretariat of Defence.

## Program 2.2 Operations Supporting Wider Interests

Under Operation Slipper, the ADF contributes to the NATO-led International Security Assistance Force in Afghanistan and to the Combined Maritime Force in the Arabian Sea, Red Sea, Gulf of Aden and Arabian Gulf.

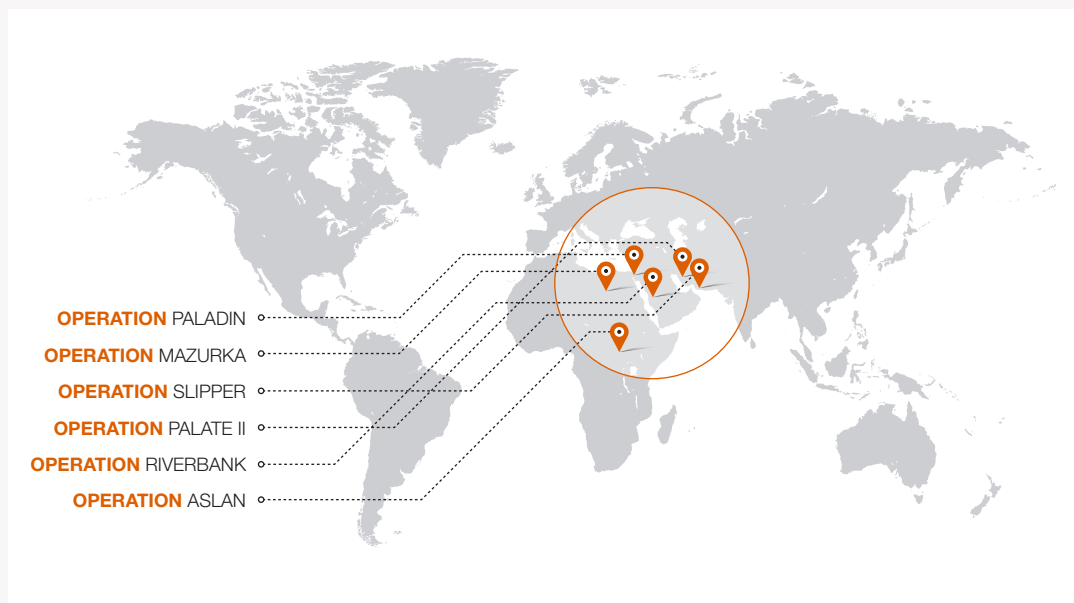
With around 1,550 ADF personnel based within Afghanistan, and about 800 personnel deployed across the broader Middle East Area of Operations, Operation Slipper represented the most significant military operation for the Government and for Defence since federation.

The main focus of the ADF effort in Afghanistan was the development of the Afghan National Security Forces' capability to take lead responsibility for the security of their country. To this end, the ADF has continued advising the Afghan National Army's 4/205 Brigade so that it can take over lead responsibility for security in Uruzgan Province.

The Navy major fleet unit continuously deployed in support of the Combined Maritime Force, conducted maritime counter-terrorism and counter-piracy operations. Australia commanded Combined Task Force 150, responsible for the maritime counter-terrorism mission, between 19 December 2012 and 14 April 2013.

In support of a rules-based global security order, Defence continued to provide support to six United Nations missions and coalition operations. The ADF maintained its longstanding links to the military observer mission in Sinai, Egypt, under Operation Mazurka, and five other United Nations missions in the Middle East, while continuing to provide support to the Australian Government diplomatic mission in Iraq.

**Figure 3.1**  
**Global operations**



**Table 3.52**  
**Program 2.2 deliverables**

Operation	Objective	Status
Paladin 1956–	Contribute to the United Nations Truce Supervision Organisation in the Middle East	Met
Mazurka 1982–	Contribute personnel to the Multi-national Force and Observers in the Sinai	Met
Slipper 2001–	Contribute to the international coalition against international terrorism and assist with the reconstruction of Afghanistan	Met
Palate II 2005–	Provide Military Liaison Officers to the United Nations Assistance Mission in Afghanistan	Met
Riverbank 2008–	Contribute to the United Nations Assistance Mission for Iraq	Met
Aslan 2011–	Contribute to the United Nations Mission in the Republic of South Sudan	Met

**Table 3.53**  
**Program 2.2 key performance indicators**

Key performance indicator	Status
ADF operations meet their stated objectives within the Government's guidance	Met
ADF forces are effectively deployed and sustained	Met
ADF forces are withdrawn for reconstitution when they are no longer required	Met

## AUSTRALIAN FORCES IN AFGHANISTAN: A PROUD RECORD

### **Three days after the September 11 terrorist attacks on the United States in 2001, Australia invoked Article IV of the ANZUS Treaty.**

One month later, the first rotation of 150 Special Air Service Regiment (SASR) troops was deployed to Afghanistan as part of the US-led operations. Two rotations of SASR troops as well as HMAS *Anzac*, already deployed to the Middle East, complete with an embarked Army air defence element, and FA-18 Hornets and a B-707 air-refuelling aircraft from the Royal Australian Air Force comprised the initial Australian contribution to the global war on terrorism operation. Operation Slipper had begun.

By November 2002, coalition operations in Afghanistan had begun to shift to reconstruction and the Australian Government declared that the third rotation of SASR troops would be home before Christmas, completing Australia's mission in Afghanistan.

Navy continued Australia's contribution to maritime security operations in the Middle East, which commenced in 1990. During 2002–03 there were 15 individual ship deployments as part of multi-national maritime forces conducting maritime security operations and naval gunfire support. In 2013 the commitment continues with HMAS *Newcastle*, the Navy's 55th individual ship deployment to the Middle East since 1990, helping to protect Australian and international trade through the region. The Navy has also supported the dangerous task of mine clearance and counter improvised explosive device operations, and contributed specialist logistics personnel, communications technicians and senior staff.

Between 2003 and 2005, Australia's focus was on security and stabilisation operations in Iraq. In July 2005, however, a resurgent Taliban and al-Qaeda threatened the stability of the legitimate government in Afghanistan and a new Special Forces Task Group was committed to coalition operations to target the leaders of terrorist cells.

Within a year, Australia's Special Forces had set the security conditions for Army combat engineers and infantry to deploy to Uruzgan province to assist with community-based reconstruction and development projects as part of a task force led by the Netherlands. Construction projects that developed basic health infrastructure, refurbished schools and bridged rivers continued through 2006 and 2007.

From the start of Operation Slipper, the Royal Australian Air Force has provided continuous support for operations in Afghanistan and the Middle East, including strategic and operational airlift; conducting reconnaissance and surveillance using unmanned platforms such as Heron; commanding the multi-national base at Tarin Kot; and deploying Air Field Defence Guards.

Armed engagements and fire-fights against the Taliban insurgency intensified from 2009 as the International Security Assistance Force spread its influence deeper into Uruzgan province and took responsibility for developing the operational competencies of the Afghan National Police and Afghan National Army. Civilian and coalition casualties increased as improvised explosive devices and small arms attacks by insurgents unsuccessfully attempted to destabilise security and undermine development and governance in the province. The long road to training the Afghan National Security Forces commenced with the Australian Federal Police training Afghan National Police recruits.

► FEATURE

When the Dutch withdrew in August 2010, Australia increased its responsibilities in the province by assuming leadership of the Provincial Reconstruction Team and training the Afghan National Army's 4th Brigade. In September 2010, the first parliamentary elections were held in Afghanistan. With support from Australian and coalition forces, the Afghan National Security Forces provided security for polling in the province, which was conducted without major incident.

Australia's training mission evolved into mentoring as the Afghan National Army progressively took the lead for operational planning, coordination of security operations, and the conduct of patrolling. As the infantry Kandaks developed in their competency, Australia focused its efforts on providing training in logistics, medical support and other combat support and service support functions.

Across Afghanistan, all of the country's 34 provinces have now entered transition, a process in which the Afghan National Security Forces will assume full responsibility for security by the end of 2014. This is a significant achievement for the people of Afghanistan and for a country that only a few short years ago had no standing army.

In line with the transition process agreed by NATO, International Security Assistance Force partner nations and the Afghan Government, Australia's civil and military presence in Uruzgan will end by December 2013. But Australia and the international community will continue to support stability and security beyond transition through a comprehensive partnership with the Afghan Government signed in May 2012.



### *Outcome 3: Support for the Australian community and civilian authorities as requested by Government*

## Summary

Outcome 3 focuses on the ability of the Australian Defence Force to contribute to national support tasks in Australia (Program 3.1) where directed by the Government, both in emergency and non-emergency situations.

Emergency assistance in Australia is provided and managed using the Australian Government emergency

management plans and arrangements maintained by Emergency Management Australia. To support these plans, the ADF has developed a series of standing plans for short-notice Defence contributions to national support tasks, conducting training and exercises and maintaining selected force elements at preparedness levels should these plans be activated.

**Table 3.54**  
**Total cost of Defence Outcome 3<sup>[1]</sup>**

	2012–13 budget estimate <sup>[2]</sup> \$'000	2012–13 revised estimate <sup>[3]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000	%
<b>Program 3.1 - Defence Contribution to National Support Tasks in Australia</b>					
Revenue from other sources	-	-	-	-	-
Departmental outputs	9,500	9,500	15,182	5,682	60
<b>Total resourcing</b>					
Total Departmental outputs	9,500	9,500	15,182	5,682	60
Total Departmental revenue from other sources	-	-	-	-	-
<b>Total resources for Outcome 3</b>	<b>9,500</b>	<b>9,500</b>	<b>15,182</b>	<b>5,682</b>	<b>60</b>

#### Notes

1. This table excludes capital payments for outcomes.
2. As published in the Portfolio Budget Statements 2012–13, Table 50.
3. As published in the Portfolio Budget Statements 2012–14, Table 38.

**Table 3.55**  
**Departmental cost summary for Outcome 3<sup>[1]</sup>**

	2012-13 Budget Estimate <sup>[2]</sup> \$'000	2012-13 Revised Estimate <sup>[3]</sup> \$'000	2012-13 Actual Result \$'000	Variation \$'000	%
<b>Expenses</b>					
Employees	202	202	577	375	185
Suppliers	9,298	9,298	14,605	5,307	57
Grants	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>9,500</b>	<b>9,500</b>	<b>15,182</b>	<b>5,682</b>	<b>60</b>
<b>Income</b>					
<b>Revenue</b>					
Goods and services	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Reversal of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total resources for Outcome 3</b>	<b>9,500</b>	<b>9,500</b>	<b>15,182</b>	<b>5,682</b>	<b>60</b>

**Notes**

1. This table excludes capital payments for outcomes.
2. Total aggregation of Outcome 3 programs as published in the Portfolio Budget Statements 2012-13.
3. Total aggregation of Outcome 3 programs as published in the Portfolio Budget Statements 2013-14.

## Program 3.1

### Defence Contribution to National Support Tasks in Australia

National support tasks undertaken by the ADF may include securing of the Australian coastline from illegal immigration, smuggling, quarantine evasion and other intrusions to Australian sovereignty; counter-terrorism responses; search and rescue; and natural disaster relief.

The ADF contributes to Border Protection Command tasking, providing maritime surveillance assets that are routinely tasked in accordance with the Government's direction.

Pressures arising from sustained deployment of major force elements were addressed through closely

monitoring ADF concurrency to ensure the ADF retained flexible response options in support of the priorities of the Government. Any deterioration in the security environment requiring additional ADF elements was managed by working closely with federal and state agencies to monitor threats.

Seven RAN patrol boats and a major fleet unit with Transit Security Element teams embarked, and three RAAF AP-3C Maritime Patrol Aircraft were continuously provided in support of Border Protection Command. Army Regional Force Surveillance Units provided periodic littoral area patrols in support of the operation.

Table 3.56  
Program 3.1 deliverables

Operation	Objective	Status
Resolute 2006–	Contribute to a whole-of-government effort covering maritime enforcement activity	Met
Flood/fire relief in Northern NSW, Southern Qld, WA and Vic	The ADF provided support the Qld, NSW, WA and Vic governments in the wake of serious flooding/fire events	Met

Table 3.57  
Program 3.1 key performance indicators

Key performance indicator	Status
Defence's contribution to national support tasks in Australia meets government directives	Met
Defence's response to requests for Defence Force Aid to civilian authorities is effectively managed, sustained and reported	Met
Defence's response to requests for Defence assistance to the civil community is effectively managed, sustained and reported	Met

## DEFENCE LENDS A HAND DURING JANUARY 2013 BUSHFIRES

**In January 2013, members of the Defence Support and Reform Group provided vital assistance to communities in Tasmania and New South Wales threatened by bushfires.**

On 4 January, Hobart-based members of the Directorate of Operations and Training Area Management (DOTAM) joined the state emergency management team to coordinate support from the ADF when multiple fires threatened lives and property in Tasmania.

Major Bob Parker said that when fire went through the Tasmanian village of Dunalley, initial reports indicated that more than 50 dwellings had been destroyed.

‘There was concern that some residents could not be accounted for, so it was important to search fire affected dwellings’, Major Parker said.

The DOTAM team organised for personnel from 12/40 Royal Tasmania Regiment, 2nd Force Support Battalion, 29 (City of Hobart) Squadron and DOTAM to join State Emergency Service and specialist New South Wales fire personnel under the control of Tasmania Police.

Major Brent Maddock said that, as the threat to the Tasman Peninsula increased, contingency plans were needed.

‘There were a number of people being evacuated from the Tasman Peninsula by private pleasure craft and commercial ferries. We worked with state agencies to scope a plan for a mass evacuation by water’, he said.



Fires had cut power, so generators were flown from RAAF Amberley to Hobart Airport on a C17 Globemaster III. DOTAM's staff then coordinated the movement of the generators through Hobart Airport to Nubeena, on the western side of the peninsula.

In Cooma, New South Wales, the Directorate of Customer Access Management demonstrated the value and skill of its people when the Cooma–Monaro Rural Fire Service battled to contain a large and dangerous bushfire less than 20 kilometres from the town.

More than 20 volunteers from the directorate's communications room provided support with communications, operations and logistics when the fire service requested assistance at their Emergency Control Centre on 8 January.

Debbie Huggett, one of the volunteers, said there was no time for explaining or handholding.

‘It was about thinking on our feet to make a meaningful contribution’, she said.

‘We were the interface with units on the ground. We’d keep an eye on the unit status and their needs—for example, if they needed more water, more fuel or calling in a helicopter.’

Charles Bradshaw, who had been a radio operator with the Blue Mountains Rural Fire Service, volunteered to help on his day off.

‘Most of the information was delivered through the radio, so it was full on. I was lucky, I got into the groove quickly’, he said.



**PART THREE**  
MANAGEMENT AND ACCOUNTABILITY

3



## CHAPTER 4

### Cultural and management reform

#### Cultural reform

Over the past year, Defence continued to implement cultural reform through Pathway to Change: Evolving Defence Culture—both a statement of cultural intent and the strategy for addressing the recommendations from a range of culture reviews into aspects of Defence and ADF culture that were conducted in the preceding year.

Since Pathway to Change was launched in March 2012, substantial progress has been made: 112 of the 175 key actions and recommendations from the six culture reviews had been implemented by 30 June 2013. Key achievements included:

- completion of final preparations for the establishment of the Sexual Misconduct Prevention and Response Office (SeMPRO)
- developing policies and practices as part of an evidence-based ADF alcohol management strategy
- a significantly improved focus on improving diversity within Defence.

We are fully committed to the cultural reform program, which seeks to substantially complete implementation of the culture reviews within a two-year time frame, followed by a further three years of concentrated effort to embed the changes needed to achieve the desired cultural effect.

#### Review of the allegations of sexual and other abuse in Defence

On 26 November 2012, the Minister for Defence announced the Government's response to the *Review of allegations of sexual and other abuse in Defence* (DLA Piper Review). The response included an apology, delivered in the Parliament by the Minister for Defence, to ADF and Defence employees who had suffered sexual or other forms of abuse in the course of their employment; counselling services for complainants; a capped reparation scheme; and the establishment of an independent Defence Abuse Response Taskforce. The Chief of the Defence Force also issued an apology to those who had suffered abuse while serving in the ADF and reiterated his personal undertaking to defend the right of all members of the ADF to serve in an environment free from abusive behaviour of any kind.

#### Women in the ADF

The Australian Sex Discrimination Commissioner, Ms Elizabeth Broderick, conducted two substantial reviews into the treatment of women in the ADF in 2011 and 2012. The first of these, the *Review into the treatment of women in the Australian Defence Force, Phase One report*, which focused on the treatment of women at the Australian Defence Force Academy (ADFA), was tabled in Parliament in November 2011. The scope of the second review was significantly broader, and addressed the treatment of women across the wider ADF. The *Review into the treatment of women in the Australian Defence Force, Phase Two report* was tabled in Parliament in August 2012. Both reviews contained a series of recommendations designed to help the ADF to build a more inclusive culture where women can reach their full potential within the training context and beyond.

The Phase One report contained 31 initial recommendations, which targeted a range of actions designed to reaffirm and enhance ADFA's status as a premier officer training institution. They specifically targeted underlying cultural issues, with a clear focus on enhancing student welfare and supervision, improving the diversity of the ADFA population, enhancing the education and management of complaints about

unacceptable behaviour and reducing the incidence of such complaints. Other areas of focus include staff leadership at ADFA, managing the intake of alcohol by students and implementing data-based means of tracking key indicators of organisational culture.

ADFA responded quickly and decisively to the recommendations of the Phase One report, by establishing a dedicated Reviews Implementation Team to facilitate widespread cultural reform across the academy. The team's progress in implementing the recommendations was affirmed through the audit of the Phase One report, conducted from September 2012 to March 2013 by the Australian Sex Discrimination Commissioner. The audit noted the good progress that has been made at ADFA, while also highlighting areas that require continued reform effort. In 2013, the dedicated team has continued to actively progress review and audit recommendations, especially in the development of best-practice education packages addressing healthy relationships and sexual ethics. Outcomes from the team's work at ADFA will be disseminated among the wider ADF learning and education community throughout the remainder of 2013 and 2014.

Work on the recommendations of the Phase Two report formally began in October 2012, after all 21 recommendations from the Broderick review were accepted by Defence's senior leadership committees. A small project team was established within Defence People Group to coordinate and report on Phase Two report activities as part of the broader Pathway to Change program. The ADF has dedicated significant resources to taking forward the Phase Two report recommendations throughout 2013, with substantial progress made across the three Services.

Key areas of focus include tangible leadership commitment to gender inclusion, improved career flexibility, enhanced pathways to promotion and advancement, greater access to flexible employment, and the development of ADF-wide mentoring and support networks. The Services have worked to attract and retain higher numbers of women into non-traditional employment areas, where women's representation is disproportionately low.



The recruitment of women has been addressed by all three Services, with a range of innovative recruiting strategies now in place to attract higher numbers of women to ADF careers. The Services now offer a substantially reduced initial employment commitment, which has proven extremely successful as a 'try before you buy' option for young women. The Army and the Air Force have successfully trialed experiential residential school holiday programs for young women in the senior years of high school, which have resulted in higher numbers of young women recruits.

Other innovative strategies such as 'recruit to area' have encouraged the entry of women who seek to remain in their local community while still enjoying an ADF career. Recent Defence Force Recruiting marketing initiatives have sought to ensure improved visual representation of women in all advertising materials for the three Services, including special campaigns that are dedicated specifically to women's recruitment. The Army's 'Recruit When Ready' initiative gives women a greater choice about time frames for joining the Army. The Air Force's Women in Non-Traditional Employment Roles (WINTER) project seeks to attract women into technical or aircrew roles through specialised entry pathways.

These programs have shown some early success, with all three Services reporting the increased recruitment of women throughout 2013. The Services have all set targets for women's representation to ensure sustained

efforts to improve the recruitment and retention of women in the Permanent Force over the next decade. Navy and Air Force have set a target of 25 per cent by 2023, which means an increase from 18.4 per cent in the Navy and 17.5 per cent in the Air Force. The Army aims to increase the representation of women from 11 per cent to 12 per cent by mid-2014, and to 15 per cent by 2025.

**‘... men and women in the same trade, and of the same rank and seniority, are paid the same amount.’**

In other measures, many of the barriers that have previously impeded women's retention and progression in the ADF have been removed or mitigated.

For example, the provision of greater support to personnel when they are posted to new locations has addressed improved retention of women in the ADF. The ADF has ensured an improved ability for all members to directly negotiate their careers with their personnel management agencies. Pleasingly, a number of women who have previously left the ADF have rejoined, primarily due to the improvements made to personnel management constructs and conditions of Service. Improved access to, and support for, flexible working arrangements and associated policy initiatives are likely to result in the improved retention of all personnel—men and women—into the future.

Each Service has invested considerable effort into communicating the organisational and operational benefits associated with the improved representation of women in the ADF. The Chief of the Defence Force and Service Chiefs have personally and actively promoted gender inclusion across the ADF and within their respective Services. This has been achieved through widespread internal and external communication forums, including social media, speeches, internal communiqués and leadership directives to ADF personnel. Defence leadership's strong and passionate commitment to gender inclusion in the ADF has been a defining feature of the past 12 months of cultural reform. Their efforts to

progress gender inclusion have resulted in substantial progress against all 21 recommendations of the Broderick review as at 30 June 2013.

Recommendation three of the Phase Two report was the publication of an annual 'Women in the ADF' report. The full report has been included as an online supplement to this annual report. This report provides a strong baseline for future reporting regarding women's participation and experience in the ADF. This baseline will enable Defence to accurately track trends regarding women's employment and experience, identify areas of concern and highlight successful initiatives across the three Services. This process will ensure that the current momentum towards cultural reform is maintained into the future.

In developing the report, Defence used the YourSay survey to gain a better understanding of women's attitudes and perceptions about their ADF experience. Although men and women scored equally in agreeing that their job gave them a 'feeling of personal accomplishment', women scored more highly than men in agreeing that they received recognition for their performance and in being provided access to learning and development opportunities.

Salaries in the ADF are based on rank, skill and seniority. Accordingly, men and women in the same trade, and of the same rank and seniority, are paid the same amount. The report shows that women are still under-represented in senior ADF ranks; however Defence has put measures in place that are likely to substantially increase women's representation in future years.

Overall, a lower proportion of women than men left Defence during 2012–13 and a higher proportion of women than men chose to stay with the ADF after taking paid maternity or parental leave. The report shows that access to flexible work arrangements is an important issue for women, with family reasons scoring in two of the top three reasons as to why women left the ADF. According to the ADF exit survey, the primary reason for women's departure from the ADF was to improve control over their life, while for men, the main reason was to make a career change while they were still young enough. Overall many of the top ten reasons for exiting are the same for men and women.

This attitudinal data will be used to inform the continued development of human resource interventions to improve the retention of all ADF personnel.

Planned activities for 2013–14 and beyond include further development of work begun in 2012–13, both within ADFA and across the wider ADF. World-class training in sexual ethics and how to achieve healthy relationships will be delivered across the ADF, and will be included in all initial training and induction programs and leadership training courses. The ADF will soon deliver a performance framework for gender inclusion, which contextualises required behaviours to support gender inclusion for leaders at all levels of the organisation. An ADF-wide networking program will be delivered in all locations where ADF and APS women are working. This program will create greater opportunities for forming mentoring and support relationships.

All personnel will have improved access to flexible employment, which will be supported by ADF targets to increase personnel's ability to uptake flexible work practices. All promotion boards for ADF positions will have at least one woman member, as well as a member who is 'external to service', to ensure a range of perspectives inform decision-making processes. ADF women will continue to be given fair and equitable access to the training and career opportunities that will enable them to compete for promotion in meritorious competition with their peers. These are just some of the initiatives in place or currently under development within the ADF.

The ADF has achieved substantial progress against the review's recommendations within a very short period of time. The recommendations have been situated within the wider cultural reform programs within each Service, with clear links to broader Pathway to Change outcomes. Phase Two audit activity is continuing throughout the latter half of 2013, with an audit report due to be tabled in March 2014.

The Australian Sex Discrimination Commissioner undertook a separate audit of training establishments, beginning in March 2013, to track the progress of ADFA reforms across ADF initial training programs.

The ADF views the audit outcomes as an opportunity to further progress initiatives that will enhance the ADF's reputation as a progressive and inclusive employer of choice for all Australians.

***The first annual 'Women in the ADF' report is available online.***

## **Sexual Misconduct Prevention and Response Office**

Preparations to establish the Sexual Misconduct Prevention and Response Office (SeMPRO) began in October 2012 as a result of the recommendations in the Broderick review. From November 2012 to June 2013, the underpinning policy, processes, procedures and a case management system were developed to facilitate the initial operating capability of the office.

The office is responsible for providing support, advice and guidance to ADF members who have been affected by sexual misconduct. Defence APS employees and Defence contractors are also permitted to access these services. The office also provides advice and guidance to commanders and managers of persons affected by sexual misconduct to assist them in appropriately managing the reported incident.

The office offers a new confidential disclosure option to encourage Defence personnel who do not wish to report incidents of sexual misconduct to seek the care and support they need to recover and return to their full work potential. This new option aims to remove the fear of victimisation from peers and supervisors and the fear of potential career impacts so that Defence's people do not suffer in silence. The office's services are available to men and women 24 hours a day, seven days a week.

The office commenced a visit program to key establishments and is developing guidelines for introducing a local SeMPRO Support Officer Network in Defence. Sexual ethics and bystander programs are being developed as an important part of Defence's prevention and education strategy and the office is now the single point of contact for the collection of data on sexual misconduct to analyse prevalence and trends in Defence.

SeMPRO is a key deliverable under Pathway to Change.

## NEW OFFICE ESTABLISHED TO DEAL WITH SEXUAL MISCONDUCT

**Defence's new Sexual Misconduct Prevention and Response Office (SeMPRO) provides a 24-hour confidential 'click, call, text' service available to all ADF men and women serving in Australia and overseas.**

Air Commodore Kathryn Dunn, who was appointed to lead SeMPRO in October 2012, said the first response to a victim of sexual assault and when they reported the assault had an influence on how they recovered. The new office was launched in July 2013.

She said her team worked closely with a range of specialists who could respond to members who reported being sexually assaulted. These specialists included medical officers, psychologists, chaplains, legal officers, equity coordinators and ADF Investigative Service personnel.

SeMPRO provides advice and guidance to commanders and managers on managing and reporting sexual misconduct and dealing with staff in trauma.

'It is important to manage expectations', Air Commodore Dunn said. 'It's really about making sure we are looking after our people, so an increase in reporting needs to be seen as a positive result.'

'We will also have more accurate prevalence data and trends so that we can target our education and prevention strategies.'



Air Commodore Dunn and her team said they believed a strong education and prevention program would make improvements in how sexual misconduct was dealt with in Defence. The program, which is still in its development stage, includes information about healthy relationships, sexual ethics, consent, and bystander responsibilities to speak out about sexual misconduct.

The office provides timely responses and support for victims of any misconduct of a sexual nature, as well as providing education and advice.

Although SeMPRO's focus is on providing services for ADF members, Defence APS employees and Defence contractors also have access to its services.

At the launch, Chief of the Defence Force General Hurley said there were two primary reasons for taking this approach.

'First, we know that a significant number of incidents go unreported, which means there are a number of people who have been subjected to sexual misconduct but are not receiving any assistance', General Hurley said.

'The health and welfare of our people is my highest priority and I want to establish a safe and confidential means for people who have experienced sexual misconduct to seek support and advice.'

'Second, I want our people to feel empowered and confident that they are in control. Unlike our previous approach, the victim, not the system, will decide if and when to report a matter for investigation.'

## Removal of gender restrictions on ADF combat role employment categories

On 27 September 2011, the Minister for Defence announced that the Government had formally agreed to the removal of gender restrictions from ADF combat roles. Subsequently, the Department developed a phased five-year implementation plan, which was endorsed by the Government in June 2012. Table 4.1 shows progress in implementing the plan.

**Table 4.1**  
**Removal of gender restrictions: progress in implementation**

Key milestone	Status	Further information
<b>Corporate</b>		
Pathway to Change	Partially met	Pathway to Change has made some progress.
Physical Employment Standards Review	Substantially met	Physical Employment Standards have been completed for all combat trades with the exception of Special Forces.
In-service transfers in all Services	Substantially met	All combat roles have been opened to current serving female members with the exception of Special Forces, which will be available once the Physical Employment Standards are established in 2014.
<b>Navy</b>		
Relevant documentation, programs and guidance reviewed or developed	Substantially met	Work is close to completion following a final review, which will incorporate all necessary new information into existing documentation. Completion of this milestone is anticipated by September 2013.
Media strategy developed	Met	The media strategy is designed to communicate changes both internally and to the public, using commanders and policy officers to engage with the media.
Release of Chief of Navy update signal	Met	Completed.
Culture change program	Substantially met	Continuing. This milestone is due for completion by December 2015.
In-service female entry open to Clearance Diver category by Transfer Of Category	Met	Completed.

Key milestone	Status	Further information
<b>Army</b>		
Develop schedule of facility changes	Met	Schedule has been developed and all facility upgrades are complete.
Release of Chief of Army Directive	Met	Released on 23 July 2012.
Implementing cultural change programs	Substantially met	The milestone is due for completion by December 2015.
Amend policy/procedures and training documents	Substantially met	Continuing, with final implementation of changes in relation to Physical Employment Standards due by July 2015.
Schedule of equipment changes	Met	Schedule developed and followed.
In-service transfers	Substantially met	All Army combat roles opened to current serving female members with the exception of Special Forces, which will be available once the Physical Employment Standards are established in 2014.
Implementation of Physical trade transfers Employment Standards	Substantially met	Continuing. All mechanisms are in place to allow successful trade transfer within the Army. The Physical Employment Standards will be fully implemented into the Army in 2014.
<b>Air Force</b>		
Culture change program	Substantially met	Continuing activity. The completion of this milestone is due by December 2015.
Chief of Air Force Directive released	Met	Completed.
In-service transition path begins	Met	In accordance with the implementation plan, all Air Force combat roles are open to currently serving women should they wish to apply.

## Management reform

The Strategic Reform Program was introduced in 2009 to improve, comprehensively and fundamentally, the management of Defence by making the organisation more efficient and effective, while delivering savings of around \$20b over the decade to reinvest in Defence capability. The reform program has been expanded to include the areas of individual and institutional accountability, budget processes, procurement and capability, and Defence conduct and culture to reflect the broader context in which reform now operates. It is important to note the efforts of Defence personnel to incorporate reform and cost-efficient thinking into their working habits and that this will be a continuing theme in any future Defence operating environment.

On 10 October 2012, the minister agreed that Defence would evolve the Strategic Reform Program to account for strategic and fiscal developments since 2009. This will enable Defence to reflect the broader context in which it now operates, respond to increasing cost pressures, and to implement the lessons learned from managing the reform program to date. Most importantly, it will help develop a comprehensive and coordinated reform agenda to integrate the significant and wide-ranging reforms initiated since 2009 into an evolved program of reform in Defence.

The focus will be on delivering reforms that support Defence's objective of maximising outcomes within the allocated budget. A benefits framework will be developed to extend reform monitoring from just fiscal outcomes to improvement in capabilities, productivity and risk management.

The overall intent of the evolution is to create the flexibility in managing the implementation of strategic reform that will position Defence to respond better to current and future challenges. Defence will continue to expand the culture of innovation and greater cost consciousness to deliver efficiencies. Reform will be embedded into corporate processes to ensure issues are considered holistically in setting priorities and allocating resources.



Following the release of the Review of the Defence Accountability Framework by Associate Professor Rufus Black (the Black Review), Defence made significant progress in strengthening accountability, planning and risk management. The introduction of a new Defence Corporate Plan 2012–17 and the supporting Defence Annual Plan, with a quarterly enterprise performance and risk report, provided more rigorous enterprise planning and performance management arrangements. The Defence Committee actively monitored performance throughout the year. The committee identified seven enterprise risks: the joint force in being, Defence investment, Defence workforce, cost management, Defence reform, non-compliance with legislative requirements and the Australian Government Security Vetting Agency. The improvements will be progressively included in the corporate and annual plans.

A Reformed Accountability Model Pilot resulted in the development of an accountability training course focusing on behaviour and skills, which embedded SMART (specific, measurable, attainable, relevant and time-bound) metrics into the curriculum of Defence's senior leadership courses; and individual performance agreements linked to corporate outcomes.

## Key achievements

2012–13 saw the continuation of key reform activities in Defence in other areas.

The **Defence Logistics Transformation Program**, which aims to significantly improve the Defence logistics network, remained on track to deliver its intent. The Parliamentary Standing Committee on Public Works approved \$752m in new logistics facilities. Four of the eight sites at West Wattle Grove, Amberley, Townsville and Darwin have commenced construction. In May 2013, a significant milestone was achieved with the signing of the Land Material Maintenance contract with Transfield Services (Australia). The contract is a landmark agreement for logistics reform and sees consolidation of the delivery of equipment maintenance services from three separate contracts into one.

This milestone was the result of three year's work from inception to contract signature. It demonstrated the program's commitment to delivering a flexible and responsive logistics system to support the ADF through enhancement of existing systems, processes and technology to align with contemporary commercial practices.

The **Smart Sustainment Stream** continued to achieve noteworthy sustainable reforms, through the combined efforts of capability managers, DMO and industry, to contribute to a lower cost baseline for sustained delivery of agreed capability without compromise to safety. The stream remains focused on increasing efficiency and effectiveness in the maintenance of military equipment and inventory and supply chain management, through more cost-effective sustainment arrangements and changes to capability demand. These specific reforms are being complemented by systemic reforms, such as the use of weapons simulation technology in the Army to support training needs, which is reducing the cost and availability constraints of using live ammunition. The stream is exploring the utility of business decision simulation to better model and understand the cost drivers of capability demand.

Project **Suakin**, a workforce reform activity originating from the Reserve Reform Stream, will deliver a flexible employment offer that allows for greater inclusion to offer a range of full-time, part-time, and casual service options that will better enable ADF members to continue to serve as their circumstances change throughout their working life. Implementation of Suakin will leave Defence less vulnerable to future workforce uncertainty and significantly change the manner in which Defence manages its people in the future. Progress has been made towards establishing the legal, policy and ICT architecture required to develop a total force employment model.

**Human Resource Shared Services and Finance Shared Services** undertook significant structural reform through the consolidation (where this was in scope) of Defence-wide human resource and finance services within the Defence People Group and the Chief Finance Officer Group respectively. New service delivery models were implemented to provide centralised advice and support, together with an improved intranet site, in place of previously embedded personnel. Finance services within Defence continue to be provided either corporately, as a pooled service, or through finance staff who are embedded within a particular group or Service.



## CHAPTER 5

### Corporate governance

#### Defence senior committees

A key outcome of implementing the Black Review is the rationalisation of senior Defence committees to streamline decision making, improve accountability and reduce duplication across the organisation. The total number of senior committees has been reduced to nine by incorporating three committees into the pre-eminent Secretary and Chief of the Defence Force Advisory Committee—the default committee for business that requires the attention of the Secretary and the CDF.

The Secretary and Chief of the Defence Force Advisory Committee is a direction-setting and decision-making body. It is not a discussion forum or a committee that notes particular actions. The Defence Committee continues to meet on a monthly basis to consider the most significant Defence corporate issues and monitor whole-of-Defence performance through the enterprise management framework, including the annual planning process.

The decisions of both these committees are binding across the Defence organisation.

**Figure 5.1**  
**Structure of senior Defence committees**



## Fraud control

In consultation with the Australian National Audit Office, Defence strengthened its fraud control framework to align better with the 2011 Commonwealth Fraud Control Guidelines. At the beginning of 2013, Defence conducted a robust internal and external assessment of strategic, operational and tactical level fraud risks. This was followed by the development and promulgation of Defence Fraud Control Plan No. 10, which included measures Defence would take to prevent, detect, and respond to fraud.

New to the plan was the integration of Defence's enterprise risk management system. This establishes an approach to decision making that promotes accountability and enables resource allocation to maintain, create or enhance key fraud control mechanisms. In addition, the system provides a framework for reviewing and monitoring fraud risk assessments so that the fraud control plan can be updated with changes to Defence's fraud risk profile.

The DMO reviewed and redeveloped its Fraud Control Plan No. 4 and Fraud Risk Register to ensure consistency with the Commonwealth Fraud Control Guidelines. The resultant draft Fraud Control Plan No. 5 has strengthened controls to monitor and detect fraud and to take immediate action if or when fraud occurs.

## Internal auditing

Audit Branch provides assurance to the Secretary, the CDF and, to a lesser extent, the CEO DMO that financial and operational controls designed to manage Defence's major risks are in place and are operating in an efficient and effective manner. Audit Branch also assists Defence senior managers and the DMO Executive in improving the business performance of their organisations.

During the year, Audit Branch provided internal audit services in accordance with the annual Audit Work Program that was approved by the Defence Audit and Risk Committee. These audits looked into areas of high-level risk or activities where there are potential control deficiencies that could lead to significant financial loss, or expose Defence to serious reputational damage.

The 2012–13 annual Audit Work Program was developed in consultation with all Group Heads and Service Chiefs to discuss the most significant risks affecting their respective organisations. From this process, audit topics were refined and aligned to the Enterprise Risk Management framework. The program was reviewed and approved by the Defence Audit and Risk Committee.

Audit Branch issued a total of 32 audit reports. In addition, six Australian National Audit Office performance audits were completed, to which Audit Branch provided direct support.

## Ethics and fraud awareness

An ethics and fraud awareness program underpins Defence's and DMO's approach to fraud control. The awareness program comprises a face-to-face presentation and an eLearning module, as well as videos, newsletters and a dedicated intranet site for information and advice. Ethics and fraud awareness training is mandatory for all Defence personnel and must be completed at least every two years.

In 2012–13, more than 45,000 Defence and DMO personnel completed ethics and fraud awareness training either by attending a face-to-face presentation or completing an eLearning course.

## Fraud investigations

There were 333 fraud investigations registered within Defence and DMO during 2012–13 and 358 investigations completed (a number of those completed were registered in previous years). Approximately 19 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, around 55 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*.

The determined fraud loss for completed cases in 2012–13 was \$0.8m, while monies recovered amounted to just under \$0.4m. Table 5.1 shows that over the past five financial years detected fraud has averaged \$0.9m per year.

**Table 5.1**  
**Determined fraud loss and recoveries, 2008–09 to 2012–13<sup>[1]</sup>**

	2008–09 (\$)	2009–10 (\$)	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
<b>Loss</b>	690,452	1,039,721	916,419	1,102,979	835,685
<b>Recovery</b>	300,796	359,393	422,691	493,210	393,902

**Note**

1. The determined loss and recoveries information is based on investigations closed in the relevant year.

### Defence Whistleblower Scheme

The Defence Whistleblower Scheme provides an alternative, confidential and independent avenue for any person—including ADF personnel, public servants in Defence or DMO, and suppliers of goods and services—to report alleged misconduct or unethical behaviour. Whistleblowers may report information anonymously or request that their identity be protected. The scheme aims to ensure that whistleblowers are properly supported and that they do not incur detriment as a consequence of making a report.

All allegations raised under the scheme are assessed. Those assessed as warranting further examination are investigated by Inspector-General of Defence

personnel or are referred to other relevant Defence investigative or review organisations, as appropriate. Where wrongdoing is determined to have occurred, appropriate action is taken, which can include action through the civil courts or under the Defence Force Discipline Act or the *Public Service Act 1999*. Wherever possible, feedback is provided to the whistleblower on the outcome of investigations.

The scheme is used to report a range of issues. Allegations of fraud and unethical conduct account for more than 71 per cent of reports made through the scheme. The remainder are matters relating to harassment, drug use, assault, security, mismanagement of resources, and workplace health and safety.

Table 5.2 shows the number of allegations made to the scheme over the past five financial years.

**Table 5.2**  
**Reports made to the Defence Whistleblower Scheme**

	2008–09	2009–10	2010–11	2011–12	2012–13
<b>Reports</b>	213	255	242	270	253

## Status report on the Australian Government Security Vetting Agency review

In May 2011, on the ABC *Lateline* program, three former contractors employed as data entry operators with the Defence Security Authority made allegations of inappropriate vetting practices. The Prime Minister requested that the Inspector-General of Intelligence and Security conduct an inquiry into the allegations. The Inspector-General made 13 recommendations, including a recommendation that the Defence Chief Audit Executive conduct a series of annual reviews into the Australian Government Security Vetting Agency's compliance with government security vetting policy.

The joint second assessment, in 2013, concluded that progress continues to be made since the first assessment and, at this time, the agency is compliant with government security vetting policy.

In regard to the 13 recommendations made by the Inspector-General, the Chief Audit Executive assessed that eight recommendations have been fully completed, one is currently being implemented, and four are in the development stage. All recommendations that are yet to be completed are being actively managed, and progress towards their implementation is reported on a regular basis to senior management within the Security Vetting Agency and the Defence Security Authority.

The Chief Audit Executive noted that the agency is continuing to implement a reform program to ensure compliance. Major reform initiatives include the implementation of a new security assessment management system, integrated work teams, and progress towards a certified quality management system. Intelligence and Security Group senior management have allocated appropriate resources and are fully committed to the reform program.



‘Major reform initiatives include the implementation of a new security assessment management system, integrated work teams, and progress towards a certified quality management system.’

## Report of the Inspector-General of the Australian Defence Force

The position of Inspector-General of the Australian Defence Force (IGADF) is established under section 110B of the *Defence Act 1903*. The Inspector-General provides the CDF with a mechanism for internal audit and review of the military justice system independent of the chain of command. The Inspector-General provides an avenue by which Defence may examine and remedy failures in the system

The operating tempo in the Office of the IGADF remained relatively high during the year and was characterised by increases in the number of submissions received for investigation or inquiry and in the number of completed performance audits of the military justice arrangements of ADF units. The Inspector-General completed two significant military justice-related reports: the *Review of Defence's notifiable incidents system* and the *Review of military justice arrangements in the Defence Materiel Organisation*.

The office received 58 submissions for inquiry or investigation compared with 55 in the previous year, an increase of approximately six per cent. In recent years, the trend has been that submissions disclose issues of greater complexity than they have in previous years, and this has continued. The Inspector-General resolved 46 submissions—some from 2012–13 and some from previous years—by way of inquiry, investigation and review.

The Inspector-General completed 52 military justice performance audits of ADF units, which accorded with the average number over recent years. A significant trend was an increase in the number of requests for targeted audits from units and headquarters.

Over the reporting period, 1,205 Defence personnel completed IGADF inquiry officer training, either in a face-to-face or on online learning portal. One administrative law-related training course was conducted, consolidating the previous year's expansion of the training program. IGADF personnel made a substantial contribution to other legal training courses that the Military Law Centre conducted, and to Navy and Army pre-command courses.

Defence made impressive progress in the second half of 2012 in implementing some high-profile cultural review recommendations—most notably those relating to sexual misconduct, gender, training, and substance abuse issues. Many other recommendations to improve military justice arrangements were agreed only in principle pending the outcome of the *Re-thinking systems of inquiry, investigation, review and audit in Defence review* that the Defence Legal Division has been conducting.

Pursuant to section 110R of the Defence Act, the Inspector-General provided a report to the CDF on the operation of the Office of the IGADF.

## External scrutiny

### Parliamentary committees

Tables 5.3 and 5.4 provide information on Defence's activities in relation to parliamentary committee inquiries.

*More information on Defence parliamentary business, including Senate Estimates and Questions on Notice, is available online.*

**Table 5.3**  
**Defence's involvement with Senate committees**

Senate committees
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade—Legislation Committee</b>
Supplementary Budget Estimates 2012–2013—17 October 2012
Additional Budget Estimates 2012–2013—13 February 2013
Budget Estimates 2013–2014—3–4 June 2013
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade—Legislation Committee</b>
Defence Trade Export Controls Bill 2011
Defence Legislation Amendment (Woomera Prohibited Area) Bill 2013
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade—References Committee</b>
Procurement Procedures for Defence Capital Projects
Administration, Management and Objective of Australia's Overseas Development Programs in Afghanistan in the Context of the 'Transition Decade'
Inquiry into the Indian Ocean Region and Australia's Foreign, Trade and Defence Policy
Report of the review of allegations of sexual and other abuse in Defence, conducted by DLA Piper and the response of the Government to the report
<b>Senate Standing Committee on Legal and Constitutional Affairs Legislation</b>
Military Court of Australia (Transitional Provisions and Consequential Amendments) Bill 2012 and the Military Court of Australia Bill 2012

**Table 5.4**  
**Defence's involvement with joint committees**

Joint committees
<b>Joint Standing Committee on Foreign Affairs, Defence and Trade</b>
<p>Defence Annual Report 2010–11</p> <p>Care of ADF Personnel Wounded and Injured on Operations in mid-June 2012</p> <p>Defence Annual Report 2011–12</p> <p>Australia's relationship with Timor-Leste</p>
<b>Joint Parliamentary Committee on Intelligence and Security</b>
<p>Review of Administration and Expenditure No. 10 (2010–2011)—Australian Intelligence Agencies on 27 May 2013</p> <p>Report of the Inquiry into Potential Reforms of Australia's National Security Legislation</p> <p>Review of Administration and Expenditure No. 11 (2011–2012)—Australian Intelligence Agencies</p>
<b>Joint Standing Committee on the National Capital and External Territories</b>
<p>Report on the Inquiry into the Provision of Amenity within the Parliamentary Triangle</p>
<b>Joint Committee of Public Accounts and Audit</b>
<p>Report 436: Review of the 2011–2012 Defence Materiel Organisation Major Projects Report</p>

## Joint committees

### Parliamentary Standing Committee on Public Works

- Proposed development and construction of housing for Defence members and their families—Lindfield, New South Wales
- Proposed development and construction of housing for Defence members and their families—Weston Creek, Australian Capital Territory
- Base Infrastructure Works Project under the Base Security Improvement Program
- Moorebank Units Relocation—Holsworthy, New South Wales
- Development and construction of housing for Defence members and their families—Kellyville, New South Wales
- High Voltage Electrical Distribution Upgrade—Liverpool Military Area, New South Wales
- Defence Logistics Transformation Program
- Upgrade of on-base housing for Defence at Larrakeyah Barracks—Darwin, Northern Territory
- Upgrade of housing for Defence at RAAF Base Tindal—Katherine, Northern Territory
- Air Warfare Destroyer ship sustainment facilities at Garden Island, Randwick Barracks and HMAS *Watson*—Sydney, New South Wales
- Defence Science and Technology Organisation Human Protection and Performance Division security and facilities upgrade—Fishermans Bend, Victoria
- Landing helicopter dock ship sustainment facilities at Garden Island and Randwick Barracks—Sydney, New South Wales
- AIR 9000 Phase 8 MH-60R Sea Hawk Romeo facilities project
- Multi-National Base Tarin Kot Remediation Project—Uruzgan province, Afghanistan
- Development and construction of housing for Defence—Werner, Queensland
- Redevelopment and construction of housing for Defence at Samford Road, Enoggera—Brisbane, Queensland

### Joint Standing Committee on Treaties

Report 131: Review into Treaties tabled on 21 August 2012, 11 September 2012 and 18 September 2012 (reviewed the Agreement between the Government of Australia and the Kingdom of Spain for the Mutual Protection of Classified Information of Defence Interest done at Madrid on 17 November 2011)

Report 129: Review into Treaties tabled on 19 June 2012 and 26 June 2012 (reviewed the Agreement between the Government of Australia and the Government of the Republic of Singapore concerning the Location of a Republic of Singapore Air Force Helicopter Squadron at the Australian Army Aviation Centre Oakey done at Singapore on 1 June 2012)

Report 127: Review into Treaties tabled on 20 March 2012 and 8 May 2012 (reviewed the Exchange of Notes, done at Canberra on 9 December 2011, constituting an Agreement between Australia and the United States of America to Amend and Extend the Agreement on Cooperation in Defense Logistics Support, done at Sydney on 4 November 1989)

## Judicial decisions and decisions of administrative tribunals

In 2012–13, the High Court of Australia did not decide any cases involving the *Defence Force Discipline Act 1982* (DFDA).

In *Jones v Chief of Navy* [2012] FCAFC 125 (7 September 2012), a Full Court of the Federal Court of Australia confirmed that a Defence member is not entitled to trial by jury under section 80 of the Constitution, even if they are charged under section 61 of the DFDA with an offence that is an indictable offence under the ordinary criminal law. The Federal Court's decision in *Jones v Chief of Navy* is consistent with the High Court of Australia's previous decision in *White v Director of Military Prosecutions* (2007) 231 CLR 570.

## Auditor-General's reports

In 2012–13, the Auditor-General tabled six performance audit reports relating directly to Defence and the DMO. There were no cross-portfolio Auditor-General's reports tabled during 2012–13 that directly included Defence.

**Table 5.5**  
**Auditor-General's reports**

Audit Report No 5—Management of Australia's Air Combat Capability—F/A–18 Hornet and Super Hornet Fleet Upgrades and Sustainment, tabled 27 September 2012	The objective of the audit was to assess the upgrade and sustainment of the F/A–18A/B Hornet fleet, and the sustainment of the newly acquired F/A–18F Super Hornet fleet. This audit contained no recommendations.
Audit Report No 6—Management of Australia's Air Combat Capability—F–35A Joint Strike Fighter Acquisition, tabled 27 September 2012	The objective of the audit was to assess the progress of the AIR 6000—New Air Combat Capability project in delivering the required combat aircraft within approved cost, schedule and performance parameters. This audit contained no recommendations.
Audit Report No 9—Delivery of Bereavement and Family Support Services through the Defence Community Organisation, tabled 1 November 2012	The objective of the audit was to assess the management and effectiveness of Defence Community Organisation's delivery and coordination of support services to ADF families, in particular support services provided when an ADF member is seriously injured or ill, or dies in service. Defence agreed to the four recommendations contained in the report.
Audit Report No 25—Defence's Implementation of Audit Recommendations, tabled 27 February 2013	The objective of the audit was to assess the effectiveness of Defence's monitoring of the implementation of ANAO and internal audit recommendations. The audit also examined a sample of ANAO and internal audit recommendations—reported as being complete by Defence—to assess the extent to which these recommendations had been implemented by Defence. Defence agreed to the two recommendations contained in the report.
Audit Report No 26—Remediation of the Lightweight Torpedo Replacement Project, tabled 28 February 2013.	The objective of the audit was to assess the effectiveness of remediation arrangements put in place by Defence and the Defence Materiel Organisation (DMO) to resolve issues impacting on the achievement of the desired lightweight torpedo capability. It focused on project management and contractual arrangements, and the progress made with platform integration, test and evaluation. Defence agreed to the single recommendation contained in the report.
Audit Report No 46—Compensating F–111 Fuel Tank Workers, tabled 18 June 2013.	The objective of the audit was to assess the effectiveness of the Department of Veterans' Affairs' and the Department of Defence's administration of the Australian Government's \$55m support package announced in the May 2010 Budget for former F–111 fuel tank maintenance workers and their families. The audit examined the implementation of the 14 agreed recommendations in the Government Response to the 2009 Parliamentary Inquiry into the F–111 deseal/reseal issues, which formed the basis of the May 2010, F–111 support package. This audit contained a single recommendation for the Department of Veterans' Affairs and none for Defence.

## Ombudsman's reports

There were no formal reports to the Chief of the Defence Force pursuant to section 15 of the *Ombudsman Act 1976*, nor were any reports raised under section 16, 17 or 19 of the Act relating to the operations of the ADF during the period under review.

## Information Publication Scheme statement

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme. Each agency must display on its website a plan showing what information it publishes in accordance with the scheme's requirements.

*Further information on the plan is available online.*

## Freedom of information

Defence provides statistics on FOI requests received and finalised, the time taken to respond to them and a summary of the category of decisions taken with regard to requests. These statistics are published annually on Defence's website and Defence also publishes quarterly reports on the current financial year.

*FOI statistics are available at [www.defence.gov.au/foi/foiStatistics.htm](http://www.defence.gov.au/foi/foiStatistics.htm).*

Further information about Defence's handling of FOI requests, including information about costs incurred, is published in the Freedom of Information Annual Report, which the Office of the Australian Information Commissioner is required to present to Parliament in accordance with section 93 of the FOI Act.

*This information is available on the office's website at [www.oaic.gov.au](http://www.oaic.gov.au).*



## CHAPTER 6

### People

#### Workforce overview

The workforce overview contains statistical information on the average workforce strength during 2012–13.

Further workforce statistics for both the ADF and APS workforces as at 30 June 2013 are provided at the end of this chapter.

#### ADF Permanent Force

Table 6.1 shows details of ADF Permanent Force average funded strength for 2012–13. The ADF average funded strength achievement was 56,607 in 2012–13, a decrease of 1,387 from 2011–12. These figures include ADF Reservists on continuous full-time service.

Average funded strength achievement for continuous full-time service in 2012–13 was 948 (comprising Navy 360, Army 522 and Air Force 66)—the same total as in 2011–12, although distributed differently between the Services.

The decrease in ADF permanent strength is primarily the result of labour market conditions leading to increased separations, as civilian employment opportunities for ADF personnel remain strong. These labour market conditions have also led to increased competition within the available recruitment pool.

**Table 6.1**  
**ADF Permanent Force average funded strength (including DMO)<sup>[1]</sup>**

	2011–12 Actual	2012–13 Budget estimate	2012–13 Revised estimate <sup>[2]</sup>	2012–13 Actual	Variation	%
Navy	14,054	14,260	13,772	13,760	-12	-0.09
Army	29,697	30,270	29,017	28,928	-89	-0.31
Air Force	14,243	14,106	13,962	13,919	-43	-0.31
<b>Total average funded strength</b>	<b>57,994</b>	<b>58,636</b>	<b>56,751</b>	<b>56,607</b>	<b>-144</b>	<b>-0.25</b>

#### Notes

- Figures in this table are average funded strengths; they are not a headcount. Reservists undertaking full-time service are included in the figures. Employees on forms of leave without pay are not included.
- As published in the Portfolio Additional Estimates Statements 2012–13.

#### ADF Reserves

Table 6.2 shows the number of Reservists who rendered paid service during 2012–13, noting that the number of days each Reservist works in a year can vary substantially depending on personal circumstances and organisational need. In 2012–13, 20,708 Reservists undertook paid service, 1,364 fewer than in 2011–12.

**Table 6.2**  
**ADF Reserve paid strength (including DMO)<sup>[1][2]</sup>**

	2011–12 Actual	2012–13 Budget estimate	2012–13 Revised estimate <sup>[3]</sup>	2012–13 Actual	Variation	%
Navy	2,001	2,100	2,100	2,229	129	6.1
Army	17,251	16,550	17,090 <sup>[4]</sup>	15,464	-1,626	-9.5
Air Force	2,820	3,000	3,000	3,015	15	0.5
<b>Total paid Reserves</b>	<b>22,072</b>	<b>21,650</b>	<b>22,190</b>	<b>20,708</b>	<b>-1,482</b>	<b>-6.7</b>

**Notes**

1. Reservists on full-time service in the Permanent Force are included in this table.
2. Includes the High Readiness Reserve Force, Active Reserve Force and Specialist Reserve Force.
3. As published in the Portfolio Additional Estimates Statements 2012–13.
4. This figure, previously reported by the Army, inadvertently included all reservists rather than only those who undertook paid service. Hence the large variation from the actual figure was achieved.

**APS workforce**

Table 6.3 shows details of the APS average strength, expressed as average full-time equivalent, for 2012–13. The APS average strength achievement was 21,534 in 2012–13. This is a decrease in average strength of 284 from the 2011–12 figure of 21,818. The actual decrease through the year 2012–13 was 1,278 full-time equivalent, from 22,284 on 1 July 2012 to 21,006 on 30 June 2013.

The decrease is largely a result of reductions associated with Strategic Reform Program initiatives, including

the first tranche of the additional reductions of 1,000 announced in the 2011–12 Portfolio Budget Statements.

The decrease is partially offset by increases to the workforce associated with the 2009 Defence White Paper, and the civilianisation and conversion of contractors to less costly APS employees as part of the Strategic Reform Program. Another contributing factor to the increase is the Defence Materiel Organisation's combined workforce model. Under this model the DMO can use the funding from vacant ADF positions and fill them with APS staff.

**Table 6.3**  
**Civilian (APS and contractor) average full-time equivalent<sup>[1]</sup>**

	2011–12 Actual	2012–13 Budget estimate <sup>[2]</sup>	2012–13 Revised estimate <sup>[3]</sup>	2012–13 Actual	Variation	%
APS—Defence	15,829	15,651	15,731	15,786	55	0.3
APS—DMO	5,989	5,544	5,406	5,389	-17	-0.3
APS—DMO— ADF backfill <sup>[4]</sup>			384	359	-25	-6.5
<b>Total APS</b>	<b>21,818</b>	<b>21,195</b>	<b>21,521</b>	<b>21,534</b>	<b>13</b>	<b>0.1</b>

	2011–12 Actual	2012–13 Budget estimate <sup>[2]</sup>	2012–13 Revised estimate <sup>[3]</sup>	2012–13 Actual	Variation	%
Defence contractors	467	488	385	358	-27	-7.0
DMO contractors	45	48	48	33	-15	-31.3
Total contractors	512	536	433	391	-42	-9.7
<b>Total civilian workforce</b>	<b>22,330</b>	<b>21,731</b>	<b>21,954</b>	<b>21,925</b>	<b>-29</b>	<b>-0.1</b>

#### Notes

- Figures in the table are average full time equivalent; they are not a headcount.
- As published in the Portfolio Budget Statements 2012–13.
- As published in the Portfolio Additional Estimates Statements 2012–13.
- The DMO manages its workforce under a combined ADF, APS and contractor model. Under this arrangement, DMO can use funding from unfilled ADF positions to fill and resource positions with APS staff.

## Managing and developing staff

Two key initiatives used to manage and develop staff to achieve departmental objectives through 2012–13 are the Job Families Project and the APS Core Capability Framework.

The Job Families Project Management Office was established in June 2012 to develop the content for all Defence APS Standard Classification of Occupations codes within the Defence Job Families. The stated objectives for the office are to:

- fully implement all Defence Job Families
- centrally coordinate the finalisation of all Job Families content
- align the content to inform the learning and development elements of the Performance Feedback and Development Scheme
- develop occupation profiles to shape job descriptions, duties and selection criteria for recruitment.

The outcome of the Job Families Project will see the integration of occupation profiles into existing human resources processes to inform and provide a consistent base for activities such as recruitment, performance agreements, learning and development, career progression, talent management, succession planning, and workforce and succession planning. Critically, Job Families provides clarity about positions, not occupants. The occupation profiles do not affect the management accountabilities or relationships of Defence APS employees within the groups.

The Defence APS Core Capability Framework refers to the skills, knowledge and behaviours that are expected of all Defence employees to ensure delivery of government priorities and high-quality services, now and in the future. As it is integrated into all human resources functions, the framework guides recruitment and selection, learning and development, performance management, and career development. The APS Core Capability Framework is designed to:

- aid greater APS workforce productivity through a system that provides a more structured, coherent and consistent development of leadership, management and administrative skills for the Defence APS workforce
- help employees to realise their own potential through a better understanding of what is required of them
- help develop employees as leaders
- assist supervisors with having a conversation with their employees about the capabilities required for the job.

Together, these two projects provide Defence with appropriate tools to assess the effectiveness of its workforce in relation to providing the required capability; and to take appropriate mitigation action as well as rewarding effective staff.

## Education and training

The Australian Defence College is continuing to evolve in order to support Defence's people capability requirements through education and training.

The college is responsive to the specified needs of all Defence groups and Services through the management and delivery of ADF and APS education and training within Defence. The Services have responsibility for Australian Defence Force training requirements.

The Defence Learning Branch, formally transferred to the Vice Chief of Defence Force Group on 1 July 2012, is responsible to the Commander of the Australian Defence College. This institutional change has brought together joint professional military education; Defence

education and training relating to shared services reform; and policy management and joint, common and civilian delivery of education and training. The aim of the new structure is to achieve better governance, synchronisation, and management and delivery of specified joint, common and APS learning outcomes.

In addition to the delivery of training and education courses, significant achievements during 2012–13 included the development of a Defence-endorsed conceptual framework for joint professional military education, and the commencement of a shared services program that will see the Australian Defence College progressively take responsibility for the provision of education and training services for all Defence groups by July 2014.

## Diversity in Defence

Defence continues to support the Government's commitment to improving the representation of diverse groups within the workplace. To maintain competitiveness in the employment marketplace and sustain Defence capability through its people, Defence is striving to create an organisation that is both attractive to, and representative of, the Australian community that it serves. Defence recognises that it must behave and be seen as an inclusive employer to attract not only members of diversity groups, but also those who seek an inclusive employer.

In order to achieve diversity, Defence has implemented a series of initiatives that are designed to improve the recruitment and retention of women, Indigenous Australians, people from culturally and linguistically diverse backgrounds, and people with disability.

Support for diversity and inclusion is a priority for Defence's leadership. Defence has consolidated its approach to diversity through the creation of a centre of diversity expertise.

As recommended in the *Review of employment pathways for APS women in the Department of Defence*, Defence has established the Defence Gender Equality and Diversity Council, to consider diversity

matters exclusively. The Defence Civilian Committee, also established this year, has considered many issues relating to diversity and inclusion specifically in the APS.

A statement of commitment to a diverse workforce and inclusive workplace culture has been issued jointly by the Secretary and the CDF. Further, a holistic diversity strategy has been developed and endorsed. Development of a diversity and inclusion implementation plan has begun; the plan will draw together the many elements of managing and increasing diversity and inclusion already underway across the organisation and will assist in identifying further opportunities.

### Women in Defence

Defence has a strong commitment to gender diversity and is changing its structural supports to better achieve and sustain a workforce that truly exhibits gender diversity in the long term.

Two reviews, the *Review into the treatment of women in the Australian Defence Force (Phase Two)*, and the *Review of employment pathways for APS women in the Department of Defence*, established a strong capability imperative to improve the treatment of, and enhance career opportunities for, women in Defence. A separate report on women in the ADF is included for the first time this year as a supplement to this annual report. Progress on the implementation of the review of employment pathways for APS women in Defence is outlined in this section.

The review was completed in August 2011 and implementation of its recommendations began in April 2012. There were 20 recommendations, framed around six themes, all of which were accepted by the Defence Committee. As at June 2013, 18 of the 20 recommendations had been completed in the first phase of implementation, with the remaining two recommendations transferring to a second phase.

The recommendations that are completed or closed are shown in Table 6.4.

**Table 6.4**  
**Completed or closed recommendations on employment pathways for APS women in Defence, by theme, as at 30 June 2013**

#### Theme 1—Committed leadership support

- Developed a diversity statement (recommendation 1.1)
- Established a diversity council and included diversity as a Key Performance Indicator in senior leadership performance agreements (recommendation 1.2)
- Established an SES 2/3 rotation program (recommendation 1.3)
- Delivered unconscious bias awareness training to the senior leadership (recommendation 1.4)
- Increased number of women on senior leadership committees (recommendation 1.5)

#### Theme 2—Talent management and succession planning

- Established a talent management program for EL1 staff which includes facilitated shadowing and coaching (recommendation 2.1)
- Introduced the talent management program for EL1 staff including job rotation and an over-representation of women (recommendation 2.2)
- Consolidated the various graduate programs (recommendation 2.3)

### Theme 3—Workplace flexibilities

Workplace flexibilities agenda established on the Gender Equality and Diversity Council as a strategic priority (recommendation 3.1)

Major review of customer access channels for workplace flexibilities information conducted and content revised (recommendation 3.1)

### Theme 4—Attraction, recruitment and selection

Developed online recruitment guide, and mandated gender balance on recruitment panels (recommendation 4.3)

Developed a common induction process to raise awareness of staff and manager responsibilities and obligations under APS employment (recommendation 4.4)

### Theme 5—Support and development

Created senior women's mentoring and networking initiatives (recommendations 5.1 and 5.2)

### Theme 6—Governance and infrastructure

Updated equity and diversity training (recommendation 6.1)

A significant achievement of Phase 1 implementation was the establishment of the Gender Equality and Diversity Council. This council is chaired by the Secretary and the Chief of the Defence Force, and meets quarterly to provide strategic oversight and guidance on issues relating to workforce diversity, including the development and implementation of initiatives that increase the representation and opportunities for women in Defence.

Another achievement was the effective leveraging of reforms to shared human resources services to establish the Centre of Diversity Expertise. The new centre has responsibility for proactively driving diversity initiatives with a focus on promoting diversity as a positive attribute for a workforce rather than on compliance principles (as was previously the case). The centre now includes gender diversity as a focus of activity and will be responsible for the implementation of the second phase of the review recommendations.

The second phase of implementation will see the roll-out of additional strategies targeting the ongoing barriers to increasing the representation of APS women in Defence, particularly at executive and SES levels.

Defence recognises that the representation of APS women in senior leadership positions and decision-making bodies is fundamental to achieving the positive organisational culture change intended under Pathway to Change; greater diversity brings a range of views and more creativity to decision making at the highest levels. There is further work to do before we reach or overtake the APS average of 38 per cent in senior executive roles. Defence is, however, moving in a positive direction; as at 30 June 2013, women represented 28 per cent of the Defence Senior Executive Service, up from 24 per cent when the McGregor review was released in 2011.

A significant factor contributing to the low numbers of women in the Defence senior leadership has been a shortage of women in the executive level (EL) ranks. Women currently represent 32 per cent at EL1 and 21 per cent at EL2 levels. On the positive side, this proportion is up from 2011, when the McGregor review revealed only 30 per cent female representation at the EL1 level and 18.5 per cent at the EL2 level.

Improving the attraction, recruitment and retention of women in the executive level feeder group will be a key factor to increasing the representation of women in SES positions in Defence. To achieve this, and to continue the momentum in implementing the review, initiatives over the next 12 months will include, for example:

- ensuring balanced gender representation on selection panels
- developing a Defence-wide mentoring strategy to enhance access to current programs while also providing personnel with the opportunity to access a mentoring relationship where there is no specific program in place
- delivering training directed at addressing a lack of confidence in women, which was identified as a critical strategy to progression in a recent research paper from the Australia and New Zealand School of Government
- implementing a graduate recruitment strategy with a specific focus on women
- furthering opportunities for flexible work arrangements, including a job-share register.

The Defence Civilian Committee will continue to oversee progress, and regular senior leadership conversations regarding the future directions of gender diversity in Defence will occur through the Gender Equality and Diversity Council.

## Indigenous participation and engagement

Defence has worked to increase Indigenous representation across its workforce and to raise more awareness of Defence career opportunities in Indigenous communities. The Directorate of Indigenous Affairs, within Defence's Centre of Diversity Expertise, oversees Indigenous recruitment, retention and community engagement programs to meet the needs of the Australian Defence Force and the Australian Public Service. The strategies employed by the Directorate of Indigenous Affairs are defined in the Defence Reconciliation Action Plan 2010–2014 and the Defence Indigenous Employment Strategy 2012–2017.

Some initiatives now in place through the Indigenous Employment Strategy to attract and recruit Indigenous candidates in rural and urban areas include establishing Indigenous employment targets for both the ADF and APS workforces; conducting Indigenous development and pre-recruitment courses; forging closer relationships with universities to engage Indigenous students with Defence; and appointing a number of ADF Indigenous liaison officers and establishing APS Indigenous recruitment officer positions. A concept for a host family program has been developed to assist Indigenous employees working away from their communities to link with an Indigenous or culturally aware non-Indigenous family in location.

Defence supports a community engagement role that includes activities as a part of National Reconciliation Week and NAIDOC Week. These activities provide an opportunity for all Defence people to celebrate the contributions and achievements of Aboriginal and Torres Strait Islanders to the Defence community and the wider public. Defence is engaged with many local Aboriginal organisations through the Jawun Program, which provides Defence with the opportunity to support smaller organisations by sharing the skills and knowledge of the executive-level workforce.

Defence has partnered with the Australian National University in a project aiming to research and document the role of Aboriginal and Torres Strait Islanders in the defence of Australia. This five-year research project will assist Defence to recognise its Indigenous people, past and present, for their contributions to the Australian Defence Force and the nation as a whole.

## Disability

Defence aims to develop an inclusive workplace and enable employees with disability to contribute to the achievement of Defence goals by removing restrictive barriers and providing equitable access for all employees.

Defence is participating in the Australian Public Service Committee RecruitAbility Scheme, which facilitates the progression of applicants with disability through the APS recruitment process when they opt into the scheme and meet minimum requirements of the position. The scheme will assist in building the confidence and capability of applicants with disability, while simultaneously improving the ability of selection panels to assess their merits.

Defence has also commenced a new Intellectual Disability Employment Initiative, which will be implemented over the next four years through the establishment of dedicated APS 1 positions, specifically to employ people with intellectual disability in positions across the breadth of the department.

## Work health and safety performance

Defence is committed to maintaining a safe, healthy and positive working experience for all workers to enable them to contribute to delivering Defence's capability requirements.

The 2012–2017 Defence Work Health and Safety (WHS) Strategy was developed to drive continuous improvement of work health and safety systems across the whole of Defence. It was released on 1 January 2012 to coincide with the implementation of the *Work Health and Safety Act 2011* (WHS Act).

The nature of Defence military operations requires that at times our people operate in hazardous or extreme risk environments. The continuous improvement of Defence work health and safety means that information on risk and hazard mitigation, together with lessons learned, will be available and used by workers and their managers, commanders and supervisors.

## Ensuring the health, safety and welfare of Defence workers

A number of high-priority health and safety initiatives were resourced and progressed in the WHS Strategy implementation plan this year:

- the Work Health and Safety Management Information System project, which developed detailed design needs and is on track for completion in mid-2014
- implementation of WHS shared service functions of WHS audit, Advice and Support (office based) and Targeted Reduction Investigation and Prevention
- continued focus on the hazardous chemicals project providing a consistent comprehensive, and inclusive hazardous chemicals management system
- implementation of enterprise-wide legislatively compliant WHS audit tools
- Defence and DVA joint processes for support, rehabilitation and return to work for wounded injured and ill ADF members
- incorporation of WHS into the design and planning phases of Defence capability, including identification of roles and responsibilities
- Umbrella Deed negotiations and ASDEFCON template updates to incorporate WHS requirements into all new contracts.

**Recent annual reports on the Defence WHS Strategy are available online.**

## Comcare interventions and investigations

The WHS Act's requirement of a proactive approach to safety has changed the methodology used by Comcare. Comcare now undertakes interventions or inspections based on known high risk. The change of legislation has not negated the use of Improvement and Prohibition Notices. In order to assist Comcare to develop a workable arrangement for its new approach, Defence and Comcare have agreed a protocol on the management of interventions.

**Table 6.5**  
**Work health and safety—Comcare interventions**

1 July 2011 to 30 June 2012		1 July 2012 to 30 June 2013	
Interventions	311	Interventions	228

The number of proactive interventions is determined by the regulator's strategic focus and available resources.

### Health and safety achievements

Ongoing commitment by Defence and its leaders toward improving the Defence safety culture is achieving results. Continued focus on safety in the design and planning phases of all Defence activities will maintain the positive cultural trend.

**Table 6.6**  
**Work health and safety—safety awareness**

Attitude survey question	ADF		APS		2012 National benchmark	2011 Public sector benchmark
	2011–12	2012–13	2011–12	2012–13		
	Agree	Agree	Agree	Agree		
Health and safety is treated as an important issue in my workplace	91%	90%	87%	87%	83%	77%
I know how/where to obtain safety information relevant to my workplace	92%	92%	87%	87%		
When I report an accident/injury/incident/hazard, I believe that appropriate action will be taken	86%	84%	81%	82%	91%	77%

**Table 6.7****Work health and safety—statistics and notifiable incidents, 2010–11 to 2012–13**

	2010–11	2011–12	2012–13
Total incident reports	19,707	18,588	16,060
Comcare notifiable deaths <sup>[1]</sup>	13	11	9
Serious personal injury	1,594	1,262	971
Dangerous occurrence/incident	1,715	1,613	1,496
<b>Total Comcare notifiable</b>	<b>3,332</b>	<b>2,891</b>	<b>2,483</b>

**Note**

1. Comcare notifiable deaths are all deaths—excluding those that were known to be combat related.

**Table 6.8****Work health and safety—Comcare notices, 2010–11 to 2012–13**

Reports <sup>[1]</sup>	2010–11	2011–12	2012–13
Improvement notices <sup>[2]</sup>	5	6	1
Prohibition notices <sup>[3]</sup>	1	2	3
Do not disturb notices <sup>[4]</sup>	2	0	1
Enforceable undertaking <sup>[5]</sup>	-	1	-
Written request <sup>[6]</sup>	1	-	-

**Notes**

1. Nil letters of statutory obligations; removal of plant or subs; letters of warning or criminal prosecutions.
2. Nil letters of statutory obligations; removal of plant or subs; letters of warning or criminal prosecutions.
3. Based on incidents and occurrences that contravene the OHS or the WHS legislation.
4. Issued to remove an immediate threat to the health or safety of workers.
5. Issued for a specific period of time to remove a threat to the health or safety of personnel.
6. Comcare may accept a written undertaking to fulfil an obligation under the WHS Act.

## Complaint handling and resolution

Defence employees have the right to complain if they are aggrieved by matters related to their employment. ADF members (Permanent and Reserve) may apply for redress of grievance under the provisions of Part XV of the Defence Force Regulations 1952. APS members may seek a review of actions under the *Public Service Act 1999*.

On average, 320 formal requests for redress are lodged by ADF members annually, representing approximately four complaints per thousand members (including Reservists). Similarly APS employees lodge an average of 80 formal requests for review of an action affecting them, which represents just under four complaints per thousand employees.

**Further information in relation to applications for military redress of grievance and APS review of action during 2012–13 and regarding Defence's process for handling complaints of unacceptable behaviour and workplace conflict are provided online.**

## Remunerating Defence's people

Defence remuneration is a key component of the Defence Employment Offer, which realises the People in Defence vision. It provides a key incentive for people to join Defence, develop personally and professionally and choose to remain in Defence. It is comprehensive, compelling and provides our people with fair and competitive remuneration as well as a broad suite of relevant financial and non-financial benefits.

Just as there are diverse ADF and APS remuneration requirements, there are separate ADF and APS remuneration structures. These structures are explained below.

## APS remuneration

The Defence Enterprise Collective Agreement 2012–2014 sets out most of the terms and conditions of employment, including remuneration, performance management and working arrangements for Defence's non–SES APS employees. The legal framework that underpins the agreement includes the *Fair Work Act 2009* and the Public Service Act. The agreement is developed, negotiated and governed consistent with that legislation and broader government policy. The current agreement came into effect in April 2012 and nominally expires on 30 June 2014. It was developed through extensive consultation with Defence employees and their representatives.

The agreement supports our capacity to attract and retain employees with the right skill and experience to meet capability needs. It is a principles-based agreement that supports the deregulation of Defence's employment policies and the People in Defence agenda. It provides managers and supervisors with the flexibility to make and implement decisions in their workplaces that meet the needs of both Defence and its employees.

Through the agreement, Defence can provide its APS employees with an attractive employment offer and in return, employees and supervisors have a range of responsibilities (including mutual responsibilities) that must be fulfilled as part of their employment with Defence. Salary rates for SES employees are set by a determination under section 24(1) of the Public Service Act. The range of salary rates is set out in Table 6.9.

Remuneration arrangements need to be sufficiently flexible to allow Defence to develop, attract and retain employees with the necessary skills and knowledge. The Secretary and any employee covered by the Defence Enterprise Collective Agreement may agree to make an individual flexibility arrangement to vary the effect of some specified terms of the agreement.

**Table 6.9**  
**APS salary ranges as at 30 June 2013**

Classification	Salary range (\$)	
	Minimum	Maximum
SES Band 3 <sup>[1]</sup>	\$222,181	\$441,901
SES Band 2 <sup>[2]</sup>	\$178,677	\$248,618
SES Band 1	\$147,248	\$172,781
Executive Level 2 <sup>[3]</sup>	\$108,838	\$174,903
Executive Level 1 <sup>[4]</sup>	\$93,740	\$130,639
APS Level 6 <sup>[5]</sup>	\$74,169	\$87,281
APS Level 5 <sup>[6]</sup>	\$67,702	\$73,077
APS Level 4	\$61,694	\$67,354
APS Level 3	\$54,463	\$60,012
APS Level 2 <sup>[7]</sup>	\$47,814	\$54,305
APS Level 1	\$42,250	\$47,427

**Notes**

1. Includes rates for Chief of Division 3.
2. Includes rates for Chief of Division 2 and Medical Officer Class 6.
3. Includes rates for EL2.1, EL2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
4. Includes rates for Public Affairs and Legal specialist structures and Medical Officer Class 1–2.
5. Includes rates for Public Affairs Grade 2 retained pay point.
6. Includes rates for Senior Technical Officer Grade 1 retained pay point.
7. Includes rates for Technical Assistant Grade 2 retained pay point.

## ADF remuneration

The independent Defence Force Remuneration Tribunal, established under section 58H of the *Defence Act 1903*, is responsible for setting pay and pay related allowances for ADF members.

The ADF Workplace Remuneration Arrangement 2011–2014 is a key component of the ADF Remuneration Framework and is consistent with the Government's broader workplace relations policies. The arrangement is part of the ADF remuneration initiative aimed at attracting and retaining military personnel and forms a significant part of the Defence Employment Offer.

Salary and salary related allowances increases under the workplace remuneration arrangements occur in return for improvements in organisational efficiency and productivity. Other non-salary related conditions of service are set under section 58B of the Act. The current arrangement expires on 3 November 2014.

Other financial conditions of service that recognise the special characteristics of service are determined by the Minister for Defence under section 58B of the Act.

**Table 6.10**  
**Permanent ADF salary ranges as at 30 June 2013**

Classification	Salary range (\$)	
	Minimum	Maximum
Officer of the Permanent Force (equivalent)		
General (E) <sup>[1]</sup>	\$475,650	\$679,500
Lieutenant General (E) <sup>[1]</sup>	\$322,000	\$460,000
Major General (E) <sup>[2]</sup>	\$211,119	\$257,500
Brigadier (E) <sup>[2][3]</sup>	\$144,391	\$235,458
Colonel (E) <sup>[2][3][5]</sup>	\$128,863	\$225,878
Lieutenant Colonel (E) <sup>[2][3][5]</sup>	\$104,679	\$214,930
Major (E) <sup>[2][5][6]</sup>	\$79,345	\$193,776
Captain (E) <sup>[2][5][6]</sup>	\$62,145	\$183,923
Lieutenant (E) <sup>[4][6]</sup>	\$51,660	\$108,289
2nd Lieutenant (E) <sup>[4][6]</sup>	\$48,266	\$101,092

Classification	Salary range (\$)	
	Minimum	Maximum
Other rank of the Permanent Force (equivalent)		
Warrant Officer Class 1 (E)	\$70,372	\$108,310
Warrant Officer Class 2 (E)	\$64,816	\$100,359
Staff Sergeant (E)	\$62,642	\$96,817
Sergeant (E)	\$56,009	\$92,591
Corporal (E)	\$48,399	\$84,667
Lance Corporal (E)	\$44,520	\$78,696
Private Proficient (E)	\$43,600	\$77,776
Private (E)	\$42,699	\$76,877

#### Notes

1. General (E) and some Lieutenant General (E) rates are set by the Remuneration Tribunal.
2. Includes rates for Medical Officers.
3. Includes rates for Chaplains.
4. Includes transitional rates for other rank appointed as officer.
5. Excludes Medical Procedural Specialist.
6. Service allowance of \$12,431 per annum has not been included.

**Table 6.11**  
**Defence ADF workplace agreements and arrangements**

Australian Defence Force <sup>[1]</sup>	Star Rank	Non-Star Rank
Members covered by the Workplace Remuneration Arrangement	0	55,781
Members covered by the Senior Officer Remuneration Arrangement	174	0
Statutory Office Holders (Remuneration Tribunal) <sup>[2]</sup>	6	1
Other category based remuneration arrangements <sup>[3]</sup>	8	1

**Notes**

1. Numbers in this table reflect Permanent Force members only. However, members of the Reserve Force are also covered by the relevant arrangement.
2. Statutory office holders in Defence are remunerated under determinations made by the Remuneration Tribunal, which is administered by the Department of the Prime Minister and Cabinet.
3. Non-statutory office holders.

### Senior Leadership Group remuneration

In accordance with government policy, SES employees in Defence have their conditions of employment, including level of remuneration, set by a ‘collective’ determination made under section 24(1) of the Public Service Act overlaid by individual common law agreements. As Defence operates in a values-based employment framework, mutual responsibilities for SES employees in areas including accountability, performance and productivity are also outlined in these instruments.

The Secretary may decide to increase the salary rates for each SES classification level, having regard to any of the following matters:

- a review of the salary rates relevant to the employee’s classification, conducted in July each year
- movements in APS SES salary levels generally
- other relevant factors, including Australian Government employment policy and non-SES and ADF remuneration outcomes
- following a review at any time.

The ADF Senior Officer Remuneration Arrangement 2011–2014 is the military counterpart of the SES employment arrangement that applies collectively to all generalist ADF senior officers holding the rank of Brigadier (equivalent) and Major General (equivalent). All other senior officers (excluding statutory office holders) may be remunerated by way of a determination from the Defence Force Remuneration Tribunal under section 58H of the Defence Act 1903. Other non-salary related conditions of service are determined by the Minister of Defence under section 58B of the Defence Act.

Statutory office holders, including the Chief of the Defence Force and Secretary, are remunerated by way of a determination from the Remuneration Tribunal under the *Remuneration Tribunal Act 1973*.



## Performance pay

Performance-related pay is available to non-SES employees under the current Defence Enterprise Collective Agreement. Subject to performance, employees may be entitled to progress to a higher pay point within the salary band for their classification or, for those at the top of the range be paid a one per cent lump sum payment. The salary advancement is not considered performance pay, however the lump sum payment to employees at the top of the pay band is considered to be a form of performance pay.

An SES employee may be paid non-superannuable bonuses. A performance bonus may be paid as an incentive and reward for exceptional performance during the performance cycle. Payment of a performance bonus is dependent on the Secretary's assessment of the SES employee's performance. A retention bonus may be paid as an incentive to remain in an identified role.

Performance-based pay is not a feature of any existing ADF remuneration framework. Career development opportunities including promotion are the key recognitions of performance.

## Productivity gains

The Australian Government requires improved remuneration and conditions for APS employees to be underpinned by improved productivity and performance. In accordance with the APS Bargaining Framework, Commonwealth agencies are required to ensure that they are able to demonstrate that proposed improvements to the terms and conditions of employment for agency employees are underpinned by quantifiable productivity initiatives.

## Defence actual staffing

This section outlines the changes in the workforce that occurred during 2012–13 and provides workforce information as at 30 June 2013. It includes numbers of people, employment categories, locations and gender information.

As at 30 June 2013, Defence had 78,112 permanent employees (headcount) comprising 56,172 permanent ADF members and 21,940 ongoing APS employees. An additional 167 APS employees were employed on a non-ongoing basis. Gap Year enlistments ceased at the end of 2011–12 and there no longer any participants.

In the 12 months to June 2013, the permanent ADF strength (headcount) decreased by 546. The Reserve Force comprised 25,680 active employees. The total ADF workforce was 81,852, and included 18,675 Navy Permanent and Reserve members, 44,962 Army Permanent and Reserve members and 18,215 Air Force Permanent and Reserve members. In the 12 months to 30 June 2013, the Reserve component of the ADF decreased by 349, from 26,029 to 25,680. This included both Reservists on continuous full-time service and Active Reserves. At 30 June 2013, 1,586 Reservists were also Defence APS employees.

As at 30 June 2013 there were 5,565 APS employees in the DMO and 16,542 in the remainder of Defence. This number included all APS employees recorded as active employees and included full-time, part-time, ongoing and non-ongoing, and paid and unpaid employees.

Defence's headcount APS staffing figure for the year, reported in Table 6.12, showed a downward trend: from 23,299 at 30 June 2012 to 22,107 at 30 June 2013, a reduction of 1,192. The headcount figure includes paid and unpaid employees, covering full-time, part-time, ongoing and non-ongoing employees.

**Table 6.12****Defence workforce comparison as at 30 June 2012 and 30 June 2013**

	Navy	Army	Air Force	ADF	APS <sup>[1]</sup>
<b>30 June 2012<sup>[2]</sup></b>					
Permanent <sup>[3]</sup>	13,670	28,828	14,220	56,718	
Defence					16,985
DMO					6,314
<b>Total (as at 30 June 2012)</b>	<b>13,670</b>	<b>28,828</b>	<b>14,220</b>	<b>56,718</b>	<b>23,299</b>
<b>30 June 2013</b>					
Separations <sup>[3]</sup>					
Permanent	1,207	3,518	886	5,611	
Defence					1,733
DMO					576
<b>Sub-total</b>	<b>1,207</b>	<b>3,518</b>	<b>886</b>	<b>5,611</b>	<b>2,309</b>
Net Transfers <sup>[4]</sup>					
Defence					340
DMO					-340
<b>Sub-total</b>					<b>0</b>

	Navy	Army	Air Force	ADF	APS <sup>(1)</sup>
<b>Additions</b>					
Permanent <sup>(2)</sup>	1,054	3,277	734	5,065	
Defence					950
DMO					167
<b>Sub-total</b>	<b>1,054</b>	<b>3,277</b>	<b>734</b>	<b>5,065</b>	<b>1,117</b>
Permanent <sup>(2)</sup>	13,517	28,587	14,068	56,172	
Defence					16,542
DMO					5,565
<b>Total (as at 30 June 2013)</b>	<b>13,517</b>	<b>28,587</b>	<b>14,068</b>	<b>56,172</b>	<b>22,107</b>
Change	-153	-241	-152	-546	-1,192

#### Notes

1. APS figures include paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees.
2. Some 30 June 2012 strength figures have been adjusted from what was reported in the Defence Annual Report 2011–12 to account for retrospective transactions.
3. Figures do not include the Gap Year program or Reserves including those on continuous full-time service.
4. Net transfers represent the net effect of transfer of APS employees between Defence and DMO. Some of these transfers are the result of movements under the shared services program.

**Table 6.13**

**ADF Permanent, Gap Year and Reserve Forces, and APS by gender and employment category comparison as at 30 June 2012<sup>[4]</sup> and 30 June 2013<sup>[1][2][3]</sup>**

	As at 30 June 2012 <sup>[4]</sup>				As at 30 June 2013			
	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>
<b>Navy Permanent</b>								
<i>Trained Force</i>								
Officers	1,921	14.1%	466	3.4%	1,972	14.6%	471	3.5%
Other ranks	7,998	58.5%	1,767	12.9%	6,734	49.8%	1,508	11.2%
<i>Training Force</i>								
Officers	638	4.7%	173	1.3%	615	4.5%	170	1.3%
Other ranks	588	4.3%	119	0.9%	1,708	12.6%	339	2.5%
<b>Total Navy</b>	<b>11,145</b>	<b>81.5%</b>	<b>2,525</b>	<b>18.5%</b>	<b>11,029</b>	<b>81.6%</b>	<b>2,488</b>	<b>18.4%</b>
<b>Army Permanent</b>								
<i>Trained Force</i>								
Officers	4,464	15.5%	730	2.5%	4,520	15.8%	757	2.6%
Other ranks	18,506	64.2%	1,869	6.5%	17,829	62.4%	1,905	6.7%
<i>Training Force</i>								
Officers	793	2.8%	181	0.6%	785	2.7%	192	0.7%
Other ranks	2,150	7.5%	135	0.5%	2,315	8.1%	284	1.0%

	As at 30 June 2012 <sup>[4]</sup>				As at 30 June 2013			
	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>
<b>Total Army</b>	<b>25,913</b>	<b>89.9%</b>	<b>2,915</b>	<b>10.1%</b>	<b>25,449</b>	<b>89.0%</b>	<b>3,138</b>	<b>11.0%</b>
<b>Air Force Permanent</b>								
<i>Trained Force</i>								
Officers	3,262	22.9%	750	5.3%	3,262	23.2%	771	5.5%
Other ranks	7,675	54.0%	1,428	10.0%	7,409	52.7%	1,414	10.1%
<i>Training Force</i>								
Officers	485	3.4%	148	1.0%	521	3.7%	161	1.1%
Other ranks	386	2.7%	86	0.6%	416	3.0%	114	0.8%
<b>Total Air Force</b>	<b>11,808</b>	<b>83.0%</b>	<b>2,412</b>	<b>17.0%</b>	<b>11,608</b>	<b>82.5%</b>	<b>2,460</b>	<b>17.5%</b>
<b>ADF Permanent</b>								
<i>Trained Force</i>								
Officers	9,647	17.0%	1,946	3.4%	9,754	17.4%	1,999	3.6%
Other ranks	34,179	60.3%	5,064	8.9%	31,972	56.9%	4,827	8.6%
<i>Training Force</i>								
Officers	1,916	3.4%	502	0.9%	1,921	3.4%	523	0.9%
Other ranks	3,124	5.5%	340	0.6%	4,439	7.9%	737	1.3%
<b>Total ADF Permanent</b>	<b>48,866</b>	<b>86.2%</b>	<b>7,852</b>	<b>13.8%</b>	<b>48,086</b>	<b>85.6%</b>	<b>8,086</b>	<b>14.4%</b>
<b>Gap Year</b>								
Navy	-	-	-	-	-	-	-	-
Army	131	78.9%	35	21.1%	-	-	-	-
Air Force	-	-	-	-	-	-	-	-

	As at 30 June 2012 <sup>[4]</sup>				As at 30 June 2013			
	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>	Men	% <sup>[5]</sup>	Women	% <sup>[5]</sup>
<b>Total Gap Year</b>	<b>131</b>	<b>78.9%</b>	<b>35</b>	<b>21.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reserves<sup>[6]</sup></b>								
Navy	4,078	15.7%	1,048	4.0%	4,091	15.9%	1,067	4.2%
Army	14,656	56.3%	2,272	8.7%	14,206	55.3%	2,169	8.4%
Air Force	3,128	12.0%	847	3.3%	3,278	12.8%	869	3.4%
<b>Total Reserves</b>	<b>21,862</b>	<b>84.0%</b>	<b>4,167</b>	<b>16.0%</b>	<b>21,575</b>	<b>84.0%</b>	<b>4,105</b>	<b>16.0%</b>
<b>APS (less DMO)<sup>[7][8]</sup></b>	<b>9,638</b>	<b>41.4%</b>	<b>7,347</b>	<b>31.5%</b>	<b>9,341</b>	<b>42.3%</b>	<b>7,201</b>	<b>32.6%</b>
<b>APS (DMO)<sup>[7][8]</sup></b>	<b>4,203</b>	<b>18.0%</b>	<b>2,111</b>	<b>9.1%</b>	<b>3,768</b>	<b>17.0%</b>	<b>1,797</b>	<b>8.1%</b>
<b>Total APS</b>	<b>13,841</b>	<b>59.4%</b>	<b>9,458</b>	<b>40.6%</b>	<b>13,109</b>	<b>59.3%</b>	<b>8,998</b>	<b>40.7%</b>
<b>Grand total</b>	<b>84,700</b>	<b>79.7%</b>	<b>21,512</b>	<b>20.3%</b>	<b>82,770</b>	<b>79.6%</b>	<b>21,189</b>	<b>20.4%</b>

#### Notes

- Figures in this table show employee numbers (substantive headcount) as at 30 June 2012 and 30 June 2013.
- ADF permanent headcount does not include Gap Year participants who are reported separately in this table.
- Percentage figures are calculated against the individual Service totals.
- Some 30 June 2012 figures have been adjusted from what was reported in the Defence Annual Report 2011–12 to account for retrospective transactions.
- Percentages may not sum due to rounding.
- Reserves include all active members (training, deployed and other part-time military work commitments) and those on continuous full-time service.
- Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees.
- 30 June 2013 figures for APS include 1,586 APS employees who are also counted as Reserve members.

**Table 6.14**

**APS personnel by gender and category comparison as at 30 June 2012 and 30 June 2013<sup>[1][2]</sup>**

	As at 30 June 2012 <sup>[3]</sup>			As at 30 June 2013		
	Full-time	Part-time <sup>[4]</sup>	Total	Full-time	Part-time <sup>[4]</sup>	Total
<b>Ongoing employees</b>						
Men	13,473	182	13,682	12,849	177	13,026
Women	8,220	985	9,248	7,887	1,027	8,914
<b>Total Ongoing</b>	<b>21,693</b>	<b>1,167</b>	<b>22,930</b>	<b>20,736</b>	<b>1,204</b>	<b>21,940</b>
<b>Non-ongoing employees</b>						
Men	168	18	159	81	2	83
Women	214	39	210	72	12	84
<b>Total non-ongoing</b>	<b>382</b>	<b>57</b>	<b>369</b>	<b>153</b>	<b>14</b>	<b>167</b>
Men	13,641	200	13,841	12,930	179	13,109
Women	8,434	1,024	9,458	7,959	1,039	8,998
<b>Total</b>	<b>22,075</b>	<b>1,224</b>	<b>23,299</b>	<b>20,889</b>	<b>1,218</b>	<b>22,107</b>

**Notes**

- Figures in this table show employee numbers (substantive headcount) as at 30 June 2012 and 30 June 2013.
- Figures include paid and unpaid employees.
- Some 30 June 2012 strength figures have been adjusted from what was reported in the 2011–12 Defence Annual Report to account for retrospective transactions.
- Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

**Table 6.15****Distribution of Defence workforce by employment location as at 30 June 2013<sup>[1]</sup>**

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT <sup>[2]</sup>	O/S <sup>[3]</sup>	Total
<b>Permanent Forces<sup>[4][5]</sup></b>										
Navy	6,446	1,338	969	69	2,253	19	710	1,476	237	13,517
Army	5,305	3,122	11,397	1,564	848	78	3,468	2,532	273	28,587
Air Force	4,818	904	3,013	1,817	369	7	1,020	1,893	227	14,068
Sub-total	16,569	5,364	15,379	3,450	3,470	104	5,198	5,901	737	56,172
<b>Reserve Forces<sup>[5][6]</sup></b>										
Navy	1,356	529	824	234	921	165	166	949	14	5,158
Army	4,491	2,897	3,716	1,280	1,718	556	657	1,058	2	16,375
Air Force	961	391	1,090	436	280	50	137	802	0	4,147
Sub-total	6,808	3,817	5,630	1,950	2,919	771	960	2,809	16	25,680
ADF total	23,377	9,181	21,009	5,400	6,389	875	6,158	8,710	753	81,852
<b>APS (Defence)<sup>[5][7][8]</sup></b>	2,115	2,800	1,142	2,027	393	87	326	7,562	90	16,542
<b>APS (DMO)<sup>[5][7][8]</sup></b>	1,279	1,600	342	291	211	0	28	1,800	14	5,565
<b>Total</b>	<b>26,771</b>	<b>13,581</b>	<b>22,493</b>	<b>7,718</b>	<b>6,993</b>	<b>962</b>	<b>6,512</b>	<b>18,072</b>	<b>857</b>	<b>103,959</b>

**Notes**

- Figures in this table show employee numbers (substantive headcount) as at 30 June 2013.
- ACT figures include employees located in Jervis Bay Territory.
- Overseas figures represent employees posted for reasons including long-term duty, training, exchange and liaison.
- Permanent force figures include paid and unpaid employees.
- Employees are shown as per their substantive state code.
- Reserve force figures include Reserves on Continuous Full-Time Service.
- APS figures include paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees.
- 30 June 2013 figures for APS include 1,586 APS employees who are also counted as Reserve members.

**Table 6.16****Distribution of APS by employment location as at 30 June 2013<sup>[1]</sup>**

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT <sup>[2]</sup>	O/S <sup>[3]</sup>	Total
Secretary								1		1
Senior Executive Service <sup>[4]</sup>	1	7	1	8			1	133	2	153
SES relief staffing <sup>[5]</sup>				1				13	1	15
Executive levels <sup>[6]</sup>	494	994	168	882	110	9	38	3,662	84	6,441
Executive relief staffing <sup>[7]</sup>	40	71	20	22	7		3	386		549
Other APS Levels <sup>[8]</sup>	2,859	3,328	1,295	1,405	487	78	312	5,167	17	14,948
<b>Total</b>	<b>3,394</b>	<b>4,400</b>	<b>1,484</b>	<b>2,318</b>	<b>604</b>	<b>87</b>	<b>354</b>	<b>9,362</b>	<b>104</b>	<b>22,107</b>

**Notes**

- Figures in this table show employee numbers (substantive headcount) as at 30 June 2013 and include paid and unpaid employees.
- ACT figures include employees located in Jervis Bay Territory.
- Overseas figures represent staff posted for long-term duty.
- Senior Executive Service (SES) includes Deputy Secretary, First Assistant Secretary, Assistant Secretary, Chief of Division and Medical Officer Class 6 classifications.
- SES relief staffing indicates non-SES officers who are temporarily acting in SES positions. These officers are on Additional Responsibility Payments due to temporary or longer-term vacancies.
- Includes Executive Levels 1 and 2.
- Executive relief staffing indicates APS levels on Additional Responsibility Payments due to temporary or longer-term vacancies.
- Other APS levels include levels 1 to 6.

**Table 6.17**  
**Star ranked officers as at 30 June 2013<sup>[1][2]</sup>**

	Total star rank			2012–13 promotions <sup>[3]</sup>			2012–13 separations <sup>[4]</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Four star</b>									
Navy	0	0	0	0	0	0	0	0	0
Army	1	0	1	0	0	0	0	0	0
Air Force	0	0	0	0	0	0	0	0	0
<b>Three star</b>									
Navy	2	0	2	0	0	0	0	0	0
Army	2	0	2	0	0	0	0	0	0
Air Force	2	0	2	0	0	0	0	0	0
<b>Two star</b>									
Navy	14	1	15	4	0	4	0	0	0
Army	17	0	17	3	0	3	3	0	3
Air Force	8	0	8	0	0	0	2	1	3
<b>One star<sup>[5]</sup></b>									
Navy	39	1	40	7	0	7	4	0	4
Army	49	6	55	10	1	11	7	0	7
Air Force	41	3	44	6	2	8	4	0	4
<b>Total</b>	<b>175</b>	<b>11</b>	<b>186</b>	<b>30</b>	<b>3</b>	<b>33</b>	<b>20</b>	<b>1</b>	<b>21</b>

#### Notes

1. Officers on acting or higher duties are not included.
2. Figures include Permanent Officers and Reserve Officers completing continuous full-time service.
3. Promotions include those Officers promoted between levels. Figures include Permanent Officers and Reserve Officers completing continuous full-time service.
4. Separations include Permanent Officers and Reserve Officers completing continuous full-time service.
5. Figures include three chaplains (one from each Service).

**Table 6.18****APS Senior Executive Service employees as at 30 June 2013<sup>[1][2]</sup>**

	Total SES			2012–13 engagements <sup>[3]</sup>			2012–13 separations <sup>[4]</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior Executive									
Secretary	1	0	1	1	0	1	1	0	1
Band 3	9	2	11	2	0	2	2	1	3
Band 2 <sup>[5]</sup>	25	8	33	1	1	2	2	1	3
Band 1	63	30	93	3	3	6	7	2	9
Chief of Division									
Grade 3	2	0	2	0	0	0	1	0	1
Grade 2	11	3	14	0	0	0	0	0	0
Senior Executive									
Relief staff <sup>[6]</sup>	14	1	15	0	0	0	0	0	0
<b>Total</b>	<b>125</b>	<b>44</b>	<b>169</b>	<b>7</b>	<b>4</b>	<b>11</b>	<b>13</b>	<b>4</b>	<b>17</b>

**Notes**

- Figures in this table show employee numbers at their substantive level, but not employees on longer term unpaid leave.
- Gains and losses do not reflect movement of officers between levels in each of the SES and Chief of Division streams.
- Engagement figures include new engagements and transfers from other agencies.
- Separation figures include resignations, retirements, redundancies, promotions and transfers to other agencies.
- SES Band 2 includes Medical Officer Grade 6.
- Relief staff indicates non-SES officers who are temporarily acting in SES/Chief of Division positions due to temporary or longer-term vacancies

**Further workforce information is available online.**

## CHAPTER 7

### Asset management and purchasing

#### Asset management

Defence manages \$71.5b of total assets.

This comprises approximately \$40.3b of specialist military equipment, \$22.7b of land, buildings and infrastructure, \$6.1b of inventory, \$1.0b of heritage and cultural assets and \$1.4b of other items, including cash, receivables and prepayments.

In accordance with section 44 of the *Financial Management and Accountability Act 1997*, the Chief Executive of Defence has a responsibility to manage Defence assets in a way that promotes efficient, effective, economical and ethical use of Commonwealth resources.

Defence groups and Services, including the Defence Materiel Organisation (which acts as project manager on behalf of Defence for both the acquisition and sustainment of Defence military assets and inventories), are accountable for the underlying business transactions and records that substantiate the reported financial balances of assets under their control.

Defence Asset Accounting within the Chief Finance Officer Group undertakes accounting processes to enable the accurate and timely reporting of asset balances and ensure that they are consistent with requirements for financial statement reporting defined in the Australian Accounting Standards. As part of the implementation of shared financial services across Defence, it was determined that the asset accounting function would be delivered as a pooled shared financial service by Defence Asset Accounting for all of Defence.

During 2012–13, Defence has worked to secure and advance the improvements in financial and asset management achieved in previous years. This has been achieved by:

- moving to a shared service delivery model for asset accounting to further enhance financial reporting of assets and deliver standardised policies and processes to support the management of assets
- a maturing data assurance framework and controls environment to swiftly identify and resolve asset management issues as they occur.

These improvements are reflected in the reduction in the level of obsolescence of Defence's inventory and the removal of two Category B Australian National Audit Office findings (related to change management and governance of the Military Integrated Logistic Information System) in 2012–13.

The DMO manages its assets in accordance with its Chief Executive Instructions, relevant accounting standards and internal DMO guidelines.

The DMO's property, plant and equipment, which were valued at \$5.6m, are subject to an annual stocktake to ensure records are accurate. Impairment reviews were also undertaken as at 30 June 2013 and valuations are conducted as outlined in Note 1.21 of the DMO financial statements.

#### Assessment of purchasing against core policies and principles

Defence Support and Reform Group places importance on managing relationships with Australian industry and providing contracting opportunities in support of Defence capability. The group aims to work with industry as partners to support and maintain a sustainable and high-performance Defence organisation.

Defence Support and Reform Group announces business opportunities through a range of mediums, including approach to market notices published on the AusTender website and advertisements in newspapers. Notification of approaches to the market enhances the group's ability to achieve value for money by encouraging competition. When engaged in commercial and business relationships, Defence and industry must each endeavour to demonstrate ethical practices at all times and deal with each other on a basis of mutual trust and respect. Adopting an ethical, transparent approach enables business to be conducted fairly, reasonably and with integrity.

Through the Defence Procurement and Contracting Branch, Defence Support and Reform Group has developed an initiative to further encourage suppliers to employ Indigenous Australians and people with disability. The branch currently has two processes in place where the resultant contracts will incorporate relevant diversity requirements.

## ADF EQUIPMENT IN AFGHANISTAN ON THE MOVE

**During the 11 years the ADF has been in Afghanistan, it has used nearly 5 million items of equipment—vehicles, planes, weapon systems and smaller items.**

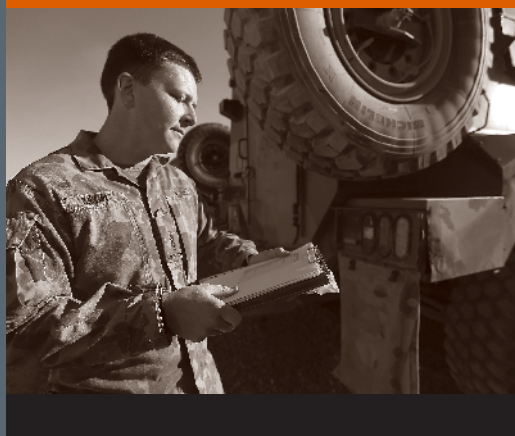
Now the operation is coming to an end. Some Defence equipment will be returned to Australia, remediated, and used by other capability managers, while other materiel will be disposed of or relocated in Afghanistan.

Colonel Roger Symons, Director of Operations and Liaison, said the task was both enormous and complex. Early and dedicated planning from many Defence areas, including the Defence Materiel Organisation, has placed the ADF in good stead to get this difficult job done.

'We're talking about remediating items across 24,000 stock codes including vehicles, planes and weapon systems, 3,000 combat net radios, 1,000 global positioning units, and 1,500 electronic countermeasure systems', he said.

The transition of equipment will be led by Headquarters Joint Operations Command and involves activities such as remediating infrastructure and getting materiel ready for redeployment in Afghanistan, disposal or return to Australia.

The Redeployment Fusion Cell in Headquarters Joint Task Force 633 then coordinates all in-theatre redeployment activities. This involves deconstructing or gifting infrastructure, remediating land, clearing cargo to be returned to Australia, and disposing of some items.



Finally, in conjunction with the joint task force and the force support unit, the Joint Movements group coordinates the transport of materiel back to Australia, where Joint Logistics Command accepts the delivery after biosecurity inspections and customs clearances.

Colonel Symons said the redeployment activity would require close cooperation between Defence, other government agencies and industry, not only in Afghanistan but also in Australia.

During 2012 the Defence Materiel Organisation completed work to support the redeployment of equipment out of Afghanistan and prepare for the remediation task in Australia. The DMO's efforts gained further momentum after the order was given in January 2013 for the Afghanistan drawdown to begin.

Colonel Symons said Defence would continue to develop transition and remediation plans and refine them before consolidating them into an overarching plan for the Operation Slipper drawdown. The plan explains how equipment coming back to Australia needs to be refurbished and when it will again become available for capability managers to use in a raise, train and sustain capacity. The plan also outlines the expected costs, risks and workload of each remediation activity so that nothing is wasted in the current scarce resource environment.

## CHAPTER 8

### Capital investment programs

#### Approved Major Capital Investment Program

The Approved Major Capital Investment Program comprises those projects that generally cost more than \$20m and which, following approval, have been transferred from the Defence Capability Plan to the Defence Materiel Organisation to manage the acquisition phase.

Funding for approved major capital equipment projects, including project management and overhead costs, is generally provided by Defence to the DMO under separate materiel acquisition agreements for each project.

Projects costing between \$20m and \$100m are approved jointly by the Minister for Defence and the Minister for Finance and Deregulation. Projects costing more than \$100m are approved by the National Security Committee of Cabinet.

#### 2012–13 achievements

A total of 27 projects and studies were approved with a combined value of \$4.3b. Significant among these was the Government's approval for the following:

- AIR 5349 Phase 3—EA-18G Growler Airborne Electronic Attack Capability (Growler capability and 12 additional aircraft)
- JP 2047 Phase 3—Terrestrial Communications
- SEA 1448 Phase 4A—Anzac Electronic Support System Improvements
- AIR 5438 Phase 1A—Lead-In-Fighter Capability Assurance Program
- JP 2044 Phase 4A—Digital Topographical Systems Upgrade.



## Major Capital Facilities Program

The Major Capital Facilities Program develops facilities and infrastructure to support the Approved Major Capital Investment Program, sustain current capability requirements, support other government initiatives, meet legislative obligations, and assist initiatives that support Defence personnel. A significant proportion of the program funding is directed towards the provision of base engineering and infrastructure services, either in support of new projects or upgrades to existing facilities.

Approval processes for capital facilities projects vary according to value. Major capital facilities projects costing over \$15m are subject to government approval and review by the Parliamentary Standing Committee on Public Works. Projects approved by the committee in 2012–13 are listed in Chapter 5 under 'External scrutiny'. Medium facilities projects of between \$250,000 and \$15m in value are subject to departmental or government approval, but are generally not subject to inquiry by the committee.

## Phase 2 of the Single LEAP project

The ADF's Single Living Environment and Accommodation Precinct (LEAP) project is a multi-phase project to deliver up to 6,400 permanent living-in accommodation units as part of the strategy to replace substandard living-in accommodation for single Australian Defence Force personnel with new accommodation that meets contemporary standards. Single LEAP Phase 1 delivered 1,395 living-in accommodation units and was completed in December 2008.

Defence entered a contract on 28 June 2011 with the consortium Plenary Living (LEAP 2) Pty Ltd under a public-private partnership arrangement for Phase 2 of the project. Plenary Living will provide the financing, construction, operating and whole-of-life maintenance for 3,015 living-in accommodation units and support facilities at 14 Defence bases over a 33-year period. Phase 2 commenced construction in September 2011 and completion of the final package is scheduled for February 2014. The project has achieved its targets for 2012–13 and construction remains on schedule to complete the facilities on or before the contracted dates.

Work is well advanced at all sites, with the last site due for completion by February 2014. Under the public-private partnership arrangement, annual payments to the strategic partner commence after commercial acceptance of each site.

The following information on the major capital facilities program is available online:

- list of major capital investment projects approved by the Government in 2012–13
- list of approved major capital facilities projects by state and federal electorate and their performance.
- status of major projects expected to be referred to the Government and/or for consideration by the Parliamentary Standing Committee on Public Works by state, federal electorate and locality
- list of approved medium capital facilities projects and their expenditure
- list of medium capital projects for consideration
- Single LEAP Phase 2.

## CHAPTER 9

### Environmental performance

#### Heritage management

Defence began to revise the Defence Heritage Strategy and continued to develop and implement plans to support the management of heritage values on the Defence estate, including at Gallipoli Barracks, Brisbane. In April 2013, new interpretation signs were installed at Garden Island, Sydney to inform visitors and Defence personnel about the history of the buildings there.

#### Defence environmental management system

A major review of the design and functionality of the Defence Environmental Management System was conducted during 2012–13. Work is continuing to standardise its architecture across the Defence estate, to integrate the system across Defence, and to align it with the garrison and estate management ICT platform.

#### DMO environmental performance

Environmental management controls and procedures form part of the DMO's acquisition, sustainment and disposal processes to identify and manage potential environmental impacts and related risks of materiel introduced to the ADF. Identification of these risks at the earliest possible stage in the materiel lifecycle reduces the likelihood for costly mitigation strategies to address environmental impacts of provided materiel that could affect capability. The processes in place assist projects to 'design out' environmentally damaging features and to acquire, sustain and dispose of materiel with fewer negative effects on the environment.

The DMO's achievements in environmental management during the year include:

- implementing the corporate-level Environmental Management Plan so as to record and manage environmental risk, resulting in more efficient and effective management and reporting processes
- conducting a review of policy, procedures and guidance in support of both Defence and DMO corporate environmental management
- providing support to the Defence Environmental Strategic Plan 2010–2014 through continued commitment to the Defence Environmental Management Forum
- making an ongoing contribution to the Defence Industry Environmental Sustainability Forum.

#### Defence referrals under the EPBC Act

Under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), Commonwealth agencies are required to refer any action that is likely to have a significant impact on the environment. In 2012–13, Defence referred one action for formal consideration under the EPBC Act, as shown in Table 9.1.

**Table 9.1****Defence actions referred under the EPBC Act, 2012–13**

Defence action	EPBC referral number	Date referred	Status
Moorebank Units Relocation Project, Holsworthy Training Area, NSW	2012/6462	12 July 2012	Decision made on 9 August 2012 that further assessment and approval is not required provided the action is undertaken in the specified manner.

There were four Defence actions subject to continuing assessment under the EPBC Act during the year, as shown in Table 9.2.

**Table 9.2****Defence actions subject to assessment under the EPBC Act**

Defence action	EPBC referral number	Status
Removal of Bellman hangars at RAAF Williams (Point Cook) due to structural deterioration	2008/4251	The action is being assessed through a preliminary documentation process.  Defence is preparing a preliminary documentation report.
Expansion of the Cultana Training Area, SA	2010/5316	The action is being assessed through a public environment report process.  Defence has submitted its final report to the Minister for the Environment for an approval decision.
Flying Operations of the F–35 Joint Strike Fighter at RAAF Bases Williamtown and Tindal and the Salt Ash Air Weapons Range	2010/5747	The action is being assessed through an environmental impact statement process.  Defence is preparing the environmental impact statement to address the published guidelines.
Removal of the Hammerhead crane from Garden Island, Sydney, NSW	2012/6430	The action was assessed through a preliminary documentation process.

**Incident reporting**

Defence maintained its incident reporting processes under the Defence Environmental Management System, which supports continual improvement for environmental performance. In 2012–13, there were 477 incidents reported across the estate. None of them was considered to have had a significant impact on the environment.

**Further information on environmental performance is provided online.**

## CHAPTER 10

### Consultancies and contracts

#### Consultancies

Defence engages consultants where it lacks specialist expertise or when independent research and assessment is required. The process for selecting consultants is consistent with Defence's procurement policies and the Commonwealth Procurement Guidelines. Reasons for engagement include skills currently unavailable, the need for specialised or professional skills and the need for independent research or assessment.

Defence entered into 383 new consultancy contracts (274 with a value greater than \$10,000), involving total actual expenditure of \$13.9m (including GST). In addition, 265 ongoing consultancy contracts were active, involving total actual expenditure of \$26.8m (including GST).

This annual report contains information about actual total expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website.

**Table 10.1**  
**Total expenditure on consulting contracts, 2010–11 to 2012–13**

	2010–11	2011–12	2012–13
Defence	\$59.5m	\$61.5m	\$37.8m
DMO	\$0.3m	\$5.1m	\$2.9m

Table 10.2 shows a summary by Defence group of 2012–13 consultancies let with a contract value greater than \$10,000 (including GST).

**Table 10.2**  
**Consultancies let greater than \$10,000 by outcome group, 2012–13**

Outcome group	Number of contracts let	Total contract value (\$)
Office of the Secretary and CDF	8	1,727,013
Navy	–	–
Army	–	–
Air Force	–	–

Outcome group	Number of contracts let	Total contract value (\$)
Intelligence and Security	19	4,083,165
Defence Support and Reform Group	199	19,221,822
Defence Science and Technology Organisation	1	41,721
Chief Information Officer Group	5	714,302
Vice Chief of the Defence Force	7	763,983
Joint Operations Command	2	290,320
Capability Development Group	–	–
Chief Finance Officer Group	2	986,000
People Strategies and Policy Group	7	889,864
Defence Materiel Organisation	24	2,928,938
<b>Total</b>	<b>274</b>	<b>31,647,128</b>

## Legal expenses

### Defence

Expenditure on internal and external legal services in 2012–13 is shown in tables 10.3 to 10.5. Internal expenses include salaries for military and civilian staff, divisional operating costs and military justice reimbursements. External expenses are professional fees, disbursements and legal assistance at Commonwealth expense. All figures are GST inclusive.

**Table 10.3**  
**Estimated expenditure on internal and external legal services (Defence),**  
**2011–12 and 2012–13**

Type of legal expenditure	2011–12 \$m	2012–13 \$m
Internal	41.6	41.3
External	36.3	22.2
<b>Total</b>	<b>77.9</b>	<b>63.5</b>

**Table 10.4**  
**Estimated cost breakdown of internal legal expenses (Defence),**  
**2011–12 and 2012–13**

Items	2011–12 \$m	2012–13 \$m
Salaries for military lawyers	16.6	16.3
Salaries for civilian staff	13.2	13.8
ADF Reserve legal officers	7.7	7.6
Operating costs	3.4	3.3
Military justice reimbursements	0.7	0.3
<b>Total</b>	<b>41.6</b>	<b>41.3</b>

**Table 10.5**  
**Estimated cost breakdown of external legal expenses (Defence),**  
**2011–12 and 2012–13**

Items	2011–12 \$m	2012–13 \$m
Professional fees—Defence legal panel	31.9	20.3
Disbursements	4.0	1.6
Legal assistance at Commonwealth expense	0.4	0.3
<b>Total</b>	<b>36.3</b>	<b>22.2</b>

## DMO

DMO expenditure on internal and external legal services is shown in tables 10.6 to 10.8. Internal expenditure includes salaries for civilian staff and operating costs that are directly related to the provision of legal services by DMO. External expenditure includes professional fees, disbursements and other legal expenditure, incurred principally through the Strategic Commercial Legal Panel. With the exception of the 2012–13 figures in Table 10.8, all figures are GST exclusive.

**Table 10.6**  
**Estimated expenditure on internal and external legal services (DMO), 2011–12 and 2012–13**

Type of legal expenditure	2011–12 \$m	2012–13 \$m
Internal	2.9	3.5
External	11.5	11.7
<b>Total</b>	<b>14.4</b>	<b>15.2</b>

**Table 10.7**  
**Estimated cost breakdown of internal legal expenses (DMO), 2011–12 and 2012–13**

Items	2011–12 \$m	2012–13 \$m
Salaried legal staff costs	2.3	3.2
Operating costs attributable to legal services	0.6	0.3
<b>Total</b>	<b>2.9</b>	<b>3.5</b>

**Table 10.8**  
**Expenditure on external legal services (DMO), 2011–12 and 2012–13**

Items	2011–12 \$m	2012–13 \$m
Professional fees—Defence legal panel	11.5	12.9
Professional fees— Attorney-General's Department	—	—
Legal expenditure—other	—	1
<b>Total</b>	<b>11.5</b>	<b>13.9</b>

## Australian National Audit Office Access Clauses

Defence contracting templates include standard clauses providing for access by the Auditor-General to the premises, records and accounts of contractors and major subcontractors. Contracts identified by Defence that do not comply with the requirement to provide access by the Auditor-General are shown in Table 10.9.

**Table 10.9**  
**Contracts that do not include an ANAO access clause**

	Amount (\$)	Purpose	Reason for exclusion
<b>Navy</b>			
Insitu Pacific Pty Ltd	998,945	Services to RAN Scaneagle (Unmanned Aerial Vehicle)	Purchase under legacy contract that does not contain an ANAO access clause (see Note 1).
Engineers Australia	220,000	Memberships	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
L-3 Oceania	550,000	Hydrographic professional services	Purchase under legacy standing offer that does not contain an ANAO access clause (see Note 1).
Nessco Pressure Systems	225,521	Pressure test benches	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
Thermo Fisher Scientific	707,236	Calibration equipment	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
United Kingdom Hydrographic Office	196,317	Navigational charts	Purchase of goods under memorandum of understanding with overseas agency that does not contain an ANAO access clause.
Vipac Engineers and Scientists	210,235	Shock tests on pipe systems	ANAO access clause was not added as a special condition to Defence terms and conditions.

	Amount (\$)	Purpose	Reason for exclusion
Wollongong Drawing and Office	110,000	90 GSM plotter paper	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
<b>Total for Navy</b>	<b>3,218,254</b>		
<b>Army</b>			
Foreign Military Sale	2,457,294	Provision of training by the United States Army	Foreign Military Sale standard terms and conditions do not contain ANAO access provisions.
Foreign Military Sale	608,900	Provision of training by the United States Navy	Foreign Military Sale standard terms and conditions do not contain ANAO access provisions.
Foreign Military Sale	76,770	Provision of training by the United States Air Force	Foreign Military Sale standard terms and conditions do not contain ANAO access provisions.
Foreign Military Sale	91,665	Provision of Chinook-related training	Foreign Military Sale standard terms and conditions do not contain ANAO access provisions.
<b>Total for Army</b>	<b>3,234,629</b>		
<b>Defence Science and Technology Organisation</b>			
Frazer-Nash Consultancy Ltd	972,400	Software	Access clauses not applicable within the contracting documentation.
Industeel France	249,431	Sample billets of specialist steel plate	Access clauses not applicable within the contracting documentation.
Maritime Research Institute Netherlands	259,066	Research agreement	Access clauses not applicable within the contracting documentation.
Orbit Logic Inc	108,220	Software	Access clauses not applicable within the contracting documentation.
Reed Elsevier Nederland B.V.	252,517	Electronic reference material	Access clauses not applicable within the contracting documentation.

	Amount (\$)	Purpose	Reason for exclusion
SparkTek Ltd	362,000	Project management	Trade secret provisions contained within the contracting documentation.
SparkTek Ltd	400,000	Management advisory services	Access clauses not applicable within the contracting documentation.
TeleCommunication Systems Inc	462,732	Communication equipment	Secrecy provisions contained within the contracting documentation.
Teledyne Instruments Inc	134,226	Unmanned under water vehicle equipment	Secrecy provisions contained within the contracting documentation.
Totalförsvarets forskningsinstitut	296,163	Bilateral research project agreement	Access clauses not applicable within the contracting documentation.
Ultra Electronics, Precision Air and Land Systems Inc	106,409	Computer power management modules	Access clauses not applicable within the contracting documentation.
US Department of Homeland Security	182,682	Research agreement	Access clauses not applicable within the contracting documentation.
US Department of Homeland Security	306,840	Research program	Access clauses not applicable within the contracting documentation.
<b>Total for Defence Science and Technology Organisation</b>	<b>4,092,686</b>		
<b>Vice Chief of Defence Force Group</b>			
Construction/JHC Contractor—Georgiou Group Pty Ltd	797,299	Building fit out, Robertson Barracks	Contract template did not provide for access specific to audit purposes and was not manually adjusted.
Construction/JHC Contractor—ISIS Group Australia	2,590,382	Medical centre refurbishment, Robertson Barracks	Contract template did not provide for access specific to Audit purposes and was not manually adjusted.
BCDS/JLC Contractor Bar Code Data Systems	620,000	Hardware and software support services	Clause overlooked for this agreement.

	Amount (\$)	Purpose	Reason for exclusion
BCDS/JLC Contractor Bar Code Data Systems	567,705	Hardware and software support services	Clause overlooked for this agreement.
CDM/JLC Contractor Communication, Design & Management	352,742	Professional support	Clause overlooked for this agreement.
Analytics/JLC Contractor Analytics	249,000	Professional support services	Clause overlooked for this agreement.
ACMC Contractor Adelaide Research & Innovation Pty Ltd	123,547	Research	Current research agreement template wording of clause about access to premises and records does not specifically mention Auditor-General access.
ACMC Contractor Australian National University—Asia Pacific College of Diplomacy	165,000	Research	Current research agreement template wording of clause about access to premises and records does not specifically mention Auditor General access.
ACMC Contractor Brookings Institute	333,000	Research	Current research agreement template wording of clause about access to premises and records does not specifically mention Auditor-General access.
ACMC Contractor Kings College London	213,498	Research	Current research agreement template wording of clause about access to premises and records does not specifically mention Auditor-General access.
ACMC Contractor Oxford Institute of Ethics, Law and Armed Conflict	106,468	Research	Current research agreement template wording of clause about access to premises and records does not specifically mention Auditor-General access.
ACMC Contractor Wizard Projects	144,000	Installation of AV equipment	Current template wording of clause about access to premises and records does not specifically mention Auditor-General access.
<b>Total for Vice Chief of the Defence Force Group</b>	<b>6,262,640.50</b>		

	Amount (\$)	Purpose	Reason for exclusion
<b>Joint Operations Command</b>			
World Wide Language Resources Inc	28,000,000	Interpreter services	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
Mr S Tsegoi	563,321	Lease of House Juba, South Sudan	The contract does not contain any confidentiality provisions that protect information in the contract or it does not contain any confidentiality provisions that protect information arising from the carrying out of the contract.
<b>Total for Joint Operations Command</b>	<b>28,563,321</b>		
<b>Defence Materiel Organisation</b>			
Foreign Military Sale	\$20,779,200	Non specified parts	See Note 2.
Foreign Military Sale	\$22,433,655	Course correcting fuse	See Note 2.
Foreign Military Sale	\$1,031,070,773	Aircraft modification and associated support systems	See Note 2.
Foreign Military Sale	\$1,268,445	Aircraft spares and repairs	See Note 2.
Foreign Military Sale	\$6,817,561	Aircraft spares and repairs	See Note 2.
Foreign Military Sale	\$940,688	Aircraft spares and repairs	See Note 2.
Foreign Military Sale	\$92,451,100	Blanket parts order	See Note 2.
Foreign Military Sale	\$2,363,890	Explosive ordnance	See Note 2.
Foreign Military Sale	\$3,174,096	Explosive ordnance	See Note 2.
Foreign Military Sale	\$354,711	Explosive ordnance	See Note 2.
Foreign Military Sale	\$2,467,350	Explosive ordnance	See Note 2.
Foreign Military Sale	\$9,091,692	Explosive ordnance	See Note 2.

	Amount (\$)	Purpose	Reason for exclusion
Foreign Military Sale	\$2,170,913	Explosive ordnance	See Note 2.
Foreign Military Sale	\$2,890,638	Command and control systems support	See Note 2.
Foreign Military Sale	\$904,213	Software training and support	See Note 2.
Foreign Military Sale	\$39,039,999	Aircraft armament training devices	See Note 2.
Foreign Military Sale	\$1,371,427	Administrative support for the Air Force	See Note 2.
Foreign Military Sale	\$2,491,637	Acquisition of mids landing vehicle	See Note 2.
Foreign Military Sale	\$16,319,159	Acquisition of targets	See Note 2.
Foreign Military Sale	\$2,672,166	Mission planning systems	See Note 2.
Foreign Military Sale	\$638,036	MK14 ASM grenade	See Note 2.
Foreign Military Sale	\$400,000	Spares	See Note 2.
Foreign Military Sale	\$16,063,122	Targets	See Note 2.
Foreign Military Sale	\$651,688	Satellite communication equipment repairs	See Note 2.
Foreign Military Sale	\$1,104,850	Planning for Hobart class	See Note 2.
Foreign Military Sale	\$46,440,861	Chinook Helicopter	See Note 2.
Foreign Military Sale	\$3,753,226	Military communication system maintenance	See Note 2.
Foreign Military Sale	\$411,180	Global position system receiver	See Note 2.
Foreign Military Sale	\$34,157,048	Harpoon missile and support equipment and services	See Note 2.
Foreign Military Sale	\$47,620,999	Harpoon missile spares and services	See Note 2.
Foreign Military Sale	\$854,969	M32 software integration	See Note 2.
Foreign Military Sale	\$11,049,381	MH60R Jacksonville deployment supply	See Note 2.
Foreign Military Sale	\$4,108,503	Spares	See Note 2.
Ventyx Pty Ltd (formally Mincom Limited)	\$28,201	Military integrated logistic information system upgrade to support inventory	See Note 3.

	Amount (\$)	Purpose	Reason for exclusion
Ventyx Pty Ltd (formally Mincom Limited)	\$63,635	Military integrated logistic information system upgrade to support inventory	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$100,000	Ventyx support for direct integration	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$100,000	Ventyx support for e-business training	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$109,674	Maintenance report	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$218,119	Services for military integrated logistic information system finance	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$230,600	Transition of testing capability	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$414,555	Military integrated logistic information system upgrade to support inventory	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$515,000	Webview enhancement package	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$800,000	Military integrated logistic information system upgrade to support inventory	See Note 3.
Ventyx Pty Ltd (formally Mincom Limited)	\$7,958,108	Military integrated logistic information system licensed maintenance support 2012–13	See Note 3.
Sikorsky Aircraft Corporation	\$4,656,000	Aircraft technical royalty payment	See Note 3.
<b>Total for Defence Materiel Organisation</b>	<b>\$1,443,521,068</b>		
<b>TOTAL</b>	<b>\$1,488,892,598</b>		

#### Notes

1. From April 2011, the inclusion of standard clauses providing for Auditor-General access to contractors' and major subcontractors' premises, records and accounts that comply with the requirement to provide Auditor-General access has been mandatory for all Defence contracting templates.
2. Foreign Military Sales standard terms and conditions do not contain ANAO access provisions.
3. Header contract terms and conditions predated the Senate clause.

## Contracts exempt from AusTender

In 2012–13, Defence (including the DMO) reported a total of 196 contracts, standing offers or variations thereto, with a total value of \$154.1m, which were subject to an exemption under the *Freedom of Information Act 1982*.

## Advertising and market research

Particulars of all amounts relating to advertising and market research paid by, or on behalf of, Defence during 2012–13 are shown in tables 10.10 and 10.11. Details of the persons or organisations paid are provided only for payments of more than \$12,100 (including GST) and are shown in Table 10.12.

**Table 10.10**  
**Total advertising and market research expenditure by type of agency, 2010–11 to 2012–13**

Type	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
Advertising	11,712,451 <sup>(1)</sup>	15,471,365 <sup>(2)</sup>	11,229,656
Market research	1,054,905	1,196,990	1,260,844
Polling		-	-
Direct mail		-	11,754
Media advertising	23,781,701	26,491,700	21,907,228
<b>TOTAL</b>	<b>36,549,057</b>	<b>43,160,056</b>	<b>34,409,482</b>

### Notes

- For 2010–11, \$284,756 of expenditure was erroneously omitted from the Chief Information Officer Group entry
- For 2011–12, \$303,504 of expenditure was erroneously omitted from the Chief Information Officer Group entry

**Table 10.11**  
**Total advertising and market research expenditure by group, 2010–11 to 2012–13**

	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
Office of the Secretary and CDF	50,092	39,011	40,334
Navy	100,584	78,372	81,836
Army	63,769	65,411	40,969
Air Force	197,373	174,617	147,617
Intelligence and Security Group	330,796	778,748	92,640
Defence Support and Reform Group	1,370,048	1,222,359	458,333
Chief Information Officer Group	326,130 <sup>[1]</sup>	373,904 <sup>[2]</sup>	315,766
Defence Science and Technology Organisation	151,634	62,618	25,985

	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
Vice Chief of the Defence Force Group	886,207	917,068	228,675
Joint Operations Command	37,191	-	-
Capability Development Group	19,699	22,251	-
Chief Finance Officer Group	10,609	40,444	-
Defence People Group	32,246,988	38,827,678	32,933,303
Defence Materiel Organisation	762,177	476,949	44,024
Chief Operating Officer	-	80,626	-
<b>TOTAL</b>	<b>36,553,297</b>	<b>43,160,056</b>	<b>34,409,482</b>

#### Notes

1. For 2010–11, \$284,756 of expenditure was erroneously omitted from the Chief Information Officer Group entry
2. For 2011–12, \$303,504 of expenditure was erroneously omitted from the Chief Information Officer Group entry

**Table 10.12**  
**Total advertising and market expenditure by group, 2012–13**

	2012–13 (\$)	Purpose
<b>Office of the Secretary and CDF</b>		
Advertising		
Adcorp Australia Pty Ltd	20,585	Public consultation for Defence White Paper, Woomera and recruitment
<b>Navy</b>		
Advertising		
George Patterson Y & R	18,182	Advertising of the International Fleet Review, Sydney, October 2013
Universal McCann	20,110	Advertising for Fleet Air Arm Museum, Nowra
<b>Air Force</b>		
Advertising		
Adcorp Australia Pty Ltd	20,223	Recruitment advertising
Media advertising		
Lastminute Multimedia Pty Ltd	23,286	Royal Australian Air Force Museum advertising
<b>Intelligence and Security Group</b>		
Advertising		
Adcorp Australia Pty Ltd	92,640	Recruitment advertising—civilian
<b>Defence Support and Reform Group</b>		
Advertising		
Adcorp Australia Pty Ltd	153,653	Recruitment advertising
Australian Public Service Commission	215,447	General advertising
Australian Public Service Commission	60,057	Recruitment advertising
Wizard People Pty Ltd	29,176	Recruitment advertising

2012–13 (\$)		Purpose
<b>Chief Information Officer</b>		
Advertising		
Telstra	315,766	Defence directory listing in the Sensis White Pages
<b>Defence Science and Technology Organisation</b>		
Advertising		
Adcorp Australia Pty Ltd	25,040	Capability and technology demonstrator program Round 18
<b>Vice Chief of the Defence Force</b>		
Advertising		
Adcorp Australia Pty Ltd	42,962	Non-campaign advertising
Market research		
Newspoll	18,075	Market research to measure the awareness of Reservists' employer engagement strategies
Media advertising		
Universal McCann	97,018	Reserve and employer support campaign advertisement placements
Adcorp Australia Pty Ltd	61,596	Recruitment Advertising (Civilian)
<b>Defence People Group</b>		
Advertising		
George Patterson Y&R	5,990,956	Advertising material and retainer fees
Young & Rubicam Brands	4,034,165	Online advertising material including retainer fees
Market research		
GfK Australia, Consumer Experiences (formerly GfK Blue Moon Research)	438,097	Qualitative research to maximise ADF recruitment targets
Hall & Partners Open Mind	607,523	Qualitative and quantitative research to maximise ADF recruitment targets
Horizon Research	197,149	Qualitative and quantitative research to maximise ADF recruitment targets
Media advertising		
Universal McCann Australia	18,923,827	Advertising placement, including dissemination fees
Adcorp Australia Pty Ltd	2,741,586	Planning and placement of non-campaign advertising for Defence Force Recruitment
<b>Defence Materiel Organisation</b>		
Advertising		
Adcorp Australia Pty Ltd	17,848	Recruitment advertising
Adcorp Australia Pty Ltd	16,282	General advertising relating to conferences and events

# CHAPTER 11

## Grants and payments

### Defence grants

*Information on grants awarded by the Department of Defence during the period 1 July 2012 to 30 June 2013 is available online.*

**Table 11.1**  
**Grants paid, 2011–12 and 2012–13**

	2011–12 Actual <sup>(1)</sup> \$'000	2012–13 Actual <sup>(1)</sup> \$'000
<b>Grants Program</b>		
Army Military History Research Grants Scheme	71	82
Family Support Funding Program	1,171	1,278
Research Support for National Security	1,885	–
<b>Other grants</b>		
Afghan National Army Trust Fund Contribution	38,692	38,700
Anglesea Barracks Bicentenary Book	15	–
Australian Defence Force Academy, University of NSW	130	–
Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (multi-year grant)	50	52
ANU Centre for International Governance and Justice	133	–
ANU Centre for Nuclear Non-proliferation and Disarmament	–	400
ANU National Centre for Indigenous Studies	–	300
Australian Strategic Policy Institute (multi-year grant)	3,051	3,118

	2011–12 Actual <sup>[1]</sup> \$'000	2012–13 Actual <sup>[1]</sup> \$'000
Commando Welfare Trust	8,000	–
Fisher House Foundation (multi-year grant)	125	25
International Institute for Strategic Studies	77	84
Kokoda Foundation	95	100
Legacy Services Trust	14,000	–
Multinational Force and Observers	–	494
NSW National Parks and Wildlife Service, Office of Environment and Heritage	–	525
Professor Jeffrey Grey (University College, ADFA) (multi-year grant)	–	200
Royal United Services Institute of Australia (multi-year grant)	93	95
Strategic and Defence Centre Post Doctoral Fellowship (multi-year grant)	159	174
Sir Arthur Tange Defence PhD Scholarships (multi-year grant)	58	58
The Sir Richard Williams Foundation Incorporated	–	50
United Nations Trust Fund in Support of the African-led International Support Mission in Mali	–	5,000
United Nations Trust Fund for the African Mission in Somalia	3,500	–
<b>Total grants paid</b>	<b>71,305<sup>[2]</sup></b>	<b>50,736<sup>[2]</sup></b>

#### Notes

1. All figures are exclusive of GST.
2. Total may not add up due to rounding.

## DMO grants

A grants management system was developed to automate the process for lodgment and assessment of applications for grants. The grants management system provides secure access through the Chief Information Officer Group's Defence online systems domain. Implementation of the grants management system has already resulted in significant processing efficiencies for industry applicants and DMO staff.

Information on recipients of discretionary grants provided by the DMO during the period 1 July 2012 to 30 June 2013 is available online for the Skilling Australia's Defence Industry Program, the Industry Skilling Enhancement package, the Priority Industry Capability Innovation Program, and the New Air Combat 2012–13 Capability—Industry Support Program.

## Tactical payment scheme

The tactical payment scheme was legislated on 1 July 2009 under sections 123H and J of the *Defence Act 1903*. The scheme was introduced in financial year 2009–10 to provide a means for making expeditious non-liability payments resulting from military actions by deployed forces. This scheme continues to provide mechanisms for maintaining local community support and thereby ensuring the safety of deployed forces.

In 2012–13, 802 individual payments totalling \$67,235 were made under the scheme. Further information is outlined in Note 34 of the 2012–13 financial statements.

## Payments of accounts

In 2012–13, Defence paid 1,675,847 or 98.9 per cent of all payment transactions by their due date. This result is ahead of the 90 per cent government benchmark. The volume of payments through Defence Purchase and Travel Cards represents more than 79 per cent (2011–12, 81 per cent) of all payments, which continues to have a positive effect on the paid-by due-date result.

**Table 11.2**  
**Accounts paid by due date, 2010–11 to 2012–13**

	2010–11	2011–12	2012–13
Number of accounts paid	2,012,530	2,269,781	1,694,617
Accounts paid by due date	1,910,906	2,160,900	1,675,847
<b>Percentage of accounts paid by due date</b>	<b>95.0</b>	<b>95.2</b>	<b>98.9</b>





**PART FOUR**  
DEFENCE MATERIEL

**4**

## A NEW TRI-SERVICE CAPABILITY

**The hull of the first of the Royal Australian Navy's two new amphibious ships, HMAS *Canberra*, transited through Port Phillip Heads and was greeted by the men and women of HMAS *Cerberus* on 17 October 2012.**

The Canberra class vessels are 230.8 metres long overall, with a maximum beam of 32 metres and a maximum draught of 7.18 metres.

At full load, *Canberra* will displace 27,851 tonnes, making the new landing helicopter docks the largest ships to serve in the Royal Australian Navy. They will provide the ADF with one of the most capable and sophisticated amphibious deployment systems in the world.

The Canberra class landing helicopter docks are bigger than Australia's last aircraft carrier, HMAS *Melbourne*. Each ship will have a crew of about 300 personnel; each will be able to carry a battle group of more than 1,100 personnel, 100 armoured vehicles and 12 helicopters, and will feature a 40-bed hospital.

Spanish shipbuilder Navantia, as a subcontractor to BAE Systems Australia, has constructed and is fitting out the hulls of both amphibious ships at its dockyard in Spain.



The arrival of *Canberra* marks Defence's transition to a new amphibious capability and represent a fundamental shift in how the Army will deploy land forces and conduct operations in the future.

The landing helicopter docks will be a tri-service capability; 62 Army personnel will join 292 Navy and three Air Force personnel to form *Canberra*'s company. Both new ships will be operational by 2016.

# CHAPTER 12

## Defence Materiel Organisation

### DMO overview

#### Review by the Chief Executive Officer

It has been another successful year for the Defence Materiel Organisation (DMO) as we strive to achieve the best possible outcomes for the Australian Defence Force (ADF), the Government and Australian taxpayers. From providing direct support to operations, to implementing significant reform and strengthening relationships with industry, the DMO has continued to build on the success of previous years. I am proud of our people and the way they have enhanced the quality of service for our Defence customers while pursuing opportunities to improve efficiency and effectiveness.

The ADF relies on the DMO to deliver equipment and sustainment solutions in a timely manner. Meanwhile, the Australian Government and people entrust the DMO with a significant amount of Commonwealth funds—the DMO manages an average of just under \$40m of business each working day of the year. Given the size and complexity of the DMO's business, as well as its challenging responsibilities, a key priority throughout 2012–13 has been ensuring that DMO employees are empowered with the skills they need and supported by an organisational structure that enables them to deliver critical outcomes both now and into the future. Although it is still early days, and organisational changes are still being implemented, I am very proud of the progress that has been made so far.

As part of the continued drive to reform all elements of the DMO's operations, the DMO released its 2013–15 Strategic Framework in February 2013. The framework better positions the DMO to deliver customer requirements and become more accountable to the Government for its performance. It outlines key themes and behaviours critical to ensuring that the DMO is able to deliver its outcomes efficiently and effectively. The framework will help DMO staff to better understand the true cost of business, build better relationships with internal and external stakeholders and become a more skilled and agile workforce that is ready to deliver.

Another important element of the framework is the commitment it makes to industry. Industry plays a critical role in the Defence procurement and sustainment business, and requires Defence and government assistance to ensure that it can continue to make this essential contribution. In May 2013, the Government announced the Future Submarine Industry Skills Plan. This plan is a good example of the strategic framework in action and the DMO's desire to strengthen its engagement with industry. The plan recommends ways to schedule Defence projects to improve skills and productivity. This is a significant step to foster a more collaborative Defence–industry partnership as a priority.

As the DMO continues to implement recommendations for reform, it is important to consider how past reform activity has positively influenced current operations. During the year, the DMO commissioned an independent benchmarking study by Independent Project Analysis that revealed:

- reforms previously implemented are improving DMO business
- average DMO schedule slippage rates are better than those of other industry sector projects of similar complexity
- the DMO's projects are more difficult than the average industrial project.

## ‘The Counter Rocket Artillery and Mortar capability, a life-saving system that provides warning to our troops of enemy attack, met Final Operational Capability.’

The study's findings are supported by DMO internal analysis showing project schedule slippage has reduced from an average of approximately 50 per cent before 2003—the date of the Kinnaird Procurement Review — to 30 per cent since then. As for cost, internal analysis of 59 projects closed in the last three financial years, following successful introduction into service, revealed they were completed within 95 per cent of budget.

While there is certainly room to improve, these findings are very positive and indicate the DMO is on the right track. Internal processes, such as annual full diagnostic reviews—known as gate reviews—are also helping to improve DMO project outcomes. These reviews will continue to assist the DMO to identify challenges and problems early in a project's life.

The DMO continued to provide critical support to operations and focused on fulfilling these requirements with managed urgency and agility. The Counter Rocket Artillery and Mortar capability, a life-saving system that provides warning to our troops of enemy attack, met Final Operational Capability—a very good result and an example of the important role the DMO plays in this area. *Diggerworks—Driving innovation in the Defence sector, a study of success factors*, released by the Government in June 2013, investigated the success of the Diggerworks model. This joint initiative between the DMO, the Army, Capability Development Group and the Defence Science Technology Organisation has significantly improved the way Australian soldiers are equipped for combat.

The DMO continued to provide ‘materiel remediation’ support as part of the significant work being undertaken to plan and manage the transition of the ADF's role in Afghanistan and the staged drawdown of personnel and equipment. This has involved substantial effort to receive, refurbish and reconfigure Defence equipment from the theatre of operations to the condition that capability managers require for readiness purposes and to use in the raise, train and sustain environment. This effort continues and the DMO will provide all necessary support throughout this challenging phase of Defence activity.

I am confident that the effort invested in 2012–13 to further improve the DMO's structure, the skills of its people, the relationships with its stakeholders and its accountability measures has better prepared the DMO for the challenges ahead.

### Warren King

Chief Executive Officer  
Defence Materiel Organisation

## DMO role and functions

The Defence Materiel Organisation supports the ADF through the provision of acquisition and sustainment services for Defence specialist military equipment. Many of these services are complex, requiring specialist skills, management structures and business processes. As a prescribed agency, the DMO uses a purchaser–provider model, underpinned by service agreements, to deliver commercial, engineering, logistics and project management services in an accountable, outcome-focused and business-like manner.

As the head of a prescribed agency, the CEO DMO has statutory responsibilities and authority under the *Financial Management and Accountability Act 1997*. The CEO DMO also has joint responsibilities to the Secretary of Defence and the Chief of the Defence Force, and is delegated powers from the Secretary to manage and allocate staff resources under the *Public Service Act 1999*.

As the National Armaments Director for Australia, the CEO DMO has cooperative links and enjoys high-level international relationships with national armaments directors of other western democracies.

**Figure 12.1**  
**DMO Executive as at 30 June 2013**

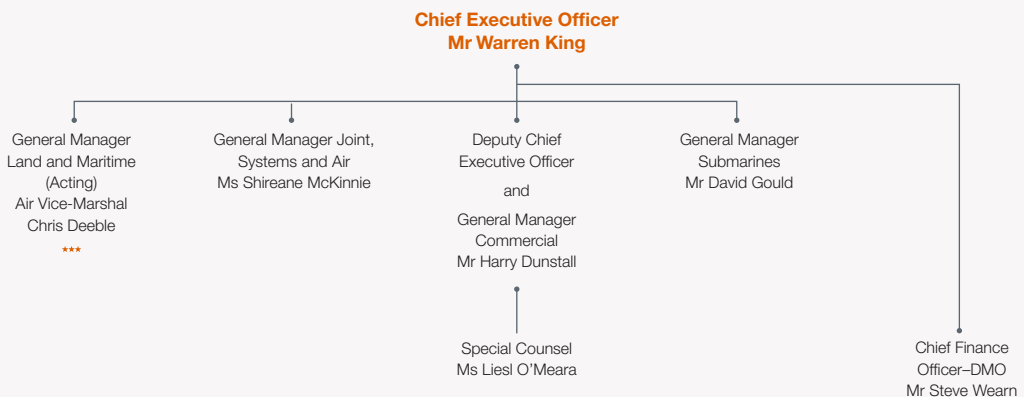


Figure 12.1 shows the DMO's Executive Committee members as at 30 June 2013. As of 1 February 2013, the Chief Executive Officer re-balanced the workload across the general managers as follows.

The role and responsibilities of the Deputy CEO/General Manager Commercial were expanded to include reform. This position is now responsible for:

- Special Counsel
- Commercial and Industry Programs
- Commercial Enabling Services
- Business Operations Division
- DMO Reform (the retitled Acquisition and Sustainment Reform Division).

The work between General Manager Systems and General Manager Programs was restructured to provide support to the people DMO is accountable to. General Manager Systems was retitled General Manager Joint, Systems and Air and is now responsible for:

- Aerospace Systems Division (including the Wedgetail program)
- Electronic Systems Division
- the New Air Combat Capability Program
- Helicopter Systems Division
- Standardisation Office
- Military Operations and Liaison.

General Manager Programs was retitled General Manager Land and Maritime and is now responsible for:

- Land Systems Division
- Maritime Systems Division (including the Amphibious Deployment and Sustainment Program)
- the Air Warfare Destroyer Program
- Explosive Ordnance Division.

General Manager Submarines is responsible for:

- New Generation Submarines
- Collins Class Submarines.

## Performance against DMO strategic priorities

Review of the DMO's organisational structure was identified as a key priority in the Portfolio Budget Statements 2012–13. The DMO's performance against the remaining four key priorities is outlined below.

### Support to operations

Support to operations remains the highest priority for the DMO. It provides support to ADF operations through the acquisition of equipment and supplies, sustainment of ADF capabilities, deployments of specialist staff and support to the withdrawal of materiel from theatres of operation.

### Reform

The DMO has been the lead agency within Defence, working with capability managers, in meeting the target of \$5.5b of cost reductions set under the smart sustainment reform. During the year, the DMO coordinated achievement of sustainment savings of \$497m.

Defence, DMO and our suppliers work closely not only to pursue further reform but also ensure that all outcomes are sustainable and will not compromise safety, agreed levels of capability or quality. An assurance process to verify these outcomes is undertaken annually and reported to the CEO DMO and Secretary of Defence.

### Acquisition and sustainment performance

To improve the quality of schedule estimates, the DMO established a schedule data repository. The repository leverages data made available by the United States Department of Defense through a memorandum of understanding signed in 2012. It provides the DMO with access to project costs and schedule estimation data for software-intensive projects as a basis for estimates in project planning and schedule preparation.

The DMO created a negotiation cell to improve the conduct of commercial negotiations and achieve better commercial outcomes for the Government. The DMO will achieve this through the initial engagement of external experts to coach, mentor and, in some cases, lead contract teams. This is accompanied by a professionalisation program to increase the number and quality of internal experts. The DMO completed a successful pilot activity, which will lead to a roll-out of the program.

The DMO undertook a pilot of a management framework and key performance indicator reporting mechanism against materiel sustainment agreements. More trials are planned for 2013–14, aimed at refining performance indicators to appropriately tailor them to each sustainment product.

## Governance and accountability

### Gate reviews

During the year, gate reviews were conducted for all major active acquisition projects and recommendations for project improvement were provided to the DMO senior leadership team. The early indicators and warnings system was extended to all groups in Defence.

### Naval shipbuilding

In May 2013, the Government released the Future Submarine Industry Skills Plan, developed by the DMO with assistance from an expert industry panel. The plan presents a practical long-term approach to the management of naval shipbuilding in Australia. It envisages using future naval shipbuilding projects as a way to improve skills and productivity in the shipbuilding industry through innovative practice.

### Work health and safety

To facilitate understanding of and compliance with the *Work Health and Safety Act 2011*, the DMO revised and updated its work health and safety policy framework, including its work health and safety management system—DMOSAFE. One of the objectives of these revisions is to ensure that DMO workers are

aware of, and familiar with, their work health and safety responsibilities and have the resources, including training, to meet them.

### ‘Managed contractor’ arrangements

The DMO piloted a number of new initiatives designed to drive a stronger commercial outlook on its business and ultimately improve its performance. These initiatives included managed contractor arrangements where industry specialists were invited to compete for the role of managing selected procurement activities.

## DMO financial performance

The DMO receives around 90 per cent of its funding from Defence under agency agreements. The remaining 10 per cent of its funding is provided via a direct appropriation and own-source revenue. The DMO’s audited 2012–13 financial statements are included in Part 5 of this report.

***An assessment of DMO financial performance in 2012–13 against budget projections is provided online.***

### 2012–13 financial summary

The total net resourcing available to the DMO in 2012–13, as published in the Portfolio Budget Statements 2013–14, was \$9,407m. This comprised:

- payment from Defence: \$8,111.8m
- special account opening balance: \$326.6m
- appropriation receipts: \$911.1m
- non-appropriation receipts: \$57.7m.

During the course of a financial year, the DMO budget may vary for a number of reasons, such as changes in demand by Defence, foreign exchange fluctuations or reprogramming of cash flow to meet contractual obligations.

Table 12.1 reflects the financial resource position taking all of these factors into consideration as at 30 June 2013. The 2012–13 total actual resourcing was slightly higher than the estimate above due to an increase in appropriation receipts from other agencies (Defence) of \$141.1m and an increase in non-appropriation receipts of \$40.2m, resulting in a total resourcing of \$9,589m.

The DMO made payments of \$9,341.5m in 2012–13 resulting in a special account closing balance of \$247.1m as at 30 June 2013. The special account balance remains within the overall official public account providing the flexibility to meet cash flow requirements across financial years to align with capability delivery across DMO programs.

**Table 12.1**  
**DMO resource statement 2012–13**

		Actual available appropriations for 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$000
		(a)	(b)	(a-b)
Ordinary Annual Services <sup>[1]</sup>				
Departmental appropriation				
Departmental appropriation <sup>[1]</sup>		911,104	860,000	51,104
<b>Total departmental appropriation</b>	<b>A</b>	<b>911,104</b>	<b>860,000</b>	<b>51,104</b>
Special account				
(departmental and administered)				
Opening balance		326,647		
Appropriation receipts <sup>[1]</sup>		911,104		
Appropriation receipts				
- other agencies <sup>[2]</sup>		8,111,760		
- adjustment for other agencies <sup>[2,3]</sup>		141,056		
Non-appropriation receipts to special accounts		57,708		
Adjustment for non-appropriation receipts to special accounts <sup>[3]</sup>		40,195		

		Actual available appropriations for 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$000
GST credits				
Interest <sup>[4]</sup>		157		
Payments made <sup>[5]</sup>			9,341,491	
Appropriation reduction				
Closing balance				247,136
<b>Total special account</b>	<b>B</b>	<b>9,588,627</b>	<b>9,341,491</b>	<b>247,136</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts	C	911,104	860,000	51,104
<b>Total resourcing and payments (A+B-C)</b>		<b>9,588,627</b>	<b>9,341,491</b>	<b>247,136</b>

#### Notes

1. Appropriation Bill (No. 1) 2012–13 and Appropriation Bill (No. 3) 2012–13.
2. Appropriation receipts from Defence credited to DMO's special accounts.
3. Adjustment is variance between estimated actuals as at Portfolio Budget Statements 2013–14 and actual available appropriations for 2012–13 as at 30 June 2013.
4. Administered interest received from overseas bank accounts, which is remitted to the Official Public Account.
5. Includes GST.

## Appropriations and other resources

The DMO workforce and operating expenses (along with Industry programs) are directly appropriated by government through Appropriation Bill (No. 1). The DMO has flexibility over the allocation of its workforce across the various programs it delivers. Variations for programs from the revised budget to the actual result may reflect ongoing changes to activity

levels prescribed by Defence, budgeted cash flow adjustments for movements in foreign exchange rates or delivery of programs with fewer resources.

Programs 1.1 and 1.2 were largely funded by payments from Defence for goods and services provided, as set out in the materiel acquisition agreements and materiel sustainment agreements. Program 1.3 was funded largely through a direct appropriation.

**Table 12.2**  
**Budgeted expenses and resources for DMO outcome**

Outcome: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	Revised budget 2012–13 \$'000	Actual result 2012–13 \$'000	Variation <sup>[1]</sup> 2012–13 \$'000
Program 1.1: Management of Capability Acquisition			
Departmental expenses			
Ordinary annual services (Appropriation Bills Nos 1 & 3)	254,727	221,455	-33,272
Special accounts	3,353,530	3,733,528	379,998
Expenses not requiring appropriation	10,170	8,967	-1,203
<b>Subtotal for Program 1.1</b>	<b>3,618,427</b>	<b>3,963,950</b>	<b>345,523</b>
Program 1.2: Management of Capability Sustainment			
Departmental expenses			
Ordinary annual services (Appropriation Bills Nos 1 & 3)	551,054	554,128	3,074
Special accounts	4,590,907	4,484,405	-106,502
Expenses not requiring appropriation	22,996	19,027	-3,969
<b>Subtotal for Program 1.2</b>	<b>5,164,957</b>	<b>5,057,560</b>	<b>-107,397</b>

Outcome: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	Revised budget 2012–13 \$'000	Actual result 2012–13 \$'000	Variation <sup>[1]</sup> 2012–13 \$'000
Program 1.3: Provision of Policy Advice and Management Services			
Departmental expenses			
Ordinary annual services (Appropriation Bills Nos1 & 3)	105,323	103,742	-1,581
Special accounts	1,061	5,396	4,335
Expenses not requiring appropriation	6,182	4,146	-2,036
<b>Subtotal for Program 1.3</b>	<b>112,566</b>	<b>113,284</b>	<b>718</b>
Total departmental expenses for DMO Outcome	8,895,950	9,134,794	238,844

#### Note

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

## DMO outcome and programs

*The DMO outcome statement is contributing to the preparedness of the Australian Defence organisation through acquisition and through-life support of military equipment and supplies.*

DMO has three programs:

Program 1.1—Management of Capability Acquisition

Program 1.2—Management of Capability Sustainment

Program 1.3—Provision of Policy Advice and Management Services.

### DMO Program 1.1 Management of Capability Acquisition

Through Program 1.1 the DMO acquires and delivers to Defence, in a transparent and accountable manner, specialist military equipment to enable the delivery of military capability to the Government. Equipment is purchased by DMO acquisition projects in accordance with materiel acquisition agreements between Defence and the DMO. These agreements define what is to be delivered, how much it is to cost and when it is to be delivered. The DMO currently has around 271 active major and minor projects.

Program 1.1 represented around 43 per cent of the DMOs expenses in 2012–13. This generated around \$3.1b of military assets for Defence; non-capitalised project expenses were around \$0.29b.

Program 1.1 performed well overall, achieving its expenditure target and continuing the trend of increase in performance by the DMO and industry. There was significant progress on larger projects, including:

- Air Warfare Destroyer Build—SEA 4000 Phase 3
- Future Naval Aviation Combat System Helicopter—AIR 9000 Phase 8
- Amphibious Deployment and Sustainment—JP 2048 Phase 4A/4B
- Airborne Early Warning and Control System—AIR 5077 Phase 3.

**Table 12.3**  
**DMO Program 1.1: Top 30 major projects—deliverables**

Deliverables for top 30 major projects		Performance summary
General Manager Joint, Systems and Air		
Aerospace Systems		
Air to Air Refuelling Capability (AIR 5402)	<p>This project will deliver five new generation Airbus A330 Multi-Role Tanker Transport aircraft, to be known as the KC-30A in Air Force service, and the associated through-life support infrastructure for the new fleet.</p> <p>During 2012–13, this project delivered the fifth and final KC-30A Multi-Role Tanker Transport aircraft to the RAAF; completed formal accreditation testing of the simulation devices in an interim configuration; completed qualification (contract compliance) testing and documentation for fleet incorporation of changes to the military avionics systems; and commenced qualification testing of the Mission Planning System and improvements to the Aerial Refuelling Boom System.</p> <p>Sufficient maturity was reached to enable declaration of an initial operational capability for a podded hose and drogue air-to-air refuelling and air logistics services capability. Further development and testing will be needed to achieve contract compliance of both the Mission Planning System and Aerial Refuelling Boom System.</p> <p>This project is being managed as a project of concern.</p>	
Additional C-17A Globemaster III (AIR 8000 Phase 4)	<p>This project provides a fifth and sixth C-17A Globemaster III aircraft and related provisions, including an enhanced US-common electronic warfare self-protection system, to the existing global heavy airlift capability acquired under Project AIR 8000 Phase 3.</p> <p>The sixth C-17A aircraft was accepted by Defence in November 2012 and is now in service. The enhanced US-common electronic warfare self-protection system was installed on the fifth and sixth C-17A aircraft, on schedule, in May 2013 to achieve final materiel release for the project.</p>	
Bridging Air Combat Capability (AIR 5349 Phase 1)	<p>Phase 1 of the project acquired and delivered 24 F/A-18F Block II Super Hornet multi-role aircraft and associated support systems and services. This air combat capability will be maintained through to the transition to the F-35 Joint Strike Fighter.</p> <p>All remaining elements of F/A-18F aircraft mission and support systems have been delivered with full operational capability declared on 13 December 2012.</p>	

## Deliverables for top 30 major projects

## Performance summary

C-17 Globemaster III  
(AIR 8000 Phase 3)

This project provides a global heavy airlift capability based around four Boeing C-17 Globemaster III aircraft and related provisions, including an enhanced US-common electronic warfare self-protection system. final operational capability was declared in December 2011.

In 2012-13, this project continued maturing C-17 sustainment requirements, including delivery of spares and the procurement of ancillary items such as a cargo compartment training device, role expansion equipment, ground support equipment and materiel handling equipment.

Maritime Patrol and Response Aircraft System  
(AIR 7000 Phase 2)

The project aims to acquire a manned Maritime Patrol and Response Aircraft, support and training systems and facilities to replace the AP-3C Orion.

A project arrangement was signed with the United States Navy in September 2012 to formalise Australia's participation in the development of the Increment 3 upgrade to the P-8A aircraft weapons and sensors. The project is preparing for second pass government approval in early 2014. Australia has also advised the United States Navy of its expected aircraft production requirements.

Airborne Surveillance for Land Operations  
(JP 129 Phase 2)

This phase of the project delivers two RQ-7B Shadow 200 Tactical Unmanned Aerial Systems, each comprising five air vehicles, two ground control stations, a tactical launch and recovery element, associated tactical support systems, logistics and training.

The Shadow 200 Australia Based Training Contract was signed in December 2012; the first round of training commenced in country in May 2013.

Vehicle and combat radio modifications to Shadow 200 System 2 were successfully completed and tested in April 2013 for Army to conduct in-country exercises and training on a tactically mobile Australianised system.

Airborne Early Warning and Control Aircraft  
(AIR 5077 Phase 3)

The project will provide Defence with an Airborne Early Warning and Control (AEW&C) capability, with the provision of six aircraft and associated supplies and support.

The project delivered the sixth and final aircraft in November 2012; it is capable of supporting the majority of operational tasking with a small number of limitations that were agreed under a final commercial settlement. The Chief of Air Force declared initial operational capability in November 2012, and the project was removed from the projects of concern list in December 2012. Since December 2012, the focus has been on the planning and initiation of remediation work to remove limitations that were the subject of, and mostly funded by, the commercial settlement.

## Electronic Systems

Next Generation Satellite Communications System  
(JP 2008 Phase 4)

This project will deliver the next generation satellite communication system. The capability is being delivered under a memorandum of understanding with the United States Government and has delivered Wideband Global Satellite Communications System (WGS) Service to initial operational capability and interim anchoring capability.

During 2012-13, a key project milestone was achieved: the WGS4 satellite has been positioned in the Indian Ocean Region, activated, and is now fully operational. The control infrastructure has been successfully installed and tested and is now actively controlling WGS4; the Interim Anchoring System became fully operational; and the WGS5 satellite was launched by the United States in May 2013.

## Deliverables for top 30 major projects

## Performance summary

### Ultra High Frequency Satellite Communications

(JP 2008 Phase 5A)

This project is scoped to deliver UHF satellite communications to the ADF via a hosted payload on a commercial Intelsat satellite. The project will also deliver essential ground infrastructure to provide network control.

During 2012–13, this project completed key design reviews for the delivery of Integrated Waveform capable ground infrastructure to support operations of the ADF payload hosted on the deployed Intelsat IS-22 satellite.

### Joint Command Support Environment

(JP 2030 Phase 8)

This project is an evolutionary acquisition project established to deliver a cohesive and integrated Joint Command support environment for the efficient and effective planning and conduct of ADF operations for Headquarters Joint Operational Command (HQJOC).

During 2012–13, this project delivered the first Evolution 2 capability release to HQJOC. Progressive capability releases are planned to occur in 2013–14. The incorporation of the changes to the Australian Government Security Classification System (classifications and dissemination limiting markers) has necessitated a schedule change for Release 2.

### Battle Management System

(LAND 75 Phase 3.4)

The project is delivering into a Brigade group, and in 2012–13 continued installation and designs for the Unimog, Bushmasters, G-Wagons and Macks, and the M113 armoured personal carrier. The project has delivered more than 400 vehicle installations to the Army. The project has supported the preparation for operational test and evaluation activities to be conducted in mid-2013. The key risk remains finalising the complex design acceptance processes with the respective platform design authorities.

### Battlespace Communications Systems (LAND)

(JP 2072 Phase 2A)

This phase is continuing the roll-out of radios selected under JP 2072 Phase 1, to replace and digitise the dismounted voice Combat Net Radios for the majority of the Land Force. Roll-out of equipment into units commenced, with approximately 2,200 radios delivered to the Army, the Air Force, and training establishments. A capability roadshow is accompanying the roll-out to supplement the acceptance and support of the enhanced communications capabilities. The training package has been finalised and procurement preparations commenced. Mature support contracts for the Phase 1 and 2A equipment have been drafted and are due for release to industry in late 2013. The transition of the capability to sustainment is progressing through a regular transition working group.

## New Air Combat Capability

### Joint Strike Fighter Aircraft

(AIR 6000 Phase 2A/2B)

This phase of the program will deliver 14 conventional take-off and landing F-35 aircraft and associated support systems.

During 2012–13 production of Australia's first two aircraft progressed on schedule to support a 2014 delivery and 2015 commencement of training. This was despite delays in the contracting processes, of which Australia is a part, between the United States Government and Lockheed Martin.

The Joint Strike Fighter development and test program made slow and steady progress at a sufficient pace to support Australia's planned 2020 initial operating capability requirements.

This statement is supported by an independent review of the program. The review found that overall the F-35A, in the Block 31 configuration, together with its corresponding weapons and support systems, is likely to meet an Australian initial operational capability schedule of 2020.

## Deliverables for top 30 major projects

## Performance summary

### Helicopter Systems

Multi-Role Helicopter  
(AIR 9000 Phase 2)

The Multi-Role Helicopter (MRH) system consists of 46 MRH-90 helicopters and associated support and training systems for the Army and Navy.

Four MRH-90s were accepted across 2012–13, bringing the total number of aircraft accepted to 20. Key to the program advancing was the award of the MRH-90 Military Type Certificate in April 2013 and the settling of a range of commercial and contractual issues with the prime contractor in May 2013. As part of the negotiated settlement, changes to the acquisition contract re-baselined the delivery and payment schedules, while changes to the sustainment contract introduced an improved set of performance measures, greater intellectual property rights, a repair-by-the-hour pricing basis and better technical data access provisions. A 47th aircraft has also been agreed to be delivered, at no cost, to be used as a maintenance training aid.

This project is being managed as a project of concern.

Future Naval Aviation Combat System Helicopter  
(AIR 9000 Phase 8)

AIR 9000 Phase 8 is acquiring 24 MH-60R Seahawk Romeo helicopters, engineering and logistics support, initial training for aircrew and maintainers, a suite of ground based training devices, air to surface missiles and lightweight torpedos. The acquired system will provide the Navy with a contemporary helicopter-based anti-submarine and anti-surface warfare capability, and the ability to deploy eight embarked flights to Anzac class frigates and Hobart class destroyers.

During 2012–13 the first four Australian aircraft entered production, with the first completing factory test flying in late June 2013 ahead of having the mission system inserted. Production of the first flight simulator and the avionics maintenance trainer commenced, and delivery of initial spares and support and test equipment progressed well. US-based training for the first tranche of Navy aircrew and maintainers commenced in February 2013, with the first aircrew qualifying on the Romeo in May 2013.

Armed Reconnaissance Helicopter  
(AIR 87 Phase 2)

The Armed Reconnaissance Helicopter system has delivered 22 Tiger helicopters, a software support facility, an electronic warfare mission support system, ground mission equipment, facilities and a training system supported by a range of simulation-based training devices.

The final aircraft from the retrofit program, bringing early delivery aircraft up to the mature operational configuration, was accepted in December 2012. The final acceptance milestone was achieved on 28 May 2013, signifying closure of the acquisition contract.

## Deliverables for top 30 major projects

## Performance summary

### General Manager Land and Maritime

#### Land Systems

##### Australian Protected Route Clearance Capability

(JP 154 Phase 3A)

This project will provide a protected route clearance capability to significantly improve force protection to counter the evolving improvised explosive device threat. Four route clearance systems, including support systems, will be procured. Each system will consist of the following vehicle types:

- three HUSKY Mark 3.3 protected vehicles (two fitted with GPR and one fitted with an IA)
- two SMRll (integrated onto protected mobility vehicles, supplied by Land 116)
- two protected HMEE.

In December 2012 this project delivered its initial operational capability in Afghanistan. This included the delivery of procured Australian protected route clearance equipment to Afghanistan and to Australia and the return of Canadian-loaned protected route clearance equipment to the Canadian Government in Montreal.

##### Upgrade of M-113 Armoured Vehicles

(LAND 106)

This project will deliver 431 M113 AS4 vehicles in seven variants, namely personnel, fitters, recovery, command, ambulance, logistics and mortar. The project is upgrading the Army's M113 A1 vehicles to improve protection, lethality, mobility and habitability. The upgrade replaces most of the vehicle, retaining only the hull, hatches, rear door and communications systems.

During 2012–13, the project delivered the remaining vehicles in seven variants. The final vehicle was delivered on 24 October 2012, ahead of the December 2012 contracted delivery date. The project delivered the repair parts to support the in-service fleet. In August 2012, the project scope changed to include the Javelin Weapon System, provisioned for but not fitted to the Armoured Personnel Carrier variant. Integration of this weapon system is continuing. LAND 106 has commenced project closure.

##### Bushmaster Protected Mobility Vehicle

(LAND 116 Phase 3)

This project was approved to deliver 838 vehicles in seven variants (troop, command, mortar, assault pioneer, direct fire weapon, ambulance and air defence). All 300 vehicles under the original contract have been delivered. Delivery of 144 Enhanced Land Force vehicles was completed in April 2009 and delivery of 293 Production Period 3 (Project LAND 121) vehicles was completed in February 2012. Delivery of the additional 101 Production Period 4 vehicles commenced in February 2012 and was completed in mid-2013.

During 2012–13, this project also finalised the design for the external composite armour capability. A further tranche of up to 214 additional vehicles, known as Production Period 5, was approved in early 2012. The delivery of these vehicles will continue between 2013 and 2015. On receipt of the final vehicle of Production Period 5 in 2015, up to 1,052 Bushmaster vehicles will have been delivered.

##### Artillery Replacement 155mm Howitzer

(LAND 17 Phase 1A)

This project will deliver 35 M777A2 lightweight towed howitzers, a command and control battle management system and course correcting fuzes.

During 2012–13, this project conducted a range of system engineering test activities to confirm interoperability with land and joint platforms, finalised the issue of software and hardware items, and established support arrangements for the capabilities.

## Deliverables for top 30 major projects

## Performance summary

Digital Terminal Control System  
(LAND 17 Phase 1B)

This project will deliver 152 digital terminal control systems. This capability allows artillery forward observers and joint terminal attack controllers to identify targets with greater accuracy through the use of precision targeting software. It also provides the means to digitally request fire support from land, sea or airborne weapon systems.

During 2012–13, this project conducted a range of system engineering test activities to confirm interoperability with air platforms, the mortar handheld ballistic calculator and the indirect fires command and control system. The project also took delivery of the initial material release version of control terminal software.

Counter Rocket, Artillery and Mortar  
(LAND 19 Phase 7A)

This project will deliver a Counter Rocket Artillery and Mortar sense-and-warn capability for Australian bases in Afghanistan to provide early warning against enemy indirect fire attacks.

During 2012–13, this project achieved final operational capability: in Afghanistan in September 2012 and in Australia in January 2013. These achievements included the delivery of procured Giraffe radars to Afghanistan and Australia, and the return of a leased Giraffe radar to the Swedish Government.

Field Vehicles and Trailers – Overlander Program  
(LAND 121 Phase 3A/5A)

LAND 121 Phase 3A is delivering 2,146 unprotected light/lightweight Mercedes-Benz G-Wagon vehicles, together with specialist modules and associated trailers, to provide the Army and Air Force with tactical mobility for training and the flexibility to undertake a wide range of tasks in difficult off-road conditions. During 2012–13, receipt of production vehicles, modules and trailers, refinement of through-life support and vehicle operator and maintainer training continued. The main roll-out to Army and Air Force units commenced on 2 July 2012. As at 30 June 2013, 759 production vehicles and 537 production trailers had been delivered into service Australia-wide.

## Maritime Systems

Amphibious Watercraft Replacement  
(JP 2048 Phase 3)

This project will acquire 12 new watercraft to operate with the landing helicopter dock (LHD) ships. The LHD landing craft provide an organic ship-to-shore connection in support of Defence's amphibious capability. The LHD landing craft will interface and operate with the two Canberra class LHDs and enable transport of personnel and equipment between the LHDs and shore, including where there are no fixed port facilities or prepared landing facilities.

Key activities included the cutting of steel for LHD landing craft 1 to 5; completion of the detailed design review; and the commencement of final assembly and blast and painting of landing craft 1 to 4.

Amphibious Deployment and Sustainment  
(JP 2048 Phase 4A/4B)

This project will acquire two Canberra class amphibious ships, known as LHDs. This project is one of a number of projects grouped under the Amphibious Deployment and Sustainment Program, designed to replace and enhance the Navy's amphibious and afloat support capability.

This project completed the lifting of the superstructure blocks onto the hull of the first ship and full consolidation. Installation, integration and testing of the communication and combat systems are progressing. The hull of the second ship was launched in Spain in July 2012.

## Deliverables for top 30 major projects

## Performance summary

### Anzac Ship Anti-Ship Missile Defence

(SEA 1448 Phase 2B)

This project will deliver a phased array radar system to the Anzac class frigate for target indication/ tracking, mid-course guidance and target illumination for the Evolved Sea Sparrow Missile in conjunction with other sensor and combat management system upgrades delivered under SEA 1448 Phase 2A.

During 2012–13, this project has advanced the development and testing of the combat management system software; the phased array radar and the navigation radar systems in HMAS *Perth*. Hardware installation has continued in HMAS *Arunta*, the second ship to undergo the anti-ship missile defence upgrade. Procurement and prefabrication of materials for the remaining ships was progressed.

## Explosive Ordnance

### Mulwala Redevelopment Project

(JP 2086 Phase 1)

This project will deliver a modernised propellant manufacturing facility at Mulwala, New South Wales to replace the existing but now obsolete plant that dates back to the 1940s. The modernised facility will meet more stringent and contemporary environmental and work, health and safety standards. The existing Commonwealth-owned Mulwala facility, which manufactures propellants for incorporation into ADF munitions, is operated by Thales Australia Limited.

During 2012–13, this project continued with the commissioning of the modernised propellant manufacturing facility at Mulwala. The commissioning process includes performance testing of the facility and the manufacture of military grade propellants. Following acceptance by the Commonwealth in 2014, the modernised facility will be transitioned to Thales Australia Limited for operation.

### Bridging Air Combat Capability

(AIR 5349 Phase 2)

This project is running concurrently with AIR 5349 Phase 1 to deliver the Bridging Air Combat Capability. This project will introduce into service a number of new weapons and countermeasures under the Australian Super Hornet program. These weapons will significantly enhance the Air Force's ability to conduct air, land and maritime strike operations. During 2012–13, this project achieved final material release for the AGM–154 Joint Stand Off Weapon variant C, the AIM 9X air-to-air missile and upgrades to the existing advanced medium range air-to-air missile capability. The AGM–154 Joint Stand Off Weapon variant C-1 and new advanced medium range air-to-air missile programs have been delayed within the United States Navy and United States Air Force. The updated schedules for delivery are 2014 and 2015 respectively. The project office continues to work with the United States Air Force and United States Navy to monitor their programs and to manage introduction into service of these capabilities with the Air Force.

### Lightweight Torpedo Replacement

(JP 2070 Phase 2)

This project is being managed in conjunction with JP 2070 Phase 3. This project will deliver MU90 anti-submarine lightweight torpedoes integrated with the Anzac and Adelaide class frigates.

During 2012–13, this project completed modifications to the torpedo tubes for all Anzac and Adelaide class frigates, established an in-service support contract for the shipborne torpedo system, established a recovery system for exercise weapons, tested and accepted loading and handling equipment and took delivery of a significant number of spares. On 5 June 2013, the DMO claimed final materiel release for JP 2070 phases 2 and 3.

## Deliverables for top 30 major projects

## Performance summary

### Air Warfare Destroyer

Air Warfare Destroyer  
(SEA 4000 Phase 3)

The Air Warfare Destroyer program is being delivered under an alliance-based contracting arrangement between the Commonwealth (DMO), the Australian Submarine Corporation and Raytheon Australia.

This project will deliver three Hobart class destroyers and their support systems to the Navy.

During 2012–13, the project achieved key milestones including Ship 01 keel-laying, delivery of the first Ship 02 blocks, delivery of the final Ship 01 blocks, and delivery of the final Foreign Military Sales equipment for Ship 01's combat system. Ship 01 consolidation is well advanced with more than half the blocks consolidated; work is underway on the majority of Ship 02 blocks and a quarter of Ship 03 blocks. The Air Warfare Destroyer schedule was re-baselined in September 2012, with the three ships to be delivered in March 2016, September 2017 and March 2019. The re-baselining reduces project risk and reduces peak demand on critical resources and facilities.

**Detailed performance information is available online and covers:**

- top 30 major projects by expenditure
- top 30 major project—variation to project approval
- new major projects
- closed major projects
- top 10 minor projects
- new minor projects
- closed minor projects.

### DMO Program 1.2 Management of Capability Sustainment

The objective for DMO Program 1.2 is to sustain the ADF and its capabilities. Each financial year, the DMO enters into an agency-level bilateral materiel sustainment agreement with each Defence capability manager. The agreement details the level of performance and support required, within an agreed price, as well as key performance indicators for which service delivery will be measured.

The program supported around 116 products for Defence, which ranged from high-grade specialised military platforms—such as the C-17 Globemaster III heavy airlift aircraft, the Super Hornet multi-role F/A-18 aircraft, Anzac class frigates and Seahawk helicopters—to clearance diving systems and patrol boats, as well as commodity-type items such as rifles and ADF clothing.

Support to ADF operations is the highest priority for the DMO. Significant effort is put into ensuring that our forces are effectively deployed and maintained. This task includes ensuring that these forces are supported from the outset, through training and exercise regimes to well-serviced and maintained platforms, and are equipped with both the supplies and support needed to do the job. This outcome is only achieved through planning and implementing efficient procurement activities and maintenance programs.

Program 1.2 represented around 55 per cent of the DMO’s expenses in 2012–13.

**Table 12.4**  
**DMO Program 1.2 deliverables**

Deliverables for top 20 DMO sustainment products under management in Program 1.2		Performance information
Aerospace Systems		
Aerospace Systems Division provides through-life support to 13 aircraft types including: F/A-18 Classic Hornet and Super Hornet, Airborne Early Warning & Control (AEW&C), AP-3C Orion, C-17A Globemaster, KC-30A (Multi-Role Tanker/Transport), C-130J and PC9. Aerospace Systems Division also supports a number of advanced flight simulators and ground support equipment fleets.		<b>Achievements</b> <ul style="list-style-type: none"> <li>• Implemented efficiency initiatives, including incentive-based support contracts</li> <li>• Managed the Classic Hornet ageing aircraft issues to maintain the capability until at least 2022</li> <li>• Supported operationally deployed weapon systems such as the C-17A, C-130J and the AP-3C</li> <li>• Continued to finalise in-service support arrangements for KC-30A and AEW&amp;C aircraft</li> <li>• Developed of acquisition and sustainment strategies for future aerospace projects</li> <li>• Provided support to emergent operational capabilities such as the Heron Unmanned Aerial System</li> <li>• Replaced the ageing Aircraft Cargo Loader fleet</li> <li>• Established a performance-based contract for aviation technical training</li> </ul>

### Deliverables for top 20 DMO sustainment products under management in Program 1.2

### Performance information

Airborne Early Warning and Control System

(CAF20)

The system comprises six aircraft, fixed and deployable mission support systems, flight deck and mission simulators, and two software laboratories.

The AEW&C sustainment matured to the level required to support initial operational capability. Key achievements included the first in-service software build, a substantial lay-in of spares, implementing improvements to the repair pipeline, and a maturing of the electronic warfare self protection and electronic support measures sustainment.

F/A-18 A/B Hornet Weapons System

(CAF02)

Seventy-one aircraft and associated support systems are sustained through a combination of Defence and commercial support arrangements. Sustainment levels agreed with the Air Force were mostly met, or exceeded.

A Classic Hornet deeper maintenance contract was negotiated during the year and became operative in April 2013. This contract yields significant strategic reform savings and will provide Hornet deeper maintenance out to beyond 2020.

The physical inspection phase of the Hornet Ageing Aircraft Systems Audit has been completed. Review and implementation of associated recommendations are underway.

Performance against the Air Force requirements was substantially achieved.

F/A-18F Block II Super Hornet Weapons System

(CAF21)

Twenty-four F/A-18F Block II Super Hornet aircraft were introduced into service between March 2010 to October 2011 on schedule and under budget and achieved full operational capability on 13 December 2012.

The sustainment systems for this fleet continue to mature as additional spares are delivered. Support arrangements will be reassessed in the coming year in view of the government decision to acquire 12 new-build Growler aircraft and retain Super Hornet aircraft after 2020.

P-3C/AP-3C Orion Weapons System

(CAF04)

The P-3 Orion fleet of 18 aircraft and associated training facilities continue to progress through key systems upgrades to improve the major systems supportability and capability. The fleet requires significant management focus to address the increased costs and supportability issues associated with an ageing aircraft.

In November 2012, the P-3 Orion Middle East detachment and associated support equipment was withdrawn and repatriated after 10 years of continuous support to operations. This was a significant milestone in the history of the P-3 fleet. The first safety-by-inspection program is almost complete and several major support contracts were renegotiated to realise significant savings.

C-130J-30 Weapons System

(CAF06)

Twelve C-130J aircraft currently provide air logistics support, airborne operations, aero-medical evacuation, search and survivor assistance, and training.

High mission success rates were achieved throughout 2012-13 despite the rate of effort flown slightly exceeding the plan. Contract negotiations for improved performance-based support arrangements for the AE2100 propulsion system are well advanced for implementation during quarter three, 2013.

The planned servicing schedule review was concluded in December 2012. The optimised maintenance program increases the interval between scheduled maintenance visits which in turn increases the availability of C-130J aircraft to support in-country and deployed operations. The fleet is transitioning to the new regime as aircraft fall due for their next maintenance.

## Deliverables for top 20 DMO sustainment products under management in Program 1.2

## Performance information

Lead-in Fighter Hawk-127 Weapons System  
(CAF03)

The Hawk-127 aircraft fleet of 33 aircraft is used to train pilots for the F/A-18 Classic and Super Hornet and, in the future, the Joint Strike Fighter. The aircraft and training devices are sustained through a prime contract with BAE Systems Australia. This performance-based contract provides all in-service support other than operational maintenance, which is performed by the Air Force. The in-service support contract was successfully re-tendered and commenced on 1 July 2013.

Performance against the Air Force requirements was substantially achieved.

## Electronic Systems

The sustainment of electronic systems was executed via 19 System Program and System Support Offices based on Materiel Sustainment Agreements with six Capability Managers. These offices covered command and control systems, communications, satellites and tactical interoperability, airspace surveillance and control systems, logistics information systems and electronic warfare systems.

### Achievements

#### Communications

- Analysed and planned the major fleet transition phase as the second tranche of JP 2072 (future Combat Net Radio) equipment is to be rolled out through 2013 to late 2014
- Continued to participate in the successful Army Enhanced Equipment Pool initiative to maximise effective utilisation of tactical communications equipment
- Continued progress of the long-term guy wire replacement program for Naval Communication Station Harold E Holt
- Developed work packages under the Support Services Contract for the High Frequency Network to support obsolescence management including information technology refresh and cryptographic equipment update

#### Command support systems

- Investigated options for the next generation deployable local area networks, which will leverage the opportunities afforded by technological advancement and improved hardware and software being developed by commercial sources

#### Electronic warfare

- Managed sustainment of all ADF Large Aircraft Infrared Countermeasures Systems, covering multiple current and future airborne programs
- Sustained the joint counter improvised explosive device capability
- Provided in-service support for the Nulka anti-ship missile countermeasures
- Sustained tactical airborne and land based systems

#### Surveillance and control

- Redeveloped the Australian Defence Air Traffic System and Vigilare support contracts to provide more efficient and effective support and achieve reform savings
- Provided support was to the Air Force to remediate priority issues at the Woomera Test Facility
- Put in place revised arrangements for repair of Military Global Positioning Satellite Systems in Australian industry

**Deliverables for top 20 DMO sustainment products under management in Program 1.2**

**Performance information**

Satellites and tactical interoperability

- Continued sustainment activities in support of Defence's Fixed Satellite Communications Ground Infrastructure sites in Australia
- Developed support concepts for narrowband satellite communications and project equipment provisioned under the Wideband Global Satellite Communications partnership with the United States
- Established maintenance and supply support for fixed wideband satellite communication equipment
- Identified further efficiencies and remediation of obsolescence issues affecting tactical satellite terminal equipment
- Continued provision of engineering and technical support to the ADF's Tactical Information

Wide Area Surveillance Capability  
(CAF13)

Wide area surveillance across the northern sea and air approaches to Australia is provided through a network of three over the horizon radars. Capability availability targets were met and consistently exceeded. Strategic Reform Program targets were achieved through multiple efficiency initiatives. Skills retention ensuring priority industry capability is being achieved through a program of work that supports industry capacity and delivers minor capability enhancements, risk reduction for Joint Project 2025 Phase 6, and remediation of urgent obsolescence and supportability issues. Substantial progress has been made in the upgrade of communication links used to connect the radars with the operations centre.

**Deliverables for top 20 DMO  
sustainment products under  
management in Program 1.2**

**Performance information**

**Helicopter Systems**

Helicopter Systems Division provides through-life support to seven rotary wing weapons systems through System Program Offices based at Nowra, New South Wales for Navy Aviation, and Brisbane and Oakey, Queensland for Army Aviation. The offices provide fleet-wide engineering, repair parts, contract management for deeper level maintenance and replacement of ageing and obsolescent aircraft equipment for the ADF's helicopters with the exception of Tiger and MRH90. The main support functions for Tiger and MRH90 are contracted directly to industry and are managed from Brisbane. In addition, a combined project and sustainment team to manage the introduction and through-life support of tactical Unmanned Aerial Vehicles works within the division from Brisbane.

The sustainment tasks are driven by operational unit requirements and deployments such as the Seahawk helicopters embarked in ships serving in the Middle East, the Chinooks and UAVs in Afghanistan, and Black Hawks in East Timor.

Armed Reconnaissance Helicopter  
Weapons System

(CA12)

**Achievements**

- Sustained the Black Hawk commitment in East Timor until it drew to a close in October 2012
- Improved support for Tiger and MRH-90, in particular the significant contractual reforms negotiated with the prime contractor in support of the MRH-90
- Provided an electro-optical device for Seahawk operations in the Middle East
- Facilitated the homogenisation of the Squirrel fleet to include an instrument landing system in all aircraft.

The fleet of 22 Tigers provides the Army's armed reconnaissance helicopter capability. Sustainment performance continues to improve, but more is required to meet the mature rate of effort requirement. While positive progress was made towards achieving the operationally deployable squadron milestone, the declaration of the milestone was affected by a temporary suspension of flying operations while an issue with fumes being detected in the cockpit was addressed; this issue will be rectified in 2013–14.

Multi Role Helicopter (MRH)

(CA48)

The MRH-90 flying rate of effort continued to slowly improve over the year enabling the program to move towards delivering an operational capability with greater surety and confidence. Sustainment activities will benefit from the negotiated settlement with the prime contractor achieved in May 2013 that will introduce an improved set of sustainment performance measures, greater intellectual property rights, a repair-by-the-hour pricing basis and better technical data access provisions.

### Deliverables for top 20 DMO sustainment products under management in Program 1.2

### Performance information

S70A–9 Black Hawk Weapons System  
(CA11)

The sustainment of the Army's fleet of 34 Black Hawks has been carefully managed to assure ongoing support to air, mobile and special operations capabilities. The continuing maturation of the MRH–90 capability has allowed planning for the drawdown of the Black Hawk fleet to progress with greater fidelity.

S–70B–2 Seahawk Weapons System  
(CN03)

The fleet of 16 Seahawk helicopters contributes to Navy's anti-surface and anti-submarine warfare capabilities. The primary sustainment risks relating to mission system obsolescence were managed with minimal impact on operational outputs while drawdown planning continued ahead of the introduction of the MH–60R. Of note, during 2012–13 several Seahawks were fitted with high-definition electro-optical devices to enhance the Navy's surveillance and reconnaissance capability within the Middle East Area of Operations.

### Land Systems

Land Systems Division sustains materiel across 27 product schedules that provide a diverse range of equipment for the ADF and manages over 230,000 lines of supply. Specific fleets include armoured and non-armoured vehicles, engineer plant, artillery, weapons, soldier protection systems, uniforms, medical and dental stores, combat rations, surveillance and simulation systems.

#### Achievements

- Completed a rotation of all protected mobility vehicles deployed in Afghanistan to improve force protection
- Developed transition and remediation plans to support operational planning
- Supported ongoing pre-deployment force preparation to deploying personnel
- Conducted comprehensive equipment fleet performance reviews with the Army and transitioned to a modular agreements format
- Completed equipment pool trials and now reviewing possible additional fleets for inclusion in pools
- Extended servicing intervals on aircraft refuelling tankers as well as inspections/hydrostatic testing on fuel hoses to reduce sustainment costs
- Completed a number of corporate inventory reform initiatives such as the accelerated disposals program and the rationalisation of warehousing

General Service B Vehicle Fleet  
(CA45)

Full support for operations continued to be provided, including procurement of deployable all-terrain vehicles and up armoured land-cruiser station wagons.

The age of the fleet continues to pose technical challenges with respect to the maintenance of required capability levels, particularly with certification and spare parts obsolescence. Careful management of critical variants was adopted, together with an endorsed strategy to manage the Land Rover fleet until withdrawal from service.

Fleet reduction is a priority, given the continuing roll-out of LAND 121 Phase 3A. During 2012–13, approximately 1,750 vehicles were removed from service, with a further 280 vehicles currently pending disposal.

## Deliverables for top 20 DMO sustainment products under management in Program 1.2

## Performance information

ADF Clothing  
(CA39)

All requirements for a broad range of clothing and footwear were met in support of overseas operations and Raise, Train and Sustain activities in Australia.

The operational combat uniform worn by ADF personnel in Afghanistan is now being manufactured in Australia, with approximately 18,000 Australian-made garments delivered.

Long-term standing offers were signed with Australian industry for the supply of standard combat uniforms and accessories (Australian Defence Apparel and Pacific Brands Workwear Group) and slouch hats (Akubra and Mountcastle)

## Maritime Systems

The Maritime Systems sustainment concept is to support maritime capability through cost effective materiel design, maintenance engineering and logistic support to platforms, equipment and systems. The provision of these sustainment services is under a structure of System Program Offices that are collocated regionally with the Navy Forces and groups by ship class, and that manage the delivery of services through a variety of outsourced commercial contracts.

### Achievements

- Implementation of the Rizzo review recommendations has progressed an understanding of the broad framework of capability from a whole of life perspective. The DMO and the Navy have made significant efforts to integrate their relationship, evidenced by more robust supplier agreements. The Adelaide Class Ships Systems Program Office has implemented business improvements through a Rizzo Reform Business Change Activity that involved the establishment of collaborative planning processes, improved budgeting methods and reforms to address ageing platforms.
- Activities under the Smart Sustainment strategic reform have established fundamental change and improvement in the maritime sustainment strategy for the majority of the Navy's inventory and will deliver significant benefits in the form of agile and product-accountable support. There have been improved efficiencies in the in-service support arrangements for the Coastal Mine Hunter program.
- Work has continued on improving the management of maintenance and configuration baselines across major surface ships through improvements in the maintenance management tool, and the configuration management tool. The review and update of the maintenance and configuration management baselines continues for the high-priority systems in HMAS *Success*.
- The group maintenance contract has been implemented for the Anzac class group, and has been released for tenders for the Adelaide class group.
- Interim support and operations arrangements for the Captain Cook Graving Dock were established and will enable continued availability of the dock and services until a formal transition arrangement is finalised.
- Ongoing support to HMAS *Choules* has included the resolution of major propulsion transformer defects, and the ongoing development of arrangements for effective long-term sustainability of HMAS *Choules*. Preparations for LHD sustainment continue with contracts for the various elements being progressed. Australian Defence Vessel *Ocean Shield* has been available for all Navy tasking.

Fuels and Lubricants—Navy, Army, Air Force  
(CN26, CA43, CAF18)

Key activities included the continuing review of optimal fuel and packaged petroleum product holdings in consultation with the ADF Capability Managers; development toward the Defence adoption of the whole-of-government agreement for commercial fuel card services and the implementation of the inventory and financial accounting system.

### Deliverables for top 20 DMO sustainment products under management in Program 1.2

#### Performance information

Anzac class frigate (CN02)	Key achievements include providing ongoing capability sustainment of eight Anzac class frigates to meet Navy's operational requirements; and awarding the Anzac class group maintenance contract. A number of defects remain above target but are being steadily reduced. The second of the Anzac ships to enter the Anti Ship Missile Defence upgrade (SEA 1448 Phase 2) is on schedule to deliver in 2014.
Adelaide class frigate (CN01)	Ongoing capability sustainment of four Adelaide class frigates was provided to meet the Navy's operational requirements. The request for tender under the group maintenance contract has been released. The Rizzo Reform Lifecycle Reference Model implementation has been progressed and improvements implemented in the areas of collaborative planning and improved lifecycle costing.
Auxiliary Oiler Replenishment (CN13)	Maintenance of the Auxiliary Oiler Replenishment ship HMAS <i>Success</i> was achieved to support the Navy's fleet exercises and operations prior to entering a major refit in December 2012. The refit maintenance activity was affected by an unscheduled increase in maintenance requirements, which has extended the refit duration.
Mine Hunter Coastal (CN14)	All materiel support and scheduled maintenance was completed. The designs for the upgrades of the ships fire-fighting and combat systems are ongoing.

### Explosive Ordnance

Explosive Ordnance Division provides a dedicated focus to the management of explosive ordnance acquisition and sustainment outcomes. Guided Weapons Branch manages the acquisition and in-service support of all guided weapons. Munitions Branch manages the acquisition of and in-services support of all non-guided munitions, pyrotechnics and countermeasures for the Australian Defence Force.

#### Achievements

- Released tender for Domestic Munitions Manufacturing Arrangements
- Migrated significant portion of general stores inventory and repairable items from Computer Systems Armament to Military Integrated Logistic Information System
- Established contract for replacement Harpoon missile test set
- Established improved materiel sustainment agreements with Service customers
- Progressed remediation of Harpoon missile inventory
- Achieved significant progress towards full compliance with Comcare workplace health and safety enforceable undertaking for management of hazardous chemicals
- Made significant progress in disposal of time-expired and obsolete explosive ordnance
- Completed productivity and efficiency studies for the Navy's guided weapons maintenance
- Progressed life extensions for specified guided weapons

## Deliverables for top 20 DMO sustainment products under management in Program 1.2

## Performance information

Explosive Ordnance – Navy, Army, Air Force

(CA59, CA60, CAF17, CN37, CN38)

Explosive Ordnance Division fully satisfied all of the Navy, Army and Air Force demands for guided and non-guided explosive ordnance for operations and training.

A substantial effort was directed to the continued replenishment of spares holdings for the Navy guided weapons and to a program of work to increase the availability of the Harpoon inventory. Resource considerations resulted in a reduction in the work output of the torpedo maintenance facility. Financial achievement was in line with the budget. Strategic Reform Program savings were achieved through improved contracting practices, life of type extensions where practical and process efficiencies.

## Collins Submarine Management Program

Reforms to improve Collins class sustainment have been in progress since 2010. Coles Report recommendations, currently being implemented, compliment the ongoing reforms and establish a clear plan for restoring submarine availability to benchmark levels by 2016-17.

(CN10)

## Performance

- Availability: 120 per cent of target
- HMAS *Sheean* full cycle docking completed
- HMAS *Waller* mid-cycle docking completed
- HMAS *Farncomb* certification extension docking completed

## Reforms implemented

- Commenced transition towards a performance-based contract enacted with ASC Pty Ltd
- Management responsibility for 96 per cent of inventory (by line item) transferred to industry
- Increased engineering authority awarded to industry members operating within the Collins authorised engineering organisation
- Low-level constraints removed in relation to emergent work

**Detailed information on the top 20 sustainment product expenditure is available online.**

<b>AFM</b> .....	Air Force Minor Project
<b>AMP</b> .....	Army Minor Project
<b>CA</b> .....	Chief of Army
<b>CAF</b> .....	Chief of Air Force
<b>CN</b> .....	Chief of Navy
<b>JMP</b> .....	Joint Minor Project
<b>JP</b> .....	Joint Project
<b>NMP</b> .....	Navy Minor Project

### DMO Program 1.3 Provision of Policy Advice and Management Services

The objective for Program 1.3 is for the DMO to meet ministerial, government, Defence and DMO expectations and time frames for the provision of policy, advice and support, including delivery of programs to support the Australian defence Industry. The key performance indicator involves meeting these expectations and time frames. The deliverables include specialist legal and procurement advice on contracting policy, financial management, acquisition and sustainment advice, and industry engagement.

Program 1.3 represented about one per cent of the DMO's expenditure in 2012–13. Expenses under this program include:

- procurement policy advice to Defence and the DMO and contracting services for the DMO and various Defence procurement activities
- delivery of industry programs and engagement activities for government and Defence
- financial management, including budgeting, reporting and project and sustainment financial management services
- corporate governance and reporting to meet the Government's requirements.

**Table 12.5**  
**DMO Program 1.3—deliverables**

Deliverable	Performance information
Specialist legal and procurement advice and contracting policy	Office of Special Counsel (OSC) in the DMO provided specialist legal advice to a range of DMO Projects, System Program Offices and other business support areas (DMO Legal raised 397 new internal legal engagements with a further 97 new external legal service engagements). Updates have been made to maintain currency in procurement policy through the Defence Procurement Policy Manual. In addition, new and updated contracting templates have been incorporated into the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates. There has also been significant development and promulgation of operational guidance in the form of handbooks and better practice guides.
Acquisition and sustainment advice to support the Government and Defence	High-quality and timely advice was provided through regular reports and ministerial correspondence on acquisition and sustainment issues.
Industry engagement	Delivery of industry programs supporting Australian defence industry continued through 2012–13 despite the difficult global economic conditions facing the industry. Support was broadened in the area of skilling and engagement.
Implement a financial management shared service within projects and System Program Offices.	As part of the broader shared services reforms in Defence and DMO, a successful implementation and transition to financial shared services under the Chief Financial Officer commenced on 15 February 2013.
The DMO is meeting ministerial, government, Defence and DMO expectations and time frames for provision of policy, advice and support. <sup>[1]</sup>	Measures were taken during the year to improve on the timeliness of advice provided to ministers and the Government.

#### Note

1. The level of advice provided to government fluctuates as a result of a number of factors, including the needs of government for such advice and the length of caretaker periods that fall within the reporting time frame.

## DMO governance and accountability

### DMO Ministerial Directive

The current Ministerial Directive was issued on 28 July 2008 to the CEO DMO. The DMO continues to operate within the principles established by the directive. The directive establishes the accountability of the CEO DMO to the minister to achieve the following outcomes:

- timely, accurate and considered advice in the CEO DMO's role as principal adviser to the minister on equipment acquisition and fleet sustainment
- efficient and effective acquisition and through-life support of materiel for Defence capabilities
- sound management of financial and other resources, operating within the budget and meeting statutory requirements for preparing financial statements
- an appropriately skilled and experienced workforce while providing a working environment that attracts and retains people
- high-quality governance and management, implementing agreed reform initiatives and embedding continuous improvement within business processes
- savings and efficiencies for reinvestment in priority areas in Defence
- appropriate representation of Australia internationally in the CEO DMO's role of National Armaments Director.

### Accountability and financial management

Under the *Financial Management and Accountability Act 1997*, the CEO DMO is directly responsible to the Portfolio Minister for managing the affairs of the DMO in a way that promotes proper use of the Commonwealth of Australia resources for which the DMO is responsible.

The 2012–13 financial statements are included in Part 4 of this report. The CEO DMO and the Chief Finance Officer DMO have concluded that the financial statements are true and fairly stated.

The DMO has undertaken fraud risk assessments and had in place a fraud control plan. In addition, DMO had in place appropriate fraud prevention, detection, investigation reporting and data collection procedures. Also all reasonable measures to minimise the incidence of fraud were undertaken, and if identified, investigated and any proceeds recovered.

### Relationship with Defence

The DMO is a fully integrated organisation within the Department of Defence and works to deliver the operational capability required by the ADF. From a governance perspective this business relationship operates under a memorandum of arrangements signed by the Secretary of Defence, the Chief of the Defence Force and the CEO DMO on 25 June 2006.

The memorandum of arrangements contains a framework of five types of agreements between Defence and the DMO that formalise the provision of products, services and resources between Defence and the DMO. The agreements have continued to evolve since the DMO's prescription in July 2005 to provide greater clarity of requirements and to delineate responsibilities and accountabilities. The current focus is to provide agreements with clear service standards and expectations as the basis for the DMO and Defence to understand the cost of doing business and to foster cost-conscious, business-like behaviours.

The categories of customer–supplier agreements between Defence and the DMO are:

- materiel acquisition agreements
- materiel sustainment agreements
- shared services agreements
- defence services agreements
- military workforce agreements.

These agreements cover major and minor materiel acquisition projects, sustainment for ADF fleets, services provided to facilitate these activities, and the military personnel posted to the DMO in support of these activities.

During 2012–13, the materiel sustainment agreement process was revised to reduce the time and effort required to produce and maintain these agreements. This was achieved by moving to an enduring and modular construct, underpinned by a devolved management framework.

### DMO senior committees

Following the release of the DMO Strategic Framework in February 2013, the senior committees in DMO have been refocused. The Executive Committee is responsible for advising the CEO on strategic direction, management and reporting. The CEO also takes advice in relation to responsibilities and accountabilities under the *Work Health and Safety Act 2011* and the *Financial Management and Accountability Act 1997* from the Work Health and Safety Committee and the Strategic Budget Committee respectively. The Deputy CEO chairs the Council of Chairs Forum, which is responsible for overseeing the main business process owner councils within the DMO. Independent advice on risk and financial management is provided by the Material Risk and Audit Committee.

**Figure 12.2**  
**DMO senior committees**







**PART FIVE**  
FINANCIAL STATEMENTS

**5**

**Table CFS1**

**Consolidated departmental statement of comprehensive income**

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000
<b>Expenses</b>				
Employee benefits	10,417,299	10,522,811	10,577,206	54,395
Supplier expenses	9,545,711	9,208,158	8,919,190	-288,968
Grants	73,004	77,193	69,998	-7,195
Depreciation and amortisation	3,885,902	3,685,598	4,001,684	316,086
Finance costs	92,591	94,342	85,049	-9,293
Write-down and impairment of assets	-	1,101,918	800,733	-301,185
Foreign exchange losses	-	-	16,345	16,345
Losses from asset sales	1,085,305	7,565	11,642	4,077
Other expenses	123,279	84,617	88,718	4,101
<b>Total expenses</b>	<b>25,223,091</b>	<b>24,782,202</b>	<b>24,570,565</b>	<b>-211,637</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own- source revenue</b>				
Sale of goods and rendering of services (including cost recovery)	401,766	486,279	425,341	-60,938
Rental income	-	-	10,387	10,387
Other revenue	70,234	108,382	457,219	348,837
<b>Total own-source revenue</b>	<b>472,000</b>	<b>594,661</b>	<b>892,947</b>	<b>298,286</b>
<b>Gains</b>				
Foreign exchange gains	-	-	-	-
Reversals of previous asset write-downs	521,145	520,744	317,915	-202,829
Other gains	7,232	-31,547	53,868	85,415
<b>Total gains</b>	<b>528,377</b>	<b>489,197</b>	<b>371,783</b>	<b>-117,414</b>
<b>Total own-source income</b>	<b>1,000,377</b>	<b>1,083,858</b>	<b>1,264,730</b>	<b>180,872</b>
<b>Net cost of services</b>	<b>24,222,714</b>	<b>23,698,344</b>	<b>23,305,835</b>	<b>-392,509</b>
Revenue from Government	24,198,322	23,806,445	23,618,994	-187,451
<b>Surplus (deficit) attributable to the government</b>	<b>-24,392</b>	<b>108,101</b>	<b>313,159</b>	<b>205,058</b>
<b>Total comprehensive income (loss) attributable to the government</b>	<b>-24,392</b>	<b>108,101</b>	<b>313,159</b>	<b>205,058</b>
Changes in asset revaluation reserves	-	-	14,159	14,159
<b>Total comprehensive income (loss) attributable to the agency</b>	<b>-24,392</b>	<b>108,101</b>	<b>327,318</b>	<b>219,217</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012-13, Table 70.

2. As published in the Portfolio Budget Statements 2013-14, Table 64.

**Table CFS2**  
**Consolidated departmental balance sheet**

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	115,898	68,091	204,265	136,174
Trade and other receivables	1,063,008	811,609	1,053,106	241,497
<b>Total financial assets</b>	<b>1,178,906</b>	<b>879,700</b>	<b>1,257,371</b>	<b>377,671</b>
<b>Non-financial assets</b>				
Land and buildings	15,905,773	15,933,867	15,925,406	-8,461
Infrastructure, plant and equipment	6,770,542	6,959,271	6,769,678	-189,593
Specialist military equipment	39,847,374	40,758,414	40,244,821	-513,593
Intangibles	439,395	515,803	606,364	90,561
Heritage and cultural	965,944	984,939	1,023,969	39,030
Inventories	5,388,990	5,578,165	6,160,288	582,123
Prepayments	1,539,980	1,520,190	1,352,787	-167,403
<b>Total non-financial assets</b>	<b>70,857,998</b>	<b>72,250,649</b>	<b>72,083,313</b>	<b>-167,336</b>
Assets held for sale	53,512	25,698	52,399	26,701
<b>Total assets</b>	<b>72,090,416</b>	<b>73,156,047</b>	<b>73,393,083</b>	<b>237,036</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2,159,349	2,157,025	2,450,002	292,977
Other	425,705	381,496	529,277	147,781
<b>Total payables</b>	<b>2,585,054</b>	<b>2,538,521</b>	<b>2,979,279</b>	<b>440,758</b>
<b>Interest bearing liabilities</b>				
Leases	1,015,758	1,086,866	969,818	-117,048
<b>Total interest bearing liabilities</b>	<b>1,015,758</b>	<b>1,086,866</b>	<b>969,818</b>	<b>-117,048</b>
<b>Provisions</b>				
Employee provisions	2,505,212	2,456,454	2,410,937	-45,517
Restoration, decontamination and decommissioning	879,277	895,877	872,367	-23,510
Other	9,547	9,520	8,895	-625
<b>Total provisions</b>	<b>3,394,036</b>	<b>3,361,851</b>	<b>3,292,199</b>	<b>-69,652</b>
<b>Total liabilities</b>	<b>6,994,848</b>	<b>6,987,238</b>	<b>7,241,296</b>	<b>254,058</b>
<b>NET ASSETS</b>	<b>65,095,568</b>	<b>66,168,809</b>	<b>66,151,787</b>	<b>-17,022</b>
<b>EQUITY</b>				
Contributed equity	16,676,387	17,856,086	17,966,765	110,679
Reserves	14,565,010	14,715,815	14,729,974	14,159
Retained surplus (accumulated deficit)	33,854,171	33,596,908	33,455,048	-141,860
<b>Total equity</b>	<b>65,095,568</b>	<b>66,168,809</b>	<b>66,151,787</b>	<b>-17,022</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012-13, Table 71.
2. As published in the Portfolio Budget Statements 2013-14, Table 65.

**Table CFS3**
**Consolidated departmental net cost of service (cash)**

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Goods and services (including cost recovery)	400,745	485,249	457,429	-27,820
Net GST received	1,203,127	1,164,982	1,210,808	45,826
Other cash received	127,902	152,920	182,491	29,571
<b>Total cash received</b>	<b>1,731,774</b>	<b>1,803,151</b>	<b>1,850,728</b>	<b>47,577</b>
<b>Cash used</b>				
Employees	10,385,441	10,478,328	10,532,011	53,683
Suppliers	8,870,281	8,646,428	9,306,887	660,459
Net GST paid	1,203,127	1,164,982	575,268	-589,714
Grants	73,004	77,193	70,223	-6,970
Other cash used	33,897	214,248	96,930	-117,318
<b>Total cash used</b>	<b>20,565,750</b>	<b>20,581,179</b>	<b>20,581,319</b>	<b>140</b>
<b>Net cash flows from (used by) operating activities</b>	<b>-18,833,976</b>	<b>-18,778,028</b>	<b>-18,730,591</b>	<b>47,437</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of land and buildings	97,936	44,537	41,001	-3,536
Proceeds from sales of specialist military equipment	-	-	10,420	10,420
Proceeds from sales of infrastructure, plant and equipment	28,747	28,747	19,613	-9,134
Other cash received	-	-	6,224	6,224
<b>Total cash received</b>	<b>126,683</b>	<b>73,284</b>	<b>77,258</b>	<b>3,974</b>
<b>Cash used</b>				
Purchase of land and buildings	873,245	841,670	887,404	45,734
Purchase of infrastructure, plant and equipment	419,884	351,834	341,279	-10,555
Purchase of specialist military equipment	2,936,004	3,281,071	3,364,046	82,975
Purchase of intangibles	11,306	18,921	39,962	21,041
Purchase of inventory	988,753	894,485	900,963	6,478
Purchase of heritage and cultural assets	-	-	30	30
Selling costs on sale of assets	4,154	8,382	8,577	195
Finance costs	77,434	74,605	58,235	-16,370
<b>Total cash used</b>	<b>5,310,780</b>	<b>5,470,968</b>	<b>5,600,496</b>	<b>129,528</b>
<b>Net cash flows from (used by) investing activities</b>	<b>-5,184,097</b>	<b>-5,397,684</b>	<b>-5,523,238</b>	<b>-125,554</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash used</b>				
Repayment of debt (including finance lease principal)	79,592	79,592	43,481	-36,111
Return of contributed equity	-	-	-	-
<b>Total cash used</b>	<b>79,592</b>	<b>79,592</b>	<b>43,481</b>	<b>-36,111</b>
<b>Net cash from (used by) financing activities</b>	<b>-79,592</b>	<b>-79,592</b>	<b>-43,481</b>	<b>36,111</b>
<b>Total net cost of service</b>	<b>-24,097,665</b>	<b>-24,255,304</b>	<b>-24,297,310</b>	<b>-42,006</b>

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000
<b>FUNDED BY</b>				
<b>Appropriations</b>				
Appropriations (current year)	24,187,969	23,838,370	23,842,433	4,063
Appropriations (prior year)	-	-	156,368	156,368
Receipts from OPA	-	-	753,784	753,784
Receipts transferred to the OPA	-90,304	-14,077	-750,516	-736,439
Appropriations - contributed equity (current year)	-	456,289	456,289	-
<b>Total appropriations</b>	<b>24,097,665</b>	<b>24,280,582</b>	<b>24,458,358</b>	<b>177,776</b>
Change in cash at bank	-	-25,278	-161,048	-135,770
<b>Total funding source</b>	<b>24,097,665</b>	<b>24,255,304</b>	<b>24,297,310</b>	<b>42,006</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012-13.

2. As published in the Portfolio Budget Statements 2013-14.

**Table CFS4****Consolidated administered net cost of service (cash)**

	2012-13 budget estimate <sup>[1]</sup> \$'000	2012-13 revised estimate <sup>[2]</sup> \$'000	2012-13 actual result \$'000	Variation \$'000
<b>Cost of service</b>				
Employees	1,910,631	1,890,164	1,920,671	30,507
Subsidies	109,236	98,036	95,547	-2,489
Grants	-	-	-	-
Loans to CAC Act bodies	-	-	-	-
CAC Act body investments	-	-	-	-
Other	-	-	-	-
<b>Total cash used</b>	<b>2,019,867</b>	<b>1,988,200</b>	<b>2,016,218</b>	<b>28,018</b>
<b>Cash received</b>				
Military superannuation contributions	1,215,132	1,250,148	1,265,959	15,811
Fees	9,963	11,115	11,231	116
Interest	32,849	31,979	32,653	674
Dividends	48,594	49,654	49,654	-
Other	39,057	45,666	46,499	833
<b>Total cash received</b>	<b>1,345,595</b>	<b>1,388,562</b>	<b>1,405,996</b>	<b>17,434</b>
<b>Net cost of service (cash)</b>	<b>674,272</b>	<b>599,638</b>	<b>610,222</b>	<b>10,584</b>

Funded by				
Appropriations				
Cash from the Official Public Account for appropriations	2,019,867	1,988,200	2,016,218	28,018
Cash transfer to the Official Public Account	-1,345,595	-1,388,562	-1,405,996	-17,434
Cash holdings at the beginning of the reporting period	-	-	-	-
<b>Total funding source</b>	<b>674,272</b>	<b>599,638</b>	<b>610,222</b>	<b>10,584</b>

#### Notes

1. As published in the Portfolio Budget Statements 2012–13, Table 75.
2. As published in the Portfolio Budget Statements 2013–13, Table 69.

**Table CFS5**  
**Consolidated administered income and expenses**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000
<b>Expenses administered on behalf of Government</b>				
Military superannuation benefits	4,053,968	5,785,962	5,712,747	-73,215
Military retention benefits	64,223	64,223	61,883	-2,340
Subsidies	109,236	98,036	95,944	-2,092
Grants	-	-	-	-
Foreign exchange losses	-	-	287	287
Other	-	-	84	84
<b>Total expenses</b>	<b>4,227,427</b>	<b>5,948,221</b>	<b>5,870,945</b>	<b>-77,276</b>
<b>Income administered on behalf of Government</b>				
Interest	32,849	31,855	31,001	-854
Foreign exchange gains	-	-	-	-
Military superannuation contributions	1,215,188	1,250,204	1,213,777	-36,427
Dividends	45,813	45,813	51,073	5,260
Fees	9,963	11,115	14,239	3,124
Other	39,057	41,448	48,169	6,721
<b>Total income</b>	<b>1,342,870</b>	<b>1,380,435</b>	<b>1,358,259</b>	<b>-22,176</b>

#### Notes

1. As published in the Portfolio Budget Statements 2012–13, Table 73.
2. As published in the Portfolio Budget Statements 2013–14, Table 67.

**Table CFS6****Consolidated assets and liabilities administered on behalf of government**

	2012–13 budget estimate <sup>[1]</sup> \$'000	2012–13 revised estimate <sup>[2]</sup> \$'000	2012–13 actual result \$'000	Variation \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Receivables	69,692	60,333	73,199	12,866
Investments accounted for using the equity method	2,311,926	2,175,636	2,343,471	167,835
Loans	509,580	509,580	509,580	-
<b>Total financial assets</b>	<b>2,891,198</b>	<b>2,745,549</b>	<b>2,926,250</b>	<b>180,701</b>
<b>Non-financial assets</b>				
Prepayments	165,226	164,772	168,576	3,804
<b>Total non-financial assets</b>	<b>165,226</b>	<b>164,772</b>	<b>168,576</b>	<b>3,804</b>
<b>Total assets administered on behalf of Government</b>	<b>3,056,424</b>	<b>2,910,321</b>	<b>3,094,826</b>	<b>184,505</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Payables</b>				
Other	-	5,159	5,543	384
<b>Total payables</b>	<b>-</b>	<b>5,159</b>	<b>5,543</b>	<b>384</b>
<b>Provisions</b>				
Superannuation - DFRB <sup>[3]</sup>	475,271	475,302	540,300	64,998
Superannuation - DFRDB <sup>[4]</sup>	25,475,645	25,396,401	31,859,000	6,462,599
Superannuation - MSBS <sup>[5]</sup>	23,472,268	23,250,701	35,777,000	12,526,299
<b>Total provisions</b>	<b>49,423,184</b>	<b>49,122,404</b>	<b>68,176,300</b>	<b>19,053,896</b>
<b>Total liabilities administered on behalf of Government</b>	<b>49,423,184</b>	<b>49,127,563</b>	<b>68,181,843</b>	<b>19,054,280</b>

**Notes**

1. As published in the Portfolio Budget Statements 2012–13, Table 74.
2. As published in the Portfolio Budget Statements 2013–14, Table 68.
3. Defence Force Retirement Benefits.
4. Defence Force Retirement and Death Benefits.
5. Military Superannuation and Benefits Scheme.





Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

### Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Defence for the year ended 30 June 2013, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Secretary's Responsibility for the Financial Statements*

The Secretary of the Department of Defence is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of Defence's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Defence's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Secretary of the Department of Defence, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### ***Opinion***

In my opinion, the financial statements of the Department of Defence:

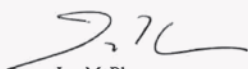
- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of Defence's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

#### **Report on Other Legal and Regulatory Requirements**

Note 32 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of Defence's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts, and annual appropriations which fund statutory payments. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 32, payments were identified in 2012–13 which were potentially in breach of section 83 of the Constitution, totalling some \$101,000 under the *Defence Force (Home Loans Assistance) Act 1990* and \$525,000 under the *Defence Home Ownership Assistance Scheme Act 2008*.

Australian National Audit Office



Ian McPhee  
Auditor-General

Canberra

9 October 2013

**STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, as amended.

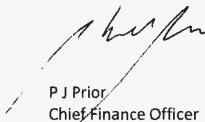
Signed



Dennis Richardson  
Secretary

9 October 2013

Signed



P J Prior  
Chief Finance Officer

9 October 2013

## Department of Defence

### STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2013

		2013 \$'000	2012 \$'000
	Notes		
<b>EXPENSES</b>			
Employee benefits	3A	9,986,136	9,841,400
Suppliers expenses	3B	9,812,433	10,665,998
Grants	3C	50,736	71,305
Depreciation and amortisation	3D	3,999,977	3,630,984
Finance costs	3E	85,049	100,547
Write-down and impairment of assets	3F	800,598	933,464
Foreign exchange losses	3G	1,046	-
Losses from asset sales	3H	11,642	13,216
Other expenses	3I	88,664	97,415
<b>Total Expenses</b>		<b>24,836,281</b>	<b>25,354,329</b>
<b>LESS:</b>			
<b>OWN SOURCE INCOME</b>			
<b>Own-Source Revenue</b>			
Provision of goods and rendering of services (including cost recovery)	4A	248,936	244,562
Sustainment expenditure recovered from DMO	4B	145,860	197,690
Recovery of military salaries from DMO		173,169	151,607
Group rental scheme		197,904	185,133
Resources received free of charge - DMO		777,400	781,045
Rental income	4C	10,387	9,481
Other revenue	4D	471,468	195,113
<b>Total Own-Source Revenue</b>		<b>2,025,124</b>	<b>1,764,631</b>
<b>Gains</b>			
Foreign exchange gains	3G	-	368
Gains from asset sales	3H	-	-
Reversals of previous asset write-downs and impairment	4E	317,915	479,573
Other gains	4F	65,872	84,348
<b>Total Gains</b>		<b>383,787</b>	<b>564,289</b>
<b>Total own-source income</b>		<b>2,408,911</b>	<b>2,328,920</b>
<b>Net cost of (contribution by) services</b>		<b>22,427,370</b>	<b>23,025,409</b>
Revenue from Government	4G	22,707,890	22,466,427
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>280,520</b>	<b>(558,982)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to profit or loss</b>			
Changes in asset revaluation reserves		14,146	150,565
<b>Total other comprehensive income (loss)</b>		<b>14,146</b>	<b>150,565</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>		<b>294,666</b>	<b>(408,417)</b>

Defence is appropriated on a net cash basis which includes the appropriation revenue of \$22,708m (2011-12: \$22,466m) included in the Statement of Comprehensive Income, and the equity injection of \$0.456m (2011-12: \$2,774m) included in the Balance Sheet.

## Department of Defence

## BALANCE SHEET

as at 30 June 2013

		2013 \$'000	2012 \$'000
	Notes		
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	68,460	18,091
Trade and other receivables	5B	874,839	433,696
<b>Total financial assets</b>		<b>943,299</b>	<b>451,787</b>
<b>Non-financial assets</b>			
Land and buildings	6A,6G	15,925,406	15,695,215
Specialist military equipment	6B,6G	40,244,821	40,327,792
Infrastructure	6C,6G	5,382,895	5,386,670
Plant and equipment	6D,6G	1,381,223	1,343,733
Heritage and cultural assets	6E,6G	1,023,969	984,939
Intangibles	6F,6G	606,336	575,006
Inventories	6H	6,160,288	5,686,425
Prepayments	6I	148,140	154,178
<b>Total non-financial assets</b>		<b>70,873,078</b>	<b>70,153,958</b>
Assets held for sale	6J	52,399	25,698
<b>Total Assets</b>		<b>71,868,776</b>	<b>70,631,443</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	1,579,468	1,182,758
Other payables	7B	459,040	434,503
<b>Total Payables</b>		<b>2,038,508</b>	<b>1,617,261</b>
<b>Interest bearing liabilities</b>			
Finance leases	8A	969,818	748,717
<b>Total interest bearing liabilities</b>		<b>969,818</b>	<b>748,717</b>
<b>Provisions</b>			
Employee provisions	9A	2,235,956	2,227,657
Restoration, decontamination and decommissioning	9B	872,367	876,140
Other provisions	9C	3,014	3,822
<b>Total provisions</b>		<b>3,111,337</b>	<b>3,107,619</b>
<b>Total Liabilities</b>		<b>6,119,663</b>	<b>5,473,597</b>
<b>NET ASSETS</b>		<b>65,749,113</b>	<b>65,157,846</b>
<b>EQUITY</b>			
Contributed equity		17,719,711	17,245,351
Reserves		14,729,722	14,715,576
Retained surpluses (accumulated deficit)		33,299,680	33,196,919
<b>TOTAL EQUITY</b>		<b>65,749,113</b>	<b>65,157,846</b>

**Department of Defence**  
**STATEMENT OF CHANGES IN EQUITY**  
*For the period ended 30 June 2013*

	Retained Earnings		Asset Revaluation Reserves		Contributed Equity		Total Equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Opening balance</b>								
Balance carried forward from previous period								
Adjustment for errors	33,196,919	33,636,908						
Prior year adjustments	(177,759)	118,993						
<b>Adjusted opening balance</b>								
	33,019,160	33,755,901	14,715,576	14,565,011	17,249,551	14,467,639	65,157,846	62,669,558
<b>Comprehensive Income</b>							(177,759)	118,993
Other comprehensive income							4,200	-
Surplus (deficit) for the period	-	-	14,146	150,565	-	-		
<b>Total comprehensive income attributable to the Australian Government</b>							64,984,287	62,788,551
	280,520	(558,982)	-	-	-	-	14,146	150,565
<b>Transactions with owners:</b>							280,520	(558,982)
<i>Distributions to owners</i>								
	280,520	(558,982)	14,146	150,565	-	-	294,666	(408,417)
<b>Returns of equity:</b>								
Returns to OPA	-	-	-	-	-	-	-	-
<b>Contributions by Owners</b>								
Equity injection - Appropriation	-	-	-	-	456,289	2,773,786	456,289	2,773,786
Restructuring (Note 10)	-	-	-	-	-	-	-	-
Transfers from other entities	-	-	-	-	13,871	3,926	13,871	3,926
<b>Sub-total transactions with owners</b>								
	-	-	-	-	470,160	2,777,712	470,160	2,777,712
<b>Closing balance as at 30 June attributable to the Australian Government</b>								
	33,299,680	33,196,919	14,729,722	14,715,576	17,719,711	17,245,351	65,749,113	65,157,846

## Department of Defence

## CASH FLOW STATEMENT

For the period ended 30 June 2013

	2013	2012
	\$'000	\$'000
	Notes	
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Appropriations (current year)	22,827,992	22,434,418
Appropriations (prior year)	76,857	50,122
Section 31 receipts from OPA	753,784	1,665,917
Goods and services (including cost recovery)	756,369	751,279
Interest received	111	4
Net GST received	592,721	540,888
Other cash received	129,155	253,680
<b>Total cash received</b>	<b>25,136,989</b>	<b>25,696,308</b>
<b>Cash used</b>		
Employees	(9,921,248)	(9,641,223)
Suppliers	(8,582,206)	(9,135,283)
Net GST paid	(575,268)	(626,715)
Grants	(50,911)	(70,569)
Section 31 receipts transferred to the OPA	(750,516)	(1,670,514)
Cash returned to OPA	(15,067)	(13,753)
Other cash used	(81,838)	(56,126)
<b>Total cash used</b>	<b>(19,977,054)</b>	<b>(21,214,183)</b>
<b>Net cash flows from (used by) operating activities</b>	<b>11 5,159,935</b>	<b>4,482,125</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Proceeds from sales of land and buildings	41,001	51,165
Proceeds from sales of specialist military equipment	10,420	6,929
Proceeds from sales of plant and equipment	19,613	25,698
Proceeds from sales of heritage and cultural assets	-	573
Other cash received	6,224	1,026
<b>Total cash received</b>	<b>77,258</b>	<b>85,391</b>
<b>Cash used</b>		
Purchase of land and buildings	(887,404)	(675,386)
Purchase of specialist military equipment	(3,364,046)	(4,967,268)
Purchase of infrastructure	(131,203)	(225,969)
Purchase of plant and equipment	(209,616)	(198,284)
Purchase of heritage and cultural assets	(30)	-
Purchase of intangibles	(39,962)	(34,465)
Purchase of inventory	(900,963)	(1,153,994)
Selling costs on sale of assets	(8,577)	(13,443)
Finance costs	(58,235)	(52,766)
<b>Total cash used</b>	<b>(5,600,036)</b>	<b>(7,321,575)</b>
<b>Net cash flows from (used by) investing activities</b>	<b>(5,522,778)</b>	<b>(7,236,184)</b>

# Department of Defence

## CASH FLOW STATEMENT (Continued)

For the period ended 30 June 2013

	2013	2012
	\$'000	\$'000
	Notes	
<b>FINANCING ACTIVITIES</b>		
<b>Cash received</b>		
Contributed equity (current year)	456,289	2,773,786
<b>Total cash received</b>	<b>456,289</b>	<b>2,773,786</b>
<b>Cash used</b>		
Repayments of debt (including finance lease principal)	(43,481)	(66,982)
<b>Total cash used</b>	<b>(43,481)</b>	<b>(66,982)</b>
<b>Net cash from (used by) financing activities</b>	<b>412,808</b>	<b>2,706,804</b>
<b>Net increase/(decrease) in cash held</b>	<b>49,965</b>	<b>(47,255)</b>
Cash and cash equivalents at beginning of the reporting period	18,091	64,871
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period.	404	475
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>68,460</b>	<b>18,091</b>

5A

**Department of Defence**  
**SCHEDULE OF COMMITMENTS**

as at 30 June 2013

2013  
\$'000

2012  
\$'000

**BY TYPE**

**Commitments receivable**

Lease rental income <sup>1</sup>	(33,125)	(35,993)
GST recoverable on commitments <sup>2</sup>	(2,537,008)	(2,214,588)
<b>Total commitments receivable</b>	<b>(2,570,133)</b>	<b>(2,250,581)</b>

**Commitments payable**

**Capital commitments**

Land and buildings <sup>3</sup>	639,010	1,904,658
Specialist military equipment <sup>4</sup>	10,809,270	10,857,162
Infrastructure, plant and equipment <sup>5</sup>	458,267	228,427
Other capital commitments <sup>6</sup>	606,487	199,593
<b>Total capital commitments</b>	<b>12,513,034</b>	<b>13,189,840</b>

**Other commitments**

Operating leases <sup>7</sup>	9,856,667	5,866,792
Research and development <sup>8</sup>	167,805	144,073
Other non-capital commitments <sup>9</sup>	17,903,116	17,503,370
<b>Total other commitments</b>	<b>27,927,588</b>	<b>23,514,235</b>
<b>Net commitments by type</b>	<b>37,870,489</b>	<b>34,453,494</b>

**BY MATURITY**

**Commitments receivable**

**Lease rental income**

One year or less	(19,099)	(20,215)
From one to five years	(5,636)	(7,123)
Over five years	(8,390)	(8,655)
<b>Total lease rental income</b>	<b>(33,125)</b>	<b>(35,993)</b>

**Other commitments receivable**

One year or less	(824,818)	(702,601)
From one to five years	(1,452,899)	(1,257,185)
Over five years	(259,291)	(254,802)
<b>Total other commitments receivable</b>	<b>(2,537,008)</b>	<b>(2,214,588)</b>

**Commitments Payable**

**Capital commitments**

One year or less	3,898,131	3,794,672
From one to five years	7,318,359	7,673,613
Over five years	1,296,544	1,721,555
<b>Total capital commitments</b>	<b>12,513,034</b>	<b>13,189,840</b>

**Operating lease commitments**

One year or less	829,344	755,440
From one to five years	3,322,297	2,860,507
Over five years	5,705,026	2,250,845
<b>Total operating lease commitments</b>	<b>9,856,667</b>	<b>5,866,792</b>

**Other Commitments**

One year or less	5,897,965	5,256,209
From one to five years	9,202,537	8,795,056
Over five years	2,970,419	3,596,178
<b>Total other commitments</b>	<b>18,070,921</b>	<b>17,647,443</b>
<b>Net commitments by maturity</b>	<b>37,870,489</b>	<b>34,453,494</b>

## Department of Defence

### SCHEDULE OF COMMITMENTS (Continued)

as at 30 June 2013

#### Notes

Commitments are GST inclusive where relevant.

Commitments managed by the Defence Materiel Organisation (DMO) on behalf of Defence total \$17,807m, comprising:

- commitments receivable of \$1,699m;
- capital commitments of \$11,072m; and
- other commitments payable of \$8,434m.

1. The lease rental income includes rental contributions from Defence service members for residences sub-leased by Defence. The Lease term is normally 3 to 5 years. The lease rental receivable is calculated for 28 days which is the minimum period of notice Defence members are required to provide before terminating the lease.
2. Net GST recoverable from ATO on commitments payable and receivable.
3. Outstanding contractual payments for buildings under construction.
4. Outstanding contractual payments for specialist military equipment under construction. The majority of these commitments relate to Materiel Acquisition Agreements with the DMO.
5. Infrastructure, plant and equipment capital commitments include outstanding contractual payments including the maintenance of hardware and software.
6. Other capital commitments include contractual payments for software licence agreements.
7. Operating leases are non-cancellable and are described in the table below.
8. Outstanding commitments on research and development for projects including Through Life Support agreements.
9. Outstanding commitments on supplier type expenditure including general goods and services, communications, domestic and overseas travel, removal costs, and Materiel Sustainment expenditure payable to the DMO.

Nature of leases	General description of leasing arrangement
DHA property leases	Defence leases residences under a service agreement with Defence Housing Australia (DHA) to provide accommodation to eligible service members. The total commitment has been calculated based on an initial forecast of housing demand for the period of the agreement, which is currently 10 years. Lease payments are subject to the terms and conditions of the lease and are payable to DHA.
Other property leases	Defence leases both residential and commercial properties in Australia and overseas in support of its activities. Lease payments are subject to the terms and conditions of the lease. Generally the leases are subject to market reviews, reviews in accordance with agreed indexation or a combination of both. The terms range between 1 and 100 years.
Aircraft leases	Defence leases aircraft in support of scientific and military operations and in support of parliamentary services. Lease terms range between 2 and 12 years.
Equipment leases	Defence has leases for items of equipment including computer hardware, multifunction devices and communication equipment. General lease terms are 2 to 5 years.
Property revenue leases	Defence receives revenue from the lease of property and office space. Office space is generally let to contractors in support of Defence activities and to other government agencies or to local civic authorities. The terms of these leases range between 1 and 99 years.

**Department of Defence****SCHEDULE OF CONTINGENCIES***as at 30 June 2013*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contingent assets</b>		
Claims for damages or costs	<b>28,857</b>	1,374
<b>Total contingent assets</b>	<b>28,857</b>	1,374
<b>Contingent liabilities</b>		
Claims for damages or costs	<b>63,100</b>	48,514
<b>Total contingent liabilities</b>	<b>63,100</b>	48,514
<b>Net contingent assets (liabilities)</b>	<b>(34,243)</b>	(47,140)

Details of each class of contingent liabilities and assets listed above are disclosed in Note 12: Contingent Liabilities and Contingent Assets, along with information on significant remote contingencies and contingencies that cannot be quantified.

## Department of Defence

### ADMINISTERED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2013

		2013 \$'000	2012 \$'000
	Notes		
<b>EXPENSES</b>			
Employee benefits	19A	5,774,630	4,118,799
Subsidies	19B	95,944	96,585
Write-down and impairment of assets	19C	84	141
Foreign exchange losses	19D	-	-
<b>Total expenses administered on behalf of government</b>		<b>5,870,658</b>	<b>4,215,525</b>
<b>LESS:</b>			
<b>OWN SOURCE INCOME</b>			
<b>Own-source revenue</b>			
<b>Non taxation revenue</b>			
Fees and fines	18A	14,239	12,251
Interest	18B	30,854	35,517
Dividends	18C	51,073	49,654
Military superannuation contributions	18D	1,213,777	1,158,903
Other revenue	18E	48,169	59,585
Foreign exchange gains	19D	321	166
<b>Total non-taxation revenue</b>		<b>1,358,433</b>	<b>1,316,076</b>
<b>Total Own-Source income administered on behalf of Government</b>		<b>1,358,433</b>	<b>1,316,076</b>
<b>Net cost of services</b>			
Revenue from Government	18F	-	-
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>(4,512,225)</b>	<b>(2,899,449)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to profit or loss</b>			
Changes in asset revaluation reserves		68,235	(32,736)
Actuarial gains/(losses) on defined benefits plans		21,519,100	(33,385,800)
<b>Total other comprehensive income</b>		<b>21,587,335</b>	<b>(33,418,536)</b>
<b>Total comprehensive income (loss)</b>		<b>17,075,110</b>	<b>(36,317,985)</b>

Administered activities performed by Defence on behalf of the Government relate mainly to the provision of superannuation and housing support services to current and retired Defence personnel.

## Department of Defence

## ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2013

		2013 \$'000	2012 \$'000
	Notes		
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	20A	-	-
Trade and other receivables	20B	580,697	573,698
Investment accounted for using the equity method	20C	2,343,471	2,275,236
<b>Total financial assets</b>		<b>2,924,168</b>	<b>2,848,934</b>
<b>Non-financial assets</b>			
Prepayments	20D	168,576	170,095
<b>Total non-financial assets</b>		<b>168,576</b>	<b>170,095</b>
<b>TOTAL ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>3,092,744</b>	<b>3,019,029</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Other payables	21A	5,543	5,159
<b>Total Payables</b>		<b>5,543</b>	<b>5,159</b>
<b>Provisions</b>			
Employee provisions	21B	68,176,300	85,790,100
<b>Total provisions</b>		<b>68,176,300</b>	<b>85,790,100</b>
<b>TOTAL LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>68,181,843</b>	<b>85,795,259</b>
<b>NET LIABILITIES</b>		<b>(65,089,099)</b>	<b>(82,776,230)</b>

Administered activities performed by Defence on behalf of the Government relate mainly to the provision of superannuation and housing support services to current and retired Defence personnel. Defence also administers outstanding reimbursements from the United Nations in relation to previous missions, including East Timor and Cambodia. There are no current missions where Defence administers UN reimbursements.

## Department of Defence

### ADMINISTERED RECONCILIATION SCHEDULE

	2013	2012
<i>For the period ended 30 June 2013</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Opening administered assets less administered liabilities as at 1 July</b>	<b>(82,776,230)</b>	<b>(47,067,564)</b>
Adjustment for errors	-	-
<b>Adjusted opening administered assets less administered liabilities</b>	<b>(82,776,230)</b>	<b>(47,067,564)</b>
Plus: Administered income	<b>1,358,433</b>	<b>1,316,076</b>
Less: Administered expenses (non CAC)	<b>(5,870,658)</b>	<b>(4,215,525)</b>
Payments to CAC Act bodies	-	-
<b>Other comprehensive income:</b>		
Administered revaluations taken to/from reserves – DHA	<b>65,285</b>	<b>(35,268)</b>
Administered revaluations taken to/from reserves – Small portfolio entities	<b>2,950</b>	<b>2,532</b>
Actuarial gains/(losses)	<b>21,519,100</b>	<b>(33,385,800)</b>
<b>Administered transfers to/from Australian Government:</b>		
Appropriation transfers from Official Public Account:		
Annual appropriations for payment to CAC Act bodies	-	-
Special appropriations (unlimited) (non CAC)	<b>2,016,218</b>	<b>1,991,997</b>
Transfers to Official Public Account	<b>(1,404,197)</b>	<b>(1,382,678)</b>
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>(65,089,099)</b>	<b>(82,776,230)</b>

## Department of Defence

## ADMINISTERED CASH FLOW STATEMENT

For the period ended 30 June 2013

		2013 \$'000	2012 \$'000
	Notes		
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Fees		11,231	11,216
Interest		30,854	32,173
Superannuation contributions		1,265,959	1,212,438
Other cash received		46,499	74,472
<b>Total cash received</b>		<b>1,354,543</b>	<b>1,330,299</b>
<b>Cash used</b>			
Subsidies paid		(95,547)	(92,061)
Employees		(1,920,671)	(1,899,936)
<b>Total cash used</b>		<b>(2,016,218)</b>	<b>(1,991,997)</b>
<b>Net cash flows from (used by) operating activities</b>	23	<b>(661,675)</b>	<b>(661,698)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Dividends		49,654	52,379
<b>Total cash received</b>		<b>49,654</b>	<b>52,379</b>
<b>Cash used</b>			
Loans to CAC Act bodies		-	-
CAC Act body investments		-	-
<b>Total cash used</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from (used by) investing activities</b>		<b>49,654</b>	<b>52,379</b>
<b>Net increase/(decrease) in cash held</b>		<b>(612,021)</b>	<b>(609,319)</b>
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from the Official Public Account for:			
Appropriations		2,016,218	1,991,997
Cash to the Official Public Account for:			
Appropriation		(1,404,197)	(1,382,678)
<b>Cash and cash equivalents at the end of the reporting period</b>	20A	<b>-</b>	<b>-</b>

Administered activities performed by Defence on behalf of the Government relate mainly to the provision of superannuation and housing support services to current and retired Defence personnel.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

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#### Notes:

- Note 1: Summary of Significant Accounting Policies
- Note 2: Events after the Reporting Period
- Note 3: Expenses
- Note 4: Income
- Note 5: Financial Assets
- Note 6: Non-Financial Assets
- Note 7: Payables
- Note 8: Interest Bearing Liabilities
- Note 9: Provisions
- Note 10: Restructuring
- Note 11: Cash Flow Reconciliation
- Note 12: Contingent Liabilities and Assets
- Note 13: Senior Executive Remuneration
- Note 14: Remuneration of Auditors
- Note 15: Financial Instruments
- Note 16: Financial Assets Reconciliation
- Note 17: Accounting for Errors
- Note 18: Income Administered on behalf of Government
- Note 19: Expenses Administered on behalf of Government
- Note 20: Assets Administered on behalf of Government
- Note 21: Liabilities Administered on behalf of Government
- Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government
- Note 23: Administered Cash Flow Reconciliation
- Note 24: Administered Commitments
- Note 25: Administered Contingent Liabilities and Contingent Assets
- Note 26: Administered Asset Additions
- Note 27: Administered Investments
- Note 28: Administered Financial Instruments
- Note 29: Administered Financial Assets Reconciliation
- Note 30: Administered Accounting for Errors
- Note 31: Appropriations
- Note 32: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund
- Note 33: Special Accounts
- Note 34: Compensation and Debt Relief
- Note 35: Assets Held in Trust
- Note 36: Reporting of Outcomes
- Note 37: Competitive Neutrality and Cost Recovery

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

#### Note 1: Summary of Significant Accounting Policies

##### 1.1 Objective of Defence

Defence is an Australian Government controlled entity which comprises the Department of Defence (Defence), as an Australian Public Service organisation, and the Australian Defence Force. The objective of Defence is to defend Australia and its national interests.

Defence is structured to meet three outcomes:

- Outcome 1 – The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability;
- Outcome 2 – The advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by the Government; and
- Outcome 3 – Support to the Australian community and civilian authorities as requested by Government.

Defence activities contributing toward these outcomes are classified as either departmental or administered.

Departmental activities involve the use of the assets, liabilities, revenues and expenses controlled or incurred by Defence in its own right. Administered activities involve the management or oversight by Defence, on behalf of the Government, of items controlled or incurred by the Government.

Defence's Outcome 1 includes both departmental and administered items, while Outcomes 2 and 3 are departmental only. Defence's administered appropriations included in Outcome 1 relate to Superannuation and Housing Support Services for current and retired Defence personnel.

The continued existence of Defence in its present form, and with its present outcomes and related programs, is dependent on Australian Government policy and on continuing appropriations by Parliament for Defence's administration and the running of programs.

##### 1.2 Basis of Preparation of the Financial Statements

The financial statements and notes are required by section 49 of the Financial Management and Accountability Act 1997 and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2012; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements and notes have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements and notes are presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required by the FMOs.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when, and only when, it is probable that the future economic benefits will flow to the entity (in the case of an asset) or it is probable that the outflow of resources embodying economic benefits will result (in the case of a liability) and these amounts can be reliably measured. However, assets and liabilities arising under Executory Contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Schedule of Contingencies (other than Unquantifiable Contingencies, which are reported at Note 12).

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when, and only when, the inflow, consumption or loss of economic benefits has occurred and can be reliably measured.

##### **Administered transactions**

Administered revenues, expenses, assets, liabilities and cash flows reported in the administered financial statements and related notes and schedules are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated in Note 1.28.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

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#### **Trust transactions**

Defence has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Australian Government. As Defence acts only in a custodial role in respect of these transactions, they are not recognised in the financial statements but are disclosed in Note 35 Assets Held in Trust.

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

#### **1.3 Significant Accounting Judgements and Estimates**

##### *(a) Significant accounting judgements*

In the process of applying Defence's accounting policies listed in this note, management has made no judgements that would have a significant impact on the amounts recorded in the financial statements.

##### *(b) Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The following accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of asset and liabilities within the next accounting period:

- Provisions for land decontamination, site restoration and SME decommissioning are based on Defence's estimates of future obligations relating to the underlying assets. Some of these estimates are supported by external valuer's opinions;
- Provisions for annual leave and long service leave are estimates based on expert actuarial assumptions on the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates;
- Other provisions are estimates for compensation claimed by victims of the disastrous collision between HMAS Melbourne and HMAS Voyager; and compensation for illnesses as a consequence of exposure on the F-111 Desal/Reseal;
- Estimates and assumptions have been made in relation to inventory obsolescence in order to determine the remaining service potential for inventory items which have experienced obsolescence or impairment and the pricing of certain legacy items;
- Low value asset pooling estimates have been made to determine the net book value of other plant and equipment asset pools. These include estimates relating to useful economic lives and disposal rates;
- Defence assesses non-financial assets for impairment by monitoring impairment indicators specific to an asset's use in the Defence context. Where these indicators signify that an asset is impaired, management has made an estimate of the recoverable amount of those assets to determine any impairment loss; and
- Defence heritage and cultural assets are stored, managed, repaired and restored in ways that will maintain their heritage and cultural value over time. As such, an assumption is made that these assets have indefinite useful lives and therefore no depreciation is recognised.

#### **1.4 Changes in Australian Accounting Standards**

##### *(a) Adoption of new Australian Accounting Standard requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard. No new standards are applicable to Defence in the current reporting period.

Other standards, amendments or interpretations which have become effective in the current reporting period and prior to signing of statements have had no financial and minimal disclosure impact or do not apply to the operations of Defence.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### (b) Future Australian Accounting Standard requirements

Prior to the signing of the Financial Statements, the Australian Accounting Standards Board issued new standards, amendments to standards and interpretations that will be effective in the future reporting periods. Except as detailed below, these standards and amendments will be applicable in future reporting periods and are not expected to have a material impact on the financial statements. The adoption of these standards and amendments is based on Defence's initial assessment at reporting date.

The following new or revised standards will be effective in future reporting periods. Whilst they are not expected to have a material impact on the financial statements, their implementation requires enhanced disclosure.

Standard	Effective for annual reporting periods beginning on or after 30 June 2013	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2015	30 June 2016
AASB 13 'Fair Value Measurements'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011)	1 January 2013	30 June 2014
AASB 1055 'Budgetary Reporting'	1 July 2014	30 June 2015

#### 1.5 Revenue

##### (a) Revenue from Government

Amounts appropriated for departmental appropriation for the year (adjusted for any formal additions and reductions) are recognised as revenue when Defence gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Defence draws down appropriations on a just-in-time basis. The undrawn appropriations as at 30 June 2013 are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

##### (b) Revenue from Provision of Goods and Rendering of Services

Revenue from the provision of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- Defence retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to Defence.

Revenue from the rendering of services is recognised by reference to the stage of completion of contracts at reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable the economic benefits of the transaction will flow to Defence.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated costs of the transaction.

##### (c) Rental Revenue

Rental revenue is accounted for on a straight line basis over the lease term. Contingent rental revenue is recognised as revenue in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental revenue.

##### (d) Resources Received Free of Charge

Resources received free of charge for goods and services are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Fair value is determined based on actual full cost if the resources were to be purchased. Resources received free of charge are recorded as either revenue or gains depending on their nature.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### 1.6 Gains

##### (a) Resources Received Free of Charge – ANAO

Resources received free of charge includes \$3.800m (2011-12: \$4.644m) for audit services provided by the Australian National Audit Office.

##### (b) Contributions of Assets

Contributions of assets at no cost or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition (with the exception of assets valued at cost), unless received from another Government agency as a consequence of a restructuring of administrative arrangements (Refer to Note 1.8(b)). Fair value is assessed by asset class as described in Note 1.20(f).

##### (c) Sale of Assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer. The gain or loss on disposal of non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the net proceeds of disposal (after deducting sale costs).

##### (d) Other Gains

Other gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on foreign exchange transactions and balances.

#### 1.7 Grants

Contributions by Defence to other government entities, private sector organisations and individuals which have been identified as a grant are recognised as an expense when incurred.

#### 1.8 Transactions with the Australian Government as Owner

##### (a) Equity injections

Amounts appropriated which are designated as 'equity injections' (less any formal reductions) are recognised directly in contributed equity in that year. Equity injection appropriations in Acts passed after the commencement of the period are recognised from the date of royal assent.

##### (b) Restructuring of Administrative Arrangements

Net assets/liabilities received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are recognised as contributions or distributions of equity respectively, at their net book value.

##### (c) Other Distributions to Owners including Repayments of Appropriations

The FMOs require that distributions to owners be debited to contributed equity unless it is a dividend. Repayments and reductions of Appropriations are recognised either as a reduction of appropriation revenue or as a reduction of contributed equity. In 2012-13 appropriation of \$0.117m (2011-12: \$2,199.1m) was returned to the Official Public Account. In recognising the repayments and reductions of appropriations funding, during the year the Minister for Finance and Deregulation issued determinations to reduce Departmental appropriations as follows:

Date	Year	Departmental Items \$'000	Equity Injections \$'000
22 November 2012	2012-13	117,002	-
	<b>Total</b>	<b>177,002</b>	<b>-</b>

#### 1.9 Cash and Cash Equivalents

Cash and cash equivalents includes notes and coins held, and any deposits in bank account held at call with a bank. Cash is measured at its nominal amount.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

#### 1.10 Financial Risk Management

Under relevant legislation and Australian Government policy, Defence is restricted from entering into borrowings, some investments and entering into derivative transactions to offset risk exposure. As such, Defence's exposure to risk is primarily related to credit risk on trade receivables and foreign currency risk in relation to payments to overseas suppliers of goods and services received. However, this exposure is minimal in terms of the operations of Defence as Defence is subject to a no win/no loss funding arrangement for foreign exchange gains and losses.

Defence is also exposed to some contract price escalation risk. This risk exposure is due to the difference in the basis on which Defence is funded for price escalations from government (being the non-farm GDP deflator) to the price escalation clauses embedded within the contracts. The risk of increased cost is managed by Defence to ensure exposure to the Australian Government is minimised.

#### 1.11 Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the assets with the associated risks and rewards are transferred to another entity. Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or has expired.

#### 1.12 Receivables

Receivables for goods and services are generally receivable within the short term and are measured at their nominal amounts less any allowance for impairment. The collectability of receivables is assessed periodically with allowances made for doubtful debts when there is objective evidence that Defence will not be able to collect the debt. No allowance is made for Australian Government, foreign government and employee debts as they are normally deemed to be collectable unless there is objective evidence to the contrary.

#### 1.13 Employee Benefits

Defence's workforce comprises Australian Public Service (APS, i.e. civilians) and Australian Defence Force (ADF, i.e. military) personnel. Employee benefits for each workforce component are based on the relevant employment agreements and legislation. Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and other entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts which are calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities (including long service leave) are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

##### *(a) Leave*

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Defence is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees' remuneration, including Defence's employer superannuation contribution, at the estimated rates that will be applied at the time that leave is taken, to the extent that leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of the Australian Government Actuary in the current year. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

##### *(b) Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. Defence recognises a provision for termination when it has a detailed formal plan for the terminations and has informed those employees affected that the terminations will be carried out.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

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#### *(c) Superannuation – APS Employees*

Permanently appointed APS employees of Defence are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) and other superannuation schemes held outside the Commonwealth.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

Defence makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Defence's employees. Defence accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid.

#### *(d) Superannuation – ADF Members*

The Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation Benefits Scheme (MSBS) are defined benefit superannuation plans for ADF members. Defence accounts for these contributions in its departmental statements as if they were contributions to defined contribution plans in accordance with AASB 119. The liability for DFRDB and MSBS is recognised in Defence's administered statements.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid.

Refer to Note 1.28 (e) and (f) for recognition in the administered statements.

#### *(e) Paid Parental Leave*

Defence provide payments to employees under the Government Paid Parental Scheme. The receipts received are offset by the payments made to the employees and any balance outstanding at the end of the year is recognised as a liability.

### **1.14 Leases**

A distinction is made between finance and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised and recognised at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the contract and a corresponding liability is also recognised at this time for the same amount. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets acquired under a finance lease are amortised over the useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis over the term of the lease which is representative of the pattern of benefits derived from the leased assets.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as an integral part of the total consideration agreed for the use of the leased asset.

### **1.15 Suppliers and Other Payables**

Defence's suppliers and other payables are generally payable within the short term and are recognised at the amount of cash or cash equivalents required to settle the liability. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### 1.16 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are disclosed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

#### 1.17 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets exchanged and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

#### 1.18 Impairment of Assets

Defence applies its impairment testing to the smallest identifiable group of assets that is useful to Defence in achieving its objectives and whose utility/usefulness is largely independent of the utility provided to Defence by other assets or groups of assets. All relevant assets were assessed for impairment during the year. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Defence was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### 1.19 Derecognition of Assets

Assets are derecognised upon disposal or when no further economic benefits or capability are expected from its use or disposal.

#### 1.20 Property, Plant and Equipment including Land, Buildings, Infrastructure, Heritage and Cultural Assets, and Specialist Military Equipment

##### (a) Individual Asset Recognition Threshold

Purchases of property, plant and equipment including land, buildings and infrastructure are recognised initially at cost where they meet the individual asset recognition threshold. Individual items are capitalised where the individual value is equal to or exceeds \$5,000 for buildings, infrastructure and heritage and cultural assets; \$2,000 for other plant and equipment; and nil for specialist military equipment and land.

##### (b) Componentisation

Major assets, such as specialist military equipment, are componentised if it is likely that the components will have useful lives that differ significantly from the other parts of the asset. The useful lives of components may be determined with reference to the individual component or the related primary asset.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### (c) Decontamination, Restoration and Decommissioning Costs

Where a legal or constructive obligation arises on acquisition to restore an asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration and/or decommissioning costs are capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life. At the same time, a corresponding provision is recognised for these costs. The carrying amount of the provision is adjusted to reflect the passage of time and any incremental costs are recognised as finance costs.

Where a legal or constructive obligation arises as a result of operations of Defence (i.e. use of the asset) the cost of restoration is recognised as an expense in the period in which the obligation arises.

One of the following past events would give rise to a constructive obligation:

- A public announcement or statement by Government or Defence that a site would be restored;
- The existence of an established pattern of past practice of restoring sites of a particular nature or type; or
- A specific policy adopted by Government with regard to restoration of sites of a particular nature or type.

#### (d) Reversal of Previous Asset Write-Downs

These are amounts relating to assets which have been previously written down or expensed in prior periods. In the current year, these items have been either reversed as a write down or capitalised for the first time due to either exceeding the capitalisation threshold or through identification during stocktakes. They may include identification of heritage and cultural assets not previously recognised as assets.

#### (e) Assets under construction (AUC)

Assets under construction (AUC) are carried at cost and are separately identified as 'work in progress' in Note 6. They include expenditure to date on major military capability and facilities projects. AUC projects are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

#### (f) Subsequent valuations

Land, buildings, infrastructure, plant and equipment and heritage and cultural assets are measured and disclosed at fair value, less any accumulated depreciation and accumulated impairment losses. Specialist military equipment is carried at cost less any accumulated depreciation and accumulated impairment losses, in accordance with the FMOs.

The basis for determining fair value is by reference to the highest and best use that is physically possible, legally permissible and financially feasible. Where an active and liquid market exists, fair value is determined by reference to market values, noting the highest and best use criteria and any specific factors that have been noted by the valuer.

Fair values for each class of asset are determined as shown below:

Asset Class	Active and Liquid Market Exists	Active and Liquid Market does not exist
Land	Market selling price	Replacement cost
Buildings	Market selling price	Depreciated replacement cost or net present value of lease payments for leased assets
Infrastructure	Market selling price	Depreciated replacement cost
Plant & Equipment	Market selling price	Depreciated replacement cost or net present value of lease payments for leased assets
Heritage and Cultural	Estimated market selling price	Depreciated reproduction cost

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. Revaluations for land, buildings and infrastructure are conducted every three years; other plant and equipment are revalued annually on a sample basis.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

Revaluation adjustments are made on a class basis. Any revaluation increment is recognised as Other Comprehensive Income under the heading of Changes in Asset Revaluation Reserves except to the extent that it reverses a previous revaluation decrement of the same class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Refer to Note 1.21 for policy regarding revaluation of intangible assets.

#### (g) Depreciation

Property, plant and equipment items having limited useful lives are systematically depreciated over their estimated useful lives on a straight-line basis. Pooled assets are depreciated using an estimated useful life based on the average useful lives of assets contained in the relevant pool.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D.

Depreciation rates (useful lives) are determined upon acquisition and are reviewed at each subsequent reporting date, and necessary adjustments are made in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated only when assets are revalued.

The following are minimum and maximum useful lives for the different asset classes. These are not necessarily indicative of typical useful lives for these asset classes.

	2012-13	2011-12
Buildings	1 to 99 years	1 to 99 years
Infrastructure	2 to 99 years	1 to 99 years
Specialist military equipment	1 to 54 years	1 to 53 years
Other plant and equipment	2 to 100 years	2 to 75 years
Assets under finance lease	4 to 60 years	3 to 60 years
Heritage and cultural	Indefinite	Indefinite

Road earthworks are depreciated over the estimated useful life of the asset except where an engineering review has determined the useful life to be indefinite, in which case no depreciation is applied.

#### (h) Heritage and Cultural Assets

Heritage and cultural items include:

- artefacts and memorabilia that are or may be of national historical or cultural significance. While many of these items represent military achievements, including paintings, memorabilia and other military items, others are associated with developments in science and exploration such as museum pieces, decommissioned aircraft and military equipment, or with significant personal achievements, such as medals, badges, uniforms and other regalia.
- buildings of historical or cultural significance. These buildings may be used for office accommodation, residences, chapels, storage and gymnasiums but are primarily held for heritage and cultural purposes.

Heritage and cultural assets are stored and managed in ways to preserve their heritage and cultural value over time.

Artefacts and memorabilia are stored and managed by Service Museums (Navy, Army and Air Force). Each Service maintains their own documented processes and procedures for the storage, documentation, restoration and preservation of various artefacts depending on their type and sensitivity.

Conservation and preservation policies include the storage of these items under appropriate conditions including, exposure to minimal UV light, stable humidity and temperatures and maintaining a dust and pest free environment as well as cataloguing and maintenance. In addition, conservation programs within Service museums aim to identify items requiring restoration with annual budgets being allocated to conduct this conservation and restorative work.

Heritage and cultural assets within Defence have been assessed to have indefinite lives. These heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. Where conservation, restoration and preservation activities demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore, not subject to depreciation which is in accordance with the implementation guidance (G4) provided in AASB 116.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

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Heritage buildings are managed by Defence Environmental Management. All Defence heritage buildings are included in the Defence Heritage Register and managed using the Defence Heritage Toolkit. This Toolkit sets out the strategies and policies for managing heritage buildings across the Defence estate as well as ensuring all disposals, acquisitions and development activities to these sites look at heritage issues and assess possible risks to any values and mitigation strategies via Heritage Impact Assessments. The Toolkit has been established in accordance with the Environment Protection and Biodiversity Conservation Act 1999. Further information on heritage management across the Defence estate can be obtained from the following site: <http://www.defence.gov.au/environment/heritage.htm>

#### 1.21 Intangibles

Defence's intangibles comprise externally acquired and internally developed computer software for internal use and other externally acquired and internally developed intangibles. Intangibles with gross values greater than \$150,000 are capitalised when they meet the recognition criteria in AASB 138 Intangible Assets.

All intangibles are amortised on a straight-line basis over its anticipated useful life. The useful lives of Defence software are 1-24 years (2011-12: 1-24 years) and the useful lives of Defence's other intangibles are 4-35 years (2011-12: 4-35 years). All intangible assets are assessed annually for indications of impairment.

Defence recognises its intangible assets initially at cost and measures those which have an active market at fair value subsequent to initial recognition. If an intangible asset is acquired at no cost or for nominal consideration, other than those acquired through restructuring, it is recognised initially at fair value as at the date of acquisition.

All Defence intangible assets are currently stated at cost or fair value less any subsequent accumulated amortisation and accumulated impairment losses.

Acquired intellectual property may form part of the acquisition of particular tangible assets. Where the acquired intellectual property is inseparable from the underlying tangible asset it is reflected in the value of the tangible asset in the balance sheet.

Defence reviews the useful life of intangible assets annually based on the service potential of the assets. All Defence intangible assets have finite useful lives and are amortised over their anticipated useful lives. Where there is an indication that the service potential of an intangible asset is impaired, the recoverable amount of that asset is determined based on the remaining service potential. Where the recoverable amount is lower than the carrying amount, the asset is written down to its recoverable amount.

#### 1.22 Inventories

Defence holds inventory for its own use and does not ordinarily hold inventory for sale. Sales of inventory relate to minor fuel sales to foreign governments. Inventory held for use is valued at cost adjusted where applicable for loss of service potential. Defence considers that loss of operating capacity due to obsolescence is the most appropriate basis for loss of service potential of its inventories.

Costs incurred in bringing each item of inventory (primarily explosive ordnance and general stores inventory) to its present location and condition that are capable of being allocated on a reasonable basis are assigned to inventory. The costs of inventories are assigned by using the weighted average cost formula.

Inventories acquired at no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

#### 1.23 Assets Held for Sale

Non-current assets are classified as held for sale if the carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Classification as held for sale occurs when the asset is available for immediate sale in its present condition, and the sale is highly probable. On classification as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell. Any write down to fair value less costs to sell is recognised as an impairment loss. Assets which have been classified as held for sale are no longer subject to depreciation or amortisation.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

#### 1.24 Prepayments

Prepayments, excluding those paid to DMO or to employees as retention benefit payments, are recognised if the value of the payment is \$50,000 or greater.

Prepayments made to DMO for acquisition and sustainment services and to employees for retention benefits, are recognised when the payment is made irrespective of the amount.

#### 1.25 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate on the date of transaction. Foreign currency receivables and payables are translated at the exchange rate at the balance date.

Non-financial items that are measured at cost in a foreign currency are translated using the spot exchange rate at the date of the initial transaction. Non-financial items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

All exchange gains and losses are reported in the Statement of Comprehensive Income.

#### 1.26 Taxation

Defence is exempt from all forms of taxation except Fringe Benefits Tax (FBT), the Goods and Services Tax (GST) and certain excise and customs duties.

Revenues, expenses, assets and liabilities are recognised net of GST, except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables which are recognised inclusive of GST.

#### 1.27 Investments in Co-operative Research Centres

Defence has interests, through partial ownership or through participation in governance, in several Co-operative Research Centres external to the Commonwealth. These centres are: the Co-operative Research Centre for Advance Composite Structures (CRC ACS); the Co-operative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE); the Co-operative Research Centre for Spatial Information (CRC SI) and the CAST Co-operative Research Centre (CAST CRC) CAST CRC Limited (CAST).

Defence does not have control, joint control or significant influence over these entities. As Defence's interest in these entities is immaterial, they have not been recognised in the financial statements.

#### 1.28 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities, contingencies and commitments and cash flows are disclosed in the administered financial statements and related schedules and notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

##### (a) Administered Cash Transfers to and from Official Public Account

Revenue collected by Defence, for use by the Australian Government rather than Defence, is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

##### (b) Revenue

All administered revenues relate to activities performed by Defence on behalf of the Australian Government. Administered revenues mainly comprise military superannuation contributions, payments received from the United Nations and foreign governments, bank interest, dividends, loan interest and State Tax Equivalent payments received from Defence Housing Australia and licence fees received under the Defence Home Ownership Assistance Scheme.

##### (c) Loans Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised as income or expense.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

#### (d) Administered Investments

Defence reports the Australian Government's capital investment in Defence Housing Australia (DHA) which is outlined at Notes 20C and 27. The investment is classified as 'available for sale' and is measured at fair value using the net assets valuation approach in accordance with the FMOs. The investment was assessed for impairment at year end and no indicators of impairment were noted.

The following Commonwealth Authorities and Companies are small portfolio bodies within the Defence Portfolio:

- Australian Strategic Policy Institute Limited;
- Army and Air Force Canteen Service (Frontline Defence Services);
- Australian Military Forces Relief Trust Fund (Army Relief Trust Fund);
- Royal Australian Air Force Veterans' Residences Trust Fund;
- Royal Australian Air Force Welfare Trust Fund;
- Royal Australian Navy Central Canteens Board;
- Royal Australian Navy Relief Trust Fund;
- AAF Company; and
- RAAF Welfare Recreational Company.

The Australia Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

The remaining bodies were established through either their own enabling legislation or constitution to provide services/support to military personnel (including retired personnel in some circumstances). The Government has an oversight role on the investment in these bodies on behalf of the beneficiaries.

These investments are classified as 'available for sale' and are measured at fair value using the net assets valuation approach in accordance with the FMOs.

#### (e) Military Retention Benefits

Certain categories of ADF personnel, who are members of the Military Superannuation Benefits Scheme (MSBS) and have had 15 years of service, receive retention benefits as an incentive for continued service. Retention benefit payments are initially recorded as prepayments and amortised over the expected period of service.

#### (f) Military Superannuation

The Defence Force Retirement and Death Benefits Scheme (DFRDB) is a fully unfunded scheme and the Military Superannuation and Benefits Scheme (MSBS) is a partly funded scheme. MSBS member contributions are paid into the Military Super and Benefits Fund (MSB Fund) that is controlled by the Commonwealth Superannuation Corporation and are therefore not reflected in the administered financial statements. The Australian Government, on behalf of the MSB Fund, makes funded benefit payments to members of the scheme and is reimbursed by the MSB Fund for these payments.

The Australian Government Actuary (AGA) estimates the provisions and expected future cash flows as at 30 June each year. These estimates are reflected in the administered financial statements. The AGA completes a full review of the unfunded liabilities every three years and issues a Long Term Cost Report. This was last completed in 2011.

Actuarial gains and losses for defined benefit plans are recognised applying the "direct to equity" option as outlined in AASB 119.

#### (g) Other Guarantees

There are no quantifiable administered amounts guaranteed by the Commonwealth to disclose in the administered financial statements.

There are no unquantifiable guarantees disclosed in the Administered Contingent Liabilities and Contingent Assets in Note 25.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

#### (h) Indemnities

There are currently no quantifiable indemnities to disclose in the administered financial statements. There are no unquantifiable indemnities disclosed in the Administered Contingent Liabilities and Contingent Assets in Note 25.

#### (i) Subsidies

Defence administers the Defence Home Owner Subsidy Scheme and the Defence Home Ownership Assistance Scheme on behalf of the Government.

Subsidy liabilities are recognised to the extent that: (i) the services required to be performed by the recipient have been performed; or (ii) eligibility criteria have been satisfied, but payments due have not been made.

#### (j) Payments to CAC Act Bodies

Payments to CAC Act bodies from amounts appropriated for that purpose are classified as either administered expenses, loans receivable or an increase to the carrying amount of the investment held in the relevant portfolio department. Defence acts as the relevant portfolio department for Defence Housing Australia. The appropriation to Defence is disclosed in Table A in Note 31.

## Note 2: Events after the Reporting Period

### Departmental

There are no post balance sheet events with a material effect on the financial statements.

### Administered

There are no post balance sheet events with a material effect on the financial statements.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 3: Expenses

	2013 \$'000	2012 \$'000
<b>Note 3A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,227,049	1,176,331
Superannuation:		
Defined contribution plan	86,954	76,376
Defined benefit plans	138,802	120,817
Leave and other entitlements	143,274	175,374
Fringe benefits tax	8,828	4,096
Separation and redundancies	34,525	3,243
Other allowances	32,134	26,054
Health expenses	5,038	5,089
Other employee expenses	1,070	1,009
<b>Total APS employee benefits</b>	<b>1,677,674</b>	<b>1,588,389</b>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	4,273,658	4,229,674
Superannuation:		
Defined benefit plans	1,384,082	1,336,983
Housing <sup>1</sup>	776,447	776,850
Leave and other entitlements	446,487	494,172
Fringe benefits tax	351,306	356,205
Overseas allowances	264,680	279,612
Separation and redundancies	10,779	16,185
Other allowances	339,614	339,809
Health expenses	356,104	313,689
Other employee expenses	105,305	109,832
<b>Total ADF employee benefits</b>	<b>8,308,462</b>	<b>8,253,011</b>
<b>Total employee benefits</b>	<b>9,986,136</b>	<b>9,841,400</b>

<sup>1</sup> Housing expenses include lease payments made to DHA for the provision of Housing for Australian Defence Force (ADF) members with families. Due to their nature, these payments are classified as employee expenses. Residences leased from DHA are subleased by Defence to ADF members for a nominal charge. Sublease expenses are paid by Defence to DHA and recognised as part of ADF housing expenses.

For the current financial year, sublease expenses were \$485.25m (2011-2012: \$477.05m).

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 3B: Supplier expenses</b>		
<b>Goods and Services</b>		
Inventory consumption	831,804	1,069,409
Sustainment of specialist military equipment	4,166,546	4,003,243
Garrison support and mess operations	641,764	665,737
Travel	166,491	226,382
Freight, storage and removal	439,906	425,343
Training	298,022	325,963
Repair and overhaul	170,517	199,750
Communications and information technology	586,407	717,786
Professional services/technical advice	498,478	555,258
Estate upkeep	473,862	757,224
Research and development	106,096	140,860
Utilities	202,020	170,173
Purchase of minor assets	31,126	118,743
Other	841,333	892,051
<b>Total goods and services</b>	<b>9,454,372</b>	<b>10,267,922</b>
<b>Goods and services are made up of:</b>		
Provision of goods - related entities	19,276	62,102
Provision of goods - external entities	1,243,618	1,502,460
Rendering of services - related entities	4,361,416	4,184,007
Rendering of services - external entities	3,830,062	4,519,353
<b>Total goods and services</b>	<b>9,454,372</b>	<b>10,267,922</b>
<b>Other supplier expenses</b>		
Operating lease rentals - related entities:		
Minimum lease repayments	4,102	4,570
Operating lease rentals - external parties:		
Minimum lease repayments	308,618	353,967
Contingent Rentals	11,244	8,785
Sublease	3,595	3,734
Finance lease contingent rent	-	342
Workers compensation premiums	30,502	26,678
<b>Total other supplier expenses</b>	<b>358,061</b>	<b>398,076</b>
<b>Total supplier expenses</b>	<b>9,812,433</b>	<b>10,665,998</b>
<b>Note 3C: Grants</b>		
Public sector:		
State and Territory Governments	700	217
Private sector:		
Non-profit organisations	5,758	28,819
Overseas	44,278	42,269
<b>Total grants</b>	<b>50,736</b>	<b>71,305</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 3D: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Buildings	557,492	483,112
Buildings - leasehold improvements	17,586	13,796
Specialist military equipment	2,688,394	2,545,733
Infrastructure	326,145	289,954
Plant and equipment	234,491	157,173
<b>Total depreciation</b>	<b>3,824,108</b>	<b>3,489,768</b>
<b>Amortisation</b>		
Buildings under finance lease	35,186	29,495
Infrastructure under finance lease	1,371	388
Plant and equipment under finance lease	41,262	29,643
Software under finance lease	-	-
Software	83,676	62,996
Other intangibles	14,374	18,694
<b>Total amortisation</b>	<b>175,869</b>	<b>141,216</b>
<b>Total depreciation and amortisation</b>	<b>3,999,977</b>	<b>3,630,984</b>
<i>The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows.</i>		
Buildings	610,264	526,403
Specialist military equipment	2,688,394	2,545,733
Infrastructure	327,516	290,342
Plant and equipment	275,753	186,816
Software and intangibles	98,050	81,690
<b>Total depreciation and amortisation</b>	<b>3,999,977</b>	<b>3,630,984</b>
<b>Note 3E: Finance costs</b>		
Finance leases	63,846	66,359
Unwinding of discount for restoration, decontamination and decommissioning	21,197	34,186
Bank interest	6	2
<b>Total finance costs</b>	<b>85,049</b>	<b>100,547</b>

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 3F: Write-down and impairment of assets</b>		
<b>Financial assets</b>		
Receivables	837	896
<b>Total financial assets</b>	<b>837</b>	<b>896</b>
 This is represented by:		
Debts considered unrecoverable	440	673
Impairment allowance	397	223
	<b>837</b>	<b>896</b>
 <b>Non-financial assets</b>		
<b>Land and buildings</b>		
Assets in use	86,037	42,968
Work in progress	9,864	1,063
<b>Total land and buildings</b>	<b>95,901</b>	<b>44,031</b>
 <b>Specialist military equipment</b>		
Assets in use	295,400	268,052
Work in progress	13,282	190,293
<b>Total specialist military equipment</b>	<b>308,682</b>	<b>458,345</b>
 <b>Infrastructure</b>		
Assets in use	5,207	2,827
Work in progress	524	3,303
<b>Total infrastructure</b>	<b>5,731</b>	<b>6,130</b>
 <b>Plant and equipment</b>		
Assets in use	13,526	14,075
Work in progress	4,594	5,065
<b>Total plant and equipment</b>	<b>18,120</b>	<b>19,140</b>
 <b>Heritage and cultural assets</b>		
Assets in use	45	4,999
<b>Total heritage and cultural assets</b>	<b>45</b>	<b>4,999</b>
 <b>Intangibles</b>		
Assets in use	246	26,573
Work in progress	1,627	3,344
<b>Total intangibles</b>	<b>1,873</b>	<b>29,917</b>
 <b>Inventory</b>		
Write down of general stores inventory	238,411	242,256
Write down on Explosive ordnance	126,638	125,080
Write down of fuel	4,360	2,670
<b>Total inventory</b>	<b>369,409</b>	<b>370,006</b>
<b>Total write-down and impairment of assets</b>	<b>800,598</b>	<b>933,464</b>
 <b>Note 3G: Foreign exchange</b>		
<b>Foreign exchange gains</b>		
Non-speculative	4,654	5,008
<b>Foreign exchange losses</b>		
Non-speculative	(5,700)	(4,640)
<b>Total net gain (loss) foreign exchange</b>	<b>(1,046)</b>	<b>368</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 3H: Sale of assets</b>		
<b>Land and buildings</b>		
Proceeds from sale	10,774	78,875
Carrying value of assets sold	(8,011)	(87,128)
Selling expense	(6,861)	(5,479)
<b>Net gain (loss) from sale of land and buildings</b>	<b>(4,098)</b>	<b>(13,732)</b>
<b>Specialist military equipment</b>		
Proceeds from sale	12,489	598
Carrying value of assets sold	(18,508)	(108)
Selling expense	(2,280)	-
<b>Net gain (loss) from sale of specialist military equipment</b>	<b>(8,299)</b>	<b>490</b>
<b>Infrastructure</b>		
Proceeds from sale	-	-
Carrying value of assets sold	-	-
Selling expense	(8)	(140)
<b>Net gain (loss) from sale of infrastructure</b>	<b>(8)</b>	<b>(140)</b>
<b>Plant and equipment</b>		
Proceeds from sale	19,606	24,329
Carrying value of assets sold	(19,453)	(23,148)
Selling expense	(1,717)	(1,657)
<b>Net gain (loss) from sale of plant and equipment</b>	<b>(1,564)</b>	<b>(476)</b>
<b>Heritage and cultural assets</b>		
Proceeds from sale	457	573
Carrying value of assets sold	(457)	(596)
Selling expense	(73)	(192)
<b>Net gain (loss) from sale of heritage and cultural assets</b>	<b>(73)</b>	<b>(215)</b>
<b>Other assets</b>		
Proceeds from sale	2,400	857
Carrying value of assets sold	-	-
Selling expense	-	-
<b>Net gain (loss) from sale of other assets</b>	<b>2,400</b>	<b>857</b>
<b>Total net gain (loss) from sale of assets</b>	<b>(11,642)</b>	<b>(13,216)</b>
<b>Note 3I: Other expenses</b>		
Act of Grace payments (section 33)	409	394
Ex-gratia payments	-	600
Tactical Payment Scheme payments	67	45
Defective Administration Scheme payments	296	464
Restoration, decontamination and decommissioning costs	76,093	82,157
Other	11,799	13,755
<b>Total other expenses</b>	<b>88,664</b>	<b>97,415</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 4: Income

##### Revenue

2013	2012
\$'000	\$'000

##### Note 4A: Provision of goods and rendering of services (including cost recovery)

##### Provision of goods

Rations and quarters - cost recovery	52,540	53,460
Provision of fuel - cost recovery	57,666	52,154
Other (including sale of obsolete and surplus inventory)	27,514	36,338
<b>Total provision of goods</b>	<b>137,720</b>	<b>141,952</b>

##### Provision of goods to

Related entities	12,273	15,021
External entities	125,447	126,931

<b>Total provision of goods</b>	<b>137,720</b>	<b>141,952</b>
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##### Rendering of services

Logistics support recovery	36,698	43,624
s31 recoveries	34,998	24,381
Other governments/agencies	10,042	2,391
Other	29,478	32,214
<b>Total rendering of services</b>	<b>111,216</b>	<b>102,610</b>

##### Rendering of services to:

Related entities	17,191	12,852
External entities	94,025	89,758

<b>Total rendering of services</b>	<b>111,216</b>	<b>102,610</b>
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<b>Total provision of goods and rendering of services (including cost recovery)</b>	<b>248,936</b>	<b>244,562</b>
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##### Note 4B: Sustainment expenditure recovered from DMO

Logistics	111,066	149,928
Research and Development	27,567	34,351
Other	7,227	13,411
<b>Total sustainment expenditure recovered from DMO</b>	<b>145,860</b>	<b>197,690</b>

##### Note 4C: Rental income

##### Operating leases:

Other	10,387	9,481
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<b>Total rental income</b>	<b>10,387</b>	<b>9,481</b>
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##### Note 4D: Other revenue

Excise refunds	7,268	6,120
Settlement of damages	430,392	169,024
Foreign military sales refunds	23,755	2,371
Other minor revenues	9,311	17,110
Other resources received free of charge	742	488
<b>Total other revenue</b>	<b>471,468</b>	<b>195,113</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Gains

	2013 \$'000	2012 \$'000
<b>Note 4E: Reversals of previous asset write-downs and impairments</b>		
Land and buildings	4,964	4,032
Specialist military equipment	103,916	357,417
Infrastructure	7,105	2,152
Plant and equipment	8,108	3,092
Heritage and cultural assets	-	8,178
Software and intangibles	-	501
<b>Total property, plant and equipment and intangibles</b>	<b>124,093</b>	<b>375,372</b>
Receivables	1,939	470
Inventory	191,883	103,731
<b>Total reversal of previous asset write-downs and impairments</b>	<b>317,915</b>	<b>479,573</b>

#### Note 4F: Other gains

Resources received free of charge - ANAO	3,800	4,644
Other gains	62,072	79,704
<b>Total other gains</b>	<b>65,872</b>	<b>84,348</b>

#### Revenue from Government

##### Note 4G: Revenues from government

Appropriation:

Departmental appropriation	22,707,890	22,466,427
<b>Total revenues from Government</b>	<b>22,707,890</b>	<b>22,466,427</b>

Defence is appropriated on a net cash basis which includes the appropriation revenue of \$22,708m (2011-12: \$22,466m) included in the Statement of Comprehensive Income, and the equity injection of \$0.456m (2011-12: \$2,774m) included in the Balance Sheet.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 5: Financial Assets

	2013	2012
	\$'000	\$'000
<b>Note 5A: Cash and cash equivalents</b>		
Cash on hand	3,611	5,570
Cash at bank - at call	64,849	12,521
<b>Total cash and cash equivalents</b>	<b>68,460</b>	<b>18,091</b>

## Note 5B: Trade and other receivables

## Goods and services

Related entities	7,402	26,056
External parties	57,623	95,881
<b>Total receivables for goods and services</b>	<b>65,025</b>	<b>121,937</b>

## Appropriations receivable

For existing programs	67,349	34,164
For departmental supplementation	-	-
<b>Total appropriations receivable</b>	<b>67,349</b>	<b>34,164</b>

## Other receivables

GST receivable from the Australian Taxation Office	58,275	84,062
Accrued revenue	50,125	26,692
Other	638,840	173,156
<b>Total other receivables</b>	<b>747,240</b>	<b>283,910</b>
<b>Total trade and other receivables (gross)</b>	<b>879,614</b>	<b>440,011</b>

## Less impairment allowance account

Goods and services	(4,775)	(6,315)
<b>Total impairment allowance account</b>	<b>(4,775)</b>	<b>(6,315)</b>
<b>Total trade and other receivables (net)</b>	<b>874,839</b>	<b>433,696</b>

## Trade and receivables are expected to be recovered in:

Less than 12 months	460,486	417,942
More than 12 months	414,353	15,754
<b>Total trade and other receivables (net)</b>	<b>874,839</b>	<b>433,696</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013	2012
	\$'000	\$'000
<b>Note 5B: Trade and other receivables (continued)</b>		
<b>Trade and other receivables (gross) are aged as follows:</b>		
Not overdue	849,584	397,135
Overdue by:		
Less than 30 days	12,671	8,776
31 to 60 days	1,062	870
61 to 90 days	674	17,187
More than 90 days	15,623	16,043
<b>Total trade and other receivables (gross)</b>	<b>879,614</b>	<b>440,011</b>
<b>The impairment allowance account is aged as follows:</b>		
Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	(4,775)	(6,315)
<b>Total impairment allowance account</b>	<b>(4,775)</b>	<b>(6,315)</b>
<b>Reconciliation of the impairment allowance account:</b>		
Opening balance	(6,315)	(6,894)
Amounts written off	(2)	58
Amounts recovered and reversed	1,939	746
Increase/decrease recognised in net surplus/deficit	(397)	(225)
<b>Closing balance</b>	<b>(4,775)</b>	<b>(6,315)</b>

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 6: Non-Financial Assets

	2013 \$'000	2012 \$'000
<b>Note 6A: Land and buildings</b>		
<b>Land</b>		
At fair value <sup>1</sup>	4,539,888	4,491,934
Land held under finance lease	89,135	87,541
<b>Total land</b>	<b>4,629,023</b>	<b>4,579,475</b>
<b>Buildings</b>		
<b>Buildings on freehold land</b>		
At fair value <sup>1</sup>	9,473,247	9,431,952
Accumulated depreciation	(323,687)	(203,193)
Accumulated impairment losses	(7,595)	(25,717)
<b>Total buildings on freehold land</b>	<b>9,141,965</b>	<b>9,203,042</b>
Work in progress - at cost	1,267,631	1,262,498
Buildings held under finance lease	900,767	659,774
Accumulated amortisation	(13,980)	(9,574)
	886,787	650,200
<b>Total buildings</b>	<b>11,296,383</b>	<b>11,115,740</b>
<b>Total land and buildings</b>	<b>15,925,406</b>	<b>15,695,215</b>

<sup>1</sup> All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at note 1.20(f).

Land and Buildings held for sale are included at Note 6J.

## Note 6B: Specialist military equipment

## Specialist military equipment in use other than military support items

At cost	49,451,571	50,624,577
Accumulated depreciation	(25,746,507)	(25,971,592)
Accumulated impairment losses	(341,875)	(326,957)
<b>Net carrying value of specialist military equipment</b>	<b>23,363,189</b>	<b>24,326,028</b>

## Military support items

At cost	14,688,584	13,577,942
Accumulated depreciation	(8,431,038)	(8,176,538)
Accumulated impairment losses	(133,687)	(112,049)
<b>Net carrying value of military support items</b>	<b>6,123,859</b>	<b>5,289,355</b>

## Work in progress - at cost

	10,757,773	10,712,409
<b>Total specialist military equipment</b>	<b>40,244,821</b>	<b>40,327,792</b>

Specialist Military Equipment held for sale are included at Note 6J.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 6C: Infrastructure</b>		
At fair value <sup>1</sup>	5,302,091	5,307,259
Accumulated depreciation	(177,555)	(117,872)
Accumulated impairment losses	(57)	-
	<u>5,124,479</u>	<u>5,189,387</u>
Work in progress - at cost	188,408	188,510
Infrastructure held under finance lease	71,112	8,805
Accumulated amortisation	(1,104)	(32)
	<u>70,008</u>	<u>8,773</u>
<b>Total infrastructure</b>	<u>5,382,895</u>	<u>5,386,670</u>

<sup>1</sup> All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at note 1.20(f).

Infrastructure held for sale are included at Note 6J.

#### Note 6D: Plant and equipment

At fair value <sup>1</sup>	1,274,604	1,164,245
Accumulated depreciation	(265,296)	(249,890)
Accumulated impairment losses	(14,183)	(16,155)
	<u>995,125</u>	<u>898,200</u>
Work in progress - at cost	288,310	339,552
Plant and equipment under finance lease	116,298	112,872
Accumulated amortisation	(18,510)	(6,891)
	<u>97,788</u>	<u>105,981</u>
<b>Total plant and equipment</b>	<u>1,381,223</u>	<u>1,343,733</u>

<sup>1</sup> All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at note 1.20(f).

Plant and equipment held for sale are included at Note 6J.

#### Note 6E: Heritage and cultural assets

At fair value <sup>1</sup>	1,023,969	984,939
<b>Total heritage and cultural assets</b>	<u>1,023,969</u>	<u>984,939</u>

<sup>1</sup> All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at note 1.20(f).

Heritage and Cultural Assets held for sale are included at Note 6J.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 6F: Intangibles</b>		
<b>Computer software</b>		
<b><i>Purchased</i></b>		
At cost	767,533	667,326
Accumulated amortisation	(418,120)	(294,022)
Accumulated impairment losses	(2,933)	(2,933)
	<u>346,480</u>	<u>370,371</u>
Work in progress - at cost	75,628	113,303
Computer software under finance lease	-	64,944
Accumulated amortisation	-	(64,944)
	<u>-</u>	<u>-</u>
<b>Total purchased computer software</b>	<b><u>422,108</u></b>	<b><u>483,674</u></b>
<b><i>Internally generated</i></b>		
At cost	209,621	83,543
Accumulated amortisation	(72,467)	(52,993)
Accumulated impairment losses	(46)	(46)
<b>Total internally generated computer software</b>	<b><u>137,108</u></b>	<b><u>30,504</u></b>
<b>Total computer software</b>	<b><u>559,216</u></b>	<b><u>514,178</u></b>
<b>Other intangibles</b>		
<b><i>Purchased</i></b>		
At cost	85,437	83,471
Accumulated amortisation	(49,105)	(43,577)
Accumulated impairment losses	(2,785)	(3,226)
	<u>33,547</u>	<u>36,668</u>
Work in progress - at cost	-	26
<b>Total other intangibles purchased</b>	<b><u>33,547</u></b>	<b><u>36,694</u></b>
<b><i>Internally generated</i></b>		
At cost	69,448	71,703
Accumulated amortisation	(52,961)	(44,655)
Accumulated impairment losses	(2,914)	(2,914)
<b>Total other intangibles internally generated</b>	<b><u>13,573</u></b>	<b><u>24,134</u></b>
<b>Total other intangibles</b>	<b><u>47,120</u></b>	<b><u>60,828</u></b>
<b>Total intangibles</b>	<b><u>606,336</u></b>	<b><u>575,006</u></b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 6G: Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment, and intangibles (2012-2013)**

Item	Land	Buildings	Specialist Military Equipment	Infra-structure	Plant and Equipment (owned and leased)	Heritage and Cultural Assets <sup>1</sup>	Computer Software - Purchased	Computer Software - Internally Generated	Other Intangibles Purchased	Other Intangibles Internally Generated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2012</b>											
Gross book value	4,579,475	11,354,224	74,914,928	5,504,574	1,616,669	984,939	845,573	83,543	83,497	71,703	100,039,125
Accumulated depreciation/amortisation & impairment	-	(238,484)	(34,587,136)	(117,904)	(272,936)	-	(361,899)	(53,039)	(46,803)	(47,569)	(35,725,770)
<b>Net book value 1 July 2012</b>	<b>4,579,475</b>	<b>11,115,740</b>	<b>40,327,792</b>	<b>5,386,670</b>	<b>1,343,733</b>	<b>984,939</b>	<b>483,674</b>	<b>30,504</b>	<b>36,694</b>	<b>24,134</b>	<b>64,313,355</b>
Additions:											
By purchase	27,312	737,994	2,781,880	171,857	252,156	441	51,036	5,927	22	-	4,028,625
By finance lease	-	283,362	-	62,615	18,118	-	-	-	-	-	364,095
By donation/gift	-	-	-	-	-	-	-	-	-	-	-
First found assets recognised	3,448	47,935	122,195	27,504	598	-	-	-	-	-	201,680
Revaluations/impairments recognised in other comprehensive income	18,817	(46,109)	-	(38,092)	71,652	7,878	-	-	-	-	14,146
Reclassification	1,500	(108,832)	(69,017)	98,613	549	563	(44,046)	119,385	214	1,071	-
Depreciation/amortisation expense	-	(610,264)	(2,688,394)	(327,516)	(275,753)	-	(64,000)	(19,676)	(5,059)	(9,315)	(3,999,977)
Revaluations/write-downs and impairments recognised in operating result	-	(95,901)	(308,682)	(5,731)	(18,120)	(45)	(1,873)	-	-	-	(430,352)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs	-	4,964	103,916	7,105	8,108	-	-	-	-	-	124,093
Transfers in (out)	(702)	(31,690)	11,359	(130)	(470)	30,650	(2,683)	968	1,676	(2,317)	6,661
Transfers to/from Assets Held for Sale	3,205	3,163	(17,720)	-	105	-	-	-	-	-	(11,247)
Disposals:											
Other disposals	(4,032)	(3,979)	(18,508)	-	(19,453)	(457)	-	-	-	-	(46,429)
<b>Net book value 30 June 2013</b>	<b>4,629,023</b>	<b>11,296,383</b>	<b>40,244,821</b>	<b>5,382,895</b>	<b>1,381,223</b>	<b>1,023,969</b>	<b>422,108</b>	<b>137,108</b>	<b>33,547</b>	<b>13,573</b>	<b>64,564,650</b>
<b>Net book value as at 30 June 2013 represented by:</b>											
Gross book value	4,629,023	11,641,645	74,897,928	5,561,612	1,679,212	1,023,969	843,161	209,621	85,437	69,448	100,641,056
Accumulated depreciation/amortisation and impairment	-	(345,262)	(34,653,107)	(178,717)	(297,989)	-	(421,053)	(72,513)	(51,890)	(55,875)	(36,076,406)
<b>Closing net book value at 30 June 2013</b>	<b>4,629,023</b>	<b>11,296,383</b>	<b>40,244,821</b>	<b>5,382,895</b>	<b>1,381,223</b>	<b>1,023,969</b>	<b>422,108</b>	<b>137,108</b>	<b>33,547</b>	<b>13,573</b>	<b>64,564,650</b>

<sup>1</sup> Where land, buildings and other infrastructure plant and equipment meet the definition of a heritage and cultural item they have been disclosed in the heritage and cultural assets table.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2013

**Note 6G: Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment, and intangibles (2011-2012)**

Item	Land	Buildings	Specialist Military Equipment	Infra-structure	Plant and Equipment (owned and leased)	Heritage and Cultural Assets <sup>1</sup>	Computer Software - Purchased	Computer Software - Internally Generated	Other Intangibles Purchased	Other Intangibles Internally Generated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2011</b>											
Gross Book value	4,624,927	11,239,810	72,948,275	5,360,546	1,473,012	965,944	823,692	77,453	76,223	66,050	97,655,932
Accumulated depreciation/amortisation & impairment	-	(294,942)	(34,310,215)	(119,961)	(208,351)	-	(350,052)	(44,680)	(39,666)	(33,629)	(35,401,496)
<b>Net book value 1 July 2011</b>	<b>4,624,927</b>	<b>10,944,868</b>	<b>38,638,060</b>	<b>5,240,585</b>	<b>1,264,661</b>	<b>965,944</b>	<b>473,640</b>	<b>32,773</b>	<b>36,557</b>	<b>32,421</b>	<b>62,254,436</b>
Additions:											
By purchase	21,971	693,027	4,325,195	244,895	285,056	24	88,088	2,149	32	381	5,660,818
By finance lease	-	-	-	-	8,806	-	-	-	-	-	8,806
By donation/gift	-	-	-	-	-	-	-	-	-	-	-
First found assets recognised	-	34,317	104,495	22,680	526	-	-	-	-	-	162,018
Revaluations/impairments recognised in other comprehensive income	(26,658)	89,910	-	61,971	11,105	14,237	-	-	-	-	150,565
Reclassification	(3,854)	(66,750)	(60,633)	110,869	(418)	715	1,196	5,858	7,694	5,323	-
Depreciation/amortisation expense	-	(526,403)	(2,545,733)	(290,342)	(186,816)	-	(52,598)	(10,398)	(4,703)	(13,991)	(3,630,984)
Revaluations/write-downs and impairments recognised in operating result	(1,425)	(42,606)	(458,345)	(6,130)	(19,140)	(4,999)	(26,985)	(46)	(2,886)	-	(562,562)
Other movements											
Reversal of previous asset write-downs	2	4,030	357,417	2,152	3,092	8,178	333	168	-	-	375,372
Transfers in (out)	-	(40)	(21,716)	(10)	(182)	-	-	-	-	-	(21,948)
Transfers to/from Assets Held for Sale	37,611	(584)	(10,840)	-	191	1,436	-	-	-	-	27,814
Disposals:											
Other disposals	(73,099)	(14,029)	(108)	-	(23,148)	(596)	-	-	-	-	(110,980)
<b>Net book value 30 June 2012</b>	<b>4,579,475</b>	<b>11,115,740</b>	<b>40,327,792</b>	<b>5,386,670</b>	<b>1,343,733</b>	<b>984,939</b>	<b>483,674</b>	<b>30,504</b>	<b>36,694</b>	<b>24,134</b>	<b>64,313,355</b>
<b>Net book value as at 30 June 2012 represented by:</b>											
Gross book value	4,579,475	11,354,224	74,914,928	5,504,574	1,616,669	984,939	845,573	83,543	83,497	71,703	100,039,125
Accumulated depreciation/amortisation and impairment	-	(238,484)	(34,587,136)	(117,904)	(272,936)	-	(361,899)	(53,039)	(46,803)	(47,569)	(35,725,770)
<b>Closing net book value at 30 June 2012</b>	<b>4,579,475</b>	<b>11,115,740</b>	<b>40,327,792</b>	<b>5,386,670</b>	<b>1,343,733</b>	<b>984,939</b>	<b>483,674</b>	<b>30,504</b>	<b>36,694</b>	<b>24,134</b>	<b>64,313,355</b>

<sup>1</sup> Where land, buildings and other infrastructure plant and equipment meet the definition of a heritage and cultural item, they have been disclosed in the heritage and cultural assets table.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 6H: Inventories</b>		
Inventories - General	2,332,109	2,143,361
Inventories - Explosive ordnance	3,716,807	3,389,161
Inventories - Fuel	111,372	153,903
<b>Total inventories</b>	<b>6,160,288</b>	<b>5,686,425</b>

**Inventories are expected to be consumed in:**

No more than 12 months	644,720	710,705
More than 12 months	5,515,568	4,975,720
<b>Total inventories</b>	<b>6,160,288</b>	<b>5,686,425</b>

**Inventory valuation dissection**

<b>Balance at cost as at 1 July</b>	<b>5,686,425</b>	<b>5,422,087</b>
Inventory acquired during period	1,499,675	1,639,016
Reversal of previous inventory write downs during period	191,883	103,731
Inventory consumed during period	(831,804)	(1,069,409)
Inventory write downs during period	(369,409)	(370,006)
Transfer to inventory during period	18,369	7,103
Transfer from inventory during period	(34,851)	(46,097)
<b>Closing balance as at 30 June</b>	<b>6,160,288</b>	<b>5,686,425</b>

No items of inventory were recognised at fair value less cost to sell.

**Note 6I: Prepayments**

Capital prepayments	10,700	9,837
Non capital prepayments	137,440	144,341
<b>Total prepayments</b>	<b>148,140</b>	<b>154,178</b>

**Prepayments are expected to be recovered in:**

No more than 12 months	122,426	132,451
More than 12 months	25,714	21,727
<b>Total prepayments</b>	<b>148,140</b>	<b>154,178</b>

**Note 6J: Assets held for sale**

Land and buildings	716	7,084
Specialist military equipment	36,178	18,458
Heritage and cultural	-	-
Other infrastructure, plant and equipment	51	156
Inventories	15,454	-
<b>Total assets held for sale</b>	<b>52,399</b>	<b>25,698</b>

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 7: Payables

	2013 \$'000	2012 \$'000
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals - non capital	1,350,634	885,992
Trade creditors and accruals - capital	174,660	255,636
Operating lease rentals	54,174	41,130
<b>Total suppliers payable</b>	<b>1,579,468</b>	<b>1,182,758</b>

## Supplier payables expected to be settled within 12 months:

Related entities	724,860	251,606
External parties	762,158	877,474
<b>Total</b>	<b>1,487,018</b>	<b>1,129,080</b>

## Supplier payables expected to be settled in greater than 12 months:

Related entities	92,450	53,678
External parties	-	-
<b>Total</b>	<b>92,450</b>	<b>53,678</b>
<b>Total supplier payables</b>	<b>1,579,468</b>	<b>1,182,758</b>

Settlement is usually made within 30 days.

## Note 7B: Other payables

## Australian Public Service (APS) employee payables

Salaries and wages	36,321	37,967
Superannuation	6,101	5,582
Separations and redundancies	335	-

## Australian Defence Force (ADF) employee payables

Salaries and wages	161,982	147,327
Superannuation	39,897	34,712
Separations and redundancies	-	-
Other	214,404	208,915

<b>Total other payables</b>	<b>459,040</b>	<b>434,503</b>
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## Total other payables are expected to be settled in:

No more than 12 months	420,521	407,379
More than 12 months	38,519	27,124
<b>Total other payables</b>	<b>459,040</b>	<b>434,503</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 8: Interest Bearing Liabilities

	2013 \$'000	2012 \$'000
<b>Note 8A: Finance leases*</b>		
<b>Payable:</b>		
<b>Within one year</b>		
Minimum lease payments	142,520	204,574
Deduct: future finance charges	(69,710)	(54,363)
<b>In one to five years</b>		
Minimum lease payments	446,195	353,599
Deduct: future finance charges	(299,135)	(202,383)
<b>In more than five years</b>		
Minimum lease payments	1,415,301	857,906
Deduct: future finance charges	(665,353)	(410,616)
<b>Finance leases recognised on the balance sheet</b>	<b>969,818</b>	<b>748,717</b>

\*25 (2011-12: 20) finance leases exist in relation to properties and technology. The leases are non-cancellable and for fixed terms with an average remaining term of 12.05 years (2011-12: 10.1 years). The maximum number of years remaining is 30.67 years (2011-12: 26.6 years) relating to the Single LEAP 2 leases (2011-12: Amberly Single LEAP finance lease to 31 January 2039). The lease assets secure the lease liabilities. Interest rates applied averaged 6.90% (2012: 7.97%).

Contingent rent (representing the portion of the lease payments made that were not fixed and subject to CPI finance lease contract clauses) was expensed in the periods in which they were incurred on 3 finance leases (2011-12: 3 finance leases).

For residential properties this is reported in Employee Benefits Expenses (refer Note 3A), for non residential properties this is reported in Supplier Expenses (refer Note 3B).

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 9: Provisions

	2013 \$'000	2012 \$'000
<b>Note 9A: Employee provisions</b>		
<b>Australian Public Service (APS) employee provisions</b>		
Leave	526,894	528,647
<b>Total APS employee provisions</b>	<b>526,894</b>	<b>528,647</b>
<b>Australian Defence Force (ADF) employee provisions</b>		
Leave	1,698,473	1,691,955
Other provisions	10,589	7,055
<b>Total ADF employee provisions</b>	<b>1,709,062</b>	<b>1,699,010</b>
<b>Total employee provisions</b>	<b>2,235,956</b>	<b>2,227,657</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	723,757	533,254
More than 12 months	1,512,199	1,694,403
<b>Total employee provisions</b>	<b>2,235,956</b>	<b>2,227,657</b>

## Note 9B: Restoration, decontamination and decommissioning

Provisions for restoration and decommissioning	434,395	431,477
Provision for decontamination <sup>1</sup>	437,972	444,663
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>872,367</b>	<b>876,140</b>

## Restoration, decontamination and decommissioning provisions are expected to be settled in:

No more than 12 months	60,227	98,510
More than 12 months	812,140	777,630
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>872,367</b>	<b>876,140</b>

<sup>1</sup> This provision does not represent the total cost of remediating contamination on all Defence sites rather, it provides an estimate of the present obligation that exists in relation to these sites (see Note 1.20c for the accounting policy on this matter).

Refer to Note 9D for a reconciliation of this balance.

## Note 9C: Other provisions

Other provisions	3,014	3,822
<b>Total other provisions</b>	<b>3,014</b>	<b>3,822</b>

## Other provisions are expected to be settled in:

No more than 12 months	3,014	2,522
More than 12 months	-	1,300
<b>Total other provisions</b>	<b>3,014</b>	<b>3,822</b>

Refer to Note 9D for a reconciliation of this balance.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 9D: Reconciliation of provision balances

##### Movement in relation to 2013

	Restoration and decommissioning provisions \$'000	Decontamination provisions \$'000	Other provisions \$'000
<b>Carrying amount 1 July 2012</b>	431,477	444,663	3,822
Additional provisions made	8,074	55,508	-
Amounts used	(1,034)	(49,361)	(10)
Amounts reversed	(15,522)	(22,635)	(798)
Unwinding of discount or change in discount rate	11,400	9,797	-
<b>Closing balance 30 June 2013</b>	<b>434,395</b>	<b>437,972</b>	<b>3,014</b>

#### Note 10: Restructuring

2012-13: No restructures took place during the current year.

2011-12: National Security Science and Technology Branch - Machinery of Government changes resulted in the transfer of the National Security Science and Technology Branch from the Department of the Prime Minister and Cabinet to the Defence Science and Technology Organisation. This transferred funds of \$2.2m in 2011-12.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 11: Cash Flow Reconciliation

	2013 \$'000	2012 \$'000
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash Flow Statement	68,460	18,091
Balance Sheet	68,460	18,091
<b>Difference</b>	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(22,427,370)	(23,025,409)
Add revenue from Government	22,707,890	22,466,427
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	3,999,977	3,630,984
Foreign exchange (gains) losses	1,046	(368)
Reversal of previous asset write-downs	(317,915)	(479,573)
(Gains) losses from assets sales	11,642	13,216
Net write-down and impairment of assets	800,598	933,464
Finance costs	58,235	100,547
Inventory consumption or expensed	831,804	1,069,409
<b>Changes in assets/liabilities</b>		
Decrease/(increase) in inventory related to operations	(187,403)	(261,447)
Decrease/(increase) in trade and other receivables	(398,450)	145,517
Decrease/(increase) in prepayments	6,901	8,898
Increase/(decrease) in supplier	44,726	(110,838)
Increase/(decrease) in other payables	24,536	(92,868)
Increase/(decrease) in employee provisions	8,299	65,142
Increase/(decrease) in restoration, decontamination and decommissioning	(3,773)	(2,536)
Increase/(decrease) in other provisions	(808)	21,560
<b>Net cash from / (used by) operating activities</b>	<b>5,159,935</b>	<b>4,482,125</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 12: Contingent Liabilities and Assets

	Claims for damages / costs		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Contingent Assets</b>				
Balance from previous period	1,374	77,620	1,374	77,620
New	27,612	1,133	27,612	1,133
Re-measurement	29	353	29	353
Assets recognised	(100)	(77,532)	(100)	(77,532)
Expired	(58)	(200)	(58)	(200)
<b>Total contingent assets</b>	<b>28,857</b>	<b>1,374</b>	<b>28,857</b>	<b>1,374</b>
<b>Contingent Liabilities</b>				
Balance from previous period	48,514	1,412	48,514	1,412
New	20,344	20,870	20,344	20,870
Re-measurement	3,110	29,053	3,110	29,053
Liabilities recognised	(5,664)	(2,685)	(5,664)	(2,685)
Obligations expired	(3,204)	(136)	(3,204)	(136)
<b>Total Contingent liabilities</b>	<b>63,100</b>	<b>48,514</b>	<b>63,100</b>	<b>48,514</b>
<b>Net contingent assets (liabilities)</b>	<b>(34,243)</b>	<b>(47,140)</b>	<b>(34,243)</b>	<b>(47,140)</b>

#### Quantifiable Contingencies

Contingent Assets: At 30 June 2013, the Schedule of Contingencies contains 24 (2011-12: 21) instances of non-remote, quantifiable contingent assets in respect of claims by the Department valued at \$28.86m (2011-12: \$1.37m). The Department is expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to the Department.

Contingent Liabilities: At 30 June 2013, the Schedule of Contingencies contains 28 (2011-12: 45) instances of non-remote, quantifiable contingent liabilities in respect of claims on the Department valued at \$63.1m (2011-12: \$48.5m). The estimated figure is determined by conducting an objective analysis of the probable amount payable for all the matters managed by the members of Defence's Legal Services Panels and those being handled in-house by Defence Legal Division. However, as an estimate, the exact amount payable under those claims is uncertain. The Department of Defence is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

#### Unquantifiable Contingencies

Contingent Assets: At 30 June 2013 Defence had 4 (2011-12: nil) instances of unquantifiable non-remote contingent assets.

Contingent Liabilities: At 30 June 2013 Defence had 15 (2011-12: 9) instances of unquantifiable non-remote contingent liabilities.

It was not possible to estimate the amounts of any eventual payments or receipts that may eventuate in relation to these claims. These are not included in the Schedule of Contingencies.

#### Quantifiable Remote Contingencies

Remote Contingent Assets: At 30 June 2013 Defence had 10 (2011-12: 5) instances of quantifiable remote contingent assets valued at \$6.0m (2011-12: \$0.85m).

Remote Contingent Liabilities: At 30 June 2013 Defence had 1,691 (2011-12: 1,192) instances of quantifiable remote contingent liabilities valued at \$2,915.53m (2011-12: \$3,132.35m).

These are not included in the Schedule of Contingencies.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 12: Contingent Liabilities and Assets (Continued)

##### **Unquantifiable Remote Contingencies**

Contingent Assets: At 30 June 2013 Defence had 1 instance of unquantifiable remote contingent assets (2011-12: 5).

Contingent Liabilities: At 30 June 2013 Defence had 14 instances of unquantifiable remote contingent liabilities (2011-12: 4).

These are not included in the Schedule of Contingencies.

##### **Significant Remote Contingencies**

At 30 June 2013 Defence had the following significant remote contingent liabilities:

- *ADI Limited – Officers’ and Directors’ Indemnities:* Under the sale agreements for ADI Ltd, the Australian Government agreed to indemnify the directors, officers and employees for claims and legal costs associated with assistance related to the sale of the Australian Government’s shares in the company. The Australian Government has provided an indemnity to ADI Ltd for uninsured losses relating to specific heads of claims.
- *Cockatoo Island Dockyard (CODOCK):* On 13 October 2001, CODOCK commenced proceedings against the Commonwealth (Defence) in the NSW Supreme Court seeking full reimbursement from the Commonwealth for personal injury claims costs incurred by CODOCK after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, CODOCK was awarded a complete indemnity from the Commonwealth for its uninsured exposure to asbestos damages claims, plus profit of 7.5%.
- *Decontamination of Defence sites:* Defence has made financial provision for the possible costs involved in restoring, decontaminating and decommissioning Defence sites in Australia where a legal or constructive obligation has arisen. For those decontaminating and decommissioning Defence sites for which there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable.
- *Claims and Litigation Cases:* The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by use of negotiation. The litigation includes common law liability claims, including for injury alleged to have resulted from the F-111 Deseal/Reseal programmes. A number of claims have also been received for damage caused by the use of a Defence Practice Area. There is also the potential for a number of claims to arise out of reviews into ADF and Defence Culture. As reported in the 2013-14 Budget Paper No. 2, \$83.9m will be provided over 2 years for reparation payments and related expenses as part of Defence’s response to the Report on the Review of allegations of sexual and other abuse in Defence.

These are not included in the Schedule of Contingencies.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 13: Senior Executive Remuneration

##### Note 13A: Senior Executive Remuneration Expense for the Reporting Period

	2013 \$'000	2012 \$'000
<b>Short-term employee benefits</b>		
Salary	66,231,023	61,408,819
Annual leave accrued	249,907	777,562
Performance bonus	33,958	90,319
Other <sup>1</sup>	19,028,919	19,166,690
<b>Total short-term employee benefits</b>	<b>85,543,807</b>	<b>81,443,390</b>
<b>Post-employment benefits</b>		
Superannuation	12,468,583	12,493,762
<b>Total post-employment benefits</b>	<b>12,468,583</b>	<b>12,493,762</b>
<b>Other long-term benefits</b>		
Long-service leave	3,228,389	2,965,293
<b>Total other long-term benefits</b>	<b>3,228,389</b>	<b>2,965,293</b>
<b>Termination benefits</b>	<b>3,674,459</b>	<b>3,194,584</b>
<b>Total</b>	<b>104,915,238</b>	<b>100,097,029</b>

#### Notes

1. "Other" includes leased motor vehicles, car parking, housing, medical benefits and other allowances.
2. Note 13A is prepared on an accrual basis (therefore the performance bonus expense disclosed above may differ from the 'Bonus paid' amount in Note 13B).
3. Note 13A excludes acting arrangements and part-year services where total remuneration expensed was less than \$180,000 per FMO23.6.
4. Excludes Star Ranked Reservists who are not employed on a continuous full time basis and whose reportable remuneration is less than \$180,000 per FMO17.14.
5. Includes all Military Star Ranked Officers who have been posted to the Defence Materiel Organisation (DMO) per FMO 23.54P. In 2012-13 there were 28 such Officers (2011-12: 28 officers). The total remuneration for these Officers was \$8,220,905 including \$776,520 in separation/redundancy payments (2011-12: \$7,923,745 including \$535,589 in separation/redundancy payments). Whilst these Officers undertake a management function within DMO they remain employees of the Department of Defence. Defence will receive a payment from the DMO for these Officers in accordance with the Military Workforce Agreement.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 13B: Average annual reportable remuneration paid to substantive senior executives in 2013**

Average annual reportable remuneration <sup>1</sup>	Senior Executives No.	Reportable Salary <sup>2,6</sup> \$	Contributed Superannuation <sup>3,6</sup> \$	Reportable Allowances <sup>4</sup> \$	Bonus Paid <sup>5</sup> \$	Total Reportable Remuneration \$
Total Remuneration (including part-time arrangements)						
Less than \$180,000	68	82,034	21,828	275	-	104,137
\$180,000 to \$209,999	39	177,375	19,696	261	-	197,332
\$210,000 to \$239,999	79	194,602	28,277	287	103	223,269
\$240,000 to \$269,999	88	210,393	45,524	563	-	256,480
\$270,000 to \$299,999	45	233,819	46,572	410	300	281,101
\$300,000 to \$329,999	15	265,149	46,269	403	-	311,821
\$330,000 to \$359,999	7	305,065	40,364	407	-	345,836
\$360,000 to \$389,999	6	325,699	49,943	95	1,250	376,987
\$390,000 to \$419,999	2	366,253	45,043	284	-	411,580
\$420,000 to \$449,999	4	367,607	70,720	-	-	438,327
\$450,000 to \$479,999	1	400,473	53,819	-	-	454,292
\$480,000 to \$509,999	2	439,786	57,217	-	3,750	500,753
\$660,000 to \$689,999	1	688,777	-	-	-	688,777
<b>Total</b>	<b>357</b>					

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 13B: Average annual reportable remuneration paid to substantive senior executives in 2012**

Average annual reportable remuneration <sup>1</sup>	Senior Executives No.	Reportable Salary <sup>2,6</sup> \$	Contributed Superannuation <sup>3,6</sup> \$	Reportable Allowances <sup>4</sup> \$	Bonus Paid <sup>5</sup> \$	Total Reportable Remuneration \$
<b>Total Remuneration (including part-time arrangements)</b>						
Less than \$180,000	65	86,715	23,417	231	443	110,806
\$180,000 to \$209,999	63	168,422	30,890	188	40	199,540
\$210,000 to \$239,999	51	188,504	35,855	306	164	224,829
\$240,000 to \$269,999	103	205,823	48,071	501	419	254,814
\$270,000 to \$299,999	27	225,943	57,850	412	-	284,205
\$300,000 to \$329,999	19	243,990	66,920	538	-	311,448
\$330,000 to \$359,999	3	276,213	71,505	103	-	347,821
\$360,000 to \$389,999	2	331,536	39,675	215	-	371,426
\$390,000 to \$419,999	3	330,882	66,425	229	2,500	400,036
\$420,000 to \$449,999	4	350,433	79,513	2	-	429,948
\$450,000 to \$479,999	2	371,179	81,773	10	-	452,962
\$480,000 to \$509,999	1	497,470	-	-	-	497,470
\$540,000 to \$569,999	1	496,373	62,509	-	-	558,882
<b>Total</b>	<b>344</b>					

**Notes**

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2. Reportable salary includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'Bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits);
- exempt foreign employment income; and
- salary sacrifice benefits.

## Department of Defence NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, per the individuals' payment summaries. Senior executives were members of one of the following superannuation funds
  - Defence Force Retirement and Death Benefit Scheme (DFRDB). The DFRDB was closed to new participants in 1991. Employer contributions are set at 29.7 per cent (2012: 33.4 per cent) (including productivity component). More information can be found at <http://www.militarysuper.gov.au>;
  - Military Superannuation and Benefits Scheme (MSBS). MSBS has been available to all full time members of the ADF. Employer contributions are set at 30.4 per cent (2012: 29.1 per cent) (including productivity component). More information can be found at <http://www.militarysuper.gov.au>;
  - Australian Government Employee Superannuation Trust (AGEST): this fund is for senior executives who were employed for a defined period. Employer contributions were set at 9 per cent (2012: 9 per cent). More information on AGEST can be found at <http://www.agesst.com.au>;
  - Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions were averaged 18.4 per cent (2012: 18.8 per cent) (including productivity component). More information on CSS can be found at <http://www.css.gov.au>;
  - Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions were set at 18.0 per cent (2012: 15.2 per cent) (including productivity component). More information on PSS can be found at <http://www.pss.gov.au>;
  - Public Sector Superannuation Accumulation Plan (PSSap): employer contributions were set at 15.4 percent (2012: 15.4 per cent), and the fund has been in operation since July 2005. More information on PSSap can be found at <http://www.pssap.gov.au>; and
  - Other: there were some senior executives who had their own superannuation arrangements (e.g. self-managed superannuation funds). Their employer contributions were set at 15.4 per cent (2012: 15.4 per cent).
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
7. Two individuals seconded to Defence are disclosed in 2013 (2012: One). The resources received free of charge have been included in the other goods and services line.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 13C: Other highly paid staff in 2013

Average annual reportable remuneration <sup>1</sup>	Other Highly Paid Staff No.	Reportable Salary <sup>2,6,7</sup>	Contributed Superannuation <sup>3,6</sup>	Reportable Allowances <sup>4</sup>	Bonus Paid <sup>5</sup>	Total Reportable Remuneration
		\$	\$	\$	\$	\$
Total Remuneration (including part-time arrangements)						
\$180,000 to \$209,999	1,451	153,146	38,955	613	-	192,714
\$210,000 to \$239,999	536	179,578	40,745	608	-	220,931
\$240,000 to \$269,999	172	213,457	37,357	567	-	251,381
\$270,000 to \$299,999	102	242,592	38,947	589	-	282,128
\$300,000 to \$329,999	41	270,747	41,373	615	-	312,735
\$330,000 to \$359,999	14	302,252	47,123	528	-	349,903
\$360,000 to \$389,999	6	325,217	38,959	551	-	364,727
\$390,000 to \$419,999	1	341,787	52,258	680	-	394,725
\$420,000 to \$449,999	-	-	-	-	-	-
\$450,000 to \$479,999	-	-	-	-	-	-
<b>Total</b>	<b>2,323</b>					

#### Note 13C: Other highly paid staff in 2012

Average annual reportable remuneration <sup>1</sup>	Other Highly Paid Staff No.	Reportable Salary <sup>2,6,7</sup>	Contributed Superannuation <sup>3,6</sup>	Reportable Allowances <sup>4</sup>	Bonus Paid <sup>5</sup>	Total Reportable Remuneration
		\$	\$	\$	\$	\$
Total Remuneration (including part-time arrangements)						
\$180,000 to \$209,999	1,305	151,226	40,457	617	-	192,300
\$210,000 to \$239,999	325	174,605	44,620	620	-	219,845
\$240,000 to \$269,999	126	214,327	40,078	631	-	255,036
\$270,000 to \$299,999	74	235,818	45,943	651	-	282,412
\$300,000 to \$329,999	34	266,607	44,610	672	-	311,889
\$330,000 to \$359,999	16	286,289	55,774	468	-	342,531
\$360,000 to \$389,999	3	268,417	97,299	680	-	366,396
\$390,000 to \$419,999	-	-	-	-	-	-
\$420,000 to \$449,999	-	-	-	-	-	-
\$450,000 to \$479,999	1	400,971	60,396	680	-	462,047
<b>Total</b>	<b>1,884</b>					

Department of Defence  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
*For the period ended 30 June 2013*

**Note 13C: Other highly paid staff (Continued)**

**Notes**

1. This table reports staff:

- who were employed by the entity during the reporting period;
- whose reportable remuneration was \$180,000 or more for the financial period; and
- were not required to be disclosed in the tables in notes 13A or 13B.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- exempt foreign income; and
- salary sacrifice benefits.

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payment summaries.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries. This is uniform allowance for military members

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

7. In 2012-13 there were 726 Military members who received a retention payment (2011-12: 794) for them to sign up for a further period of specific service or because they have critical skills. This is not a performance payment. If the military member does not serve the specified extra time then the outstanding amount must be repaid. These amounts are reflected in the 'reportable salary' column as reported on the members' payment summaries.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

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#### Note 14: Remuneration of Auditors

	2013 \$'000	2012 \$'000
Financial statement audit services are provided free of charge to the department.		
The fair value of services provided by the Auditor-General was:	<u>3,800</u>	<u>4,644</u>
	<u>3,800</u>	<u>4,644</u>

No other services were provided by the auditors of the financial statements.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 15: Financial Instruments

##### *Financial risk management objectives and policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis for measurement in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

In accordance with Australian Government policy, Defence does not enter into reportable derivative financial instruments.

	2013 \$'000	2012 \$'000
<b>Note 15A: Categories of financial instruments</b>		
<b>Financial Assets</b>		
Loans and receivables:		
Cash and cash equivalents	68,460	18,091
Trade and other receivables	686,004	315,470
<b>Total</b>	<b>754,464</b>	<b>333,561</b>
<b>Carrying amount of financial assets</b>	<b>754,464</b>	<b>333,561</b>
<b>Financial Liabilities</b>		
At amortised cost:		
Suppliers	1,339,476	1,182,758
Other payables	307,516	284,022
Finance lease	969,818	748,717
<b>Total</b>	<b>2,616,810</b>	<b>2,215,497</b>
<b>Carrying amount of financial liabilities</b>	<b>2,616,810</b>	<b>2,215,497</b>

#### Note 15B: Net income and expense from financial assets

<b>Loans and receivables</b>		
Exchange gains/(loss)	1,462	4,937
Impairment	1,102	(426)
<b>Net gain/(loss) on loans and receivables</b>	<b>2,564</b>	<b>4,511</b>
<b>Net gain/(loss) on financial assets</b>	<b>2,564</b>	<b>4,511</b>

There is no interest income from financial assets not at fair value through the profit or loss.

#### Note 15C: Net income and expense from financial liabilities

<b>At amortised cost</b>		
Exchange gains/(loss)	(2,508)	(4,569)
Interest expense	(63,852)	(66,361)
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>(66,360)</b>	<b>(70,930)</b>
<b>Net gain/(loss) on financial liabilities</b>	<b>(66,360)</b>	<b>(70,930)</b>

#### Note 15D: Fair value of financial instruments

The fair values of cash, non-interest bearing monetary financial assets, trade creditors and finance leases approximate their carrying amounts (AASB 7 paragraph 29). Finance Leases are recognised at the lower of fair value and net present value of the minimum lease payments (AASB 117) at lease inception. The carrying amounts reported represent the amounts required to settle each liability.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 15E: Credit Risk

Defence's maximum credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet. Defence has endorsed policies and procedures for debt management to reduce the incidence of credit risk. The majority of goods or services provided by Defence are provided to other government entities and employees and therefore represent minimal credit risk exposure for Defence.

The carrying amount of financial assets, net of impairment losses, reported in the Balance Sheet represents Defence's exposure to credit risk. Defence has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments not past due or individually determined as impaired:

	Notes	Not past due nor impaired		Past due or impaired	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial Assets:					
Cash and cash equivalents	5A	68,460	18,091	-	-
Trade and other receivables	5B	724,030	278,909	30,030	42,876
<b>Total</b>		<b>792,490</b>	<b>297,000</b>	<b>30,030</b>	<b>42,876</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2013*

**Note 15E: Credit Risk (continued)**

Ageing of financial assets that are past due but not impaired:

	Notes	0 to 30 days		31 to 60 days		61 to 90 days		Over 90 days		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assets:											
Trade and other receivables	5B	12,671	8,776	1,062	870	674	17,187	10,848	9,728	25,255	36,561
Total		12,671	8,776	1,062	870	674	17,187	10,848	9,728	25,255	36,561

**Note 15F: Liquidity Risk**

Defence's financial liabilities are payables and finance leases. The exposure to liquidity risk is based on the notion that Defence will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Defence (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following table illustrates the maturities for non-derivative financial liabilities.

	Notes	On demand		Within 1 year		1 to 2 years		2 to 5 years		> 5 years		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial Liabilities:													
Suppliers	7A	-	1,247,026	1,182,758	-	-	-	105,555	-	-	-	1,352,581	1,182,758
Other payables	7B	-	268,996	258,468	1,229	150	7,237	13,975	18,167	23,316	18,167	307,516	284,022
Financial lease	8A	-	-	150,211	198,477	104,194	47,022	247,718	447,290	1,415,301	447,290	2,004,012	748,717
Total		-	1,658,538	1,591,437	199,706	104,344	54,259	367,248	465,457	1,438,617	465,457	3,664,109	2,215,497

Defence has no derivative financial liabilities in both the current and prior year.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 15G: Market Risk**

**Currency risk**

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction.

Foreign currency receivables, payables and provisions are translated at exchange rates current at the balance date. Exchange gains and losses are brought to account in determining the operating result for the year. These exchange gains and losses are not speculative and no hedging is undertaken.

Defence is exposed to foreign exchange rate risk through primary financial assets and liabilities yet a change in risk variable will not have a significant effect on the Balance Sheet or the Statement of Comprehensive Income.

The following table summarises the currency risk in respect of recognised financial assets and financial liabilities:

	United States Dollar A\$'000	Malaysian Ringgit A\$'000	United Arab Emirates Dirham A\$'000	Canadian Dollar A\$'000	Euro A\$'000	British Pound Sterling A\$'000	Solomon Islands Dollar A\$'000	Afghan Afghani A\$'000	Other A\$'000	Total A\$'000
<b>Financial Assets</b>										
Cash	5,930	243	1,242	-	262	2	91	20	20	7,810
Receivables	15,865	-	-	-	-	-	-	-	2,048	17,913
	<u>21,795</u>	<u>243</u>	<u>1,242</u>	<u>-</u>	<u>262</u>	<u>2</u>	<u>91</u>	<u>20</u>	<u>2,068</u>	<u>25,723</u>
<b>Financial Liabilities</b>										
Suppliers	15,444	138	3,198	55	374	310	-	-	209	19,728
	<u>15,444</u>	<u>138</u>	<u>3,198</u>	<u>55</u>	<u>374</u>	<u>310</u>	<u>-</u>	<u>-</u>	<u>209</u>	<u>19,728</u>

Departmental currency risk is minimised through budget supplementation for any adverse movements in exchange rates on financial assets and financial liabilities held in foreign currencies.

**Interest rate risk**

Defence reports interest-bearing finance leases that bear interest at a fixed interest rate at inception. Therefore, a change in interest rates at the reporting date would have a nil impact.

**Other price risk**

Defence is exposed to a variety of commodity price risks relating to various supply contracts. These do not have a material impact on Defence's financial liabilities.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 16: Financial Assets Reconciliation

	2013 \$'000	2012 \$'000
<b>Total financial assets per balance sheet</b>	<b>943,299</b>	<b>451,787</b>
Less: non-financial instrument components		
GST receivable from the Australian Taxation Office	(58,275)	(84,062)
Appropriation receivables	(67,349)	(34,164)
Other receivables	(63,211)	-
Total non-financial instrument components	(188,835)	(118,226)
<b>Total financial assets per financial instruments</b>	<b>754,464</b>	<b>333,561</b>

#### Note 17: Accounting for Errors

There are no adjustments to the prior period comparatives resulting from accounting errors.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 18: Income Administered on behalf of Government

	2013 \$'000	2012 \$'000
<b>Note 18A: Fees and fines</b>		
License fees	14,239	10,485
Levies	-	1,766
<b>Total fees and fines</b>	<b>14,239</b>	<b>12,251</b>

#### Note 18B: Interest

Deposits	-	-
Loans to Defence Housing Australia	30,854	32,173
Other (NATO Seasparrow)	-	3,344
<b>Total Interest</b>	<b>30,854</b>	<b>35,517</b>

#### Note 18C: Dividends

Australian Government Entities - Defence Housing Australia	51,073	49,654
<b>Total Dividends</b>	<b>51,073</b>	<b>49,654</b>

#### Note 18D: Military superannuation contributions

Military Superannuation contributions	1,213,777	1,158,903
<b>Total military superannuation contributions</b>	<b>1,213,777</b>	<b>1,158,903</b>

#### Note 18E: Other revenue

Competitive Neutrality Revenue - Defence Housing Australia	35,559	36,005
Other	12,610	23,580
<b>Total other revenue</b>	<b>48,169</b>	<b>59,585</b>

#### Note 18F: Revenue from Government

Appropriations:		
Administered appropriations	-	-
Administered special appropriations	-	-
<b>Total revenue from government</b>	<b>-</b>	<b>-</b>

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

**Note 19: Expenses Administered on behalf of Government**

	2013 \$'000	2012 \$'000
<b>Note 19A: Employee benefit</b>		
Superannuation:		
Defined benefit plans	5,712,747	4,062,274
Retention benefits	61,883	56,525
<b>Total employee benefits</b>	<b>5,774,630</b>	<b>4,118,799</b>
 <b>Note 19B: Subsidies</b>		
Defence Home Owner Scheme	2,264	3,483
Defence Home Ownership Assistance Scheme	93,680	93,102
<b>Total subsidies</b>	<b>95,944</b>	<b>96,585</b>
 <b>Note 19C: Write-down and impairment of assets</b>		
Impairment of financial instruments	84	141
<b>Total write-down and impairment of assets</b>	<b>84</b>	<b>141</b>
 <b>Note 19D: Foreign exchange</b>		
<b>Foreign exchange gains:</b>		
Non-speculative	321	166
<b>Foreign exchange losses:</b>		
Non-speculative	-	-
<b>Total net gain/(loss) foreign exchange</b>	<b>321</b>	<b>166</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 20: Assets Administered on behalf of Government

	2013 \$'000	2012 \$'000
<b>Note 20A: Cash and cash equivalents</b>		
Cash on hand or on deposit	-	-
<b>Total cash and cash equivalents</b>	-	-
<b>Note 20B: Trade and other receivables</b>		
<b>Goods and services:</b>		
Goods and services receivable - external parties	11,904	8,572
<b>Total receivables for goods and services</b>	11,904	8,572
<b>Other receivables:</b>		
Accrued superannuation	528	508
Dividends	51,073	49,654
Loans receivable - Defence Housing Australia	509,580	509,580
Competitive neutrality - Defence Housing Australia	7,696	5,384
<b>Total other receivables</b>	568,877	565,126
<b>Total receivables (gross)</b>	580,781	573,698
<b>Less impairment allowance account:</b>		
Goods and services	(84)	-
<b>Total impairment allowance account</b>	(84)	-
<b>Total receivables (net)</b>	580,697	573,698
Receivables are expected to be recovered in:		
No more than 12 months	146,115	194,118
More than 12 months	434,582	379,580
<b>Total receivables (net)</b>	580,697	573,698
Receivables are aged as follows:		
Not overdue	571,942	573,560
Overdue by:		
Less than 30 days	45	79
31 to 60 days	11	-
61 to 90 days	-	-
More than 90 days	8,783	59
<b>Total receivables (gross)</b>	580,781	573,698
The impairment allowance account is aged as follows:		
Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	(84)	-
<b>Total impairment allowance account</b>	(84)	-
<b>Reconciliation of the impairment allowance account</b>		
<b>Opening Balance</b>	-	(38)
Amount written off	-	38
Amounts recovered and reversed	-	-
Increase/decrease recognised in net surplus	(84)	-
<b>Closing Balance</b>	(84)	-

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Note 20C: Investments accounted for using the equity method</b>		
Other investments shares (or equity in) - Defence Housing Australia	2,262,693	2,197,408
Other investments - Small portfolio entities <sup>1</sup>	80,778	77,828
<b>Total investments</b>	<b>2,343,471</b>	<b>2,275,236</b>
<b>Investment are expected to be recovered in:</b>		
No more than 12 months	-	-
More than 12 months	2,343,471	2,275,236
<b>Total investments</b>	<b>2,343,471</b>	<b>2,275,236</b>
 <sup>1</sup> A list of all small portfolio bodies can be found in note 1.28(d).		
<b>Note 20D: Other non-financial assets</b>		
Prepayments - retention benefits	168,576	170,095
<b>Total other non-financial assets</b>	<b>168,576</b>	<b>170,095</b>
<b>Total other non-financial assets are expected to be recovered in:</b>		
No more than 12 months	60,652	50,530
More than 12 months	107,924	119,565
<b>Total other non-financial assets</b>	<b>168,576</b>	<b>170,095</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 21: Liabilities Administered on behalf of Government

	2013 \$'000	2012 \$'000
<b>Note 21A: Other payables</b>		
Other payables	5,543	5,159
<b>Total other payables</b>	<b>5,543</b>	<b>5,159</b>
<b>Total other payables are expected to be settled in:</b>		
No more than 12 months	5,543	5,159
More than 12 months	-	-
<b>Total other payables</b>	<b>5,543</b>	<b>5,159</b>
<b>Note 21B: Employee provisions</b>		
Superannuation - DFRDB	32,399,300	39,311,100
Superannuation - MSBS	35,777,000	46,479,000
<b>Total other non-financial assets</b>	<b>68,176,300</b>	<b>85,790,100</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	1,932,000	1,854,000
More than 12 months	66,244,300	83,936,100
<b>Total employee provisions</b>	<b>68,176,300</b>	<b>85,790,100</b>

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

**Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government**

	2013	2012
	\$'000	\$'000

Defence administers on behalf of the Australian Government, two defined benefit superannuation plans for ADF members. The two plans are the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS). A general description of the plans and Defence's accounting policy for recognising actuarial gains and losses can be found in Note 1.28(f) of these statements. The following is a reconciliation of the two plans as required by AASB 119: Employee Benefits.

**Defence Force Retirement and Death Benefits Scheme (DFRDB)**

The amounts recognised in the balance sheet are as follows:

Present value of funded obligations	-	-
Fair Value of plan assets	-	-
Present value of unfunded obligations	32,399,300	39,311,100
Unrecognised past service cost	-	-
<b>Net liability in balance sheet</b>	<b>32,399,300</b>	<b>39,311,100</b>

Amounts in balance sheet:

Liabilities	32,399,300	39,311,100
Assets	-	-
<b>Net liability in balance sheet</b>	<b>32,399,300</b>	<b>39,311,100</b>

The amount recognised in income or expense are as follows:

Current service cost	195,000	139,000
Interest on obligation	1,197,800	1,478,400
Expected return on plan assets	-	-
Past service cost	-	-
Losses (gains) on curtailment and settlements	-	-
<b>Expense</b>	<b>1,392,800</b>	<b>1,617,400</b>

**Net actuarial losses (gains) recognised in equity**

	<b>(6,741,100)</b>	<b>10,630,800</b>
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Changes in the value of defined benefit obligations are as follows:

Net liability at 1 July	39,311,100	28,587,200
Current Service cost	195,000	139,000
Interest cost	1,197,800	1,478,400
Actuarial losses (gains)	(6,741,100)	10,630,800
Benefits paid	(1,563,500)	(1,524,300)
Past service cost	-	-
<b>Net liability as at 30 June</b>	<b>32,399,300</b>	<b>39,311,100</b>

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	-	-
Contributions by employer	1,563,500	1,524,300
Benefits paid	(1,563,500)	(1,524,300)
<b>Closing value of plan assets</b>	<b>-</b>	<b>-</b>

**Principal actuarial assumptions at the reporting date (expressed as weighted averages)**

	2013	2012
Discount rate at 30 June	4.3%	3.1%
Expected return on plan assets	0.0%	0.0%
Future salary increases*	4.0%	4.0%
Future pension increases	2.5%	2.5%

The demographic assumptions for 30 June 2013 and 30 June 2012 are those used for the preparation of the Long Term Cost Report for the MSBS, DFRDB and DFRB as at 30 June 2011.

\* Separate promotional salary scales are used to allow for promotional salary increase.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government (Continued)

##### Historical Information:

	Financial Year Ended 30 June:				
	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	32,399,300	39,311,100	28,587,200	28,558,700	26,688,900
Fair Value of scheme assets	-	-	-	-	-
(Surplus) / deficit in scheme	32,399,300	39,311,100	28,587,200	28,558,700	26,688,900
Experience adjustments loss/(gain) on scheme assets	-	-	-	-	-
Experience adjustments loss/(gain) on scheme liabilities	(6,741,100)	10,630,800	(84,100)	1,644,900	3,563,500

##### Notes

- Service cost includes the cost of benefits accruing as a result of contributions deducted from members' salaries that are paid into Consolidated Revenue.
- Benefits payable under the *Defence Forces Retirement Benefits Act 1948* and *Defence Force Retirement and Death Benefits Act 1973* are paid from Consolidated Revenue on an emerging (or pay as you go) basis. Benefits paid under the *Defence Act 1903 Determination* are paid by the Department of Defence on an emerging cost basis. The contributions made equal benefits paid for the DFRB and DFRDB.
- The expected employer contributions in respect of 2013-14 are \$1,570m which is the expected amount of benefit payments. Note that member contributions paid to Consolidated Revenue would be an offset to this.
- The figures shown include the 3% Productivity Benefit.
- The cumulative actuarial losses and gains recognised in equity are as follows:

Opening balance as at 30 June 2004	\$'000
2004-05 loss / (gain)	-
30 June 2005 cumulative loss / (gain)	3,528,000
2005-06 loss / (gain)	3,528,000
30 June 2006 cumulative loss / (gain)	(2,457,000)
2006-07 loss / (gain)	1,071,000
30 June 2007 cumulative loss / (gain)	(1,503,000)
2007-08 loss / (gain)	(432,000)
30 June 2008 cumulative loss / (gain)	5,000
2008-09 loss / (gain)	(427,000)
30 June 2009 cumulative loss / (gain)	3,563,500
2009-10 loss / (gain)	3,136,500
30 June 2010 cumulative loss / (gain)	1,644,900
2010-11 loss / (gain)	4,781,400
30 June 2011 cumulative loss / (gain)	(84,100)
2011-12 loss / (gain)	4,697,300
30 June 2012 cumulative loss / (gain)	10,630,800
2012-13 loss / (gain)	15,328,100
30 June 2013 cumulative loss / (gain)	(6,741,100)
	8,587,000

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

**Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government (Continued)**

	2013 \$'000	2012 \$'000
<b>Military Superannuation Benefits Scheme (MSBS)</b>		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	4,888,000	4,012,000
Fair Value of plan assets	4,888,000	4,012,000
Present value of unfunded obligations	35,777,000	46,479,000
Unrecognised past service cost	-	-
<b>Net liability in balance sheet</b>	<b>35,777,000</b>	<b>46,479,000</b>
Amounts in balance sheet:		
Liabilities	40,665,000	50,491,000
Assets	4,888,000	4,012,000
<b>Net liability in balance sheet</b>	<b>35,777,000</b>	<b>46,479,000</b>
The amount recognised in income or expense are as follows:		
Current service cost	3,128,000	1,499,000
Interest on obligation	1,737,000	1,427,000
Expected return on plan assets	(292,000)	(273,000)
Past service cost	-	-
Losses (gains) on curtailment and settlements	-	-
<b>Expense</b>	<b>4,573,000</b>	<b>2,653,000</b>
Liability actuarial losses (gains) recognised in equity	(14,518,000)	22,431,000
Actual return on plan assets:		
Expected return on plan assets	292,000	273,000
Actual return on plan assets	552,000	(51,000)
<b>Actuarial gains (loss) on plan assets recognised in equity</b>	<b>260,000</b>	<b>(324,000)</b>
Changes in the value of defined benefit obligations are as follows:		
Net liability at 1 July	50,491,000	25,272,000
Current Service cost	3,128,000	1,499,000
Non-employer contributions	252,000	247,000
Interest cost	1,737,000	1,427,000
Actuarial losses (gains)	(14,518,000)	22,431,000
Benefits paid	(425,000)	(385,000)
Past service cost	-	-
<b>Closing value of plan liabilities</b>	<b>40,665,000</b>	<b>50,491,000</b>
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	4,012,000	3,741,000
Expected return on plan assets	292,000	273,000
Actuarial gains and losses	260,000	(324,000)
Contributions by employer	497,000	460,000
Funded non-employer contributions	252,000	247,000
Benefits paid	(425,000)	(385,000)
<b>Closing value of plan assets</b>	<b>4,888,000</b>	<b>4,012,000</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government (Continued)

	2013	2012
<b>The major categories of plan assets as a percentage of total assets are as follows</b>		
Australian equities	22%	22%
Overseas equities	27%	28%
Property & Infrastructure	13%	13%
Private equity	10%	18%
Cash, debt instruments	13%	15%
Other	15%	4%

#### Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate at 30 June (unfunded amount)	4.3%	3.1%
Discount rate at 30 June (funded amount)	4.3%	6.1%
Expected return on plan assets	4.3%	7.0%
Future salary increases*	4.0%	4.0%
Future pension increases	2.5%	2.5%

The demographic assumptions for 30 June 2012 and 30 June 2013 are those used for the preparation of the Long Term Cost Report for the MSBS, DFRDB and DFRB as at 30 June 2011.

\* Separate promotional salary scales are used to allow for promotional salary increase.

#### Historical Information:

	Financial Year Ended 30 June:				
	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	40,665,000	50,491,000	25,272,000	22,922,000	18,781,000
Fair Value of scheme assets	4,888,000	4,012,000	3,741,000	3,239,000	2,811,000
(Surplus) / deficit in scheme	35,777,000	46,479,000	21,531,000	19,683,000	15,970,000
Experience adjustments loss/(gain) on scheme assets	(260,000)	324,000	70,000	124,000	612,000
Experience adjustments loss/(gain) on scheme liabilities	(14,518,000)	22,431,000	(230,000)	1,850,000	3,179,000

#### Notes

- Employer contributions of 3% of superannuation salary are paid into the MSBS Fund. The balance of superannuation benefits payable, after allowing for any funded part of the benefit, under the *Military Superannuation and Benefits Act 1991* are paid from Consolidated Revenue on an emerging (or pay as you go) basis. In addition, employer salary sacrifice contributions and Superannuation Guarantee top up payments are paid into the MSBS Fund.
- The expected employer contributions in respect of 2013-14 are \$543m.
- The expected return on assets reflects the fact that the majority of plan assets are in growth assets which would be expected to return a premium over fixed interest investments in the long term. Until recent years, the real yield on Government bonds has been of the order of 2.5% p.a. to 3.5% p.a. In this context, a 4.5% p.a. real rate of return on plan assets is reasonable giving a nominal rate of return on plan assets of 7% p.a.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

**Note 22: Defined Benefit Superannuation Plans Administered on behalf of Government (Continued)**

4. The cumulative actuarial losses and gains recognised in equity are as follows:	\$'000
Opening balance as at 30 June 2004	-
2004-05 Liability loss / (gain)	2,551,000
2004-05 Asset loss / (gain)	(75,000)
30 June 2005 cumulative loss / (gain)	2,476,000
2005-06 Liability loss / (gain)	(1,642,000)
2005-06 Asset loss / (gain)	(169,000)
30 June 2006 cumulative loss / (gain)	665,000
2006-07 Liability loss / (gain)	(901,000)
2006-07 Asset loss / (gain)	(212,000)
30 June 2007 cumulative loss / (gain)	(448,000)
2007-08 Liability loss / (gain)	(365,000)
2007-08 Asset loss / (gain)	284,000
30 June 2008 cumulative loss / (gain)	(529,000)
2008-09 Liability loss / (gain)	3,179,000
2008-09 Asset loss / (gain)	612,000
30 June 2009 cumulative loss / (gain)	3,262,000
2009-10 Liability loss / (gain)	1,850,000
2009-10 Asset loss / (gain)	124,000
30 June 2010 cumulative loss / (gain)	5,236,000
2010-11 Liability loss / (gain)	(230,000)
2010-11 Asset loss / (gain)	70,000
30 June 2011 cumulative loss / (gain)	5,076,000
2011-12 Liability loss / (gain)	22,431,000
2011-12 Asset loss / (gain)	324,000
30 June 2012 cumulative loss / (gain)	27,831,000
2012-13 Liability loss / (gain)	(14,518,000)
2012-13 Asset loss / (gain)	(260,000)
30 June 2013 cumulative loss / (gain)	13,053,000

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 23: Administered Cash Flow Reconciliation

	2013 \$'000	2012 \$'000
<b>Cash and cash equivalents as per:</b>		
Administered Cash Flow Statement	-	-
Administered Balance Sheet	-	-
<b>Difference</b>	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(4,512,225)	(2,899,449)
<b>Adjustments for non-cash items</b>		
Foreign exchange (gains) losses	(321)	(166)
Dividends declared	(51,073)	(49,654)
Net write-down and impairment of assets	84	141
<b>Changes in assets/liabilities</b>		
Decrease/(increase) in trade and other receivables	(5,342)	11,879
Decrease/(increase) in prepayments	1,518	(12,961)
Increase/(decrease) in other payables	384	5,112
Increase/(decrease) in employee provisions	3,905,300	2,283,400
<b>Net cash from / (used by) operating activities</b>	<b>(661,675)</b>	<b>(661,698)</b>

**Department of Defence****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***For the period ended 30 June 2013***Note 24: Administered Commitments**

There are no material Administered commitments to report for the current period or the prior period.

**Note 25: Administered Contingent Liabilities and Contingent Assets****Quantifiable Contingencies**

There are no quantifiable contingencies to report in the current or prior year.

**Unquantifiable Contingencies**

There are no unquantifiable contingencies to report in the current or prior year.

**Contingent Assets**

There are no contingent assets to report in the current or prior year.

**Significant Remote Contingencies**

There are no significant remote contingencies to report in the current or prior year.

**Note 26: Administered Asset Additions**

Defence has no Administered asset additions in either the current or the immediately preceding reporting periods.

**Note 27: Administered Investments**

For Administered investments in Defence Housing Australia (DHA):

The Australian Government holds a 100% interest in DHA which is a Government Business Enterprise.

The principal activity of DHA is:

To deliver adequate and suitable housing and housing related services that meet Defence operational needs and the requirements of the Department.

For Administered investments in small portfolio entities:

A list of all small portfolio bodies can be found in note 1.28(d).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 28: Administered Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis for measurement in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

	2013 \$'000	2012 \$'000
<b>Note 28A: Categories of financial instruments</b>		
<b>Financial Assets</b>		
Loans and receivables:		
Cash and cash equivalents	-	-
Receivables	580,697	573,698
<b>Total</b>	<b>580,697</b>	<b>573,698</b>
Available for sale:		
Investment - Defence Housing Australia	2,262,693	2,197,408
Investment - Small Portfolio bodies	80,778	77,828
<b>Total</b>	<b>2,343,471</b>	<b>2,275,236</b>
<b>Carrying amount of financial assets</b>	<b>2,924,168</b>	<b>2,848,934</b>
<b>Financial Liabilities</b>		
At amortised cost:		
Other payables	5,543	5,159
<b>Total</b>	<b>5,543</b>	<b>5,159</b>
<b>Carrying amount of financial liabilities</b>	<b>5,543</b>	<b>5,159</b>

#### Note 28B: Net income and expense from financial assets

<b>Loans and receivables</b>		
Interest revenue	30,854	35,517
Impairment	(84)	(141)
Exchange gains/(loss)	321	166
<b>Net gain/(loss) on loans and receivables</b>	<b>31,091</b>	<b>35,542</b>
<b>Available for sale</b>		
Dividend revenue	51,073	49,654
<b>Net gain/(loss) available for sale</b>	<b>51,073</b>	<b>49,654</b>
<b>Net gain/(loss) on financial assets</b>	<b>82,164</b>	<b>85,196</b>

#### Note 28C: Net income and expense from financial liabilities

There were no net gain / (loss) from financial liabilities.

#### Note 28D: Fair value of financial instruments

Financial assets at fair value - Reconciliation of level 3 fair value hierarchy

<b>Investment - Defence Housing Australia</b>		
Opening balance	2,197,408	2,232,676
Total gains or losses recognised in other comprehensive income	65,285	(35,268)
Closing balance	<b>2,262,693</b>	<b>2,197,408</b>
<b>Investment - Small portfolio entities</b>		
Opening balance	77,828	75,296
Total gains or losses recognised in other comprehensive income	2,950	2,532
Closing balance	<b>80,778</b>	<b>77,828</b>

The fair value of all other financial instruments approximate their carrying amounts.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

**Note 28E: Credit Risk**

Defence's maximum credit risk at each class of recognised financial assets is the carrying amount of those assets as indicated in the Administered Schedule of Assets and Liabilities. Defence has endorsed policies and procedures for debt management to reduce the incidence of credit risk. The majority of goods or services provided by Defence are provided to other government entities and employees and therefore represent minimal credit risk exposure for Defence.

The carrying amount of financial assets, net of impairment losses, reported in the Administered Schedule of Assets and Liabilities represents Defence's exposure to credit risk. Defence has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments not past due or individually determined as impaired:

		Not past due nor impaired		Past due or impaired	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial Assets:	<b>Notes</b>				
Cash and cash equivalents	20A	-	-	-	-
Receivables	20B	571,942	573,560	8,839	138
Investments	20C	2,343,471	2,275,236	-	-
<b>Total</b>		<b>2,915,413</b>	<b>2,848,796</b>	<b>8,839</b>	<b>138</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 28E: Credit Risk (continued)**

Ageing of financial assets that are past due but not impaired:

	Notes	0 to 30 days		31 to 60 days		61 to 90 days		Over 90 days		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assets: Receivables	20B	45	79	11	-	-	-	8,699	59	8,755	138
Total		45	79	11	-	-	-	8,699	59	8,755	138

**Note 28F: Liquidity Risk**

Defence's administered financial liabilities are payables. The exposure to liquidity risk is based on the notion that Defence will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Defence (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following table illustrates the maturities for non-derivative financial liabilities.

	Notes	On demand		Within 1 year		1 to 2 years		2 to 5 years		> 5 years		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial Liabilities:													
Other payables	21A	-	-	5,543	5,159	-	-	-	-	-	-	5,543	5,159
Total		-	-	5,543	5,159	-	-	-	-	-	-	5,543	5,159

There are no derivative financial liabilities in both the current and prior year.

**Note 28G: Market Risk**

Defence Administered has no material exposure to currency risk, interest rate risk or other price risk.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 29: Administered Financial Assets Reconciliation

	2013 \$'000	2012 \$'000
Total financial assets per schedule of administered assets and liabilities	2,924,168	2,848,934
Less: non-financial instrument components	-	-
<b>Total financial assets as per financial instruments note</b>	<b>2,924,168</b>	<b>2,848,934</b>

#### Note 30: Administered accounting for errors

There are no adjustments to the prior period resulting from accounting errors.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2013*

**Note 31: Appropriations**

As per Note 1, Defence is structured to meet three outcomes:

- Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability;
- Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government; and
- Outcome 3: Support to the Australian community and civilian authorities as requested by Government.

Accordingly for Table A below, all items are attributable to three outcomes.

**Note 31A: Annual appropriations ('recoverable gst exclusive')**

	2012-2013 Appropriations						Appropriation applied in 2013 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
	Appropriation Act		FMA Act			Total Appropriations \$'000		
	Annual Appropriation \$'000	Reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Section 30 \$'000	Section 31 \$'000			
DEPARTMENTAL								
Ordinary annual services	23,269,856	(117,002)	-	-	750,516	-	23,903,370	940,275
Other services	468,774	-	-	-		-	468,774	12,485
Equity	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total departmental	23,738,630	(117,002)	-	-	750,516	-	24,372,144	952,760
ADMINISTERED								
Ordinary annual services	-	-	-	-	-	-	-	-
Administered items	-	-	-	-	-	-	-	-
Payments to CAC Act bodies	-	-	-	-	-	-	-	-
Other Services								
Specific payments to States, ACT, NT and Local government	-	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-
Payments to CAC Act Bodies	-	-	-	-	-	-	-	-
Total administered	-	-	-	-	-	-	-	-

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 31: Appropriations (Continued)

##### Notes:

1. Appropriations reduced under Appropriation Acts (No. 1, 3, 5) 2012-13: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2, 4, 6) 2012-13: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. The Finance Minister determined a reduction in departmental appropriations following requests by the Minister for Defence.

The amount of the reduction determined was:

	\$'000
22 November 2012 Appropriation Act (No. 1) 2011-12	117,002
<b>Total</b>	<b>117,002</b>

2. No advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3, 5) 2012-13: section 13 and Appropriation Acts (No. 2, 4, 6) 2012-13: section 15.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Prior year appropriations reduced (refer above) (excludes current year return)	-	-
Prior year appropriation drawn down	(76,857)	-
Unspent departmental annual appropriations 2012-13 (refer Table B)	441,864	12,485
Amounts drawn down for GST payments to suppliers and ATO	575,268	-
<b>Total</b>	<b>940,275</b>	<b>12,485</b>

4. The following adjustments meet the recognition criteria of a formal addition or reduction in revenue, in accordance with FMO Div 101, but at law the appropriations have not been amended before the end of the reporting period:

	\$'000
Adjustment for departmental supplementations	-
Return of departmental appropriation	(366,502)
Return of departmental appropriation	(8,013)
Return of departmental appropriation (equity)	(12,485)
<b>Total</b>	<b>(387,000)</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 31: Appropriations (Continued)**

Note 31A: Annual appropriations ('recoverable GST exclusive')

	2011-2012 Appropriations							Appropriation applied in 2012 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
	Appropriation Act			FMA Act			Total Appropriations \$'000		
	Annual Appropriation \$'000	Reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
DEPARTMENTAL									
Ordinary annual services	22,648,794	(1,128,468)	-	-	1,670,514	4,533	23,195,373	(23,536,483)	(341,110)
Other services	2,909,317	(1,070,585)	-	-		-	1,838,732	(2,773,786)	(935,054)
Equity									
Loans									
Total departmental	25,558,111	(2,199,053)	-	-	1,670,514	4,533	25,034,105	(26,310,269)	(1,276,164)
ADMINISTERED									
Ordinary annual services									
Administered items									
Payments to CAC Act bodies									
Other Services									
Specific payments to States, ACT, NT and Local government									
New administered outcomes									
Administered assets and liabilities									
Payments to CAC Act Bodies									
Total administered									

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 31: Appropriations (Continued)

##### Notes

1. Appropriations reduced under Appropriation Acts (No. 1, 3, 5) 2011-12: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2, 4, 6) 2011-12: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. The Finance Minister determined a reduction in departmental appropriations following requests by the Minister for Defence.

The amount of the reduction determined was:

	\$'000
9 December 2011 Appropriation Act (No. 1) 2010-2011	15,069
9 December 2011 Appropriation Act (No. 1) 2010-2011	956,989
9 December 2011 Appropriation Act (No. 1) 2010-2011	139,575
7 May 2012 Appropriation Act (No. 1) 2011-2012	16,835
<b>Total</b>	<b><u>1,128,468</u></b>
9 December 2011 Appropriation Act (No. 2) 2010-2011	822,254
9 December 2011 Appropriation Act (No. 4) 2010-2011	112,800
7 May 2012 Appropriation Act (No. 2) 2011-2012	135,531
<b>Total</b>	<b><u>1,070,585</u></b>

2. No advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3, 5) 2011-12: section 13 and Appropriation Acts (No. 2, 4, 6) 2011-12: section 15.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Prior year appropriations reduced (refer above) (excludes current year return)	(1,111,633)	(935,054)
Prior year appropriation drawn down	(50,122)	-
Unspent departmental annual appropriations 2011-12 (refer Table B)	193,930	-
Amounts drawn down for GST payments to suppliers and ATO	626,715	-
<b>Total</b>	<b><u>(341,110)</u></b>	<b><u>(935,054)</u></b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 31B: Unspent annual appropriations ('recoverable gst exclusive')

Authority	2013 \$'000	2012 \$'000
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Act 1 2012-13	441,864	-
Act 1 2011-12	71	193,930
<b>Total Operating</b>	<b>441,935</b>	<b>193,930</b>
<b>Equity</b>		
Act 1 2012-13	12,485	-
Act 1 2011-12	-	-
<b>Total Equity</b>	<b>12,485</b>	<b>-</b>
<b>Total<sup>1</sup></b>	<b>454,420</b>	<b>193,930</b>

#### Notes

1. The available unspent appropriation is \$67.41m. The remaining \$374.52m (operating) and \$12.49m (equity) reductions have not been amended. These amounts have been quarantined.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 31C: Special appropriations ('recoverable GST exclusive')**

Authority	Nature	Type	Purpose	Appropriation Applied	
				2013 \$'000	2012 \$'000
Defence Force Retirement Benefits Act 1948, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To provide Retirement Benefits for Members of the Defence Force who enlisted before 1 October 1972, and for other purposes.	55,495	59,301
Defence Force Retirement and Death Benefits Act 1973, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To make provision for and in relation to a Scheme for Retirement and Death Benefits for Members of the Defence Force who enlisted before 1 October 1991.	1,428,630	1,432,962
Military Superannuation and Benefits Act 1991, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To make provision for and in relation to an occupational superannuation scheme for, and the payment of other benefits to members of the Defence Force, and for related purposes.	375,524	337,508
Defence Force (Home Loans Assistance) Act 1990, Administered	Administered	Unlimited Amount	To provide for the payment of home loan subsidies in respect of certain members of the Defence Force and certain other persons, and for related purposes.	2,264	3,513
Defence Home Ownership Assistance Scheme Act 2008, administered	Administered	Unlimited Amount	To provide financial assistance to members of the Defence Force and certain other persons, for the purchase, maintenance and development of their homes, and for related purposes.	93,283	88,548
Military Superannuation and Benefits Act 1991, Administered	Administered	Unlimited Amount	To make provision for and in relation to retention benefits for ADF personnel.	61,023	70,165
Financial Management and Accountability Act 1997 s.28(2), Administered	Administered	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an actual amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment.	71	787
<b>Total</b>				<b>2,016,290</b>	<b>1,992,784</b>

(a) ComSuper draw funds from the CRF on behalf of defence.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 31D: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

<b>2013</b>	Department of Finance and Deregulation <sup>1</sup>
Total receipts	-
Total payments	63,372

<b>2012</b>	Department of Finance and Deregulation <sup>1</sup>
Total receipts	-
Total payments	-

1. The payments are related to Moorebank Units Relocation (MUR) Projects in order for Defence to facilitate the drawdown of monies from the Departmental Appropriation Act (No.2). (This act is administered by Department of Finance and Deregulation).

#### Note 31E: Reduction in Administered Items ('Recoverable GST exclusive')

2013	Amount Required by Appropriation Act	Total Amount Required	Total Amount Appropriated	Total Reduction
<b>Ordinary annual services</b>				
Nil	-	-	-	-
<b>Other services</b>				
Nil	-	-	-	-

2012	Amount Required by Appropriation Act	Total Amount Required	Total Amount Appropriated	Total Reduction
<b>Ordinary annual services</b>				
Nil		-	-	-
<b>Other services</b>				
Nil		-	-	-

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 32: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation (Finance) provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Defence reported the possibility of this being an issue for the agency in Note 29 Appropriations Table C to the 2010-11 financial statements and undertook to investigate the issue during 2011-12.

As a result of that investigation, legislation was amended by the *Financial Framework Legislation Amendment Act (No. 2) 2012* (FFLA Act No. 2) with effect from 1 July 2012. The amendments ensured that all benefits paid under certain Acts with a special appropriation would not be subject to Section 83 breaches in the future. That is, the FFLA Act No. 2 amended the *Defence Forces Retirement Benefits Act 1948*, *Defence Forces Retirement and Death Benefits Act 1973*, *Military Superannuation and Benefits Act 1991* and *Military Superannuation and Benefits Act 1991 - Retention Benefits* to ensure that overpayments that may be made would be covered by the appropriation provided by those Acts.

Legislation is yet to be put in place for the *Defence Force (Home Loans Assistance) Act 1990* and the *Defence Home Ownership Assistance Scheme Act 2008*. However, drafting instructions and Australian Government Solicitor advice on what provisions in those Acts should be amended has been provided to the Department of Finance and Deregulation for the next available FFLA Bill. Until legislation is in place, Defence will continue to report on potential Section 83 breaches for those schemes.

The following table shows the legislation, risk assessment, remedial action and number of potential breaches for the two remaining statutory schemes that still require legislation to address potential Section 83 breaches.

Legislation / Authority to pay <sup>1</sup>	Risk assessment progress as at 30 June <sup>2</sup>	Remedial action taken or proposed <sup>3</sup>	Potential Breaches <sup>4</sup>		
			No.	Value \$'000	Recovered \$'000
<i>Defence Force (Home Loans Assistance) Act 1990</i>	Completed	LP	57	101	98
<i>Defence Home Ownership Assistance Scheme Act 2008</i>	Completed	LP, SM	409	525	480

During 2012-13 additional legal advice was received that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. Defence will review its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. Defence has determined that there is low risk of the certain circumstances mentioned in the legal advice applying to the Department. Defence is not aware of any specific breaches of Section 83 in respect of these items.

#### 1 Legislation

Amounts paid under each legislation are disclosed in Note 31C Special Appropriations and Note 33 Special Accounts.

#### 2 Risk assessment

Defence has undertaken an assessment of the inherent level of risk of a breach. Legislation marked as "Completed" has undergone internal assessment by business area.

#### 3 Remedial action taken or proposed (L=legislative change; S=systems change; P=planned; M=made)

#### 4 Potential breaches

The work conducted in 2012-13 has identified that a potential issue still exists for the two Defence home loans schemes which will be addressed by legislation at the first available Parliamentary sitting. Amounts reported have been derived by analysing data on recovery of overpayments and other identified risk areas for 2012-13. There exists business processes to ensure that identified overpayments are recovered. The numbers and amounts represent the overpayments made during 2012-13.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2013*

**Note 33: Special Accounts**

	Service for Other Entities And Trust Monies		Young Endeavour Youth Program		Defence Endowments Special Account <sup>3</sup>		Fedorczenko Legacy Special Account <sup>4</sup>	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Balance brought forward from previous period</b>	<b>110,744</b>	<b>114,880</b>	<b>1,217</b>	<b>1,167</b>	<b>328</b>	<b>322</b>	<b>162</b>	<b>162</b>
<b>Increases:</b>								
Appropriation for reporting period	-	-	-	-	-	-	-	-
Costs recovered	29,580	55,736	58	58	-	-	-	-
Realised investments	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	27	29	8	8
<b>Total increases</b>	<b>29,580</b>	<b>55,736</b>	<b>58</b>	<b>58</b>	<b>27</b>	<b>29</b>	<b>8</b>	<b>8</b>
<b>Available for payments</b>	<b>140,324</b>	<b>170,616</b>	<b>1,275</b>	<b>1,225</b>	<b>355</b>	<b>351</b>	<b>170</b>	<b>170</b>
<b>Decreases:</b>								
<b>Special Public Money</b>								
Payments to suppliers	(66,961)	(59,872)	(1)	(8)	(33)	(23)	(4)	(8)
<b>Total Special public money decreases</b>	<b>(66,961)</b>	<b>(59,872)</b>	<b>(1)</b>	<b>(8)</b>	<b>(33)</b>	<b>(23)</b>	<b>(4)</b>	<b>(8)</b>
<b>Total decreases</b>	<b>(66,961)</b>	<b>(59,872)</b>	<b>(1)</b>	<b>(8)</b>	<b>(33)</b>	<b>(23)</b>	<b>(4)</b>	<b>(8)</b>
<b>Total Balance to be carried forward to next period</b>	<b>73,363</b>	<b>110,744</b>	<b>1,274</b>	<b>1,217</b>	<b>322</b>	<b>328</b>	<b>166</b>	<b>162</b>

**Notes**

**1. Appropriation: Financial Management and Accountability Act 1997; section 20**

- Establishing Instrument: Financial Management and Accountability Determination 2009/15.
- Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of persons other than the Commonwealth.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is non-interest bearing.

**2. Appropriation: Financial Management and Accountability Act 1997; section 20**

- Establishing Instrument: Financial Management and Accountability Determination 2009/02.
- Purpose: For the receipt and payment of money in connection with the operations and activities of the STS Young Endeavour, as specified by the Young Endeavour Program Board of Management or by the Commonwealth.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

**Department of Defence****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***For the period ended 30 June 2013*

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**Note 33: Special Accounts (Continued)****3. Appropriation: Financial Management and Accountability Act 1997; section 20**

- Establishing Instrument: Financial Management and Accountability Determination 2009/11.
- Purpose: For expenditure in accordance with the terms provided for in the endowments.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

**4. Appropriation: Financial Management and Accountability Act 1997; section 20**

- Establishing Instrument: Financial Management and Accountability Determination 2009/13.
- Purpose: For expenditure in relation to the defence of Australia of the residue of the estate of the late Petro Fedorczenko.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

**Note 33B: Investments made under section 39 of the FMA Act (Recoverable GST exclusive)**

There were nil (2011-12: nil) investments made under section 39 of the FMA Act.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 34: Compensation and Debt Relief

	2013 \$	2012 \$
<b>Departmental</b>		
26 'Act of Grace' expenses were incurred during the reporting period (2012: 25 expenses).		
All of the above expenses were paid on a periodic basis. These are expected to continue in future years. The estimated amount outstanding in relation to payments being made on a periodic basis as at 30 June 2013 was \$4.780m (\$5.892m at 30 June 2012). This estimate was determined by the Australian Government Actuary.	408,525	394,057
During 2013, 802 (2012: 1,041) individual payments were made under the Tactical Payments Scheme. Payments were in relation to the following Operations:		
- Operation Astute	-	-
- Operation Kruger	-	-
- Operation Slipper	67,235	44,877
2 waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997 (2012: 5 waivers).	130,206	86,511
9 payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2012: 8 payments made).	296,383	460,411
1 ex-gratia payments was made during the reporting period (2012: 13 payments).		
The present value of future payments at the end of the reporting period is \$1.265m for 31 claims (2012: \$5.732m for 31 claims).	10,000	310,000
No payments were provided in special circumstances relating to APS employment pursuant to s73 of the Public Service Act 1999 (PS Act) during the reporting period (2012: No payments).	-	-

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

## Note 35: Assets Held in Trust

	2013 \$'000	2012 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Young Endeavour Youth Program Special Account" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>To create a capital fund for the purpose of furthering youth development initiatives to make specific acquisitions and to support the Young Endeavour Youth Scheme through sail training for young Australians.</i>		
The fund is listed as a deductible gift recipient.		
Total amount held at the beginning of the reporting period	1,059	1,009
Other receipts	48	50
<b>Total credits</b>	<b>1,107</b>	<b>1,059</b>
Payment made to suppliers	-	-
<b>Total debits</b>	<b>-</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,107</b>	<b>1,059</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Services for Other Entities and Trust Moneys" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>		
Total amount held at the beginning of the reporting period	1	-
Other receipts	2	2
<b>Total credits</b>	<b>3</b>	<b>2</b>
Payment made to suppliers	(2)	(1)
<b>Total debits</b>	<b>(2)</b>	<b>(1)</b>
<b>Total amount held at the end of the reporting period</b>	<b>1</b>	<b>1</b>
<b>RAAF Air Power Conference (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Services for Other Entities and Trust Moneys" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>		
Total amount held at the beginning of the reporting period	181	107
Other receipts	-	97
<b>Total credits</b>	<b>181</b>	<b>204</b>
Payment made to suppliers	7	(23)
<b>Total debits</b>	<b>7</b>	<b>(23)</b>
<b>Total amount held at the end of the reporting period</b>	<b>188</b>	<b>181</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 35: Assets Held in Trust (Continued)

##### Comcare Trust Account (Trust)

Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Services for Other Entities and Trust Moneys" (Special Public Money).

##### *Purpose of trust arrangement:*

*Moneys held in trust and advanced to Defece by Comcare for the purposes of distributing compensation payments made in accordance with the Safety Rehabilitation and Compensation Act 1998.*

##### Defence Endowments Special Account (Trust)

Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Defence Endowments Special Account" (Special Public Money).

##### *Purpose of trust arrangement:*

*For expenditure in accordance with the terms provided for in the endowments.*

##### Fedorczenko Legacy Fund Special Account (Trust)

Monetary assets held in trust were also disclosed in Note 33 Special Accounts in the table titled "Fedorczenko Legacy Special Account" (Special Public Money).

##### *Purpose of trust arrangement:*

*For expenditure in relation to the defence of Australia of the residue of the estate of the late Petro Fedorczenko.*

#### **Non-Monetary Assets**

Defence accommodates and operates some non-monetary assets on behalf of other governments; however, their disclosure would compromise the activities of these assets. In accordance with clauses 17.5 and 38.54 of the FMOs the Minister for Finance granted an exemption from disclosing these assets.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2013*

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#### Note 36: Reporting of Outcomes

As per Financial Statement Note 1, Defence is structured to meet three outcomes, as follows:

##### OUTCOME 1. THE PROTECTION AND ADVANCEMENT OF AUSTRALIA'S NATIONAL INTERESTS THROUGH THE PROVISION OF MILITARY CAPABILITIES AND THE PROMOTION OF SECURITY AND STABILITY

- 1.1 Office of the Secretary and CDF
- 1.2 Navy Capabilities
- 1.3 Army Capabilities
- 1.4 Air Force Capabilities
- 1.5 Intelligence Capabilities
- 1.6 Chief Operating Officer – Defence Support
- 1.8 Chief Operating Officer – Chief Information Officer
- 1.13 Chief Operating Officer – People
- 1.7 Defence Science and Technology
- 1.9 Vice Chief of the Defence Force
- 1.10 Joint Operations Command
- 1.11 Capability Development
- 1.12 Chief Finance Officer
- 1.14 Defence Force Superannuation Benefits
- 1.15 Defence Force Superannuation – Nominal Interest
- 1.16 Housing Assistance
- 1.17 Other Administered

##### OUTCOME 2. THE ADVANCEMENT OF AUSTRALIA'S STRATEGIC INTERESTS THROUGH THE CONDUCT OF MILITARY OPERATIONS AND OTHER TASKS AS DIRECTED BY GOVERNMENT

- 2.1 Operations Contributing to the Security of the Immediate Neighbourhood
- 2.2 Operations Supporting Wider Interests

##### OUTCOME 3. SUPPORT TO THE AUSTRALIAN COMMUNITY AND CIVILIAN AUTHORITIES AS REQUESTED BY GOVERNMENT

- 3.1 Defence Contribution to National Support Tasks in Australia

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 36: Reporting of Outcomes (Continued)**

**Note 36A: Net cost of outcome delivery**

	Outcome 1		Outcome 2		Outcome 3		Payments to/from CAC Act bodies <sup>1</sup>		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Departmental</b>										
Expenses	(23,859,307)	(24,342,807)	(961,792)	(993,061)	(15,182)	(18,461)			(24,836,281)	(25,354,329)
Own source income	2,378,682	2,294,822	30,229	34,098	-	-	-	-	2,408,911	2,328,920
<b>Administered<sup>2</sup></b>										
Expenses	(5,870,658)	(4,215,525)	-	-	-	-			(5,870,658)	(4,215,525)
Own source income	1,327,579	1,283,903	-	-	-	-	30,854	32,173	1,358,433	1,316,076
<b>Net cost/(contribution) of outcome delivery</b>	<b>(25,023,704)</b>	<b>(24,979,607)</b>	<b>(931,563)</b>	<b>(958,963)</b>	<b>(15,182)</b>	<b>(18,461)</b>	<b>30,854</b>	<b>32,173</b>	<b>(26,939,595)</b>	<b>(25,924,858)</b>

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table, Outcome 2 Resourcing Table and Outcome 3 Resourcing Table of this Annual Report.

1. Payments to/from CAC Act bodies are not related to outcomes. They are included here so the total can agree to the resourcing table.
2. This table includes income from activities subject to competitive neutrality.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 36: Reporting of Outcomes (Continued)**

**Note 36B: Major classes of departmental expense, income, assets and liabilities by outcome**

	Outcome 1		Outcome 2		Outcome 3		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Departmental Expenses</b>								
Employee benefits	9,691,951	9,535,787	293,608	305,380	577	233	9,986,136	9,841,400
Supplier expenses	9,168,409	9,998,834	629,419	648,936	14,605	18,228	9,812,433	10,665,998
Grants	12,036	32,613	38,700	38,692	-	-	50,736	71,305
Depreciation and amortisation	3,999,977	3,630,984	-	-	-	-	3,999,977	3,630,984
Finance costs	85,049	100,547	-	-	-	-	85,049	100,547
Write-down and impairment of assets	800,598	933,458	-	6	-	-	800,598	933,464
Foreign exchange losses	1,048	-	(2)	-	-	-	1,046	-
Losses from asset sales	11,642	13,216	-	-	-	-	11,642	13,216
Other expenses	88,597	97,368	67	47	-	-	88,664	97,415
<b>Total</b>	<b>23,859,307</b>	<b>24,342,807</b>	<b>961,792</b>	<b>993,061</b>	<b>15,182</b>	<b>18,461</b>	<b>24,836,281</b>	<b>25,354,329</b>
<b>Departmental Income:</b>								
<b>Revenue</b>								
Revenue from Government	21,482,401	21,185,262	1,215,989	1,271,336	9,500	9,829	22,707,890	22,466,427
Provision of goods and rendering of services	218,926	210,608	30,010	33,954	-	-	248,936	244,562
Sustainment expenditure recovered from DMO	145,641	137,553	219	137	-	-	145,860	197,690
Recovery of military salaries from DMO	173,169	151,607	-	-	-	-	173,169	151,607
Group rental scheme	197,904	185,133	-	-	-	-	197,904	185,133
Resources received free of charge - DMO	777,400	781,045	-	-	-	-	777,400	781,045
Rental income	10,387	9,481	-	-	-	-	10,387	9,481
Other revenue	471,468	195,103	-	10	-	-	471,468	195,113
<b>Total Revenue</b>	<b>23,477,296</b>	<b>22,915,792</b>	<b>1,246,218</b>	<b>1,305,437</b>	<b>9,500</b>	<b>9,829</b>	<b>24,733,014</b>	<b>24,231,058</b>
<b>Gains</b>								
Foreign exchange gains	-	371	-	(3)	-	-	-	368
Gains from asset sales	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs	317,915	479,573	-	-	-	-	317,915	479,573
Other gains	65,872	84,348	-	-	-	-	65,872	84,348
<b>Total gains</b>	<b>383,787</b>	<b>564,292</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>383,787</b>	<b>564,289</b>
<b>Total</b>	<b>23,861,083</b>	<b>23,480,084</b>	<b>1,246,218</b>	<b>1,305,434</b>	<b>9,500</b>	<b>9,829</b>	<b>25,116,801</b>	<b>24,795,347</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 36: Reporting of Outcomes (Continued)**

**Note 36B: Major classes of departmental expense, income, assets and liabilities by outcome (continued)**

	Outcome 1		Outcome 2		Outcome 3		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Departmental Assets:</b>								
Cash and cash equivalents	60,915	10,972	7,545	7,119	-	-	68,460	18,091
Trade and other receivables	811,883	400,106	62,949	33,587	7	3	874,839	433,696
Land and buildings	15,925,406	15,695,215	-	-	-	-	15,925,406	15,695,215
Specialist military equipment	40,244,821	40,327,792	-	-	-	-	40,244,821	40,327,792
Infrastructure	5,382,895	5,386,670	-	-	-	-	5,382,895	5,386,670
Plant and equipment	1,381,223	1,343,733	-	-	-	-	1,381,223	1,343,733
Heritage and cultural assets	1,023,969	984,939	-	-	-	-	1,023,969	984,939
Intangibles	606,336	575,006	-	-	-	-	606,336	575,006
Inventories	6,160,288	5,686,425	-	-	-	-	6,160,288	5,686,425
Prepayments	145,026	149,027	3,114	5,151	-	-	148,140	154,178
Assets held for sale	52,399	25,698	-	-	-	-	52,399	25,698
<b>Total</b>	<b>71,795,161</b>	<b>70,585,583</b>	<b>73,608</b>	<b>45,857</b>	<b>7</b>	<b>3</b>	<b>71,868,776</b>	<b>70,631,443</b>
<b>Departmental Liabilities:</b>								
Suppliers	1,555,573	1,135,034	23,895	47,706	-	18	1,579,468	1,182,758
Other payables	459,040	434,503	-	-	-	-	459,040	434,503
Leases	969,818	748,717	-	-	-	-	969,818	748,717
Employee provisions	2,235,956	2,227,657	-	-	-	-	2,235,956	2,227,657
Restoration, decontamination and decommissioning	872,367	876,140	-	-	-	-	872,367	876,140
Other provisions	3,014	3,822	-	-	-	-	3,014	3,822
<b>Total</b>	<b>6,095,768</b>	<b>5,425,873</b>	<b>23,895</b>	<b>47,706</b>	<b>-</b>	<b>18</b>	<b>6,119,663</b>	<b>5,473,597</b>

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2013*

**Note 36: Reporting of Outcomes (Continued)**

**Note 36C: Major classes of administered expenses, income, assets and liabilities by outcome**

	Outcome 1		Payments to/from CAC Act bodies		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Administered Expenses</b>						
Employee benefits	5,774,630	4,118,799			5,774,630	4,118,799
Subsidies	95,944	96,585			95,944	96,585
Write-down and impairment of assets	84	141			84	141
Foreign exchange losses	-	-			-	-
<b>Total</b>	<b>5,870,658</b>	<b>4,215,525</b>			<b>5,870,658</b>	<b>4,215,525</b>
<b>Administered Income:</b>						
Fees and fines	14,239	12,251			14,239	12,251
Interest	-	3,344	30,854	32,173	30,854	35,517
Dividends	51,073	49,654			51,073	49,654
Military superannuation contributions	1,213,777	1,158,903			1,213,777	1,158,903
Other revenue	48,169	59,585			48,169	59,585
Foreign exchange gains	321	166			321	166
<b>Total</b>	<b>1,327,579</b>	<b>1,283,903</b>	<b>30,854</b>	<b>32,173</b>	<b>1,358,433</b>	<b>1,316,076</b>
<b>Administered Assets:</b>						
Cash and cash equivalents	-	-			-	-
Trade and other receivables	71,117	64,118	509,580	509,580	580,697	573,698
Investments accounted for using the equity method	2,343,471	2,275,236	-	-	2,343,471	2,275,236
Prepayments	168,576	170,095			168,576	170,095
<b>Total</b>	<b>2,583,164</b>	<b>2,509,449</b>	<b>509,580</b>	<b>509,580</b>	<b>3,092,744</b>	<b>3,019,029</b>
<b>Administered Liabilities:</b>						
Other payables	5,543	5,159			5,543	5,159
Employee provisions	68,176,300	85,790,100			68,176,300	85,790,100
<b>Total</b>	<b>68,181,843</b>	<b>85,795,259</b>			<b>68,181,843</b>	<b>85,795,259</b>

Outcomes 1, 2 and 3 are described in Note 1.1.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

#### Note 37: Competitive Neutrality and Cost Recovery

	2013 \$'000	2012 \$'000
<b>Note 37A: Receipts subject to cost recovery policy</b>		
<b>Significant Cost Recovery Arrangements</b>		
Defence Cost Recovery Framework <sup>1</sup>	13,899	20,911
<b>Total Receipts Subject to Cost Recovery Policy</b>	<b>13,899</b>	<b>20,911</b>

<sup>1</sup> The Cost Recovery Impact Statement titled, 'Defence Cost Recovery Framework' covers Defence's cost recovery arrangements under cost recovery policy for receipts from sale of fuel to non government entities, sale of charts and maps, sale of casual meals to non-Defence staff in messes and receipts from provision of non-emergency assistance to the Civil Community.

#### Note 37B: Competitive Neutrality - Administered Expenses

There were nil (2011-12: nil) competitive neutrality amounts relating to Administered Expenses.

#### Note 37C: Administered receipts subject to cost recovery

There were nil (2011-12: nil) Administered receipts subject to Cost Recovery arrangement.



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

I have audited the accompanying financial statements of the Defence Materiel Organisation for the year ended 30 June 2013, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Defence Materiel Organisation is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Defence Materiel Organisation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Materiel Organisation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Defence Materiel Organisation, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### ***Opinion***

In my opinion, the financial statements of the Defence Materiel Organisation:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Defence Materiel Organisation's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



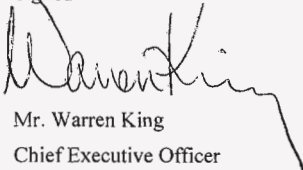
Jocelyn Ashford  
Executive Director  
Delegate of the Auditor-General  
Canberra

26 September 2013

**Defence Materiel Organisation****STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed



Mr. Warren King

Chief Executive Officer

25 September 2013

Signed



Mr. Steve Wearn

Chief Finance Officer

25 September 2013

**Defence Materiel Organisation**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>EXPENSES</b>			
Employee benefits	3A	591,070	592,265
Suppliers	3B		
Goods and services:			
Cost of goods sold to Defence		4,812,592	5,847,044
Other goods and services procured on behalf of Defence		3,302,174	3,275,956
DMO goods and services		300,526	306,896
Other suppliers		78,871	36,325
<i>Total supplier expenses</i>		<u>8,494,163</u>	<u>9,466,221</u>
Grants	3C	19,262	20,800
Depreciation and amortisation	3D	1,707	1,680
Write-down and impairment of assets	3E	13,239	1,237
Foreign exchange losses	3F	15,299	-
Other	3G	54	353
<i>Total expenses</i>		<u>9,134,794</u>	<u>10,082,556</u>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	8,217,929	9,156,761
Interest	4B	5,452	1,444
Other	4C	31,848	37,966
<i>Total own-source revenue</i>		<u>8,255,229</u>	<u>9,196,171</u>
<b>Gains</b>			
Foreign exchange gains	3F	-	932
Reversals of previous asset write-downs and impairments	4D	-	59
Other	4E	1,100	1,400
<i>Total gains</i>		<u>1,100</u>	<u>2,391</u>
<i>Total own-source income</i>		<u>8,256,329</u>	<u>9,198,562</u>
<i>Net cost of (contribution by) services</i>		<u>878,465</u>	<u>883,994</u>
Revenue from Government	4F	911,104	931,270
<i>Surplus (deficit) attributable to the Australian Government</i>		<u>32,639</u>	<u>47,276</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to profit or loss</b>			
Changes in asset revaluation reserves		13	239
<i>Total other comprehensive income</i>		<u>13</u>	<u>239</u>
<i>Total comprehensive income (loss) attributable to the Australian Government</i>		<u>32,652</u>	<u>47,515</u>

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**BALANCE SHEET**  
*as at 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	135,805	24,722
Trade and other receivables	5B	1,165,560	684,228
<b>Total financial assets</b>		<b>1,301,365</b>	708,950
<b>Non-financial assets</b>			
Property, plant and equipment	6A	5,560	6,871
Intangibles	6B	28	56
Prepayments	6D	1,204,647	1,366,024
<b>Total non-financial assets</b>		<b>1,210,235</b>	1,372,951
<b>Total assets</b>		<b>2,511,600</b>	2,081,901
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	1,405,576	1,429,807
Grants	7B	5,111	5,161
Other payables	7C	517,377	76,923
<b>Total payables</b>		<b>1,928,064</b>	1,511,891
<b>Provisions</b>			
Employee provisions	8A	174,981	194,287
Other provisions	8B	5,881	5,698
<b>Total provisions</b>		<b>180,862</b>	199,985
<b>Total liabilities</b>		<b>2,108,926</b>	1,711,876
<b>Net assets</b>		<b>402,674</b>	370,025
<b>EQUITY</b>			
Retained surplus		247,054	214,418
Asset revaluation surplus		252	239
Contributed equity		155,368	155,368
<b>Total equity</b>		<b>402,674</b>	370,025

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2013*

Item	Retained surplus		Asset revaluation surplus		Contributed equity		Total equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Opening balance</b>								
Balance carried forward from previous period								
<b>Adjusted opening balance</b>	<b>214,418</b>	239,636	<b>239</b>	-	<b>155,368</b>	155,368	<b>370,025</b>	395,004
<b>Comprehensive income</b>								
Other comprehensive income	-	-	<b>13</b>	239	-	-	<b>13</b>	239
Surplus (Deficit) for the period	<b>32,639</b>	47,276					<b>32,639</b>	47,276
<b>Total comprehensive income</b>	<b>32,639</b>	47,276	<b>13</b>	239	-	-	<b>32,652</b>	47,515
Other movements <sup>1</sup>	<b>(3)</b>	-	-	-	-	-	<b>(3)</b>	-
<b>Transactions with Owners</b>								
<b>Distributions to Owners</b>								
Returns of Capital								
Other – Reduction in prior year appropriation receivable	-	(72,494)	-	-	-	-	-	(72,494)
<b>Subtotal transactions with owners</b>	<b>-</b>	(72,494)	-	-	-	-	-	(72,494)
<b>Closing balance as at 30 June</b>	<b>247,054</b>	214,418	<b>252</b>	239	<b>155,368</b>	155,368	<b>402,674</b>	370,025

<sup>1</sup> Other movements relates to rounding.

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sale of goods and rendering of services		8,350,682	10,517,058
Appropriations		1,014,441	870,000
Net GST received		618,088	676,359
Activities performed on behalf of foreign governments		47,829	27,677
Other		5,395	944
<b>Total cash received</b>		<b>10,036,435</b>	<b>12,092,038</b>
<b>Cash used</b>			
Employees <sup>1</sup>		616,037	565,462
Suppliers <sup>1</sup>		9,005,617	10,550,801
Funds returned to Defence		283,901	858,219
Grants		19,312	20,448
Other		25	4
<b>Total cash used</b>		<b>9,924,892</b>	<b>11,994,934</b>
<b>Net cash from (used by) operating activities</b>	9	<b>111,543</b>	<b>97,104</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		460	1,890
<b>Total cash used</b>		<b>460</b>	<b>1,890</b>
<b>Net cash from (used by) investing activities</b>		<b>(460)</b>	<b>(1,890)</b>
<b>Net increase (decrease) in cash held</b>		<b>111,083</b>	<b>95,214</b>
Cash and cash equivalents at the beginning of the reporting period		24,722	(70,492)
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>135,805</b>	<b>24,722</b>

<sup>1</sup> \$5.2m previously reported as cash used for employees has been reclassified as cash used for suppliers.

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2013*

	2013 \$'000	2012 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable <sup>1</sup></b>		
Commitments receivable	(17,795,073)	(17,580,339)
Net GST recoverable on commitments <sup>2</sup>	(1,698,312)	(1,663,741)
<b>Total commitments receivable</b>	<b>(19,493,385)</b>	<b>(19,244,080)</b>
<b>Commitments payable</b>		
<b>Project commitments</b>		
Land and buildings <sup>3</sup>	13,293	17,006
Property, plant and equipment <sup>4</sup>	12,850	16,409
Specialist military equipment <sup>5</sup>	10,500,685	10,698,333
Other project commitments <sup>6</sup>	546,454	621,584
<b>Total project commitments</b>	<b>11,073,282</b>	<b>11,353,332</b>
<b>Other commitments</b>		
Operating leases <sup>7</sup>	24,373	32,364
Research and development <sup>8</sup>	26,329	3,251
Materiel Sustainment Agreement commitments <sup>9</sup>	8,504,975	7,820,279
Other non-capital commitments <sup>10</sup>	17,380	76,542
<b>Total other commitments</b>	<b>8,573,057</b>	<b>7,932,436</b>
<b>Total commitments payable</b>	<b>19,646,339</b>	<b>19,285,768</b>
<b>Net commitments by type</b>	<b>152,954</b>	<b>41,688</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	(6,027,452)	(5,352,235)
From one to five years	(11,455,363)	(11,919,970)
Over five years	(2,010,570)	(1,971,875)
<b>Total commitments receivable</b>	<b>(19,493,385)</b>	<b>(19,244,080)</b>
<b>Commitments payable</b>		
<b>Project commitments</b>		
One year or less	3,429,737	3,144,445
From one to five years	6,807,611	7,358,998
Over five years	835,934	849,889
<b>Total project commitments</b>	<b>11,073,282</b>	<b>11,353,332</b>

**Defence Materiel Organisation**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2013*

	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
<b><i>Operating lease commitments</i></b>		
One year or less	<b>7,596</b>	6,607
From one to five years	<b>14,038</b>	21,041
Over five years	<b>2,739</b>	4,716
<b><i>Total operating lease commitments</i></b>	<b>24,373</b>	32,364
<b><i>Other commitments</i></b>		
One year or less	<b>2,644,545</b>	2,224,196
From one to five years	<b>4,717,007</b>	4,558,384
Over five years	<b>1,187,132</b>	1,117,492
<b><i>Total other commitments</i></b>	<b>8,548,684</b>	7,900,072
<b><i>Total commitments payable</i></b>	<b>19,646,339</b>	19,285,768
<b><i>Net commitments by maturity</i></b>	<b>152,954</b>	41,688

NB: Commitments are GST inclusive where relevant.

- <sup>1</sup> Commitments receivable includes the GST receivable on the gross commitments payable and the revenue due to DMO for activities undertaken on behalf of Defence that give rise to commitments payable.
- <sup>2</sup> Defence and DMO are ATO approved deferred tax customers on the purchase of overseas goods. As such, the phasing of both GST commitments receivable and payable are based upon DMO's estimate of delivery dates.
- <sup>3</sup> Outstanding contractual payments for buildings under construction on behalf of Defence under Materiel Acquisition Agreements.
- <sup>4</sup> Outstanding contractual payments for Property, Plant and Equipment purchases on behalf of Defence under Materiel Acquisition Agreements (P, P&E under construction) and Materiel Sustainment Agreements. Also includes outstanding contractual payments for DMO Property, Plant and Equipment.
- <sup>5</sup> Outstanding contractual payments for Specialist Military Equipment (SME) purchases on behalf of Defence under Materiel Acquisition Agreements (SME under construction) and Materiel Sustainment Agreements.
- <sup>6</sup> Includes outstanding contractual payments for project maintenance on behalf of Defence under Materiel Acquisition Agreements and Materiel Sustainment Agreements. Also includes outstanding contractual payments for DMO Intangibles.
- <sup>7</sup> Leases for motor vehicles to senior executive officers, pool vehicles, data lines and overseas property. Operating leases included are effectively non-cancellable. DMO has not entered into any contingent rental arrangements.
- <sup>8</sup> Outstanding commitments on research and development projects undertaken on behalf of Defence.
- <sup>9</sup> Outstanding commitments on Materiel Sustainment Agreement activity expenditure incurred on behalf of Defence.
- <sup>10</sup> Includes outstanding commitments on activities covered by DMO's direct appropriation.

The above schedule should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>EXPENSES</b>			
Foreign exchange losses	15A	-	1,463
<b>Total expenses administered on behalf of Government</b>		-	1,463
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
<b>Non-taxation revenue</b>			
Interest	16A	85	542
Other	16B	-	42
<b>Total non-taxation revenue</b>		85	584
<b>Total own-source revenue administered on behalf of Government</b>		85	584
<b>Gains</b>			
Foreign exchange gains	16C	189	-
<b>Total gains administered on behalf of Government</b>		189	-
<b>Total own-source income administered on behalf of Government</b>		274	584
<i>Net cost of (contribution by) services</i>		(274)	879
<i>Surplus (Deficit)</i>		274	(879)
<i>Total comprehensive income (loss)</i>		274	(879)
The above schedule should be read in conjunction with the accompanying notes.			

**Defence Materiel Organisation**  
**SCHEDULE OF CONTINGENCIES**  
*as at 30 June 2013*

	2013 \$'000	2012 \$'000
<b>Contingent assets</b>		
Claims for damages or costs <sup>1</sup>	37,500	-
<b>Total contingent assets</b>	37,500	-
<b>Contingent liabilities</b>		
Claims for damages or costs <sup>1</sup>	37,550	1,000
<b>Total contingent liabilities</b>	37,550	1,000
<b>Net contingent assets (liabilities)</b>	(50)	(1,000)

Details of each class of contingent assets and contingent liabilities not included above because they cannot be quantified or are considered remote are disclosed in Note 10 Contingent Assets and Liabilities.

<sup>1</sup> The contingent assets and contingent liabilities disclosed by DMO include those arising from matters managed on behalf of Defence.

The above schedule should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**  
*as at 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>Financial assets</b>			
Trade and other receivables	17	2,059	3,584
<b>Total financial assets</b>		2,059	3,584
<b>Total assets administered on behalf of Government</b>		2,059	3,584
<b>Net assets /(liabilities)</b>		2,059	3,584
The above schedule should be read in conjunction with the accompanying notes.			

**Defence Materiel Organisation**  
**ADMINISTERED RECONCILIATION SCHEDULE**  
*for the period ended 30 June 2013*

	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
<b>Opening administered assets less administered liabilities as at 1 July</b>	<b>3,584</b>	8,136
Surplus (deficit) items:		
Plus: Administered income	<b>274</b>	584
Less: Administered expenses	-	(1,463)
Administered transfers to/from Australian Government:		
Transfers to OPA	<b>(1,799)</b>	(3,673)
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>2,059</b>	3,584
The above schedule should be read in conjunction with the accompanying notes.		

**Defence Materiel Organisation**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2013*

	Notes	2013 \$'000	2012 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Interest		1,799	3,673
<b>Total cash received</b>		1,799	3,673
<b>Net cash flows from (used by) operating activities</b>	18	1,799	3,673
<b>Net increase (decrease) in cash held</b>		1,799	3,673
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash to Official Public Account for transfer to other entities (Finance – Whole of Government)		(1,799)	(3,673)
<b>Cash and cash equivalents at the end of the reporting period</b>		-	-
Administered activities performed by DMO on behalf of the Government relate to receipt of interest and levies on overseas bank accounts and advance payments.			
The above statement should be read in conjunction with the accompanying notes.			

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**Index to the Notes to the Financial Statements**

<b>Note 1</b>	<b>Summary of Significant Accounting Policies</b>	<b>13</b>
<b>Note 2</b>	<b>Events after the Reporting Period</b>	<b>23</b>
<b>Note 3</b>	<b>Expenses</b>	<b>24</b>
<b>Note 4</b>	<b>Income</b>	<b>27</b>
<b>Note 5</b>	<b>Financial Assets</b>	<b>29</b>
<b>Note 6</b>	<b>Non-Financial Assets</b>	<b>31</b>
<b>Note 7</b>	<b>Payables</b>	<b>35</b>
<b>Note 8</b>	<b>Provisions</b>	<b>36</b>
<b>Note 9</b>	<b>Cash Flow Reconciliation</b>	<b>37</b>
<b>Note 10</b>	<b>Contingent Assets and Liabilities</b>	<b>38</b>
<b>Note 11</b>	<b>Senior Executive Remuneration</b>	<b>40</b>
<b>Note 12</b>	<b>Remuneration of Auditors</b>	<b>45</b>
<b>Note 13</b>	<b>Financial Instruments</b>	<b>46</b>
<b>Note 14</b>	<b>Financial Assets Reconciliation</b>	<b>50</b>
<b>Note 15</b>	<b>Administered Expense</b>	<b>51</b>
<b>Note 16</b>	<b>Administered Income</b>	<b>51</b>
<b>Note 17</b>	<b>Administered Financial Assets</b>	<b>52</b>
<b>Note 18</b>	<b>Administered Cash Flow Reconciliation</b>	<b>53</b>
<b>Note 19</b>	<b>Administered Contingent Assets and Liabilities</b>	<b>53</b>
<b>Note 20</b>	<b>Administered Financial Instruments</b>	<b>54</b>
<b>Note 21</b>	<b>Administered Financial Assets Reconciliation</b>	<b>56</b>
<b>Note 22</b>	<b>Appropriations</b>	<b>57</b>
<b>Note 23</b>	<b>Special Accounts ('Recoverable GST exclusive')</b>	<b>60</b>
<b>Note 24</b>	<b>Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund</b>	<b>62</b>
<b>Note 25</b>	<b>Compensation and Debt Relief</b>	<b>63</b>
<b>Note 26</b>	<b>Assets Held in Trust</b>	<b>64</b>
<b>Note 27</b>	<b>Reporting of Outcomes</b>	<b>65</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### Note 1 Summary of Significant Accounting Policies

##### 1.1 Objective of the Defence Materiel Organisation (DMO)

The Defence Materiel Organisation (DMO) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of DMO is to equip and sustain the Australian Defence Force.

DMO has one Outcome: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies.

DMO activities contributing toward this outcome are classified as either departmental or administered.

Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by DMO in its own right. Administered activities involve the management or oversight by the DMO, on behalf of the Government, of items controlled or incurred by the Government.

DMO collects administered revenues on behalf of the Australian Government. Administered revenues comprise levies received from overseas consortium partners, interest earned on overseas bank accounts and interest earned on project advances that have been returned to the Commonwealth.

The continued existence of DMO in its present form and with its present activities is dependent on Government policy and on continuing appropriations by Parliament for the Department of Defence and DMO activities.

##### 1.2 Basis of Preparation of the Financial Statements

The Financial Statements are required by section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and are general purpose financial statements.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian accounting standards issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when, and only when, it is probable that the future economic benefits will flow to DMO or a future sacrifice of economic benefits will be required and the amounts of assets and liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the Schedule of Commitments or the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

##### 1.3 Payments made under Legislation

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### 1.4 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, DMO has made no judgements that have a significant impact on the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period except in relation to provisions for annual leave and long service leave. Provisions for annual leave and long service leave are estimates based on expert actuarial assumptions on the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

#### 1.5 New Australian Accounting Standards

##### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

New standards/revised standards/interpretations/amending standards that were issued prior to the signing of the statement by the Chief Executive and Chief Financial Officer and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on DMO.

##### Future Australian Accounting Standard requirements

The following new or revised standards, amending standards or Interpretations were issued by the Australian Accounting Standards Board prior to the sign-off date and are applicable for future periods. DMO has conducted an assessment and determined that these standards will have a future financial impact on DMO.

- AASB 9 *Financial Instruments* - September 2012 (Compilation)
- AASB 13 *Fair Value Measurement* - December 2012 (Principal)
- AAS 119 *Employee Benefits* - September 2011 (Principal)
- AASB 1055 *Budgetary Reporting* - March 2013 (Principal)

Other new or revised standards, amending standards or Interpretations that were issued prior to the sign-off date and are applicable for future periods are not expected to have a future financial impact on DMO.

#### 1.6 Revenue

##### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when DMO gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

##### Sale of Goods and Rendering of Services

Revenue from goods and services provided to Defence is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the level of costs incurred at the reporting date. DMO is the purchasing or acquiring agent for Defence and engages in the purchase of Fuel, General Stores Inventory (GSI), Explosive Ordnance (EO), Supply Chain Assets (including Military Support Items) and Commercial Vehicles (CVs) on behalf of Defence.

DMO also provides services to sustain Defence materiel. Revenue for sustainment services is recognised in accordance with expense incurred.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Goods and services sold to, and procured on behalf of, Defence are separately disclosed in the face of the Statement of Comprehensive Income due to the materiality of amounts under this category. There are also components of employee benefits, other supplier expenses and other expenses that were incurred on behalf of Defence. Details for these categories of expense are disclosed in the relevant notes to the financial statements.

The amount of contract revenue from Defence recognised during the period is disclosed under sale of goods and rendering of services in Note 4A.

Costs incurred include all expenditure related directly to specific acquisition projects and sustainment activities and an allocation of fixed and variable overheads incurred in DMO's contract activities specifically chargeable to Defence under the terms of the agreements. This excludes DMO operational and infrastructure costs which are funded through departmental appropriation. The amount of costs incurred during the period is disclosed in Note 3B.

During the financial year prepayments may be made to suppliers with the balance as at the end of the financial year as disclosed in Note 6D. Defence provides funding in advance for acquisition and sustainment activities. If the prepayment from Defence increases during the financial year, this is reflected as unearned income from Defence in Note 7, as it represents the extent of acquisition or sustainment activities yet to be provided. If the prepayment decreases during the financial year, this will be reflected as a decrease in unearned income from Defence in Note 7, as it represents acquisition or sustainment activities that have been provided during the financial year. If DMO provides acquisition and/or sustainment activities in excess of the Defence prepayment this is reflected as other receivables in Note 5B.

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- DMO retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to DMO.

Revenue is recognised from services at the time the service is provided.

#### Other Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

#### Resources Received Free of Charge

Resources received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

#### Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amount due less any impairment allowance account. The collectability of receivables is reviewed as at the end of the reporting period. Allowances are made when collectability of the receivable is no longer probable (Note 5B).

The appropriations receivable in Note 5B consists of annual revenue from Government for existing programs and the balance of the DMO Special Account held in the Official Public Account, which is deemed to be appropriated to the DMO Special Account.

Appropriations receivable are recognised at their nominal amounts.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.7 Gains

##### *Resources Received Free of Charge*

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.8).

##### *Sale of Assets*

Gains from the disposal of assets are recognised when control of the asset has passed to the buyer.

#### 1.8 Transactions with the Government as Owner

##### *Equity Injections*

Amounts appropriated which are designated as 'equity injections' for the reporting period (less any formal reductions) and Departmental Capital Budget (DCB) are recognised directly in Contributed Equity in that period.

##### *Restructuring of Administrative Arrangements*

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

##### *Other Distributions to Owners*

The FMOs require that distributions to owners be debited to Contributed Equity, unless it is in the nature of a dividend.

#### 1.9 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Liabilities for military staff posted to DMO are not disclosed as employee benefits as military staff remain employees of Defence and are reported in the Defence Financial Statements.

##### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of DMO is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including DMO's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2013. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### *Superannuation*

Permanently appointed DMO employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) and other superannuation funds held outside the Commonwealth.

The CSS and PSS are defined benefits schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

DMO makes employer contributions to employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of DMO's employees. DMO accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2013 represents outstanding contributions for the final fortnight of the year.

#### *Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. DMO recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

#### **1.10 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

As at 30 June 2013, DMO did not have any finance leases (2012: none).

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of the benefits derived from the leased assets.

#### **1.11 Borrowing Costs**

All borrowing costs are expensed as incurred.

#### **1.12 Grants**

DMO administers a number of grants providing assistance to Defence industry to address shortfalls in the quantity and quality of professional and technical workforce skills.

Grant liabilities are recognised to the extent that the services required to be performed by the grantee have been performed or the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.13 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, cash held by outsiders, demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### 1.14 Foreign Military Sales

The Foreign Military Sales program operates a bank account, which is domiciled with the Federal Reserve Bank (FRB) New York, and DMO is responsible for the management of the account.

The moneys paid into the FRB are in accordance with the Special Billing arrangements negotiated by Australia with the United States Department of Defense.

The program requires periodic quarterly payments in advance of financial performance and the moneys held in the FRB account attract interest which is credited to the Special Account.

The administrative arrangements between the US and Australia result in DMO transactions pertaining to the FRB account being reported as prepayments in DMO's financial statements.

#### 1.15 Financial Assets

All of DMO's financial assets are classified as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon 'trade date'.

##### Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

##### Loans and Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost less impairment, using the effective interest rate method.

Interest is recognised by applying the effective interest rate.

##### Liquidated Damages

Liquidated damages arise where the Commonwealth has an entitlement to compensation as a result of a contractor not meeting contractual requirements.

Where an event occurs that triggers the Commonwealth's entitlement to compensation, and a settlement agreement has been reached with the contractor, DMO recognises an Other Receivable for the amount of goods- or services- in-kind and/or cash received. In addition, DMO recognises a corresponding Other Payable to Defence to reflect that the goods and services to be delivered under these arrangements relate to activities which DMO undertakes on behalf of Defence (refer notes 5B and 7C).

Where a triggering event has occurred, however and, an agreement has not been reached with the contractor; DMO recognises a contingent asset and corresponding contingent liability for the estimated amount receivable from the contractor and payable to Defence. The contingent asset and liability are valued or reported as unquantifiable based on the status of negotiations and precedent cases (refer Note 10).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### 1.16 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

*Financial assets held at amortised cost* - if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

#### 1.17 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised upon 'trade date'.

##### Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

#### 1.18 Contingent Assets and Contingent Liabilities

Contingent Assets and Contingent Liabilities are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

#### 1.19 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability as they are regarded as financial instruments outside of the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

#### 1.20 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.21 Property, Plant and Equipment

##### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

##### Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class:	Fair value measured at:
Property, Plant and Equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amount of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The Australian Valuation Office provided independent advice on the valuation of DMO assets as at 30 June 2013.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation surplus except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

##### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to DMO using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2013	2012
Property, Plant and Equipment	2 to 10 years	2 to 10 years

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### *Impairment*

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows and the asset would be replaced if DMO were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### **1.22 Intangibles**

DMO's intangible assets primarily comprise purchased computer software for internal use. All intangibles with gross values greater than \$100,000 are capitalised. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over the following anticipated useful life:

	<b>2013</b>	2012
Intangibles	<b>3 to 10 years</b>	3 to 10 years

All software assets were assessed for indications of impairment as at 30 June 2013.

#### **1.23 Taxation**

DMO's activities are exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses, assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

#### **1.24 Foreign Exchange**

Transactions denominated in a foreign currency are converted at the exchange rate on the date of the transaction. Foreign currency receivables and payables are translated at the exchange rate current as at the reporting date. Exchange gains and losses are reported in the Statement of Comprehensive Income.

Non-financial items that are measured at cost in a foreign currency are translated using the spot exchange rate at the date of the initial transaction. Non-financial items that are measured at fair value in a foreign currency are translated using the spot rates at the date when the fair value was determined.

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**1.25 Reporting of Administered Activities**

Administered expenses, revenues, assets and cash flows are disclosed in the administered schedules and related notes. Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

*Administered Cash Transfers to and from the Official Public Account*

Revenue collected by DMO for use by the Government, rather than DMO, is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. These transfers to the OPA are adjustments to the administered cash held by DMO on behalf of the Government and are reported as such in the Administered Cash Flow Statement and Administered Reconciliation Schedule.

*Revenue*

Administered revenues relate to activities performed by DMO on behalf of the Australian Government. Administered revenues are generated as a result of holding overseas bank accounts and from the sale of excess stocks by consortium project offices. Administered revenue is only recognised where there is a specific legal requirement or Ministerial determination to do so.

*Receivables*

Receivables reported in the Administered Schedule of Assets and Liabilities comprises levies required to be returned to the Official Public Account and the balance of interest payable on overseas bank accounts. Administered receivables are measured at amortised cost less impairment.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### Note 2 Events after the Reporting Period

##### Reduction in Departmental appropriations

On 29 June 2013, the Parliamentary Secretary to the Prime Minister approved a \$17,362,000 reduction in DMO's *Appropriation Act (No.1) 2012-13*. This approval met the criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriation had not been amended before the year-end. On 5 August 2013, the Finance Minister made a determination under the *Instrument to Reduce Appropriation (No.1 of 2013-14)*, which became effective on 13 August 2013 and reduced DMO's appropriation by \$17,362,000 under section 10(2) of *Appropriation Act (No.1) 2012-13* (Note 22A).

Since the determination to reduce DMO's appropriation was made after the reporting period, DMO considers the appropriation reduction to be a non-adjusting subsequent event on the basis that the reduction had not been legally effected as at 30 June 2013. Consequently, the 2012-13 appropriation reported in Note 22A of the financial statements has not been amended to reflect the reduction. Instead, the relevant disclosures have been made in the footnotes to Note 22A of the financial statements.

There were no other subsequent events that had the potential to significantly affect DMO's ongoing structure or activities.

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2013	2012
	\$'000	\$'000
<b>Note 3 Expenses</b>		
<b><u>Note 3A Employee benefits</u></b>		
Wages and salaries	439,143	440,253
Superannuation		
Defined contribution plans	32,988	30,921
Defined benefit plans	47,386	43,112
Leave and other entitlements	43,107	64,173
Separations and redundancies	15,831	1,448
Other	12,615	12,358
<b><i>Total employee benefits</i></b>	<b>591,070</b>	<b>592,265</b>

Employee benefits expense reported in this note includes \$6.3m incurred on behalf of Defence (2012: \$6.8m).

Employee benefits do not include payments made in relation to military employees. Military employees are posted to DMO in accordance with the Military Workforce Agreement with Defence. The cost of the Military Workforce is disclosed at Note 3B Supplier expenses.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 3B Suppliers</b>		
<b>Goods and services</b>		
<b>Cost of goods sold to Defence:</b>		
General Stores Inventory	499,623	588,568
Explosive Ordnance	209,091	239,702
Fuel	416,884	482,849
Assets Under Construction	3,390,533	4,117,510
Supply Chain Assets	283,576	373,346
Commercial Vehicles	12,885	45,069
<b>Total cost of goods sold to Defence</b>	<b>4,812,592</b>	<b>5,847,044</b>
<b>Other goods and services procured on behalf of Defence:</b>		
Repair and overhaul	2,744,698	2,650,924
General goods and services	410,532	429,603
DMO military workforce	2,036	3,454
Communications and information technology	88,106	113,784
Domestic travel	4,786	8,094
Training	7,463	18,316
Overseas travel	2,876	4,893
Advertising	2	30
Freight and storage	27,139	25,859
Operating lease rentals <sup>1</sup>	14,536	20,999
<b>Total other goods and services procured on behalf of Defence</b>	<b>3,302,174</b>	<b>3,275,956</b>
<b>DMO goods and services:</b>		
General goods and services	90,260	101,965
DMO military workforce	166,553	146,961
Communications and information technology	5,310	6,704
Domestic travel	11,681	20,328
Training	23,886	25,544
Overseas travel	2,417	4,351
Advertising	136	720
Freight and storage	63	138
Operating lease rentals <sup>1</sup>	220	185
<b>Total DMO goods and services</b>	<b>300,526</b>	<b>306,896</b>
<b>Other supplier expenses</b>		
Research and development <sup>2</sup>	78,871	36,325
<b>Total other supplier expenses</b>	<b>78,871</b>	<b>36,325</b>
<b>Total supplier expenses</b>	<b>8,494,163</b>	<b>9,466,221</b>

<sup>1</sup> These comprise minimum lease payments only

<sup>2</sup> Includes \$78.9m incurred on behalf of Defence (2012: \$26.0m)

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Supplier expenses are made up of:</b>		
Provision of goods – related entities	617,987	447,747
Provision of goods – external parties	4,484,866	5,660,671
Rendering of services – related entities	554,485	580,703
Rendering of services – external parties	2,822,069	2,755,916
Operating lease rentals – related entities	6,012	1,609
Operating lease rentals – external parties	8,744	19,575
<b>Total supplier expenses</b>	<b>8,494,163</b>	<b>9,466,221</b>

#### Note 3C Grants

Private Sector:

Defence Industry

**Total Grants**

19,262	20,800
<b>19,262</b>	<b>20,800</b>

#### Note 3D Depreciation and Amortisation

##### **Depreciation**

Property, plant and equipment

**Total depreciation**

1,679	1,605
<b>1,679</b>	<b>1,605</b>

##### **Amortisation**

Intangibles – Computer software purchased

**Total amortisation**

**Total depreciation and amortisation**

28	75
<b>28</b>	<b>75</b>
<b>1,707</b>	<b>1,680</b>

#### Note 3E Write-Down and Impairment of Assets

##### **Asset write-downs and impairments from:**

Impairment on financial instruments

Discounting of non-current receivables<sup>1</sup>

Impairment of property, plant & equipment

**Total write-down and impairment of assets**

66	1,154
13,097	-
76	83
<b>13,239</b>	<b>1,237</b>

<sup>1</sup> Relates to deferment of 2011-12 MAA and MSA receivable from Defence.

#### Note 3F Foreign Exchange

##### **Foreign exchange gains:**

Non-speculative

##### **Foreign exchange losses:**

Non-speculative

**Net foreign exchange losses / (gains)**

(25,266)	(46,339)
40,565	45,407
<b>15,299</b>	<b>(932)</b>

#### Note 3G Other Expenses

Resources transferred to Defence free of charge

Other<sup>1</sup>

**Total other expenses**

29	349
25	4
<b>54</b>	<b>353</b>

<sup>1</sup> Other expenses reported in this note have been incurred on behalf of Defence.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000

#### Note 4 Income

##### Own-source revenue

##### Note 4A Sale of Goods and Rendering of Services

Provision of goods – related entities	5,096,620	6,100,442
Rendering of services – related entities	3,121,309	3,056,319
<i>Total sale of goods and rendering of services</i>	<u>8,217,929</u>	<u>9,156,761</u>

Goods and services are represented by:

Defence Materiel Acquisition Agreement activity	3,733,522	4,358,195
Defence Materiel Sustainment Agreement activity	4,484,407	4,798,566
<i>Total sales of goods and rendering of services</i>	<u>8,217,929</u>	<u>9,156,761</u>

##### Note 4B Interest

Prepayments <sup>1</sup>	5,452	1,444
<i>Total interest</i>	<u>5,452</u>	<u>1,444</u>

<sup>1</sup> Includes interest on Foreign Military Sales (FMS) accounts which in previous years was recognised as an administered item.

##### Note 4C Other Revenue

Resources received free of charge <sup>1</sup>	31,040	37,022
Other	808	944
<i>Total other revenue</i>	<u>31,848</u>	<u>37,966</u>

<sup>1</sup> Resources received free of charge from Defence in the ordinary course of DMO's operations.

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2013 \$'000	2012 \$'000
<b>Gains</b>		
<b><u>Note 4D</u> Reversal of Previous Asset Write-Downs and Impairments</b>		
Reversal of impairment losses	-	59
<i>Total reversal of previous asset write-downs and impairments</i>	<u>-</u>	<u>59</u>
<b><u>Note 4E</u> Other Gains</b>		
Resources received free of charge:		
Australian National Audit Office	1,100	1,400
<i>Total resources received free of charge</i>	<u>1,100</u>	<u>1,400</u>
<i>Total other gains</i>	<u>1,100</u>	<u>1,400</u>
<b>Revenue from Government</b>		
<b><u>Note 4F</u> Revenue from Government</b>		
<b>Appropriations:</b>		
Departmental appropriation	911,104	931,270
<i>Total revenue from Government</i>	<u>911,104</u>	<u>931,270</u>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000

#### Note 5 Financial Assets

##### Note 5A Cash and Cash Equivalents

Special account cash held in DMO Official bank accounts <sup>1</sup>	20,268	(41,124)
Cash held in overseas bank accounts	115,537	65,846
<b>Total cash and cash equivalents</b>	<b>135,805</b>	<b>24,722</b>

<sup>1</sup> To facilitate the whole of government management of cash balances, cash in excess of working capital needs is held in the Official Public Account (OPA), reported by the Department of Finance and Deregulation. DMO is able to draw on these funds as required and reports an Appropriation receivable in Note 5B.

##### Note 5B Trade and Other Receivables

###### Goods and Services:

Goods and services – related entities	1,750	3,488
Goods and services – external parties	1,010	507

<b>Total receivables for goods and services</b>	<b>2,760</b>	<b>3,995</b>
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###### Appropriation receivable:

Special Account cash held in the Official Public Account	-	69,414
Annual Appropriations for existing programs	111,331	232,511

<b>Total appropriations receivable</b>	<b>111,331</b>	<b>301,925</b>
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###### Other receivables:

GST receivable from the Australian Taxation Office	92,836	115,911
Settlement of damages <sup>1</sup>	422,249	-
Other receivables from Defence	535,908	261,780
Other	588	721

<b>Total other receivables</b>	<b>1,051,581</b>	<b>378,412</b>
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<b>Total trade and other receivables (gross)</b>	<b>1,165,672</b>	<b>684,332</b>
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###### Less impairment allowance account:

Goods and services	(97)	(75)
Other	(15)	(29)

<b>Total impairment allowance account</b>	<b>(112)</b>	<b>(104)</b>
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<b>Total trade and other receivables (net)</b>	<b>1,165,560</b>	<b>684,228</b>
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<sup>1</sup> Liquidated damages and agreed commercial settlements receivable from contractors for matters managed by DMO on behalf of Defence (refer Note 1.15).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Receivables are expected to be recovered in:</b>		
No more than 12 months	750,493	645,917
More than 12 months	415,067	38,311
<b><i>Total trade and other receivables (net)</i></b>	<b>1,165,560</b>	<b>684,228</b>
<b>Receivables are aged as follows:</b>		
Not overdue	1,165,408	683,752
Overdue by:		
0 to 30 days	198	560
31 to 60 days	9	2
61 to 90 days	6	-
More than 90 days	51	18
<b><i>Total receivables (gross)</i></b>	<b>1,165,672</b>	<b>684,332</b>
<b>The impairment allowance account is aged as follows:</b>		
Not overdue	98	75
Overdue by:		
0 to 30 days	2	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	12	29
<b><i>Total impairment allowance account</i></b>	<b>112</b>	<b>104</b>
<b>Reconciliation of the impairment allowance account</b>		
<b>Movements in relation to 2013 and 2012</b>		
<b><i>Opening balance</i></b>	<b>104</b>	<b>1,197</b>
Amounts written off	(22)	(1,034)
Amounts recovered or reversed	-	-
Increase / (decrease) recognised in net surplus	30	(59)
<b><i>Closing balance</i></b>	<b>112</b>	<b>104</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000

#### Note 6 Non-Financial Assets

##### Note 6A Property, Plant and Equipment

Property, plant and equipment		
Fair value	7,325	7,120
Accumulated depreciation	(1,765)	(249)
<b>Total property, plant and equipment</b>	<b>5,560</b>	<b>6,871</b>

DMO does not hold any property, plant or equipment under finance leases.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

##### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.21 as at 30 June 2013 by an independent valuer.

A revaluation increment of \$13,021 (2012: \$239,383) for non-financial assets was credited to the asset revaluation surplus by asset class and included in the equity section of the balance sheet: \$0 decrements were expensed (2012: \$0)

##### Note 6B Intangibles

Computer software:		
Purchased – in use	292	292
Internally developed – in use	-	1,101
Accumulated amortisation	(264)	(1,337)
<b>Total computer software</b>	<b>28</b>	<b>56</b>
<b>Total intangibles</b>	<b>28</b>	<b>56</b>

No indicators of impairment were found for intangibles.

No intangibles are expected to be sold or disposed of within the next 12 months.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 6C Analysis of Property, Plant and Equipment and Intangibles**

**TABLE A – Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (2012-2013)**

Item	Property, plant and equipment	Computer software purchased	Computer software internally developed <sup>1</sup>	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2012</b>				
Gross book value	7,120	292	1,101	8,513
Accumulated depreciation/amortisation and impairment	(249)	(236)	(1,101)	(1,586)
<b>Net book value 1 July 2012</b>	6,871	56	-	6,927
<b>Additions:</b>				
By purchase or internally developed	460	-	-	460
Revaluations and impairments recognised in other comprehensive income	13	-	-	13
Impairments recognised in the operating result	(76)	-	-	(76)
Depreciation/amortisation expense	(1,679)	(28)	-	(1,707)
<b>Disposals:</b>				
Assets transferred to Defence free of charge	(29)	-	-	(29)
<b>Net book value 30 June 2013</b>	5,560	28	-	5,588
<b>Net book value as of 30 June 2013 represented by:</b>				
Gross book value	7,325	292	-	7,617
Accumulated depreciation/amortisation	(1,765)	(264)	-	(2,029)
<b>Net book value 30 June 2013</b>	5,560	28	-	5,588

<sup>1</sup> Fully amortised internally developed software with a gross value of \$1.1m was retired in 2012-13.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**TABLE B – Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (2011-2012)**

Item	Property, plant & equipment	Computer software purchased	Computer software internally developed	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2011</b>				
Gross book value	10,677	400	1,101	12,178
Accumulated depreciation/amortisation and impairment	(4,008)	(161)	(1,101)	(5,270)
<b>Net book value 1 July 2011</b>	6,669	239	-	6,908
<b>Additions:</b>				
By purchase or internally developed	1,890	-	-	1,890
Revaluations and impairments recognised in other comprehensive income	239	-	-	239
Impairments recognised in the operating result	(83)	-	-	(83)
Depreciation/amortisation expense	(1,605)	(75)	-	(1,680)
Other movements <sup>1</sup>	2	-	-	2
<b>Disposals:</b>				
Assets transferred to Defence free of charge	(241)	(108)	-	(349)
Other	-	-	-	-
<b>Net book value 30 June 2012</b>	6,871	56	-	6,927
<b>Net book value as of 30 June 2012 represented by:</b>				
Gross book value	7,120	292	1,101	8,513
Accumulated depreciation/amortisation	(249)	(236)	(1,101)	(1,586)
<b>Net book value 30 June 2012</b>	6,871	56	-	6,927

<sup>1</sup> Other movements relate to rounding

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2013 \$'000	2012 \$'000
<b><u>Note 6D</u>   <u>Prepayments</u></b>		
Prepayments	<u>1,204,647</u>	1,366,024
<b><i>Total prepayments</i></b>	<u><u>1,204,647</u></u>	<u><u>1,366,024</u></u>
<b>Total prepayments are expected to be recovered in:</b>		
No more than 12 months	956,674	1,132,164
More than 12 months	<u>247,973</u>	233,860
<b><i>Total prepayments</i></b>	<u><u>1,204,647</u></u>	<u><u>1,366,024</u></u>

No indicators of impairment were found for prepayments.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2013	2012
	\$'000	\$'000

**Note 7 Payables**

**Note 7A Suppliers**

Trade creditors and accruals	1,405,576	1,429,807
<b>Total suppliers payables</b>	<b>1,405,576</b>	<b>1,429,807</b>
Suppliers payables expected to be settled within 12 months:		
Related entities	82,575	96,806
External parties	1,323,001	1,333,001
<b>Total</b>	<b>1,405,576</b>	<b>1,429,807</b>
<b>Total suppliers payables</b>	<b>1,405,576</b>	<b>1,429,807</b>

Settlement is usually made within 30 days.

**Note 7B Grants**

Private sector:		
Defence Industry	5,111	5,161
<b>Total grants payable</b>	<b>5,111</b>	<b>5,161</b>

All grants are payable within 12 months.

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

**Note 7C Other Payables**

Wages and salaries	12,528	13,315
Superannuation	2,090	2,105
Separations and redundancies	521	106
Settlement of damages payable to Defence <sup>1</sup>	428,875	10,189
Other payable to Defence	31,919	3,900
Deposits held on trust for Foreign Governments	41,444	41,593
Other	-	5,715
<b>Total other payables</b>	<b>517,377</b>	<b>76,923</b>
<b>Total other payables are expected to be settled in:</b>		
No more than 12 months	168,872	60,330
More than 12 months	348,505	16,593
<b>Total other payables</b>	<b>517,377</b>	<b>76,923</b>

<sup>1</sup> Liquidated damages and agreed commercial settlements payable to Defence for matters managed by DMO on behalf of Defence (refer Note 1.15). Such items were previously classified as Payables to Defence.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 8 Provisions</b>		
<b>Note 8A Employee Provisions</b>		
Leave	174,981	194,287
<b>Total employee provisions</b>	<b>174,981</b>	<b>194,287</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	43,510	43,153
More than 12 months	131,471	151,134
<b>Total employee provisions</b>	<b>174,981</b>	<b>194,287</b>

#### **Note 8B Other Provisions**

Other <sup>1</sup>	5,881	5,698
<b>Total other provisions</b>	<b>5,881</b>	<b>5,698</b>
<b>Other provisions are expected to be settled in:</b>		
No more than 12 months	420	111
More than 12 months	5,461	5,587
<b>Total other provisions</b>	<b>5,881</b>	<b>5,698</b>

<sup>1</sup> Other provisions comprise an allowance for excess flying hours over the life of a special purpose aircraft lease (2013: \$3.1m, 2012: \$2.8m), additional costs associated with the postponement of the F/A18 Hornet sustainment project (2013: \$1.8m, 2012: \$1.9m) and royalties withholding tax to the Australian Taxation Office (2013: \$1.1m, 2012: \$1.0m)

	Other Provisions \$'000	Total \$'000
<b>Carrying amount 1 July 2012</b>	<b>5,698</b>	<b>5,698</b>
Additional provisions made	427	427
Amounts used	(101)	(101)
Unwinding of discount or change in discount rate	(143)	(143)
<b>Closing balance 30 June 2013</b>	<b>5,881</b>	<b>5,881</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 9 Cash Flow Reconciliation</b>		
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	135,805	24,722
Balance sheet	135,805	24,722
<i>Difference</i>	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(878,465)	(883,994)
Add revenue from Government	911,104	931,270
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	1,707	1,680
Net write down of non-financial assets	76	83
Resources transferred to Defence free of charge	29	349
Reduction in prior year Appropriation receivable	-	(72,494)
Rounding adjustment	(3)	-
<b>Changes in assets/liabilities</b>		
(Increase) / decrease in net receivables	(481,332)	679,819
(Increase) / decrease in prepayments	161,377	(376,397)
Increase / (decrease) in employee provisions	(19,306)	17,972
Increase / (decrease) in grants payable	(50)	352
Increase / (decrease) in supplier payables	(24,231)	(131,576)
Increase / (decrease) in unearned income	-	(83,484)
Increase / (decrease) in other payables	440,454	11,015
Increase / (decrease) in other provisions	183	2,509
<i>Net cash from / (used by) operating activities</i>	<u>111,543</u>	<u>97,104</u>

## Defence Materiel Organisation

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Note 10**      **Contingent Assets and Liabilities**

	Claims for damages or costs		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Contingent Assets</b>				
Balance from previous period	-	55,380	-	55,380
New <sup>1</sup>	37,500	-	37,500	-
Re-measurement	-	(604)	-	(604)
Assets recognised	-	(54,776)	-	(54,776)
Expired	-	-	-	-
<b>Total contingent assets</b>	<b>37,500</b>	<b>-</b>	<b>37,500</b>	<b>-</b>
<b>Contingent Liabilities</b>				
Balance from previous period	1,000	81,380	1,000	81,380
New <sup>1</sup>	37,550	-	37,550	-
Re-measurement	-	(1,104)	-	(1,104)
Liabilities recognised	(1,000)	(79,276)	(1,000)	(79,276)
Obligations expired	-	-	-	-
<b>Total contingent liabilities</b>	<b>37,550</b>	<b>1,000</b>	<b>37,550</b>	<b>1,000</b>
<b>Net contingent assets (liabilities)</b>			<b>(50)</b>	<b>(1,000)</b>

<sup>1</sup> The contingent assets and contingent liabilities disclosed by DMO include those arising from matters managed on behalf of Defence.

## **Defence Materiel Organisation**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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#### **Quantifiable Contingencies**

The Schedule of Contingencies reports contingent liabilities in 2013 of \$37.6m (2012: \$1.0m). The schedule reports \$37.5m contingent assets (2012: \$0). There are a number of legal proceedings in various phases for matters that DMO manages on behalf of Defence. The estimates are based on precedent in such cases. DMO is of the opinion that disclosing further information may seriously prejudice the outcomes of ongoing proceedings.

#### **Unquantifiable Contingencies**

As at 30 June 2013, DMO had 2 unquantifiable contingent assets relating to damages and contractual disputes for matters managed on behalf of Defence (2012: 2).

As at 30 June 2013, DMO had 2 unquantifiable contingent liabilities relating to damages and contractual disputes for matters managed on behalf of Defence (2012: 4).

It was not possible to estimate the amounts of any eventual payments or receipts that may eventuate in relation to these claims. These claims are not included in the Schedule of Contingencies.

#### **Significant Remote Contingencies**

DMO has a number of remote contingent assets and contingent liabilities in relation to bank guarantees, indemnities and warranties in contracts and agreements. The likelihood of all categories resulting in any future asset or liability is considered remote therefore these are not reported in the Schedule of Contingencies.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 11 Senior Executive Remuneration

##### Note 11A Senior Executive Remuneration Expense for the Reporting Period

The Senior Executive Remuneration Note includes remuneration details for DMO Australian Public Service (APS) Senior Executives. All Executives who act in SES positions are included in the Note where they received remuneration during the financial year of \$180,000 or greater.

Remuneration includes calculations based on salary and allowances, performance pay, accrued superannuation, redundancy payments, accrued leave, car parking, motor vehicle costs and fringe benefits tax.

During the financial year, 28 Military Star Ranked Officers posted to DMO (2012: 28) are reported in the Defence Executive Remuneration Note, for whom DMO paid \$8,220,905 including \$776,520 in separation/redundancy payments (2012: \$7,923,745 including \$535,589 in separation/redundancy payments) in accordance with the Military Workforce Agreement between DMO and Defence.

	2013 \$	2012 \$
<b>Short-term employee benefits:</b>		
Salary	5,861,448	5,886,515
Annual leave accrued	125,660	122,692
Performance bonuses	219,398	358,300
Motor vehicle allowance	681,894	719,676
Other allowances	193,894	280,225
<b>Total Short-term employee benefits</b>	<b>7,082,294</b>	<b>7,367,408</b>
<b>Post-employment benefits:</b>		
Superannuation	1,014,038	811,047
Other	-	-
<b>Total post-employment benefits</b>	<b>1,014,038</b>	<b>811,047</b>
<b>Other long-term employee benefits:</b>		
Long-service leave	326,248	270,126
<b>Total other long-term employee benefits</b>	<b>326,248</b>	<b>270,126</b>
<b>Total senior executive remuneration expenses</b>	<b>8,422,580</b>	<b>8,448,581</b>

Notes:

1 Note 11A is prepared on an accrual basis.

2 Note 11A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$180,000.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 11B Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration paid to substantive senior executives in 2013

Average annual reportable remuneration <sup>1</sup>	Substantive senior executives		Reportable Salary <sup>2,3</sup>	Contributed superannuation <sup>4</sup>	Reportable allowances <sup>5</sup>	Bonus paid <sup>6</sup>	Total reportable remuneration
	No.		\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):							
Less than \$180,000	2		125,786	18,414	-	-	144,200
\$180,000 to \$209,999	10		169,972	25,833	-	227	196,032
\$210,000 to \$239,999	8		192,413	28,246	-	1,620	222,279
\$240,000 to \$269,999	6		203,005	30,951	-	16,331	250,287
\$270,000 to \$299,999	2		228,492	34,204	-	24,387	287,083
\$300,000 to \$329,999	1		231,094	40,284	-	53,901	325,279
\$390,000 to \$419,999	1		319,765	47,920	-	38,280	405,965
\$420,000 to \$449,999	1		376,937	70,949	-	-	447,886
\$540,000 to \$569,999	1		440,445	68,544	690	-	509,679
<b>Total number of substantive senior executives</b>	<b>32</b>						

<sup>1</sup> This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) salary sacrificed benefits.

<sup>3</sup> In line with changes to reporting requirements, salary sacrificed superannuation is now recognised as part of 'Reportable Salary'. In 2011-12 this component was recognised as part of 'Contributed superannuation'.

<sup>4</sup> The 'contributed superannuation' amount is the average cost to DMO for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.

<sup>5</sup> 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

<sup>6</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving DMO during the financial year.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 11B (Cont'd) Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period**

Average annual reportable remuneration paid to substantive senior executives in 2012						
Average annual reportable remuneration <sup>1</sup>	Substantive senior executives	Reportable Salary <sup>2</sup>	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Bonus paid <sup>5</sup>	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):						
Less than \$180,000	12	57,649	4,325	-	3,505	65,479
\$180,000 to \$209,999	12	175,609	24,120	-	-	199,729
\$210,000 to \$239,999	7	193,577	24,721	-	4,716	223,014
\$240,000 to \$269,999	2	212,642	26,242	-	9,893	248,777
\$270,000 to \$299,999	2	239,433	32,829	-	10,695	282,957
\$300,000 to \$329,999	2	229,006	15,325	-	71,050	315,381
\$360,000 to \$389,999	1	289,620	37,702	-	33,915	361,237
\$540,000 to \$569,999	1	402,287	43,197	-	103,188	548,672
<b>Total number of substantive senior executives</b>	<b>39</b>					

<sup>1</sup> This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) salary sacrificed benefits.

<sup>3</sup> In line with changes to reporting requirements, salary sacrificed superannuation is now recognised as part of 'Reportable Salary'. In 2011-12 this component was recognised as part of 'Contributed superannuation'.

<sup>4</sup> The 'contributed superannuation' amount is the average cost to DMO for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.

<sup>5</sup> 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

<sup>6</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving DMO during the financial year.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 11C Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period**

Average annual reportable remuneration paid to other highly paid staff in 2013					
Average annual reportable remuneration <sup>1</sup>	Other highly paid staff	Reportable Salary <sup>2,3</sup>	Contributed superannuation <sup>4</sup>	Reportable allowances <sup>5</sup>	Total reportable remuneration
	No.	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):					
\$180,000 to \$209,999	7	168,334	24,315	59	192,708
\$210,000 to \$239,999	3	191,052	25,299	-	216,351
<b>Total number of other highly paid staff</b>	<b>10</b>				

<sup>1</sup> This table reports staff:

- a) who were employed by DMO during the reporting period;
- b) whose reportable remuneration was \$180,000 or more for the financial period; and
- c) were not required to be disclosed in Tables A or B.

Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) salary sacrificed benefits.

<sup>3</sup> In line with changes to reporting requirements, salary sacrificed superannuation is now recognised as part of 'Reportable Salary'. In 2011-12 this component was recognised as part of 'Contributed superannuation'.

<sup>4</sup> The 'contributed superannuation' amount is the average cost to DMO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

<sup>5</sup> 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries

<sup>6</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving DMO during the financial year.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 11C (Cont'd) Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period

#### Average annual reportable remuneration paid to other highly paid staff in 2012

Average annual reportable remuneration <sup>1</sup>	Other highly paid staff No.	Reportable Salary <sup>2</sup> \$	Contributed superannuation <sup>3</sup> \$	Reportable allowances <sup>4</sup> \$	Bonus paid <sup>5</sup> \$	Total reportable remuneration \$
Total reportable remuneration (including part-time arrangements):						
\$180,000 to \$209,999	6	171,766	17,856	54	-	189,676
\$210,000 to \$239,999	1	190,803	20,122	-	-	210,925
<b>Total number of other highly paid staff</b>	<b>7</b>					

<sup>1</sup> This table reports staff:

- a) who were employed by DMO during the reporting period;
- b) whose reportable remuneration was \$180,000 or more for the financial period; and
- c) were not required to be disclosed in Tables A or B.

Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) salary sacrificed benefits.

<sup>3</sup> In line with changes to reporting requirements, salary sacrificed superannuation is now recognised as part of 'Reportable Salary'. In 2011-12 this component was recognised as part of 'Contributed superannuation'.

<sup>4</sup> The 'contributed superannuation' amount is the average cost to DMO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

<sup>5</sup> 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

<sup>6</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving DMO during the financial year.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2013	2012
\$'000	\$'000

#### Note 12 Remuneration of Auditors

Financial statement audit services were provided free of charge to DMO by the Australian National Audit Office (ANAO).

##### The fair value of the services provided

Financial statement audit services	1,100	1,400
	<u>1,100</u>	<u>1,400</u>

No other audit services were provided by the auditors of the financial statements.

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2013	2012
	\$'000	\$'000

**Note 13 Financial Instruments****Note 13A Categories of Financial Instruments****Financial Assets****Loans and receivables**

Cash and cash equivalents	135,805	24,722
Trade and other receivables	961,393	266,392

<i>Carrying amount of financial assets</i>	<u>1,097,198</u>	<u>291,114</u>
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**Financial Liabilities****Other financial liabilities - at amortised cost**

Suppliers	1,405,576	1,429,807
Grants payable	5,111	5,161
Other payables	502,238	55,682

<i>Carrying amount of financial liabilities</i>	<u>1,912,925</u>	<u>1,490,650</u>
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**Note 13B Net Income and Expense from Financial Assets****Loans and receivables**

Exchange gains / (loss)	5	(49)
Impairment	(66)	(1,154)
Discounting of non-current receivables	(13,097)	-

<i>Net gain / (loss) from financial assets</i>	<u>(13,158)</u>	<u>(1,203)</u>
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There was no interest income from financial assets not at fair value through the profit or loss for the year ending 30 June 2013. (2012: Nil)

**Note 13C Net Income and Expense from Financial Liabilities****Financial liabilities - at amortised cost**

Exchange gains / (loss)	(15,304)	981
Interest expense	(25)	(4)

<i>Net gain / (loss) from financial liabilities</i>	<u>(15,329)</u>	<u>977</u>
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The total interest expense from financial liabilities not at fair value through profit or loss was \$25,000 (2012: \$4,000).

**Note 13D Fair Value of Financial Instruments**

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts. The net fair values for trade creditors and accruals which are short-term in nature are approximated by their carrying amounts.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 13E    Credit Risk

DMO's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet. This amount was equal to the total amount of goods and services receivables, materiel acquisition and sustainment receivables from Defence and other receivables (2013: \$961.4m, 2012: \$266.4m).

DMO manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, DMO has policies and procedures that guide employee debt recovery techniques that are to be applied. DMO assessed the risk of default on payment and allocated \$0.1m in 2013 (2012: \$0.1m) to an impairment account.

DMO holds no collateral to mitigate against credit risk.

DMO has no significant exposures to any concentrations of credit risk.

### **Credit quality of financial instruments not past due or individually determined as impaired:**

Financial assets	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired	2012
	2013	2012	2013	2012	\$'000
Cash and cash equivalents	135,805	24,722	-	-	-
Trade and other receivables <sup>1</sup>	961,031	265,737	362	655	655
<b>Total</b>	<b>1,096,836</b>	<b>290,459</b>	<b>362</b>	<b>655</b>	<b>655</b>

<sup>1</sup> Comparative figure has been restated to reflect the net receivable position.

### **Ageing of financial assets that were past due but not impaired for 2012 and 2013:**

Loans and Receivables	0 to 30 days		31 to 60 days		61 to 90 days		> 90 days		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	198	560	9	2	6	-	51	18	264	580
<b>Total</b>	<b>198</b>	<b>560</b>	<b>9</b>	<b>2</b>	<b>6</b>	<b>-</b>	<b>51</b>	<b>18</b>	<b>264</b>	<b>580</b>

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 13F**    **Liquidity Risk**

DMO's financial liabilities are payables. The exposure to liquidity risk is based on the notion that DMO will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as DMO is appropriated funding from the Australian Government. DMO manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, DMO has policies in place to ensure timely payments are made when due and has no past experience of default.

Maturities for non-derivative financial liabilities

	On demand		Within 1 year		1 to 2 years		2 to 5 years		> 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Suppliers	-	-	1,405,576	1,429,807	-	-	-	-	-	-	1,405,576	1,429,807
Grant payables	-	-	5,111	5,161	-	-	-	-	-	-	5,111	5,161
Other payables	-	-	153,733	39,089	119,414	16,593	174,394	-	54,697	-	502,238	55,682
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,564,420</b>	<b>1,474,057</b>	<b>119,414</b>	<b>16,593</b>	<b>174,394</b>	<b>-</b>	<b>54,697</b>	<b>-</b>	<b>1,912,925</b>	<b>1,490,650</b>

DMO has no derivative financial liabilities in either the current or prior year.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Note 13G Market Risk**

##### *Currency risk*

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction.

Foreign currency receivables and payables are translated at exchange rates current at the balance date. Exchange gains and losses are brought to account in determining the surplus/deficit for the year. These exchange gains and losses are not speculative and no hedging is undertaken.

DMO is exposed to foreign exchange rate risk through primary financial assets and liabilities yet a change in risk variable will not have a significant effect on the Balance Sheet or the Statement of Comprehensive Income.

The following table illustrates the effect on DMO's surplus/deficit and equity as at 30 June 2013 from a 15.7% increase or decrease (2012: 15%) against the Australian dollar in the currencies in which financial instruments were held, with all other variables held constant.

##### **Sensitivity analysis of the risk that DMO is exposed to for 2013 and 2012**

			Effect on		Effect on		
Financial instrument category	Risk variable	Change in risk variable	Surplus / Deficit	Equity	Change in risk variable	Surplus / Deficit	Equity
		%	\$'000	\$'000	%	\$'000	\$'000
		2013	2013	2013	2012	2012	2012
Financial assets							
Cash	Exposed currency	15.7%	(15,678)	(15,678)	15%	(12,516)	(12,516)
		-15.7%	21,518	21,518	-15%	16,933	16,933
Receivables	Exposed currency	15.7%	-	-	15%	-	-
		-15.7%	-	-	-15%	-	-
Financial liabilities							
Suppliers	Exposed currency	15.7%	52,642	52,642	15%	63,444	63,444
		-15.7%	(81,583)	(81,583)	-15%	(78,303)	(78,303)

The foreign currency financial assets comprise 9% of total financial assets. In line with Australian Government policy, DMO pays correctly rendered invoices within 30 days of receipt thus mitigating any exposure to currency risk from foreign currency trade creditors. Furthermore, departmental currency risk is minimised through budget supplementation for any adverse movements in exchange rates on financial assets and financial liabilities held in foreign currencies.

##### *Interest rate risk and other price risk*

DMO holds basic financial instruments that are not exposed to significant interest rate and other price risk.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 14 Financial Assets Reconciliation

		2013 \$'000	2012 \$'000
<b>Financial assets</b>	<b>Notes</b>		
<b>Total financial assets as per balance sheet</b>		<b>1,301,365</b>	708,950
Less non-financial instrument components			
Appropriation receivable	5B	<b>111,331</b>	301,925
GST receivable from the ATO	5B	<b>92,836</b>	115,911
Total non-financial instrument components		<b>204,167</b>	417,836
<b>Total financial assets as per financial instruments note</b>	13	<b>1,097,198</b>	291,114

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 15 Administered Expense</b>		
<b>Note 15A Foreign exchange losses<sup>1</sup></b>		
Non-speculative	-	1,463
<b>Net foreign exchange losses</b>	-	1,463
<sup>1</sup> The foreign exchange loss for 2011-12 has been restated to correct an error in the calculation of the unrealised exchange loss at 30 June 2012. This has increased the 2011-12 foreign exchange loss and decreased the levies receivable balances by \$0.76m (refer Note 17).		
<b>Note 16 Administered Income</b>		
<b>OWN-SOURCE REVENUE</b>		
<b>Non-taxation revenue</b>		
<b>Note 16A Interest<sup>1</sup></b>		
Deposits	85	10
Project advances	-	532
<b>Total interest</b>	85	542
<sup>1</sup> Interest on Foreign Military Sales (FMS) accounts which in previous years was recognised as an administered item is now recognised through the departmental statements.		
<b>Note 16B Other</b>		
Levies from sale of excess consortium assets	-	42
<b>Total other</b>	-	42
<b>Gains</b>		
<b>Note 16C Foreign exchange gains</b>		
Non-speculative	189	-
<b>Net foreign exchange gains</b>	189	-

## Defence Materiel Organisation

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 17 Administered Financial Assets</b>		
<b>Note 17 Trade and Other Receivables</b>		
Interest	9	124
Levies receivable from consortium <sup>1</sup>	2,050	3,460
<b>Total trade and other receivables</b>	<b>2,059</b>	<b>3,584</b>
<b>Trade and other receivables are expected to be recovered in:</b>		
No more than 12 months	2,059	3,584
More than 12 months	-	-
<b>Total trade and other receivables</b>	<b>2,059</b>	<b>3,584</b>
<b>Trade and other receivables were aged as follows:</b>		
Not overdue	9	103
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	2,050	3,481
<b>Total trade and other receivables</b>	<b>2,059</b>	<b>3,584</b>
<sup>1</sup> The levies receivable balance for 2011-12 has been restated to correct a \$0.76m overstatement of the balance at 30 June due to an error in calculating the unrealised exchange loss at 30 June 2012 (refer Note 15A).		

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 18 Administered Cash Flow Reconciliation</b>		
<b>Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Schedule of administered cash flows	-	-
Schedule of administered assets and liabilities	-	-
<b>Difference</b>	-	-
<b>Reconciliation of net cost of services to net cash from operating activities</b>		
Net cost of services	274	(879)
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in net receivables	1,525	4,552
<b>Net cash from (used by) operating activities</b>	<b>1,799</b>	<b>3,673</b>

## Note 19 Administered Contingent Assets and Liabilities

There are no administered contingent liabilities or administered contingent assets to report for the current or prior year.

## Defence Materiel Organisation

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<b>Note 20 Administered Financial Instruments</b>		
<b>Note 20A Categories of Financial Instruments</b>		
<b>Financial assets</b>		
<b>Loans and receivables:</b>		
Interest	9	124
Levies receivable from consortium <sup>1</sup>	2,050	3,460
<b>Carrying amount of financial assets</b>	<b>2,059</b>	<b>3,584</b>
<sup>1</sup> The levies receivable balance for 2011-12 has been restated to correct a \$0.76m overstatement of the balance at 30 June due to an error in calculating the unrealised exchange loss at 30 June 2012 (refer Note 15A).		
<b>Note 20B Net income and expense from financial assets</b>		
<b>Loans and receivables:</b>		
Foreign exchange gain/(loss) <sup>1</sup>	189	(1,463)
<b>Net gain/(loss) loans and receivables</b>	<b>189</b>	<b>(1,463)</b>
<b>Net gain/(loss) from financial assets</b>	<b>189</b>	<b>(1,463)</b>
<sup>1</sup> The foreign exchange loss for 2011-12 has been restated to correct an error in the calculation of the unrealised exchange loss at 30 June 2012. This has increased the 2011-12 foreign exchange loss and decreased the levies receivable balances by \$0.76m (refer Note 17).		
<b>Note 20C Fair Value of Financial Instruments</b>		
The fair values of DMO Administered financial instruments approximate their carrying amounts.		

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 20D Credit Risk

DMO's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet. This amount was equal to the total amount of trade and other receivables.

#### Credit quality of financial instruments not past due or individually determined as impaired:

Financial assets	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired
	2013 \$'000	2012 \$'000	2012 \$'000
Trade and other receivables	9	103	3,481
<b>Total</b>	<b>9</b>	<b>103</b>	<b>3,481</b>

#### Ageing of financial assets that were past due but not impaired for 2012 and 2013:

Loans and Receivables	0 to 30 days		31 to 60 days		61 to 90 days		> 90 days		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	-	-	-	-	-	-	2,050	3,481	2,050	3,481
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,050</b>	<b>3,481</b>	<b>2,050</b>	<b>3,481</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		2013 \$'000	2012 \$'000
<b>Note 20E Market Risk</b>			
<b>Currency risk</b>			
Foreign currency transactions are recorded at the rate of exchange at the date of the transaction.			
Foreign currency receivables are translated at exchange rates current at the balance date. Exchange gains and losses are brought to account in determining total income/expenses administered on behalf of Government. These exchange gains and losses are not speculative and no hedging is undertaken.			
DMO is exposed to foreign exchange rate risk through primary financial assets yet a change in risk variable will not have a significant effect on the administered income.			
<b>Note 21 Administered Financial Assets Reconciliation</b>			
<b>Financial assets</b>	<b>Notes</b>		
Total financial assets as per schedule of administered assets and liabilities		2,059	3,584
<b>Total non-financial instrument components</b>			
<b>Total financial assets as per financial instruments note</b>	20	2,059	3,584

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 22 Appropriations

#### Note 22A Annual Appropriations ('Recoverable GST exclusive')

	2013 Appropriations						Appropriation applied in 2013 (current and prior years) \$'000	Variance <sup>4</sup> \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000		
	Annual Appropriation \$'000	Appropriations reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Section 30 \$'000	Section 31 \$'000			
<b>DEPARTMENTAL</b>								
Ordinary annual services	928,466	-	-	-	-	-	928,466	1,014,441 (85,975)
Total Departmental	928,466	-	-	-	-	-	928,466	1,014,441 (85,975)
<b>ADMINISTERED</b>								
Ordinary annual services								
Administered items	-	-	-	-	-	-	-	-
Total Administered	-	-	-	-	-	-	-	-

#### Notes:

<sup>1</sup> Appropriations reduced under Appropriation Acts (Nos. 1 and 3) 2012-13 section 10, 11 and 12. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is no longer required and request the Finance Minister to reduce the appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2013, there was no reduction in departmental appropriations.

<sup>2</sup> Advance to the Finance Minister (AFM) – Appropriation Acts (Nos 1 and 3) section 13.

<sup>3</sup> On 29 June 2013, the Parliamentary Secretary to the Prime Minister approved a \$17,362,000 reduction in DMO's *Appropriation Act (No. 1) 2012-13*. This approval met the criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriation had not been amended before the year-end. On 5 August 2013, the Finance Minister made a determination under the *Instrument to Reduce Appropriation (No. 1 of 2013-14)*, which became effective on 13 August 2013 and reduced DMO's appropriation by \$17,362,000 under section 10(2) of *Appropriation Act (No. 1) 2012-13* (Note 2).

<sup>4</sup> The variance between total appropriations and appropriations applied in 2012-13 was due to higher than estimated payments to suppliers as a result of the strong capital performance in the Acquisition Program.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2012 Appropriations						Appropriation applied in 2012 (current and prior years) <sup>3</sup> \$'000	Variance <sup>4</sup> \$'000
	Appropriation Act		FMA Act					
	Annual Appropriations reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000	Total appropriation \$'000		
DEPARTMENTAL								
Ordinary annual services	931,270	-	-	-	-	-	931,270	61,270
Total Departmental	931,270	-	-	-	-	-	931,270	61,270
ADMINISTERED								
Ordinary annual services								
Administered items	-	-	-	-	-	-	-	-
Total Administered	-	-	-	-	-	-	-	-

Notes:

<sup>1</sup> Appropriations reduced under Appropriation Acts (Nos. 1 and 3) 2011–12 section 10, 11 and 12. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is no longer required and request the Finance Minister to reduce the appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2012, there was no reduction in departmental appropriations.

<sup>2</sup> Advance to the Finance Minister (AFM) – Appropriation Acts (Nos. 1 and 3) section 13.

<sup>3</sup> In 2011–12 there was no adjustment that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101) but at law the appropriation had not been amended before the end of the reporting period.

<sup>4</sup> The variance between total appropriations and appropriations applied in 2012 was due to a delay in expected revisions to the workforce funding model, underachievement by some of the industry engagement programs and funds appropriated directly from the DMO Special Account.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Note 22B**   **Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')**

	<b>2013</b>	<b>2012</b>
<b>Authority</b>	<b>\$'000</b>	<b>\$'000</b>
Appropriation Act (No. 1) 2007-08	-	2,778
Appropriation Act (No. 1) 2008-09	-	18,885
Appropriation Act (No. 1) 2009-10	-	42,953
Appropriation Act (No. 3) 2009-10	-	49,825
Appropriation Act (No. 1) 2010-11	<b>16,800</b>	56,800
Appropriation Act (No. 1) 2011-12	<b>41,358</b>	59,201
Appropriation Act (No. 3) 2011-12	<b>2,069</b>	2,069
Appropriation Act (No. 1) 2012-13	<b>51,104</b>	-
<b>Total</b>	<b>111,331</b>	<b>232,511</b>

**Defence Materiel Organisation  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 23 Special Accounts ('Recoverable GST exclusive')**

	Defence Materiel Organisation Special Account <sup>1,4</sup>		Services for Other Entities and Trust Moneys <sup>2,4</sup>	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Balance brought forward from previous period</b>	326,647	436,932	-	-
<b>Increases:</b>				
Appropriation credited to special account	911,104	858,776	-	-
Costs recovered	50,074	87,039	-	-
Interest	157	2	-	-
Goods and Services receipts from Defence	8,252,816	10,221,149	-	-
Receipts on behalf of Foreign Governments	47,829	27,677	-	-
Comcare receipts	-	-	-	33
<b>Total increase</b>	9,261,980	11,194,643	-	33
<b>Available for payments</b>	9,588,627	11,631,575	-	33
<b>Decreases:</b>				
<b>Departmental</b>				
Payments made to employees <sup>5</sup>	(616,037)	(565,462)	-	-
Payments made to suppliers <sup>5</sup>	(8,374,412)	(9,833,120)	-	-
Payments of grants	(19,312)	(20,448)	-	-
Interest transferred to Administered/paid to the OPA	-	(2)	-	-
Cash transferred to the OPA	-	-	-	(33)
Payments made in regards to Foreign Government Activities	(47,829)	(27,677)	-	-
Funds returned to Defence <sup>3</sup>	(283,901)	(858,219)	-	-
<b>Total departmental decreases</b>	(9,341,491)	(11,304,928)	-	(33)
<b>Administered</b>				
Payments made	-	-	-	-
<b>Total administered decreases</b>	-	-	-	-
<b>Total decreases</b>	(9,341,491)	(11,304,928)	-	(33)
<b>Total balance carried to next period</b>	247,136	326,647	-	-

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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<sup>1</sup>**Appropriation:** *Financial Management and Accountability Act 1997 s.20.*

**Establishing Instrument:** Financial Management and Accountability Determination 2005/09 – Defence Materiel Special Account Establishment 2005.

**Purpose:** The purposes of the *Financial Management and Accountability Determination 2005/09 - Defence Materiel Special Account Establishment 2005*, in relation to which amounts may be debited from the Special Account, are:

- a) supporting the Australian Defence Force's capability through development, acquisition, sustainment, disposal, and provision of goods and/or services;
- b) developing, acquiring, sustaining, and providing goods and/or services for foreign governments and other bodies;
- c) managing and marketing the Agency whose chief executive has been allocated responsibility for this Special Account;
- d) developing and implementing policies for, and providing advice to, the Australian Government, Defence, defence industry and other matters related to the provision of goods and/or services;
- e) to make a notional payment to Defence to return amounts received from, or on behalf of, Defence;
- f) activities that are incidental to a purpose mentioned in paragraphs (a), (b), (c), (d) and (e);
- g) to reduce the balance of the Special Account (and, therefore, the available appropriation for the Special Account) without making a real or notional payment;
- h) to repay amounts where an Act or other law requires or permits the repayment of an amount received.  
To avoid doubt, incidental activities include:
  - i) the administration of the Special Account; and
  - j) dealing with direct and indirect costs.

<sup>2</sup>**Appropriation:** *Financial Management and Accountability Act 1997 s.20.*

**Establishing Instrument:** Financial Management and Accountability Determination 2009/19 – Services for Other Entities and Trust Moneys – Defence Materiel Organisation Special Account Establishment 2009.

**This account was abolished on 22 November 2012 in accordance with Finance Minister's Determination 2012/17.**

**Purpose:** The purposes of the *Financial Management and Accountability Determination 2009/19 – Services for Other Entities and Trust Moneys – Defence Materiel Organisation Special Account Establishment 2009*, for which amounts may be debited from the Special Account, are to:

- a) disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth;
- b) disburse amounts in connection with services performed on behalf of other governments and bodies that are not FMA Act agencies;
- c) repay amounts where an Act or other law requires or permits the repayment of an amount received; and
- d) reduce the balance of the Special Account (and, therefore, the available appropriation for the Account) without making a real or notional payment.

<sup>3</sup> The majority of funds represent return of foreign exchange gains under no-win no-loss arrangements with Defence.

<sup>4</sup> In 2010–11 DMO became aware that there is an increased risk of non-compliance with section 83 of the Constitution where payments are made from special accounts in circumstances where the payments do not accord with the conditions included in the relevant legislation. Refer to Note 24 for further details of DMO's assessment of the potential for such circumstances to arise.

<sup>5</sup> \$5.2m previously reported as payments made to employees has been reclassified as payments made to suppliers.

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 24 Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund**

Section 83 of the Constitution stipulates that no money shall be drawn from the Consolidated Revenue Fund (CRF) except under an appropriation made by law. Drawing money from the CRF beyond the scope of a valid appropriation would constitute a breach of section 83. Where there is greater specificity in the purposes of an appropriation or there are specific conditions that are to be met for a payment to be made, there is a greater risk of expenditure being in breach of the Constitution. These circumstances are likely to exist for special appropriations, including special accounts, and payments made in accordance with enabling legislation.

In 2012-13, all expenditure by DMO was appropriated through the Defence Materiel Special Account. This Special Account underpins the Defence-DMO business model by providing the mechanism for Defence to make notional payments to DMO for materiel acquisition and materiel sustainment activities. The purposes of the Special Account are sufficiently broad to capture the full range of DMO activities. In 2012-13, DMO sought to identify instances of payments being made outside the purposes of the appropriation. As at 30 June 2013, no instances of payments being made outside the purposes of the appropriation were confirmed.

During 2012-13 additional legal advice was received that indicated there could be breaches of section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. DMO is aware that overpayments have occurred in respect of employee entitlements during the current financial year, however, it is not aware of any specific breaches of section 83 in respect of these items. In 2013-14, DMO will review these overpayments to determine whether the circumstances mentioned in the legal advice apply. DMO will also review its processes and controls over payments for long service leave, goods and services tax and payments made under determinations of the Remuneration Tribunal to minimise the possibility for future breaches as a result of these payments.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25 Compensation and Debt Relief		
	2013 \$'000	2012 \$'000
Departmental		
No 'Act of Grace payments' were expensed during the reporting period (2012: No payments)	Nil	Nil
No waivers of amounts owing to the Australian Government were made pursuant to Subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2012: No waivers)	Nil	Nil
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2012: No payments)	Nil	Nil
No ex-gratia payments were provided during the reporting period. (2012: No payments)	Nil	Nil
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period. (2012: No payments)	Nil	Nil
Administered		
No 'Act of Grace payments' were expensed during the reporting period (2012: No payments)	Nil	Nil
No waivers of amounts owing to the Australian Government were made pursuant to Subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2012: No waivers)	Nil	Nil
No payments were provided under the Compensation for Detriment caused by Defective administration (CDDA) Scheme during the reporting period. (2012: No payments)	Nil	Nil
No ex-gratia payments were provided during the reporting period. (2012: No payments)	Nil	Nil
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period. (2012: No payments)	Nil	Nil

**Defence Materiel Organisation****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 26 Assets Held in Trust****Comcare Trust Account**

This account holds moneys advanced to DMO by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998* for injuries which occurred prior to 1 July 2006. Where DMO makes payments against accrued sick leave entitlements pending determination of an employee's claim, permission is obtained in writing from each individual to allow DMO to recover the payments from the moneys in the account. For certain instances in which an employee is no longer entitled to the funds in question (i.e. they have already received payment), DMO is required to return all relevant monies to the Official Public Account.

The transactions of the account have been disclosed in Note 23 Special Accounts *Defence Materiel Organisation Special Account*. In previous financial years such monies were transacted through *Services for Other Entities and Trust Moneys - Defence Materiel Organisation Special Account (Trust)*. This account was abolished on 22 November 2012 in accordance with Finance Minister's Determination 2012/17.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 27 Reporting of Outcomes**

**Net Cost of Outcome Delivery**

	Outcome 1		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Departmental</b>				
Expenses				
Own-source income	9,134,794	10,082,556	9,134,794	10,082,556
	8,256,329	9,198,562	8,256,329	9,198,562
<b>Administered</b>				
Expenses <sup>1</sup>	-	1,463	-	1,463
Own-source income	274	584	274	584
<b>Net cost/(contribution) of outcome delivery</b>	<b>878,191</b>	<b>884,873</b>	<b>878,191</b>	<b>884,873</b>

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

<sup>1</sup>The foreign exchange loss for 2011-12 has been restated to correct an error in the calculation of the unrealised exchange loss at 30 June 2012. This has increased the 2011-12 foreign exchange loss and decreased the levies receivable balances by \$0.76m (refer Note 15A).

## APPENDIX A CORRECTIONS TO THE 2011–12 ANNUAL REPORT

This appendix details errors in the 2011–12 annual report and the relevant corrections, by page number.

### Page 55 (Program 1.5 Deliverables)

Deliverable vi: Status for 2011–12 should have three ticks.

### Page 79 (Program 1.9, under ‘Deliverables’)

Deliverable iii should read: ‘Deliver coordinated logistic advice and services to the ADF, and provide oversight and assurance of the Defence Logistic Capability’.

### Page 138 (Cross-Portfolio Reports: Report No 33—Management of ePassports, tabled 22 May)

The entry should read as follows:

‘The objective of the audit was to assess the effectiveness of the Department of Foreign Affairs and Trade’s (DFAT) implementation of biometric technology to meet international requirements for enhanced passport security. In particular, the audit examined whether:

- Australian ePassports meet international requirements and coordination with Australian stakeholders is effective
- Australian biometric passport technology is fit for purpose and has enhanced passport security
- personal data on the passport microchip is secure and DFAT maintains an appropriate focus on both protecting privacy and client satisfaction
- arrangements are in place to evaluate the effectiveness of the ePassport and to monitor risks.’

### Page 141

The final heading on the page should read ‘Performance for 2011–12’.

### Page 315 (Contracts exempt from AusTender)

The paragraph should read: ‘In 2011–12, Defence (including the Defence Materiel Organisation) reported a total of 220 contracts, standing offers or variations thereto, with a total value of \$164.9 million, which were subject to an exemption under the *Freedom of Information Act 1982*.’

### Page 316 (Table A7.3: Consultancies let in 2011–12 by Output Group)

‘Number of contracts let’—the total should be 363; ‘Total contract value’—the total should be \$51,490,722.

### Page 319

(i) Table A7.10: Total advertising and market research expenditure by type of agency)

‘Advertising’ row should read:

- \$11,712,451 under 2010–11 column
- \$15,471,365 under 2011–12 column.

(ii) Table A7.11: Total advertising and market research expenditure by Group

‘Chief Information Officer Group’ row should read:

- \$326,130 under 2010–11 column
- \$373,904 under 2011–12 column.

### Online additional information

Since the publication of the Defence Annual Report 2011–12, the following information has been added online:

- Status report on the Australian Government Security Vetting Agency Review
- Removal of gender restrictions on ADF combat role employment categories.

## APPENDIX B

### LIST OF REQUIREMENTS

Under subsection 63(2) of the *Public Service Act 1999*, annual reports must be prepared according to guidelines approved on behalf of the parliament by the Joint Committee of Public Accounts and Audit.

The committee approved the *Requirements for annual reports for departments, executive agencies and FMA Act bodies* in June 2013. These requirements apply to annual reports for the financial year ending on or after 30 June 2013. The requirements stipulate a core set of mandatory information that must be included in annual reports to ensure that accountability requirements are met and to provide consistency for readers.

The following list shows where the information specified by the requirements can be found in this report.

Part of report	Description	Requirement	Page
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	iv
	Index	Mandatory	386
	Glossary	Mandatory	384
	Contact officer(s)	Mandatory	395
	Internet home page address and internet address for report	Mandatory	395
<b>Defence overview</b>			
Review by Secretary			
	Review by departmental secretary	Mandatory	3–4
	Summary of significant issues and developments	Suggested	3
	Overview of department's performance and financial results	Suggested	18–27, 31, 90, 99, 179, 183–201
	Outlook for following year	Suggested	4
	Significant issues and developments—portfolio	Portfolio departments – suggested	3, 7
Departmental overview			
	Role and functions	Mandatory	11
	Organisational structure	Mandatory	14
	Outcome and program structure	Mandatory	17
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Portfolio departments – mandatory	12

Part of report	Description	Requirement	Page
<b>Report on performance</b>			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	31–99, 183–201
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	31–99, 183–201
	Where performance targets differ from the PBS/ PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A
	Narrative discussion and analysis of performance	Mandatory	31–99, 183–201
	Trend information	Mandatory	31–99, 183–201
	Significant changes in nature of principal functions/ services	Suggested	N/A
	Performance of purchaser/provider arrangements	If applicable, suggested	149, 177
	Factors, events or trends influencing departmental performance	Suggested	31–99, 183–201
	Contribution of risk management in achieving objectives	Suggested	31–99, 183–201
	Social inclusion outcomes	If applicable, mandatory	N/A
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	N/A
	Discussion and analysis of the department's financial performance	Mandatory	21–7, 36, 86–7, 89, 98, 179–82
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	31–99, 110, 179, 183–201
	Agency resource statement and summary resource tables by outcomes	Mandatory	18–21, 32–6, 88, 97, 180–1, 182–3
<b>Management and accountability</b>			
Corporate governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	iii
	Statement of the main corporate governance practices in place	Mandatory	113–15, 202–03
	Names of the senior executive and their responsibilities	Suggested	14
	Senior management committees and their roles	Suggested	113, 177

Part of report	Description	Requirement	Page
	Corporate and operational planning and associated performance reporting and review	Suggested	110, 113, 202
	Approach adopted to identifying areas of significant financial or operational risk	Suggested	31–99, 110, 179, 183–201
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	103–09, 114
	How nature and amount of remuneration for SES officers is determined	Suggested	137
External scrutiny			
	Significant developments in external scrutiny	Mandatory	118–21
	Judicial decisions and decisions of administrative tribunals	Mandatory	121
	Reports by the Auditor-General, a parliamentary committee or the Commonwealth Ombudsman	Mandatory	119–20, 121, 122
Management of human resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	76–7, 125–6
	Workforce planning, staff turnover and retention	Suggested	76–7, 123–30, 138, 139, 148
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	133–7
	Training and development undertaken and its impact	Suggested	125–6
	Work health and safety performance	Suggested	130–2
	Productivity gains	Suggested	138
	Statistics on staffing	Mandatory	123–5, 138–48
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	133–7
	Performance pay	Mandatory	138
Assets management and purchasing			
	Assessment of effectiveness of assets management	If applicable, mandatory	149
	Assessment of purchasing against core policies and principles	Mandatory	149

Part of report	Description	Requirement	Page
Consultants and contracts			
	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	155
	Australian National Audit Office Access Clauses—Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	159
	Contracts exempt from the AusTender	Mandatory	166
<b>Financial statements</b>		<b>Mandatory</b>	<b>205–378</b>
<b>Other mandatory information</b>			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i> )	Mandatory	130–2
	Advertising and market research (Section 311A of the <i>Commonwealth Electoral Act 1918</i> ) and statement on advertising campaigns	Mandatory	166–8
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )	Mandatory	153–4
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	N/A	N/A
	Grant programs	Mandatory	169–70
	Disability reporting—explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	129–30
	Information Publication Scheme statement	Mandatory	122
	Spatial reporting—expenditure by program between regional and non-regional Australia	N/A	N/A
	Correction of material errors in previous annual report	If applicable, mandatory	379
	Agency Resource Statements and Resources for Outcomes	Mandatory	18–21, 32–6, 88, 97, 180–1, 182–3
	List of requirements	Mandatory	380–3

## ACRONYMS AND ABBREVIATIONS

Section 5(1)(c) of Attachment A of the *Requirements for annual reports for departments, agencies and FMA Act bodies* (June 2013) states that an annual report must contain 'a glossary to make clear the meanings of any abbreviations and acronyms used'. This list of abbreviations and acronyms fulfils that requirement.

<b>ADF</b>	Australian Defence Force
<b>ADFA</b>	Australian Defence Force Academy
<b>ADFHQ</b>	Australian Defence Force Headquarters
<b>AGO</b>	Australian Geospatial-Intelligence Organisation
<b>AGSVA</b>	Australian Government Security Vetting Agency
<b>ANA</b>	Afghan National Army
<b>ANAO</b>	Australian National Audit Office
<b>ANU</b>	Australian National University
<b>APS</b>	Australian Public Service
<b>ARH</b>	Armed Reconnaissance Helicopter
<b>ASD</b>	Australian Signals Directorate
<b>ASDEFCON</b>	Australian Standard for Defence Contracting
<b>CDF</b>	Chief of the Defence Force
<b>CEO</b>	Chief Executive Officer
<b>COO</b>	Chief Operating Officer
<b>CSIRO</b>	Commonwealth Scientific and Industrial Research Organisation
<b>DFDA</b>	<i>Defence Force Discipline Act 1982</i>
<b>DFRB</b>	Defence Force Retirements Benefits Scheme
<b>DFRDB</b>	Defence Force Retirement and Death Benefits Scheme
<b>DMO</b>	Defence Materiel Organisation
<b>DOTAM</b>	Directorate of Operations and Training Area Management
<b>DPG</b>	Defence People Group
<b>DSRG</b>	Defence Support and Reform Group
<b>DSTO</b>	Defence Science and Technology Organisation
<b>DVA</b>	Department of Veterans' Affairs
<b>E</b>	equivalent
<b>EL</b>	Executive Level
<b>ELF</b>	Enhanced Land Force
<b>ESPS (ESPS Cantabria)</b>	Spanish Armada tanker
<b>FCAFC</b>	Federal Court of Australia Full Court
<b>FOI</b>	freedom of information

<b>GST</b>	goods and services tax
<b>HMAS</b>	Her Majesty's Australian Ship
<b>Hon</b>	Honourable
<b>HQJOC</b>	Headquarters Joint Operations Command
<b>ICT</b>	information and communications technology
<b>IGADF</b>	Inspector-General of the Australian Defence Force
<b>IT</b>	information technology
<b>LAN</b>	local area network
<b>LAND</b>	land
<b>LEAP</b>	Living Environment and Accommodation Precinct
<b>LHD</b>	landing helicopter dock
<b>MG (Honorific)</b>	Medal for Gallantry
<b>MRH</b>	Multi-Role Helicopter
<b>MSBS</b>	Military Superannuation and Benefits Scheme
<b>NAIDOC</b>	National Aborigines and Islanders Day Observance Committee
<b>NATO</b>	North Atlantic Treaty Organization
<b>NGD</b>	Next Generation Desktop
<b>OPA</b>	Official Public Account
<b>OSCDF</b>	Office of the Secretary and the Chief of the Defence Force
<b>PNG</b>	Papua New Guinea
<b>QMI</b>	Queensland Mounted Infantry
<b>RAAF</b>	Royal Australian Air Force
<b>RAN</b>	Royal Australian Navy
<b>RIDL</b>	RAAF Intelligence Deployable LAN
<b>ROE</b>	rate of effort
<b>SASR</b>	Special Air Service Regiment
<b>SeMPRO</b>	Sexual Misconduct Prevention and Response Office
<b>SES</b>	Senior Executive Service
<b>SMART</b>	specific, measurable, attainable, relevant and time-bound
<b>SQN</b>	squadron
<b>TCAS</b>	Traffic Collision and Avoidance System
<b>URD</b>	Unit Ready Days
<b>VCDF</b>	Vice Chief of the Defence Force
<b>WINTER</b>	Women in Non-Traditional Employment Roles
<b>WHS</b>	work health and safety
<b>WTSS</b>	Weapons Training Simulator System

# INDEX

## A

- Aboriginal and Torres Strait Islander people, 46, 129
- Administrative Appeals Tribunal, 81
- Administrative Arrangements Order, 12
- advertising expenditure, 166–8
- Afghan National Army (ANA), 7, 31, 93, 95, 96
- Afghan National Police, 95
- Afghan National Security Forces, 10, 93, 95, 96
- Afghanistan
  - Australian Protected Route Clearance Capability, 188
  - award and Battle Honour, 7
  - bases, 7
  - Counter Rocket Artillery and Mortar, 189
  - detainees, treatment of, 30
  - drawdown, 4, 31, 150, 176
  - DSTO, 62
  - Intelligence and Security Group, 52
  - military mission, Uruzgan province, 10, 95–6
  - Operation Slipper, 8, 58, 93, 95, 150
  - overview of operations, 7
  - troops killed in action, vii
- Air Force
  - average funded strength achievement, 123
  - deliverables, 49–51
  - flying hours, 50
  - gender restrictions, 49
  - member numbers, 138
  - mission, 49
  - modernisation of fleet, 49
  - New Horizon initiative, 49
  - Operation Slipper, 95
  - performance indicators, 51
  - women, recruitment, 104, 105
- amphibious deployment systems, 31, 41, 174
- Annual people plan 2012–13*, 76
- annual report, 2011–12, corrections, 379
- Anzac, HMAS, 95
- ANZUS Treaty, 95
- AP-3C aircraft, 49, 62, 90, 99, 193
- Applications Managed Services Partner Arrangement, 65
- Appropriation Bill (No. 1), 182
- Approved Major Capital Investment Program, 151–2
- Armada class patrol boats, 7, 62
- Army
  - achievements, 46
  - Army Indigenous Strategy, 46
  - average funded strength achievement, 123
  - awards and battle honours, 7
  - deliverables, 47–8
  - Diggerworks model, 176
  - equipment delivery, 46
  - members killed in action, vii
  - member numbers, 138
  - objective, 46
  - Operation Slipper, 8, 95
  - performance indicators, 48
  - rate of effort (flying hours), 48
  - women, 46, 104, 105
- Army Indigenous Strategy, 46
- Army Regional Force Surveillance Units, 99
- asset management, 149, 150
- Association of Southeast Asian Nations Defence Ministers Meeting, 38
- Attorney-General's Department, 55
- Audit and Fraud Control Division, 37
- Audit Branch, 114
- Audit Work Program 2012–13, 114
- Auditor-General, 121
- audits
  - independent, 213–14, 311–12
  - performance audit reports, 114, 117, 121
- AusTender, 149, 156
  - contracts exempt, 166
- Australia – United States Defence Trade Cooperation Treaty, 38
- Australia–Indonesia High Level Committee, 38
- Australian Accounting Standards, 149
- Australian Civil–Military Centre, 68
- Australian Community Manual, 38
- Australian Constitution, 121
- Australian Crime Commission, 55
- Australian Defence College, 126
- Australian Defence Credit Union, 81
- Australian Defence Force Academy (ADFA)
  - treatment of women, 103–4, 106
- Australian Defence Force (ADF). *see also* Reserves
  - average funded strength achievement, 123
  - Cadets administration, 68
  - ceremonial activities, 68
  - complaint handling and resolution, 133
  - conditions of service, 135
  - cultural reform (Pathway to Change), 3, 4, 9, 41, 46, 76, 103, 104, 106–7, 128
  - Director National Action Plan for Women, Peace and Security, 45
  - emergency assistance, 97, 100
  - employee numbers, 138
  - equipment remediation from Afghanistan, 150, 176
  - gender issues, 45, 103–6
    - restrictions removal, 108–9
  - Health Services Project, 68
  - health services reforms, 68
  - Indigenous liaison officers, 129
  - Investigative Service, 68, 107
  - Joint Health Command, 46, 68
  - legal officers, 56
  - members
    - awarded VC, 7
    - killed in action, vii
  - mental health reform program, 68
  - military justice performance audits, 117

- operations 2012–13, 7 (*see also under* individual names of operations)
    - border protection, 7, 41, 90
    - fire-affected communities, 7
    - Middle East, 7
    - overseas, 7
    - peacekeeping, 7
  - Parliamentary Program, 68
  - Permanent Force, 123
  - remuneration, 135–8
  - Remuneration Framework, 135
  - salary ranges (permanent members), 135–6
  - Senior Officer Remuneration Arrangement 2011–2014, 137
  - sexual misconduct, 4, 103, 106, 107, 117
  - star ranked officers, 147
  - structure, 12
  - workforce profile, 141–3, 147
  - workplace agreements and arrangements, 137
  - Workplace Remuneration Arrangement 2011–2014, 135
  - Australian Defence Force Posture Review, 11, 37
  - Australian Defence Simulation Office, 68
  - Australian Federal Police, 55, 95
  - Australian Geospatial-Intelligence Organisation, 52
  - Australian Government Information Security Manual, 53
  - Australian Government Security Vetting Agency (AGSVA), 52–3, 110, 116
    - review status report, 116
  - Australian Information Commissioner, 122
  - Australian National Audit Office (ANAO)
    - access clauses, 159–65
    - Category B findings, 75, 149
    - independent auditor's report, 213–14
    - DMO, 311–12
    - performance audits, 114
  - Australian National Herbarium, 61
  - Australian National University, 129
  - Australian Nuclear Science and Technology Organisation, 62
  - Australian Public Service (APS)
    - Committee Recruitment Scheme, 130
    - complaint handling and resolution, 133
    - Core Capability Framework, 125, 126
    - Defence Civilian Committee, 127, 129
    - downsizing, 4
    - education and training, 126
    - employee numbers, 28, 138
    - employee profile, 141, 144
    - employment agreements, 133
    - Indigenous employment, 129
    - Job Families Project, 125
    - location of employees, 146
    - management of staff, 125–6
    - non-SES employees, 133, 138
    - Performance Feedback and Development Scheme, 125
    - performance pay, 138
    - productivity gains, 138
    - remuneration, 133–4
    - Review of employment pathways for APS women in the Department of Defence*, 126, 127
    - salary ranges, 133, 134
    - SES
      - employee numbers, 148
      - performance pay, 138
      - salary rates, 133, 137
    - Standard Classification of Occupations, 125
    - women, employment pathways review, 126, 127–8
    - workforce, 124–5
  - Australian Regular Army. *see* Army
  - Australian Security Intelligence Organisation, 55
  - Australian Sex Discrimination Commissioner, 103, 104, 106
  - Australian Signals Directorate, 52, 53, 55
  - Australian Standard for Defence Contracting (ASDEFCON), 130, 201
  - Australian Strategic Policy Institute, 12
  - Australia–Philippines Status of Visiting Forces Agreement, 38
  - Australia–PNG Defence Cooperation Agreement, 38
- ## B
- BAE Systems Australia, 174, 194
  - Balikapapan* (landing craft), 41
  - Battle of Eastern Shah Wali Kot, 7
  - Betano* (landing craft), 41
  - Black Review, 3, 110, 113
  - Border Protection Command, 62, 99
  - bushfires, January 2013, 100
- ## C
- C–130 Hercules transport aircraft, 49
  - C–17A aircraft, 49, 184
  - Cadets administration, 68
  - camouflage research, 64
  - Canberra*, HMAS, 31, 41, 174
  - Canberra* class vessels, 174
  - Canberra* Spider Orchid, 61
  - Cantabria*, ESPS, 41
  - Capability Development Group, 73–4, 176
  - cases
    - Jones v Chief of Navy [2012] FCAFC 125 (7 September 2012), 121
    - White v Director of Military Prosecutions (2007) 231 CLR 570, 121
  - Centre of Diversity Expertise, 126, 128, 129
  - Cerberus*, HMAS, 174
  - ceremonial activities (ADF), 68
  - Chief Audit Executive, 53, 116
  - Chief Executive of Defence, 149
  - Chief Executive Officer (DMO). *see* Defence Materiel Organisation (DMO)
  - Chief Finance Officer Group
    - Defence Asset Accounting, 149
    - Finance Shared Services, 111
  - Chief Information Officer Group, 14, 15, 56
    - aims, 65
    - deliverables, 66
    - grants management system, 171
    - ICT consolidation, 65
    - performance indicators, 67
    - review, Defence ICT security, 65
    - Telstra contract, 65

- Chief of Joint Operations, 71, 92
- Chief of the Defence Force (CDF), 122, 177, 202
- apology to victims of abuse, 9, 103
  - as chair, Gender Equality and Diversity Council, 128
  - current, 14
  - Directive ADF Cadets, 68
  - diverse workforce statement of commitment, 127
  - gender inclusion promotion, 105, 107
  - personal offices, 37
  - remuneration, 137
  - review, 7–9
- Chief Operating Officer organisation, 14, 15
- deliverables, 57
  - overview, 56
  - performance indicators, 57
  - review (Phase 1 & 2), 56
- China, 4, 38
- Cooperation Spirit in Queensland, 38
  - ministerial dialogue, 38
  - People's Liberation Army ship visit to Sydney, 38
- Christmas Island surveillance radar, 62
- civilian (APS and contractor) average full-time equivalent, 124–5
- C-130J aircraft, 62, 193
- Coles report, 42
- Collins class submarine, 42, 62
- Combined Maritime Force (Middle East Area of Operations), 93
- Combined Task Force 150 (maritime counter terrorism), 7, 93
- Comcare, 130–1
- Commonwealth Fraud Control Guidelines, 2011, 114
- Commonwealth Procurement Guidelines, 155
- Compensating F-111 Fuel Tank Workers, report tabled 18 June 2013, 121
- ComSuper, 78
- consultancies, 155
- contracted personnel, 3, 76, 106, 107, 116, 124–5
- contracts, 155–6
- AusTender exempt, 166
  - no ANAO access clause, 159–65
- Cooma–Monaro Rural Fire Service, 100
- Corporate Plan 2012–2017, 3, 37, 110
- Counter Improvised Explosive Device Task Force, 68
- Counter Rocket Artillery and Mortar capability, 176, 189
- counter-terrorism in Australia, 99
- CSIRO, 62
- cultural reform (Pathway to Change), 3, 4, 9, 41, 46, 76, 103, 104, 106–7, 128
- achievements, 103
- Cyber Security Operations Centre, 53, 55
- D**
- Defence. *see also* Australian Defence Force (ADF);  
 Australian Public Service (APS);  
 Australian Strategic Policy Institute;  
 Defence Housing Australia;  
 Defence Materiel Organisation (DMO);  
 Department of Veterans' Affairs
- advertising and market research, 166–8
  - agency head, 14
  - Annual Plan, 3, 37, 110
  - asset management, 149, 150
  - capital investment programs, 151–2
  - consultancies and contracts, 155–68
  - corporate governance, 113–22
  - Corporate Plan 2012–17, 37, 110
  - cost reductions, 3, 178
  - cultural reform, 3, 4, 9, 41, 46, 76, 103–9, 128
  - customer–supplier agreements with DMO, 202–3
  - cyber capability, 53, 55
  - diversity of personnel, 126–30
  - enterprise risks, 110, 114
  - environmental performance, 153–4
  - external scrutiny, 118–22
  - finance tables (*see* finance tables)
  - fraud control, 114–15
  - grants, 169–71
  - independent auditor's report (ANAO), 213–14
  - Indigenous community engagement, 129
  - Indigenous participation, 129
  - legal expenses, 156–8
  - logistics network, 111
  - management reform, 110–11
  - materiel acquisition agreements, 151, 182, 183, 203
  - materiel sustainment agreements, 179, 182, 192, 203
  - memorandum of arrangements with DMO, 202
  - objectives, 31
  - organisational structure, 14–17
  - outcomes (*see* outcomes)
  - payments of accounts, 171
  - people with disabilities, 129–30
  - personnel profile, 30
  - portfolio structure, 12
  - principal civilian adviser, 14
  - programs (*see also* programs)
    - structure, 31
    - total cost, 18
  - purchasing, 149
  - referrals under EPBC Act, 153–4
  - reform achievements, 111
  - remuneration, 133–8
  - resource statement, 20–1
  - role, 11
  - senior committees, 112–15
  - smart sustainment reform, 111, 178
  - statutory offices, 12
  - strategic direction, 11, 31
  - Strategic Reform Program, 56, 110, 124, 195, 200
  - vetting practices, 52, 116
  - work health and safety, 130–2
  - workforce, 138–48
- Defence Abuse Response Taskforce, 9, 103
- Defence Act* 1903, 14, 117, 135, 137, 171
- Defence and Strategic Goods List, 38
- Defence Annual Plan, 3, 37, 110
- Defence Asset Accounting, 149
- Defence Audit and Risk Committee, 114

- Defence Bank, 81
- Defence Capability Guide, 73
- Defence Capability Plan, 62, 73, 151
- Defence Chief Audit Executive, 116
- Defence Civilian Committee, 127, 129
- Defence Committee, 37, 110, 113, 127
- Defence Community Organisation, 76, 121
- Defence Control Effectiveness Report, 75
- defence cooperation, 4, 38, 90
- Defence Cooperation Arrangement, Indonesia, 38
- Defence Cooperation Program, 90
  - Papua New Guinea (PNG), 38
  - Timor-Leste, 92
- Defence Corporate Plan 2012–17, 37, 110
- Defence Employment Offer, 133, 135
- Defence Enterprise Collective Agreement 2012–2014, 133
- Defence Enterprise Risk Framework, 37, 114
- Defence Environmental Management Forum, 153
- Defence Environmental Management System, 153, 154
- Defence Environmental Strategic Plan 2010–2014, 153
- Defence Export Control Office, 38
- Defence FOI Better Practice Guide, 30
- Defence Force Credit Union. *see* Defence Bank
- Defence Force Discipline Act 1982*, 12, 114, 115, 121
- Defence Force Recruiting marketing initiatives, 104
- Defence Force Regulations 1952, 133
- Defence Force Remuneration Tribunal, 135, 137
- Defence Force Retirement and Death Benefits Scheme (DFRDB), 78
- Defence Force Retirements Benefits Scheme (DFRB), 78
- Defence Fraud Control Plan Number 10, 37, 114
- Defence Gender Equality and Diversity Council, 126–7
- Defence Heritage Strategy, 153
- Defence Home Owner Assistance Scheme
  - activities comparison, 80–1, 82
  - appointed home loan provider, 80, 81
  - deliverables, 82
  - performance, 81
  - performance indicators, 82
- Defence Home Owner Scheme, 80
- Defence Housing Australia, 12
- Defence Housing Authority, 84
- Defence Imagery and Geospatial Organisation. *see* Australian Geospatial-Intelligence Organisation
- Defence Industry Environmental Sustainability Forum, 153
- Defence Innovation Realisation Fund, 62
- Defence Intelligence Organisation, 52
- Defence Job Families, 125
- Defence Learning Branch, 126
- Defence Legal Division, 117
- Defence Logistics Transformation Program, 68, 111
- Defence Materiel Organisation (DMO), 4, 12
  - appropriations, 182
  - APS employee numbers, 138
  - assets management role, 149
  - benchmarking study, 175–6
  - budget, 179
  - and Capability Development Group, 73
  - Chief Executive Officer, 12, 14
    - accountability to minister, 202
    - delegated powers, 177
    - as National Armaments Director for Australia, 177
    - responsibilities, 177, 202, 203
    - review, 175–6
  - combined workforce model, 124
  - commercial negotiations improvement, 179
  - committee structure, 203
  - corporate governance, 202
  - Council of Chairs Forum, 203
  - customer–supplier agreements, 202–3
  - Deputy CEO/General Manager Commercial, 177–8
  - Diggerworks model, 176
  - DMOSAFE, 179
  - Environmental Management Plan, 153
  - environmental performance, 153
  - ethics and fraud awareness program, 114
  - Executive, 177–8
  - Executive Committee, 177, 203
  - financial performance, 179–83
  - financial statements 2012–13, 202, 313–78
  - Fraud Control Plan No. 5, 114
  - fraud investigations, 114
  - Fraud Risk Register, 114
  - functions, 177
  - gate reviews, 176, 179
  - General Manager Joint, Systems and Air, 178
  - General Manager Land and Maritime, 178
  - General Manager Submarines, 15, 178
  - grants, 171
  - IGADF review, 117
  - independent audit report, 311–12
  - legal expenses, 158
  - managed contractor arrangements, 179
  - Management of Capability Acquisition program
    - deliverables, 184–91
    - funding, 182
    - overview, 183–4
  - Management of Capability Sustainment program
    - deliverables, 192–200
    - expenses, 192
    - funding, 182
    - objective, 192
    - product support, 192
  - Material Risk and Audit Committee, 203
  - material acquisition agreements, 151, 182, 183, 203
  - material sustainment agreements, 179, 182, 192, 203
  - Ministerial Directive, 202
  - naval shipbuilding, 179
  - organisational structure review, 178
  - outcome, expenses and resources, 182–3
  - outcome and programs structure, 17
  - performance, 178–9
    - audit reports, 121

- Provision of Policy Advice and Management Services program
  - deliverables, 201
  - funding, 182
  - objective, 201
- redeployment of Afghanistan based equipment, 150, 176
- resource statement 2012–13, 180–1
- risk management, 202
- role, 177, 178
- schedule data repository, 178
- senior committees, 203
- Smart Sustainment Stream, 111
- Strategic Budget Committee, 203
- Strategic Framework 2013–15, 175, 203
- tactical payment scheme, 171
- Work Health and Safety Committee, 203
- work health and safety policy framework, 179
- Defence People Group (DPG), 14, 56, 111
  - deliverables, 76–7
  - Human Resource Shared Services, 111
  - performance indicators, 77
  - Phase Two report (treatment of women), 104
- defence policy, key strategic interests, 31
- Defence Purchase and Travel Cards, 171
- Defence Science and Technology Organisation (DSTO)
  - achievements, 62, 176
  - camouflage research, 64
  - Counsellor, Tokyo, 62
  - deliverables, 63
  - objective, 62
  - operations analysts, 62
  - performance indicators, 63
  - program, 62
  - staff member profile, 64
  - strategic alliances, 62
  - whole-of-government responsibility, 62
- Defence Security Authority, 52, 116
- Defence Security Manual, 52
- Defence Service Homes Scheme, 80, 81
- Defence Signals Directorate. *see* Australian Signals Directorate
- Defence Support and Reform Group (DSRG), 14, 37, 56, 76
  - bushfire assistance, 100
  - deliverables, 58–9
  - Deputy Secretary, 15
  - environmental officer profile, 61
  - functions, 58
  - Garrison Estate Management System, 58
  - payroll processing, 58
  - performance indicators, 60
  - Procurement and Contracting Branch, 149
  - procurement shared service (non-material), 58
  - reform, 58
  - relationships with industry, 149
- Defence Support Group. *see* Defence Support and Reform Group
- Defence Trade Controls Act 2012*, 38
- Defence Whistleblower Scheme, 115

- Defence White Paper
  - 2009, 3, 55, 124
  - 2013, 3, 11, 37, 85
- Defence's Implementation of Audit Recommendations, report tabled 27 February 2013, 121
- Delivery of Bereavement and Family Support Services through the Defence Community Organisation, report tabled 1 November 2012, 121
- Department of Defence. *see* Defence
- Department of the Prime Minister and Cabinet, 62
- Department of Veterans' Affairs, 12, 14, 81
  - Secretary, 15
- diarchy, 14
- Diggerworks—Driving innovation in the Defence sector*, study, 176
- Directorate of Customer Access Management, 100
- Directorate of Indigenous Affairs, 129
- Directorate of Operations and Training Area Management (DOTAM), 100
- Disability Employment Initiative, 130
- DLA Piper Review, 77, 103

## E

- Eastern Endeavour 2012, 38
- emergency assistance, 97, 100
- Emergency Force personnel, 80
- Emergency Management Australia, 97
- Employer Support awards, 68
- Enterprise Risk Management framework, 114
- environmental performance, 61, 153–4
- Environment Protection and Biodiversity Conservation Act 1999*, 61, 153
- ethics and fraud awareness program, 114

## F

- F/A–18F Super Hornet aircraft, 49, 95, 192
- Fair Work Act 2009*, 133
- Federation Guard (ADF), 68
- Fiji, 7
- Finance Shared Services, 111
- finance tables, 21–7
- Financial Management and Accountability Act 1997*, 14, 75, 149, 177, 202, 203
- financial statements 2012–13, 206–211, 215–310
  - DMO, 202, 313–78
- Fleet Information Systems Support Organisation, 65
- FOI Review Team, 30
- fraud control, 114
- fraud investigations, 114
- fraud loss and recoveries, 115
- Freedom of Information Act 1982*, 30, 122, 166
- Freedom of Information Annual Report, 122
- freedom of information (FOI), 122
- Freedom of Information Directorate, 30
- Future Submarine Industry Skills Plan, 175, 179
- Future Submarine Program, 11

## G

Gallipoli Barracks, Brisbane, 153  
 Gap Year enlistments, 138  
 Garden Island, Sydney, 153  
 Garrison Estate Management System, 58  
 Gender Equality and Diversity Council, 126–7, 128, 129  
 General Manager Submarines, 15  
 global operations  
     Afghanistan, 93  
     deliverables, 94  
     Middle East, 93  
     performance indicators, 94  
 Government's strategic direction. *see* Defence White Paper—2013  
 grants, 169–71

## H

health services reforms (ADF), 68  
 heritage management, 153  
 housing. *see* Defence Home Owner Assistance Scheme  
 Human Resource Shared Services, 76, 77, 111  
 Hydroscheme 2012–2015, 41

## I

ICT systems review, 65  
 illegal immigration, 99  
 Independent Project Analysis, 175–6  
 India, 4  
 Indigenous Employment Strategy 2012–2017, 129  
 Indo-Pacific, 11, 31  
 Indonesia, 4, 31, 38, 90  
     Australia–Indonesia High Level Committee, 38  
     Defence Cooperation Arrangement, 38  
 Industry Skilling Enhancement package, 171  
 Information Publication Scheme, 122  
 Information Security Manual, 53  
 Inspector-General of Intelligence and Security, 52, 116  
 Inspector-General of the Australian Defence Force (IGADF)  
     report, 117  
     whistleblower allegations, 115  
 Intelligence and Security Group  
     deliverables, 53  
     functions, 52  
     performance indicators, 54  
     reform program, 116  
*Intelligence Services Act 2001*, 52  
 internal audit services, 114  
 International Campaign Allowance, 58  
 International Force East Timor, 1999, 7, 92  
 International Security Assistance Force (NATO), 45, 93, 95, 96  
 International Stabilisation Force (Timor-Leste), 92  
 Investigative Service (ADF), 68, 107  
 Iraq, diplomatic mission, 93

## J

Japan, defence collaboration, 38  
 Jawun Program, 129  
 Job Families Project, 125  
 Job Families Project Management Office, 125  
 Joint Committee of Public Accounts and Audit, 119, 380  
 Joint Health Command, 46, 68  
 Joint Operations Command, 30, 65, 150  
     activities, 71  
     deliverables, 71–2  
     functions, 71  
     performance indicators, 72  
 Joint Parliamentary Committee on Intelligence and Security, 52, 119  
 Joint Standing Committee on Foreign Affairs, Defence and Trade, 119  
 Joint Standing Committee on the National Capital and External Territories,  
     119  
 Joint Standing Committee on Treaties, 120  
 Joint Strike Fighter, 11  
 Joint Task Force 631 (Timor-Leste), 92  
 Jones v Chief of Navy [2012] FCAFC 125 (7 September 2012), 121  
 judicial decisions, 121

## K

Kinnaird Procurement Review, 176

## L

Land Material Maintenance contract, 111  
 landing helicopter docks (LHDs), 41, 174  
 legal expenses, 156–8  
 legal support, 56  
 letter of transmittal, iii  
 Logistics Information Systems, 65  
 Logistics Information Systems Branch, 14, 65

## M

Major Capital Facilities Program, 152  
 Management of Australia's Air Combat Capability—F/A–18 Hornet and  
     Super Hornet Fleet Upgrades and Sustainment, report tabled  
     27 September 2012, 121  
 Management of Australia's Air Combat Capability—F–35A Joint Strike  
     Fighter Acquisition, report tabled 27 September 2012, 121  
 market research expenditure, 166–8  
 materiel acquisition agreements, 151, 182, 183, 203  
 materiel sustainment agreements, 179, 182, 192, 203  
 McGregor review, 2011, 128  
 memorandum of arrangements, DMO, 202  
 memorandum of understanding (MOU)  
     Department of Veterans' Affairs, 81  
     United States Department of Defense, 178  
 mental health reform program, 68  
 MH–60R Maritime Combat Helicopter, 41  
 MH–60R Seahawk Romeo, 41  
 Military Integrated Logistic Information System, 149  
 Military Law Centre, 117

military observer mission in Sinai, Egypt, 93  
 Military Superannuation and Benefits Scheme (MSBS), 78  
 military superannuation schemes, 80  
 Minister for Defence, 11, 12, 14, 52, 103, 108, 135, 151  
 Minister for Defence Materiel, 15  
 Minister for Finance and Deregulation, 12, 151  
 Ministerial and Executive Coordination and Communication Division, 14  
 ministerial responsibilities, 15  
 MSBS Retention Benefit, 78

## N

National Armaments Director for Australia, 177  
 National Australia Bank, 80, 81  
 national support tasks  
     border protection, 99  
     bushfires, January 2013, 100  
     deliverables, 99  
     performance indicators, 99  
 NATO, 10, 96  
     International Security Assistance Force, Afghanistan, 93  
 natural disaster relief, 99  
 Navantia, 174  
 Navy  
     activities, 41  
     average funded strength achievement, 123  
     Canberra class vessels, 31, 41, 174  
     decommissioned craft, 41  
     deliverables, 42–4  
     flying hours, 43  
     gender issues, 45  
     member numbers, 138  
     Middle East Area of Operations, 7, 95  
     navigational chart production, 43  
     New Generation Navy program, 41  
     New Generation Navy Strategy 2013–17, 41  
     officer profile, 45  
     Operation Slipper, 95  
     performance indicators, 44  
     Rizzo reforms, 42  
     role, 41  
     women, recruitment, 45, 105  
     workforce risks, 41  
 Network Centric Warfare, 73  
 New Air Combat Capability—Industry Support Program, 171  
 New Zealand, 90  
 New Zealand Defence Force, 38  
 Newcastle, HMAS, 95

## O

Office of the Secretary and Chief of the Defence Force (OSCDF) Group  
     achievements, 37  
     Audit and Fraud Control Division, 37  
     Cadets administration, 68  
     deliverables, 38–9  
     performance indicators, 40  
     role, 37  
     Strategy Executive, 37

Official Public Account, 84, 180  
*Ombudsman Act 1976*, 122  
 150 Special Air Service Regiment (SASR), 95  
 Operation Anode (Solomon Islands), 7, 90, 91  
 Operation Astute (Timor-Leste), 7, 31, 90, 91, 92  
 Operation Evan Assist (cyclone relief), 91  
 Operation Gateway (maritime surveillance patrols), 90, 91  
 Operation Mazurka, 93  
 Operation Resolute (border protection), 7, 8, 41, 90  
 Operation Slipper (Afghanistan/Middle East), 7, 58, 93, 95, 150  
 Operation Solania (maritime surveillance patrols), 90, 91  
 Operation Tower (Timor-Leste), 90, 91  
 operations, immediate neighbourhood. *see also* Papua New Guinea;  
     Solomon Islands; Timor-Leste  
     AP–3C maritime patrol aircraft deployments, 90  
     definition, immediate neighbourhood, 90  
     long lasting, 90  
     officer profile, 92  
     operations, regional development and contingencies, 91  
     Pacific Partnership 2013, 90, 91  
     short-notice (PNG), 90  
 orchid, endangered, 61  
 Outcome 1  
     departmental cost summary, 36  
     objectives, 31  
     programs (*see* programs, Outcome 1)  
     self-reliance principle, 31  
     strategic interests, 31  
     total cost, 32–5  
 Outcome 2  
     departmental cost summary, 89  
     net additional cost of operations, 86–7  
     programs (*see* programs, Outcome 2)  
     summary, 85  
     total cost, 88  
 Outcome 3  
     departmental cost summary, 98  
     programs (*see* programs, Outcome 3)  
     total cost, 97  
 outcomes  
     overall cost to government, 19  
     structure, 17, 31  
     total cost, 18

## P

Papua New Guinea (PNG), 90  
     Defence Cooperation Program, 38  
     Operation Cathedral, 90, 91  
 parliamentary committee inquiries, 118–20  
 Parliamentary Program (ADF), 68  
 Parliamentary Standing Committee on Public Works, 111, 120, 152  
 Pathway to Change: Evolving Defence Culture, 3, 4, 9, 41, 46, 76, 103,  
     104, 106–7, 128  
*People in Defence—generating the capability for the future force*, 76  
 People Services Branch, 14, 76  
 people with disability, 129–30

Portfolio Additional Estimates Statements 2012–13, 75

Portfolio Budget Statements

- 2011–12, 75, 124
- 2012–13, 178, 179

Prime Minister, 11, 15, 55, 62, 116

Priority Industry Capability Innovation Program, 171

procurement, 150

- non-materiel shared service, 58

Program of Major Service Activities, 71

programs, Outcome 1

- Program 1.1: Office of the Secretary and Chief of the Defence Force (OSCDF) Group, 37–40
- Program 1.2: Navy Capabilities, 41–5
- Program 1.3: Army Capabilities, 46–8
- Program 1.4: Air Force Capabilities, 49–51
- Program 1.5: Intelligence Capabilities, 52–7
- Program 1.6: Defence Support, 58–60
- Program 1.7: Defence Science and Technology, 62–4
- Program 1.8: Chief Information Officer, 65–7
- Program 1.9: Vice Chief of the Defence Force, 68–70
- Program 1.10: Joint Operations Command, 71–2
- Program 1.11: Capability Development, 73–4
- Program 1.12: Chief Finance Officer, 75
- Program 1.13: Defence People, 76–7
- Program 1.14: Defence Force Superannuation Benefits, 78
- Program 1.15: Defence Force Superannuation Nominal Interest, 79
- Program 1.16: Housing Assistance, 80–2
- Program 1.17: Other Administered, 84
- structure, 31

programs, Outcome 2

- Program 2.1: Operations Contributing to Security of Immediate Neighbourhood, 90–2
- Program 2.2: Operations Supporting Wider Interests, 93–6

programs, Outcome 3

- Program 3.1: Defence Contribution to National Support Tasks, 99–100

programs, DMO

- Program 1.1: Management of Capability Acquisition, 182, 183–91
- Program 1.2: Management of Capability Sustainment, 182, 192–200
- Program 1.3: Provision of Policy Advice and Management Services, 182, 201

Project Suakin, 68, 111

Protective Security Policy Framework, 52

Provincial Reconstruction Team, 96

*Public Service Act* 1999, 14, 115, 133, 177

purchasing, 150

## Q

quarantine evasion, 99

## R

*Re-thinking systems of inquiry, investigation, review and audit in Defence review*, 117

Reconciliation Action Plan 2010–2014, 129

Redeployment Fusion Cell, 150

Reformed Accountability Model, 37, 110

Regional Assistance to Mission Solomon Islands, 7, 90

Remediation of the Lightweight Torpedo Replacement Project, report tabled 28 February 2013, 121

*Remuneration Tribunal Act* 1973, 137

Republic of Korea, defence collaboration, 38

Reserve Reform Stream, 111

Reserves, 12

- employee numbers, 138
- Employer Support awards, 68
- number of Reservists, 123
- paid strength, 124
- Project Suakin, 68, 111
- subsidised loans, 80

Retention Benefit, 78

*Review into the treatment of women in the Australian Defence Force, Phase One report*, 103, 104

*Review into the treatment of women in the Australian Defence Force, Phase Two report*, 103, 104, 105, 127

*Review of allegations of sexual and other abuse in Defence* (DLA Piper Review), 77, 103

*Review of Defence's notifiable incidents system*, 117

*Review of employment pathways for APS women in the Department of Defence*, 126, 127–8

*Review of military justice arrangements in the Defence Materiel Organisation*, 117

Review of the Defence Accountability Framework (Black Review), 3, 110, 113

Reviews Implementation Team, 104

Royal Australian Air Force. *see* Air Force

Royal Australian Navy. *see* Navy

## S

Samoa, 7, 90

search and rescue, 99

2nd Commando Regiment, 7

2nd Force Support Battalion, 100

Secretary, 13, 14, 15, 75, 113, 114, 133, 138, 177, 178, 202

- as chair, Gender Equality and Diversity Council, 128
- diverse workforce statement of commitment, 127
- former, 30
- personal offices, 37
- remuneration, 137
- review, 3–4
- salary rates decisions, 137

Secretary and Chief of the Defence Force Advisory Committee, 113

Senate Standing Committee on Foreign Affairs, Defence and Trade, 38, 118

Senate Standing Committee on Foreign Affairs, Defence and Trade—Legislation Committee, 118

Senate Standing Committee on Legal and Constitutional Affairs

- Legislation, 118

senior executive, 14, 15

Senior Executive Service (SES)

- APS salary rates, 133
- 'collective' determination, 137
- non-superannuable bonuses, 138
- women, 128–9

Senior Leadership Group, remuneration, 137  
 725 squadron, Jacksonville, USA, 41  
 sexual abuse and misconduct, 4, 9, 103, 106, 107, 117  
 sexual ethics, 104, 106, 107  
 Sexual Misconduct Prevention and Response Office (SeMPRO), 4, 77, 103, 106–7  
 Single Living Environment and Accommodation Precinct (LEAP) project, 152  
 Skilling Australia's Defence Industry Program, 171  
 SMART metrics, 110  
 Smart Sustainment Stream, 111  
 smuggling, 99  
 soldier recovery centres, 46  
 Solomon Islands, 7, 11, 38, 52, 56, 90  
 South-East Asia, 4  
 south-west Pacific, 90  
 Special Air Service Regiment (SASR), 7, 95  
 Strategic Commercial Legal Panel, 158  
 Strategic Communications Branch (ADF), 68  
 Strategic Reform Management Office, 14  
 Strategic Reform Program, 56, 110, 124, 195, 200  
 Strategy Executive, 37  
*Study into the business of sustaining Australia's strategic Collins class submarine capability* (Coles report), 42  
 Success, HMAS, 41  
 Superannuation Nominal Interest, 80

## T

tactical payment scheme, 171  
 Taliban insurgency, 95  
 Targeted Reduction Investigation and Prevention, 130  
 Tasmanian bushfires 2013, 100  
 Telstra contract, 65  
 Timor-Leste, 90  
   bases, 92  
   Defence Cooperation Program, 92  
   Operation Astute, 7, 31, 92  
   Operation Tower, 90, 91  
   United Nations Integrated Mission, 90  
 Timor-Leste Defence Force, 92  
 Timor-Leste Secretariat of Defence, 92  
 Tobruk, HMAS, 90  
 Toowoomba, HMAS, 7  
 Top 4 Strategies to Mitigate Targeted Cyber Intrusions, 53  
 Transfield Services (Australia), 111  
 Transit Security Element teams, 99  
 12/40 Royal Tasmania Regiment, 100  
 12 EA-18G Growler electronic warfare aircraft, 49, 151  
 29 (City of Hobart) Squadron, 100

## U

Umbrella Deed negotiations, 130  
 Unapproved Major Capital Investment Program, 73  
 United Nations  
   Integrated Mission, Timor-Leste, 90  
   Middle East missions, 93  
 United States, 10, 31, 45, 95, 178  
   alliance, 11  
   Australia – United States Defence Trade Cooperation Treaty, 38  
   US Force Posture Review Implementation Team, 68  
   US marines based in, northern Australia, 4  
 University of South Australia, 64  
 Uruzgan province, military mission. *see* Afghanistan

## V

vetting practices, 52, 116  
 Vice Chief of the Defence Force Group (VCDF)  
   Defence Learning Branch, 126  
   deliverables, 69  
   health reforms, 68  
   performance indicators, 70  
   Reserves support capability, 68  
   responsibilities, 68  
 Vietnam, Defence Ministers' meeting, 38  
 Vigilare Command and Control System, 49

## W

*Wewak* (landing craft), 41  
 whistleblowers, 115  
 White v Director of Military Prosecutions (2007) 231 CLR 570, 121  
 women  
   employment pathways for APS, 126, 127–8  
   recruitment, 45, 104–5, 126, 129  
   roles, 9, 45, 46, 49, 108  
   Senior Executive Service, 128–9  
   treatment, 103–6, 107, 127  
 Women in Non-Traditional Employment Roles (WINTER), 104  
 'Women in the ADF' report, 105  
 Woomera Review, 38  
 work health and safety, 130–2, 179  
*Work Health and Safety Act 2011*, 3, 130, 179, 203  
 Work Health and Safety Management Information System project, 130  
 Work Health and Safety (WHS) Strategy 2012–2017, 130  
 workforce  
   employee numbers, 28, 138–9  
   Indigenous representation, 129  
   overview, 123–5  
   profile, 140–8

## Y

YourSay survey, 105

## Internet

The Department of Defence website is a comprehensive resource on matters of military security, capability and people issues.

Defence: [www.defence.gov.au](http://www.defence.gov.au)

An electronic version of this report, and supplementary content to this report that includes additional detailed information, can be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports).

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2012–13 DEPARTMENT OF DEFENCE



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# Defence Annual Report 2012-13

## Supplement

The following information is supplementary to the *Defence Annual Report 2012-13* and is referred to throughout the printed and PDF versions of the report in orange bold italic font. The full report including the supplementary information will also be available in an interactive online format by the end of November.

### Index

- Chapter 3 – Defence Outcomes and Programs
  - Program 1.1 Office of the Secretary and CDF
    - Defence Cooperation Program
    - Defence Cooperation Program Expenditure Table
    - Key Performance Indicators Table
  - Program 1.2 Navy
    - Deliverables: Unit ready days
    - Deliverables: Navigational chart production
    - Deliverables: flying hours
    - Key Performance Indicators Table
  - Program 1.3. Army
    - Deliverables: rate of effort
    - Key Performance Indicators Table
  - Program 1.4 Air Force
    - Deliverables: flying hours
    - Key Performance Indicators Table
  - Program 1.5 Intelligence Capabilities
  - Program 1.6 Defence Support
    - Highlights
    - Key Performance Indicators Table
  - Program 1.7 Defence Science and Technology
    - Key Performance Indicators Table
  - Program 1.8 Chief Information Officer
    - Key Performance Indicators Table
    - Achievements
  - Program 1.9 Vice Chief of the Defence Force
    - Key Performance Indicators Table
  - Program 1.10 Joint Operations Command Exercise Table
  - Program 1.11 Capability Development Group
    - Achievements
    - Key Performance Indicators Table
  -
- Chapter 5 – Corporate Governance
  - Chief of the Defence Force inquiries
  - External Scrutiny
- Chapter 6 – People
  - Complaint Handling and Resolution
  - Women in the ADF Report
- Chapter 8 – Capital Investment Program
- Chapter 9 – Environmental Performance
- Chapter 12 – Defence Materiel Organisation



# **Supplementary Online Content**

## **Chapter 3 Defence Outcomes and Programs: Program 1.1 Office of the Secretary and CDF**

### **Defence Cooperation Program**

The Defence Cooperation Program has the broad aim of enhancing defence-related capabilities of regional partner nations.

#### **Papua New Guinea**

In 2012–13, the Defence Cooperation Program was further expanded to ensure that it continued to meet the evolving needs of the Papua New Guinea Defence Force and that it was commensurate with the priority Australia assigns to this relationship. In 2012, the program continued to provide support to the PNG Defence Force through a program of training, exercises, technical advice and infrastructure upgrades, facilitated by ADF personnel posted to in-line and adviser positions within the PNG Defence Force. In the future, the program will look to further increase its training and adviser support to the PNG Defence Force and PNG Department of Defence, and provide additional assistance to planning and management functions.

Key achievements in 2012–13 included:

- working directly to the PNG Secretary of Defence
- consolidating program support to the PNG Defence Force Air Transport Wing through the lease of three helicopters, which assisted in managing logistics challenges during Papua New Guinea's national election
- signing the Defence Cooperation Arrangement, which will provide a framework and act as a reference point for future defence cooperation
- establishing a civilian Governance Adviser in the PNG Department of Defence.

Defence engagement in Papua New Guinea will continue to focus on assisting the PNG Defence Force to revitalise its capability in core areas, including border and maritime security, contributions to United Nations and multilateral peacekeeping missions, and cooperation with the ADF in areas such as disaster relief.

#### **Timor-Leste**

In Timor-Leste, the Defence Cooperation Program supports a maturing defence relationship increasingly focused on capacity building, following the end of operations Tower and Astute in 2012–13 and the withdrawal of the United Nations Mission in Timor-Leste and the International Stabilisation Force. The Defence Cooperation Program's aim is to support the development of the Timor-Leste Defence Force and Secretariat of Defence through training, education, infrastructure development, mentoring and exercises.

Key achievements during 2012–13 included:

- increasing living accommodation for the Timor-Leste Defence Force at Metinaro
- strengthening the Timor-Leste Defence Force's engineering and nation-building capabilities
- conducting a governance and finance management training course for Secretariat of Defence staff
- implementing a new curriculum for the in-country English language program.

### **South Pacific region**

In 2012–13, the Defence Cooperation Program in the South Pacific continued to provide assistance to regional defence and police forces through support to the Pacific Patrol Boat Program; the provision of in-country advisers; capability and infrastructure development; and support for participation in bilateral and multilateral exercises. Australia continued to support the deployment of Tongan and Papua New Guinean contingents to the Regional Assistance Mission to Solomon Islands and the deployment of Tongan contingents to Afghanistan. Defence engagement with Fiji remained suspended.

Key achievements in 2012–13 included:

- providing support to the inaugural South Pacific Defence ministers' Meeting in Tonga
- improving facilities and providing equipment to the Royal Solomon Islands Police Force explosive ordnance disposal team
- the provision of safety equipment and enforcement tools for boarding operations in Cook Islands
- the refurbishment of Tongan Defence Service facilities in Vava'u
- infrastructure upgrades to the Vanuatu Police Maritime Wing's Mala Base.

### **Pacific Patrol Boat Program**

The Pacific Patrol Boat Program is a key element of Australia's defence engagement in the Pacific region and provides financial, technical, logistics, maintenance, training and other support to 19 patrol boats across 11 Pacific island countries (not including Fiji). The boats are the sovereign assets of the Pacific nations and are used principally for maritime surveillance and law enforcement tasks. Defence's support is underpinned by 26 Navy maritime surveillance and technical advisers located across the Pacific (two of whom are Royal New Zealand Navy personnel). In June 2013, a new training contract was established for the provision of training services in support of the program.

Key achievements in 2012–13 included:

- financial and advisory support to facilitate joint and multilateral maritime patrols of neighbouring Exclusive Economic Zones
- support for chartered aerial surveillance patrols of the Tongan and Samoan Exclusive Economic Zones
- the provision of maritime law enforcement training to program crews.

The 2013 Defence White Paper confirmed Australia's commitment to replace the current patrol boats as they progressively reach their end of service life from 2018. The follow-on Pacific Maritime Security Program will see replacement platforms provided to all states currently operating Pacific patrol boats, including Fiji when this nation returns to democracy. Timor-Leste will also be invited to join the program. The platforms will have a network of in-country advisers, comprehensive training and maintenance and operational support. Under the new program, aerial surveillance capabilities will be enhanced and new support will be provided to existing regional coordination centres.

### **South-East Asia**

In 2012–13, Defence continued to work closely on security cooperation with partner countries in the region, specifically Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Priority areas for cooperation include counter-terrorism, peacekeeping, maritime security, defence reform and English language training.

In 2012–13, further strategic dialogue mechanisms were developed with Vietnam through the first annual Defence ministers' meeting in March 2013 in Canberra and the inaugural Defence 1.5 track dialogue in March 2013 in Hanoi. The program also provided continued support to Vietnam in English language training and subject matter exchanges on medical and engineering issues as the Vietnam People's Army prepares for its inaugural United Nations peacekeeping deployment.

Senior visits between Australia and Thailand were prominent, with the Australian Chief of Defence Force visiting Thailand in August 2012, and Thailand's Chief of Defence Force and Chief of Army conducting separate counterpart visits to Australia in February 2013.

The entry into force of the Australia–Philippines Status of Visiting Forces Agreement in September 2012 marks a significant milestone for Defence's relationship with the Philippines, allowing Defence cooperation to be reviewed and the Defence Cooperation Program's exercise program to be expanded.

The program has increased strategic dialogue with Indonesia, establishing new annual Defence ministers' and Defence Force chiefs' meetings in the reporting period. Indonesia sent four Sukhoi fighter aircraft to the July 2012 Exercise Pitch Black, the first time these aircraft had been deployed outside Indonesia. The Defence Cooperation Arrangement signed by Australian and Indonesian Defence ministers in September 2012 establishes a strong framework for expanded future defence cooperation. Also in September 2012, new attachments of Indonesian National Defence Forces personnel were

hosted by Australian Army units. The inaugural bilateral peacekeeping Exercise Garuda Kookaburra was conducted in May 2013, and a new humanitarian assistance and disaster relief exercise in June 2013.

The relationship with Singapore was advanced through numerous senior-level visits and strategic dialogues, including the agreement between Australia and Singapore to hold an annual Defence ministers dialogue in 2013 and the cooperation of both countries in Afghanistan.

The program continued to strengthen Defence's relationship with Malaysia by launching the Malaysia–Australia Defence Alumni Association in June 2012, and continued Defence's peacekeeping engagement through co-delivery of training courses under the Joint Malaysia–Australia Peacekeeping Training Initiative.

### **Multilateral general assistance**

In 2012–13 Defence continued to provide strong support to regional multilateral security institutions such as the Association of South East Asian Nations (ASEAN) Defence Minister's Meeting-Plus (ADMM-Plus) and the ASEAN Regional Forum. Australia and Malaysia have co-chaired three meetings of the ADMM-Plus maritime security experts' working group: in September 2012 (Langkawi), November 2012 (Sydney) and May 2013 (Penang). Australia and Malaysia hosted a maritime security table top exercise in September 2012 and Australia will host the inaugural ADMM-Plus maritime security field training exercise in October 2013. Australia contributed to practical activities in other ADMM-Plus working groups, including the ADMM-Plus exercise on humanitarian assistance, disaster relief and military medicine in Brunei in June 2013.

### **Five Power Defence Arrangements**

Australia's membership of the Five Power Defence Arrangements remains a key element of defence cooperation between the five member nations: Australia, Malaysia, New Zealand, Singapore and the United Kingdom. Now entering its 41st year, the arrangements have effectively evolved and adapted to the regional strategic environment over the last few decades. The arrangements continue to provide a stabilising influence in the region.

### **Pakistan**

In 2012–13, more than 140 Australia-based training and education course places were offered to Pakistan, with the aim of enhancing Pakistan's counterinsurgency capability. The counterinsurgency exchange between respective staff colleges continued into 2012–13, as did the Australian supported secondment of a Pashto–Urdu linguist from the Pakistan military to teach at the ADF School of Languages. Australia supported the secondment of a Pakistani instructor to teach at the Royal Military College Duntroon. The Defence Cooperation Scholarship Program with Pakistan, which offers support for masters level study at Australian tertiary institutions, continued as a key element of the Defence Cooperation Program. The scholarship program aims at building people-to-people links and exposure to Australia among the Pakistan military.

## **Middle East**

Australia's defence cooperation activities in the Middle East continued to focus on training and capacity building in Iraq and Jordan. Key achievements during 2012–13 included new training initiatives with the Jordanian Armed Forces in the fields of armoured reconnaissance and non-commissioned officer training; inaugural military talks with Turkey and reciprocal Anzac Day visits; the hosting of a counter-piracy conference in July 2012; and the signing of an agreement with the Seychelles for the transfer of personnel detained on suspected pirate activity.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.1 Defence Cooperation

**Table W3.1 Defence Cooperation Program expenditure, 2011–12 to 2012–13**

	2011–12	2012–13	2012–13	2012–13
	Actual result	Budget estimate	Revised estimate	Actual result
	\$'000	\$'000	\$'000	\$'000
Papua New Guinea	11,485	21,410	19,457	20,043
South Pacific region	29,884	31,691	29,737	31,288
South-East Asia <sup>[1]</sup>	18,064	18,270	16,957	16,952
Other regional activities	6,319	7,291	6,469	5,885
Defence International Training Centre <sup>[2]</sup>	5,327	5,464	5,334	5,066
<b>Total</b>	<b>71,079</b>	<b>84,126</b>	<b>77,954</b>	<b>79,234</b>

**Notes**

1. The Defence International Training Centre provides training in Australia to the defence forces of South-East Asia and South Pacific nations and to other selected overseas personnel.

2. The Defence International Training Centre is managed by the Vice Chief of the Defence Force Group.

**Table W3.2 South Pacific region expenditure, 2011–12 to 2012–13**

	2011–12	2012–13	2012–13	2012–13
	Actual result	Budget estimate	Revised estimate	Actual result
	\$'000	\$'000	\$'000	\$'000
Timor-Leste	4,743	4,862	4,385	4,241
Vanuatu	879	1,096	964	1,112
Solomon Islands	909	924	924	893
Tonga	1,802	2,394	2,044	2,728
Western Samoa	59	108	169	202
Cook Islands	158	134	114	151
Republic of the Marshall Islands	296	289	269	142
Federated States of Micronesia	138	267	238	94
Tuvalu	251	255	294	329
Kiribati	367	171	351	360
Palau	109	235	214	284
Defence Cooperation Program Housing	1,691	1,820	1,720	2,731
Multilateral general assistance	18,482	19,136	18,051	18,021
<b>Total</b>	<b>29,884</b>	<b>31,691</b>	<b>29,737</b>	<b>31,288</b>

**Table W3.3 South-East Asia region expenditure, 2011–12 to 2012–13**

	2011–12	2012–13	2012–13	2012–13
	Actual result	Budget estimate	Revised estimate	Actual result
	\$'000	\$'000	\$'000	\$'000
Singapore	103	82	71	70
Philippines	3,857	3,307	3,546	3,574
Thailand	3,117	3,152	2,903	3,160
Malaysia	3,324	4,148	3,723	3,599
Indonesia	4,360	4,105	3,569	3,419

Vietnam	2,021	2,102	1,903	1,837
Cambodia and Laos	1,237	1,353	1,230	1,291
Brunei	45	21	12	2
<b>Total</b>	<b>18,064</b>	<b>18,270</b>	<b>16,957</b>	<b>16,952</b>

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.1 Office of the Secretary and the CDF

### Program 1.1 key performance indicators

Key performance indicator	Status	Comment
<b>(i)</b> Group-specific outcomes and programs are delivered within allocated resources and meet directed efficiency, economy and cultural measures	Substantially met	OSCDF Group continued to strengthen its regional engagement activities including through policy discussions with regional partners and through enhanced Defence Cooperation Program initiatives in the South Pacific.
<b>(ii)</b> Staff skills are developed and personnel management practices successfully balance competing priorities	Met	Over the past 12 months a substantial investment has been made into the personal and professional development of staff across the group, with particular attention paid to the enhancement of both individual and team skills. Alignment of individual roles with a structured learning program has assisted the workforce planning strategy by better planning for competing priorities and work-life balance.
<b>(iii)</b> Policy guidance is forward-looking, timely, innovative and practical	Met	This KPI was achieved in 2012–13. The group led the development of the 2013 Defence White Paper, which provided the Government's overarching policy guidance and direction to Defence. This policy direction was supported by more detailed functional policy guidance, including through the group's delivery of the Quarterly Strategic Review, Maritime Strategy, Military Foundations for the Defence of Australia, and strategic guidance to capability development. The group married its strategic policy direction with enterprise policy and prioritisation through its leadership of the 2012–13 Defence Annual Plan and the 2013–17 Defence Corporate Plan. The corporate and annual plans provided direction on how the Defence enterprise would give effect to strategic and organisational priorities, and included regular reporting on progress against these implementation priorities, and associated resource considerations. The group's achievements demonstrably matured Defence's strategic planning and policy direction capability

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.2 Navy Capabilities

**Table W3.5: Program 1.2 deliverables—Unit Ready Days (URD)<sup>[1][2]</sup>**

Category	Status 2012–13	Comment
18 major combatants <sup>[3]</sup> 3,915 [4,304] URD	Substantially met	94% (3,693 URD) achieved.
22 minor combatants <sup>[4]</sup> 4,823 [5,323] URD	Substantially met	93% (4,472 URD) achieved.
10 amphibious and afloat support <sup>[5]</sup> 1,817 [2,417] URD	Met	106% (1,924 URD) achieved.
5 maritime teams <sup>[6]</sup> 2,555 URD	Met	100% (2,555 URD) achieved.
9 hydrographic force <sup>[7]</sup> 2,563 [2,967] URD	Substantially met	88% (2,257 URD) achieved.

### Notes

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
- URD are the aggregate number of days that constituent force elements are available for tasking.
- Major combatants include the Adelaide class frigates, Anzac class frigates and submarines. Underachievement is due to unscheduled and extended maintenance periods.
- Minor combatants include patrol boats, coastal mine hunters and auxiliary minesweepers (MSA). MSA *Bandicoot* and MSA *Wallaroo* were withdrawn from service on 30 September and 31 December 2012 respectively.
- Amphibious and Afloat Support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship and heavy landing craft (LCH). The overachievement is due to minor maintenance program amendments. LCH *Balikpapan*, LCH *Betano* and LCH *Wewak* were decommissioned in December 2012.
- Maritime teams comprise clearance diving teams, the deployable geospatial support team, and mobile meteorological and oceanographic teams.
- Hydrographic force comprises the hydrographic ships, survey motor launches (SML), chart production office, and meteorological and oceanographic centres. Underachievement is due to lengthy unscheduled SML repair periods to address corrosion.

**Table W3.6: Program 1.2 deliverables—Navigational chart production (products)** <sup>[1]</sup>

<b>Product</b>	<b>Status 2012–13</b>	<b>Comment</b>
93 [156] nautical charts	Substantially met	90% (84 nautical charts) achieved. Full achievement was affected by increased chart maintenance activity and staff turnover.
6 nautical publications	Substantially met	83% (five nautical publications) achieved. Hydroscheme 2013–2016 was not released in 2012–13 due to ongoing refinement of surveying priorities in the context of broader Navy interests.
30 new electronic navigational chart cells	Met	97% (29 new electronic navigational chart cells) achieved.

**Note**

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.

**Table W3.7: Program 1.2 deliverables—Flying hours** <sup>[1][2]</sup>

<b>Aircraft</b>	<b>Status 2012–13</b>	<b>Comment</b>
<b>16 S–70B–2 (Seahawks)</b> 4,200 hrs	Substantially met	89% (3,726 hrs) achieved. Transfer of aircraft into preservation and aircrew shortage ahead of the introduction of the MH–60R Seahawk Romeo had a greater collective impact on flying hours than anticipated.
<b>13 AS350B (Squirrels)</b> 3,600 [4,000] hrs	Substantially met	83% (2,994 hrs) achieved. A number of unscheduled maintenance issues and introduction of an avionics modification had a significant impact on serviceability.
<b>1 Laser airborne depth sounder aircraft</b> 980 hrs	Substantially met	90% (880 hrs) achieved. Full achievement of flying hours was affected by inclement weather and systems defects.

**Notes**

- Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
- Flying hours for the MRH90s operated by 808 Squadron are reported in the Program 1.3 Army section of the Defence annual report.

**Table W3.9: Program 1.2 key performance indicators**

Key performance indicator	Status 2012–13	Comment
Achieve levels of preparedness directed by the CDF for military response options with a warning time of less than 12 months	Met	While the Navy has faced challenges with the sustainment of afloat support forces and the management of contracted sustainment of patrol boats, the preparedness of Navy capability was met. There were improvements in the availability of amphibious units and submarines.
Achieve a level of training that maintains core skills and professional standards across all outputs	Substantially met	Full achievement of this key performance indicator was affected by skill decay following HMAS <i>Success</i> 's extended maintenance period, maintenance of patrol boat crews in support of Operation Resolute and the re-assignment of hydrographic ships to Operation Resolute limiting training opportunities.
Achieve mission capability for assigned tasks	Substantially met	Various systems-related defects across the force elements affected availability and completion of all assigned tasks, with patrol boats being the most affected.
Achieve Hydroscheme 2012–2015 data and surveying tasking requirements to meet national hydrographic surveying and charting obligations	Partially met	Approximately half of planned survey days were not achieved as a result of the re-assignment of ships to Operation Resolute and systems defects.
Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary	Met	The provision of timely, accurate and quality advice was achieved.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.3 Army Capabilities

**Table W3.9: Program 1.3 deliverables—rate of effort (ROE) (flying hours)**

Deliverable	Status 2012–13	Comment
6 CH–47D Chinook 2,000 hrs	Substantially met	89% (1,777 hrs) achieved. The loss of A15–103 on 22 Jun 2012, cancelled training due to Victorian bushfires, major modification programs, and hail damage to MEAO aircraft reduced the ROE (the issue was resolved prior to 30 June 2013).
34 S–70A-9 Black Hawk 7,500 hrs	Met	103% (7,710 hrs) achieved. There was a small overfly of ROE due to Defence Aid to the Civil Community tasking in the Bundaberg area for Operation Queensland Flood Assist II, and additional national tasking.
41 B206 Kiowa 6,000 hrs	Substantially met	96% (5,722 hrs) achieved. The lower than planned ROE was due to a reduction in student throughput was the primary cause of underachievement for Kiowa.
22 Armed Reconnaissance Helicopter (ARH) Tiger 7,147 hrs <sup>[1]</sup>	Partially met	74% (2,361 hrs) achieved. The Tiger ROE was lower than expected due to a large period of lost time as a result of fumes incidents (20 weeks, issue was resolved prior to 30 June 2013), an increased number of special technical inspections, and a reduced number of aircrew and key maintenance personnel in the 1st Aviation Regiment. Defence continues to work with Australian Aerospace and other agencies to address these issues.
46 Multi-Role Helicopter (MRH–90) 3,020 hrs	Partially met	82% (2,464 hrs for Army and Navy MRH90 combined) achieved. Underachievement of the ROE was due to having a smaller operating fleet than expected due to delays with new aircraft deliveries, as well as issues with general reliability and logistics support.

**Table W3.10: Program 1.3 key performance indicators**

<b>Key performance indicator</b>	<b>Status 2012–13</b>	<b>Comment</b>
Achieve levels of preparedness as directed by the CDF	Met	The Army continued to meet this key performance indicator.
Achieve a level of training that maintains core skills and professional standards across all outputs	Met	Forces Command achieved the Army Headquarters directed training requirements within tolerances.
Execute force generation and preparation in a manner that balances operational commitments and contingency planning	Met	The Army continued to meet this key performance indicator in 2012–13. Chief of Army Preparedness Directive (CAPD) 13, version 2 has been implemented and planning for CAPD 14 has commenced.
Provide timely, accurate and considered advice on Army capabilities to the Government, the CDF and the Secretary	Met	The Army continued to meet this key performance indicator by producing timely, accurate and high-quality ministerial correspondence. The Army maintained open lines of communication with key staff at all levels and actively participated in the ADF Parliamentary Program. Principal staff visits to Parliament House were also conducted to support this key performance indicator.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.4 Air Force Capabilities

**Table W3.12: Program 1.4 deliverables—flying hours**

Deliverable	Status	Comment
63 PC9 17,852 hrs	Substantially met	89% (15,927.5 hrs) achieved. Underachievement was due to sustainment funding pressures, reduced flying-training student throughput and some constraints in deeper maintenance capacity, which had an impact on short-term airframe availability.
16 B300 King Air 350 11,400 hrs	Met	91% (10,406.7 hrs) achieved. Underachievement was due to sustainment funding pressures.
12 C-130J Hercules 7,350 hrs	Met	103% (7,578.5 hrs) achieved. Overachievement was due to operational tasking.
12 C-130H Hercules 900 hrs [0 hours] <sup>[1][2]</sup>	Met	100% (903.1 hrs) achieved. The aircraft were withdrawn from service. Overachievement was due to tasking commitments made before the withdrawal announcement and the ability to adjust task management across the reduced Air Lift fleets.
6 C-17A Globemaster III 4,800 hrs	Met	92% (4,425.8 hrs) achieved. Underachievement was due to sustainment funding pressures, tasking and two aircraft upgrades. Tasking included short domestic sectors, periods of inactivity such as static air show displays and lengthy standby periods.
6 KC-30A 2,950 hrs	Substantially met	72% (2,121.2 hrs) achieved. Underachievement was due to a combination of reduced air logistic support tasking, regular aircraft pod unserviceability, remediation of the aircraft cargo bay structure and sustainment funding pressures.
2 B737 BBJ 1,600 hrs	Met	86% (1,376.3 hrs) achieved. Underachievement was primarily due to shorter sector duration VIP tasking.
3 CL604 Challenger 2,403 hrs	Met	94% (2,260.7 hrs) achieved. Underachievement was primarily due to shorter sector duration VIP tasking.
18 AP-3C Orion 7,900 hrs	Substantially met	91% (7,166.1 hrs) achieved. Underachievement was due to sustainment funding pressures and operational requirements, primarily Operation Resolute search and rescue activities.
6 E-7A Wedgetail 2,800 hrs	Substantially met	87% (2,444.2 hrs) achieved. Underachievement was due to sustainment funding pressures and less than planned aircraft and crew availability.
71 F/A-18A/B Hornet 13,000 hrs	Met	94% (12,251.1 hrs) achieved. Underachievement was due to sustainment funding pressures and the availability of senior aircrew, instructors and supervisors.
24 F/A-18F Super Hornet 4,800 hrs	Substantially met	96% (4,584.9 hrs) achieved. Underachievement was due to sustainment funding pressures, capability introduction challenges, the immaturity of logistic support system impacting spares availability and thus aircraft availability, and a lack of senior aircrew and supervisors.
33 Hawk 127 7,500 hrs	Partially met	71% (5,306.6 hrs) achieved. Underachievement was due to sustainment funding pressures and engine problems affecting aircraft availability.

### Notes

1. Where figures were updated in the Portfolio Additional Estimates Statements 2012–13, the Portfolio Budget Statements 2012–13 estimate is shown in brackets.
2. The increase of the C-130 Hercules rate of effort was made to satisfy tasking requirements (Operations Cathedral and Resolute) and complete critical capability development prior to retirement.

**Table W3.13: Program 1.4 key performance indicators**

Key performance indicator	Status	Comment
Achieve levels of preparedness as directed by the Chief of the Defence Force	Substantially met	The Air Force continued to meet this key performance indicator overall. There were some areas of reduced preparedness caused by a variety of factors, each with a mitigating strategy in place.
Achieve a level of training that maintains core skills and professional standards across all outputs	Substantially met	The Air Force continued to demonstrate high professional standards and maintain core skills across fundamental capabilities. Operational commitments required some training to be emphasised at the expense of some roles judged unlikely to be required in the near term.
Transition to new capability systems	Met	The transition to new capability systems generally progressed in accordance with capability system plans, with all planned significant milestones to new capability systems achieved.
Grow the cost-conscious culture	Substantially met	Cost-conscious behaviours across all facets of Air Force operations were evident in the extent of enduring organisational reform. The change to a cost-conscious culture will take time, but the program's momentum continued.
Provide timely, accurate and considered advice that meets CDF, Secretary and government requirements	Met	The Air Force met this key performance indicator.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.5 Intelligence Capabilities

The Australian Geospatial-Intelligence Organisation continued to advance two major projects, JP 2044 and JP 2064. In June 2013, the Government gave combined first and second pass approval for JP 2044 phase 4A, which will improve digital topographical systems to strengthen interoperability with allies and deliver improved intelligence, surveillance and reconnaissance capabilities to the ADF. Additionally, JP 2064, which remains subject to approval, is intended to deliver geospatial information and services enabling Defence personnel and systems to visualise, access, use and exploit geospatial information.

The classified document *Strategic guidance for the Defence foreign language capability* was released in July 2012. The guidance enables the Deputy Secretary for Intelligence and Security (as the foreign language coordinating capability manager for Defence) to provide strategic-level advice on Defence's foreign language capability to ensure it continues to be developed and maintained to meet emerging global priorities. The Defence Foreign Language Reference Group was established in October 2012 and meets biannually to consider changes in the strategic environment, revisions to foreign language capability targets and training needs, and consequential revisions to the guidance to maintain its utility.

The Intelligence and Security Group sustained a consolidated approach to human resource management by implementing group-wide recruitment, retention and training initiatives and processes, and improving the provision of targeted human resource strategies to address specialist capabilities and requirements. In 2012–13, the Defence Investigative Authorities conducted the first consolidated intelligence graduate recruitment program; the first graduates of this program commenced in February 2013. The Australian Signals Directorate established an unclassified facility in February 2012 with a mission to support the directorate's long-term recruitment interests through an education outreach program. This program continues to promote the directorate as an employer of choice through student placements and university internships. The facility continues to support the directorate's recruitment and retention efforts by allowing staff to undertake unclassified, but critical, work while they await their security clearances.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.6 Defence Support

Highlights of 2012–13 include:

- The 2012–13 Major Capital Facilities Program achieved its expenditure target, successfully delivering \$1,045.7m of capital facilities projects within scope and budget. This was \$26.8m or 2.6 per cent above the revised estimate. Some projects were affected by delays in obtaining technical certification.
- Future Defence estate options were considered in the context of the Force Structure Review 2013, the Australian Defence Force Posture Review, the United States Force Posture Review, the 2013 Defence White Paper and the Estate Consolidation Project.
- Defence continued to meet its commitments under the Environmental Strategic Plan 2010–2014, including completion of environmental impact assessments; harmonisation of environmental management systems; development of pollution prevention policies; and revised guidance documents for bushfire management.
- Defence achieved approximately \$29.4m of gross receipts under the property leasing, acquisition and disposal programs. This result was approximately \$4.1m less than the revised estimate, with the settlement of the Fortuna property occurring in late June and cash receipts from the sale to be received in 2013–14.
- Defence held 916 revenue licences (on-base), which generated \$7.4m in revenue and 478 domestic and 202 overseas expenditure leases (off-base), which cost the department \$193.7m.
- The Cultana Expansion Area Indigenous Land Use Agreement was registered on 28 June 2013. The South Australian Government is now able to grant Defence a miscellaneous lease for Defence purposes, which is expected to occur in late 2013. The Commonwealth's proposed acquisition of part of the Corunna pastoral lease is subject to action in the Federal Court. A hearing is scheduled before the Federal Court in November 2013.
- The enhanced land force initiative, stage 1 remains within budget, with the majority of the works now completed across multiple sites. The project is on track for completion in early 2014.
- Gallipoli Barracks (Enoggera) works are well into delivery with many of the priority elements completed. The project remained within budget and contracted elements under construction continued to be on schedule. Completion of construction remains planned for late 2015.

- Additional housing was provided in Townsville and Adelaide to support the enhanced land force initiative.
- Work continued on the base security improvement program. The final two recommendations are linked to longer-term projects for the design and delivery of security-related infrastructure works, and the development and delivery of an identification, search and seizure regime. Both projects are scheduled for completion by the end of 2014.

**Table W3.19: Program 1.6 key performance indicators**

Key performance indicator	Status	Comment
Improve business outcomes as part of broader Defence reform, including implementation of the revised responsibilities and accountabilities for base support	Met	The Defence Support and Reform Group consolidated transactional processing as part of the shared services reform. All bases have implemented base accountabilities that separate base support from capability delivery.
Deliver products and services on time and within budget to support the development and delivery of Defence capability	Substantially met	A whole-of-group product-costing capability has been developed, which will increase visibility and transparency of group support costs and facilitate the development and implementation of further reforms and savings.  In support of the base services re-tender, the group undertook a review of the requirements for its products and services, and adjusted where possible in order to achieve efficiencies.
Develop industry engagement and collaborative relationships to ensure the effective and efficient delivery of products and services	Met	The group manages Defence industry engagement and published the Defence Non-Equipment Procurement and Estate Industry Engagement Charter.  The group also engages with the industry through the CEO Breakfast program and facilitates the Defence procurement conference.
Provide ADF members with high-quality service residences, relocation and travel services using cost-effective contract arrangements	Met	The purchaser-provider arrangement between Defence and Defence Housing Australia has continued to provide quality housing to meet the operational needs of Defence.  As at 30 June 2013, Defence Housing Australia had provided a total of 17,414 service residences for occupation by Defence personnel and their families.  Toll Transitions is contracted to provide relocation administration services and removal services for Defence personnel. During 2012–13 Toll Transitions processed 22,513 applications for relocation and provided 19,221 removals.
Manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time, to budget and compliant with all appropriate regulatory requirements	Substantially met	The group met this key performance indicator in 2012–13 and continues to deliver the major capital facilities program, the environment program, the facilities lease program and the property disposal program. The program of activity remains responsive to budget and scope changes. In delivering the program, identified areas of non-compliance are being addressed.

Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department	Substantially met	A total of 9,769 items of advice and correspondence were completed in 2012–13; this total includes 201 question time briefs. This is a decrease of 363 items from 2011–12 and may be attributed to a more accurate reporting database being used to track and record completed items.
Promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements	Substantially met	In 2012–13, Defence coordinated responses to around 5,841 media enquiries, managed 2,882 public enquiries and issued 1,321 media releases and alerts. There were 22,392 images and 822 web clips published online for media and public use, and 144 video news releases were sent to the media. Defence distributed more than 1m hard copies of the Service newspapers, and the online versions received more than 182,000 hits. Defence Magazine produced around 12,500 hard copies and the online version attracted 35,540 hits. The Defence and minister's websites received a combined total of 11.85m hits during the period.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.7 Defence Science and Technology

**Table W3.21: Program 1.7 key performance indicators**

Key performance indicator	Status 2012–13	Comment
Advice on science and technology matters is of high quality	Met	DSTO has consistently met this key performance indicator.
The applied research program is balanced in meeting the needs of Defence in support of operations, the current force, capability development and acquisition, and of whole-of-government national security	Substantially met	DSTO has consistently met this key performance indicator, although for 2012–13 budget reductions have triggered program reprioritisation and subsequent rebalancing.
Science and technology outputs and programs are delivered on time and within agreed resources	Substantially met	This key performance indicator has been rated as 'substantially achieved' over the previous three years. Budget reductions have caused some lower priority deliverables supporting the current force to be deferred.
Outputs of the research program can be identified as innovative solutions that can be used to enhance capability, reduce risk and save resources	Met	DSTO has consistently met this key performance indicator.
Enabling research is focused on supporting future Defence capability	Substantially met	This key performance indicator was rated 'achieved' in 2011–12; budget reductions have affected the 2012–13 program.
Science and technology capability is contributed to by a workforce with world-class expertise and facilities and highly leveraged engagement with international defence research organisations, key national security partners, industry and academia	Met	This key performance indicator was rated 'achieved' in 2011–12; substantial further progress was made in 2012–13 to enhance external engagements.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.8 Chief Information Officer

**Table W3.23: Program 1.8 key performance indicators**

Key performance indicator	Status	Comment
ICT capabilities are developed and sustained in accordance with agreed stakeholder priorities.	Partially met	The Chief Information Officer Group regularly communicated with key stakeholders to ensure appropriate prioritisation of ICT requirements. Prioritisation of both projects and sustainment during 2012–13 resulted in some changes.
Strategic investment in consolidated networks, infrastructure, service orientated architecture, applications and information management enables transition to a Single Information Environment.	Substantially met	Key projects for the realisation of the Single Information Environment progressed according to plan over the reporting period including Terrestrial Communications (Network), Data Centre Migration (Infrastructure), Next Generation Desktop (Infrastructure) and the movement of Defence's intranet to a standardised tool. This key performance indicator will take a number of years to realise.
ICT security is maintained to an appropriate level.	Partially met	A review of Defence ICT security was completed in 2012–13. A number of recommendations were identified and implementation is proceeding.
ICT shared services reforms are effective in reducing costs and increasing productivity across Defence.	Substantially met	ICT shared services continue to be implemented within the agreed scope. Further implementation work is being undertaken to fully realise the benefits.
ICT services and service support are delivered in accordance with the Defence ICT Services Delivery Charter and the Defence ICT Services Catalogue.	Partially met	ICT support services remained under pressure in 2012–13. Some changes were made to service levels but overall they were achieved. All services remain subject to ongoing review and refinement.

Chief Information Officer Group achievements over 2012–13 include:

- The Next Generation Desktop Project received final government approval in October 2012. The project will see the largest upgrade to Defence restricted and secret network desktops and software environments in a decade.
- The Data Centre Migration Project successfully relocated Defence's Primary Data Centre from Canberra to a purpose-built facility in Sydney in March 2013. The project delivered increased flexibility, scalability and resilience for Defence's corporate systems.

- Tender evaluations commenced for the Centralised Processing Project. The project will deliver software application hosting and data storage services for information systems in the unclassified, restricted and secret information security domains.
- The Defence Personnel System Modernisation Project achieved final government approval in June 2013. The project will bring together all activities required to stabilise current Defence human resources management and payroll systems and drive deep human resources reform within the department.
- A timetable and milestones for the consolidation of ICT shared services within Defence has been established and agreed. The consolidation has commenced with the successful transition of Defence's Fleet Information Systems Support Organisation and Logistics Information Systems functions to the responsibility of the Chief Information Officer.
- Defence achieved Public Key Infrastructure cross-certification with the US Non-classified Internet Protocol Router Network in May 2013. This is a great step towards increasing our interoperability with the United States.
- The Defence Export Control System Replacement Project launched the new system on 29 April 2013. The new system improves capacity to manage the export of controlled goods, for example weapons and weapon parts. The system also enables Defence to meet legislative requirements such as those flowing from the recently passed Defence Trade Controls Act.

# Supplementary Online Content

## Chapter 3 Defence Outcomes and Programs: Program 1.9 Vice Chief of the Defence Force

**Table W3.25: Program 1.9 key performance indicators**

Key performance indicator	Status	Comment
Timely, accurate and widely consulted advice provided to Government	Met	This key performance indicator continues to be met. Wherever timelines from government allow, wide and detailed consultation has been completed.
High level of engagement with Joint Operations Command, International Policy Division, Strategic Policy Division, Australian Civil–Military Centre, and other government agencies, for operational matters	Met	On almost all issues, Military Strategic Commitments Division consulted widely within the department. Key areas include International Policy Division, HQJOC and the Services. Further, the division has consistently engaged with external agencies, with particular focus on the AFP, the Department of Foreign Affairs and Trade and the Department of Immigration and Citizenship on matters requiring interdepartmental consultation.
Advice is readily sourced and made available to the Offices of CDF and VDCF to support strategic decision making	Met	The offices of CDF and VDCF were consistently provided with support to these key principles. Support includes management and reporting on operational issues, parliamentary reporting and direction within the department.
ADF operational tempo is managed within concurrency constraints	Met	Continual liaison between HQJOC and the Services ensures concurrency constraints are identified and managed.
Group-specific reform and savings have been achieved	Substantially met	Reform in these areas continues to be a focus within the group.
ADF operations and exercises receive effective logistics and health support and services	Substantially met	This key performance indicator has historically been met. VDCF Group, through Joint Logistics Command, has: <ul style="list-style-type: none"> <li>• coordinated responsive logistic support to ADF operations, major exercises and directed activities to enable mission success</li> <li>• coordinated effective and efficient logistic support to enable Services to meet their Raise, Train and Sustain functions.</li> </ul> Health support to operations continues to improve with emphasis on the agility of the support organisations to deliver required levels of support in a timely manner (led by Joint Health Command). There is a marked improvement in integration between deployed and deployable force elements and key enablers (Joint Health Command/Joint Operations Command/Joint Logistics Command/Defence Materiel Organisation). Equipment modernisation is ongoing and is being actively managed by Joint Health Command as the capability coordinator.
ADF joint and combined	Substantially met	Joint Capability Coordination has attended

operational capability		<p>planning meetings and international battlespace awareness exercises to inform a decision on ADF involvement in 2014. Involvement in existing NATO and US/UK/Canadian activities will inform development of related concepts and major capital projects.</p> <p>Specific initiatives include establishing a bilateral review of current and potential interoperability interactions between the ADF and the Singaporean Armed Forces based on a humanitarian assistance/disaster relief scenario. The review could be the baseline for a stronger, broader interoperability framework between the two countries.</p> <p>Joint Capability Coordination has also started development of a number of joint operating concepts with an estimated completion time of late 2014.</p>
Delivery of learning outcomes that deliver the skills required for defence capability	Met	<p>The Australian Defence College leads the strategic direction of education and training in Defence. Responsive to learning outcomes and capability requirements specified by the Services and groups, curriculum changes are made in response to emerging requirements and lessons learnt. The college is continuing to evolve through the progression of education and training shared services arrangements. Delivery of ADF and APS specified learning outcomes was achieved within allocated resources.</p>
Planning and policy frameworks are developed to enhance the contribution of the reserves to Defence and the wider community	Met	<p>A new employer support payment determination establishes value for money as a key factor in decision making.</p> <p>Defence policies have been monitored and reviewed to ensure that they are 'Reserve friendly'.</p> <p>Defence negotiated 28 leave policies and eight MOUs with employers.</p> <p>The number of active Reservists has increased from 23,771 at 30 June 2007, to 25,446 at 1 April 2013.</p> <p>On 1 April 13, there were 842 Reservists undertaking continuous full-time service, compared to 1,074 on 1 April 2012. The variation is due to reduced operational tempo, primarily the drawdown from Timor-Leste.</p> <p>More than 13,000 Reservists have been deployed on operations since 2002.</p>
Governance and accountability frameworks enhance the youth development experience within the ADF Cadets	Substantially met	<p>A tri-service approach to youth policy including the ADF Cadets has been endorsed, to be incorporated in a youth policy manual that will be a single authoritative source of policy for Defence Cadet and youth programs.</p> <p>ADF Cadet policies on staff selection, Cadet weapons, Defence firearms and health conditions have been updated. Further tri-service policies are under development. A standardised 'Cadet Reference' for a Cadet's record of service is under development.</p>

		<p>A Defence Instruction on Child Protection has been drafted.</p> <p>In the period 2009 to 2012, the number of cadets increased by 8.6%, from 21,863 to 23,740.</p>
Australian Civil–Military Centre delivers its goals effectively and efficiently in accordance with government instructions	Substantially met	
ADF investigations are supported by effective and efficient administration	Substantially met	<p>The dedication and commitment of a combined APS and ADF workforce has provided the ADF Investigative Service, other components of the Service Police community and other internal and external agencies, including the Defence Abuse Response Taskforce, with sustained administrative support during a period of high investigative workload and suboptimal staffing. This support enabled ADF investigators to focus solely on investigation operations in the domestic and deployed overseas environments. Additionally, administrative support in the form of information management has enabled investigators and other clients to meet their strategic outcomes. The ADF Investigative Service continues to experience public service staff shortfalls in the Service Police Central Records Office and the Service Police Intelligence Office that are affecting the ability to provide timely responses.</p>
Deliver group-specific outcomes and programs on time and within agreed resources	Substantially met	

## Supplementary Online Content

### Chapter 3 Defence Outcomes and Programs: Program 1.10 Joint Operations Command

**Table W3.1: Program 1.10 joint and combined activities in 2012–13**

Activity	Description
<b>Combined ADF – Five Power Defence Arrangement exercises</b>	
Bersama Shield April 2012	An exercise held in the Singapore and Malaysian air space and adjacent waters in the South China Sea, designed to practise joint operations for the defence of the region.
Suman Protector October 2012	A large-scale multilateral exercise that rotates between the armed forces of Malaysia and Singapore, as host and lead planner. Suman Protector is conducted every five years as part of the Five Power Defence Arrangement
<b>Combined ADF – United States exercises</b>	
Gold Eagle June–August 2012 June 2013	A company-level exchange between the US Marine Corps (USMC) and Australian Army to enhance interoperability between the two services and contribute to USMC and Australian Army relations.
Southern Frontier July 2013	A USMC annual F/A-18 deployment to northern Australia for air-to-ground training including use of Australian ranges.
Lungfish August 2012	A tactical development exercise with the Royal Australian Navy and US Navy to develop doctrine and tactics for anti-submarine warfare operations.
Defence Trial 901— Advanced ISR Assessment January–March 2013	A series of trials to develop an advanced intelligence, surveillance and reconnaissance (ISR) capability, in consultation with the United States.
VFA (USMC) Detachment March 2013	USMC fighter squadron deployments to various RAAF bases for mutually beneficial training.
Dawn Blitz June 2013	A US Navy Third Fleet amphibious exercise that takes place on the western seaboard of the continental United States.
<b>Other joint and combined and single Service overseas exercises</b>	
Longlook Exchange April–August 2013	An annual exchange program between the ADF and UK Armed Forces to promote interoperability and knowledge-sharing.
Rifle Company Butterworth Exchange May–July 2012 August–October 2012 November 2012 – January 2013	A three-monthly rotational deployment of an Australian Army infantry company, Rifle Company Butterworth, Malaysia, to conduct training and participate in exercises in the region.

<b>Activity</b>	<b>Description</b>
February–April 2013 May–July 2013	
Pacific Partnership May–August 2012	An annual humanitarian civic assistance program sponsored by the United States. It provides assistance to local populations in the Pacific region. Up to 200 members from the Army, Navy and Air Force are involved in the exercise.
Vector Balance Action June–July 2012	An Australian Army exercise conducted with the United States at various Army bases in Australia. The focus of the activity is to train in simulated complex urban environments that are external to Australia.
Pozieres Prospect June–July 2012 February–March 2013	A series of exercises to train the Army as a stepping stone to becoming certified as a joint task force headquarters. Exercise Vital Prospect replaced Pozieres Prospect in early 2013 and will culminate in the formal certification of several Defence units to operate as key components in international coalition operations.
Hamel June–July 2012	An Army exercise designed to develop, confirm and evaluate the foundation war fighting skills of the brigade. It is run annually.
Rim of the Pacific July 2012	A large exercise conducted by the US Third Fleet in the Hawaiian exercise areas to practise maritime operations (air, sea and amphibious operations). All three Services of the ADF participate in this exercise.
Iron Rotor July 2012	Helicopter activity to practice special recovery operations.
Precise Response July 2012	A chemical, biological, radiation, nuclear and explosives training exercise conducted at the Canadian Counter-Terrorism Technology Center in Alberta, Canada.
Proliferation Security Initiative July 2012 September 2012	Exercises that are designed to develop and practise the identification and interception of weapons of mass destruction and related materials.
Precision Red July 2012 November 2012	A flight training exercise conducted every six months (July and November) in the Townsville and Shoalwater Bay training areas. It involves tactical C-130J flying to simulate conditions expected on operations in the Middle East Area of Operations.
Night Lion July 2012	A training exercise held in Singapore between the Australian Army and the Republic of Singapore Armed Services.
Pirap Jabiru July 2012	A multilateral seminar activity co-hosted by Thailand and Australia and conducted in Thailand. The exercise is focused on developing understanding of strategic, operational and tactical aspects of UN peace operations. The regional focus of the activity assists in the development of networks and enhances regional military relationships.
Exchange Program Anzac	An annual exchange program with New Zealand (up to a maximum of 50 personnel) to promote interoperability between the ADF and the New

<b>Activity</b>	<b>Description</b>
July–October 2012	Zealand Defence Force.
Pitch Black July 2012	The largest international exercise conducted by the RAAF. It is conducted every two years during the Northern Territory dry season in July/August. It involves fighter aircraft operations from the United States, New Zealand and South East Asia.
Tropic Twilight August 2012	A New Zealand–led humanitarian assistance and disaster relief exercise, held annually in Samoa and/or Tuvalu. It provides an opportunity to practise collaborative civil–military emergency responses to events in tropical environments.
Khaan Quest August 2012	A tactical exercise conducted in Mongolia. The focus is to develop peacekeeping capabilities and build military-to-military relationships in the Asia–Pacific region.
Ulchi Freedom Guardian August 2012	<p>An annual exercise conducted in the Republic of Korea for Korean and US defence forces to practise responding to security threats on the Korean Peninsula.</p> <p>Multi-national participation in the exercises is predicated upon member states being signatories of the 1953 Declaration and Commitment to the United Nations Command in Korea. Australia is a signatory and therefore participates so that Australia can contribute to the development of any contingency plans that may be in the national interest.</p>
Dawn Caracha August 2012	An Army-led training exercise in the Philippines to enhance interoperability and increase core skills of both Australian and Philippines defence forces.
Night Walker August–September 2012	Singaporean Air Force high-altitude paratrooper free-fall military training in Australia. There is no ADF involvement apart from coordination.
Tri Crab August 2012	A training exercise to practise explosive ordnance demolition and improvised explosive device destruction in a controlled environment.
Red Pegasus August 2012 March 2013	A parachute training exercise to maintain currency of the individual certifications in parachuting skills. It is conducted at various ADF establishments.
Kakadu August – September 2012	An Australian-led maritime exercise to develop maritime skills in consultation with regional nations.
Dawn Kouprey August–September 2012	An Army exercise conducted in Cambodia with a counter-terrorism focus.
Puk Puk September–October 2012	An annual exercise to promote engineering interoperability with the Engineer Battalion of the Papua New Guinea Defence Force (PNGDF).
Black Dagger September–October 2012 February–March 2013	Joint terminal attack controller courses, which train specialist staff in controlling aircraft onto targets.

<b>Activity</b>	<b>Description</b>
Tempest Express September 2012 May 2013	Exercises conducted by various countries in the Asia–Pacific region as part of the Multinational Planning Augmentation Team program sponsored by US Pacific Command. Exercises are conducted once or twice a year, depending on commitments by contributing nations.
Olgetta Warrior September–October 2012	A training exercise conducted with the PNGDF designed to enhance mutual understanding between the Army and the PNGDF. It also provides a very challenging training environment for Army personnel.
Logi Tura September–October 2012	An annual attachment of PNGDF logistics personnel to the Army for mentoring and skills development.
Coalition Virtual Flag September 2012	A US Air Force–led simulated mission operations centre activity conducted in the United States each year.
Phoenix Black September 2012 November–December 2012 March 2013 May 2013 June 2013	A joint terminal attack course training series for qualified Army specialist personnel. The skill set is related to controlling aircraft onto targets.
International Mine Countermeasure Exercise September 2012 May 2013	A multinational exercise sponsored by the US Navy Central Command to integrate international mine countermeasures forces within the Middle East Area of Operations.
Dawn Komodo September 2012	An Army-led training team deployment to Indonesia aimed at enhancing regional interoperability and developing an understanding of the operating environment in Indonesia.
Night Tiger September 2012 May 2013	An Army-led training team deployment to Malaysia for mutual counter-terrorism training.
Matilda September–October 2012	A company/squadron-level exercise to achieve Army and Defence international engagement objectives with Singapore Armed Forces through activities to enhance the mutual understanding of the respective mechanised and armoured operations of each Force.
Rajawali Ausindo September 2012	Rajawali Ausindo is a bilateral tactical airdrop and humanitarian assistance and disaster relief exercise with Indonesia with the aim of enhancing bilateral relations. The activity aims to promote an improved level of tactical low-level flight and airdrop cooperation between the nations.
Singaroo September 2012	A combined maritime exercise designed to improve interoperability of Australia and Singapore in all facets of naval warfare in order to undertake effective maritime operations.
Iron Moon	An Army-led domestic and international counter-terrorism exercise

<b>Activity</b>	<b>Description</b>
September 2012	designed to assess emerging and developing Army capabilities. International participants may include the United States, Cambodia, Papua New Guinea and Indonesia.
Night Falcon September–November 2012	An Army unit collective training activity conducted in a jungle environment. It may be conducted in any location deemed suitable for this activity but is normally conducted in Lae.
Tamex September 2012 Jan 2013 May 2013	Primarily an anti-submarine warfare enabling activity for 92 Wing (P-3C Orion aircraft).
Wallaby September–November 2012	A Singapore Armed Forces unilateral training exercise including air assets in Australia.
Wontok Warrior September–October 2012	An annual forces command exercise with PNGDF to develop relations and enhance interoperability.
Helicon Luk September–October 2012	An annual high-density rotary wing certification exercise for Australian aircrew conducted in the PNG Highlands.
Eastern Endeavour September 2012	International engagement to prevent proliferation of weapons of mass destruction, normally conducted in the Republic of Korea.
Sea Lion September–October 2012	An Australian-only exercise conducted in Cairns, Shoalwater Bay and Townsville training areas. It is a basic amphibious collective exercise in a non-hostile environment.
Star Leopard October 2012	A combined training activity held in Australia between 1 Commando Regiment and the Royal Brunei Armed Forces Special Forces Regiment.
Argonaut October 2012	A non-combat evacuation operation coordination centre exercise conducted in Cyprus by member nations of the NEO Coordination Group. Participating nations include Australia, Canada, Cyprus, France, Germany, the United Kingdom and the United States.
Croix du Sud October 2012	A Field Training Exercise series held in Noumea as part of French regional engagement in the south-west Pacific region. This involved the Forces Armées en Nouvelle Calédon and invited nations, including Australia, Fiji, New Zealand, Papua New Guinea, Tonga and Vanuatu, Canada, the United Kingdom, the United States and French Forces Pacific, based in Tahiti.
Albatros Ausindo October 2012	Bilateral maritime surveillance activity conducted between the Australian and Indonesian Air Forces.
Cambrian Patrol October–November 2012	The premier patrolling exercise for the British Regular and Reserve Army. The exercise is set within a tactical scenario in the hills and forests of mid-Wales. The patrol is arduous and concentrates on leadership, teamwork, physical fitness, military skills and basic patrolling.

<b>Activity</b>	<b>Description</b>
Arnhem Thunder October–November 2012 May–June 2013	The primary annual bombing exercise for 81 Wing conducted from Tindal, and occasionally Darwin.
Lumbas October 2012	A maritime security exercise conducted with the Philippines in the Philippines.
Cooperation Spirit October 2012	A bilateral desktop exercise with China focused on humanitarian assistance and disaster relief.
Coalition Attack Guidance Experiment October–November 2012	A series of experiments, sponsored by Australia, Canada, the United Kingdom and the United States, that examine joint fires and digital command and control system integration in a distributed coalition setting.
Long Reach Tonga October–November 2012	A combined planning activity aimed at developing contingency or operational plans for a military or security forces response within a whole-of-government approach to a natural disaster in the host nation. The exercise provides staff with skills in planning for humanitarian assistance and disaster relief operations in the south-west Pacific region, as well as providing the opportunity to work with regional and other agencies that may be involved in disaster relief operations.
Vigilant Pacific November 2012	An Australian–US command-led annual combined intelligence exercise. Other participants include Canada, the United Kingdom and New Zealand.
Global Thunder November 2012	An annual US Strategic Command–sponsored exercise involving field activities including command and control and deterrence aspects.
Ferocious Falcon November 2012	A newly created multilateral exercise conducted in Qatar.
Pae Tata November 2012	A tactical-level enabling activity for Exercise Southern Katipo. The overarching aim is to exercise Australian and New Zealand defence force elements in the conduct of operational-level planning, and tactical-level execution of amphibious operations.
Dawn Tiger November 2012	A combined training activity conducted in Malaysia between the ADF's Special Air Service Regiment and the Malaysian Armed Forces and Navy Special Forces.
Paradise November 2012	A combined patrol boat exercise. It is the key maritime exercise with PNG maritime operations elements.
Emu Moon November 2012	A biannual tactical parachuting continuation training activity conducted for Special Air Service Regiment personnel.
High Sierra November–December 2012	An Air Combat Group aircraft exercise incorporating an F/A-18 operational conversion course.
Platypus Moon	Collins class submarine training with the Army.

Activity	Description
November–December 2012 June 2013	
Precision Support November–December 2012	Combat support for Precision Red, enabling Expeditionary Combat Support Squadron training and certification.
Pozieres Launch November 2012 February 2013	A Headquarters 1 Division–led joint planning team augmented by joint enabling staff and inter-agency representatives to develop a Commander Joint Operations Operational Order to support Exercise Pozieres Prospect in 2013. It required specialists from across all three Services, with Army taking the lead.
Triton Thunder November 2012	Maritime Exercise to practise the tactical build up of a minor war vessel concentration period. This exercise covers the tactical development training that is not covered in the ongoing Operation Resolute mission-readiness work-up.
Dugong November–December 2012	A mine-clearance and explosive ordnance disposal exercise.
Dawn Buraq November 2012	A combined training activity between the United Arab Emirates between the United Arab Emirates Special Operations Command and the ADF's 2nd Commando Regiment held in the United Arab Emirates
Night Koi December 2012	Combined training with Japan Special Operations Group in Counter Terrorism techniques.
Night Eagle December 2012	A Special Air Service Regiment patrol exchange to the United States Joint Special Operations Command's Combat Applications Group
Night Buffalo December 2012	A bilateral training activity conducted in Vietnam.
Pacific Kukri January–March 2013	A biennial exercise to facilitate and support specified training objectives in Australia. It involved the Royal Gurkha Rifle Company practising operations in an unfamiliar environment (other than the jungle).
Cope North February 2013	A two week tri-lateral exercise conducted annually at Andersen Air Force Base, Guam in February–March. Air force units from Australia, Japan and the United States participate in both large force employment air combat exercises and in a humanitarian assistance and disaster relief scenario.
Mulgogger February 2013	An exercise to work up elements to unit-readiness levels as appropriate in order to meet specified readiness requirements for tasks related to mine warfare and clearance diving.
Cobra Gold February 2013	A Thailand–US planned activity held annually in Thailand. Indonesia, Japan and Singapore are also invited to participate in the exercise. The activity is focused on planning and practising stabilisation operations within a multinational combined task force or UN peacekeeping force context.
Emu Moon	A biannual tactical parachuting continuation training activity conducted for Special Air Service Regiment personnel.

<b>Activity</b>	<b>Description</b>
February–March 2013	
Fighter Combat Instructor Course February–March 2013	A course for the RAAF Air Combat Group.
Aces South April 2013	The culmination of the RAAF Fighter Combat Instructor Course Air–Air phase. It is a six-month course conducted every 18 months to two years.
Red Flag February–March 2013 August 1	An exercise conducted in the United States at the Nellis Air Force Base. The aim is practise high-end warfighting against a highly capable and technologically advanced adversary. It is focused on large-scale offensive counter air.
Australian International Airshow February 2013	The Avalon Airshow is held biannually on odd years. It is run by the Air Shows Down Under organisation. Headquarters Air Command coordinates, with input from Air Force Headquarters, the RAAF and ADF involvement. During the same period, the Chief of the Air Force holds a conference for visiting chiefs of air force.
Aman March 2013	A biennial multinational exercise, comprising rudimentary warfare serials, that aims to promote Pakistan as a country contributing towards peace and stability in the region. The Royal Australian Navy (RAN) participates in the 'Harbour' and 'Sea' Phases of the exercise.
Star Panther March 2013	An Army-led training advisory team conducted in Australia, focused on counter-terrorism.
Nimble Titan 14 March 2013	A US-sponsored multinational exercise campaign conducted over a two-year period focusing on ballistic missile defence. The March 2013 activity was an operational planning exercise conducted in Japan.
Key Resolve March 2013	An annual United States – Republic of Korea exercise designed to practise response contingencies to a regime change or collapse of government in North Korea.
AusThai March 2013	A maritime operations training exercise.
Dawn Kookaburra March–April 2013	AN Army-led training advisory team conducted in Australia with the Indonesian Armed Forces
Shanti Prayas II March 13	US Pacific Command sponsors the multinational Global Peace Operations Initiative program, which focuses on developing a cadre of peacekeepers in the Asia–Pacific. The program's capstone event for 2013 was Shanti Prayas II, which was hosted in Nepal by the Nepalese Army and US Pacific Command.
Viller-Bretonneux March–April 2013	A platoon-level exchange with the French Army in New Caledonia to achieve Army and Defence international engagement objectives.
LIMA Exhibition	RAAF participation in the Langkawi International Maritime and Aerospace (LIMA) Exhibition.

Activity	Description
March 2013	
Mars Rotor March 2013	A counter-terrorism exercise, designed to resolve domestic terrorist incidents conducted in the Sydney area, by the Army with support from the other ADF Services and other government agencies.
Ventail April 2013	An electronic warfare self-protection test and evaluation training conducted in the United States.
Squadex April 2013	A Navy training exercise on heavy landing craft, such as HMAS <i>Tobruk</i> , conducted in the Shoalwater Bay area, Queensland. This exercise was part of the preparation and ongoing training for being part of an amphibious task group.
Capex April 2013	An exercise dealing with the response to any chemical, biological or radiological incident, conducted with Canada, the United Kingdom and the United States.
Balikatan April 2013	A US–Philippines sponsored exercise designed to train forces in a range of operational scenarios including conventional operations, peace support operations, and humanitarian assistance and disaster relief. Since 2012, it has grown to include a multilateral element, including ADF participation.
Angel Thunder April 2013	A joint personnel recovery training activity for the ADF, conducted in the United States.
Titan Olympics April 2013	A contingency operations training and certification exercise for the Army.
Ssang Yong April–May 2013	A joint US – Republic of Korea marine amphibious exercise in Korea.
Python April 2013	A new table-top activity designed to activate a whole-of-government response to protect Australian Government interests in the north-west region of Australia.
Iron Rotor April–May 2013	A rotary wing training activity for currency of helicopter insertion and extraction techniques and special recovery operations profiles.  It runs for two weeks and may include Navy assets for deck landing qualifications and ship underway recovery if Navy assets are available.
Surfrider May 2013	Electronic warfare and self-protection trials conducted at Woomera for relevant air frames.
Australian Skill at Arms Meeting May 2013	An annual competition involving Australian tri-Service participation and international competitors.
Max Thunder May 2013	A biannual (May and October) Republic of Korea Air Force and US Air Force joint air training exercise. Korea leads one iteration from Kwangju Air Base and the United States leads the other from Kunsan Air Force Base each year. Most flying activity takes place in segregated, over-water airspace to the west of the Korean Peninsula. Planned RAAF participation is in the May

Activity	Description
	iteration only and during odd-numbered years.
ASEAN Regional Forum Disaster Relief Exercise May 2013	A multinational humanitarian assistance and disaster relief exercise forum focusing on improving international coordination and providing some national capacity building to the host state. Relevant subject matter experts provide planning in relation to disaster relief operations.
FFG Embed May 2013	An ADF member was embedded on a US Navy ship to enhance interoperability and knowledge-sharing.
Day Binary May 2013	An Army chemical, biological, radioactive, nuclear and explosives training and certification exercise in a special recovery operations environment.
Mars Anchor May 2013	A maritime counter-terrorism training exercise conducted primarily at Enoggera Army Base in Queensland, with support from a ship tied up in the Brisbane area.
Mars Flash May 2013	A maritime counter-terrorism training exercise conducted at Enoggera Army Base.
Garuda Kookaburra May 2013	An Indonesia–Australia bilateral desktop peacekeeping exercise consisting of seminars and syndicate activities.
Bell Buoy May 2013	A Pacific and Indian Oceans Naval Cooperation and Guidance for Shipping command post exercise designed to test and evaluate interoperability of national operations to meet a threat to sea lines of communications, as well as asymmetrical threat and crisis response operations.
Marchs Toothfish May 2013	A 2nd Commando Regiment exercise that involves either a ship underway or ship at anchor scenario within Australian waters.
International Maritime Defence Exhibition May 2013	International Maritime Defence Exhibitions are conducted frequently by multiple nations throughout the world.
Southern Jackaroo May 2013	A training activity involving soldiers from Australia, Japan and the United States that promotes mutual understanding, exposes participants to other nations' military culture and enhances the skills and experience of the individual.
Waxing Moon May 2013	A scheduled domestic security exercise.
Wombat May–July 13	An annual exercise conducted by the Republic of Singapore Air Force C-130 detachment at RAAF Base Richmond for airdrop training.
Aces North June 2013	The culmination of the RAAF Fighter Combat Instructor Course. It is a six-month course conducted every 18 months to two years.
SOTG Mission Rehearsal Exercise June 2013	A mission-specific training and mission rehearsal exercise for all force elements deploying to Afghanistan on Operation Slipper.

<b>Activity</b>	<b>Description</b>
Aceh Spirit/Indon Hadrex June 2013	A trilateral humanitarian assistance and disaster relief activity between Indonesia, the United States and Australia with observers invited from East Asia Summit countries. The scenario is based on an earthquake on a fictitious island off the coast of Australia.
Anatolian Eagle June 2013	An exercise designed to be a realistic operational air environment in which tactical training, using NATO doctrine, is the focus. Large force employment missions are used in a contested air environment and with simulated opposing forces using electronic warfare capabilities. Turkish forces operate hosted multiple other nations' air forces.
Eager Lion June 2013	An annual multilateral exercise co-hosted by the Jordanian Armed Force and Central Command in Jordan. The exercise aims to facilitate interoperability between coalition partners in support of global contingency operations and to develop and enhance capabilities in the Jordanian Armed Force while operating in a joint and inter-agency environment.
ASEAN Defence Ministers Meeting plus Humanitarian Assistance and Disaster Relief and Military Medicine Exercise June 2013	An activity involving 18 countries participating in a humanitarian assistance and disaster relief exercise with a focus on military medicine. The exercise was conducted in Brunei as it holds the chair of the ASEAN meeting for 2013. The co-hosts for the exercise were Singapore, China and Japan. Vietnam was the co-chair of the two expert working groups planning the exercise. The ADF committed an engineer support focus team.
Turbo Transition June 2013	A US Transport Command joint logistics enabling event to be held at Scott Air Force Base, Illinois. The event will focus on expeditionary theatre opening logistics issues to include improving theatre distribution, working shorter logistics cycles, rapid access to logistics enablers and other joint logistics-related topics.
Titan Hammer June 2013	A heavy weapons training exercise conducted by Commando Company Group at Singleton Range.
Dawn Panther June 2013	An Army-led training advisory team conducted in Thailand, to enhance regional interoperability and develop understanding of Thailand special forces and counter-terrorism units.
Able Response June 2013	A Republic of Korea – United States anti-bioterrorism exercise. It is a table-top exercise in which the participants discuss potential courses of action regarding simulated scenarios, and identify any shortcomings and areas of improvement in the existing response system.
AusSing June–July 2013	A small arms live firing exercise conducted by the Singapore Police Force, Gurkha Contingent.
Day Shark June–July 2013	A gas oil platform/offshore energy installation recovery training exercise which can occur in multiple locations.

# **Supplementary Online Content**

## **Chapter 3 Defence Outcomes and Programs: Program 1.11 Capability Development**

### **Capability Development Group achievements**

The group, in conjunction with industry, is responsible for the operation of the Rapid Prototyping, Development and Evaluation Program, which encourages innovation in future Defence capabilities. The program has undertaken ten quick looks and seven tasks during 2012–13, which resulted in Australian defence industry providing innovative and collaborative solutions to complex capability development issues within the Defence Capability Plan. All pre-first pass projects are considered for a quick look at the Project Initiation and Review Board.

During 2012–13, the group achieved 27 approvals worth over \$4b. The 27 approvals comprised six first pass; 16 second pass; and five other types of approvals, including Capability and Technology Demonstrator Program round 17.

Significant first pass approvals included SEA 1000 phase 1 and 2—future submarine design and construction (submarine propulsion energy, support and integration facility), and JP 2068 phase 2B.2—computer network defence. Significant second pass approvals included AIR 5349 phase 3—EA-18G Growler airborne electronic attack capability (Growler capability and 12 additional aircraft); JP 2047 phase 3—terrestrial communications; and SEA 1448 phase 4A—capability assurance program. In addition, the Government provided guidance on the progression of options for SEA 1000 phase 1 and 2—future submarine.

To build on efficiencies in delivering capability proposals, the group has established a framework for continuous improvement to its processes—the Capability Development Improvement Program, which has contributed to improved capability development performance.

The Key Defence Assets Register is an important Defence asset management tool and a source of trusted authoritative data to support capability planning and strategic decision making. In February 2013, Defence completed a comprehensive review of the register, updating the data recorded in the register in the process. The next register update is scheduled for August 2013. In February 2013, Defence also began transitioning the register's standard operating procedures into the Defence Capability Development Manual being developed under Defence's policy framework. Defence plans to complete this transition in 2013–14.

A record 19 major trials were undertaken in this period against a historical average of 11. The trials supported project considerations at second pass with preview test and evaluation, and operational test and evaluation for acceptance into operational service considerations. Following the Senate Inquiry into Defence Procurement, a major review and centralisation of

Defence test and evaluation policy has begun under capability development improvement program initiative 11.

**Table W3.27: Program 1.11 key performance indicators**

Key performance indicator	Status	Comment
<p>Submit capability investment proposals within agreed resources and to an agreed standard:</p> <ul style="list-style-type: none"> <li>• implement Capability Development Improvement Program initiatives to improve the timeliness and quality of capability submissions, and reflect these improvements in an update to the Defence Capability Development Manual</li> <li>• introduce Portfolio Management arrangements that improve coordination and performance of capability development activities</li> <li>• introduce corporate information management systems that support end-to-end visibility, planning, management and reporting of capability development</li> </ul>	Substantially met	<p>A number of capability development improvement program initiatives, such as improving committee effectiveness and an updated capability development project document suite, have improved the timeliness and quality of submissions presented to Government. The Defence Capability Development Manual has been updated to reflect these improvements.</p> <p>The Capability Development Group portfolio, program and project management office functions have been established and embedded into various group organisational elements under the group's 'form follows function' organisational change and business process reform initiatives implemented during 2012. Accordingly, group arrangements now reflect implementation of: the revised Integrated Capability Development Branch within Capability Systems Division; Strategic Analysis Branch within Capability Investment and Resources Division; the Capability Development Improvement Program and Knowledge Management and Skilling directorates within Group Support; and the Defence Capability Plan Portfolio Management Office within Capability and Plans Branch.</p> <p>The introduction of the capability development management and reporting tool has provided better visibility to all Defence staff on a number of important project information requirements. The tool is developing as a key management information source for Defence Capability Plan projects across the capability development community.</p>
<p>Contestable advice that delivers:</p> <ul style="list-style-type: none"> <li>• a greater level of confidence that individual proposals have realistic schedule and costs projections, comprehensive risk assessments and mitigation</li> <li>• proposals that are coherent, compelling and consistent with strategic guidance and affordable</li> </ul>	Met	<p>Capability Investment and Resources Division plays a central role in the departmental force development process by providing independent analysis (i.e. contestable advice) of major force development proposals and by managing the Defence Capability Plan. The First Assistant Secretary, Capability Investment and Resources is a permanently invited official at the Defence Capability and Investment Committee (chaired by the Secretary, with the CDF as a member) and assists in the finalisation of the Defence Capability and Investment Committee minutes.</p>

within the Defence Capability Plan		
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# **Supplementary Online Content**

## **Chapter 5 Corporate Governance: Chief of Defence Force inquiries**

### **Commissions of Inquiry**

The Chief of the Defence Force (CDF) appoints Commissions of Inquiry (COIs) primarily to inquire into the deaths of ADF members that appear to have arisen out of, or in the course of, their service. The CDF may also appoint a COI into any other matter concerning the Defence Force, although this would only occur for the most serious or complex matters. COIs are intended to provide the CDF with accurate information as a basis for internal decision making. COI reports may include recommendations intended to prevent a recurrence of incidents. Lessons learned from COIs are considered in the design and review of policy, practices, procedures and orders, and may affect decisions about equipment, systems and personnel.

Each COI is presided over by a civilian with judicial experience. A COI may be constituted by a president alone, or by a president together with additional members who may be civilians or ADF members. The appointment of a civilian president is intended to imbue these inquiries with a degree of independence beyond that which other forms of military inquiry possess, while the qualification of judicial experience is intended to ensure that COIs are conducted professionally and efficiently. The independence and judicial experience of COI presidents promotes confidence in the integrity of COIs.

During the reporting period five COIs were appointed or completed. There were other deaths of ADF members over the reporting period, which appeared to arise out of, or in the course of, their service. However, as specified by ministers in the Defence portfolio, these deaths occurred in circumstances in which a COI was not required.

### **Lieutenant Marcus Case**

A COI was conducted into the death of Lieutenant Marcus Case, who was killed in a helicopter crash in Afghanistan on 30 May 2011. Following the incident, an Aviation Accident Investigation Team from the Directorate of Defence Aviation and Air Force Safety conducted an investigation with the primary purpose of identifying any aviation safety issues arising from the accident. This investigation was completed in December 2011.

A COI was appointed on 24 March 2012 to further examine issues associated with the helicopter accident and the death of Lieutenant Case. The COI hearings began on 30 July 2012 and concluded on 4 October 2012. The COI submitted its report on 27 March 2013. Family members were in attendance at the public hearings and were to be briefed on the report. A decision on whether the report will be publicly released is yet to be made.

### **Able Seaman Ewan McDonald**

A COI into the death of Able Seaman Ewan McDonald was appointed on 21 September 2012. The family and next of kin were in attendance at the public hearing, which concluded on 5 March 2013. Submission of the COI report is imminent, and a decision on whether to release it to the public is yet to be made.

### **Private Jacob Lazarus**

A COI into the death of Private Jacob Lazarus was appointed on 12 October 2012, and the COI submitted its report on 2 June 2013. The family is yet to be briefed on the report, and a decision on whether to release it to the public is yet to be made.

### **Sapper Jordan Penpraze**

Sapper Jordan Ronald Penpraze died on 11 October 2012 as a result of a single vehicle roll-over accident three days earlier. A COI into the death was appointed on 24 October 2012 and hearings began on 8 April 2013. The hearings have been adjourned while criminal proceedings against the driver of the vehicle are considered.

### **Midshipman Peter Bach**

A COI into the death of Midshipman Peter Bach was appointed on 24 November 2012, and the family attended the hearings, which began on 8 March 2013. The COI is considering its report. A decision on whether to release the report to the public will be made in due course.

### ***Inquiry Officer Inquiries***

The CDF generally appoints Inquiry Officer Inquiries (IOIs) as a fact-finding tool following combat or combat-related deaths of ADF members. IOI reports are used to inform the CDF before appointing a COI, or to inform the Minister for Defence before specifying that a member's death has occurred in circumstances in which a COI is not required.

In a paper on Afghanistan tabled together with a ministerial statement on 9 February 2012, the then Minister for Defence, the Hon Stephen Smith MP, recalled that the past focus of the IOI process had been on the public release of IOI reports, which had happened as a matter of course. The minister indicated that the focus needed to be on the timely provision of the report to the family of the deceased. Any decision on publicly releasing a report would come after weighing the wishes of family members and public interest in the release of the report.

During the reporting period seven IOIs into combat or combat-related deaths were appointed or completed. In each case where an IOI was completed, the Minister directed that a COI was not required. IOI reports completed during the previous reporting period were released to the public in some instances.

### **Sergeant Blaine Diddams**

Sergeant Blaine Flower Diddams, Special Air Service Regiment, was killed as a result of a gunshot wound received during an engagement with insurgents in Afghanistan on 2 July 2012. An IOI was appointed on 19 July 2012. The report was submitted on 3 December 2012 and a statement made by Defence on 17 June 2013 announced that the IOI was finalised and that Defence would not release the report to the public.

### **Lance Corporal Stjepan Milosevic, Private Robert Poate, Sapper James Martin**

Lance Corporal Stjepan Milosevic, Private Robert Poate and Sapper James Martin, all serving with the 3rd Battalion, Royal Australian Regiment Task Group, were conducting normal night routine tasks at Patrol Base Wahab in Afghanistan when a rogue member of the Afghan National Army fired a number of rounds resulting in the death of all three personnel. An IOI was appointed on 3 September 2012. The report was submitted on 28 February 2013 and Defence briefed the families of these soldiers on the outcomes. Defence considered whether or not to release the report to the public and will announce its decision in the near future.

### **Lance Corporal Mervyn John McDonald and Private Nathanael John Aubrey Galagher**

Lance Corporal Mervyn McDonald and Private Nathanael Galagher, 2nd Commando Regiment, were killed when the International Security Assistance Force helicopter they were travelling in crashed in Helmand Province, Afghanistan, on 30 August 2012. An IOI was appointed on 6 September 2012, and its report was submitted on 1 February 2013. After considering the views of the families and the public interest in the release of the report, Defence decided not to release it to the public.

### **Corporal Scott James Smith**

Corporal Scott Smith, Special Operations Engineer Regiment, was killed by an improvised explosive device in Afghanistan on 21 October 2012. The CDF appointed an IOI on 1 November 2012, and the report was submitted on 24 February 2013. Defence briefed the next of kin on the outcomes of the IOI and a decision on whether to release the report to the public is yet to be made.

### **Corporal Cameron Stuart Baird**

Corporal Cameron Baird, 2nd Commando Regiment, was killed in action as a result of enemy fire in Afghanistan on 22 June 2013. The CDF is likely to appoint an IOI.

# Supplementary Online Content

## Chapter 5 Corporate Governance: External Scrutiny

### Parliamentary business

In 2012–13, Defence provided 24 written submissions to various Senate, House of Representatives and Joint Committee inquiries. Defence witnesses appeared at 16 hearings, providing evidence on a range of issues, and responded to 97 follow-on Questions on Notice and either tabled or contributed to two government responses to parliamentary committee reports throughout the year.

To assist parliamentary committee members to gain a better understanding of Defence issues, Defence also provided private briefings on a range of subjects, including matters of regional security and capability.

Table W5.1 shows Defence's increasing contribution to various parliamentary committees' activities over the last three years.

**TABLE W5.1 DEFENCE'S PARLIAMENTARY CONTRIBUTION, 2010–11 TO 2012–13**

Parliamentary contribution	2010–11	2011–12	2012–13
Written submissions	12	15	24
Whole-of-government submissions	3	1	Nil
Government responses	5	5	2
Public hearings	13	14	16
Private briefings	6	12	4
<b>Total</b>	<b>39</b>	<b>47</b>	<b>46</b>

**TABLE W5.2 DEFENCE'S INVOLVEMENT WITH SENATE COMMITTEES**

Senate committees
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade</b>
Three Senate Estimates hearings were conducted during the reporting period.  The Department of Defence appeared at each of the hearings detailed below, and responded to a number of Questions on Notice arising from these hearings: <ul style="list-style-type: none"><li>• Supplementary Budget Estimates 2012–2013—17 October 2012</li><li>• Additional Budget Estimates 2012–2013—13 February 2013</li><li>• Budget Estimates 2013–2014—3–4 June 2013.</li></ul>
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade—Legislation Committee</b>
On 10 October 2012, the Senate Foreign Affairs, Defence and Trade Legislation Committee tabled its final report on the provisions of the Defence Trade Export Controls Bill 2011.  The Department of Defence contributed four submissions to the inquiry on 20 June 2012, 8 August 2012, 13 September 2012 and 4 October 2012. The department also appeared at public hearings on 2 March 2012 and 21 March 2012.  In the final report the committee recommended that during the 24 month transition period, the committee

conducts a six-monthly examination of progress of the implementation of the provisions of the bill and report to the Senate.

On 11 October 2012, the committee formally undertook to monitor the implementation of the provisions of the bill. The Hon Stephen Smith MP, Minister for Defence, wrote to the Chair of the SSCFADT Legislation Committee, Senator the Hon Ursula Stephens, on 22 March 2013, regarding consultation on the draft Defence Trade Controls Regulations 2013.

The report entitled Implementation of the Defence Trade Controls Act 2013: Progress Report No. 1 was released by the Committee on 27 June 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

On 18 June 2013, the Senate referred the Defence Legislation Amendment (Woomera Prohibited Area) Bill 2013 to the Senate Foreign Affairs, Defence and Trade Legislation Committee for inquiry and report.

The inquiry was ongoing at the time of publishing.

#### **Senate Standing Committee on Foreign Affairs, Defence and Trade—References Committee**

The Senate referred the procurement procedures for defence capital projects to the Senate Standing Committee on Foreign Affairs, Defence and Trade during February 2011.

A supplementary written submission detailing both the Capability Investment and Resources Division and the Project Initiation and Review Board of DMO was provided to the inquiry on 9 July 2012.

The report entitled Procurement Procedures for Defence Capital Projects was released by the Senate Standing Committee on Foreign Affairs, Defence and Trade on 30 August 2012 and a Government response to the inquiry was tabled on 16 October 2012.

On 29 June 2012, the Senate referred The Administration, Management and Objective of Australia's Overseas Development Programs in Afghanistan in the Context of the 'Transition Decade' to the Senate Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report.

The Department of Defence provided two submissions to the inquiry on 20 September 2012 and 3 December 2012. The department also appeared at public hearings on 3 December 2012 and 22 March 2013.

The report entitled Australia's overseas development programs in Afghanistan was released by the Senate Standing Committee on Foreign Affairs, Defence and Trade on 16 May 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

On 24 November 2011, the Senate referred an inquiry into the Indian Ocean Region and Australia's Foreign, Trade and Defence Policy to the Senate Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report.

The Department of Defence provided a submission to the inquiry on 27 March 2012 and appeared at a public hearing on 6 December 2012.

The report entitled The Importance of the Indian Ocean Rim for Australia's Foreign, Trade and Defence Policy was released by the Senate Standing Committee on Foreign Affairs, Defence and Trade on 14 June 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

On 10 October 2012, the Senate referred the *Report of the review of allegations of sexual and other abuse in Defence*, conducted by DLA Piper, and the government response to the report to the Senate Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report.

The Department of Defence provided submissions to the inquiry on 22 November 2012 and 19 December 2012. Additional information was provided to the Committee Secretary on 18 January 2013 and 26 February 2013. The department also appeared at a public hearing on 14 March 2013.

The report entitled *Report of the DLA Piper Review and the Government response* was released by the Senate Standing Committee on Foreign Affairs, Defence and Trade on 27 June 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

#### **Senate Standing Committee on Legal and Constitutional Affairs Legislation**

On 28 June 2012, the Senate jointly referred the Military Court of Australia (Transitional Provisions and Consequential Amendments) Bill 2012 and the Military Court of Australia Bill 2012 to the Senate Standing Committee on Legal and Constitutional Affairs Legislation for inquiry and report.

The Department of Defence provided three submissions to the inquiry on 13 July 2012 and 16 July 2012. The department also appeared at a public hearing on 14 September 2012.

The report entitled Military Court of Australia Bill 2012 and the Military Court of Australia (Transitional Provisions and Consequential Amendments) Bill 2012 was released by the Senate Standing Committee on Legal and Constitutional Affairs Legislation on 9 October 2012.

**TABLE W5.3 DEFENCE'S INVOLVEMENT WITH JOINT COMMITTEES**

#### **Joint committees**

##### **Joint Standing Committee on Foreign Affairs, Defence and Trade**

The Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade reviewed the *Defence Annual Report 2010–11*.

The Department of Defence provided one submission to the review on 9 March 2012. The department also appeared at a public hearing on 16 March 2012.

The report entitled *Review of the Defence Annual Report 2010–11* was released by the committee on 17 September 2012 and a Government response to the review was tabled on 25 February 2013.

The Minister for Defence Science and Personnel, the Hon Warren Snowdon MP, asked the committee to inquire into, and report on, the *Care of ADF Personnel Wounded and Injured on Operations* in mid-June 2012.

The Department of Defence provided one submission to the inquiry during 22 August 2012. The department also appeared at public hearings on 9 October 2012 and 19 March 2013.

The report entitled *Care of ADF Personnel Wounded and Injured on Operations—Inquiry of the Defence Sub-Committee* was released by the Committee on 24 June 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

The Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade reviewed the *Defence Annual Report 2011–12*.

In support of the review, the Department of Defence appeared at public hearings on 15 March 2013 and 16 May 2013.

The report entitled *Review of the Defence Annual Report 2011–12* was released by the Committee on 27 June 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

*Australia's relationship with Timor-Leste* is being examined by the Foreign Affairs Sub-Committee of Joint Standing Committee on Foreign Affairs, Defence and Trade.

Australia has been closely involved with the development of Timor-Leste since its independence from Indonesia in 2002. However the withdrawal of the Australian-led International Stabilisation Force from the country presented an opportunity to examine Australia's role in future support and development of Timor-Leste with a view to informing Australia's future foreign policy.

The Department of Defence provided two submissions to the inquiry on 1 May 2013 and 25 June 2013. The department also appeared at a public hearing on 21 May 2013.

The inquiry was ongoing at the time of publishing.

#### **Joint Parliamentary Committee on Intelligence and Security**

The Joint Parliamentary Committee on Intelligence and Security tabled its report entitled *Review of Administration and Expenditure No. 10 (2010–11)—Australian Intelligence Agencies* on 27 May 2013.

The Department of Defence contributed to the report through the submission of three classified submissions; namely from the Australian Geospatial-Intelligence Organisation (formerly known as the Defence Imagery and Geospatial Organisation), the Defence Intelligence Organisation and the Australian Signals Directorate (ASD) (formerly known as the Defence Signals Directorate).

In May 2012, the then Attorney-General the Hon Nicola Roxon MP asked the committee to inquire into a package of potential reforms to Australia's national security legislation.

On 24 June 2013, the Joint Parliamentary Committee on Intelligence and Security tabled its report entitled *Report of the Inquiry into Potential Reforms of Australia's National Security Legislation*.

The Department of Defence appeared at the private committee hearing.

The Joint Parliamentary Committee on Intelligence and Security commenced a review titled *Review of Administration and Expenditure No. 11 (2011–12)—Australian Intelligence Agencies* during the 2012–13 reporting period.

The Department of Defence contributed to the report through the submission of three classified submissions; namely from the Australian Geospatial-Intelligence Organisation (formerly known as the Defence Imagery and Geospatial Organisation), the Defence Intelligence Organisation and the Australian Signals Directorate (formerly known as the Defence Signals Directorate).

The review was ongoing at the time of publishing.

#### **Joint Standing Committee on the National Capital and External Territories**

On 17 May 2013, the Minister for Regional Australia, Local Government and Territories, the Hon Catherine King MP, asked the committee to inquire into and report on provision of amenity within the Parliamentary Triangle.

The Department of Defence provided one submission to the inquiry on 31 May 2013.

The Joint Standing Committee on the National Capital and External Territories tabled its *Report on the Inquiry into the Provision of Amenity within the Parliamentary Triangle* on 28 June 2013.

#### **Joint Committee of Public Accounts and Audit**

*Report 436: Review of the 2011–2012 Defence Materiel Organisation Major Projects Report* was tabled by the Joint Committee of Public Accounts and Audit on 29 May 2013.

The Department of Defence provided two submissions to the inquiry on 6 March 2013 and 5 April 2013. The Department also contributed to this report by appearing at a public hearing on 13 March 2013.

The Government response to the inquiry is being drafted at present with the intent to table it during the 2013–14 reporting period.

### Joint Standing Committee on Public Works

Throughout the reporting period, a number of Department of Defence projects were reviewed by the committee. The reviews related to the projects listed below have been completed, reports have been tabled and the works have been approved:

- Proposed development and construction of housing for Defence members and their families—Lindfield, New South Wales
- Proposed development and construction of housing for Defence members and their families—Weston Creek, Australian Capital Territory
- Base Infrastructure Works Project under the Base Security Improvement Program
- Moorebank Units Relocation—Holsworthy, New South Wales
- Development and construction of housing for Defence members and their families—Kellyville, New South Wales
- High Voltage Electrical Distribution Upgrade—Liverpool Military Area, New South Wales
- Defence Logistics Transformation Program
- Upgrade of on-base housing for Defence at Larrakeyah Barracks—Darwin, Northern Territory
- Upgrade of housing for Defence at RAAF Base Tindal—Katherine, Northern Territory
- Air Warfare Destroyer ship sustainment facilities at Garden Island, Randwick Barracks and HMAS Watson—Sydney, New South Wales
- Defence Science and Technology Organisation Human Protection and Performance Division security and facilities upgrade—Fishermans Bend, Victoria
- Landing Helicopter Dock ship sustainment facilities at Garden Island and Randwick Barracks—Sydney, New South Wales
- AIR 9000 Phase 8 MH-60R Sea Hawk Romeo facilities project
- Multi-National Base Tarin Kot Remediation Project—Uruzgan province, Afghanistan
- Development and construction of housing for Defence—Werner, Queensland
- Redevelopment and construction of housing for Defence at Samford Road, Enoggera—Brisbane, Queensland

### Joint Standing Committee on Treaties

*Report 131: Review into Treaties tabled on 21 August 2012, 11 September 2012 and 18 September 2012* was released by the committee on 28 November 2012. This report was relevant to the Department of Defence as it reviewed the *Agreement between the Government of Australia and the Kingdom of Spain for the Mutual Protection of Classified Information of Defence Interest done at Madrid on 17 November 2011*.

The Department of Defence contributed a classified submission and appeared at a public hearing on 29 October 2012.

*Report 129: Review into Treaties tabled on 19 June 2012 and 26 June 2012* was released by the committee on 13 August 2012. This report was relevant to the Department of Defence as it reviewed the *Agreement between the Government of Australia and the Government of the Republic of Singapore concerning the Location of a Republic of Singapore Air Force Helicopter Squadron at the Australian Army Aviation Centre Oakey done at Singapore on 1 June 2012*.

The Department of Defence contributed to the review by appearing at a public hearing on 13 August 2012.

*Report 127: Review into Treaties tabled on 20 March 2012 and 8 May 2012* was released by the committee on 15 August 2012. This report was relevant to the Department of Defence as it reviewed the *Exchange of Notes, done at Canberra on 9 December 2011, constituting an Agreement between Australia and the United States of America to Amend and Extend the Agreement on Cooperation in Defense Logistics Support, done at Sydney on 4 November 1989*.

The Department of Defence contributed to the review by appearing at a public hearing on 18 June 2012.

## Senate Estimates

The following table provides information on Defence's activities in relation to the Senate Estimates process from 1 July 2012 to 30 June 2013.

**TABLE W5.4 SENATE ESTIMATES**

<b>Senate Standing Committee on Foreign Affairs Defence and Trade</b>	
Budget Supplementary Estimates 2012–13	Defence witnesses appeared at a hearing on 17 October 2012. Thirty-three questions were taken on notice during the hearing. An additional 146 written questions were received following the hearing.
Additional Budget Estimates 2012–13	Defence witnesses appeared at a hearing on 13 February 2013. Twenty questions were taken on notice during the hearings. An additional 117 written questions were received following the hearing.
Budget Estimates 2012–13	Defence witnesses appeared at hearings on 3 and 4 June 2013. Forty-eight questions were taken on notice during the hearings. Defence also received an additional 76 written questions.

### Questions on notice

Defence attended three estimates hearings before the Senate Standing Committee on Foreign Affairs, Defence and Trade in October 2012, February 2013 and June 2013. Defence responded to a total of 440 questions on notice from the three hearings.

In relation to questions taken on notice from the Senate and House of Representative notice papers during 2012–13, Defence responded to a total of 167 questions.

**TABLE W5.5 DEFENCE'S QUESTIONS ON NOTICE OVER THE LAST THREE YEARS**

<b>Source of questions on notice</b>	<b>2010–11</b>	<b>2011–12</b>	<b>2012–13</b>
House of Representatives/Senate Notice Paper	104	358	167
Senate Estimates (October, February, June)	239	650	440
Parliamentary inquiries	58	118	97
<b>Total</b>	<b>401</b>	<b>1126</b>	<b>704</b>

# **Supplementary Online Content**

## **Chapter 6 People: Compliant Handling and Resolution**

### **Military redress of grievance**

Three hundred and twenty new applications for redress of grievance were received in the reporting period, a similar number to last year. Of these, 327 applications were finalised at unit level. Two hundred and forty-two (74 per cent) were not granted, withdrawn or not reviewable; the remainder were granted or partly granted. The majority of complaints concern termination of service decisions, career management issues, and conditions of service entitlements.

A significant proportion of members who are dissatisfied with the redress decision of their commanding officer refer their complaint to their Service Chief or to the CDF for further review. On average, one-third of redress of grievance applicants exercise this entitlement.

When a redress of grievance is referred to the CDF or a Service Chief, priority is allocated based on the nature of the complaint. Referrals contesting termination of service decisions continue to account for a significant proportion (31 per cent) of referred complaints. These cases are given the highest priority, often at the expense of other complaints.

Defence has continued to reduce the size of the backlog of referred complaints that has developed over the past five years. The number of open cases has reduced from a peak of 171 in January 2012 to 65 as at 30 June 2013. This reduction has resulted in an overall improvement in redress of grievance handling times.

### **APS reviews of actions**

A total of 98 applications for reviews of actions were received across Defence in the reporting period, an increase of 21 per cent from the previous year. This increase is attributed to a significant period of organisational change impacting on a Defence employees and an increased level of awareness by employees of the review of actions provisions.

The following subjects featured most regularly in applications for review:

- performance feedback/assessment and salary progression
- handling and outcome of unacceptable behaviour complaints by line management
- access to leave or other conditions of employment.

### **Unacceptable behaviour**

Defence members and employees may make a complaint about any incident of unacceptable behaviour in the workplace. Defence policy requires that any complaint of unacceptable behaviour is to be reported and the department provides guidelines and support mechanisms to ensure that complaints are managed and resolved appropriately.

All Defence people are required to undertake annual workplace behaviour training, which includes information about expectations of behaviour and on dealing with any

incident of unacceptable behaviour. Given the nature of service in the ADF, it should be noted that, for the majority of ADF members, this policy applies to their behaviour 24 hours a day, seven days a week.

There are, on average, between 700 and 750 complaints of unacceptable behaviour lodged across Defence each year. In 2012–13, 794 complaints of unacceptable behaviour were received. This increase in the number of complaints recorded is due to an improvement in how the department transfers data from other reporting systems to the ComTrack unacceptable behaviour database and to heightened awareness of the reporting requirements for unacceptable behaviour following the implementation of the Pathway to Change strategy.

Complaints about unacceptable behaviour fall into the following seven main categories:

- abuse of power
- discrimination
- harassment
- sexual harassment
- sexual offence
- workplace bullying
- inappropriate workplace relationships and conflict of interest.

On average, only 13 per cent of unacceptable behaviour complaints are found to have substance each year. Given that more than one category of unacceptable behaviour may be identified in a single complaint, in substantiated complaints for the reporting period the most common behaviours were:

- harassment—82 cases
- workplace bullying—63 cases
- sexual harassment—54 cases.

The number of allegations of unacceptable behaviour continues to represent complaints from less than one per cent of the Defence workforce.

# Supplementary Online Content

## Chapter 6 People: Women in the ADF

The *Review into the treatment of women in the Australian Defence Force, Phase Two report*, by the Sex Discrimination Commissioner, Elizabeth Broderick, established a strong capability imperative to improve the treatment of, and enhance career opportunities for, women in the ADF. Defence is committed to a range of strategies and targets required to achieve the recommendations of the Broderick review.

This report seeks to address recommendation 3 of the Broderick review, the publication of a report on women in the ADF. It presents information in four broad areas:

- women's participation
- women's experience
- access to flexible work
- sexual harassment and abuse.

This report broadly follows the structure of recommendation 3, covering workforce data; attitudinal data; mentoring, networking and sponsorship; access to flexible work; and unacceptable behaviour. There is also a final section to the Report where information pertaining to recommendations 6, 9 and 13 of the Broderick Review is presented.

The report has been developed using information from extant Defence data collection methodologies. Future data collection will be designed to more specifically target areas of interest outlined in the Phase Two report, including aspects such as flexible employment, sexual harassment and abuse, and additional elements of women's experiences in the ADF.

This report, as the first 'Women in the ADF' report, provides a strong baseline for future reporting regarding women's participation and experience in the ADF. This baseline will enable Defence to accurately track trends regarding women's employment and experience, identify areas of concern and highlight successful initiatives across the three Services.

### **Representation of women in the ADF—an overview**

At 30 June 2013, the representation of women in the Australian Defence Force was 14.4%. The proportion of women was 18.4% in Navy, 11.0% in Army and 17.5% in Air Force.

Table 1 to Table 3 show the number and proportion of women and men within the ADF workforce by rank, employment location and occupational group.

**Table 1: ADF permanent force by gender and rank, as at 30 June 2013<sup>[1][2]</sup>**

2012-13 Officers <sup>[3]</sup>	Navy				Army				Air Force				ADF			
	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%
General (E) (O10)	-	-	-	-	-	-	1	100.0%	-	-	-	-	-	-	1	100.0%
Lieutenant General (E) (O09)	-	-	2	100.0%	-	-	2	100.0%	-	-	2	100.0%	-	-	6	100.0%
Major General (E) (O08)	1	6.7%	14	93.3%	-	-	17	100.0%	-	-	8	100.0%	1	2.5%	39	97.5%
Brigadier (E) (O07)	1	2.6%	38	97.4%	6	10.9%	49	89.1%	3	6.8%	41	93.2%	10	7.2%	128	92.8%
Colonel (E) (O06)	16	13.7%	101	86.3%	16	9.1%	159	90.9%	15	10.3%	131	89.7%	47	10.7%	391	89.3%
<b>Sub-total ADF Senior Leaders<sup>[4]</sup></b>	<b>18</b>	<b>10.4%</b>	<b>155</b>	<b>89.6%</b>	<b>22</b>	<b>8.8%</b>	<b>228</b>	<b>91.2%</b>	<b>18</b>	<b>9.0%</b>	<b>182</b>	<b>91.0%</b>	<b>58</b>	<b>9.3%</b>	<b>565</b>	<b>90.7%</b>
Lieutenant Colonel (E) (O05)	45	11.8%	337	88.2%	68	11.0%	549	89.0%	63	13.6%	400	86.4%	176	12.0%	1,286	88.0%
<b>Sub-total Pipeline for ADF Senior Leaders<sup>[5]</sup></b>	<b>45</b>	<b>11.8%</b>	<b>337</b>	<b>88.2%</b>	<b>68</b>	<b>11.0%</b>	<b>549</b>	<b>89.0%</b>	<b>63</b>	<b>13.6%</b>	<b>400</b>	<b>86.4%</b>	<b>176</b>	<b>12.0%</b>	<b>1,286</b>	<b>88.0%</b>
Major (E) (O04)	136	18.7%	593	81.3%	244	14.5%	1,439	85.5%	199	18.2%	896	81.8%	579	16.5%	2,928	83.5%
Captain (E) (O03)	280	22.4%	968	77.6%	284	15.0%	1,605	85.0%	350	20.8%	1,334	79.2%	914	19.0%	3,907	81.0%
Lieutenant (E) (O02)	68	23.3%	224	76.7%	206	19.5%	853	80.5%	169	26.9%	460	73.1%	443	22.4%	1,537	77.6%
Second Lieutenant (E) (O01)	16	23.2%	53	76.8%	-	-	1	100.0%	49	20.0%	196	80.0%	65	20.6%	250	79.4%
Officer Cadet (E) (O00)	78	23.3%	257	76.7%	125	16.6%	630	83.4%	84	21.1%	315	78.9%	287	19.3%	1,202	80.7%
<b>Total Officers<sup>[6]</sup></b>	<b>641</b>	<b>19.9%</b>	<b>2,587</b>	<b>80.1%</b>	<b>949</b>	<b>15.2%</b>	<b>5,305</b>	<b>84.8%</b>	<b>932</b>	<b>19.8%</b>	<b>3,783</b>	<b>80.2%</b>	<b>2,522</b>	<b>17.8%</b>	<b>11,675</b>	<b>82.2%</b>
<b>Other Ranks<sup>[3]</sup></b>																
Warrant Officer Class 1 (E) (E10 and E09) <sup>[6]</sup>	13	6.4%	190	93.6%	64	9.6%	606	90.4%	41	7.5%	504	92.5%	118	8.3%	1,300	91.7%
Warrant Officer Class 2 (E) (E08)/Staff Sergeant (E07)	87	9.4%	842	90.6%	181	9.3%	1,758	90.7%	107	14.8%	617	85.2%	375	10.4%	3,217	89.6%
Sergeant (E) (E06)	172	12.5%	1,202	87.5%	299	11.2%	2,367	88.8%	259	15.9%	1,375	84.1%	730	12.9%	4,944	87.1%
Corporal (E) (E05)/Lance Corporal (E04)	460	20.1%	1,823	79.9%	641	11.9%	4,764	88.1%	394	15.8%	2,096	84.2%	1,495	14.7%	8,683	85.3%
Private Proficient (E) (E03)	826	20.5%	3,205	79.5%	565	7.4%	7,080	92.6%	530	17.4%	2,508	82.6%	1,921	13.1%	12,793	86.9%
Private (E) (E02)	146	19.2%	616	80.8%	169	9.4%	1,625	90.6%	83	21.2%	309	78.8%	398	13.5%	2,550	86.5%
Private Trainee (E) (E01 and E51) <sup>[7]</sup>	86	19.2%	363	80.8%	151	9.8%	1,395	90.2%	89	21.4%	326	78.6%	326	13.5%	2,084	86.5%
Private Recruit (E) (E00)	57	22.1%	201	77.9%	119	17.8%	549	82.2%	25	21.7%	90	78.3%	201	19.3%	840	80.7%
<b>Total Other Ranks</b>	<b>1,947</b>	<b>18.0%</b>	<b>8,442</b>	<b>82.0%</b>	<b>2,189</b>	<b>9.8%</b>	<b>20,144</b>	<b>90.2%</b>	<b>1,528</b>	<b>16.3%</b>	<b>7,825</b>	<b>83.7%</b>	<b>5,564</b>	<b>13.3%</b>	<b>36,411</b>	<b>86.7%</b>
<b>Total ADF Permanent</b>	<b>2,488</b>	<b>18.4%</b>	<b>11,029</b>	<b>81.6%</b>	<b>3,138</b>	<b>11.0%</b>	<b>25,449</b>	<b>89.0%</b>	<b>2,460</b>	<b>17.5%</b>	<b>11,608</b>	<b>82.5%</b>	<b>8,086</b>	<b>14.4%</b>	<b>48,086</b>	<b>85.6%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

- Figures are based on substantive headcount as at 30 June 2013.
- Figures are based on permanent force.
- Army ranks with an (E) following them, refer to the equivalent rank in the Navy and Air Force.
- For the purposes of women in the ADF reporting, ADF Senior Leaders refer to ranks of Colonel (E) and above.
- For the purposes of the women in the ADF reporting, the pipeline for senior leadership roles includes those members at Lieutenant Colonel (E) level.
- Warrant Officer Class 1 figures include Warrant Officer—Navy, Warrant Officer—Air Force and Regimental Sergeant Major—Army (E10).
- There are no members in the E04 rank in the Navy or Air Force.
- The Air Force rank of Non-Commissioned Officer Cadet (E51) is included with Private Trainee (E) figures, and includes two women and 21 men.

**Table 2: ADF permanent force by gender and employment location, as at 30 June 2013<sup>[1][2]</sup>**

2012-13 NSW	Navy		Army		Air Force		ADF	
	Women	%	Men	%	Women	%	Men	%
Greater Sydney	973	18.9%	4,179	81.1%	260	14.9%	1,484	85.1%
Hunter and Northern NSW	2	6.9%	27	93.1%	370	15.5%	2,024	84.5%
Southern and Central NSW	143	11.3%	1,122	88.7%	128	18.8%	552	81.2%
<b>Total NSW</b>	<b>1,118</b>	<b>17.3%</b>	<b>5,328</b>	<b>82.7%</b>	<b>758</b>	<b>15.7%</b>	<b>4,060</b>	<b>84.3%</b>
<b>QLD</b>								
Brisbane and Southern QLD	29	28.2%	74	71.8%	23	27.7%	60	72.3%
Darling Downs and Central QLD	13	24.1%	41	75.9%	429	17.7%	1,991	82.3%
Northern QLD	143	17.6%	669	82.4%	115	22.5%	395	77.5%
<b>Total QLD</b>	<b>185</b>	<b>19.1%</b>	<b>784</b>	<b>80.9%</b>	<b>567</b>	<b>18.8%</b>	<b>2,446</b>	<b>81.2%</b>
<b>VIC and TAS<sup>[3]</sup></b>								
Greater Melbourne	15	14.2%	91	85.8%	80	19.7%	327	80.3%
Regional Victoria and Tasmania	274	21.9%	977	78.1%	91	18.1%	413	81.9%
<b>Total VIC and TAS</b>	<b>289</b>	<b>21.3%</b>	<b>1,068</b>	<b>78.7%</b>	<b>171</b>	<b>18.8%</b>	<b>740</b>	<b>81.2%</b>
<b>SA</b>	<b>14</b>	<b>20.3%</b>	<b>55</b>	<b>79.7%</b>	<b>224</b>	<b>12.3%</b>	<b>1,593</b>	<b>87.7%</b>
<b>Total SA</b>	<b>14</b>	<b>20.3%</b>	<b>55</b>	<b>79.7%</b>	<b>224</b>	<b>12.3%</b>	<b>1,593</b>	<b>87.7%</b>
<b>WA</b>	<b>408</b>	<b>18.1%</b>	<b>1,845</b>	<b>81.9%</b>	<b>53</b>	<b>14.4%</b>	<b>316</b>	<b>85.6%</b>
<b>Total WA</b>	<b>408</b>	<b>18.1%</b>	<b>1,845</b>	<b>81.9%</b>	<b>53</b>	<b>14.4%</b>	<b>316</b>	<b>85.6%</b>
<b>ACT<sup>[4]</sup></b>	<b>330</b>	<b>22.4%</b>	<b>1,146</b>	<b>77.6%</b>	<b>462</b>	<b>24.4%</b>	<b>1,431</b>	<b>75.6%</b>
<b>Total ACT</b>	<b>330</b>	<b>22.4%</b>	<b>1,146</b>	<b>77.6%</b>	<b>462</b>	<b>24.4%</b>	<b>1,431</b>	<b>75.6%</b>
<b>NT</b>	<b>125</b>	<b>17.6%</b>	<b>585</b>	<b>82.4%</b>	<b>192</b>	<b>18.8%</b>	<b>828</b>	<b>81.2%</b>
<b>Total NT</b>	<b>125</b>	<b>17.6%</b>	<b>585</b>	<b>82.4%</b>	<b>192</b>	<b>18.8%</b>	<b>828</b>	<b>81.2%</b>
<b>Total Australia<sup>[5]</sup></b>	<b>2,469</b>	<b>18.6%</b>	<b>10,811</b>	<b>81.4%</b>	<b>2,427</b>	<b>17.5%</b>	<b>11,414</b>	<b>82.5%</b>
<b>Total Overseas<sup>[5]</sup></b>	<b>19</b>	<b>8.0%</b>	<b>218</b>	<b>92.0%</b>	<b>33</b>	<b>14.5%</b>	<b>194</b>	<b>85.5%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

1. Figures in this table are based on ADF permanent force (substantive headcount) as at 30 June 2013.
2. Members serving in ships are included against the State or Territory in which the ship is home-ported.
3. VIC and TAS figures include members located in Albany NSW and Mulwala NSW.
4. ACT figures include members located in Jervis Bay Territory, Queanbeyan and Bungendore.
5. Overseas figures represent members posted for long-term duty.

**Table 3: ADF permanent force by gender, occupational group and rank group, as at 30 June 2013<sup>[1]</sup>**

2012-13	Navy				Army				Air Force				ADF	
	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%	Women	%
<b>Aviation</b>														
Officers	16	5.1%	300	94.9%	17	4.1%	402	95.9%	176	9.0%	1,769	91.0%	209	7.8%
Other Ranks	6	6.2%	91	93.8%	32	9.9%	290	90.1%	63	34.1%	122	65.9%	101	16.7%
<b>Total Aviation</b>	<b>22</b>	<b>5.3%</b>	<b>391</b>	<b>94.7%</b>	<b>49</b>	<b>6.6%</b>	<b>692</b>	<b>93.4%</b>	<b>239</b>	<b>11.2%</b>	<b>1,891</b>	<b>88.8%</b>	<b>310</b>	<b>9.4%</b>
<b>Combat and Security</b>														
Officers	263	19.1%	1,116	80.9%	22	1.5%	1,486	98.5%	5	4.8%	99	95.2%	290	9.7%
Other Ranks	366	14.8%	2,107	85.2%	81	1.1%	7,543	98.9%	81	8.0%	932	92.0%	528	4.8%
<b>Total Combat and Security</b>	<b>629</b>	<b>16.3%</b>	<b>3,223</b>	<b>83.7%</b>	<b>103</b>	<b>1.1%</b>	<b>9,029</b>	<b>98.9%</b>	<b>86</b>	<b>7.7%</b>	<b>1,031</b>	<b>92.3%</b>	<b>818</b>	<b>5.8%</b>
<b>Communications, Intelligence and Surveillance</b>														
Officers	18	25.0%	54	75.0%	131	19.0%	559	81.0%	56	32.4%	117	67.6%	205	21.9%
Other Ranks	484	32.1%	1,026	67.9%	232	11.8%	1,727	88.2%	293	23.7%	945	76.3%	1,009	21.4%
<b>Total Communications, Intelligence and Surveillance</b>	<b>502</b>	<b>31.7%</b>	<b>1,080</b>	<b>68.3%</b>	<b>363</b>	<b>13.7%</b>	<b>2,286</b>	<b>86.3%</b>	<b>349</b>	<b>24.7%</b>	<b>1,062</b>	<b>75.3%</b>	<b>1,214</b>	<b>21.5%</b>
<b>Engineering, Technical and Construction</b>														
Officers	71	10.1%	634	89.9%	86	8.3%	953	91.7%	111	9.5%	1,057	90.5%	268	9.2%
Other Ranks	251	5.8%	4,097	94.2%	86	1.6%	5,234	98.4%	129	2.7%	4,608	97.3%	466	3.2%
<b>Total Engineering, Technical and Construction</b>	<b>322</b>	<b>6.4%</b>	<b>4,731</b>	<b>93.6%</b>	<b>172</b>	<b>2.7%</b>	<b>6,187</b>	<b>97.3%</b>	<b>240</b>	<b>4.1%</b>	<b>5,665</b>	<b>95.9%</b>	<b>734</b>	<b>4.2%</b>
<b>Health</b>														
Officers	72	44.7%	89	55.3%	292	45.6%	348	54.4%	202	61.4%	127	38.6%	566	50.1%
Other Ranks	164	47.5%	181	52.5%	320	37.0%	544	63.0%	116	53.0%	103	47.0%	600	42.0%
<b>Total Health</b>	<b>236</b>	<b>46.6%</b>	<b>270</b>	<b>53.4%</b>	<b>612</b>	<b>40.7%</b>	<b>892</b>	<b>59.3%</b>	<b>318</b>	<b>58.0%</b>	<b>230</b>	<b>42.0%</b>	<b>1,166</b>	<b>45.6%</b>
<b>Logistics, Administration and Support</b>														
Officers	201	37.0%	342	63.0%	270	23.6%	874	76.4%	378	40.1%	564	59.9%	849	32.3%
Other Ranks	576	38.0%	939	62.0%	1,438	23.0%	4,805	77.0%	846	43.2%	1,114	56.8%	2,860	29.4%
<b>Total Logistics, Administration and Support</b>	<b>777</b>	<b>37.8%</b>	<b>1,281</b>	<b>62.2%</b>	<b>1,708</b>	<b>23.1%</b>	<b>5,679</b>	<b>76.9%</b>	<b>1,224</b>	<b>42.2%</b>	<b>1,678</b>	<b>57.8%</b>	<b>3,709</b>	<b>30.0%</b>
<b>Uncategorised</b>														
Officers	-	-	52	100.0%	131	16.1%	683	83.9%	4	7.4%	50	92.6%	135	14.7%
Other Ranks	-	-	1	100.0%	-	-	1	100.0%	-	-	1	100.0%	-	-
<b>Uncategorised</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>100.0%</b>	<b>131</b>	<b>16.1%</b>	<b>684</b>	<b>83.9%</b>	<b>4</b>	<b>7.3%</b>	<b>51</b>	<b>92.7%</b>	<b>135</b>	<b>14.6%</b>
<b>Total ADF Permanent</b>	<b>2,488</b>	<b>18.4%</b>	<b>11,029</b>	<b>81.6%</b>	<b>3,138</b>	<b>11.0%</b>	<b>25,449</b>	<b>89.0%</b>	<b>2,460</b>	<b>17.5%</b>	<b>11,608</b>	<b>82.5%</b>	<b>8,086</b>	<b>14.4%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

1. Figures are based on ADF permanent force substantive headcount as at 30 June 2013.
2. The occupational group 'Uncategorised' shows members who are not clearly aligned with one particular category. While for officers this includes some senior officers, these figures are not limited to senior officers.

## Joining Defence

### ADF enlistments

In 2012–13, the proportion of women enlisting in the ADF (all modes of entry) was 18.6% (21.0% for the Navy, 15.7% for the Army and 28.1% for the Air Force).

Table 4 to Table 6 show the number and proportion of women enlisted into the ADF permanent force in 2012–13 by Service, rank group and mode of entry.

**Table 4: ADF permanent force enlistments (all modes of entry) by gender and rank group, 2012–13<sup>[1]</sup>**

2012-13	Navy			Army			Air Force			ADF		
	Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men
<b>Officers Entry</b>	35	20.2%	138	114	24.1%	360	65	28.1%	166	214	24.4%	664
<b>Total Officers Entry</b>	35	20.2%	138	114	24.1%	360	65	28.1%	166	214	24.4%	664
<b>Other Ranks (General Entry)</b>	25	6.9%	338	3	0.8%	382	8	5.2%	147	36	4.0%	867
General Entry - Technical	161	31.1%	357	399	16.5%	2,019	133	38.2%	215	693	21.1%	2,591
General Entry - Non-Technical	186	21.1%	695	402	14.3%	2,401	141	28.0%	362	729	17.4%	3,458
<b>Total Other Ranks (General Entry)</b>	221	21.0%	833	516	15.7%	2,761	206	28.1%	528	943	18.6%	4,122
<b>Total ADF Permanent</b>												

**Source:** Personnel Management Key Solutions (PMKeyS).

#### Note

- Figures in this table show permanent force members (headcount) enlisted from all sources. This includes *ab initio* enlistments and prior service enlistments including overseas transfers, reserve transfers, service transfers, re-enlistments, and ADF Gap Year transfers. Table 5 and Table 6 provide the split between *ab initio* enlistments and prior service enlistments.

**Table 5: ADF permanent force *ab initio* enlistments by gender and rank group, 2012–13<sup>[1]</sup>**

2012-13	Navy			Army			Air Force			ADF		
	Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men
<b>Officers Entry</b>	32	25.0%	96	69	21.0%	259	52	27.5%	137	153	23.7%	492
<b>Total Officers Entry</b>	32	25.0%	96	69	21.0%	259	52	27.5%	137	153	23.7%	492
<b>Other Ranks (General Entry)</b>	24	7.5%	298	1	0.3%	353	7	5.1%	129	32	3.9%	780
General Entry - Technical	140	31.4%	306	328	16.4%	1,670	107	39.8%	162	575	21.2%	2,138
General Entry - Non-Technical	164	21.4%	604	329	14.0%	2,023	114	28.1%	291	607	17.2%	2,918
<b>Total Other Ranks (General Entry)</b>	196	21.9%	700	398	14.9%	2,282	166	27.9%	428	760	18.2%	3,410
<b>Total</b>												

**Source:** Personnel Management Key Solutions (PMKeyS).

#### Note

- Figures in this table show permanent force *ab initio* enlistments (headcount).

**Table 6: ADF permanent force prior service enlistments by gender, mode of entry, and rank group, 2012–13<sup>[1]</sup>**

Navy			Army			Air Force			ADF		
Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men

2012-13		Women	%	Men	%	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%
<b>OVERSEAS ENTRANTS</b>																	
<b>Officers</b>		-	-	11	100.0%	6	27.3%	16	72.7%	-	-	2	100.0%	6	17.1%	29	82.9%
<b>Sub-total Officer Entry</b>		-	-	11	100.0%	6	27.3%	16	72.7%	-	-	2	100.0%	6	17.1%	29	82.9%
<b>Other Ranks</b>		1	5.3%	18	94.7%	-	-	5	100.0%	-	-	-	-	1	4.2%	23	95.8%
General Entry - Technical		-	-	7	100.0%	-	-	5	100.0%	-	-	-	-	-	-	12	100.0%
General Entry - Non-Technical		1	3.8%	25	96.2%	-	-	10	100.0%	-	-	-	-	1	2.8%	35	97.2%
<b>Sub-total Other Ranks (General Entry)</b>		1	2.7%	36	97.3%	6	18.8%	26	81.3%	-	-	2	100.0%	7	9.9%	64	90.1%
<b>Total Overseas Entrants<sup>(2)</sup></b>																	
<b>RESERVE TRANSFERS</b>																	
<b>Officers</b>		2	11.1%	16	88.9%	35	36.8%	60	63.2%	7	29.2%	17	70.8%	44	32.1%	93	67.9%
<b>Sub-total Officer Entry</b>		2	11.1%	16	88.9%	35	36.8%	60	63.2%	7	29.2%	17	70.8%	44	32.1%	93	67.9%
<b>Other Ranks</b>		-	-	13	100.0%	-	-	21	100.0%	-	-	5	100.0%	-	-	39	100.0%
General Entry - Technical		10	41.7%	14	58.3%	46	18.0%	210	82.0%	14	56.0%	11	44.0%	70	23.0%	235	77.0%
General Entry - Non-Technical		10	27.0%	27	73.0%	46	16.6%	231	83.4%	14	46.7%	16	53.3%	70	20.3%	274	79.7%
<b>Sub-total Other Ranks (General Entry)</b>		12	21.8%	43	78.2%	81	21.8%	291	78.2%	21	38.9%	33	61.1%	114	23.7%	367	76.3%
<b>TOTAL Reserve transfers</b>																	
<b>SERVICE TRANSFERS</b>																	
<b>Officers</b>		1	7.7%	12	92.3%	1	9.1%	10	90.9%	3	30.0%	7	70.0%	5	14.7%	29	85.3%
<b>Sub-total Officer Entry</b>		1	7.7%	12	92.3%	1	9.1%	10	90.9%	3	30.0%	7	70.0%	5	14.7%	29	85.3%
<b>Other Ranks</b>		-	-	6	100.0%	1	100.0%	-	-	-	-	7	100.0%	1	7.1%	13	92.9%
General Entry - Technical		4	17.4%	19	82.6%	3	13.0%	20	87.0%	4	23.5%	13	76.5%	11	17.5%	52	82.5%
General Entry - Non-Technical		4	13.8%	25	86.2%	4	16.7%	20	83.3%	4	16.7%	20	83.3%	12	15.6%	65	84.4%
<b>Sub-total Other Ranks (General Entry)</b>		5	11.9%	37	88.1%	5	14.3%	30	85.7%	7	20.6%	27	79.4%	17	15.3%	94	84.7%
<b>TOTAL Service Transfers</b>																	
<b>RE-ENLISTMENTS</b>																	
<b>Officers</b>		-	-	3	100.0%	2	12.5%	14	87.5%	3	50.0%	3	50.0%	5	20.0%	20	80.0%
<b>Sub-total Officer Entry</b>		-	-	3	100.0%	2	12.5%	14	87.5%	3	50.0%	3	50.0%	5	20.0%	20	80.0%
<b>Other Ranks</b>		-	-	3	100.0%	1	25.0%	3	75.0%	1	14.3%	6	85.7%	2	14.3%	12	85.7%
General Entry - Technical		7	38.9%	11	61.1%	4	4.7%	81	95.3%	8	21.6%	29	78.4%	19	13.6%	121	86.4%
General Entry - Non-Technical		7	33.3%	14	66.7%	5	5.6%	84	94.4%	9	20.5%	35	79.5%	21	13.6%	133	86.4%
<b>Sub-total Other Ranks (General Entry)</b>		7	29.2%	17	70.8%	7	6.7%	98	93.3%	12	24.0%	38	76.0%	26	14.5%	153	85.5%
<b>TOTAL Re-enlistments</b>																	
<b>ADF GAP YEAR TRANSFERS</b>																	
<b>Officers</b>		-	-	-	-	1	50.0%	1	50.0%	-	-	-	-	1	50.0%	1	50.0%
<b>Sub-total Officer Entry</b>		-	-	-	-	1	50.0%	1	50.0%	-	-	-	-	1	50.0%	1	50.0%
<b>Other Ranks</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Entry - Technical		-	-	-	-	-	-	33	64.7%	-	-	-	-	-	-	33	64.7%
General Entry - Non-Technical		-	-	-	-	18	35.3%	33	64.7%	-	-	-	-	18	35.3%	33	64.7%
<b>Sub-total Other Ranks (General Entry)</b>		-	-	-	-	18	35.3%	33	64.7%	-	-	-	-	18	35.3%	33	64.7%
<b>Total ADF Gap Year Transfers</b>		-	-	-	-	19	35.8%	34	64.2%	-	-	-	-	19	35.8%	34	64.2%
<b>Total Prior Service Entry</b>		25	15.8%	133	84.2%	118	19.8%	479	80.2%	40	28.6%	100	71.4%	183	20.4%	712	79.6%

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

- Figures in this table show permanent force prior service enlistments (headcount).
- The proportion of women and men overseas entrants in the Army does not add to 100% due to rounding.

**Table 7: Women in Army recruiting initiatives, 2012–13<sup>[1][2][3]</sup>**

2012–13	Women
Recruit to Area	-
Reduced Initial Minimum Period of Service	287
Recruit When Ready	-
Army Pre-Conditioning Course	8

**Source:** Personnel Management Key Solutions (PMKeyS) and Director General Personnel—Army

**Notes**

1. Recruit to Area, Recruit When Ready, and Army Pre-Conditioning Course were not available for the full financial year 2012–13. Recruit to Area came into effect 25 March 2013, Recruit When Ready and Army Pre-Conditioning Course came into effect 17 June 2013.
2. Reduced Initial Minimum Period of Service is also open to men.
3. Army Pre-Conditioning Course members are enlisted as part of this program.

The ‘Recommendation 9: Recruitment growth targets’ section towards the end of this report details recruiting initiatives for the Navy, Army and Air Force.

## Working for Defence

### ADF promotions

Table 8 provides the number of ADF women and men promoted to each rank in 2012–13.

**Table 8: ADF permanent force promotions—number and proportion of women and men substantively promoted to each rank, 2012–13<sup>[1][2][3][4]</sup>**

	Navy			Army			Air Force			ADF						
2012-13	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%				
<b>Officers</b>																
General (E) (O10)	-	-	-	-	-	-	-	-	-	-	-	-				
Lieutenant General (E) (O09)	-	-	-	-	-	-	-	-	-	-	-	-				
Major General (E) (O08)	-	-	4	100.0%	-	-	3	100.0%	-	-	-	7	100.0%			
Brigadier (E) (O07)	-	-	6	100.0%	1	10.0%	9	90.0%	2	25.0%	6	75.0%	21	87.5%		
Colonel (E) (O06)	1	7.7%	12	92.3%	5	13.5%	32	86.5%	6	18.8%	26	81.3%	70	85.4%		
Lieutenant Colonel (E) (O05)	7	14.0%	43	86.0%	13	18.8%	56	81.2%	12	19.0%	51	81.0%	150	82.4%		
Major (E) (O04)	13	14.6%	76	85.4%	35	16.7%	174	83.3%	29	19.0%	124	81.0%	374	82.9%		
<b>Total Officers</b>	<b>21</b>	<b>13.0%</b>	<b>141</b>	<b>87.0%</b>	<b>54</b>	<b>16.5%</b>	<b>274</b>	<b>83.5%</b>	<b>49</b>	<b>19.1%</b>	<b>207</b>	<b>80.9%</b>	<b>622</b>	<b>83.4%</b>		
<b>Other Ranks</b>																
Warrant Officer Class 1 (E) (E10 and E09) <sup>[5][6]</sup>	2	6.3%	30	93.8%	8	10.5%	68	89.5%	4	7.0%	53	93.0%	14	8.5%	151	91.5%
Warrant Officer Class 2 (E) (E08)	13	13.1%	86	86.9%	23	10.0%	207	90.0%	15	15.5%	82	84.5%	51	12.0%	375	88.0%
Sergeant (E) (E06)	40	18.8%	173	81.2%	60	14.6%	352	85.4%	34	22.2%	119	77.8%	134	17.2%	644	82.8%
Corporal (E) (E05)/Lance Corporal (E04)	111	22.8%	375	77.2%	209	12.4%	1,478	87.6%	65	24.4%	201	75.6%	385	15.8%	2,054	84.2%
<b>Total Other Ranks</b>	<b>166</b>	<b>20.0%</b>	<b>664</b>	<b>80.0%</b>	<b>300</b>	<b>12.5%</b>	<b>2,105</b>	<b>87.5%</b>	<b>118</b>	<b>20.6%</b>	<b>455</b>	<b>79.4%</b>	<b>584</b>	<b>15.3%</b>	<b>3,224</b>	<b>84.7%</b>
<b>Total ADF Permanent</b>	<b>187</b>	<b>18.9%</b>	<b>805</b>	<b>81.1%</b>	<b>354</b>	<b>13.0%</b>	<b>2,379</b>	<b>87.0%</b>	<b>167</b>	<b>20.1%</b>	<b>662</b>	<b>79.9%</b>	<b>708</b>	<b>15.5%</b>	<b>3,846</b>	<b>84.5%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

#### Notes

- Figures in this table reflect ADF permanent force members (trained force only) promoted to each rank in 2012–13.
- Promotion figures are based on movements during financial year 2012–13 from trained force to trained force with a movement type of promotion.
- Only promotions to those ranks where merit selection applies are shown (i.e. promotions to the officer ranks of O04 and above and the other ranks of E04 and above).
- There are no members in the E04 rank in the Navy or Air Force.
- Warrant Officer Class 1 (E) figures include Warrant Officer—Navy, Warrant Officer—Air Force and Regimental Sergeant Major—Army.
- The proportion of women and men Warrant Officer Class 1 (E) members in the Navy, and Colonel (E) in the Air Force does not add to 100% due to rounding.

## Representation of women on Defence senior decision-making committees

Table 9 shows the gender balance on key defence decision making bodies as at 30 June 2013.

**Table 9: Gender balance on key Defence decision-making bodies, as at 30 June 2013<sup>[1][2][3]</sup>**

Committee	ADF		APS		Non-Defence		Vacant	Headcount	Total	
	Women	Men	Women	Men	Women	Men	Positions		% Women	% Men
Secretary and Chief of the Defence Force Advisory Committee (SCAC)	-	6	1	9	-	-	-	16	6.3%	93.8%
Defence Committee (DC)	-	6	1	9	-	-	-	16	6.3%	93.8%
Chiefs of Service Committee (COSC)	1	7	-	2	-	-	-	10	10.0%	90.0%
Defence Capability Committee	-	9	4	5	-	-	1	18	22.2%	77.8%
Defence Civilian Committee	-	1	4	9	-	-	-	14	28.6%	71.4%
Defence Audit and Risk Committee (DARC)	-	1	-	1	-	3	-	5	0.0%	100.0%
Defence Capability and Investment Committee (DCIC)	-	6	1	6	-	-	-	13	7.7%	92.3%
Chief of Navy Senior Advisory Committee (CNSAC)	1	8	1	-	-	-	-	10	20.0%	80.0%
Chief of Army Senior Advisory Committee (CASAC)	1	9	-	1	-	-	-	11	9.1%	90.9%
Chief of Air Force Advisory Committee (CAFAC)	1	16	-	2	-	-	-	19	5.3%	94.7%
Human Resources Development Board (HRDB)	-	5	2	8	-	-	-	15	13.3%	86.7%

### Notes

1. Appointment on these boards and committees is determined by position.
2. Figures include permanent members only; invited guests and observers are not included.
3. Percentages for Secretary and Chief of the Defence Force Advisory Committee and Defence Committee do not equal 100% due to rounding.

## Women and men retained after parental leave

Table 10 to Table 12 show the number and proportion of ADF members (by Service) retained after taking maternity or parental leave in the 18 months prior to 30 June 2013 by gender and rank. The tables include the numbers of women and men at each rank who took any variant of parental leave (including maternity and adoption leave). Figures are then shown which indicate how many of these women and men were still serving with the ADF as at 30 June 2013. Women and men not considered to be retained include those who have discharged, and those who have transferred from the permanent forces to serve in a Reserve capacity.

**Table 10: Number and proportion of Navy members retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2013 by gender and rank<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
Admiral (O10)	-	-	-	Admiral (O10)	-	-	-
Vice Admiral (O09)	-	-	-	Vice Admiral (O09)	-	-	-
Rear Admiral (O08)	-	-	-	Rear Admiral (O08)	-	-	-
Commodore (O07)	-	-	-	Commodore (O07)	-	-	-
Captain (O06)	1	1	100.0%	Captain (O06)	5	4	80.0%
Commander (O05)	3	3	100.0%	Commander (O05)	18	15	83.3%
Lieutenant Commander (O04)	22	21	95.5%	Lieutenant Commander (O04)	69	47	68.1%
Lieutenant (O03)	44	36	81.8%	Lieutenant (O03)	136	92	67.6%
Sub Lieutenant (O02)	2	2	100.0%	Sub Lieutenant (O02)	15	13	86.7%
Acting Sub Lieutenant (O01)	2	2	100.0%	Acting Sub Lieutenant (O01)	2	-	0.0%
Midshipman (O00)	-	-	-	Midshipman (O00)	2	2	100.0%
Warrant Officer (E09)	-	-	-	Warrant Officer (E09)	4	4	100.0%
Chief Petty Officer (E08)	9	9	100.0%	Chief Petty Officer (E08)	47	38	80.9%
Petty Officer (E06)	34	27	79.4%	Petty Officer (E06)	178	144	80.9%
Leading Seaman (E05)	101	76	75.2%	Leading Seaman (E05)	332	231	69.6%
Able Seaman (E03)	135	103	76.3%	Able Seaman (E03)	383	248	64.8%
Seaman (E02)	8	3	37.5%	Seaman (E02)	40	32	80.0%
Seaman* (E01)	2	2	100.0%	Seaman* (E01)	9	7	77.8%
Recruit (E00)	-	-	-	Recruit (E00)	-	-	-
<b>Total</b>	<b>363</b>	<b>285</b>	<b>78.5%</b>	<b>Total</b>	<b>1,240</b>	<b>877</b>	<b>70.7%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

### Note

1. Leave types include Adoption Leave Paid, Forces Maternity Leave—ADF, Paid Parental Leave—ADF, Maternity Leave Paid and Parental Leave.

**Table 11: Number and proportion of Army members retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2013 by gender and rank<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
General (O10)	-	-	-	General (O10)	-	-	-
Lieutenant General (O09)	-	-	-	Lieutenant General (O09)	-	-	-
Major General (O08)	-	-	-	Major General (O08)	-	-	-
Brigadier (O07)	-	-	-	Brigadier (O07)	-	-	-
Colonel (O06)	-	-	-	Colonel (O06)	1	1	100.0%
Lieutenant Colonel (O05)	6	6	100.0%	Lieutenant Colonel (O05)	48	46	95.8%
Major (O04)	40	38	95.0%	Major (O04)	168	153	91.1%
Captain (O03)	48	47	97.9%	Captain (O03)	223	210	94.2%
Lieutenant (O02)	13	11	84.6%	Lieutenant (O02)	72	71	98.6%
Second Lieutenant (O01)	-	-	-	Second Lieutenant (O01)	-	-	-
Officer Cadet (O00)	-	-	-	Officer Cadet (O00)	7	6	85.7%
Warrant Officer Class 1 (E09)	-	-	-	Warrant Officer Class 1 (E09)	13	12	92.3%
Warrant Officer Class 2 (E08)	19	16	84.2%	Warrant Officer Class 2 (E08)	133	127	95.5%
Sergeant (E06)	43	40	93.0%	Sergeant (E06)	348	311	89.4%
Corporal (E05)	109	92	84.4%	Corporal (E05)	632	537	85.0%
Lance Corporal (E04)	14	9	64.3%	Lance Corporal (E04)	204	163	79.9%
Private Proficient (E03)	101	85	84.2%	Private Proficient (E03)	814	663	81.4%
Private (E02)	13	13	100.0%	Private (E02)	149	145	97.3%
Private Trainee (E01)	3	3	100.0%	Private Trainee (E01)	49	42	85.7%
Recruit (E00)	-	-	-	Recruit (E00)	2	2	100.0%
<b>Total</b>	<b>409</b>	<b>360</b>	<b>88.0%</b>	<b>Total</b>	<b>2,863</b>	<b>2,489</b>	<b>86.9%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

### Note

1. Leave types include Adoption Leave Paid, Forces Maternity Leave—ADF, Paid Parental Leave—ADF, Maternity Leave Paid and Parental Leave.

**Table 12: Number and proportion of Air Force members retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2013 by gender and rank<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
Air Chief Marshal (O10)	-	-	-	Air Chief Marshal (O10)	-	-	-
Air Marshal (O09)	-	-	-	Air Marshal (O09)	-	-	-
Air Vice-Marshal (O08)	-	-	-	Air Vice-Marshal (O08)	-	-	-
Air Commodore (O07)	-	-	-	Air Commodore (O07)	-	-	-
Group Captain (O06)	-	-	-	Group Captain (O06)	5	5	100.0%
Wing Commander (O05)	2	2	100.0%	Wing Commander (O05)	11	9	81.8%
Squadron Leader (O04)	30	28	93.3%	Squadron Leader (O04)	153	114	74.5%
Flight Lieutenant (O03)	64	59	92.2%	Flight Lieutenant (O03)	247	167	67.6%
Flying Officer (O02)	11	8	72.7%	Flying Officer (O02)	46	35	76.1%
Pilot Officer (O01)	5	5	100.0%	Pilot Officer (O01)	14	9	64.3%
Officer Cadet (O00)	-	-	-	Officer Cadet (O00)	1	1	100.0%
Non-Commissioned Officer Cadet (E51)	-	-	-	Non-Commissioned Officer Cadet (E51)	3	3	100.0%
Warrant Officer (E09)	3	3	100.0%	Warrant Officer (E09)	13	10	76.9%
Flight Sergeant (E08)	14	13	92.9%	Flight Sergeant (E08)	54	36	66.7%
Sergeant (E06)	40	34	85.0%	Sergeant (E06)	188	141	75.0%
Corporal (E05)	103	81	78.6%	Corporal (E05)	494	351	71.1%
Leading Aircraftman/Woman (E03)	70	65	92.9%	Leading Aircraftman/Woman (E03)	361	263	72.9%
Aircraftman/Woman (E02)	6	6	100.0%	Aircraftman/Woman (E02)	64	57	89.1%
Aircraftman/Woman Trainee (E01)	-	-	-	Aircraftman/Woman Trainee (E01)	20	16	80.0%
<b>Total</b>	<b>348</b>	<b>304</b>	<b>87.4%</b>	<b>Total</b>	<b>1,674</b>	<b>1,217</b>	<b>72.7%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Note**

1. Leave types include Adoption Leave Paid, Forces Maternity Leave—ADF, Paid Parental Leave—ADF, Maternity Leave Paid and Parental Leave.

**Career breaks**

Table 13 to Table 15 show the number of women and men at each rank who have returned from a career break in 2012–13. This has been defined as a continuous period of annual leave, leave without pay, or long service leave of three months or greater, followed by three months of active duty. Those who took leave but have since been discharged have not been included; only those retained in the ADF for at least three months after return from leave have been considered to have been on a career break.

**Table 13: Navy members retained after taking a career break of three months or more by rank and gender, 2012–13<sup>[1][2][3][4]</sup>**

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				Total
	Women	%	Men	%	
Admiral (O10)	-	-	-	-	-
Vice Admiral (O09)	-	-	-	-	-
Rear Admiral (O08)	-	-	-	-	-
Commodore (O07)	-	-	-	-	-
Captain (O06)	-	-	2	100.0%	2
Commander (O05)	1	7.7%	12	92.3%	13
Lieutenant Commander (O04)	3	20.0%	12	80.0%	15
Lieutenant (O03)	9	36.0%	16	64.0%	25
Sub Lieutenant (O02)	-	-	1	100.0%	1
Midshipman (O00)	-	-	1	100.0%	1
Chief Petty Officer (E08)	1	7.7%	12	92.3%	13
Petty Officer (E06)	3	30.0%	7	70.0%	10
Leading Seaman (E05)	1	14.3%	6	85.7%	7
Able Seaman (E03)	4	44.4%	5	55.6%	9
Seaman (E02)	-	-	-	-	-
Seaman * (E01)	-	-	-	-	-
Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>22</b>	<b>22.9%</b>	<b>74</b>	<b>77.1%</b>	<b>96</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

- Figures include members who took a continuous period of leave for three months or longer, and who remained in Service for at least three months after returning from leave.
- Leave types include long service leave, forces annual leave, and leave without pay.
- Figures exclude any members who took a leave break but were subsequently discharged.

4. Figures exclude any members who have taken any form of paid maternity or parental leave in the 18 months before the first date of leave.

**Table 14: Army members retained after taking a career break of three months or more by rank and gender, 2012–13<sup>[1][2][3][4]</sup>**

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				
	Women	%	Men	%	Total
General (O10)	-	-	-	-	-
Lieutenant General (O09)	-	-	-	-	-
Major General (O08)	-	-	-	-	-
Brigadier (O07)	-	-	3	100.0%	3
Colonel (O06)	-	-	3	100.0%	3
Lieutenant Colonel (O05)	2	7.7%	24	92.3%	26
Major (O04)	15	20.5%	58	79.5%	73
Captain (O03)	11	23.4%	36	76.6%	47
Lieutenant (O02)	1	50.0%	1	50.0%	2
Officer Cadet (O00)	2	100.0%	-	-	2
Warrant Officer Class 1 (E09)	-	-	5	100.0%	5
Warrant Officer Class 2 (E08)	5	15.6%	27	84.4%	32
Sergeant (E06)	8	20.0%	32	80.0%	40
Corporal (E05)	10	21.3%	37	78.7%	47
Lance Corporal (E04)	1	4.8%	20	95.2%	21
Private Proficient (E03)	3	10.0%	27	90.0%	30
Private (E02)	-	-	-	-	-
Private Trainee (E01)	-	-	-	-	-
Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>58</b>	<b>17.5%</b>	<b>273</b>	<b>82.5%</b>	<b>331</b>

**Source:** Personnel Management Key Solutions (PMKeyS)

**Notes:**

1. Figures include members who took a continuous period of leave for three months or longer, and who remained in Service for at least three months after returning from leave.
2. Leave types include long service leave, forces annual leave, and leave without pay.
3. Figures exclude any members who took a leave break but were subsequently discharged.
4. Figures exclude any members who have taken any form of paid maternity or parental leave in the 18 months before the first date of leave.

**Table 15: Air Force members retained after taking a career break of three months or more by rank and gender, 2012–13<sup>[1][2][3][4]</sup>**

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				
	Women	%	Men	%	Total
Air Chief Marshal (O10)	-	-	-	-	-
Air Marshal (O09)	-	-	-	-	-
Air Vice-Marshal (O08)	-	-	-	-	-
Air Commodore (O07)	-	-	-	-	-
Group Captain (O06)	-	-	-	-	-
Wing Commander (O05)	1	20.0%	4	80.0%	5
Squadron Leader (O04)	6	66.7%	3	33.3%	9
Flight Lieutenant (O03)	5	41.7%	7	58.3%	12
Flying Officer (O02)	2	40.0%	3	60.0%	5
Officer Cadet (O00)	-	-	1	100.0%	1
Warrant Officer (E09)	1	20.0%	4	80.0%	5
Flight Sergeant (E08)	1	9.1%	10	90.9%	11
Sergeant (E06)	12	52.2%	11	47.8%	23
Corporal (E05)	8	19.5%	33	80.5%	41
Leading Aircraftman/Woman (E03)	4	28.6%	10	71.4%	14
Aircraftman/Woman (E02)	-	-	-	-	-
Aircraftman/Woman Trainee (E01)	-	-	-	-	-
Aircraftman/Woman Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>40</b>	<b>31.7%</b>	<b>86</b>	<b>68.3%</b>	<b>126</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Notes**

1. Figures include members who took a continuous period of leave for three months or longer, and who remained in Service for at least three months after returning from leave.
2. Leave types include long service leave, forces annual leave, and leave without pay.
3. Figures exclude any members who took a leave break but were subsequently discharged.

4. Figures exclude any members who have taken any form of paid maternity or parental leave in the 18 months before the first date of leave.

## Gender pay audit

Defence remuneration considerations are not based on gender: women and men in the ADF in the same trade and at the same rank and seniority are paid the same amount. Salaries of ADF members are based on rank, skills, and seniority. Differences between men and women's average salaries at each rank are due to differences in skills (e.g. occupational group) and seniority. Overall, differences are due to ADF women being disproportionately represented in lower ranks and in occupational groups that are in lower pay grades. In the senior officer ranks, women in medical occupational groups have higher salaries.

Table 16 shows outcomes of the gender pay audit for the ADF workforce as at 30 June 2013.

**Table 16: Outcomes of gender pay audit for ADF—comparisons of average actual salary by Service, rank and gender as at 30 June 2013<sup>[1][2][3][4][5]</sup>**

Navy Officers		Army Officers		Air Force Officers	
Rank	% Salary Difference	Rank	% Salary Difference	Rank	% Salary Difference
Rear Admiral (O08)	10.64%	Brigadier (O07)	7.55%	Air Commodore (O07)	7.17%
Commodore (O07)	19.49%	Colonel (O06)	1.65%	Group Captain (O06)	-2.21%
Captain (O06)	1.40%	Lieutenant Colonel (O05)	-0.73%	Wing Commander (O05)	-2.79%
Commander (O05)	-2.93%	Major (O04)	-2.32%	Squadron Leader (O04)	-5.49%
Lieutenant Commander (O04)	-2.83%	Captain (O03)	-2.59%	Flight Lieutenant (O03)	-10.03%
Lieutenant (O03)	-4.29%	Lieutenant (O02)	-3.43%	Flying Officer (O02)	-3.54%
Sub Lieutenant (O02)	-3.22%	Officer Cadet (O00)	0.13%	Pilot Officer (O01)	-2.23%
Acting Sub Lieutenant (O01)	-0.18%			Officer Cadet (O00)	1.32%
Midshipman (O00)	-2.04%				

Navy Other Ranks		Army Other Ranks		Air Force Other Ranks	
Rank	% Salary Difference	Rank	% Salary Difference	Rank	% Salary Difference
Warrant Officer (E09)	-5.69%	Warrant Officer Class 1 (E09)	-4.22%	Warrant Officer (E09)	-6.22%
Chief Petty Officer (E08)	-5.11%	Warrant Officer Class 2 (E08)	-4.97%	Flight Sergeant (E08)	-6.76%
Petty Officer (E06)	-4.69%	Staff Sergeant (E07)	0.00%	Sergeant (E06)	-5.47%
Leading Seaman (E05)	-4.18%	Sergeant (E06)	-4.29%	Non-Commissioned Officer Cadet (E51)	-1.47%
Able Seaman (E03)	-2.90%	Corporal (E05)	-4.64%	Corporal (E05)	-7.32%
Seaman (E02)	-1.72%	Lance Corporal (E04)	-4.77%	Leading Aircraftman/Woman (E03)	-3.85%
Seaman* (E01)	-1.14%	Private Proficient (E03)	-4.16%	Aircraftman/Woman (E02)	-1.52%
Recruit (E00)	0.00%	Private (E02)	-0.78%	Aircraftman/Woman Trainee (E01)	-1.18%
		Private Trainee (E01)	-0.51%	Aircraftman/Woman Recruit (E00)	0.00%
		Recruit (E00)	0.17%		

**Source:** Personnel Management Key Solutions (PMKeyS).

### Notes

1. Positive numbers indicate average salary is higher for women; negative numbers indicate average salary is higher for men.
2. Based on average actual salaries.
3. Excludes allowances.
4. Figures based on permanent and continuous full time service ADF members.
5. Calculated from average salary of women at rank, minus average salary of men at rank, with the resulting difference expressed as a percentage of average salary of men at rank.

## Leaving Defence

### Separation rates

The 12-month rolling separation rate for women in the ADF in 2012–13 was 9%, compared to 10.1% for men. Navy's separation rate for women was 10.3% (8.6% for men), Army's was 9.8% (12.6% for men) and Air Force's was 6.5% (6.2% for men).

Table 17 shows 12-month rolling separation rates for women and men for the ADF permanent force by Service and rank group.

**Table 17: ADF permanent force 12-month rolling separation rates by gender and rank group, 2012–13<sup>[1]</sup>**

2012-13	Women	Men	Total
<b>Navy</b>			
Officers	6.1%	5.2%	5.4%
Other Ranks	11.7%	9.6%	10.0%
<b>Total Navy</b>	<b>10.3%</b>	<b>8.6%</b>	<b>8.9%</b>
<b>Army</b>			
Officers	8.1%	6.7%	6.9%
Other Ranks	10.6%	14.1%	13.8%
<b>Total Army</b>	<b>9.8%</b>	<b>12.6%</b>	<b>12.3%</b>
<b>Air Force</b>			
Officers	4.9%	5.0%	5.0%
Other Ranks	7.5%	6.8%	7.0%
<b>Total Air Force</b>	<b>6.5%</b>	<b>6.2%</b>	<b>6.3%</b>
<b>ADF</b>			
Officers	6.4%	5.8%	6.1%
Other Ranks	10.1%	11.5%	11.4%
<b>Total ADF</b>	<b>9.0%</b>	<b>10.1%</b>	<b>10.0%</b>

**Source:** Personnel Management Key Solutions (PMKeyS).

**Note**

1. Separation rates are based on total permanent force; including both trained and training force.

## **Women's experience**

### **Attitudes and perceptions**

This section provides attitudinal survey data collected from ADF members over the 2012–13 financial year. Attitudes are shown for a range of elements of the work experience, including attitudes towards cultural change within Defence, engagement, morale, intention to leave, and reasons for leaving.

A key data source is the Defence-wide *YourSay* survey, which is administered to a 12.5% stratified sample of ADF staff. Combined data from two iterations of the survey (February 2013 and May 2013) are shown, which reflect the opinions of 494 women and 2,922 men.

*YourSay* survey data have been disaggregated by gender and region. Regional data present combined responses from ADF survey participants. However, it is important to note that the Defence population is not evenly dispersed throughout the regions by Service or gender.

ADF exit survey data from the 2012 calendar year are also presented. Top reasons for leaving are provided for the 306 women and 1,440 men who exited the ADF in 2012 and volunteered to share this information with Defence.

Table 18 to Table 21 show this information disaggregated by gender, Service, and by region (where available). The information presented fulfils the Broderick review's Recommendation 3 (Section B, 'Women's experience'), which calls for gender-disaggregated data from key organisational surveys.

**Table 18: YourSay surveys (February and May 2013)—responses on women's experiences by Service and gender—ADF<sup>[1]</sup>**

YourSay Survey	Navy		Army		Air Force		Total ADF	
	Women	Men	Women	Men	Women	Men	Women	Men
Percentage Agree/ Strongly Agree								
My job gives me a feeling of personal accomplishment	70.7%	70.7%	70.5%	67.8%	67.3%	70.5%	69.4%	69.4%
My job gives me opportunities to utilise my skills and training	68.6%	69.6%	70.7%	71.8%	70.2%	71.3%	69.9%	71.1%
I am satisfied with the recognition I receive for doing a good job	52.9%	47.2%	55.7%	46.9%	52.0%	46.8%	53.6%	46.9%
The people in my work group are honest, open and transparent in their dealings	58.3%	69.6%	65.0%	69.4%	64.5%	70.8%	62.9%	69.9%
My supervisor encourages me	70.0%	71.0%	70.5%	71.6%	71.3%	74.9%	70.6%	72.5%
I have a good supervisor	69.3%	74.4%	70.5%	74.9%	69.2%	77.4%	69.7%	75.5%
Communication between Defence senior leaders and other employees is effective	36.7%	31.6%	43.4%	32.7%	34.5%	36.7%	38.4%	33.7%
My workplace provides access to effective learning and development opportunities	62.6%	59.5%	65.9%	55.7%	59.4%	55.4%	62.7%	56.6%
Employees in the Navy/Army/Air Force/Department of Defence feel they are valued for their contribution	33.6%	32.6%	42.6%	37.7%	31.2%	40.5%	36.1%	37.2%
When someone praises the accomplishments of the Navy/Army/Air Force/Department of Defence, it feels like a personal compliment to me	43.6%	41.4%	41.0%	37.2%	35.1%	37.3%	39.7%	38.4%
I am actively looking at leaving Defence/ (Service)	28.6%	25.9%	20.2%	29.5%	19.9%	22.0%	22.5%	26.2%
I like the job I do in my current position	69.1%	67.3%	66.1%	61.1%	60.8%	65.5%	65.1%	64.1%
Overall, I am satisfied with my job	60.0%	63.7%	61.7%	58.4%	59.4%	63.1%	60.4%	61.3%
I am proud to tell others that I am a member of Defence	78.6%	79.3%	84.7%	79.8%	81.8%	81.7%	81.9%	80.2%
I feel a strong sense of belonging to Defence	67.6%	65.3%	67.4%	64.4%	64.3%	64.4%	66.4%	64.6%
How would you rate your current individual level of morale? (% high/very high)	49.3%	49.4%	50.6%	46.1%	42.1%	48.1%	47.2%	47.6%
I could easily find employment outside of Defence	60.0%	67.7%	64.5%	64.9%	55.9%	57.5%	60.2%	63.4%
I believe Defence will benefit from Pathway to Change (May only)	52.7%	41.1%	15.6%	20.1%	32.6%	40.4%	32.0%	32.2%
I have seen evidence of Pathway to Change being used in Defence (May only)	47.3%	34.1%	20.2%	24.1%	32.2%	39.7%	32.2%	31.7%
I have seen evidence of Pathway to Change being used in my work area (May only)	43.2%	33.3%	12.5%	20.1%	25.3%	36.1%	25.7%	28.7%

**Source:** YourSay surveys, February and May 2013.

**Note**

1. Data include responses from ADF personnel.

**Table 19: YourSay surveys (February and May 2013)—responses on women's experience by region and gender—ADF<sup>[1][2][3]</sup>**

YourSay Survey		NSW				Vic & Tas				Qld				Dig Dwns & Cent Qld		Nth Qld		Total Qld		WA		SA		NT		ACT					
Percentage Agree/Strongly Agree		Gtr Syd		Hunter & Nth NSW		Sth & Cent NSW		Total NSW		Gtr Melb		Tas & Regional Vic		Total Vic and Tas		Bris & Sth Qld		Dig Dwns & Cent Qld		Nth Qld		Total Qld		WA		SA		NT		ACT	
W: Women; M: Men		W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M
My job gives me a feeling of personal accomplishment		70%	71%	61%	72%	71%	73%	68%	71%	62%	61%	76%	71%	61%	68%	63%	66%	-	74%	81%	69%	67%	68%	69%	69%	79%	70%	72%	64%	75%	7
		72%	69%	74%	77%	76%	76%	73%	72%	46%	71%	74%	73%	68%	72%	64%	69%	-	71%	73%	73%	66%	71%	81%	65%	79%	75%	74%	66%	73%	7
My job gives me opportunities to utilise my skills and training		54%	48%	71%	52%	47%	56%	57%	50%	46%	47%	62%	47%	47%	47%	48%	44%	-	60%	65%	45%	52%	45%	27%	45%	63%	42%	57%	41%	58%	5
		64%	71%	71%	71%	47%	72%	64%	71%	54%	64%	61%	75%	63%	71%	65%	63%	-	76%	56%	66%	63%	65%	50%	74%	84%	69%	55%	65%	73%	8
The people in my work group are honest, open and transparent in their dealings		69%	73%	84%	79%	71%	71%	73%	74%	69%	67%	76%	74%	67%	71%	63%	67%	-	88%	73%	71%	66%	70%	69%	71%	89%	75%	66%	68%	75%	7
		65%	76%	84%	81%	71%	73%	70%	77%	62%	65%	62%	79%	65%	74%	64%	71%	-	73%	65%	78%	65%	74%	73%	76%	89%	78%	68%	75%	77%	7
I have a good supervisor		42%	32%	39%	35%	24%	35%	39%	34%	31%	37%	42%	37%	36%	37%	38%	33%	-	24%	23%	29%	36%	31%	23%	36%	53%	30%	49%	32%	41%	3
		65%	57%	61%	57%	59%	59%	63%	57%	58%	59%	71%	60%	59%	59%	53%	55%	-	62%	65%	54%	56%	55%	58%	61%	58%	47%	74%	48%	70%	6
My workplace provides access to effective learning and development opportunities		34%	33%	33%	39%	29%	36%	33%	35%	38%	39%	41%	37%	39%	38%	36%	36%	-	29%	42%	34%	37%	35%	19%	37%	42%	39%	34%	31%	46%	4
		38%	39%	29%	39%	29%	44%	34%	40%	38%	36%	53%	37%	37%	37%	42%	36%	-	33%	42%	39%	42%	37%	42%	37%	47%	37%	36%	34%	35%	4
When someone praises the accomplishments of the Navy/Air Force/ Department of Defence, it feels like a personal compliment to me.		38%	36%	41%	31%	-	38%	39%	36%	-	38%	41%	31%	36%	33%	15%	24%	-	21%	40%	19%	20%	22%	42%	31%	36%	37%	21%	21%	43%	4
		33%	32%	35%	32%	-	35%	36%	32%	-	33%	35%	29%	32%	30%	21%	31%	-	21%	33%	19%	24%	26%	33%	28%	36%	42%	32%	27%	38%	4
I believe Defence will benefit from Pathway to Change (May only)		29%	30%	24%	27%	-	33%	29%	30%	-	33%	35%	27%	34%	29%	15%	28%	-	21%	27%	16%	16%	23%	25%	27%	36%	38%	21%	20%	30%	3

Source: YourSay surveys, February and May 2013.

**Note**

1. Blank cells indicate fewer than 10 respondents. Cells with fewer than 10 respondents have been excluded from reporting as each response has an undue influence on total percentage reported.
2. Responses are from ADF personnel.
3. The Defence population is not evenly dispersed throughout the regions by Service or gender.

**Table 20: YourSay surveys (February and May 2013)—responses on women's experience by region and gender—ADF (cont.)<sup>[1][2][3]</sup>**

YourSay Survey	NSW										Vic & Tas						Qld						WA											
	Hunter & Nth NSW					Sth & Cent NSW					Gtr Syd			Gtr Melb			Tas & Regional Vic			Total Vic and Tas			Bris & Sth Qld			Dlg Dwns & Cent Qld			Nth Qld			Total Qld		
	W	M	W	M	W	W	M	W	M	W	W	M	W	M	W	W	M	W	M	W	W	M	W	W	M	W	W	M	W	W	M			
Percentage Agree/Strongly Agree																																		
W: Women; M: Men	23%	24%	23%	27%	24%	19%	24%	19%	23%	24%	8%	26%	32%	28%	24%	27%	23%	28%	-	38%	19%	32%	24%	30%	35%	33%								
I am actively looking at leaving Defence/ (Service)																																		
I like the job I do in my current position	77%	68%	58%	64%	76%	62%	72%	66%	54%	57%	71%	70%	65%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%		
Overall, I am satisfied with my job	66%	59%	58%	66%	53%	66%	62%	62%	38%	52%	62%	63%	51%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%		
I am proud to tell others that I am a member of Defence	82%	79%	81%	83%	59%	83%	79%	81%	77%	76%	82%	85%	76%	82%	81%	79%	81%	79%	81%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%		
I feel a strong sense of belonging to Defence	70%	64%	55%	62%	53%	65%	64%	64%	39%	68%	82%	69%	70%	68%	64%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%		
How would you rate your current individual level of morale? (% high/very high)	52%	52%	52%	51%	47%	52%	51%	52%	38%	49%	68%	52%	48%	51%	40%	49%	40%	49%	40%	49%	40%	49%	40%	49%	40%	49%	40%	49%	40%	49%	40%	49%		
I could easily find employment outside of Defence	63%	59%	65%	60%	53%	66%	62%	60%	38%	56%	62%	68%	54%	64%	61%	63%	61%	63%	61%	63%	61%	63%	61%	63%	58%	75%								

**Source:** YourSay surveys, February and May 2013.

**Notes**

- Blank cells indicate fewer than 10 respondents. Cells with fewer than 10 respondents have been excluded from reporting as each response has an undue influence on total percentage reported.
- Responses are from ADF personnel.
- The Defence population is not evenly dispersed throughout the regions by Service or gender.

**Table 21: 2012 ADF exit survey—top 10 reasons for leaving, by gender<sup>[1]</sup>**

Rank	Total ADF		Women		Men	
1	To make a career change while still young enough		1	Lack of control over life	1	To make a career change while still young enough
2	Desire for less separation from family		2	Desire for less separation from family	2	Better career prospects in civilian life
3	Lack of job satisfaction		3	Impact of job demands on family/personal life	3	Desire for less separation from family
4	Lack of control over life		4	Lack of job satisfaction	4	Feel there is a lack of opportunities for career development
5	Feel there is a lack of opportunities for career development		5	To make a career change while still young enough	5	Lack of job satisfaction
6	Better career prospects in civilian life		6	Desire to stay in one place	6	Desire to stay in one place
7	Desire to stay in one place		7	Feel there is a lack of opportunities for career development	7	Lack of control over life
8	Impact of job demands on family/personal life		8	Issues with day-to-day unit management of personnel matters	8	Uncertainty with long term career plans
9	Uncertainty with long term career plans		9	Uncertainty with long term career plans	9	Impact of job demands on family/personal life
10	Little appreciation of the personal sacrifices made during my time in the ADF		10	Low morale in my work environment	10	Little appreciation of the personal sacrifices made during my time in the ADF

**Source:** ADF exit survey 2012.

**Note**

1. Data include responses from ADF members who were discharged in 2012.

## Mentoring, networking and sponsorship

There are many well-established mentoring programs throughout Defence for ADF women and men. Defence has recently amalgamated its mentoring programs, which are now accessible through one point of access. This will facilitate future development of metrics for reporting on participation rates in mentoring, which have not previously been recorded.

Participation in the Women's Integrated Networking Group, however, has been presented. This program originated in the Air Force, but will be extended to the wider Defence organisation. Sponsorship is represented by the leadership development and education sponsorship programs through which Defence supports its staff.

Table 22 to Table 25 outline the mentoring, networking and sponsorship programs that are available to women in the ADF. This information is included to address the Broderick review's Phase Two Recommendation 3 (Section A) on access to mentoring and sponsorship.

## Mentoring

**Table 22: Defence mentoring and networking programs, as at 30 June 2013<sup>[1]</sup>**

Program
Air Force Mentoring Framework
Navy Women's Network
Navy Leadership Coaching Forum
My Mentor (Navy)
Army Women's Networking Forum
Chief Executive Women's Program
Great Leaders are Made Program
The Australian Executive Women's Leadership Symposium
Australian Institute of Management Development and Networking Events
Infrastructure Division Leadership Program Mentoring Program
Women in IT Executive Mentoring Program (WITEM) Coaching Circles
Defence Intelligence Organisation Mentoring Program
Australian Signals Directorate Mentoring Program
Women's Integrated Networking Groups (WINGS) – Air Force
Women's Technical Network (TECHNET) Air Force WINGS subsidiary program for women technicians
Women's Integrated Networking Groups (WINGS) – Defence-wide <i>Under development</i>
Women in Non-Traditional Employment Roles Buddy Program (WINTER-BP) <i>Under development</i>

**Source:** Directorate of Workforce Development and Director General Personnel—Army.

### Note

1. In accordance with the Broderick review Phase Two Recommendation 12, Defence has been integrating and rationalising this suite of mentoring and networking programs. As part of this process, monitoring and reporting of mentoring participation will be developed; however these data are not available for this financial year.

**Table 23: Women's Integrated Networking Group program**

Location	Frequency	Participants per Session
Darwin	Every 2 months	16
Townsville	Every 2 months	20
Amberley	Quarterly	20
Tamworth	Quarterly	10
Williams	Every 2 months	30
Richmond	Monthly	30
Canberra	Quarterly	30
East Sale	Every 4 - 8 weeks	10
Williamstown	Every 6 weeks	25
Edinburgh	Monthly	12
Pearce	Quarterly	5-10

**Source:** Director General Personnel—Air Force.

**Table 24: Women's Technical Network**

Location	Frequency	Participants per Session
Williamstown	Every 2 months	7
Richmond	Every 2 months	10
Edinburgh	Every 2 months	5

**Source:** Director General Personnel—Air Force

## Education

**Table 25: ADF education sponsorship by Service and gender**

ADF Education Assistance Scheme	Navy				Army				Air Force			
	Women	%	Men	%	Women	%	Men	%	Women	%	Men	%
Defence Assisted Study Scheme (DASS)	126	27.6%	330	72.4%	199	23.0%	667	77.0%	168	30.3%	386	69.7%
ADFA Postgraduate	56	16.9%	276	83.1%	46	9.7%	429	90.3%	71	25.4%	209	74.6%
Chief of Defence Force Fellowship	-	-	1	100.0%	-	-	-	-	-	-	-	-

**Source:** Defence Learning Branch.

## Access to flexible working arrangements

Defence is currently implementing a new system of applying for and recording formalised flexible working arrangements for ADF members. The changes are aimed at promoting the use of these arrangements, and will facilitate monitoring and reporting; this reporting is not available, however, for 2012–13. In lieu of formalised data, the proportion of ADF members on part-time leave without pay is presented. More data on the flexible work options taken up throughout the ADF are presented using representative survey responses.

Table 26 to Table 28 outline both attitudinal data regarding flexible work, and part-time workforce data. This information is presented in support of the Broderick review's Phase Two Recommendation 3 (Section C) 'Access to flexible work'.

**Table 26: YourSay surveys (February and May 2013)—responses on flexible work by Service and gender<sup>[1]</sup>**

YourSay Survey	Navy		Army		Air Force		Total ADF	
	Women	Men	Women	Men	Women	Men	Women	Men
My CO / Branch Manager actively supports work-life balance and flexible work arrangements (% Agree/Strongly Agree)	61.0%	56.6%	62.8%	56.6%	64.7%	61.0%	63.0%	57.9%
My supervisor is flexible when I have personal demands to attend to (% Agree/Strongly Agree)	78.5%	80.2%	79.4%	77.8%	77.1%	83.9%	78.4%	80.3%
If I accessed flexible working arrangements (such as working part time) my career progression would be negatively impacted (% Agree/Strongly Agree)	41.9%	42.9%	42.8%	49.1%	40.2%	39.3%	41.6%	44.4%
Are flexible working arrangements available in your area (e.g. part-time work, home-based work)? (% Yes)	40.9%	36.3%	48.6%	28.1%	57.4%	37.5%	49.5%	33.2%
How often do you personally take advantage of documented (or formal) flexible work arrangements? (% Sometimes - Always)	18.4%	21.0%	22.3%	17.3%	36.5%	15.9%	26.2%	17.8%
How often do you personally take advantage of informal flexible work arrangements (such as leaving work early?) (% Sometimes - Always)	50.7%	58.1%	60.9%	56.9%	58.8%	60.8%	57.3%	58.4%

**Source:** YourSay Survey February and May 2013.

**Note**

1. Data includes responses from ADF personnel.



**Table 28: ADF members taking part-time leave without pay, as at final pay of 2012–13<sup>[1]</sup>**

Service	Women Taking PTLWOP	Men Taking PTLWOP	Total Taking PTLWOP	Total in Trained Workforce	% of Workforce
Navy	55	8	63	11,108	0.6%
Army	58	15	73	25,232	0.3%
Air Force	126	18	144	12,938	1.1%
<b>Total</b>	<b>239</b>	<b>41</b>	<b>280</b>	<b>49,278</b>	<b>0.6%</b>

**Source:** ADFPay—Pay 26 2012–13.

**Note**

1. Percentage of workforce is calculated using trained force only.

## Unacceptable behaviour

The unacceptable behaviour reported in this section reflects incidents reported under the unacceptable behaviour policy that was in operation during 2012–13. These figures include sexual misconduct reports.

On 23 July 2013, the Sexual Misconduct Prevention and Response Office (SeMPRO) was launched by the Minister for Defence, as part of Defence's response to the Broderick review. As well as providing victim support services, SeMPRO will be the single reporting authority for incidents of sexual misconduct within Defence from 2013–14.

Future reporting will therefore differentiate sexual misconduct from other unacceptable behaviour.

Unacceptable behaviour data are provided covering the number and type of complaints, demographics of complainants and respondents, and the location of complaints. The time taken for finalisation of each unacceptable behaviour type is also provided. Metrics pertaining to cases dealt with externally, and cost per complaint are not yet available, but are under development.

As not all unacceptable behaviour is formally reported, survey data regarding unacceptable behaviour prevalence and reporting behaviour are presented.

Case data presented include all workforce segments of Defence; presentation of ADF-only data may be misleading as there are unacceptable behaviour cases that involve both APS and ADF complainants and respondents.

Table 29 to Table 42 outline unacceptable behaviour metrics and attitudinal data regarding unacceptable behaviour, including sexual assault and harassment. These data are presented to address the Broderick review's Phase Two Recommendation 3 (Section D), 'Sexual harassment and abuse'.

**Table 29: Open unacceptable behaviour cases—percentage per capita by group, as at 28 June 2013**<sup>[1][2][3]</sup>

Group	Case Count	% per Capita
Navy	35	0.17%
Army	85	0.14%
Air Force	34	0.16%
Vice Chief of Defence Force	56	1.20%
Joint Operations Command	18	1.96%
Chief Financial Officer	1	0.35%
Chief Information Officer Group	2	0.11%
Defence Materiel Organisation	15	0.21%
Defence Science and Technology Organisation	9	0.35%
Defence Support and Reform Group	9	0.24%
Intelligence and Security	7	0.22%
Defence People Group	9	0.61%

**Source:** Defence Complaint Management, Tracking and Reporting System (ComTrack).

### Notes

1. Vice Chief of Defence Force includes ADF training establishments.
2. Joint Operations Command includes any cases on pertaining to a deployment.
3. Data include both women and men.

**Table 30: Unacceptable behaviour cases finalised—time to close—rolling, 12 months to 28 June 2013<sup>[1]</sup>**

Time Open	Abuse of Power (and % finalised)	Discrimination (and % finalised)	Harassment (and % finalised)	Inappropriate Workplace Relationships and conflict of interest (and % finalised)	Sexual Harassment (and % finalised)	Sexual Offence (and % finalised)	Workplace Bullying (and % finalised)	Not Entered (and % finalised)	Total (and % finalised)
< 1 Month	6 14%	7 33%	70 25%	11 26%	13 14%	7 11%	64 24%	22 34%	200 23%
1 - 3 Months	4 9%	6 29%	46 16%	9 21%	15 16%	6 9%	57 21%	15 23%	158 18%
3 - 6 Months	8 19%	1 5%	30 11%	3 7%	13 14%	4 6%	24 9%	8 13%	91 10%
Over 6 Months	25 58%	7 33%	136 48%	19 45%	52 56%	47 73%	126 46%	19 30%	431 49%
<b>Total</b>	<b>43 100%</b>	<b>21 100%</b>	<b>282 100%</b>	<b>42 100%</b>	<b>93 100%</b>	<b>64 100%</b>	<b>271 100%</b>	<b>64 100%</b>	<b>880 100%</b>

**Source:** Defence Complaint Management, Tracking and Reporting System (ComTrack).

**Note**

1. Data include both women and men.

**Table 40: YourSay surveys (February and May 2013)—responses on handling of unacceptable behaviour by Service and gender—ADF<sup>[1]</sup>**

YourSay Survey	Navy		Army		Air Force		Total ADF	
Percentage Agree/ Strongly Agree	Women	Men	Women	Men	Women	Men	Women	Men
Unacceptable behaviour is not tolerated with the Service	71.5%	78.3%	73.7%	77.7%	71.3%	85.0%	72.3%	80.1%
My CO/Branch Manager has clearly indicated that unacceptable behaviour will not be tolerated	85.4%	90.1%	89.4%	91.4%	89.5%	93.4%	88.3%	91.7%
People within the Service who harass others usually get away with it	23.4%	17.5%	32.4%	19.7%	23.4%	17.4%	26.7%	18.4%
Reporting sexual harassment, sex discrimination or sexual abuse would have a negative impact on my career	24.1%	10.9%	28.5%	13.7%	15.8%	12.2%	22.8%	12.5%
Incidents of unacceptable behaviour (e.g. harassment, bullying, discrimination) are managed well in my workplace	57.7%	66.5%	54.7%	64.7%	50.9%	60.5%	54.2%	63.9%
I believe appropriate action will be taken if I report an incident of unacceptable behaviour	69.3%	75.3%	60.3%	75.0%	61.4%	73.6%	63.2%	74.6%

**Source:** YourSay surveys, February and May 2013.

**Note**

1. Data include responses from ADF personnel.

**Table 41: Military Justice Survey 2012—Responses on handling of unacceptable behaviour by Service and gender—ADF<sup>[1]</sup>**

Military Justice Survey	Navy		Army		Air Force		ADF	
Percentage Agree/ Strongly Agree or Yes	Women	Men	Women	Men	Women	Men	Women	Men
I have witnessed workplace bullying	56.4%	49.4%	55.4%	35.8%	48.8%	36.4%	53.6%	39.1%
I have been the subject of workplace bullying	36.7%	27.1%	33.1%	17.4%	34.6%	19.2%	34.6%	20.1%
I have witnessed workplace harassment	45.4%	44.6%	49.8%	30.9%	44.3%	33.1%	46.8%	34.7%
I have been the subject of workplace harassment	31.8%	22.5%	31.6%	14.5%	33.9%	15.4%	32.4%	16.6%
I have submitted a formal complaint of unacceptable behaviour	21.6%	7.4%	17.6%	5.4%	18.9%	7.1%	19.1%	6.4%

**Source:** Military Justice Survey 2012.

**Note**

1. Data include responses from ADF personnel.

**Table 42: YourSay surveys (February and May 2013)—responses on handling of unacceptable behaviour by region and gender—ADF<sup>[1][2][3]</sup>**

YourSay Survey	NSW						Vic & Tas						Qld						WA	SA	NT	ACT		
	Sth & Cent NSW				Tas & Regional Vic				Dig Dwns & Cent Qld				Brisbane & Sth Qld		Nth Qld		Total Qld							
Percentage Agree/ Strongly Agree	Greater Sydney	Hunter & Nth NSW	Sth & Cent NSW	Total NSW	Greater Melb	Tas & Regional Vic	Total Vic and Tas	Brisbane & Sth Qld	Dig Dwns & Cent Qld	Nth Qld	Total Qld													
W: Women; M: Men	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M
Unacceptable behaviour is not tolerated within the Service	66% 80%	74% 86%	82% 80%	70% 82%	69% 83%	76% 80%	81% 81%	74% 78%	- 74%	85% 80%	75% 79%	79% 75%	74% 80%	60% 75%	80% 84%									
My CO/Branch Manager has clearly indicated that unacceptable behaviour will not be tolerated	84% 91%	97% 94%	92% 88%	92%	85% 94%	88% 94%	93% 94%	87% 92%	- 93%	92% 92%	89% 92%	92% 90%	89% 91%	93% 88%	86% 92%									
People within the Service who harass others usually get away with it	38% 19%	19% 18%	18% 31%	19%	15% 15%	21% 19%	15% 18%	26% 23%	- 5%	19% 22%	26% 21%	33% 19%	21% 20%	33% 19%	19% 11%									
Reporting sexual harassment, sex discrimination or sexual abuse would have a negative impact on my career	32% 12%	19% 11%	18% 13%	26% 12%	31% 16%	18% 13%	17% 14%	18% 13%	- 2%	35% 14%	22% 13%	25% 12%	21% 16%	28% 13%	15% 9%									
Incidents of unacceptable behaviour (e.g. harassment, bullying, discrimination) are managed well in my workplace	56% 65%	45% 66%	65% 55%	65%	54% 60%	61% 72%	59% 68%	54% 61%	- 62%	54% 58%	53% 60%	63% 67%	58% 61%	57% 61%	52% 68%									
I believe appropriate action will be taken if I report an incident of unacceptable behaviour	66% 74%	58% 78%	71% 79%	64% 76%	77% 70%	64% 76%	71% 74%	63% 72%	- 71%	50% 71%	61% 72%	67% 72%	74% 73%	59% 72%	65% 80%									

**Source:** YourSay surveys, February and May 2013.

**Notes**

1. Blank cells indicate fewer than 10 respondents. Cells with fewer than 10 respondents have been excluded from reporting as each response has an undue influence on total percentage reported.
2. Responses are from ADF personnel.
3. The Defence population is not evenly dispersed throughout the regions by Service or gender.

## Broderick review Phase Two, recommendations 6, 9 and 13

### Recommendation 6: Promotional gateways

**Table 43: Navy officer staff college attendance and command appointments<sup>[1][2][3]</sup>**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Australian Command and Staff College	729	136	18.70%	25	6	24.00%
Centre for Defence and Strategic Studies	117	17	14.50%	5	1	20.00%
Command Appointments	117	17	14.50%	8	2	25.00%

**Source:** Director General Navy People.

#### Notes

1. For 2012–13, the Centre for Defence and Strategic Studies did not have a competitive pool and all Navy officers at rank were considered for the positions.
2. Neither the Centre for Defence and Strategic Studies nor Command are promotion gateways for Captain (O06) to Commodore (O07) in the Navy.
3. Navy command selections are by a combination of volunteer status and corporate need. All officers in rank may be considered.

**Table 44: Navy other ranks promotional gateway to Petty Officer (Navy Sergeant equivalent)**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Petty Officer Promotion Course	873	178	20.40%	216	32	14.80%

**Source:** Director General Navy People.

**Table 45: Army officer staff college attendance and command appointments<sup>[1][2][3][4]</sup>**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Australian Command and Staff College	159	9	5.70%	61 (75)	5 (12)	8.2% (16.0%)
Centre for Defence and Strategic Studies	43	3	7.00%	10	2	20.00%
Command Appointments	72	14	19.40%	36 (79)	9 (15)	25.0% (19.0%)

**Source:** Director General Personnel—Army.

#### Notes

1. Army figures are for the Australian Regular Army only.
2. The Australian Command and Staff College figures are for selections made in 2012 for attendance at the college in 2014. The figures in brackets are the 2014 college panel, including selections made in 2011 where the officer was held over to attend in 2014 for service, operational or personal reasons. Attendance at the college is a prerequisite for promotion to Lieutenant Colonel on the Command and Leadership Pathway.
3. Completion of the Centre for Defence and Strategic Studies is normally a prerequisite for promotion to Brigadier on the Command and Leadership Pathway.
4. Command appointments figures represent selection made for commanding officers in 2013 for command in 2014. The figures in brackets relate to the total number of commanding officers as at January 2014.

**Table 46: Army other ranks promotional gateways to rank of Sergeant<sup>[1]</sup>**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Subject 1 for Sergeant	3,984	512	12.90%	1,198	126	10.50%

**Source:** Director General Personnel—Army.

**Note**

1. Subject 1 for Sergeant is a promotion course that is a prerequisite for promotion to Sergeant for all Army trades. In addition, each trade has one or more additional trade-specific promotion training requirement.

**Table 47: Air Force officer staff college attendance and command appointments<sup>[1][2]</sup>**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Australian Command and Staff College	122	16	13.10%	36	7	19.40%
Centre for Defence and Strategic Studies	150	16	10.70%	6	1	16.70%
Command Appointments	521	71	13.60%	30	4	13.30%

**Source:** Director General Personnel—Air Force.

**Notes**

1. Australian Command and Staff College candidates should hold the rank of Squadron Leader and be considered high-performing officers. The Air Force allocates a number of positions to each specialisation, which have varying proportions of women.
2. Selection for the Centre for Defence and Strategic Studies is available to all Group Captains.

**Table 48: Air Force other ranks promotional gateways to rank of Sergeant**

2012-13	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Members meeting promotion conditions including Professional Military Education and Training	1,114	146	13.10%	218	30	13.80%

**Source:** Director General Personnel—Air Force.

## Recommendation 9: Recruitment growth targets

### *Navy*

In accordance with the Broderick review recommendations, the Navy has committed to a goal of female participation of 25% by 2023, in addition to increasing participation of females in non-traditional and trade work groups. Female recruiting goals within existing recruiting targets have been set for officer and sailor intakes, beginning in January 2014. Significantly, increasing female recruiting achievement through setting recruiting goals is a key strategy for achieving Navy's 25% goal. Innovative recruitment strategies for women are also being investigated, including the introduction of a reduced initial minimum period of service for selected categories, a recruit-to-area model and targeted marketing strategies.

Achievement against recruitment targets is reported in Table 4 to Table 6.

### *Army*

The Army has committed to increasing the representation of women in the Australian Regular Army from 10% (as at January 2012) to 12% in mid-2014. In 2012–13, the Army introduced a number of recruiting initiatives in support of its objective to increase the proportional representation of women. These include:

- **Recruit to Area.** An initiative that provides the opportunity for women to enlist as an other ranks (non-technical) member with certainty about where they will spend the first four years of service.
- **Reduced Initial Minimum Period of Service.** An initiative that has seen a reduction in the initial minimum period of service for 12 non-technical Army trades, from four years to 12 months, with members able to continue to serve or discharge with no detriment following this period of service.
- **Recruit When Ready.** An initiative that has allowed women to be recruited earlier into the Army Recruit Training Centre—Kapooka, rather than waiting for an enlistment day that aligns with their chosen or primary employment training. This initiative is designed to provide women with a choice about when they enter the Australian Regular Army.
- **Army Pre-Conditioning Course.** A 28-day training course conducted at the Army Recruit Training Centre—Kapooka, designed to increase the fitness of those women who do not achieve the full fitness standard required for enlistment into the Australian Regular Army. At the successful conclusion of this course, these women are enlisted.

Achievement against recruitment targets is reported in Table 4 to Table 6. Achievement against Army recruiting initiatives to increase the representation of women is reported in Table 7.

### *Air Force*

The Air Force has agreed to set a target for increasing women's participation to 25% by 2023, with annual reporting against achievement at the Broderick review's Recommendation 9. Air Force has introduced a range of recruitment initiatives in support of achieving this target.

Project WINTER (Women in Non-Traditional Employment Roles) is an Air Force program focussed on the recruitment, support, retention and progression of women in non-traditional employment groups, including aircrew, engineering and technical trades.

Recruiting initiatives implemented during 2012–13 in support of Project WINTER have included:

- **WINTER Alliance.** An initiative aimed at assisting women considering an Air Force career in a non-traditional employment field to get in touch with a woman currently

serving in that field, providing them with the opportunity to be mentored throughout the recruitment and initial employment training processes.

- **WINTER Campaign.** A marketing campaign to specifically target women for technical trades and aircrew roles that uses electronic marketing techniques to have women 'consider' a technical trade or aircrew role in Air Force by appealing to their motivators.

A range of other initiatives will be implemented in 2013–14, including the introduction of female recruiting targets against the majority of employment groups where women comprise less than 25% representation. To support the achievement of these targets and the ongoing retention of women employed within these groups, the Air Force will offer Recruit to Area as an incentive for women seeking employment against these specified targets.

Other recruitment initiatives to be implemented in 2013–14 include a graduate pilot scheme, an experiential camp for girls, a recruiting priority placement scheme, a reduced initial minimum period of service requirement (male and female, officer and airmen), restructured return of service obligation for direct-entry female pilots, the Recruit to Area program, modified entry testing for female aircrew applicants, and WINTER advertising. An update on the implementation of these schemes will be provided in the 2013–14 report on women in the ADF.

Achievement against recruitment targets is reported in Table 4 to Table 6.

#### **Recommendation 13: Flexible work arrangement targets**

Each Service has set a target for flexible working arrangements of 2% of their trained workforce. Current flexible working arrangements are reported in Table 26 to Table 28.

# Supplementary Online Content

## Chapter 8 Capital Investment Program

**Table W9.1: List of Major Capital Investment Projects Approved by the Government in 2012-13**

Project No.	Phase	Name	Approval Budget (Band \$m)	Status as at 30 June 2013
<b>First Pass Approval</b>				
JP 3029	1	Space Surveillance Awareness – C-Band Radar	<\$100m	5
JP 2068	2B.2	Computer Network Defence	<\$100m	1
LAND 155	1	Enhanced Gap Crossing Capability	<\$100m	4
SEA 1000	1&2	Future Submarine Design and Construction - Submarine Propulsion Energy, Support and Integration Facility	<\$100m	5
<b>Second Pass Approval</b>				
AIR 5349	3	EA-18G Growler Airborne Electronic Attack Capability (Growler capability)	>\$1b	1
AIR 5349	3	EA-18G Growler Airborne Electronic Attack Capability (12 additional aircraft)	>\$1b	1
AIR 5440	3	C130J Update Part A	<\$100m	5
AIR 5438	1A	Lead-In-Fighter Capability Assurance Program	\$100m - \$500m	1
JP 2008	3H	Military Satellite Capability – Wideband Terrestrial Terminals	<\$100m	1
JP 2025	7	Jindalee Operational Radar Network – Priority Industry Capability	<\$100m	Changed to sustainment activity – now JORN PIC Support Program CAF13
JP 2069	2	High Grade Cryptographic Equipment (Tranche 3)	<\$100m	5
JP 2044	4A	Digital Topographical Systems (DTS) Upgrade	<\$100m	I&S
JP 2047	3	Terrestrial Communications	\$100m - \$500m	1
JP 2069	2	High Grade Cryptographic Equipment (Tranche 4)	<\$100m	5
JP 2080	2B.1	Defence Management System Improvement – Personnel Systems Modernisation	<\$100m	5
JP 3029	1	Space Surveillance Awareness – C-Band Radar (Tranche 1)	<\$100m	1
LAND 17	1C.1	Additional Lightweight Towed Howitzers	<\$100m	1
SEA 1439	3.1	Collins Obsolescence Management	<\$100m	2
SEA 1448	4A	ANZAC Electronic Support System Improvements	\$100m - \$500m	1
<b>Other Approvals</b>				
AIR 5428	1	Pilot Training System	N/A	4
AIR 6000	N/A	Air Combat Capability Transition Review	N/A	5
N/A	N/A	Capability & Technology Demonstrator (CTD) Program – Round 17	<\$100m	2
SEA 1000	1&2	Future Submarine Design and Construction (Progress of Options)	N/A	5
SEA 1439	5B.1	Collins Improvement Program Real Cost Increase (first tranche)	<100m	1

### Status:

1. Project Underway (Contract Signed)
2. Tender Closed
3. Out to tender
4. Yet to Go to Tender
5. Various: Either contributing to more than one project or consisting of several internal phases of varying status.

### Notes:

1. Two classified projects received First Pass approval.
2. One classified project received Second Pass approval.
3. As part of the AIR 6000 Air Combat Capability Transition Review, AIR 5376 Phase 4 Classic Hornet Extension was approved. However, this is awaiting cost clearance/approval by the Department of Finance and Deregulation.

## Approved major capital facilities projects

**Table W9.2: Approved major capital facilities projects by State and Federal electorate**

	Total Estimated Expenditure	Cumulative Expenditure To 30 June 2013	2012 - 13 Budget Estimate	2012 - 13 Additional Estimate	2012 - 13 Actual
	\$m	\$m	\$m	\$m	\$m
<b>NEW SOUTH WALES</b>					
<b>Gilmore</b>					
HMAS Albatross					
Redevelopment Stage 3	192.0	0.7	19.1	0.5	0.7
<b>Hughes</b>					
Moorebank Units Relocation	352.9	43.9	64.8	49.6	43.9
Defence Logistics Transformation Project <sup>[1][11]</sup>	-	53.4	-	45.9	53.4
Liverpool Military Area High Voltage Reticulation Systems Upgrade	19.6	0.1	-	8.0	0.1
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.1	-	0.3	0.1
<b>Hunter</b>					
Singleton					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	112.3	24.0	21.2	14.7
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.0	-	0.1	0.0
<b>MacKellar</b>					
Pittwater Annexe					
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[1][4]</sup>	-	4.0	4.3	4.3	4.0
<b>Riverina</b>					
Kapooka					
Enhanced Land Force Stage 1 Works <sup>[1][2]</sup>	-	104.7	1.2	2.0	2.6
<b>Warringah</b>					
HMAS Penguin					
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[1][4]</sup>	-	44.9	20.5	28.0	26.2
<b>Total New South Wales</b>	<b>564.5</b>	<b>364.1</b>	<b>133.9</b>	<b>159.9</b>	<b>145.7</b>
<b>VICTORIA</b>					
<b>Gippsland</b>					
East Sale					
RAAF Base East Sale Redevelopment	185.6	11.6	25.0	25.0	11.6
<b>Indi</b>					
Bandiana					
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	0.9	2.8	0.9	0.8
Joint Logistics Unit Warehousing	36.4	32.2	-	2.2	0.0
Gaza Ridge Barracks					
Facilities for Project Overlander (LAND 121) <sup>[1][7]</sup>	-	10.8	7.8	8.0	9.4
<b>Jagajaga</b>					
Watsonia					
Defence Force School of Signals	101.3	90.8	2.4	3.0	1.6
<b>McEwen</b>					
Puckapunyal					
Enhanced Land Force Stage 1 Works <sup>[1][2]</sup>	-	60.9	32.5	20.2	17.0
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	1.1	2.5	1.2	1.0
<b>Total Victoria</b>	<b>323.3</b>	<b>208.3</b>	<b>73.0</b>	<b>60.5</b>	<b>41.4</b>
<b>QUEENSLAND</b>					
<b>Blair</b>					
Amberley					

	Total Estimated Expenditure	Cumulative Expenditure To 30 June 2013	2012 - 13 Budget Estimate	2012 - 13 Additional Estimate	2012 - 13 Actual
	\$m	\$m	\$m	\$m	\$m
RAAF Base Amberley Redevelopment Stage 3	331.5	306.4	29.2	17.0	9.2
Australian Super Hornet Weapons Facilities <sup>[6]</sup>	110.1	107.8	0.9	0.9	0.9
Heavy Air Lift Capability Permanent Facilities <sup>[1][9]</sup>	-	153.9	5.2	4.1	5.1
Facilities for Project Overlander (Land 121) <sup>[1][7]</sup>	-	11.7	3.9	3.2	3.8
Enhanced Land Force Stage 1 Works <sup>[1][2]</sup>	-	103.0	3.1	4.2	4.6
Defence Logistics Transformation Project <sup>[1][11]</sup>	-	5.8	-	5.0	5.8
<b>Enoggera</b>					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	635.7	119.5	202.6	194.4
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	7.4	13.0	8.7	7.3
<b>Forde</b>					
Canungra					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	39.8	28.3	24.0	23.0
<b>Herbert</b>					
Townsville					
Enhanced Land Force Stage 1 Townsville Works <sup>[1][2]</sup>	-	181.3	8.8	13.1	12.9
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	60.5	2.9	1.6	2.0
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	1.8	4.0	2.0	1.7
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.1	-	0.2	0.1
<b>Lilley</b>					
Damascus Barracks					
Facilities for Project Overlander (Land 121) <sup>[1][7]</sup>	-	15.2	6.2	2.8	3.3
<b>Moncrief</b>					
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.0	-	0.1	0.0
<b>Rankin</b>					
Greenbank Training Area					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	101.3	83.2	79.2	88.1
<b>Ryan</b>					
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.0	-	0.1	0.0
<b>Wide Bay</b>					
Wide Bay Training Area					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	59.7	38.7	14.2	15.1
<b>Total Queensland</b>	<b>441.6</b>	<b>1,791.4</b>	<b>346.9</b>	<b>383.0</b>	<b>377.3</b>
<b>SOUTH AUSTRALIA</b>					
<b>Barker</b>					
Murray Bridge Training Area					
Hardened and Networked Army Facilities <sup>[1][10]</sup>	-	28.1	7.1	10.3	11.6
<b>Wakefield</b>					
Edinburgh Defence Precinct					
Hardened and Networked Army Facilities <sup>[1][10]</sup>	-	544.9	3.8	0.7	0.8
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	1.0	3.2	1.1	0.9
RAAF Base Edinburgh					
Redevelopment Stage 2	99.6	94.2	6.1	12.0	14.1
Enhanced Land Force Stage 1	-	19.6	5.8	4.1	0.1

	Total Estimated Expenditure	Cumulative Expenditure To 30 June 2013	2012 - 13 Budget Estimate	2012 - 13 Additional Estimate	2012 - 13 Actual
	\$m	\$m	\$m	\$m	\$m
Works <sup>[1][2]</sup>					
Enhanced Land Force Stage 2 Works <sup>[1][3]</sup>	-	33.7	19.9	21.2	19.6
<b>Total South Australia</b>	<b>99.6</b>	<b>721.5</b>	<b>45.9</b>	<b>49.4</b>	<b>47.1</b>
<b>WESTERN AUSTRALIA</b>					
<b>Pearce</b>					
RAAF Base Pearce					
Redevelopment Stage 1	142.2	136.5	7.6	3.5	5.7
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.0	-	0.1	0.0
<b>Total Western Australia</b>	<b>142.2</b>	<b>136.5</b>	<b>7.6</b>	<b>3.6</b>	<b>5.7</b>
<b>TASMANIA</b>					
<b>Bass</b>					
Scottsdale Specific Nutritional Capability	18.7	8.9	9.9	7.1	8.0
<b>Total Tasmania</b>	<b>18.7</b>	<b>8.9</b>	<b>9.9</b>	<b>7.1</b>	<b>8.0</b>
<b>NORTHERN TERRITORY</b>					
<b>Solomon</b>					
Darwin					
Robertson Barracks Redevelopment	72.1	62.1	0.4	1.6	1.8
Robertson Barracks Electrical Reticulation System Upgrade	43.4	40.2	32.0	33.7	36.6
Facilities for Replacement Towed Artillery (Land 17) <sup>[1][5]</sup>	-	1.1	4.4	1.0	1.0
Defence Logistics Transformation Project <sup>[1][11]</sup>	-	11.6	-	10.0	11.6
RAAF Base Darwin					
Redevelopment Stage 2	48.7	45.0	0.7	2.1	2.0
Heavy Airlift Capability Permanent Facilities <sup>[1][9]</sup>	-	42.9	1.7	1.7	2.1
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[1][12]</sup>	-	0.0	-	0.1	0.0
<b>Total Northern Territory</b>	<b>164.2</b>	<b>202.9</b>	<b>39.2</b>	<b>50.2</b>	<b>55.1</b>
<b>AUSTRALIAN CAPITAL TERRITORY</b>					
<b>Canberra</b>					
Defence Facilities at HMAS Harman and Other Locations <sup>[6]</sup>	-	156.1	103.9	130.0	130.2
Australian Defence Force Academy: Living-In Accommodation Refurbishment	34.7	31.8	9.5	9.3	10.1
Australian Defence Force Academy Redevelopment	98.5	44.5	41.6	40.0	39.7
<b>Fraser</b>					
HMAS Creswell					
Redevelopment	83.6	83.2	0.1	0.7	0.7
<b>Total Australian Capital Territory</b>	<b>216.8</b>	<b>315.6</b>	<b>155.1</b>	<b>180.0</b>	<b>180.7</b>
<b>VARIOUS LOCATIONS <sup>[1]</sup></b>					
Enhanced Land Force – Facilities Stage 1 Works <sup>[2]</sup>	793.1	-	-	-	-
Enhanced Land Force – Facilities Stage 2 Works <sup>[3]</sup>	1,457.8	-	-	-	-
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[4]</sup>	63.3	-	-	-	-
Facilities for Replacement Towed Artillery (Land17) <sup>[5]</sup>	46.5	-	-	-	-
Defence Facilities at HMAS Harman and Other Locations <sup>[6]</sup>	163.5	-	-	-	-
Facilities for Project Overlander (Land 121) <sup>[7]</sup>	50.3	-	-	-	-
Heavy Airlift Capability Permanent Facilities <sup>[9]</sup>	268.2	-	-	-	-
Hardened and Networked Army	597.4	-	-	-	-

	Total Estimated Expenditure	Cumulative Expenditure To 30 June 2013	2012 - 13 Budget Estimate	2012 - 13 Additional Estimate	2012 - 13 Actual
	\$m	\$m	\$m	\$m	\$m
Facilities <sup>[10]</sup>					
Defence Logistics Transformation Project <sup>[11]</sup>	752.7	-	-	-	-
Facilities for Joint Counter Improvised Explosive Device Capability <sup>[12]</sup>	13.4	-	-	-	-
Projects in or about to enter Defects Liability Period	801.0	-	3.5	19.3	8.9
<b>Total Various</b>	<b>5,007.2</b>	<b>-</b>	<b>3.5</b>	<b>19.3</b>	<b>8.9</b>
<b>TOTAL</b>	<b>6,978.1</b>	<b>3,749.2</b>	<b>815.0</b>	<b>913.0</b>	<b>869.9</b>

#### Notes

- 1 These projects cross state and electoral boundaries. Expenditure estimates for 2012-13 are provided in the table per location
- 2 Enhanced Land Force Stage 1 has an approved budget of \$793.1m covering the following locations: RAAF Base Richmond (completed), Holsworthy (completed), Singleton (completed), Kapooka, Puckapunyal, RAAF Base Amberley, Lavarack Barracks, Townsville high Range Training Area (completed), RAAF Base Edinburgh and Campbell Barracks.
- 3 Enhanced Land Force Stage 2 has an approved budget of \$1,457.8m covering the following locations: Singleton, Garden Island (completed), HMAS Penguin (completed), Watsonia (completed), Puckapunyal (completed), RAAF Base Amberley (completed), Enoggera, Canungra, Lavarack Barracks, Townsville Field Training Area, (completed) Greenbank Training Area, Wide Bay Training Area, Cultana Training Area, RAAF Base Edinburgh, Majura Field Training Area (completed) and Royal Military College Duntroon (completed).
- 4 HMAS Penguin and Pittwater Annexe Redevelopment has an approved budget of \$63.3m covering two locations: HMAS Penguin and the Pittwater Annexe.
- 5 Facilities for Replacement Towed Artillery (LAND 17) has an approved budget of \$46.5 m. This project covers six sites: Enoggera, Puckapunyal, Townsville, Edinburgh, Darwin and Bandiana.
- 6 Defence Facilities at HMAS Harman and Other Locations project covers two locations: Army facilities in Victoria and Defence facilities at HMAS Harman, ACT
- 7 Facilities for Project Overlander (LAND 121) has an approved budget of \$50.3m. This project covers three locations: Gaza Ridge Barracks North Bandiana, Damascus Barracks Meeandah and RAAF Base Amberley.
- 8 Australian Super Hornet Facilities has a budget of \$117.1m that includes both the development and delivery phase budgets leaving a delivery budget of \$110.1m.
- 9 Heavy Airlift Capability - Permanent Facilities has an approved budget of \$268.2m covering five locations: RAAF Base Amberley, RAAF Base Edinburgh, RAAF Base Darwin, RAAF Base Townsville and RAAF Base Pearce. Construction works at RAAF Bases Townsville, Edinburgh, Pearce and Darwin are complete. Outstanding Defects Liability works remain to be completed at RAAF Base Darwin. The Cargo Compartment Trainer is an approved additional scope item being delivered at RAAF Base Amberley.
- 10 Hardened and Networked Army Facilities has a budget of \$623.7m which includes the development and delivery phase budgets leaving a delivery phase budget of \$597.4m. Hardened and Networked Army Facilities project covers two locations: Edinburgh Defence Precinct, and Murray Bridge Training Area. This project does not include similarly named works at Robertson Barracks.
- 11 Defence Logistics Transformation Project has an approved budget of \$752.7m covering 6 locations: Moorebank, Amberley, Townsville, Edinburgh, Darwin and Bandiana.
- 12 Facilities for Joint Counter Improvised Explosive Device Capability has an approved budget of \$13.4m. The project covers ten locations: Moorebank, Singleton Training Area, Bandiana, Watsonia, Canungra, Townsville Training Area, Cultana Training Area, Edinburgh Defence Precinct, Campbell Barracks and RAAF Base Darwin.

**Table W9.3 Performance of major capital facilities projects**

Location	Status	2012-13 Achievements
<b>New South Wales</b>		
HMAS Albatross Redevelopment Stage 3	Substantially Met	This project will provide upgraded and new facilities and engineering services to support naval air operations. The contract for the Delivery Phase was signed in June 2013, and construction works are expected to commence on priority facilities in early 2014. Construction of the remaining facilities is expected to commence in mid 2014. Works are scheduled to be complete in mid 2017.
Moorebank Units Relocation	Met	This project supports the Government's Moorebank Intermodal Terminal project on Commonwealth owned / Defence occupied land at Moorebank. The Moorebank Units Relocation project is delivering new facilities at Holsworthy Barracks to relocate affected Defence units and facilities from the proposed Moorebank Intermodal Terminal site, including the School of Military Engineering. Construction commenced in Oct 2012. Works to allow the vacation of the Moorebank site are scheduled for completion in mid 2015, with all remaining works at Holsworthy Barracks scheduled for completion in late 2015.
Liverpool Military Area High Voltage Reticulation Systems Upgrade	Met	This project will provide an increased energy supply and improved electrical distribution systems to the Liverpool Military Area, primarily at Holsworthy Barracks. Construction commenced in August 2013 with completion of all works currently scheduled for mid 2014.
<b>Victoria</b>		

East Sale – RAAF Base East Sale Redevelopment	Met	This project will provide new base services infrastructure, working accommodation, Living-in-accommodation, a compliant fuel farm, new air traffic control tower, chapel, gymnasium and commercial precinct. Construction commenced in May 2013. All works are currently scheduled for completion by mid 2015.
Bandiana—Joint Logistics Unit Warehousing	Met	This project provided new and upgraded warehousing, storage and ancillary support facilities at Bandiana. All works have been completed.
Watsonia - Defence Force School of Signals	Substantially Met	This project will provide new working accommodation, improved security arrangements and upgraded living-in accommodation for the Defence Force School of Signals at Simpson Barracks. Construction commenced in October 2008. All works are substantially complete with the exception of one refurbishment scope element, which is currently being assessed in relation to remaining funds available to the project.
<b>Queensland</b>		
Amberley - RAAF Base Amberley Redevelopment Stage 3	Substantially Met	This project will provide new trainee living-in accommodation and messing facilities, physical fitness facilities, office, medical and working accommodation, consolidation of maintenance facilities, construction of a new fuel farm and a base security upgrade. Construction commenced in 2008. All works are complete with the exception of Package 6, Passive Defence Augmentation. Completion is scheduled for early 2014.
Amberley - Australian Super Hornet Facilities	Met	This project provided new, expanded and modified facilities and infrastructure at RAAF Base Amberley to support the introduction of the Super Hornet aircraft. Key facilities have been progressively completed from late 2009. All works have been completed.
<b>South Australia</b>		
RAAF Base Edinburgh - Redevelopment Stage 2	Met	This project provides new working accommodation and upgrades to engineering services. Construction commenced in late 2010 and completed in June 2013.
<b>Western Australia</b>		
RAAF Base Pearce – Redevelopment Stage 1	Substantially Met	This project will provide new and refurbished operational, training, domestic support and aircraft maintenance facilities, improvements and upgrading of engineering services and demolition of redundant facilities. Favourable tendering conditions have allowed for the inclusion of approved deferred works. Construction commenced in 2008, with completion scheduled in mid 2014.
<b>Tasmania</b>		
Scottsdale Specific Nutritional Capability	Met	This project provides a reinvestment in the existing Defence Science and Technology Organisation nutritional capability at Scottsdale through the construction of replacement food technology laboratories and working facilities. Construction commenced in early 2012, with completion scheduled in late 2014.
<b>Northern Territory</b>		
Darwin - Robertson Barracks Redevelopment	Substantially Met	This project comprises three individual project elements: the Robertson Barracks redevelopment project; LAND 907 facilities project; and the Hardened and Networked Army (HNA) facilities project (which is separately funded and distinct from the HNA facilities project supporting the hardened and networked capability). The Robertson Barracks redevelopment project will provide new and upgraded facilities for training, emergency response, working accommodation and equipment support. The HNA facilities project will provide additional working accommodation and other support facilities. The LAND 907 and the redevelopment component is complete with only some HNA elements to be delivered. Construction commenced in 2009, with completion scheduled in late 2013.

Darwin – Robertson Barracks Electrical Reticulation System Upgrade	Met	This project will provide Robertson Barracks with a reliable high voltage electrical distribution system that rectifies identified deficiencies and is capable of meeting current and future demands. Construction commenced in late 2011 and was completed in August 2013.
Darwin - RAAF Base Darwin Redevelopment Stage 2	Met	This project will provide new facilities and an upgrade to existing facilities including fuel farms and workshops. Construction commenced in late 2010, with completion scheduled in late 2013.

#### Australian Capital Territory

Australian Defence Force Academy: Living-In Accommodation Refurbishment	Met	This project will refurbish existing living-in accommodation for the Australian Defence Force Academy cadets. Construction commenced in late 2010, and was completed in mid 2013.
Australian Defence Force Academy Redevelopment	Met	This project aims to address the functional deficiencies of the teaching, training, office and living-in accommodation and mess facilities at ADFA to meet current and future academic and military training needs. Construction commenced in November 2011 and is scheduled for completion in mid 2015.
HMAS Creswell Redevelopment	Met	This project provided new and upgraded facilities for the training of Navy officers upon initial entry and senior sailors in the areas of leadership, management and personal development. The works include upgrades to base engineering services and infrastructure, new and refurbished classrooms, office and living-in accommodation and specialised training facilities. Construction commenced in 2009. All works have been completed.

#### Various Locations

Enhanced Land Force – Facilities Stage 1 Works	Met	<p>This project will provide modern, purpose-built facilities and supporting infrastructure for the relocation of the 3rd Battalion, the Royal Australian Regiment from Sydney to Townsville. The works involve the construction of new and refurbished accommodation and training facilities, as well as the construction of common use facilities and site infrastructure upgrades at Townsville and other Defence sites across five states.</p> <p>Facilities at Kapooka, Singleton, Holsworthy and Puckapunyal will provide modern accommodation and supporting infrastructure for increased Army initial employment training. At RAAF Bases Amberley, Edinburgh and Richmond, new facilities will be provided for joint enabling elements supporting the enhanced land force capabilities. Facilities at RAAF Base Richmond, Campbell Barracks Perth, Holsworthy, Singleton and, RAAF Amberley have been completed. Construction commenced in mid-2009 and completion of the remaining elements is scheduled by late 2014.</p>
Enhanced Land Force – Facilities Stage 2 Works	Substantially Met	<p>This project will provide modern purpose-built facilities and supporting infrastructure for the 8th/9th Battalion the Royal Australian Regiment and supporting elements of the Army's 7th Brigade at Gallipoli Barracks in Enoggera, Brisbane. The project includes the construction of new and refurbished accommodation and training facilities, as well as common use facilities and site infrastructure upgrades at Enoggera and other Defence sites across four States and both mainland Territories.</p> <p>Facilities at Townsville, Singleton, Duntroon and Watsonia will provide modern accommodation and supporting infrastructure for increased Army career training. In Sydney and at RAAF Bases Amberley and Edinburgh and at nine Defence Training Areas, new and refurbished facilities and site infrastructure upgrades will be provided for Army and joint enabling elements supporting the Enhanced Land force capabilities. Works at Garden Island and Balmoral were completed in 2010. Facilities at Garden Island, HMAS Penguin, Watsonia, Puckapunyal, RAAF Base Amberley, Townsville Field Training Area, Majura Field Training Area and Royal Military College Duntroon have been completed. Construction commenced in mid 2010 and is scheduled to be completed by late 2016.</p>
HMAS Penguin and Pittwater Annexe Redevelopment	Met	This project will provide a comprehensive upgrade of base wide engineering services infrastructure, security works and working accommodation for training and support functions. Construction commenced in mid 2011 and is scheduled to be completed in late

2013.

Facilities for Replacement Towed Artillery (LAND 17)	Substantially Met	This project will provide new and upgraded facilities to support the introduction into service of the new towed artillery. The works will be at six sites: Enoggera, Puckapunyal, Townsville, Edinburgh, Darwin and Bandiana. The project received Parliamentary clearance in March 2012. Construction commenced in late 2012, with completion scheduled in early 2014.
Defence Facilities at HMAS Harman and Other Locations	Met	This project will provide an extension to the existing Defence Network Operation Centre that controls and monitors communication activities within Defence, as well as providing new data storage facilities for other capability projects and additional support facilities for the Army. All project components were completed in July 2013.
Facilities for Project Overlander (LAND 121)	Substantially Met	This project will provide the facilities to enable vehicle and conversion training for drivers and vehicle maintainers at three locations: Gaza Ridge Barracks North Bandiana, Damascus Barracks Meeandah and RAAF Base Amberley. Construction commenced in early 2012. The facilities are now complete with minor defects requiring rectification by the contractors.
Heavy Airlift Capability – Permanent Facilities	Met	This project provided new facilities for the C-17 Globemaster III aircraft. The works include a headquarters, maintenance facilities, air movements and cargo facilities, a simulator, warehousing and support facilities and airfield pavement works at the Amberley home base. The upgrading of airfield pavements, movements and cargo facilities and supporting infrastructure at RAAF Bases Edinburgh, Townsville, Darwin and Pearce will also be included. Construction commenced in 2008. The works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin were completed in late 2009. The works at RAAF Base Pearce were completed in late 2010. All works have been completed.
Hardened and Networked Army Facilities	Substantially Met	This project provides facilities and infrastructure to support a mechanised battle group in the Edinburgh Defence Precinct. Additional infrastructure is being provided at Murray Bridge and Cultana Training Area. The Murray Bridge works are due for completion in late 2013 and the Cultana works are expected to be completed in 2015.
Defence Logistics Transformation Project (DLTP)	Substantially Met	The DLTP project will construct facilities at seven locations around Australia to support a reform of Defence's logistics system. The project comprises six works packages. Works Package 1 (Defence National Storage and Distribution Centre) commenced construction in December 2012. Works Package 1 (Bandiana) is scheduled for construction commencement in late 2014. Works Package 2 (RAAF Base Amberley) commenced construction in April 2013. Works Package 3 (Lavarack Barracks) has commenced with minor works. Works Package 4 (Darwin) commenced in May 2013. Construction contractors are currently being sought through a tender process for Works Packages 5 & 6 (RAAF Base Edinburgh, Palmer Barracks and HMAS Stirling).
Facilities for Joint Counter Improvised Explosive Device Capability	Partially Met	The project aims to provide test and evaluation facilities at Nurrungar (Woomera, South Australia) and Edinburgh (Adelaide, South Australia), plus storage and training facilities at 14 other sites across Australia. Defence has finalised agreements with the two indigenous groups and is finalising the design. Pending further Government and Parliamentary approval, construction is expected to commence in mid 2014.

**Table W9.4 Status of major projects expected to be referred to the Government and/or for consideration by the Parliamentary Standing Committee on Public Works by state, federal electorate and locality**

**Status as at 30 June 2013**

**NEW SOUTH WALES**

**Hughes**

Liverpool Military Area High Voltage Reticulation Systems Upgrade Expediency motion 19 September 2012

Moorebank Units Relocation <b>Newcastle</b> RAAF Base Williamtown Redevelopment Stage 2	Expediency motion 19 September 2012  Deferred
<b>QUEENSLAND</b>	
<b>Blair</b> 17 Construction Squadron Redevelopment/Relocation to Amberley	Deferred
<b>VICTORIA</b>	
<b>Corio</b> Point Wilson Waterside Infrastructure Remediation	Deferred
<b>Melbourne Ports</b> Defence Science and Technology Organisation (DSTO) Fishermans Bend - Human Protection Performance and Security <sup>(1)</sup>	Expediency motion 16 May 2013
<b>VARIOUS LOCATIONS</b>	
Base Security Improvement Program	Expediency motion 19 September 2012
Defence Logistics Transformation Program	Expediency motion 29 November 2012
Aircraft Pavements and Airfield Lighting at RAAF Base Amberley, RAAF Base Williamtown, RAAF Base Darwin, and RAAF Base Townsville	Declared to be repetitive works by Special Minister of State 13 October 2012
Aircraft Pavements and Airfield Lighting at RAAF Base Edinburgh, RAAF Base Williams and Woomera <sup>(2)</sup>	In development
Facilities for Chinook Helicopter (AIR 9000 Phases 5B and 5C)	In development
Facilities for Force Protection Research and Training (JP154)	In development
Facilities for Air Warfare Destroyer (SEA 4000)	Expediency motion 16 May 2013
Facilities for Amphibious Deployment and Sustainment Facilities (JP 2048)	Expediency motion 16 May 2013
Facilities for Future Naval Aviation Combat System Support (AIR 9000 Phase 8)	Expediency motion 16 May 2013
<b>Notes</b>	
1	This project was previously reported as "Human Protection Performance Division"
2	Defence proposes to seek exemption from the Public Works Committee scrutiny of this project on the grounds that the work is declared repetitive in accordance with Section 18(8A) of the Public Works Act 1969.

**Table W9.5 Approved medium capital facilities projects and their expenditure**

	Total Estimated Expenditure	Cumulative Expenditure to 30 June 2013	2012-13 Budget Estimate	2012-13 Additional Estimate	2012-13 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>NEW SOUTH WALES</b>					
<b>Hughes</b>					
Holsworthy					
6 <sup>th</sup> Aviation Regiment – Expanded 171 Aviation Squadron Facilities	11,684	8,437	9,396	8,846	8,339
<b>Newcastle</b>					
RAAF Base Williamtown Corrosion Control Facility and Spray Paint Booth Facilities Upgrade	6,280	570	-	4,616	570
RAAF Base Williamtown – Hunter Water Corporation Wastewater Transfer Scheme <sup>(1)</sup>	10,201	7,450	-	-	7,450
<b>Total New South Wales</b>	<b>28,165</b>	<b>16,457</b>	<b>9,396</b>	<b>13,462</b>	<b>16,359</b>
<b>VICTORIA</b>					
<b>Melbourne Ports</b>					
Thermal Test Facility- Fishermans Bend	6,600	91	-	3,630	91
<b>Lalor</b>					
RAAF Base Williams Australian Operational Concept Contingency and Stores <sup>(3)</sup>	-	46	616	716	4
<b>Total Victoria</b>	<b>6,600</b>	<b>137</b>	<b>616</b>	<b>4,346</b>	<b>95</b>
<b>QUEENSLAND</b>					
<b>Capricornia</b>					
Shoalwater Bay Training Area Triangular Island Facility Upgrade	2,150	884	1,160	2,057	791
<b>Herbert</b>					
Lavarack Barracks Countermine Capability Facilities (LAND 144) <sup>(2)</sup>	-	167	87	389	149
RAAF Townsville Australian Operational Concept Contingency and Stores <sup>(3)</sup>	-	21	610	716	4

	Total Estimated Expenditure	Cumulative Expenditure to 30 June 2013	2012-13 Budget Estimate	2012-13 Additional Estimate	2012-13 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Rankin</b>					
Greenbank Training Area					
Countermine Capability Facilities (LAND 144) <sup>[2]</sup>	-	117	120	304	116
<b>Ryan</b>					
Enoggera					
Australian Operational Concept	-	14	490	716	4
Contingency and Stores <sup>[3]</sup>					
<b>Total Queensland</b>	<b>2,150</b>	<b>1,203</b>	<b>2,467</b>	<b>4,182</b>	<b>1,064</b>
<b>SOUTH AUSTRALIA</b>					
<b>Wakefield</b>					
RAAF Edinburgh					
Australian Operational Concept	-	23	605	716	4
Contingency and Stores <sup>[3]</sup>					
P&EE Port Wakefield					
Explosive Ordnance Storage <sup>[4]</sup>	15,450	13,197	-	1,700	-
<b>Total South Australia</b>	<b>15,450</b>	<b>13,220</b>	<b>605</b>	<b>2,416</b>	<b>4</b>
<b>WESTERN AUSTRALIA</b>					
<b>Pearce</b>					
RAAF Base Pearce					
Potable Water Supply Upgrade	3,144	364	1,533	3,978	11
<b>Total Western Australia</b>	<b>3,144</b>	<b>364</b>	<b>1,533</b>	<b>3,978</b>	<b>11</b>
<b>TASMANIA</b>					
<b>Denison</b>					
Derwent Barracks					
Australian Operational Concept	-	22	695	716	4
Contingency and Stores <sup>[3]</sup>					
<b>Total Tasmania</b>	<b>-</b>	<b>22</b>	<b>695</b>	<b>716</b>	<b>4</b>
<b>NORTHERN TERRITORY</b>					
<b>Lingiari</b>					
RAAF Base Tindal					
Mount Bunday Training Area – Medical Facility	4,260	4,065	2,677	3,611	3,541
Corrosion Control Facility	4,465	28	2,675	1,964	24
<b>Solomon</b>					
Darwin					
Australian Operational Concept	-	22	1,377	716	4
Contingency and Stores <sup>[3]</sup>					
Naval Fuel Installation Rectification	10,690	8,204	10	1,027	375
Larrakeyah Barracks					
Stormwater Infrastructure Works	2,463	2,254	-	900	900
Robertson Barracks					
Countermine Capability Facilities (LAND 144) <sup>[2]</sup>	-	170	235	430	165
1 <sup>st</sup> Aviation Regiment Facilities Upgrade	2,250	1,062	95	-	36
<b>Total Northern Territory</b>	<b>24,128</b>	<b>15,805</b>	<b>7069</b>	<b>8,648</b>	<b>5,045</b>
<b>VARIOUS LOCATIONS</b>					
Countermine Capability Facilities (LAND 144) <sup>[2]</sup>	1,420	-	-	-	-
Australian Operational Concept	7,900	-	-	-	-
Contingency and Stores <sup>[3]</sup>					
Projects in or about to enter Defects Liability Period	-	-	-	3,251	1,958
<b>Total Various</b>	<b>9,320</b>	<b>-</b>	<b>-</b>	<b>3,251</b>	<b>1,958</b>
<b>TOTAL</b>	<b>88,957</b>	<b>47,208</b>	<b>22,381</b>	<b>40,999</b>	<b>24,540</b>

**Notes**

1. Project approved after publication of the Defence *Portfolio Additional Estimates Statements 2012-13*.
2. Countermine Capabilities Facilities (LAND 144) has a budget of \$1.420m covering five locations; Holsworthy Barracks, Lavarack Barracks, Greenbank Training Area, Gallipoli Barracks, Enoggera and Robertson Barracks. Construction works at Holsworthy and Enoggera are complete.
3. Australian Operational Concept Contingency Vehicles & Stores has a budget of \$7.900m covering six locations; RAAF Bases Williams, Darwin, Townsville, Edinburgh, and Gallipoli and Derwent Barracks.
4. P&EE Port Wakefield Ordnance Storage: Total Expenditure is \$15,460,000. The Portfolio Additional Estimates 2012-13 included a figure of \$13,182,000 which is a misstatement.

## Medium capital projects for consideration in 2012-2013

**Table W9.6 Proposed medium capital projects for consideration in 2012-13**

State	Federal Electorate	Locality	Status
New South Wales			
	Calare	Bathurst Regional Airport: Australian Air Force Cadets	Approved
	Newcastle	RAAF Base Williamtown: Corrosion Control Facility Upgrade	Approved
	Newcastle	Hunter Water corporation Wastewater Transfer Scheme – RAAF Williamtown <sup>[1]</sup>	Approved
	Warringah	HMAS Penguin – ADF Centre for Mental Health Facility	Approved
South Australia			
	Grey	Woomera Prohibited Area: Disposal Explosive Ordnance Storage Facilities	Withdrawn
	Wakefield	Port Wakefield: Vibration Testing Facility	In development
Northern Territory			
	Solomon	RAAF Base Darwin: Flood Mitigation Works	In development
Various		ASLAV Additional Facilities	In development
		JP 2048 Phase 3LHD Landing Craft Support Facilities	In development

**Note:**

1. Project approved after publication of the Portfolio Additional Estimates Statements 2012-13.

**Table W9.7 Single LEAP Phase 2 (by State, Federal Electorate, and Locality including Units and Capital Cost)**

State/Site	Living In Accommodation Units	Capital Cost (Nominal) \$m	Federal Electorate	Completion Date
<b>New South Wales</b>				
RAAF Base Wagga	50	\$14.7m	Riverina	August 2013
Blamey Barracks, Kapooka	90	\$24.6m	Riverina	August 2013
HMAS Albatross, Nowra	170	\$39.4m	Gilmore	September 2013
<b>Victoria</b>				
South Bandiana, AWMA	50	\$14.5m	Indi	September 2013
Simpson Barracks, Watsonia	120	\$28.8m	Jaga Jaga	October 2013
Puckapunyal Military Area	201	\$56.7m	McEwen	October 2013
<b>Queensland</b>				
Lavarack Barracks, Townsville - Stage 1	272	\$69.5m	Herbert	Completed October 2012
Lavarack Barracks, Townsville - Stage 2	270	\$59.8m	Herbert	Completed July 2013
<b>South Australia</b>				
Edinburgh Military Precinct, Elizabeth - Stage 1	200	\$45.7m	Wakefield	Completed December 2012
RAAF Base Edinburgh, Elizabeth - Stage 2	232	\$43.6m	Wakefield	Completed July 2013
<b>Western Australia</b>				
HMAS Stirling, Rockingham	269	\$59.3m	Brand	Completed December 2012
Campbell Barracks, Swanbourne	60	\$16.3m	Curtin	Completed July 2013
<b>Northern Territory</b>				
HMAS Coonawarra, Larrakeyah Barracks, Darwin	232	\$71.9m	Solomon	Completed June 2013

Robertson Barracks, Palmerston - Stage 1	334	\$99.8m	Solomon	Completed January 2013
Robertson Barracks, Palmerston- Stage 2	352	\$71.4m	Solomon	February 2014
<b>Australian Capital Territory</b>				
ADFA, Campbell	80	\$18.9m	Fraser	December 2013
RMC Duntroon, Campbell	33	\$12.3m	Fraser	December 2013
<b>TOTAL</b>	<b>3,015</b>	<b>\$747.2m</b>		

# Supplementary Online Content

## Chapter 9 Environmental Performance

This section reports on Defence's environmental performance and its contribution to ecologically sustainable development under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Defence conducts a program of environmental impact assessment to ensure that the environmental risks of Defence activities are properly considered and managed. The level of environmental risk posed by an activity determines the level of assessment.

Many Defence activities pose only a low risk to the environment and are managed through existing Defence management protocols such as standard operating procedures, standing orders and environmental and heritage management plans. Types of activities that are considered a low environmental risk include routine and small-scale military training activities, minor construction works, building refurbishments and the use of some new or upgraded military equipment.

Defence activities that are considered to have medium environmental risks are assessed and managed through Defence's Environmental Clearance Certificate process. A certificate is also required for activities where no extant policies or procedures exist to ensure appropriate environmental mitigation strategies and/or management plans are in place.

Higher environmental risk Defence activities may include large-scale training exercises, major infrastructure works, and the introduction of major equipment or activities in environmentally sensitive locations. These activities receive comprehensive environmental impact assessment, including advice from professional environmental consultants. Each year, a relatively small number of Defence activities are assessed as exceeding the significant impact guidelines published under the EPBC Act. These activities are referred to the Minister for the Environment for formal consideration under the Act.

### **Land management and biodiversity conservation**

Defence continued to develop site-based land management-related plans across the estate. These included sustainability monitoring and reporting plans, biodiversity-related plans and overabundant-species plans. Defence completed development of an estate-wide strategy for managing airfield wildlife hazards.

## **Interaction with marine and aquatic environments**

Defence activities in the marine environment were undertaken in accordance with the ADF Maritime Activities Environmental Management Plan. The plan guides the full range of activities Defence is likely to undertake in the marine environment, and mitigates potential risks to marine fauna, including noise disturbance, entanglement, habitat degradation and collision.

The plan identifies limits on the scale of activities and, when activities exceeded those limits, additional management was applied through development of an Environmental Clearance Certificate. This process includes an assessment as to whether the activity needs to be referred to the Minister for the Environment for consideration under the EPBC Act.

## **Climate change**

Defence supports the Government's agenda on climate change through the implementation of resource efficiency strategies and awareness-raising initiatives. Defence is also undertaking a study to determine mitigation and adaptation strategies to minimise the impact of climate change—induced sea-level rise, storm surges and coastal erosion at selected Defence sites across Australia.

Defence continued its participation in Earth Hour 2013; many Defence bases across Australia switched off non-essential lights and other electrical equipment in facilities where possible.

Around 80 Australian and international delegates attended the Pacific Environmental Security Forum in Sydney to consider impacts of climate change such as sea-level rise and the role of the military in natural disaster management. The forum was co-hosted with the United States Pacific Command.

## **Energy management**

Defence continued to report energy consumption in accordance with the Energy Efficiency in Government Operations policy. Defence has also continued with the installation of electricity sub-meters, which will improve its capacity to monitor and report energy consumption. As part of the Defence Energy Strategy, Defence regions have in place energy action plans which identify short-, medium- and long-term actions to reduce energy demand and improve energy efficiency.

Defence continued to implement measures and initiatives to improve resource efficiency and minimise its carbon emissions. These initiatives included lighting retrofit projects and installation of solar photo voltaic systems on Defence bases where appropriate. Defence infrastructure projects continued to incorporate energy-efficient designs, fittings and equipment and the use of

renewable energy sources such as solar hot water systems. In remote locations, solar hybrid power systems were installed where appropriate.

### **Water and waste management**

Defence continues to implement water efficiency initiatives across the estate, including leak detection, upgrades to irrigation systems, replacement of fixtures with water-efficient devices, rainwater harvesting and reuse, and the development of water management and landscape management plans.

Defence continued to meet its reporting requirements under the Australian Packaging Covenant by reporting waste diverted from landfill and recycling rates at key sites.

### **Pollution prevention and contaminated sites management**

Defence uses a number of hazardous substances that may have the potential to pollute the environment. Defence has continued to develop policy and guidelines, through the Defence pollution prevention program, to assist in preventing pollution particularly where hazardous substances are being used.

The Defence national contamination remediation program began in 2003. In 2012, the program was renamed the Defence environmental remediation programs to reflect the incorporation of the unexploded ordnance program and the evolving major projects program relating to contamination remediation. The focus is on managing and remediating sites using a risk-based approach where historic use by Defence may have left a legacy of contamination.

In the past year Defence began the remediation of the former fire training area at RAAF Base Williams, Point Cook, Victoria. The project to remediate the area will reduce the potential risks to human health and environment, particularly the potential impacts on Port Phillip Bay.

Defence engaged with the Cooperative Research Centre for Contamination Assessment and Remediation of the Environment to improve understanding about remediation options for contamination associated with lead in soil as well as from the chemical compounds associated with fire-fighting foam.

A historical review project began into the transportation, use, storage and disposal of chemical munitions during and after World War Two to identify any potential risks associated with these munitions.

### **National environment protection measures**

Defence continued to contribute to the Government's implementation and the effectiveness of the National Environment Protection Measures. Defence continued to report under the National Pollutant Inventory.

### **Ozone depleting substances and synthetic greenhouse gases**

Under the *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*, Defence holds five licences and one formal exemption. The Defence Ozone Depleting Substances and Synthetic Greenhouse Gases Manual and DI(G) LOG 4-3-022 establishes policy and offers guidance to Defence managers of platforms and equipment that are charged with fire-extinguishing agents and refrigerant gases, as well as bulk holdings and imports. Defence continued to work closely with the Department of Sustainability, Environment, Water, Population and Communities and the Fire Protection Association of Australia to mature its risk management processes and support the implementation of the manual.

### **Strategic partnerships**

During 2012–13 Defence continued to establish and maintain strategic partnerships with universities, local community groups, key stakeholders, local governments and non-government organisations. Details of Defence's key partnerships and arrangements can be found online.

### **Environmental impact assessment**

Environmental impact assessment ensures that Defence considers the potential environmental impacts when deciding whether to proceed with a project. Defence undertakes a number of environmental impact assessments to ensure that the range of environmental risks associated with Defence actions and activities are appropriately considered and managed. The types of environmental risks and hazards that are likely to be present will determine the level of complexity of the environmental impact assessment.

Defence has a number of internal management tools that assist in the management of the environment. One example includes an internal environmental impact approval process involving an environmental clearance certificate for actions or activities that are unlikely to have a significant environmental impact under the provisions of the EPBC Act.

Activities or actions with substantial environmental risks are considered through higher-level assessments. Comprehensive assessments such as the preparation of an environmental impact statement are conducted in accordance with the provisions of the EPBC Act and involve community consultation.

## Supplementary Online Content

### Chapter 12 Defence Materiel

#### Program 1.1 Management of Capability Acquisition

#### Top 30 major projects by expenditure

Table W12.1 provides details of the top 30 major projects (by forecast expenditure in the Portfolio Budget Statements 2012–13). Expenditure for the top 30 major projects represented 74 per cent of total expenditure on major capital equipment projects in 2012–13.

**Table W12.1 Top 30 major projects by expenditure as forecast in the Portfolio Budget Statements 2012–13**

Project name	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012–13 \$m	Revised estimate 2012–13 <sup>[1]</sup> \$m	Final plan 2012–13 <sup>[2]</sup> \$m	Actual expenditure 2012–13 <sup>[3]</sup> \$m	Variation (b-a) \$m
<b>General Manager Joint, Systems and Air</b>								
<b>Aerospace Systems</b>								
Air to Air Refuelling Capability	AIR 5402	1,803	1,466	174	119	118	91	-27
Additional C-17A Globemaster III	AIR 8000	554	419	51	4	4	3	..
	Phase 4							

Project name	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012–13 \$m	Revised estimate 2012–13 <sup>[1]</sup> \$m	Final plan 2012–13 <sup>[2]</sup> \$m	Actual expenditure 2012–13 <sup>[3]</sup> \$m	Variation \$m (b-a)
Bridging Air Combat Capability	AIR 5349 Phase 1	3,281	2,697	49	29	29	29	1
C-17 Globemaster III	AIR 8000 Phase 3	1,845	1,336	40	10	10	9	..
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	172	72	31	27	27	27	..
Airborne Surveillance for Land Operations	JP 129 Phase 2	93	47	27	17	16	16	..
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,844	3,255	289	209	207	198	-9
Electronic Systems								
Battlespace Communications Systems (LAND)	JP 2072 Phase 2A	441	59	156	101	99	99	..
Next Generation Satellite Communication System	JP 2008 Phase 4	864	468	116	90	89	75	-14
Joint Command Support Environment	JP 2030 Phase 8	256	123	47	25	25	24	-1



Project name	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012–13 \$m	Revised estimate 2012–13 <sup>[1]</sup> \$m	Final plan 2012–13 <sup>[2]</sup> \$m	Actual expenditure 2012–13 <sup>[3]</sup> \$m	Variation \$m (b-a)
Field Vehicles and Trailers—Overlander Program	LAND 121 Phase 3A/5A	991	233	132	152	152	154	2
Bushmaster Protected Mobility Vehicle	LAND 116 Phase 3	1,247	771	58	57	88	87	-1
Counter Rocket, Artillery and Mortar (C-RAM)	LAND 19 Phase 7A	254	147	55	30	29	28	-1
Artillery Replacement 155mm Howitzer	LAND 17 Phase 1A	324	122	29	15	14	13	-1
Digital Terminal Control System	LAND 17 Phase 1B	115	33	35	8	8	7	-1
Australian Protected Route Clearance Capability	JP 154 Phase 3A	74	13	29	18	18	19	..
Upgrade of M-113 Armoured Vehicles	LAND 106	885	768	26	23	23	22	-1
Maritime Systems								
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	676	340	52	67	67	65	-2

Project name	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012–13 \$m	Revised estimate 2012–13 <sup>[1]</sup> \$m	Final plan 2012–13 <sup>[2]</sup> \$m	Actual expenditure 2012–13 <sup>[3]</sup> \$m	Variation \$m (b-a)
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/4B	3,074	2,185	158	210	209	206	-4
Amphibious Watercraft Replacement	JP 2048 Phase 3	221	17	59	33	33	32	-1
<b>Air Warfare Destroyer</b>								
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,869	3,840	622	621	619	725	106 <sup>(4)</sup>
<b>Explosive Ordnance</b>								
Bridging Air Combat Capability	AIR 5349 Phase 2	275	123	54	14	13	14	1
Lightweight Torpedo Replacement	JP 2070 Phase 2	336	250	33	26	26	24	-2
Mulwala Redevelopment Project	JP 2086 Phase 1	369	314	28	17	17	15	-2
<b>Total top 30 projects</b>		<b>41,837</b>	<b>23,785</b>	<b>3,007</b>	<b>2,515</b>	<b>2,529</b>	<b>2,538</b>	<b>9</b>
<b>Notes</b>								

1. The revised budget for 2012–13 was published in the Portfolio Additional Estimates Statements 2012–13.

2. The final plan for 2012–13 is the final approved annual plan for the project inclusive of variations for foreign exchange movements and changes to materiel acquisition agreements.
3. Actual expenditure will include transactions in foreign currency applicable at the exchange rate at the time of the transaction. The budget estimate, revised estimate and final plan will include foreign currency exposures converted using the budgeted exchange rates applicable to the respective budget update.
4. Variance is a result of labour, subcontract and materiel fluctuations from the alliance industry participants in achieving the production schedule.

**Table W12.2 Variation to project approval for the 2012–13 top 30 major projects**

Project number / phase	Initial project approval date	Original approval \$m	Price indexation variation \$m	Exchange variation \$m	Real variation <sup>[1]</sup> \$m	Current approval \$m	Real variations 2 <sup>nd</sup> pass approval <sup>[2]</sup> \$m	Scope <sup>[3]</sup> \$m	Transfers <sup>[4]</sup> \$m	Other <sup>[5]</sup> \$m	Total real \$m
General Manager Joint, Systems and Air											
Aerospace Systems											
AIR 5402	17 Jul 03	2,077	484	-469	-289	1,803	-	-	-136	-154 <sup>[6]</sup>	-289
AIR 8000 Phase 4	16 Mar 11	291	-	-10	272	554	272 <sup>[7]</sup>	-	-	-	272
AIR 5349 Phase 1	31 Jul 07	3,546	367	-393	-240	3,281	-	-	-132	-107 <sup>[8]</sup>	-240
AIR 8000 Phase 3	1 Mar 06	1,864	124	-141	-2	1,845	-	-	-2	-	-2
AIR 7000 Phase 2	16 Jul 07	144	21	-17	24	172	84	-22	-38	-	24
JP 129	30 Sep 04	2	24	-30	97	93	97	-	-	..	97

Project number / phase	Initial project approval date	Original approval \$m	Price indexation variation \$m	Exchange variation \$m	Real variation <sup>[1]</sup> \$m	Current approval \$m	Real variations 2 <sup>nd</sup> pass approval <sup>[2]</sup> \$m	Scope <sup>[3]</sup> \$m	Transfers <sup>[4]</sup> \$m	Other <sup>[5]</sup> \$m	Total real \$m
Phase 2											
AIR 5077 Phase 3	1 Dec 97	2,170	723	-109	1,059	3,844	-	226 <sup>[9]</sup>	619	215 <sup>[10]</sup>	1,059
Electronic Systems											
JP 2072 Phase 2A	1 Nov 11	436	-	5	-	441	-	-	-	-	-
JP 2008 Phase 4	28 Sep 07	885	132	-154	-	864	-	-	-	-	-
JP 2030 Phase 8	22 Aug 06	42	8	..	207	256	98	109 <sup>[11]</sup>	-	-	207
JP 2008 Phase 5A	16 Feb 09	4	18	-43	457	436	457	-	-	-	457
LAND 75 Phase 3.4	6 Dec 05	8	16	-34	318	308	325	-	-	-7 <sup>[12]</sup>	318
New Air Combat Capability											
AIR 6000 Phase 2A/B	7 Apr 10	2,752	351	-507	-3	2,592	-	-	-	-3	-3

Project number / phase	Initial project approval date	Original approval \$m	Price indexation variation \$m	Exchange variation \$m	Real variation <sup>[1]</sup> \$m	Current approval \$m	Real variations 2 <sup>nd</sup> pass approval <sup>[2]</sup> \$m	Scope <sup>[3]</sup> \$m	Transfers <sup>[4]</sup> \$m	Other <sup>[5]</sup> \$m	Total real \$m
Helicopter Systems											
AIR 9000 Phase 2	22 Apr 04	3	680	-345	3,312	3,650	954	2,597 <sup>[13]</sup>	-239	-	3,312
AIR 9000 Phase 8	10 Jul 09	..	..	-71	3,029	2,958	3,029	-	-	..	3,029
AIR 87 Phase 2	16 Mar 99	1,584	418	120	-91	2,032	-	-	-84	-7	-91
General Manager Land and Maritime											
Land Systems											
LAND 121 Phase 3A/5A	14 Aug 07	2,686	691	-190	-2,197	991	-2,187 <sup>[14]</sup>	-15 <sup>[15]</sup>	4	-	-2,197
LAND 116 Phase 3	30 Nov 98	295	125	-6	833	1,247	221	619 <sup>[16]</sup>	-7	-	833
LAND 19 Phase 7A	28 Apr 10	266	5	-17	-	254	-	-	-	-	-

Project number / phase	Initial project approval date	Original approval \$m	Price indexation variation \$m	Exchange variation \$m	Real variation <sup>[1]</sup> \$m	Current approval \$m	Real variations 2 <sup>nd</sup> pass approval <sup>[2]</sup> \$m	Scope <sup>[3]</sup> \$m	Transfers <sup>[4]</sup> \$m	Other <sup>[5]</sup> \$m	Total real \$m
LAND 17 Phase 1B	14 Feb 06	3	..	..	112	115	112	-	-	-	112
LAND 17 Phase 1A	30 Nov 09	348	17	-42	-	324	-	-	-	-	-
JP 154 Phase 3A	5 Dec 11	74	-	..	-	74	-	-	-	-	-
LAND 106	1 Nov 93	40	155	..	691	885	-	441 <sup>[17]</sup>	252	-2	691
Maritime Systems											
SEA 1448 Phase 2B	1 Nov 05	249	76	-12	363	676	215 <sup>[18]</sup>	-	149	-	363
JP 2048 Phase 4A/4B	27 Jan 04	3	428	-322	2,965	3,074	2,950	5 <sup>[19]</sup>	9	..	2,965
JP 2048 Phase 3	24 Feb 09	3	..	-8	225	221	225	-	-	-	225
Air Warfare Destroyer											
SEA 4000 Phase 3	19 Jun 07	7,207	1,173	-511	-	7,869	-	-	-	-	-

Project number / phase	Initial project approval date	Original approval \$m	Price indexation variation \$m	Exchange variation \$m	Real variation <sup>[1]</sup> \$m	Current approval \$m	Real variations 2 <sup>nd</sup> pass approval <sup>[2]</sup> \$m	Scope <sup>[3]</sup> \$m	Transfers <sup>[4]</sup> \$m	Other <sup>[5]</sup> \$m	Total real \$m
<b>Explosive Ordnance</b>											
AIR 5349 Phase 2	31 Jul 07	182	24	-30	99	275	-	-	99	-	99
JP 2070 Phase 2	3 Jul 01	288	63	-14	..	336	-	-	-	..	..
JP 2086 Phase 1	5 Oct 06	338	46	-14	..	369	-	-	-	-	-

#### Notes

1. 'Real variation' is the total of all variations except 'Price indexation' and 'Exchange'. Real variations are divided into 'Second pass approval', 'Scope', 'Transfers' and 'Other'.
2. Second pass approval—under processes introduced as part of the Kinnaird reforms, major capital equipment projects are now generally managed in two stages—a definition stage, which is funded at first pass, and an acquisition stage, which is funded at second pass. On occasion, the second pass stage is funded as a separate project. Many of the projects detailed in Table W12.2 were approved before the two-pass process was implemented.
3. Scope—any real cost increase or decrease provided to address a formal scope increase or decrease.
4. Transfers—any real cost increase or decrease to a project as a result of a transfer in budget to another project or group, or to sustainment with no net change to the existing project approval.
5. Other—all other real variations, for example real increases needed to fund underestimates or budget overruns.
6. Other variation consists of a \$149.4m funding adjustment to another project, \$1.1m in administration savings and a saving of \$3m in the Skilling Australia's Defence Industry Program.
7. Project cost increase of \$272m for the acquisition of additional Boeing C-17 Globemaster III Aircraft.
8. Variation consists of savings negotiated in contract.
9. Increase in scope associated with the decision to purchase two additional aircraft (to a total of six) in June 2004.
10. Variation is due to a retrospective correction to an underestimate for indexation and partial funding for additional two aircraft.
11. Increase in scope to further develop the Joint Planning Suite approved in September 2011.
12. The Government agreed at the 2012–13 Budget to reduce scope by cancelling the installation in the M-113 fleet.
13. Incorporation of Phase 4 Black Hawk upgrade/replacement and Phase 6 Maritime Support Helicopter and Full Flight and Mission Simulator facilities, April 2006.
14. Decrease in scope to recognise the transfer and management of Medium and Heavy Capability, Field Vehicles, Modules and Trailers to LAND 121 Phase 3B.

15. Reduction represents the return of Enhanced Land Force Funding.
16. Increase in scope associated with the purchase of 250 additional vehicles for the Enhanced Land Force Budget Measure and the procurement of Long Lead Supplies and the production of up to 50 Command Variant and 158 Troop Variant Bushmaster Protected Mobility Vehicles.
17. Result of the Defence White Paper deliberations, (\$227m) inclusion of an additional 81 M-113 Armoured Personnel Carriers (\$214m).
18. The Acquisition Strategy, approved by the Government on 21 November 2011, to deliver the full Stage 2 Anti Ship Missile Defence capability to ships 2 to 8, installation through the Alliance and complete the Stage 2 capability in HMAS Perth.
19. Increase in scope due to risk reduction activity for the project to obtain design data and develop designs to meet Australian essential requirement—between first and second pass.

## Previously reported top 30 major projects—current status

Table W12.3 provides an update on major projects that are not included in the current year top 30 but were reported upon in previous years.

**Table W12.3 Current status of previously reported top 30 projects**

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012–13 \$m	Status report
<b>General Manager Joint, Systems and Air</b>						
<b>Aerospace Systems</b>						
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009–10	130	79	11	This project was listed as a project of concern in October 2010 due to schedule delay. The project completed regression laboratory testing of the system, however further software deficiencies were identified, requiring rework and retesting. While prototype flight testing was conducted in May 2013 and was broadly successful, the completion of flight testing has been re-forecast to avoid schedule conflict with deeper maintenance of the prototype aircraft from May 2013.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011–12	1,879	1,612	24	This project provides several upgrades to the F/A-18 (Classic) Hornet fleet to achieve improved mission situational awareness, including radar and electronic warfare capabilities. Project initiatives also provide for an updated flight simulator for F/A-18 aircrew training, delivered initially as part of an earlier phase to the project. The project achieved final materiel release for electronic warfare elements in September 2012. Updates to the flight

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012–13 \$m	Status report
simulator for F/A-18 aircrew training are being undertaken to better align the simulator with the upgraded aircraft capability.						
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	65	4	Capability 1 will establish a standardised electro-optical infra-red (EO-IR) sensor baseline, replace the existing EO-IR/radar video recorder, acquire a tactical common data link and install a local area network on the P3-C Orion. The project successfully achieved Initial operational capability following the modification of an additional six AP-3C Orion aircraft and the supporting operational mission simulator.
Electronic Systems						
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	257	187	20	All of the identified mission system elements, including combat net radios and tactical data radios, have been successfully introduced into service. An additional quantity of ancillary items, in continued support of the Land 75 Battle Management System, will be delivered in late 2013. The interim support system has been established, with transition of management responsibilities from JP 2072 Phase 1 to JP 2072 Phase 2A well underway. Deliverables to satisfy final materiel release are being finalised in consultation with the capability manager.
High Frequency Modernisation	JP 2043 Phase 3A	2010–11	580	438	3	The Null Steering Signal Enhancement (Nullarbor) capability was progressed as programmed along with work to address obsolescence issues resulting from delays by Boeing Defence Australia in delivery of the final system. Nullarbor negotiations are ongoing. Network Management Facility's information technology refresh and KIV7M integration testing continue.
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	2011–12	49	21	..	Closed in May 2013.

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012–13 \$m	Status report
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011–12	105	55	26	Land 125 Phase 3A has accepted more than 1,300 battle managements systems for the soldier and more than 100 dismounted command posts. The project has supported the preparation for operational test and evaluation activities to be conducted in mid-2013. Following operational test and evaluation, further enhancements may be incorporated where possible to reduce the overall weight of the system.
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010–11	103	60	8	The Anzac FFH Multi-Link upgrade activity completed its combat management system test readiness review, first of class hardware installation, and multi-link testing. Due to the dependencies on Sea 1448 Phase 2B (Stage 2), anti ship missile defence initial operational release is now scheduled for late 2013 or early 2014. The Initial common support infrastructure successfully demonstrated fixed infrastructure during Exercise Pitch Black 2012 and finalised the functional and performance specification for JP 2089 Phase 3A.
New Air Defence Command and Control Systems for Control Units 2 and 3	AIR 5333	2011–12	274	246	..	Final materiel release was completed in August 2012, with the Air Force declaring final operational capability in December 2012. Project closure is expected to be achieved in December 2013.
MILSATCOM Terrestrial Infrastructure	JP 2008 Phase 3E	2007–08	208	207	..	During 2012–13, through-life support arrangements for the Maritime Advanced Satellite Terrestrial Infrastructure System radio frequency barriers has been finalised and will be conducted by Defence Science and Technology Organisation. Project closure activities have commenced.
Electronic Warfare Self Protection for Selected Aircraft	AIR 5416 Phase 2	2009–10	276	276	.. <sup>[1]</sup>	Closed.
Improvements to the Logistics Information Systems	JP 2077 Phase 2B	2009–10	152	152	.. <sup>[1]</sup>	Closed.
<b>New Air Combat Capability</b>						
Detailed Analysis and	AIR 6000	2009–10	103	98	-	This project has been completed.

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012–13 \$m	Status report
Acquisition Planning	Phase 1B					
<b>General Manager Land and Maritime</b>						
<b>Land Systems</b>						
Australian Light Armoured Vehicle Additional	LAND 112 Phase 3	2007-08	651	608	22	The project has delivered in total 144 new Australian Light Armoured Vehicle Phase 3 vehicles; 59 behind armour Commander's Weapon Stations; 9 crew procedural trainers and has standardised the Phase 2 fleet to an approximate Phase 3 build standard. Delivery and installation of 18 Multi-Spectral Surveillance Suites was completed during 2012–13.
Tank Replacement Project	LAND 907 Phase 1	2007-08	558	446	3	The project has delivered all key milestones. The Foreign Military Sales cases have been progressed to deliver the two remaining elements of the tank urban survivability kit—the commander's weapon station and remote thermal sight and the cases for the mine ploughs and deep water fording kits. Training for these systems was conducted and construction work commenced to upgrade the simulator building in Darwin.
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	37	2	The M3 Carl Gustaf and sight has been delivered and the system has been introduced into service. Defence is formulating a way forward for the lightweight automatic grenade launcher component, for consideration by government.
<b>Maritime Systems</b>						
Anzac Ship Project	SEA 1348 Phase 2	2007-08	5,381	5,371	7	Engineering configuration changes to implement warranty and safety upgrade work have been delivered and set to work on each platform, except HMAS <i>Arunta</i> , which is planned for completion in quarter three of 2013.
Armidade Class Patrol Boat	SEA 1444 Phase 1	2007-08	537	488	..	The project is undertaking closure activities.

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012-13 \$m	Status report
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,450	1,349	3	The project has developed a business case to implement the Navy-directed solution to its underwater warfare system component and is awaiting Navy approval to proceed.
Standard Missile Replacement	SEA 1390 Phase 4B	2011-12	400	307	20	Installation of the SM-2 mid-course guidance system software in all Adelaide class ships has been completed and the capability is being considered for operational release within Navy.
Ships Self Defence Capability Additional	SEA 1779 Phase 1	2007-08	44	44	— <sup>(1)</sup>	Closed.
<b>Explosive Ordnance</b>						
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	300	258	13	This project is being managed in conjunction with JP 2070 Phase 2. This project will deliver an Australian manufacturing and support capability for the MU90 anti-submarine lightweight torpedo and sufficient quantities of MU90 torpedoes to meet war reserve requirements. During 2012-13, this project completed the procurement of MU90 Torpedo war stock inventory. Final materiel release was claimed by the DMO for JP 2070 phases 2 and 3 on 5 June 2013.
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	2008-09	235	205	1	All munitions planned for acquisition have been delivered. Live firings of Excalibur and SMART 155 have been successfully completed with both the rounds now certified for use. Introduction into service of the advanced field artillery tactical data system, including its integration with the Bushmaster protected mobility vehicle, is substantially complete.
Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	316	277	7	This project will deliver the AGM-158A Joint Air to Surface Standoff Missile to improve the effectiveness and survivability of the F/A-18A/B Hornet for standoff strike against fixed and re-locatable land targets. During 2012-13, the final quantity of missiles was delivered to Australia and accepted by the DMO. The planned declaration of final materiel release was rescheduled to address project

Project name	Project number/phase	Last financial year reported in top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Actual 2012–13 \$m	Status report
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delay caused by technical issues, which have now been successfully resolved by the United States Air Force.

Evolved Sea Sparrow Missiles	SEA 1428 Phase 4	2009–10	88	84	..	This project will deliver a follow-on buy of Evolved Sea Sparrow Missiles and canisters for the Anzac and Adelaide class frigates. During 2012–13, additional deliveries occurred consistent with the approved project schedule. The project remains on schedule for closure in 2016.
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## General Manager Submarines

### Collins

New Heavyweight Torpedo	SEA 1429 Phase 2	2009–10	425	293	6	Heavyweight torpedo modifications continue, dependent on the submarine full-cycle docking program. The fleet-wide installation will be complete when HMAS <i>Collins</i> is modified. The final delivery of weapons was made in January 2012, although software development to meet the specified operational performance continues.
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Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008–09	411	327	8	Modifications to the Submarine fixed fire-fighting system, automation of the sewage system, diesel engine safety improvements and submerged signal ejector remediation continues during the programmed major maintenance periods. Construction of the diesel engine land-based test facility is underway.
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Collins Replacement Combat System	SEA 1439 Phase 4A	2007–08	450	429	3	Combat system installations continue, dependent on the submarine full cycle docking program.
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#### Note

1. Project closed in 2012–13—see Table W12.5, Closed major projects in 2012–13.

## New major projects

During 2012–13, eight major projects were transferred to the DMO following government approval. These are shown in Table W12.4. The DMO classifies a project as having been transferred on the signing of the materiel acquisition agreement between the DMO and Defence.

Table W12.4 New major projects transferred to the DMO in 2012–13<sup>[1]</sup>

Project name	Project number/phase	Budget estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Acquisition cost categorisation <sup>[2]</sup>	Project information
<b>General Manager Joint, Systems and Air</b>					
<b>Aerospace Systems</b>					
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	37	37	Level 1	<p>The Government announced the decision to purchase the 12 new-build Growler electronic attack aircraft on 3 May 2013 instead of converting 12 of Australia's existing F/A-18F Super Hornet aircraft into the Growler configuration. Australia is the first country after the United States to secure such a capability.</p> <p>The Growler aircraft will start to roll off the Boeing production line from 2015 and, following initial aircrew training in the United States, be progressively delivered to Australia from mid-2017.</p>
C-130J Capability Management Update Program	AIR 5440 Phase 3	..	-	Level 4	<p>Combined first and second pass. The C-130J Capability Management Update Program is an international collaborative program to maintain the reliability and maintainability of C-130J systems through regular updates. The core designs and deliverables for the program are dependent upon completion of preceding block upgrade phases, AIR 5440 phases 1 and 2.</p>
<b>General Manager Land and Maritime</b>					
<b>Land Systems</b>					
Replacement Aviation Fire Truck (RAFT) Capability	LAND 998 Phase 1	..	..	Level 4	<p>First pass. This project will deliver a replacement aviation fire truck fleet to replace the existing Titan fleet. This capability will provide an airbase emergency response and recovery service to fixed Australian Defence Force airbases and to expeditionary airbases.</p>

Project name	Project number/phase	Budget estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Acquisition cost categorisation <sup>(2)</sup>	Project information
Enhanced Gap Crossing Capability	LAND 155 Phase 1	..	..	Level 4	<p>First pass. Land 155 Phase 1 will provide Land Forces with the ability to cross a range of wet and dry gaps in support of combat operations. It will provide the capability to tackle complex physical terrain features such as rivers, ravines and other natural and man-made gaps to achieve the agility required in future operating environments.</p> <p>The project achieved government first pass approval on 12 February 2013. Two capability options are proposed for further development under Land 155 Phase 1. These options address the same capability requirement but the solution is achieved through a different mix of four bridge types: Rapid Emplacement Bridge, Floating Bridge System, Modular Bridge System, and Footbridge. Since first pass approval the key task has been the production of four acquisitions and four support requests for tender (RFTs). RFT documentation is on schedule for release in late July 2013.</p>
Additional Lightweight Towed Howitzers	LAND 17 Phase 1C.1	6	24	Level 4	<p>First pass. This project will deliver 19 M777A2 Lightweight Towed Howitzers (approved October 2012) and a Capability Assurance Program (not yet approved). The Capability Assurance Program will provide associated enabling systems for the 19 M777A2 Howitzers to constitute a complete mission system and an assurance program for the entire fleet of 54 Howitzers.</p> <p>During 2012–13, the project implemented an amendment to an existing Foreign Military Sales case for the additional howitzers and also supported progression of the Capability Assurance Program business case for government consideration.</p>
General Manager Submarines					
Future Submarines					
Future Submarines—Acquisition	SEA 1000	35	14	Level 3	SEA1000—Future Submarines Program is currently evaluating options

Project name	Project number/phase	Budget estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Acquisition cost categorisation <sup>(2)</sup>	Project information
(Analysis of Alternative Design Concepts)	Phase 1A				<p>available for the replacement of the Collins class submarines for government consideration.</p> <ul style="list-style-type: none"> <li>During 2012–13, SEA1000 delivered the following key activities:</li> <li>intermediate pass submissions for government consideration of strategic guidance, governance and industry workforce</li> <li>acquisition of broad Collins class intellectual property rights to enable its use for the Future Submarines and its successors</li> <li>a combat system evaluation study</li> <li>delivery of science and technology plan activities for one year</li> <li>intermediate pass submissions for government consideration of the combat system; the Submarine Propulsion Energy Support and Integration Facility preliminary study outcomes; and status of options studies.</li> <li>The Government decided in April 2013 to focus resources on options 3 and 4 (Evolved Collins class design and bespoke design). Work on options 1 and 2 has been suspended</li> <li>The Government also approved the use of the current combat system AN/BYG-1 as the reference material for design work on options 3 and 4.</li> </ul>

**Notes**

- Two new classified projects have been created during 2012–13 and are not included in this table due to their classified nature.
- Acquisition cost categorisations are taken from the Defence Capability Plan where applicable and are as follows:
  - Level 1 (very high): >\$1,500m
  - Level 2 (high): \$500m–\$1,500m
  - Level 3 (moderate): \$100m–\$500m
  - Level 4 (low): <\$100m.

## Closed major projects

In 2012–13, the materiel acquisition agreements for 13 major projects were successfully closed. All materiel acquisition agreements' deliverables were delivered and accepted with no outstanding issues and consequently closed. The DMO continues to work closely with Capability Development Group and other stakeholders to ensure that all closures comply with, and maintain the integrity of government approvals.

The total reduction of project approval at closure represented 9 per cent of the project approval value for these projects.

**Table W12.5 Closed major projects in 2012–13<sup>[1]</sup>**

Project name	Project number/ phase	Project approval value \$m	Total expenditure \$m	Savings in project approval <sup>[2]</sup> \$m
<b>General Manager Joint, Systems and Air</b>				
<b>Aerospace Systems</b>				
C130J Electronic Warfare Self-Protection and Ballistic Protection Project	AIR 5416 Phase 4A	23	17	6
<b>Electronic Systems</b>				
Tactical Air Defence Radar System	AIR 5375 Phase 1	220	174	46
Electronic Warfare Self Protection for Selected Aircraft	AIR 5416 Phase 2	292	276	16
Passive Infrared Suppression Systems for ADF Aircraft	AIR 5433 CTD	5	5	..
Enhancement to Special Operations Capability	JP 2042 Phase 4	32	28	4
Improved Logistics Information Systems	JP 2077 Phase 2B	153	152	1
<b>General Manager Land and Maritime</b>				
<b>Land Systems</b>				

Project name	Project number/ phase	Project approval value \$m	Total expenditure \$m	Savings in project approval <sup>[2]</sup> \$m
Direct Fire Guided Weapon Project	LAND 40 Phase 1	144	135	9 <sup>[3]</sup>
<b>Maritime Systems</b>				
Landing Craft Mechanised	JP 2048 Phase 1A	57	45	12
Mine Hunter Coastal	SEA 1555 Phase 2	1,266	1,166	100
Ship Self Defence Capability—Rapid Acquisition of Amphibious Ships Weapon Capability	SEA 1779 Phase 1	53	44	8
<b>Explosive Ordnance</b>				
Air to Air Missile Capability	AIR 5400 Phase 3	181	154	27
Evolved Sea Sparrow Missile Project	SEA 1428 Phase 2B/3	264	262	2
<b>Total</b>		<b>2,690</b>	<b>2,458</b>	<b>232</b>

#### Notes

1. One classified project has been closed during 2012–13 and is not included in this table due to its classified nature.
2. This is the reduction in materiel acquisition agreement agreed price at project closure and includes transfers to other projects and sustainment products to enable more efficient delivery of remaining scope.
3. \$1.5m transferred to LAND 106, \$1.2m transferred to the Foreign Military Sales Finalisation Project, and \$6.5m transferred to MSA CA60—Guided Weapons Army.

## Top 10 minor projects

Minor projects are undertaken to address emerging requirements—often to enhance or replace existing capability. They are funded from outside the Defence Capability Plan and are usually of relatively low value. There are currently about 87 such projects, with an average value of approximately \$9m. A total of \$70m was expended on minor capital investment projects during 2012–13, compared to \$77m in 2011–12.

## Top 10 minor projects performance summary

An assessment of the performance of the top 10 minor projects against the deliverables in the materiel acquisition agreements (described in the Portfolio Budget Statements 2012–13) is provided in Table W12.6.

**Table W12.6 Top 10 minor capital investment projects deliverables in Program 1.1 in 2012–13**

Project name	Project number	Performance summary
<b>Army</b>		
Enhanced Static Line Parachute	AMP058.08	<p>The Enhanced Static Line Parachute Capability has two components: the Static Line Parachute System and the Dispatcher Parachute System. The Static Line Parachute System is to be delivered under Foreign Military Sales arrangements.</p> <p>During 2012–13, this project delivered all key milestones including delivery of steerable and non-steerable static line parachutes, and reserve and dispatcher parachutes. A wide range of spares, support and test equipment, training and training materials have also been delivered to meet the ADF's in-service support and training needs. The initial materiel release milestone was achieved on 17 June 2013.</p>
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	<p>This project will deliver nine Australian Light Armoured Vehicle crew procedural trainers to supplement the existing nine crew procedural trainers that were introduced into service in 2006. The facilities housing the crew procedural trainers are also being upgraded.</p> <p>During 2012–13, this project successfully delivered eight crew procedural trainers to Puckapunyal, Victoria (three), Townsville, Queensland (four) and Darwin, NT (one). A through-life support contract was agreed in December 2012, with the support spares being accepted in April 2013. Conversion training has been conducted at Puckapunyal and Townsville.</p>
Enhanced Land Force (ELF) Weapons Training Simulator System (WTSS)	AMP029.44	<p>This project has delivered an initial capability for four of five additional weapons training simulation systems. These systems are located at RAAF Edinburgh, South Australia; Townsville, Queensland; Singleton and Kapooka, New South Wales, with the last site at Enoggera, Queensland on schedule for completion in late 2013. The initial capability comprises the supply and installation of simulated weapons types currently in ADF service. The final capability comprises the introduction into service of new simulated weapon types, ammunition natures and training scenarios not currently in ADF service. A contract for the delivery of the final capability at these five sites is scheduled for signature in late 2013, with deliveries expected to commence in mid-2014.</p>
Chinook Passenger and Crew Seating	AMP015.36	<p>This project delivers crashworthy passenger and crew seats to five CH-47D Chinook helicopters. The solution encompasses contemporary seats, a new floor, an improved cargo system and under floor ballistic protection. The project is currently undergoing design acceptance activities. AIR 9000 Phase 5D aircraft will also adopt the AMP015.36 solution, but funded by AIR 9000 Phase 5D. The design solution will also be integrated into CH-47F procured under AIR 9000 Phase 5C.</p> <p>During 2012–13 this project delivered design products and test results for the certification and modification of the CH-47D Chinook helicopter with a contemporary crashworthy passenger and crew seating solution. The final design could not be completed in time to modify aircraft as scheduled. Design completion and installation is now scheduled for 2013–14.</p>

Project name	Project number	Performance summary
Army Field Catering Equipment	AMP500.09	<p>This project will deliver a range of field catering equipment for the Army and its associated logistic support for introduction into service.</p> <p>During 2012–13, this project delivered 329 griddle plate barbecues and 173 roasters including integrated logistics support documentation. Deliveries were completed in June 2013.</p> <p>This project also tendered for bain-maries and steamers.</p>
Kiowa Pilot Seating	AMP15.58	<p>This project will integrate a commercial-off-the-shelf aeronautical energy-attenuating seat installation from Accessories Incorporated, including a five-point restraint harness assembly, into 29 ADF Kiowa aircraft. The project was initiated primarily to help overcome pilot sitting height restrictions, but more recently Kiowa was also assessed against the developing ADF aircraft crash protection policy and found to be lacking. The project increases the sitting height and improves crashworthiness of the aircraft.</p> <p>During 2012–13, this project completed the design and modification of the crew seats to one Bell 206B-1 Kiowa helicopter for assessment by Army aviation. The assessment identified a number of improvements required to the prototype design, delaying installation of the second prototype to 2013–14.</p>
Traffic Collision and Avoidance System (TCAS)	AFM1001	<p>The project is installing a traffic alert and collision avoidance system onto AP-3C Orion aircraft to enhance the safety awareness and de-confliction with other air traffic, including civil aircraft, in all aspects of flight.</p> <p>During 2012–13, this project successfully achieved initial operational capability following the modification of an additional four AP-3C aircraft and the supporting aircrew flight training simulator. The support system was also established.</p>
Broadband	AFM1004	<p>This project will deliver an enhanced satellite communications capability for a number of ADF surveillance aircraft.</p> <p>During 2012–13, this project completed the broadband installation on the first aircraft and service release was declared for the aircraft with effect from April 2013. The broadband capability also successfully completed operational testing in June 2013. The second and final aircraft has commenced broadband installation.</p>
462 SQN Electronic Combat and Monitoring System	AFM0977	<p>During 2012–13, this project was reviewed by the Air Force to determine minor project priorities due to funding constraints. The outcome of the review was to cancel this project.</p>
RAAF Intelligence Deployable LAN (RIDL)	AFM1003	<p>This project will deliver a secure and networked intelligence analysis capability that can be deployed to remote locations with minimal information and communications technology support.</p> <p>During 2012–13, the project achieved final materiel release. An additional 22 deployable Local Area Networks were delivered to Air Force tactical intelligence flights, followed by achievement of accredited connectivity to the Defence Secret Network, delivery of training to the users, and establishment of a support network for the system. Operational test and evaluation by the Air Force commenced in June 2013. Transition to sustainment was completed in June 2013.</p>

**Table W12.7 Top 10 minor capital investment projects in 2012–13**

Project name	Project number/phase	Approved project expenditure	Cumulative expenditure to 30 June 2012	Budget estimate 2012–13	Revised estimate 2012–13 <sup>[1]</sup>	Actual expenditure 2012–13	Variation \$m	Explanation for significant variation on expenditure
<b>Army</b>								
Enhanced Static Line Parachute Capability	AMP058.08	28	..	15	14	9	-5	The United States Government entered into contract for the parachutes approximately three months later than had been forecast.
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	44	11	14	15	15	..	Minor variation.
Enhanced Land Force (ELF) Weapons Training Simulation System (WTSS)	AMP029.44	34	1	9	12	12	..	Minor variation.
Chinook Passenger and Crew Seating	AMP015.36	8	..	4	2	..	-2	Floor components, ballistic protection and seating were procured under AIR 9000 Phase 5D with funds programmed for these items returned to the Army Minor's program.
Army Field Catering Equipment	AMP500.09	4	-	3	1	2	..	Minor variation.
Kiowa Pilot Seating	AMP015.58	7	1	2	1	1	..	Minor variation.

Project name	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012–13 \$m	Revised estimate 2012–13 <sup>(1)</sup> \$m	Actual expenditure 2012–13	Variation \$m	Explanation for significant variation on expenditure
<b>Air Force</b>								
Traffic Alert and Collision Avoidance System	AFM01001	25	16	3	4	3	-1	Minor variation.
Broadband	AFM01004	6	3	3	3	3	..	Minor variation.
42SQN Electronic Combat and Monitoring System	AFM00977	..	..	2	..	..	-	Minor variation.
RAAF Intelligence Deployable LAN	AFM01003	5	2	2	3	3	..	Minor variation.
<b>Total</b>		<b>161</b>	<b>34</b>	<b>58</b>	<b>55</b>	<b>47</b>	<b>-8</b>	
<b>Note</b>								

1. The revised budget for 2012–13 was published in the Portfolio Additional Estimates Statements 2012–13.

## New minor projects

During 2012–13, one minor project was transferred to the DMO following government approval. This is shown in Table W12.8. The DMO classifies a project as having been transferred on the signing of a materiel acquisition agreement between DMO and Defence.

**Table W12.8 New minor projects transferred to the DMO in 2012–13**

Project name	Project number/phase	Budget estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Acquisition cost categorisation <sup>(1)</sup>	Project information
<b>Joint Logistics Minors</b>					

<p>Materiel Entitlements Management System</p>	JMP08001	1	..	Level 4	<p>This project will deliver a materiel entitlements management system as a replacement for both Army and Air Force current entitlement systems. The system will interface with the Defence inventory and military integrated logistics information systems.</p> <p>During 2012–13 this project achieved contract signature for the acquisition and delivery phases, completed the detailed design milestone and commenced vendor factory acceptance testing. The schedule for the final acceptance milestone has been rebaselined from December 2013 until March 2014 to align with Chief Information Officer Group application hosting services resource schedules.</p> <p>The Defence Materiel Organisation— materiel acquisition agreement JMP08001.01 v1.1 was formally closed on 8 May 2013 and the residual project scope and budget were transferred to Chief Information Officer Group in line with the department's shared services strategy for information technology.</p>
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### Notes

- Acquisition cost categorisations are as follows:
  - Level 1 (very high): >\$1,500m
  - Level 2 (high): \$500m–\$1,500m.
  - Level 3 (moderate): \$100m–\$500m.
  - Level 4 (low): <\$100m.

## Closed minor projects

In 2012–13, the materiel acquisition agreements for 16 minor projects were successfully closed.

The total reduction of project approval at closure represented 34 per cent of the project approval value for these projects.

**Table W12.9 Closed minor projects in 2012–13**

Project name	Project number/ phase	Project approval value \$m	Total expenditure \$m	Savings in project approval <sup>[1]</sup> \$m
<b>Navy</b>				
Personal Locator Beacon	NMP1857	2	..	1
Night Flying Capability in HMAS <i>Sirius</i>	NMP1892	4	4	..
<b>Army</b>				
Doppler Very High Frequency Omni-Directional Radio Range and Distance Measuring Equipment	AMP022.07	2	1	1
Explosive Ordnance Disposal Capability	AMP050.14	31	15	16 <sup>[2]</sup>
Wheel Mounted Crane 30 Tonne	AMP060.29	1	1	..
Land Headquarters Equipment Entitlement Variations	AMP500.01	5	1	4
Laser Range Finders	AMP500.05	5	3	2
<b>Air Force</b>				
Tower Visual Simulator	AFM00851	15	12	3
Pilot Monitoring Facility	AFM00913	17	17	..
Interim Coalition Interoperable Combat Search and Rescue Radio	AFM00962	2	1	1
Soldier Personal Radio	AFM00976	2	1	1

Project name	Project number/ phase	Project approval value \$m	Total expenditure \$m	Savings in project approval <sup>[1]</sup> \$m
462SQN Electronic Combat & Monitoring System	AFM00977	3	..	3
<b>Joint minor projects</b>				
Automated Information Technology Scoping Study	JMP06005	1	..	..
ADF Deployable Logistics System / Integrated In-Transit Visibility	JMP06009	1	1	..
Defence Transaction Processor to Soldier Support	JMP09003.02	1	..	..
Warehouse				
<b>International policy minors</b>				
Joint Philippines-Australian Army Water Project	IPM0001	8	7	1
<b>Total</b>		<b>99</b>	<b>65</b>	<b>34</b>

#### Notes

1. This is the reduction in Materiel Acquisition Agreement agreed price at project closure and includes transfers to other projects and sustainment products.
2. \$2m transferred to Materiel Sustainment Acquisition CA26, \$0.1m transferred to CA31, \$0.1m transferred to CA39.

## Program 1.2 Management of Capability Sustainment

### Top 20 sustainment product expenditure

Table W12.10 and the descriptions that follow provide details of the top 20 sustainment products by forecast expenditure in the Portfolio Additional Estimates Statements 2012–13. Expenditure for the top 20 products represented 63 per cent of total expenditure on Program 1.2 in 2012–13.

**Table W12.10 Top 20 sustainment products by expenditure as forecast in the Portfolio Budget Statements 2012–13**

	Budget estimate 2012–13 \$m	Revised estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Variation \$m	Reason for significant variation in product expenditure 2012–13
<b>General Manager Joint, Systems and Air</b>					
<b>Aerospace Systems</b>					
Airborne Early Warning & Control (CAF20)	161	138	148	10	The Airborne Early Warning and Control capability and support systems are still maturing. The rate of item repairs and replacements and contractor costs were higher than anticipated.
F/A-18A Hornet Weapons System (CAF02)	153	148	153	5	The primary drivers were proposed savings through an engines contract that were not realised and an unforeseen increase in flying hours.
F/A-18F Block II Super Hornet Weapons System (CAF21)	111	103	99	-4	The deferral of the Tactical Operational Flight Trainer to 2012–13 plus contractor delay in the delivery of modification kits resulted in an underspend.

	Budget estimate 2012–13 \$m	Revised estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Variation \$m	Reason for significant variation in product expenditure 2012–13
P-3C/AP-3C Orion Weapons System (CAF04)	105	118	121	3	Increases in hydraulic and avionics repair, rising rates and earlier-than-estimated maintenance costs contributed to this overspend.
C-130J-30 Weapons System (CAF06)	81	81	80	-1	Contractor delays in delivery of spares and savings in contractor maintenance costs.
Lead-in Fighter Hawk 127 Weapons System (CAF03)	73	56	55	-1	Program to remediate an engine defect, which resulted in a reduction in flying hours.
Electronic Systems					
Wide Area Surveillance Capability (CAF13)	83	80	84	4	A Priority Industry Capability health check found the health of this product to be unsatisfactory in the short term. This is due to the impact on industry of an expected five-year gap between the completion of work under Project JP 2025 Phase 5 and the approval of further work under Phase 6. To address this issue, the Government invested nearly \$70m in order to retain skill sets and fill the gap between completion of Phase 5 and start-up of Phase 6. The 2012–13 share of this investment was \$4m.
Helicopter Systems					

	Budget estimate 2012–13 \$m	Revised estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Variation \$m	Reason for significant variation in product expenditure 2012–13
Armed Reconnaissance Helicopter Weapons System (CA12)	96	86	89	3	Accelerated delivery of spares.
Multi Role Helicopter (CA48)	93	88	88	0	Nil variation.
S70A-9 Black Hawk Weapons System (CA11)	86	85	87	2	Actual labour price indices applied to several major contracts were greater than had been expected.
S70B-2 Seahawk Weapons System (CN03)	62	63	64	1	The price for technical services and spare parts amortised via Foreign Military Sales arrangements were slightly higher than forecast.
<b>General Manager Land and Maritime</b>					
Land Systems					
General Service B Vehicle Fleet (CA45)	66	80	66	-14	The 2012–13 revised estimate included amounts for discrete activities, such as the Up-Armouring of Sports Utility Vehicles, management of enhanced equipment pools and re-certification of vehicle mounted cranes. Changing delivery requirements and reduced demand on operational spending resulted in an underspend.

Reason for significant variation in product expenditure 2012–13				
	Budget estimate 2012–13 \$m	Revised estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Variation \$m
ADF Clothing (CA39)	56	46	37	-9
The reduction in expenditure was a result of reduced consumption both on operations and in the Raise, Train, Sustain environment.				
Maritime Systems				
Fuels and Lubricants—Navy, Army, Air Force (CN26, CA43, CAF18)	412	390	388	-2
Reduced fuel requirements for the Army and Navy, partially offset by an increased requirement for the Air Force and fuel price variations.				
Anzac Class Frigate (CN02)	206	215	227	12
The Navy-approved additional sustainment work prior to Project SEA 1448 Anti Ship Missile Defence, additional costs for HMAS <i>Stuart</i> coming out of a non-operational condition and urgent defects.				
Adelaide Class Frigate (CN01)	139	125	126	1
Navy-approved increase in work for HMAS <i>Darwin</i> .				
Auxiliary Oiler Replenishment (CN13)	91	73	68	-5
Schedule delay.				
Mine Hunter Coastal (CN14)	61	60	60	0
Nil variation.				

	Budget estimate 2012–13 \$m	Revised estimate 2012–13 \$m	Actual expenditure 2012–13 \$m	Variation \$m	Reason for significant variation in product expenditure 2012–13
Explosive Ordnance					
Explosive Ordnance—Navy, Army, Air Force (CA59, CA60, CAF17, CN37, CN38)	323	296	296	0	Nil variation.
<b>General Manager Submarines</b>					
Collins					
Collins Class Submarines (CN10)	516	501	507	6	Unforeseen inventory shortfall and obsolescence issues.
Total top 20 sustainment products	2,974	2,832	2,843	11	
Other approved sustainment products	1,268	1,367	1,291	-76	
Total sustainment products	4,242	4,199	4,134	-65	
Support to operations	359	391	351	-40	
Total sustainment and operations	4,601	4,590	4,485	-105	

## Program 1.3 Provision of Policy Advice and Management Services

**Table W12.11 Program 1.3 deliverables**

Deliverable	Performance information
Specialist legal and procurement advice and contracting policy	Office of Special Counsel in the DMO provided specialist legal advice to a range of DMO projects, system program offices and other business support areas (DMO Legal raised 397 new internal legal engagements with a further 97 new external legal service engagements). Updates have been made to maintain currency in procurement policy through the Defence Procurement Policy Manual. In addition, new and updated contracting templates have been incorporated into the Australian Standard for Defence Contracting suite of tendering and contracting templates. There has also been significant development and promulgation of operational guidance in the form of handbooks and better practice guides.
Acquisition and sustainment advice to support the Government and Defence	High-quality and timely advice was provided through regular reports and ministerial correspondence on acquisition and sustainment issues.
Industry engagement	Delivery of Industry programs supporting Australian defence industry continued through 2012–13 despite the difficult global economic conditions facing the industry. Support was broadened in the area of skilling and engagement.
Implement a financial management shared service within Projects and System Project Offices	As part of the broader shared services reforms in Defence and the DMO, a successful implementation and transition to financial shared services under the Chief Finance Officer commenced on 15 February 2013.
The DMO is meeting ministerial, government, Defence and DMO expectations and timeframes for provision of policy, advice and support <sup>[1]</sup>	Measures were taken during the year to improve on the timeliness of advice provided to ministers and the Government.

**Note**

1. The level of advice provided to government fluctuates as a result of a number of factors including the needs of government for such advice and the length of caretaker periods that fall within the reporting timeframe.

## **Specialist legal, procurement, advice and contracting policy**

Working within the DMO Commercial Group, Office of Special Counsel makes an important contribution to the acquisition and support of ADF capability through its two key enabling business areas: DMO Legal and the Commercial Policy and Practice (CPP) Branch. DMO Legal's primary role includes the provision of strategic commercial law and policy advice (including on intellectual property and commercial risk allocation), while CPP Branch assists Defence to achieve more efficient and effective procurement outcomes through the development and dissemination of mandatory and best practice Defence procurement policy, process, tools and templates, and procurement and contracting workforce professionalisation.

Major commercial policy achievements during 2012–13 include the release of an updated version of the Defence Procurement Policy Manual to provide guidance on the DMO's new streamlined framework for procurement delegation, together with guidance on the Commonwealth Procurement Rules, which came into effect at the whole-of-government level on 1 July 2012. During the latter part of the year, work commenced on a new electronic delivery process aimed at enhancing users' access to Defence's extensive range of procurement and contracting policy and guidance materials. In addition, the existing suite of procurement better practice guides was expanded with the development of the following two new guides: *Industry engagement during the early stages of capability development* and *Tender debriefings*.

The Office of Special Counsel, in conjunction with the DMO Standardisation Office, is also responsible in consultation with other DMO stakeholders for the maintenance and development of the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates, with much development work undertaken in consultation with defence industry. Major ASDEFCON achievements for 2012–13 include the release of a new, streamlined and simplified template for the procurement of 'lower-order' support services for Defence materiel, ongoing development of work health and safety amendments to the ASDEFCON templates to ensure alignment with the work health and safety legislation, and the development of a proposed new approach to the ASDEFCON technical data and intellectual property provisions (which are currently under consideration by a joint Defence and Industry Intellectual Property Working Group and should be finalised in 2013–14). In addition, the Office of Special Counsel developed new non-disclosure agreement templates, with accompanying guidance. These important initiatives demonstrate the DMO's strong and ongoing commitment to working with industry to improve the efficiency and effectiveness of Defence's procurement and contracting processes and outcomes.

In recognition of the critical role that appropriately skilled and trained staff have on the achievement of efficient and effective procurement outcomes,

the Office of Special Counsel continued its focus on professionalisation and training. During the year, DMO Legal delivered 61 days of contract risk training to DMO staff across Australia and CPP Branch continued to develop the procurement and contracting job family with the aim of providing relevant staff with a career path that develops and reinforces appropriate learning and expertise.

AusTender operations and reporting compliance business improvement initiatives have been a focus area for the Office of Special Counsel. As a result of these efforts, AusTender electronic tendering functionality is being further utilised by the DMO, with significant expected process efficiencies for both the DMO and industry. In addition, system enhancements were implemented to achieve improved AusTender contract reporting compliance.

### Ministerial support

Providing policy advice and support to the Minister for Defence and the Minister for Defence Materiel is a key function of the DMO. The DMO continues to provide timely and accurate provision of responses to ministerial representations, other parliamentary questions and ministerial submissions.

Table W12.12 lists the correspondence by type of advice provided to the ministers' and the then Parliamentary Secretary's offices during 2012–13.

**Table W12.12 Statistics on advice provided to the Government by the DMO**

Type of advice	
Submissions	485
Speeches	15
Responses to parliamentary questions on notice	32 <sup>[1]</sup>
Questions taken on notice in the course of parliamentary inquiries	12
Questions taken on notice at Senate Estimates Hearings	119
Media releases	63
Ministerial correspondence	160
Question Time briefs	86
Hot Issues briefs	2

**Note**

1. The DMO also provided input for 33 portfolio questions on notice.

## **Industry engagement—enabling our business**

As noted in the 2013 Defence White Paper, Defence industry is a major partner in the Government's plans for the current and future ADF. It is vital that Australia maintains a defence industry capable of supporting the ADF's acquisition and sustainment requirements during peacetime and operations. Defence works with and provides funding and other forms of assistance to support the growth and competitiveness of Australia's defence industry.

### **Business Access offices**

Business Access offices continue to provide a regional interface between Defence and industry with the strategic intention of establishing stronger Defence–industry relationships to increase industry's effectiveness in support of ADF capability.

The Business Access offices, located in each mainland capital city, build and maintain relationships with industry through the ongoing provision of timely advice, information and guidance on how to do business with Defence, and how defence industry policy is implemented. They also work with local and state government and industry bodies to keep Australian businesses aware of the current and future opportunities that exist within the Defence environment.

As well as delivering the established and well received Defence awareness briefings and Defence updates, the Business Access offices have worked closely with their local systems program offices to deliver a series of capability matching events. These events provide opportunities for firms to demonstrate how they can meet specific current and anticipated DMO and prime contractor capability requirements, and for the DMO to improve its insight into the capabilities of local defence industry.

### **Australian Industry Capability**

The Australian Industry Capability (AIC) Program creates opportunities for Australian industry to compete on merit in the full scope of work for the provision of goods and services, domestically and internationally, based on a value-for-money analysis.

Work committed to Australian industry is captured within the contracted AIC Plan. The AIC Program also supports cost-effective delivery of acquisition and sustainment activities that underpin priority industry capabilities (PICs).

Through both the AIC program and the identification of priority industry capabilities, the AIC Program provides signals to Australian industry regarding specific priorities so that Australian industry can invest, develop innovative solutions and partner to meet the ADF's needs.

In late 2011, the Minister for Defence Materiel announced that AIC Plans for Defence Capability Projects would be made public. The public AIC Plan highlights future work opportunities that may be of interest to Australian companies and relevant points of contact. Six public AIC plans were published in 2012–13. The public AIC plans are available on the DMO website at [http://www.defence.gov.au/dmo/id/aic/public\\_aic.cfm](http://www.defence.gov.au/dmo/id/aic/public_aic.cfm).

### **Global Supply Chain Program**

The Global Supply Chain Program is a program that directly facilitates the provision of commercial opportunities between specifically targeted multinational primes and Australian Defence industry. The program involves selected multinational primes in providing commercial opportunities within their respective global supply chains to specifically identified Australian defence companies. Activities under this program are subject to a deed agreement. There are currently seven such deeds between Defence and multinational primes. The majority of Australian companies targeted are small to medium enterprises that, as a direct result of the program, have each established a competitive edge in the international marketplace.

To assist Australian defence industry in achieving export sales, the DMO supported Australian industry companies through an Australian defence pavilion at selected international trade shows under the 'Team Defence Australia' brand. Activities occurred in North and South America, Europe, the Middle East and South East Asia. Around 180 Australian companies participated, 34 of these companies for the first time.

Export readiness workshops, tradeshow and presentation skills training were also provided to Australian defence industry to support the increasing number of companies entering the competitive defence export market.

### **Priority industry capabilities**

In July 2009, the Government announced a set of 12 priority industry capabilities, that is, industry capabilities considered strategically advantageous and operationally essential to hold within Australia. That list was confirmed in the Defence Industry Policy Statement 2010, which provided more information on the background to the PIC concept and the application of PIC considerations in acquisition decision making.

In February 2013, the DMO completed the final of a series of checks of all of the priority industry capabilities to improve definition, assess health, establish implications for government and, where necessary, determine appropriate intervention strategies. Subsequently, the 2013 Defence White Paper announced the establishment of a Priority Industry Capability Development Fund to help Defence address relevant capability shortfalls. The fund will commence operations in 2013–14.

As noted in the Defence White Paper, starting in the second half of 2013, the DMO will review the criteria used by Defence to determine which Australian industry capabilities should be accorded priority status.

More detailed information on priority industry capabilities can be found at [www.defence.gov.au/dmo/id/pic/](http://www.defence.gov.au/dmo/id/pic/).

### **Priority Industry Capability Innovation Program**

The Priority Industry Capability Innovation Program provides direct financial support to Australian defence industry, particularly small to medium enterprises, to commercialise innovative technologies and services that will enhance the priority industry capabilities.

The first of the projects funded under the program was completed in 2012–13 with the successful development of a portable secure data storage device that can be used in both government and commercial sectors. Five new grants were also awarded supporting developments in five PIC areas. The program will be replaced by the PIC Development Fund as announced in the Defence White Paper.

### **Defence Materials Technology Centre**

The Defence Materials Technology Centre continued to collaborate with Defence, defence industry and research agencies to develop new materials and manufacturing technologies that benefit Defence.

The centre has now successfully achieved the objectives of five of the 16 foundation projects, including the development of high-strength steels with potential application in shipbuilding; evolution of vehicle armour requirements, including the development of improved systems and manufacturing techniques; and the development and commercialisation of advanced ceramic armour strike face components.

The centre is making progress on the remaining foundation projects and has begun an additional 10 research projects, including the evaluation of hull steels for submarine applications, portable power generation and storage, high curvature personnel armour, mitigation of microbiologically influenced corrosion in Australian harbours and developing a process to recycle commercially pure titanium chips produced during machining.

The centre also continued its focus on the creation and transfer of knowledge to Defence industry and currently supports a number of doctoral and masters students through its education program.

## **Defence and Industry ePortal**

The Defence and Industry (D+I) ePortal provides a comprehensive and authoritative source of company-supplied information on Australian industry capability for Defence and other potential customers. Information is provided to enable companies to become better informed, engage in industry programs and participate in Defence acquisition and sustainment programs.

Companies can register on the D+I ePortal to participate in the Defence Global Supply Chain Program. Registered organisations can also provide feedback on the commercial impacts (if any) of delays by the DMO in issuing requests for tender or contract change proposal documentation.

Functionality has been added to the portal to enable organisations to indicate if they are a direct or indirect supplier to Defence; 650 organisations have indicated this status.

The D+I ePortal provides a vehicle for companies, including small to medium enterprises, to share information on their respective capabilities, with the aim of helping them find partners to compete for Defence business. Approximately 80 per cent of the current registered businesses on the D+I ePortal are subject matter experts. In 2012–13, 155 organisations and 7,154 company capabilities have been added to the ePortal database.

## **Company ScoreCard Program**

The Company ScoreCard Program has continued to monitor and report on the key performance aspects of DMO contracts. The program has completed both of the assessment rounds planned for the year, supporting measurement of the performance of the DMO and its most significant contractors.

Performance was assessed against a number of key categories over two six-monthly reporting periods. These included the critical areas of technical performance, cost and schedule. Companies were given the opportunity to review and comment on the DMO's assessments of their performance, and the results have been made available to inform future source selection processes.

The Company ScoreCard Program's annual benchmarking report has been improved to enable comparison of contractor performance within the specific technology sectors related to each firm's contracts. The report allows companies participating in the ScoreCard Program to compare their individual performance with that of their direct competitors by technology sector as well as across the DMO as a whole. This report continues to encourage companies to maintain or improve their performance and productivity.

## **360° View ScoreCard**

Under the 360° View ScoreCard program, key DMO contractors assess the DMO's performance against various criteria, including DMO's management of

requirements, schedule, and Australian industry capability policy, as well as its awareness of company cost drivers. Contractors were again invited to provide their honest assessments of the DMO's performance for inclusion in 360° ScoreCard reports at six-monthly intervals. This feedback was provided to the DMO Executive for consideration and discussion with project staff, and it is used to drive contract and project management improvement.

## **Defence Industry Workforce Strategy**

In September 2012, the then Minister for Defence Materiel released the main report for the Defence Industry Workforce Strategy, developed by the Australian Workforce and Productivity Agency (then Skills Australia). The purpose of the strategy was to provide recommendations on developing the workforce skills and capacity that will enable Australia's defence materiel industries to meet Defence's future capability acquisition and sustainment plans. The strategy's recommendations have informed the development of the 2013 Defence White Paper and the Future Submarine Industry Skills Plan.

## **Industry Skilling Programs**

The Skilling Australia's Defence Industry Program is part of a significant investment program to support a range of training initiatives designed to improve the quality and quantity of personnel working in the defence industry. The program provides financial support to build the skills base that is required to provide the capabilities required by the ADF.

The South Australian Department of Education and Community Services and the Western Australian Department of Education were provided with grant funding under a national partnership agreement to implement Advanced Technology School Pathways in South Australia, and Marine Industry School Pathways in Western Australia. The Advanced Manufacturing Industry School Pathways Program is managed by Regional Development Australia in the Hunter region, in partnership with the New South Wales Department of Education. These three programs will work with lead and partner schools to develop industry-focused curriculum and establish or strengthen links with defence industry. Each has reported an increase in the number of students studying mathematics, science and engineering.

## **Grants management system**

A grants management system has been developed to provide online lodgment of applications for grants under the Skilling Australia's Defence Industry Program. The system provides secure access through the Chief Information Officer Group's Defence Online Systems Domain. Implementation of the system has delivered some efficiency in the application and initial assessment processes for industry applicants and DMO staff.

## **Defence Industry Innovation Centre**

The Defence Industry Innovation Centre is a government initiative which aims to assist Australian SME to better compete in Australian and overseas defence markets. The centre assists defence industry to enhance its competitiveness by

building organisational capability and productivity, increasing efficiency and sustainability and fostering innovation and collaboration.

The centre offers a range of services and activities for small to medium enterprises to improve their performance in the defence sector. Services and activities include business reviews, benchmarking best practices and the Supplier Continuous Improvement Program, as well as collaboration with the DMO Global Supply Chain program. Grant funding is available to industry to support the implementation of plans and recommendations made by the centre.

### **Australian Military Sales Office**

The Australian Military Sales Office (AMSO) was established in July 2012 to facilitate major disposals activities and export related transactions, including government-to-government sales, on behalf of Australian defence industry.

The creation of AMSO amalgamated the previous Defence Export Unit, Global Supply Chain, Defence Disposals Agency and the International Materiel Cooperation Directorates into a single branch focused on three strategic goals:

- improving commercial opportunities for Australian defence industry through increased sales and exports and greater market diversification, while leveraging off Australia's diplomatic relationships
- streamlining processes and business unit functions within the DMO to facilitate government-to-government sales of Australian manufactured defence equipment
- supporting Australian defence cooperation and foreign policy objectives through building, maintaining and strengthening relationships with foreign governments.

The AMSO Disposal and Sales Directorate provides guidance and support in the disposal of major Defence equipment; it is also responsible for managing the process of government-to-government sales for defence and on behalf of industry. Recent highlights include the following:

- Disposal by sale of the Navy's decommissioned ships HMAS *Manoora* and *Kanimbla*. The vessels are to be recycled by Southern Recycling LLC in the United States. This disposal was completed in less than two years from the date the vessels were withdrawn from service.
- Establishment of a contract for disposal by sale of up to 12,000 Army non-combat vehicles and trailers with Australian National Disposals in November 2012. To 30 June 2013, more than 1,500 vehicles had been sold including Land Rovers, Mack trucks, Unimogs, motorcycles, trailers and all-terrain vehicles.
- Disposal by sale of the Navy's remaining five Sea King helicopters, three hulks and associated spares to Aerospace Logistics (a United Kingdom based-company). Aerospace Logistics will use the Sea King inventory to sustain and support capability of international military, and search and rescue fleets.

AMSO continues to improve disposal processes to meet priorities within the bounds of Commonwealth and international treaty obligations. A key focus is to provide

opportunities for industry to add value, not only to disposal of military equipment, but also in government-to-government sales. Key relationships are being built and maintained with industry to encourage development of innovative disposals and sales solutions.

## **International engagement**

The DMO manages and coordinates international engagement activities with partner and allied nations to assist in ensuring Australia's access to cutting-edge defence technology, systems and capabilities. The most significant of these is the DMO's participation in the annual Australia–United States Ministerial Defence Acquisition Committee, which focuses on cooperative programs and science and technology, and strengthening Australia's access to the United States Foreign Military Sales process.

In addition, in 2012–13 annual bilateral forums were held with France, Germany, the Netherlands, Spain, Sweden and the United Kingdom. These relationships assist in promoting best practice in defence contracting and coordinating global responses to commercial behaviours in defence supply chains while encouraging industry cooperation at an international level.

## **Management services**

Management services provided by the DMO are largely performed by Finance Division and the Business Operations Division. The role of these areas is to provide financial and corporate support services to meet the information needs of ministers and the Parliament, fulfilling the CEO DMO's statutory duties and governance accountabilities, and working with other Defence stakeholders to effectively implement the DMO business model.

Functions include:

- providing the DMO with a financial management policy and procedure framework that meets statutory requirements and enables DMO to operate in a business-like environment with regard to all aspects of accounting and financial management
- providing a central financial controller function for the DMO and provision of financial management services across the DMO
- forecasting and managing the DMO's cash budgetary requirements
- providing assurance over the DMO's financial data through appropriate systems, controls, user training, internal audit and risk management
- preparing the DMO's financial statements and liaising with the Australian National Audit Office throughout the audit process
- supporting ministerial and parliamentary oversight through a range of routine and annual reports such as the acquisition and sustainment performance reports

and the major projects report, as well as contributing to the Portfolio Budget Statements and Defence annual report

- supporting internal governance, including the Materiel Audit Risk Committee
- implementing the Defence–DMO business model through coordination of agency agreements.

In 2012–13, the DMO has continued to strive for ongoing improvement in the delivery of management services. Key achievements include:

- the release of the DMO 2013–15 Strategic Framework in December 2012 by the CEO DMO. The framework confirms DMO's purpose and goals and describes the core functions, values and behaviours which we will use to achieve our goals and purpose
- re-balancing the structure and strengthening the DMO governance arrangements announced under the DMO 2013–15 Strategic Framework, which came into effect in February 2013. The Deputy CEO has taken greater responsibility for the day-to-day performance and administration of the DMO and has been tasked with driving reform across the organisation. The DMO's functional Council Chairs now meet quarterly to assess requirements and performance across functions and provide advice to the DMO Executive Committee
- introduction of financial shared services and the commencement of the Financial Excellence Program. Both initiatives focus on performing finance functions more efficiently
- delivery of an overarching strategic framework for finance service delivery within DMO
- maintaining an ISO 9001 Quality Management Certification for the provision of financial resource services.

## DMO financial performance

### Operating performance

The DMO budgeted for a break-even result in the Portfolio Additional Estimates Statements 2012–13. This reflects a model under which the DMO is funded for the activity it performs.

**Table W12.13 Statement of comprehensive income for the period ended 30 June 2013**

	Revised budget	Actual result	Variation <sup>[1]</sup>
	2012–13	2012–13	2012–13
	\$'000	\$'000	\$'000
<b>EXPENSES</b>			

Employee benefits		603,285	591,070	-12,215
Suppliers		8,262,227	8,494,163	231,936
Grants		27,911	19,262	-8,649
Depreciation and amortisation		2,527	1,707	-820
Write-down and impairment of assets		-	13,239	13,239
Foreign Exchange Losses			15,299	15,299
Other expenses		-	54	54
<b>Total expenses</b>	<b>A</b>	<b>8,895,950</b>	<b>9,134,794</b>	<b>238,844</b>
LESS:				
<b>OWN-SOURCE INCOME</b>				
Revenue				
Sale of goods and rendering of services		7,945,498	8,217,929	272,431
Interest		-	5,452	5,452
Other revenue		37,948	31,848	-6,100
Total revenue		7,983,446	8,255,229	271,783
Gains				
Other gains		1,400	1,100	-300
Total gains		1,400	1,100	-300
Total own-source income	B	7,984,846	8,256,329	271,483
Net Cost of (contribution by) services	C=(A-B)	911,104	878,465	-32,639
Revenue from Government	D	911,104	911,104	-
Items not subject to subsequent reclassification to profit or loss				
Changes in asset revaluation reserves		-	13	13
<b>Total other comprehensive income</b>	<b>E</b>	<b>-</b>	<b>13</b>	<b>13</b>
<b>Surplus (Deficit)</b>	<b>F=(D+E-C)</b>	<b>-</b>	<b>32,652</b>	<b>32,652</b>

**Note**

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

## Explanation of major variations—income statement

The DMO achieved a small operating surplus of \$32.7m. This is less than one per cent of total budgeted expenses. The main reasons for this surplus were relatively lower operating expenses achieved through increased efficiencies, an underachievement against funded staffing levels resulting in lower employee expenses, and lower than expected activity in industry programs.

## Financial position

**Table W12.14 Balance sheet as at 30 June 2013**

	Revised budget 2012–13 \$'000	Actual result 2012–13 \$'000	Variation <sup>[1]</sup> 2012–13 \$'000
<b>ASSETS</b>			
Financial assets			
Cash and cash equivalents	50,000	135,805	85,805
Trade and other receivables	496,063	1,165,560	669,497
Total financial assets	546,063	1,301,365	755,302
Non-financial assets			
Property, plant and equipment	7,199	5,560	-1,639
Intangibles	139	28	-111
Other non-financial assets	1,366,024	1,204,647	-161,377
Total non-financial assets	1,373,362	1,210,235	-163,127
Total assets	1,919,425	2,511,600	592,175
<b>LIABILITIES</b>			
Payables			
Suppliers	1,273,567	1,405,576	132,009
Grants	5,161	5,111	-50
Other payables	77,704	517,377	439,673
Total payables	1,356,432	1,928,064	571,632
Provisions			
Employees	187,270	174,981	-12,289
Other Provisions	5,698	5,881	183

Total provisions	192,968	180,862	-12,106
Total liabilities	1,549,400	2,108,926	559,526
Net assets	370,025	402,674	32,649
<b>EQUITY</b>			
Parent entity interest			
Retained surpluses or			
accumulated deficits	214,418	247,054	32,636
Asset revaluation reserves	239	252	13
Contributed equity	155,368	155,368	-
Total parent entity interest	370,025	402,674	32,649
<b>Total equity</b>	<b>370,025</b>	<b>402,674</b>	<b>32,649</b>

**Note**

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

## Explanation of major variations—balance sheet

The variances between the revised budget and the actual result for 2012–13 in the balance sheet mainly reflect:

- an increase in assets of \$592.2m—mainly representing an increase in receivables and cash, which was offset by a decrease in other non-financial assets (prepayments)
- an increase in liabilities of \$559.5m—mainly representing an increase in supplier and other payables offset by an reduction in employee provisions.

The main driver for the increase in Trade and Other Receivables and Other Payables was a change in the accounting treatment of Liquidated Damages. A detailed explanation of this change is provided in notes to the DMO financial statements. The relevant notes are the Accounting Policy Note (Note 1.15), Note 5B Receivables and Note 7C Other Payables.

**Table W12.15 Cash flow statement for the period ended 30 June 2013**

	Revised budget 2012–13 \$'000	Actual result 2012–13 \$'000	Variation <sup>[1]</sup> 2012–13 \$'000
<b>OPERATING ACTIVITIES</b>			
Cash received			
Goods and services	8,243,463	8,350,682	107,219
Appropriations	943,029	1,014,441	71,412

Net GST received	558,795	618,088	59,293
Activities performed on behalf of foreign governments	56,647 <sup>[2]</sup>	47,829	-8,818
Other cash received	1,061 <sup>[2]</sup>	5,395	4,334
<b>Total cash received</b>	<b>9,802,995</b>	<b>10,036,435</b>	<b>233,440</b>
Cash used			
Employees	609,521	616,037	6,516
Suppliers	8,435,766	8,407,885	-27,881
GST paid	558,795	597,732	38,937
Funds returned to Defence	142,786	283,901	141,115
Grants	27,911	19,312	-8,599
Other cash used	-	25	25
<b>Total cash used</b>	<b>9,774,779</b>	<b>9,924,892</b>	<b>150,113</b>
<b>Net cash from or (used by) operating activities</b>	<b>28,216</b>	<b>111,543</b>	<b>83,327</b>
<b>INVESTING ACTIVITIES</b>			
Cash used			
Purchase of property, plant and equipment and intangibles			
	2,938	460	-2,478
<b>Total cash used</b>	<b>2,938</b>	<b>460</b>	<b>-2,478</b>
<b>Net cash from or (used by) investing activities</b>	<b>-2,938</b>	<b>-460</b>	<b>2,478</b>
<b>Net increase or (decrease) in cash held</b>	<b>25,278</b>	<b>111,083</b>	<b>85,805</b>
Cash at the beginning of the reporting period	24,722	24,722	-
<b>Cash at the end of the reporting period</b>	<b>50,000</b>	<b>135,805</b>	<b>85,805</b>

Notes

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.
2. The estimate in the Portfolio Additional Estimates 2012–13 has been adjusted to ensure consistency at a line item level with the Actual Result. This involved moving \$56.647m from 'Other Cash Received' to 'Activities from other government'. This has no impact on the overall cash flow.

## Explanation of major variations—cash flow

The variation in the cash flow statement are consistent with the variation in the income statement and balance sheet. As at 30 June 2013, the DMO had cash at

bank of \$135.8m. The variance of \$85.8m from the revised budget relates to increased balances in overseas accounts that are required for procurement activity in early 2013-14.

## Administered schedules

**Table W12.16 Income administered on behalf of government for the period ended 30 June 2013**

	Revised budget	Actual result	Variation <sup>[1]</sup>
	2012–13	2012–13	2012–13
	\$'000	\$'000	\$'000
Expenses administered on behalf of government			
Foreign Exchange losses	-	-	-
Total Expenses	-	-	-
Income administered on behalf of Government			
Interest	6	85	79
Foreign Exchange Gains	-	189	189
<b>Total Income</b>	<b>6</b>	<b>274</b>	<b>268</b>

**Note**

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

**Table W12.17 Assets administered on behalf of government for the period ended 30 June 2013**

	Revised budget	Actual result	Variation <sup>[1]</sup>
	2012–13	2012–13	2012–13
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
Financial assets			
Receivables	-	2,059	2,059
Total financial assets	-	2,059	2,059
<b>Total assets administered on behalf of government</b>	<b>-</b>	<b>2,059</b>	<b>2,059</b>

**Note**

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

**Table W12.18 Administered cash flows for the period ended 30 June 2013**

	Revised budget	Actual result	Variation <sup>[1]</sup>
	2012–13	2012–13	2012–13
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			

Cash received

Interest	4,348	1,799	-2,549
Total cash received	4,348	1,799	-2,549
Net increase or (decrease) in cash held	4,348	1,799	-2,549
Cash at the beginning of the reporting period	-	-	-
Cash to the Official Public Account for interest	4,348	1,799	-2,549
Cash at the end of the reporting period	-	-	-

**Note**

1. The variation is between the actual result as disclosed in the DMO's audited 2012–13 financial statements and the revised budget published in the Portfolio Additional Estimates Statements 2012–13.

## Special accounts

The Defence Materiel Special Account is the main operating account from which most business activities are conducted.

All sources of revenue, including direct appropriation, related party appropriation (revenue from Defence) and other non-appropriation sources of revenue are recorded in the Special Account. These amounts remain in the Special Account even if not fully used in the budget year. They are held as an appropriation receivable in the Official Public Account and are available to meet future expenditure requirements and liabilities when they fall due.

**Table W12.19 Actual special account cash flows and balances**

	Outcome	Opening balance 2012–13 \$'000	Receipts 2012–13 \$'000	Payments 2012–13 \$'000	Adjustments 2012–13 \$'000	Closing balance 2012–13 \$'000
Defence Materiel						
Special Account <sup>[D&amp;A]</sup>	1	326,647	9,261,980	9,341,491	-	247,136
Services for Other Entities and Trust Monies—Defence Materiel Organisation <sup>[T]</sup>						
	1	-	-	-	-	-
<b>Total special accounts</b>		<b>326,647</b>	<b>9,261,980</b>	<b>9,341,491</b>	<b>-</b>	<b>247,136</b>

**Notes**

1. [D&A] = Departmental and Administered.

2. [T] = Trust Money for Comcare Receipts: This account was closed in 2012–13.

## Governance and accountability

### Governance

#### Early indicators and warnings

Early indicators and warnings (EI&W) aim to identify problems with projects 'early' in the acquisition life-cycle to increase the opportunity for remediation of issues before they impact on delivery. The EI&W system uses a set of defined triggers to allow project performance to be measured against schedule, cost, capability and commercial risk thresholds. The EI&W system continues to evolve to introduce more quantifiable and leading indicators that can reveal early drift from an approved project's baseline.

Each project's performance is compared against defined parameters from the Government-approved baselines at second pass. A project triggering a breach against these mandated thresholds will be identified and advised to the Government through quarterly reporting. Projects triggering on EI&W thresholds are considered through the Gate Review process to identify specific remediative actions to minimise future underperformance and potentially regain lost ground.

A number of EI&W scans were conducted by Defence during 2012–13. The EI&W scans measured the performance of major capital acquisition projects in the DMO, Capability Development Group, Chief Information Officer Group, Defence Support and Reform Group, Defence Science and Technology Organisation and Intelligence and Security Group against agreed performance thresholds in relation to cost, schedule and capability deliverables.

The system has been refined during the reporting period to increase the focus on identifying potential problems early in the lifecycle of project delivery and to improve accuracy and repeatability. Accordingly, reporting from the DMO has focused on projects within the first 50 per cent of their acquisition life-cycle. The EI&W system has allowed project managers and line management to more effectively focus on identifying and remediating these early problems and, as a result, a number of projects that previously triggered against EI&W thresholds no longer trigger in the latest scans.

The EI&W system is still relatively immature, and will continue to evolve over the next 12 months. The key focus will be to more effectively integrate the EI&W system within existing reporting mechanisms.

Table W12.20 provides a list of six early DMO projects that have triggered against EI&W criteria during 2012–13 and were reported to government. The majority of projects triggered on the schedule criterion. The three projects remaining on the EI&W list will be subject to increased monitoring and internal management processes.

**Table W12.20 Early DMO projects triggering against EI&W thresholds during 2012–13**

Project	End-of-year status	Outcome
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1	AIR 5440 Phase 1 C130J Block Upgrade	On	Project has been re-baselined.
2	JP 2057 Phase 3 Australian Overhead Persistent Infra-Red (OPIR) Capability	On	The DMO has initiated regular contact with the United States program office.
3	JP 5408 Phase 2B GPS Protection and Enhancement	On	Revised delivery dates agreed for the project.
4	AIR 9000 Phase 5C Additional Medium Lift Helicopters	Off	Project budget issues resolved and there is no longer an impact on schedule.
5	LAND 121 Phase 3B Overlander Phase 3B Medium Heavy FVM&T	Off	Cost, capability and schedule issues have been remediated.
6	LAND 40 Phase 2 Direct Fire Support Weapons	Off	Declared a project of concern and no longer reported under the EI&W system.

Table W12.21 provides a list of Capability Development Group (CDG) post first pass but pre second pass projects that have triggered against EI&W criteria during 2012–13. Projects in the first to second pass phase are highly dynamic, as risks are identified and mitigated through the process. The EI&W process has been successful in identifying projects not proceeding in accordance with agreed first pass government approval performance parameters, thereby permitting appropriate corrective management action to be taken early in the project life-cycle.

Of the nine projects that triggered in the period, five have been remediated.

**Table W12.21 CDG projects triggering against EI&W thresholds during 2012–13**

	Project	End-of-year status	Outcome
1	AIR 5416 Phase 4B2 C130J Large Aircraft Infrared Countermeasures (LAIRCM)	On	The Air Force and the DMO continue to coordinate the LAIRCM and C130J Block Upgrade programs.
2	AIR 5440 Phase 1 C130J Block Upgrade	On	The Air Force and the DMO continue to coordinate the LAIRCM and C130J Block Upgrade programs.
3	AIR 9000 Phase 7 Helicopter Aircrew Training System	On	Actions underway to reduce additional delay to initial operational capability.
4	SEA 1439 Phase 5B.2 Collins Continuous Improvement Program (CIP)	On	An alternative acquisition strategy is under development.
5	JP 2008 Phase 5B1 Wideband Transportable Land Terminals	Off	The funding shortfall has been resolved.

6	JP 2068 Phase 2B.2 Computer Network Defence	Off	Existing initial and final operational capability dates are still current.
7	JP 2072 Phase 2B Battlefield Communications System – Land	Off	Schedule re-baselined.
8	JP 66 Phase 1 Replacement for Air Defence Targets	Off	Project cancelled.
9	LAND 121 Phase 4 Overlander Protected Mobility Vehicle (Light)	Off	Affordability issues resolved.

Table W12.22 provides a list of seven Chief Information Officer Group (CIOG) projects that triggered against EI&W criteria during 2012–13 and were reported to government.

**Table W12.22 CIOG projects triggering against EI&W thresholds during 2012–13**

	Project	End-of-year status	Outcome
1	JP 2077 Phase 2D Improved Logistics	On	Business case under review.
2	JP 2099 Phase 1 Identity Management	On	Policy changes under consideration.
3	Next Generation Desktop Project (NGD)	On	Schedule delayed.
4	Project Sentinel (Work Health and Safety Management Information Systems)	On	Not expected to trigger in future EI&W scans.
5	JP 2054 Defence Messaging Handling Service	Off	Project cancelled.
6	JP 2080 Phase 2B.1 Personnel Systems Modernisation	Off	New approval strategy agreed.
7	JP 2090 Phase 1C Combined Information Environment	Off	Project cancelled.

Table W12.23 provides a list of sixteen Defence Support and Reform Group (DSRG) projects that triggered against EI&W criteria during 2012–13 and were reported to government.

**Table W12.23 DSRG projects triggering against EI&W thresholds during 2012–13**

	Project	End-of-year status	Outcome
1	AIR 7000 Maritime Patrol Aircraft Replacement	On	All design contracts signed and design is well underway.

2	AIR 9000 5C Replacement Chinook Facilities	On	Investigations and design for interim solution underway pending government approval.
3	AIR 9000 Phase 8 Facilities for the Future Naval Aviation Combat System (FNACS)—MH-60R	On	Review of construction methodology and industry capacity to determine impact (if any) in achieving initial operational capability.
4	Garrison & Estate Management System (GEMS)	On	Project is now nearing completion of a 'blueprinting' phase to inform both business and technical aspects of the design solution.
5	HMAS Albatross Redevelopment Stage 3	On	Project is in contract and design progressing. Construction expected to commence early 2014 on key elements to support MH-60R Seahawk.
6	JP 154 Facilities for Joint Counter Improvised Explosive Device Capability—Stage 1 – Nurrungar	On	Agreement met with Indigenous parties in May 2013. Parliamentary Standing Committee on Public Works referral to occur as soon as possible after the election.
7	JP 154 Facilities for Joint Counter Improvised Explosive Device Capability—Stage 2—Other sites	On	Scope and requirement under review, in consultation with the Army.
8	JP 2047 Phase 3 Defence Terrestrial Communications Network Facilities Upgrade	On	Detailed business case scheduled for completion late 2013. Anticipate PWC referral to Parliamentary Standing Committee on Public Works early 2014.
9	JP 3029-2 Space Surveillance Telescope	On	Contractor engagement being streamlined in consultation with project stakeholders.
10	N2237 Port facilities Townsville, Queensland and Darwin Hardened Barge Ramp	On	Defence has engaged the Northern Territory Government through its Land Development Corporation to develop a detailed design of the proposed facility.
11	RAAF Base Williams, Point Cook, Victoria, Former Fire Training Area Contamination Remediation Works	On	Works completion anticipated by late 2014.
12	AIR 8000 Battlefield Airlifter	Off	Interim solution is being developed for initial housing at an appropriate Air Force base until permanent facilities are provided.
13	Defence Force School of Signals (DFSS), Watsonia Victoria.	Off	Project was not able to deliver the full scope of works—outstanding elements may be included in a future redevelopment project. Interim solution is being developed.
14	LAND 17 Artillery Replacement Phase 1A	Off	All construction underway. Completion of all facilities scheduled for early 2014.
15	RAAF Williamtown Redevelopment Stage 2	Off	Project has been re-baselined.
16	SEA 4000 (3) Air Warfare Destroyers (AWD) and JP 2048 (4A & B) Amphibious Deployment & Sustainment (LHD)	Off	Project has been re-baselined.

Table W12.24 lists one project from the Intelligence and Security Group (ISG) that triggered against EI&W criteria during 2012–13 and was reported to government.

**Table W12.24 ISG projects triggering against EI&W thresholds during 2012–13**

Project	End of year status	Outcome
1 Allied Federated Access (AFA) Phase 1	On	Phase 1 schedule slip and cost increase remediated, total project cost and final delivery dates remain as per government approval.

## Gate reviews

Gate reviews are an important part of the DMO's assurance process. They are designed to improve overall project outcomes and ensure the DMO is able to provide high-quality and reliable advice to Defence and government regarding the health and outlook of all major capital acquisition projects.

An expert board, whose chair is independent of line management (and sometimes external to the DMO) and comprising a combination of senior DMO executives and external board members, conducts an annual review of each project, usually in the lead-up to a major milestone. Reviews are also conducted on an exception basis, on request from the project, as a diagnostic tool to inform EI&W, and as directed by government. External board members are drawn from the ranks of former senior government and industry executives with extensive experience in the field of complex project management. Boards are individually tailored to the project management, procurement and technical issues confronting the project and are able to help improve project outcomes through the provision of guidance and assistance to the project manager.

Board considerations are informed by a thorough and non-advocate analysis of the project conducted by the Independent Project Performance Office in the weeks leading up to the board meeting. The analysis team, which includes external board members, engages all stakeholders and, when required, industry.

All active major projects were reviewed in the last year. Gate Reviews have facilitated earlier identification and resolution of issues, and improved program transparency. Associated data collection has identified systemic lessons and is being used to drive corrective action.

## Projects of concern

The projects of concern regime is closely linked to both the EI&W framework and the Gate Review process. Once troubled projects have been identified through triggering one or more of the EI&W thresholds and have undergone a diagnostic Gate Review to identify specific and measurable remediation objectives, a recommendation may be made to the Government to add a project to the formal list of projects of concern. Once listed, the primary objective of the regime is to remediate these projects through the implementation of an agreed plan to resolve any significant commercial, technical, cost and/or schedule difficulties. Projects of

concern receive targeted senior management attention and are required to report more regularly to the Government.

Since its introduction in early 2008, the DMO has been working closely with industry, Defence and the Government to successfully remediate these projects with the goal of returning them to a standard management regime.

Significant events during 2012–13 included:

- continuation of the projects of concern summits between the Minister for Defence Materiel, the DMO, Defence capability managers and CEOs from the industry with responsibility for projects on the list
- the successful remediation of the following projects and their subsequent removal from the list of projects of concern:
  - ‘Wedgetail’ Airborne Early Warning and Control Aircraft (AIR 5077 Phase 3)
  - Lightweight Torpedo Replacement (JP 2070 Phase 2/3)
- the addition of Mulwala Redevelopment Project (JP 2086 Phase 1) and Direct Fire Support Weapons (LAND 40 Phase 2) to the projects of concern list due to schedule/cost and contractual challenges respectively.

**Table W12.25 Current projects of concern as at 30 June 2013**

Project name	Project number/ phase	Date added
Collins class submarines	CN 10	Nov 08
Multi-Role Tanker Transport aircraft—Air to Air Refuelling Capability	AIR 5402	Oct 10
Electronic Support Measures upgrade for AP-3C Orion aircraft	AIR 5276 Phase 8B	Oct 10
Multi-Role Helicopter	AIR 9000 Phase 2,4,6	Nov 11
Direct Fire Support Weapons	LAND 40 Phase 2	Dec 12
Mulwala Redevelopment Project	JP 2086 Phase 1	Dec 12

**Table W12.26 Former projects of concern as at 30 June 2013**

Project	Description	Removed	Outcome
SEA 1411	Sea Sprite Helicopter	Mar 08	Cancelled
AIR 87	Armed Reconnaissance Helicopter	Apr 08	Remediated

LAND 106	M-113 Armoured Personnel Carrier Upgrade	May 08	Remediated
JP 2088 Phase 1A	SF Air Drop Rigid Hull Inflatable Boat Trailers	Sep 09	Remediated
SEA 1390 Phase 2.1	Guided Missile FFG Upgrade	Jan 10	Remediated
AIR 5416 Phase 2	Project 'Echidna'	Jul 10	Scope reduced
JP 2048 Phase 1A	LCM2000 Watercraft for Amphibious Ships	Feb 11	Cancelled
JP 2043 Phase 3A	High Frequency Communications Modernisation	Jun 11	Remediated
AIR 5333	Air Defence Command and Control System 'Vigilare'	Jun 11	Remediated
SEA 1448 Phase 2B	ANZAC—class Anti-Ship Missile Defence	Nov 11	Remediated
LAND 121 Phase 3B	Medium and heavy vehicles, trailers and modules	Dec 11	Remediated
JP 129 Phase 2	Tactical Unmanned Aerial Vehicles	Dec 11	Remediated
AIR 5418 Phase 1	Joint Air-to-Surface Standoff Missile	Dec 11	Remediated
AIR 5077 Phase 3	'Wedgetail' Airborne Early and Control Aircraft	Dec 12	Remediated
JP 2070 Phase 2/3	Lightweight Torpedo Replacement	Dec 12	Remediated

## Managing interdependent risks

The Rizzo review (*Plan to reform support ship repair and maintenance practices*, July 2011) highlighted the need for interdependent risk management between the DMO and the Navy.

The DMO and the Navy have developed the Interdependent Mission Management System to highlight interdependent risks and potential sustainment 'blind spots', support collaborative management and provide a common and current understanding of the condition of Navy assets.

The system has been populated with key information from materiel sustainment agreements in anticipation for use at Navy Fleet Screening in November 2013.

Over 2012–13, the system's scope has been broadened to provide visibility of the whole-of-capability life-cycle through development of an acquisition application and provide visibility of potential capability gaps.





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