



PORTFOLIO BUDGET STATEMENTS 2012-13
BUDGET RELATED PAPER NO. 1.5A

DEFENCE PORTFOLIO

BUDGET INITIATIVES AND EXPLANATIONS OF
APPROPRIATIONS SPECIFIED BY OUTCOMES
AND PROGRAMS BY AGENCY

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The document must be attributed as the *Defence Portfolio Budget Statements 2012-13*.



MINISTER FOR DEFENCE

PARLIAMENT HOUSE
CANBERRA 2600

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2012-13 Budget for the Department of Defence, the Defence Materiel Organisation and Defence Housing Australia.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

A handwritten signature in black ink, appearing to read 'Stephen Smith'.

Stephen Smith MP
Minister for Defence

ABBREVIATIONS AND CONVENTIONS

- (a) The following notation may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

- (b) Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

ENQUIRIES

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A copy of this document can be located on the Australian Government Budget website at <http://www.budget.gov.au>.

REFERENCES

Previous years' Defence Portfolio Budget Statements, Portfolio Additional Estimates Statements and Annual Reports can be found at www.defence.gov.au/budget/.

**USER GUIDE
TO THE
PORTFOLIO BUDGET STATEMENTS**

USER GUIDE

The purpose of the 2012-13 Portfolio Budget Statements (PBS) is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations acts, special appropriations (including standing appropriations and special accounts), and revenue from other sources.

A key role of the PBS is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No. 1 and No. 2 2012-13 (or Appropriation Bill [Parliamentary Departments] No. 1 2012-13 for the parliamentary departments). In this sense the PBS are Budget related papers and are declared by the Appropriation Acts to be 'relevant documents' to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

The PBS provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non general government sector entities are not consolidated into the Commonwealth general government sector fiscal estimates and accordingly, these entities are not reported in the PBS.

STRUCTURE OF THE PORTFOLIO BUDGET STATEMENTS

The Defence Portfolio Budget Statements are divided into three parts: the Department of Defence, the Defence Materiel Organisation (DMO) and the Defence Housing Australia (DHA). The sections of each part are outlined in the following table.

Portfolio Overview	
The portfolio overview outlines the responsibilities of the portfolio, list the relevant agencies and Ministers and the resources available.	
Department of Defence	
Section 1: Defence Overview and Resources	Section 1 provides the strategic direction for Defence, the functions and responsibilities of Defence, its organisational structure, as well as information about its contribution towards its outcomes for the budget year and the resources available. This section also provides information about Defence management reforms, its capital budget and workforce, including the DMO.
Section 2: Outcomes and Planned Performance	Section 2 provides a brief overview of Defence's outcomes and programs for 2012-13. Each outcome has an outcome resource statement which provides resourcing information by program. The deliverables and performance indicator information for each program follow the outcome resource statement.
Section 3: Explanatory tables and financial statements	<p>This section includes explanatory tables and budgeted financial statements. The explanatory tables include:</p> <ul style="list-style-type: none"> • an explanation of any differences between the information included in the Budget Papers and the PBS arising from the use of the Government Financial Statistics and Australian Accounting Standards accounting methodologies • supplementary information on the reconciliation between total available appropriation and outcome attribution, the re-phasing and use of appropriations, special account flows and Australian Government Indigenous Expenditure.
Defence Materiel Organisation	
Section 1: DMO Overview and resources	Section 1 provides an overview of the DMO's functions and responsibilities, including the strategic priorities for 2012-13 and organisational structure, as well as information about its contribution towards its outcomes for the budget year and the resources available. This section also provides summaries of the DMO's reform initiatives and governance activities.
Section 2: DMO Outcomes and Planned Performance	Section 2 provides an overview of the DMO's outcome and programs, including the Top 30 Projects, the Top 20 Sustainment Products and the Top 10 Minor Projects. This section also provides summaries of the DMO's reform initiatives and governance activities
Section 3: DMO Explanatory tables and financial statements	<p>This section includes explanatory tables and budgeted financial statements. The explanatory tables include:</p> <ul style="list-style-type: none"> • an explanation of any differences between the information included in the Budget Papers and the PBS arising from the use of the Government Financial Statistics and Australian Accounting Standards accounting methodologies • supplementary information on the reconciliation between total available appropriation and outcome attribution, the re-phasing and use of appropriations, special account flows and Australian Government Indigenous Expenditure.
Defence Housing Australia	
	This part provides an overview of Defence Housing Australia (DHA), including performance forecasts for 2012-13, DHA's outcome and output, and its 2012-13 budgeted financial statements.
Appendices	A glossary and list of acronyms and abbreviations.

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PORTFOLIO OVERVIEW

Key 2012-13 Cash Budget Statistics		
	\$'m	%
Total Departmental Appropriations		
comprised of:		
Employees	10,385.4	42.9%
Capital	5,263.7	21.8%
Operating	8,538.8	35.3%
Total Departmental Appropriations	24,188.0	
Major Components of the Budget Include:		
Defence Operations		
2012-13 expenditure is comprised of:		
Operation Slipper (Afghanistan)	1,189.8	77.1%
Enhanced Force Protection in Afghanistan	211.5	13.7%
Operation Astute (East Timor)	87.6	5.7%
Operation Anode (Solomon Islands)	42.9	2.8%
Operation Resolute (Coastal Surveillance)	9.5	0.6%
Operation Kruger (Embassy Security in Bagdad)	1.9	0.1%
Total Defence Operations	1,543.3	
Capital Investment Program		
comprised of:		
Defence Capability Plan	275.8	6.0%
Approved Major Capital Equipment Investment Program	3,138.3	68.2%
Facilities (Approved and Unapproved)	1,018.9	22.1%
Other Investment	171.9	3.7%
Total Capital Investment Program	4,604.9	
Sustainment	4,600.7	
Defence Workforce		
comprised of:		
Military Employees	8,232.1	79.3%
Civilian Employees	2,153.3	20.7%
Total Defence Workforce	10,385.4	

PORTFOLIO OVERVIEW

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 bodies are:

- the Department of Defence—a department of state, headed by the Secretary of the Department of Defence
- the Australian Defence Force (ADF)—which consists of the three Services, Navy, Army and the Air Force (including Reserves) commanded by the Chief of the Defence Force (CDF). 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 (CEO) DMO.

In practice, these bodies have to work together closely and are broadly regarded as one organisation known simply as Defence (or the Australian Defence Organisation).

The portfolio also 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 the Defence Housing Australia (DHA) and the Australian Strategic Policy Institute (ASPI).

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

MINISTERS AND THEIR PORTFOLIO RESPONSIBILITIES

Changes Affecting the Portfolio

Following the Prime Minister's announcement on changes to the Ministry, on 5 March 2012, the Hon. Jason Clare MP was sworn in as the Minister for Defence Materiel, replacing Senator the Hon. Kim Carr. The Ministers and their portfolio responsibilities are as follows:

THE HON STEPHEN SMITH MP – MINISTER FOR DEFENCE

- General:
 - oversight of all aspects of the Defence portfolio
 - lead on all Cabinet submissions
- Strategic Policy
- Operations and Intelligence
- International Policy
- Force Structure and Force Posture
- Strategic Reform Program
- Budget and Finance
- Defence estate policy and major projects
- Military Justice System
- Defence Export Controls
- White Paper 2013 Processes
- Strategic aspects of:
 - Defence estate policy and major projects
 - Project SEA 1000
 - New Air Combat Capability
- Capability Responsibilities:
 - Development of the Defence Capability Plan (DCP) and the alignment of the DCP with the Defence Planning Guidance
 - DCP programming and budgeting
 - Processing of unapproved projects up to and including Second-Pass stage.

THE HON WARREN SNOWDON MP – MINISTER FOR DEFENCE SCIENCE AND PERSONNEL

Specific responsibilities allocated to Mr Snowdon are:

- Science and technology policy including:
 - strategic direction
 - external engagement
 - support to operations
 - support to the force-in-being
 - enabling research
- Personnel policy including:
 - workforce planning
 - recruitment and retention
 - pay and superannuation
 - equity and diversity
 - personnel support
 - Defence families and community organisations
 - housing policy
 - health (including Occupational Health and Safety).

THE HON JASON CLARE MP – MINISTER FOR DEFENCE MATERIEL

Specific responsibilities allocated to Mr Clare are:

- Defence materiel acquisition
- Sustainment issues
- Tendering and contracting for materiel acquisition
- Industry capacity, structure, policy and engagement
- Skills policy
- Equipment disposal
- Science and technology matters as they relate to capability development, materiel acquisition and sustainment
- Capability Responsibilities:
 - Acquisition strategy throughout the capability approval process
- Assist the Minister for Defence on:
 - Development of the DCP
 - DCP programming and budgeting
 - Processing of unapproved projects up to and including Second-Pass stage.

SENATOR THE HON DAVID FEENEY – PARLIAMENTARY SECRETARY FOR DEFENCE

Specific responsibilities allocated to Senator Feeney are:

- Garrison services and administration of Defence estate policy
- Facilities, infrastructure and property
- Reserves policy
- Cadets
- Honours and Awards
- Nature of Service Review
- ADF Parliamentary exchange program
- Aircraft noise and abatement
- Education and training^[1]
- Assistance to the Minister for Defence on:
 - ICT matters
 - Pacific policy
 - Force structure.

THE HON MIKE KELLY MP – PARLIAMENTARY SECRETARY FOR DEFENCE

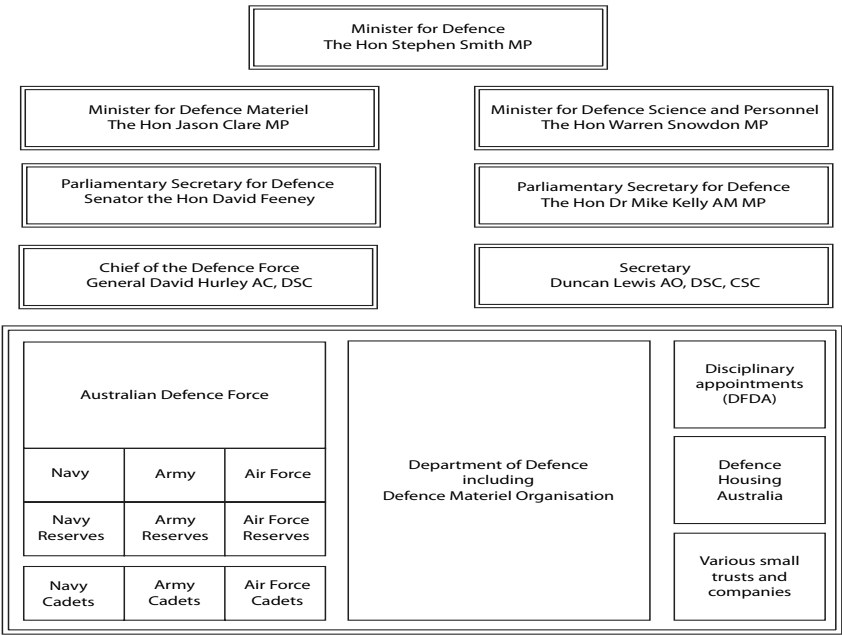
Specific responsibilities allocated to Dr. Kelly are:

- Assisting the Minister for Defence in the Afghanistan Transition
- UN Peacekeeping including assistance to the Minister for Defence on policy aspects
- Peace Operations Training Centre
- Australian Civil-Military Centre
- Asia-Pacific Centre for Military Law

1. The Parliamentary Secretary for Defence has prime carriage of education and training, but he will consult the Minister for Defence Science and Personnel on matters in relation to overall personnel policy.

PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence portfolio structure and outcomes



Department of Defence

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.

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

Defence Materiel Organisation (Prescribed Agency within the Department)

Chief Executive Officer: Mr Warren King

Outcome: Contributing to the preparedness of the Australian Defence Organisation through the acquisition and through-life support of military equipment and supplies.

Defence Housing Australia

Managing Director: Mr Michael Del Gigante

Mission: To deliver total housing and related services that meet Defence operational and client needs through a strong customer and business focus.

Portfolio Resource Statement

Table 1: Portfolio Resources^[1]

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Department of Defence								
Administered appropriations	-	-	-1,344.6	4,227.4	2,882.8	1,344.6	-	4,227.4
Departmental appropriations	23,269.9	-	-90.3	-	23,179.6	1,037.9	-	24,217.4
Total Department of Defence	23,269.9	-	-1,434.9	4,227.4	26,062.4	2,382.5	-	28,444.9
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Materiel Organisation								
Administered appropriations ^[2]	-	-	-	-	-	-	-	-
Departmental appropriations	928.5	-	-	-	928.5	8,190.6	-	9,119.1
Total Defence Materiel Organisation	928.5	-	-	-	928.5	8,190.6	-	9,119.1
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Housing Australia								
Administered appropriations	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	967.3	-	967.3
Total Defence Housing Australia	-	-	-	-	-	967.3	-	967.3
Total Portfolio	24,198.3	-	-1,434.9	4,227.4	26,990.9			

Note

- Figures shown include interagency transactions.
- DMO receives interest receipts from overseas bank accounts which are returned to the OPA and do not form part of DMO's resources. The estimated amount for 2012-13 is \$1m.

Table 2: Total Departmental and Administered Consolidation Cash Budget for the Department of Defence (including DMO)^[1]

	2012-13 Estimate \$m
APPROPRIATIONS AND CAPITAL	
Appropriation (Bill 1)	24,188.0
Appropriation - Contributed Equity (Bill 2)	-
Appropriations for military superannuation ^[2]	2,019.9
less Returns to the OPA	-1,435.9
Total Cash Available	24,771.9
OPERATING ACTIVITIES	
Cash received	
Goods and services	400.7
Net GST received	1,203.1
Interest	32.8
Other cash	167.0
Fees	10.0
Total cash received	1,813.6
Cash used	
Employees	9,170.3
Suppliers	8,870.3
Net GST paid	1,203.1
Grants	73.0
Other cash used	33.9
Subsidies paid	109.2
Military benefits	1,910.6
Total cash used	21,370.5
Net cash from or (used by) operating activities	-19,556.8
INVESTING ACTIVITIES	
Cash received	
Proceeds from sales of land and buildings	97.9
Proceeds from sales of infrastructure, plant and equipment	28.7
Dividends	48.6
Total cash received	175.3
Cash used	
Purchase of land and buildings	873.2
Purchase of infrastructure, plant and equipment	419.9
Purchase of specialist military equipment	2,936.0
Purchase of intangibles	11.3
Purchase of inventory	988.8
Selling costs on sale of assets	4.2
Finance costs	77.4
Total cash used	5,310.8
Net cash from or (used by) investing activities	-5,135.5
FINANCING ACTIVITIES	
Cash used	
Repayment of debt	79.6
Total cash used	79.6
Net cash from or (used by) financing activities	-79.6
Net increase or (decrease) in cash and cash equivalents held	-
Cash and cash equivalents at beginning of the reporting period	115.9
Effect of exchange rate movements on cash and cash equivalents	-
Cash and cash equivalents at end of the reporting period	115.9

Notes

- Figures shown eliminate interagency transactions flowing between Departmental and Administered funding.
- Includes \$918m of appropriation planned to be drawn down by DMO.
- Cross references with Table 75 Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June.

Defence (including Defence Materiel Organisation) Workforce

Following a period of historically low separation rates that led ADF to exceed its budgeted workforce strength in 2010-11, the measures implemented to correct the overachievement have succeeded and the ADF workforce has now returned to its budgeted strength. It is expected to remain so over the Forward Estimates period.

The Australian Public Service (APS) workforce will reduce to 21,195 in 2012-13 from the 2011-12 projected result of 21,841. Reductions to the net APS workforce will result from planned reductions in duplication of effort in the Defence organisation in the areas of administrative and corporate functions. There has been ongoing examination into identifying initiatives that will streamline and improve administrative and corporate functions, including the use of new Information and Communications Technology (ICT). Shared Services reform will facilitate the reduction of 1,000 in overall forecast growth from financial year 2011-12 through to 2013-14 as announced in the *Portfolio Budget Statements 2011-12*.

In addition to the above reductions to the civilian workforce, which flow from decisions made in previous years, Defence will make further savings through ongoing reductions to its civilian numbers of an additional 666 in 2012-13 and 334 in 2013-14, a total of 1,000 further reductions. This reduction has initially been allocated as a proportional reduction of 5 per cent across each Group, pending a more comprehensive review of the requirements across Groups in the new financial year. The reductions will be achieved primarily through a combination of natural attrition, tightening of recruitment practices and other measures. Defence will work systematically to identify where the savings are to be found within Groups.

Care will be taken in this program of reductions to not reduce standards of service in priority areas of Defence including support to operations.

These reductions are partially offset by factors including investment associated with future Force capability development initiatives, and Workforce and Shared Services Reform-related civilianisation of non-combat related military positions and conversions from contractors to less costly APS positions.

Table 3: Defence and DMO Consolidated Workforce Table

		2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	ADF					
	ADF Permanent Force ^[1]	57,882	58,636	58,589	58,872	59,018
	Reserves ^[2]	21,250	21,650	22,595	22,795	22,995
1	Total ADF Workforce	79,132	80,286	81,184	81,667	82,013
	APS					
	Defence APS	15,848	15,651	15,241	14,880	14,698
	DMO APS	5,993	5,544	5,608	5,830	5,849
2	Total APS	21,841	21,195	20,849	20,710	20,547
	Contractor^[3]					
	Defence Contractor	483	488	450	447	449
	DMO Contractor	31	48	48	48	46
3	Total Contractor	514	536	498	495	495
	Total Workforce Strength (1+2+3)	101,487	102,017	102,531	102,872	103,055

Notes

1. Numbers for ADF Permanent Force include ADF members in the DMO, and Reservists on Continuous Full Time Service.
2. Numbers for Reserves include Active and High Readiness Reserve members.
3. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.

AGENCY RESOURCES AND PLANNED PERFORMANCE

Department of Defence

Defence Materiel Organisation

Defence Housing Authority

DEPARTMENT OF DEFENCE

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: Defence Overview and Resources

- 1.1 Strategic Direction Statement
- 1.2 Portfolio Resource Statement
- 1.3 Funding from Government
- 1.4 Capital Investment Program
- 1.5 People

Section 2: Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

DEPARTMENT OF DEFENCE

Section 1: Defence Overview and Resources

1.1 Strategic Direction Statement

Defence's primary focus continues to be to protect and advance Australia's strategic interests by providing military forces and supporting those forces in the defence of Australia and its strategic interests. To achieve this, Defence prepares for and conducts military operations and other tasks as directed by the Government.

REVISED POLICY FRAMEWORK

The Prime Minister and the Minister for Defence have announced that the Government has commissioned a new Defence White Paper to be delivered in the first half of 2013. This new White Paper will take account of Australia's emerging strategic and fiscal environment.

The White Paper will also adjust as appropriate the reform programs underway. The Department has commenced early scoping work on this new White Paper.

CONTRIBUTION TO THE FISCAL STRATEGY

A comprehensive review of the Department's budget has been undertaken to assess the contributions Defence could make across the Forward Estimates to support the Government's broader fiscal strategy. The Chief Financial Officer reviewed all aspects of the Defence budget during the course of 2011-12. In addition, opportunities to reduce activity and defer projects and programs were also considered as part of the annual process of determining departmental priorities.

There will be no adverse impact on operations in Afghanistan, East Timor and Solomon Islands. The provision of equipment to Defence personnel deployed or deploying overseas will not be adversely affected. There will be no adverse impact on the number of military personnel in the Australian Defence Force.

The review has resulted in a Defence contribution to the Government's fiscal strategy of \$5,454m across the Forward Estimates.

Table 4: Funding Handed Back to Government

Funding Handed Back to Government	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total FE \$m
Total	971	1,631	1,143	1,709	5,454

This funding was sourced from reduced spending in the following areas:

Table 5: Expenditure Reduction Measures

Expenditure Reduction Measures	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total FE \$m
Defence Capability Plan	35	656	304	663	1,658
Approved Major Capital Investment Program	435	274	402	194	1,305
Major Capital Facilities Program	145	391	124	550	1,210
Reduction in Administrative Costs (Travel, Consultants, Consumables)	111	109	109	109	438
1000 APS Workforce Reduction (66% in 2012-13)	61	96	99	104	360
Early Retirement of C-130H aircraft	59	71	68	53	251
Navy and Army Gap Year (ceased)	15	25	25	26	91
One year delay to rollout of ADF Family Health Program	50	-	-	-	50
Workforce Policy Changes	14	11	11	11	46
Minor Capital Projects	45	-	-	-	45
Total	971	1,631	1,143	1,709	5,454

The Department's resource position has changed in important ways over the last year. In contrast to the underspend experienced in 2010-11, a range of new cost pressures have emerged across the portfolio. To manage these internal cost pressures, Defence has reallocated and reprioritised \$2,881m.

The majority of the \$2,881m was reallocated from further savings in the DCP and AMCIP programs, with further savings, predominately in 2012-13, from across the general Departmental operating budget. The key budget pressures funded through these additional \$2,881m in savings are shown in the Table below.

Table 6: Budget Priorities

Budget Priorities	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total FE \$m
Collins Class Submarine Sustainment	100	210	218	181	709
Information Technology Remediation Activities	89	124	198	139	550
ADF Housing	61	82	144	117	404
Relocation of Defence units from Moorebank to Holsworthy in support of the Intermodal Transport Hub	65	105	133	30	332
Navy Fleet Sustainment	89	77	67	37	270
Estate Investment	28	50	75	71	224
FBT Budget	14	29	59	61	163
Garrison Support Service	24	33	42	51	150
Further Investment in Defence Cooperation Program	-	17	17	38	72
Growler NPOC	-	1	2	4	7
Total	469	728	955	729	2,881

The Department's contribution to the Government's fiscal strategy will not affect the numbers of Australian Defence Force personnel, current overseas operations or preparation for current overseas operations.

The reprioritisation of activities has been designed to have a minimum impact on the delivery of core Defence capabilities. There will be some cancellation of capability projects, and deferral or re-scoping of other capability and facility programs. A range of administrative and minor capital equipment savings will also be made.

The Department has notionally allocated a reduction of 1,000 Australian Public Service personnel across the organisation within this Portfolio Budget Statement. The details of the actual reductions and the resulting organisational structural implications are currently being considered within the Department and will be advised in the Portfolio Additional Estimates Statements.

Care will be taken in this program of reductions to not reduce standards of service in priority areas of Defence including support to operations.

DEFENCE REFORM

The Strategic Reform Program has yielded efficiencies and savings to Defence already reprogrammed into priority areas. In 2011, Defence commenced implementation of a wide ranging reform program, including in the areas of capability development, procurement and acquisition, the Defence Budget and the strengthening of personal and institutional accountability.

In 2012-13 Defence will continue with the Strategic Reform Program activities already underway. While reform must, and will proceed, all activities will be subject to review. Further details of future strategic reform in Defence will be advised in the 2013 White Paper.

Defence will continue to drive institutional change through implementation of initiatives including the establishment of a new corporate reporting and accountability framework; the establishment of the position of Chief Operating Officer, which brings together a wide range of Defence enabling functions; and the cultural change program, *Pathways to Change*.

SUBMARINE PROGRAM MANAGEMENT

The Secretary has appointed Mr David Gould as General Manager Submarines within the Defence Materiel Organisation. Mr Gould will work in the Defence Materiel Organisation and will take responsibility for all materiel-related aspects of submarine support across Defence. Mr Gould will report to Mr Warren King, Chief Executive Officer.

In addition to working closely with the Chief of Navy, Mr Gould will work across Government and industry as a project integrator to pull together the remediation and support of our existing submarine fleet and the project to replace our existing Collins Class submarines.

As a result of Mr Gould's appointment, and on advice from the Secretary, the previously announced position of Associate Secretary Capability will not be progressed.

FORCE POSTURE REVIEW

On 3 May 2012 the Prime Minister and Minister for Defence released the final report of the Australian Defence Force Posture Review. The Force Posture Review addresses whether the ADF is correctly positioned geographically to meet Australia's current and future strategic challenges. The conclusions and recommendations of the final report represent a range of longer term options for consideration. No decisions have yet been made about individual proposals.

The Force Posture Review report will form part of the security and strategic considerations feeding into the 2013 Defence White Paper. Decisions on options developed in the Force Posture Review will be made as part of the 2013 White Paper process.

CULTURAL REVIEWS - PATHWAY TO CHANGE

Defence has embarked on a five-year cultural change program to deliver our cultural intent that we are "trusted to defend, proven to deliver, respectful always". High priority will be given to the implementation of the Pathway to Change - Defence's response to the Culture Reviews announced by the Minister for Defence in April 2012. This will deliver a workplace culture that promotes diversity and the highest standards of behavior, as well as creating an environment where complaints can be aired and appropriately addressed. It recognises that building our organisation is as important as delivering on operations - our speed, discipline, and clarity on operations need to translate to all domains of our work.

RELOCATION OF DEFENCE UNITS FROM MOOREBANK TO HOLSWORTHY

A project to relocate units at Moorebank has been developed to support the Government's Moorebank Intermodal Freight Terminal (MIMT), which will be developed on Commonwealth owned/Defence occupied land at Moorebank, NSW. The land currently houses thirteen Defence units and four associated Defence facilities, the largest of which is the Army's School of Military Engineering. The project will enable the relocation of these Defence activities from Moorebank to the nearby Holsworthy Barracks by developing new purpose built facilities and enhancing existing barracks infrastructure. This project will be funded from the Government's MIMT initiative and the Defence Portfolio.

Senior Executive changes

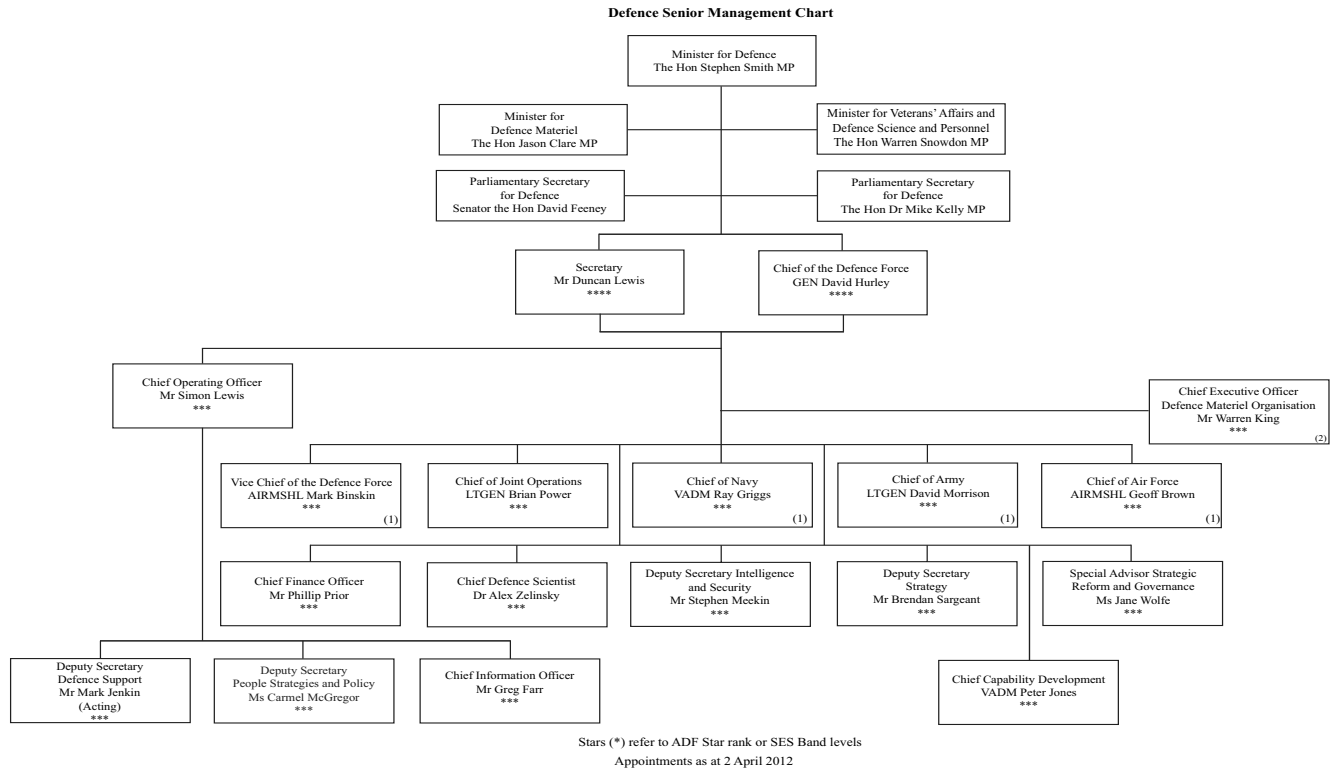
The following changes have taken place since the Portfolio Additional Estimates Statements 2011-12:

- With effect 13 February 2012, Mr Simon Lewis was appointed to the position of the Chief Operating Officer.
- With effect 13 February 2012, Mr Warren King was appointed to the position of Chief Executive Officer of the Defence Materiel Organisation.
- In March 2012, Mr Harry Dunstall was appointed to the position of Deputy Chief Executive Officer of the Defence Materiel Organisation. Mr Dunstall will continue to perform the duties of General Manager Commercial.
- With effect 19 March 2012, Mr Steve Meekin, commenced as the Deputy Secretary Intelligence and Security.
- With effect 19 March 2012, Ms Carmel McGregor commenced as the Deputy Secretary People Strategies and Policy.
- With effect 10 March 2012, Mr Peter Jennings departed the Department of Defence and his position as Deputy Secretary Strategy was assumed by Mr Brendan Sargeant. The position of Deputy Secretary Strategic Reform and Governance was dis-established.
- With effect 28 October 2011, Mr Stephen Merchant ceased as the Deputy Secretary Intelligence and Security.
- On 3 May 2012, the announcement of Mr David Gould as General Manager Submarines within the Defence Materiel Organisation.

Organisational Structure

- In July 2011, the Chief Information Officer Group (CIOG) underwent an organisational restructure in order to align better roles and responsibilities with a Senior Responsible Officer (SRO) model for major Information and Communications Technology (ICT) projects. These changes were made following an audit of CIOG progress against reform requirements, where it was identified that a number of projects were at risk of slipping. The programs of work were reassigned between SROs to ensure that workloads are balanced and resources are aligned.
- To strengthen Defence's capability to implement the recommendations of the Black Review, on 9 August 2011, the creation of two new positions of Associate Secretary was announced: the Chief Operating Officer (COO) and the Associate Secretary (Capability).
 - The COO, appointed on 13 February 2012, is responsible for the delivery of integrated corporate services to Defence.
 - The COO consists of three groups and two divisions: Defence Support Group; CIO Group; People Strategies and Policy Group; Strategic Reform Office; and Ministerial and Executive Coordination and Communication Division.
 - A new Defence People Group will be in operation in 2012-13 within the Chief Operating Officer Group structure to ensure the effective integration of People functions across the Defence organisation.
 - The Secretary has appointed Mr David Gould as General Manager Submarines within the DMO. As a result of Mr Gould's appointment, and on advice from the Secretary, the previously announced position of Associate Secretary Capability will not be progressed.

Figure 2: Defence organisational chart



Notes:

- (1) Section 9(3) of the Defence Act 1903 requires the Service Chiefs to advise the Minister on matters relating to their command.
- (2) Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directive identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

1.2 Portfolio Resource Statement

Departmental funding is presented in serial 14 of Table 7. The total level of departmental funding in 2012-13 has decreased by \$10.0m to \$24,217.4m compared with \$24,227.4m in the *Portfolio Additional Estimates 2011-12*. Defence funding is comprised of:

- an appropriation for departmental outputs (\$23,269.9m) (Table 7 Serial 1)
- return of equity to government (-\$90.3m) (Table 7 Serial 8)
- net capital receipts (\$126.7m) (Table 7 Serial 10)
- own source revenue (\$911.2m) (Table 7 Serial 11).

There are several measures and adjustments that have affected Defence's funding. These are:

- an increase of \$1,008.6m for Operations (Table 15)
- a decrease of -\$971.3m for savings measures (Table 15)
- a decrease of -\$17.2m for other budget adjustments (Table 15)
- a decrease in capital receipts of -\$45.6m (Table 7, Serial 10)
- an increase in own source revenue of \$15.5m (Table 7, Serial 11).

Table 7: Total Defence Resourcing

Serial No.	2011-12 Estimated Actual \$'000		2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
		Defence resourcing							
1	23,304,323	Appropriation for departmental outcomes	21,789,694	23,269,856	1,480,162	6.8	23,410,374	24,786,192	26,140,431
2	2,052,892	Equity injection appropriation	1,506,506	-	-1,506,506	-100.0	-	285,802	1,549,322
3	8,000	Prior Year Appropriation ⁽¹⁾	-	-	-	-	-	-	-
4	25,365,215	Current year's appropriation (1+2+3)	23,296,200	23,269,856	-26,344	-0.1	23,410,374	25,071,994	27,689,753
5	6,389	Draw down of appropriations carried forward	-	-	-	-	-	-	-
6	-83,484	Other appropriation receivable movements	-	-	-	-	-	-	-
7	-42,234	Return to OPA	-136,792	-90,304	46,488	-34.0	-68,456	-12,960	-13,654
8	-119,329	Funding from/to the OPA (5+6+7)	-136,792	-90,304	46,488	-34.0	-68,456	-12,960	-13,654
9	25,245,886	Funding from Government (4+8)	23,159,408	23,179,552	20,144	0.1	23,341,918	25,059,034	27,676,099
10	90,364	Capital receipts	172,262	126,683	-45,579	-26.5	122,969	116,346	138,322
11	900,062	Own source revenue (s31 receipts) ⁽²⁾	895,727	911,206	15,479	1.7	920,731	954,636	991,593
12	83,484	Prior Year Receipts	-	-	-	-	-	-	-
13	1,073,910	Funding from Other Sources (10+11+12)	1,067,989	1,037,889	-30,100	-2.8	1,043,700	1,070,982	1,129,915
14	26,319,796	Total Defence funding (9+13)	24,227,397	24,217,441	-9,956	-	24,385,618	26,130,016	28,806,014
		Administered⁽³⁾							
15	4,179,077	Administered special appropriations	4,090,624	4,227,427	136,803	3.3	4,444,915	4,670,495	4,867,880
16	1,341,134	Own source revenue ⁽⁴⁾	1,346,134	1,344,595	-1,539	-0.1	1,384,655	1,443,113	1,506,866
17	-1,341,134	Returns to the OPA	-1,346,134	-1,344,595	1,539	-0.1	-1,384,655	-1,443,113	-1,506,866
18	4,179,077	Total Administered Funding (15+16+17)	4,090,624	4,227,427	136,803	3.3	4,444,915	4,670,495	4,867,880
19	30,498,873	Total Defence Resourcing (14+18)	28,318,021	28,444,868	126,847	0.4	28,830,533	30,800,511	33,673,894
		Appropriation carried forward							
20	50,122	Appropriation Receivable including previous year's outputs	121,517	121,517	-	-	121,517	121,517	121,517
21	64,871	Cash in bank	72,871	72,871	-	-	72,871	72,871	72,871
22	114,993	Total appropriations carried forward (20+21)	194,388	194,388	-	-	194,388	194,388	194,388
23	30,613,866	Total Defence Resourcing (19+22)	28,512,409	28,639,256	126,847	0.4	29,024,921	30,994,899	33,868,282

Notes

1. Prior Year Appropriation in 2011-12 is related to Operation no-win no-loss expenditure drawn in 2010-11 and appropriated in 2011-12.
2. All figures are net of GST.
3. Defence is not budgeting to make Administered payments to CAC Act bodies. Therefore the relevant section of this table has been removed.
4. Interest earned on DHA loans is now recorded in own source revenue.

Table 8: Defence Resource Statement—Budget Estimates for 2012-13 as at Budget May 2012

Serial No.		Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
			+	=	
	ORDINARY ANNUAL SERVICES				
	Outcome 1	-	21,919,073	21,919,073	21,843,002
	Outcome 2	-	1,341,283	1,341,283	1,459,492
	Outcome 3	-	9,500	9,500	9,829
1	Total Departmental outputs	-	23,269,856	23,269,856	23,312,323
2	Total ordinary annual services (1)	-	23,269,856	23,269,856	23,312,323
	OTHER SERVICES⁽¹⁾				
	Departmental non-operating				
	Equity injections	-	-	-	2,052,892
3	Total Departmental non-operating	-	-	-	2,052,892
4	Total other services (3)	-	-	-	2,052,892
5	Total Available Annual Appropriation (2+4)	-	23,269,856	23,269,856	25,365,215
	SPECIAL APPROPRIATIONS				
	Special appropriations limited by criteria/entitlement				
	<i>Defence Forces Retirement Benefits Act, 1948 Part 1 s.15D and VIC, s.82ZJ</i>	-	28,531	28,531	28,443
	<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125</i>	-	1,574,188	1,574,188	1,578,799
	<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	-	2,515,472	2,515,472	2,473,953
	<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	-	2,883	2,883	3,547
	<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	-	106,353	106,353	94,335
6	Total Special Appropriations	-	4,227,427	4,227,427	4,179,077
7	Total Appropriations (5+6)	-	27,497,283	27,497,283	29,544,292
	Funding from other sources ⁽²⁾	-	2,382,484	2,382,484	2,415,044
	Returns to the OPA (net)	-	-1,434,899	-1,434,899	-1,460,463
	Previous years' outputs (Appropriation Receivable)	121,517	-	121,517	50,122
	Cash Available	72,871	-	72,871	64,871
8	Total Other Available Resources	194,388	947,585	1,141,973	1,069,574
9	Total Resourcing (7+8)	194,388	28,444,868	28,639,256	30,613,866
	Special Accounts				
	Opening Balance	-	93,567	93,567	116,531
	Appropriation Receipts	-	-	-	-
	Appropriation Receipts - other agencies	-	-	-	-
	Non-Appropriation Receipts to Special Accounts	-	50,064	50,064	68,531
10	Total Special Accounts	-	143,631	143,631	185,062

Notes

1. Defence is not budgeting to make Administered payments to CAC Act bodies. Therefore the relevant section of this table has been removed.
2. Includes DHA dividends.

Table 9: Third Party Payments To and From Other Agencies

	2011-12 \$'000	2012-13 \$'000
Revenue received from Defence Housing Australia for the provision of goods and services (Departmental)	30,980	26,692
Revenue received from Defence Housing Australia for interest on loans, dividends and competitive neutrality payments (Administered)	84,768	80,442
Payments made to Defence Housing Australia for the provision of services (Departmental)	527,824	501,460
Payments made to Department of Foreign Affairs and Trade for the provision of services (Departmental)	66,711	73,190
Payments made to Comsuper for the provision of services (Departmental)	29,484	29,782
Payments made to the Department of Finance and Deregulation for the provision of services (Departmental)	61,342	63,707
Payments made to the Australian Federal Police for the provision of services (Departmental)	51,255	50,131

PAYMENTS TO DEFENCE HOUSING AUSTRALIA

Overview

The Defence Housing Australia (DHA) provides housing and relocation services for ADF members. Defence has a formal agreement with the DHA titled the Services Agreement for Housing and Related Requirements (the Services Agreement). The Services Agreement was amended in 2009 to incorporate responsibility for the allocation and tenancy management of Service residences and the administration of Rent Allowance on behalf of Defence. Under the Service Agreement, the DHA is to provide suitable housing for Defence members to meet the operational needs of Defence. Defence requires the DHA to provide appropriate numbers of houses in suitable locations in accordance with Defence policy.

Control Arrangements

The DHA is a statutory authority responsible, through its Board, to the Minister for Defence and the Minister for Finance and Deregulation. It was established in 1987, commenced operations on 1 January 1988, and provides a range of housing and housing-related services to Defence and other *Financial Management and Accountability Act 1997* agencies.

The Defence Housing Authority Amendment Act 2006 took effect on 23 November 2006. This act enables the DHA to expand the scope of its operations to provide services that are ancillary to housing and housing-related services to both Defence and other Government agencies as defined in the *Financial Management and Accountability Act 1997*. These changes created a smaller, streamlined, more commercially focused Board. Information on the DHA Board and Advisory Committee is available in the DHA section.

DRAWDOWN OF APPROPRIATIONS CARRIED FORWARD

Table 10: Appropriations Receivable

2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
121,517 Previous Estimate ⁽¹⁾	121,517	121,517	121,517	121,517
- Net Draw down	-	-	-	-
121,517 Closing balance appropriation receivable	121,517	121,517	121,517	121,517

Note

1. As published in Table 8 of the *Portfolio Additional Estimates Statements 2011-12*.

FUNDING FROM OTHER SOURCES

Own Source Revenue

Table 11: Variations in Own Source Revenue

2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
891,548 Previous Estimate ⁽¹⁾	895,727	936,666	975,213	1,017,434
8,514 Variation in own source revenue	15,479	-15,935	-20,577	-25,841
900,062 Own source revenue	911,206	920,731	954,636	991,593
83,484 Prior year receipts	-	-	-	-
983,546 Total	911,206	920,731	954,636	991,593

Note

1. As published in Table 9 of the *Portfolio Additional Estimates Statements 2011-12*.

Table 12: Variation in Estimates of Net Capital Receipts

2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
55.4 Previous Estimate ⁽¹⁾	36.4	47.6	113.5	37.6
36.9 Movement in capital withdrawal associated with capital disposals program	46.5	-50.0	-	-
-43.3 Movement in proceeds associated with the capital disposals program	-45.6	57.9	-9.2	87.9
-6.3 Variation in net capital receipts	0.9	7.9	-9.2	87.9
49.0 Total net capital receipts	37.3	55.5	104.2	125.5

Note

1. As published in Table 10 of the *Portfolio Additional Estimates Statements 2011-12*.

CAPITAL INVESTMENT PROGRAM

Approved Capability Investment Program

Table 13: Approved Capability Investment Program

Serial No.		2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
	DMO delivered					
1	Major Capital Investment Program (AMCIP)	3,074.2	2,431.4	2,379.1	2,506.6	10,391.3
	Minors program					
	Navy Minors Program	3.3	5.8	2.2	0.7	12.1
	Army Minors Program	48.2	26.4	16.5	3.9	95.0
	Air Force Minors Program	19.0	8.6	5.7	-	33.3
	Joint Logistics Command Minors Program	0.8	0.7	-	-	1.4
	Chief Information Officer Minors Program	0.5	-	-	-	0.5
2	Total Minors program	71.9	41.4	24.5	4.6	142.4
	Sustainment					
	Navy Sustainment	1,669.5	1,684.0	1,681.9	1,618.6	6,654.0
	Army Sustainment	1,249.9	1,206.0	1,346.1	1,353.3	5,155.3
	Air Force Sustainment	1,476.3	1,487.6	1,553.6	1,595.9	6,113.4
	Chief Information Officer Sustainment	65.6	82.0	81.1	95.3	324.0
	Vice Chief of the Defence Force Sustainment	88.4	87.9	90.5	93.2	360.0
	Office of the Secretary and CDF Sustainment	18.0	19.0	21.3	19.8	78.0
	Joint Operations Command Sustainment	6.1	6.2	6.4	6.7	25.4
	Defence Support Group Sustainment	27.0	27.0	27.0	-	81.0
3	Total Sustainment	4,600.7	4,599.7	4,807.9	4,782.8	18,791.1
4	Total DMO Delivered (1+2+3)	7,746.8	7,072.5	7,211.5	7,294.0	29,324.8
	Defence Groups and Services delivered					
5	Major Capital Investment Programs (AMCIP)	64.1	45.8	22.0	9.2	141.1
6	Minors program	24.1	11.4	12.1	11.5	59.0
7	Total Defence Groups and Services delivered (5+6)	88.2	57.2	34.1	20.7	200.1
	Government Approved Defence Capability Plan (DCP) projects yet to be allocated to Groups, Services or the DMO					
8		59.3	42.9	21.2	11.7	135.0
9	Total approved programs (4+7+8)	7,894.3	7,172.6	7,266.7	7,326.3	29,660.0
10	Total AMCIP (1+5)	3,138.3	2,477.2	2,401.1	2,515.8	10,532.4
11	Total Minors (2+6)	96.0	52.8	36.5	16.1	201.5
12	Total Sustainment (3)	4,600.7	4,599.7	4,807.9	4,782.8	18,791.1
	Government Approved Defence Capability Plan (DCP) projects yet to be allocated to Groups, Services or the DMO (8)	59.3	42.9	21.2	11.7	135.0
13						
14	Total approved programs (10+11+12+13)	7,894.3	7,172.6	7,266.7	7,326.3	29,660.0

Table 14: Unapproved Capability Investment Programs

Serial No.		2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
1	DCP Planned Government Approvals in 2011-12	107.9	224.3	309.4	311.8	953.5
2	DCP available from 1 July 2012	108.7	650.7	1,608.3	3,253.7	5,621.3
3	Total Unapproved DCP (1+2)	216.6	875.0	1,917.7	3,565.5	6,574.8
4	Minors	13.5	104.9	117.8	138.0	374.3
5	Future Sustainment costs associated with AMCIP	124.4	490.6	710.4	1,031.4	2,356.8
6	Total unapproved programs (3+4+5)	354.5	1,470.6	2,745.9	4,735.0	9,305.9

1.3 Funding from Government

2012-13 BUDGET MEASURES AND OTHER BUDGET ADJUSTMENTS

Budget measures relating to Defence are detailed in Budget Paper No. 2 and are summarised in Table 15 and Table 16.

Table 15: Defence 2012-13 Budget Measures and Other Budget Adjustments

	Program	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total FE ^[1] \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	TOTAL ^[1] \$m
Budget Measures														
Expenditure Measures														
Middle East Area of Operations - continuation of Australia's military contribution	2.2	-	890.2	212.3	131.5	50.0	1,284.0	-	-	-	-	-	-	1,284.0
Timor-Leste - continuation of Australia's commitment to helping to maintain security and stability	2.1	-	76.9	-0.1	0.6	-	77.3	-	-	-	-	-	-	77.3
Solomon Islands - continued Australian Defence Force assistance to the Regional Assistance Mission to Solomon Islands	2.1	-	41.5	1.4	1.1	-	44.0	-	-	-	-	-	-	44.0
Coastal Surveillance - continuation of Operation Resolute ^[2]	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Intermodal terminal at Moorebank in Western Sydney - Defence relocation ^[2]	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-
Bushmaster vehicles - acquisition of long-lead supplies ^[2]	1.11	-	-	-	-	-	-	-	-	-	-	-	-	-
Review of Military Compensation Arrangements - Government Response	1.13	-	-	1.2	1.2	1.2	3.6	1.2	1.2	1.3	1.3	1.3	1.4	11.2
Total Budget Measures		-	1,008.6	214.7	134.4	51.2	1,408.9	1.2	1.2	1.3	1.3	1.3	1.4	1,416.5
Savings Measures														
Efficiencies and reprogramming	various	-	-965.7	-1,625.9	-1,137.5	-1,703.5	-5,432.5	-	-	-	-	-	-	-5,432.5
Australian Intelligence Community - reprioritisation	1.5	-	-5.6	-5.6	-5.6	-5.6	-22.4	-	-	-	-	-	-	-22.4
Total Savings Measures		-	-971.3	-1,631.5	-1,143.1	-1,709.1	-5,454.9	-	-	-	-	-	-	-5,454.9
Other Budget Adjustments														
DMO Direct Appropriation Reduction	various	-	17.5	27.7	28.8	30.0	104.1	31.3	32.6	34.0	35.5	37.0	38.5	313.0
DMO Direct Appropriation Adjustment - transfer to CDG	1.11	-	3.1	-	-	-	3.1	-	-	-	-	-	-	3.1
DHA WoAG Travel Arrangements	various	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.7
Foreign Exchange	various	-42.7	-84.2	-130.5	-136.6	-168.0	-519.3	-166.0	-183.9	-198.9	-221.3	-293.7	-344.2	-1,927.4
Property Disposals	various	36.9	46.5	-50.0	-	-	-3.5	-	-	-	-	-	-	-3.5
Total Other Budget Adjustments		-5.8	-17.2	-152.8	-107.9	-138.0	-415.9	-134.8	-151.4	-165.0	-185.9	-256.8	-305.7	-1,615.5
Variation to Defence Funding		-5.8	20.1	-1,569.6	-1,116.5	-1,795.9	-4,461.9	-133.6	-150.1	-163.7	-184.6	-255.5	-304.4	-5,653.9

Notes

1. Totals do not include 2011-12 movements.
2. Defence is absorbing the cost of this measure.

Table 16: Budget Measures agreed since the 2011-12 Portfolio Additional Estimates^[1]

		2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$m
	Program		
CH-47D Chinook Fleet - acquisition of two additional helicopters	various	-	-
Electronic Warfare System - long-lead item equipment purchase	various	-	-
C-17A Globemaster aircraft - acquisition of a sixth C-17A	1.11	-	-
Maritime Humanitarian Assistance and Disaster Relief Capability - acquisition of an Offshore Support Vessel	1.11	-	-
Total Budget Measures agreed since the 2011-12 Portfolio Additional Estimates Statements		-	-

Note

1. Budget measures absorbed by the Department of Defence.

OPERATIONS SUMMARY

Table 17: Net Additional Cost of Operations from 1999-00 to 2015-16

	1999-00 to 2007-08 Actual Result \$m	2008-09 Actual Result \$m	2009-10 Actual Result \$m	2010-11 Actual Result \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
Operation Astute	3,611.1	164.7	144.9	155.7	160.2	87.6	0.8	0.6	-	4,325.6
Operation Bel Isi	47.7	-	-	-	-	-	-	-	-	47.7
Operation Slipper	1,200.2	701.9	1,125.3	1,088.9	1,224.0	1,189.8	351.5	131.5	50.0	7,063.1
Operation Resolute ^[1]	103.9	10.0	10.3	8.2	9.8	9.5	-	-	-	151.7
Operation Catalyst	2,062.2	290.9	11.4	-	-	-	-	-	-	2,364.5
Operation Anode	171.9	25.1	27.9	35.7	43.5	42.9	1.6	1.1	-	349.5
Operation Sumatra Assist	44.5	-	-	-	-	-	-	-	-	44.5
Operation Acolyte	10.5	-	-	-	-	-	-	-	-	10.5
Operation Deluge	6.7	-	-	-	-	-	-	-	-	6.7
Operation Pakistan Assist	9.8	-	-	-	-	-	-	-	-	9.8
Operation Outreach	12.3	2.3	-	-	-	-	-	-	-	14.6
Operation Kruger ^[2]	-	-	29.8	13.8	2.1	1.9	-	-	-	47.5
Enhanced Force Protection in Afghanistan ^[3]	-	-	80.3	196.0	392.4	211.5	10.0	-	-	890.2
Total Net Additional Costs	7,280.9	1,194.9	1,429.8	1,498.2	1,831.9	1,543.3	363.9	133.2	50.0	15,325.9
Sources of Funding for Operations:										
Government Supplementation ^[4]	7,249.5	112.5	1,386.7	1,320.1	1,427.7	1,320.3	353.9	133.2	50.0	13,353.8
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-	-	-	-	9.1
Department of Defence (Absorbed) ^[4]	22.3	1,082.4	43.1	178.1	404.3	222.9	10.0	-	-	1,963.0
Total Cost	7,280.9	1,194.9	1,429.8	1,498.2	1,831.9	1,543.3	363.9	133.2	50.0	15,325.9

Notes

1. For 2011-12 and 2012-13 Defence will absorb the cost of Operation Resolute.
2. For 2011-12 and 2012-13 Defence will absorb the cost of Operation Kruger, which includes costs associated with the transition to a fully contracted security arrangement in 2011 as well as return of equipment to Australia and its remediation.
3. Includes adjustments of -\$94.8m in 2011-12, \$21.0m in 2012-13 and \$10.0m in 2013-14 to align sustainment funding with revised acquisition schedules. Government supplementation for Enhanced Force Protection in Afghanistan costs are captured against Operation Slipper.
4. The 2011-12 Estimate has been adjusted to correctly reflect the split between Government supplementation and Defence absorbed.

1.4 Capital Investment Program

The Capital Investment Program comprises the Defence Capability Plan (DCP), the Approved Major Capital Investment Program (AMCIP), the Capital Facilities Program and other capital purchases.

Table 18: Total Capital Investment Program

Serial No.		2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
	Planned Defence Capability approvals^[1]					
1	DMO Delivered	248.2	826.1	1,745.0	3,219.5	6,038.8
2	Group and Services delivered	27.6	91.8	193.9	357.7	671.0
3	Total Defence Capability Plan (1+2)	275.8	917.9	1,938.9	3,577.2	6,709.8
	Approved Major Capital Investment Program^[2]					
4	DMO Delivered	3,074.2	2,431.4	2,379.1	2,506.6	10,391.3
5	Group and Services delivered	64.1	45.8	22.0	9.2	141.1
6	Total Approved Major Capital Investment Program (4+5)	3,138.3	2,477.2	2,401.1	2,515.8	10,532.4
	Capital Facilities					
7	Approved Capital Facilities Projects ^[3]	837.4	426.1	242.6	100.6	1,606.6
8	Unapproved Capital Facilities Projects	181.5	315.8	544.8	479.5	1,521.6
9	Total Capital Facilities Projects	1,018.9	741.9	787.4	580.1	3,128.2
10	Other Investment^[4]	171.9	254.1	262.5	258.4	946.8
11	Total Capital Investment Program (3+6+9+10)^[5]	4,604.9	4,391.1	5,389.9	6,931.4	21,317.3
	<i>Capital component</i>	<i>4,237.5</i>	<i>3,972.5</i>	<i>4,734.1</i>	<i>6,100.6</i>	<i>19,044.7</i>
	<i>Operating component</i>	<i>367.4</i>	<i>418.6</i>	<i>655.8</i>	<i>830.8</i>	<i>2,272.6</i>

Notes

1. Estimated 90 per cent DMO delivered and 10 per cent Defence Groups and Services delivered.
2. Includes projects delivered by the DMO and Defence Groups and Services
3. Includes both Major and Minor Capital Facilities Program.
4. This includes items such as plant and equipment, infrastructure costs and purchase of repairable items.
5. The Capital Investment Program funding includes \$37.3m (Budget Estimate) and \$285.2m (Forward Estimates) in retained capital receipts. Cross reference with (Table 19).

MAJOR CAPITAL INVESTMENT PROGRAM

The AMCIP consists of projects, usually costing more than \$20m, which are funded from the DCP and which, following approval, are generally transferred to the DMO for the acquisition phase.

As an enabling organisation to the Department of Defence, the DMO contributes to the Department's outputs. The DMO budget is detailed separately in the Section 2: DMO Outcomes and Planned Performance, including an overview of the Top 30 Projects.

Further details in relation to the Unapproved Major Capital Investment Program (also known as the DCP) can be found in Appendix F.

CAPITAL FACILITIES PROGRAM

The Capital Facilities Program comprises approved and unapproved projects. This program gives priority to projects that support the AMCIP, 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 basic engineering and infrastructure services either in support of new projects or upgrades to existing facilities.

Further details in relation to the Capital Facilities Program can be found at Appendix C, D and E.

OTHER INVESTMENT

Other investment includes items such as Information and Communication Technology equipment, other plant and equipment, non-capital facilities building projects, and purchase of repairable items. Defence plans to spend \$171.9m on other investment in 2012-13 as part of the \$946.8m in spending over the Budget and forward estimates period.

RETAINED CAPITAL RECEIPTS

Table 19: Retained Capital Receipts

Serial No.		2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
	Property Sales					
	Proceeds from the sale of land and buildings	86.9	75.1	67.6	87.9	317.5
	Proceeds from the sale of housing	11.0	11.7	12.4	13.1	48.3
	Less return to Government	-89.4	-67.5	-12.1	-12.8	-181.8
1	Proceeds retained by Defence	8.6	19.3	67.9	88.3	184.0
2	Proceeds from the sale of specialist military equipment	-	-	-	-	-
3	Proceeds from the sale of infrastructure, plant and equipment	28.7	36.2	36.4	37.3	138.6
4	Retained Capital Receipts (1+2+3)	37.3	55.5	104.2	125.5	322.6

1.5 People

WORKFORCE OVERVIEW

ADF Workforce

To support the introduction of new capability over the coming decade, the full-time ADF workforce will maintain the strength it has achieved, of around 58,000 members in 2012-13, increasing to approximately 59,000 members over the forward estimate period. Key projects contributing to recent increases in the size of the military workforce include the Hardened and Networked Army, stages 1 and 2 of Enhanced Land Force and Bridging Air Capability, plus a range of initiatives arising from the 2009 White Paper. While there is net ADF workforce growth, there are ongoing reductions in budgeted staff due to the civilianisation of military positions.

It is important to note that following a period of historically low separation rates which led the ADF to exceed its budgeted workforce strength in 2010-11, the measures implemented to correct the overachievement have succeeded and the ADF workforce has now returned to its budgeted strength. It is expected to remain so over the Forward Estimates period.

The number of permanent ADF staff is to increase modestly from 2011-12 to 2012-13 and includes budget coverage for Army for 605 Reservists on Operational Continuous Full Time Service.

Australian Public Service Workforce

Reductions to the Defence's Australian Public Service (APS) workforce will result from the second year of reductions in forecast growth of 1,000 as announced in the *Portfolio Budget Statements 2011-12*, which has been integrated into the ongoing implementation of Shared Services reform in Defence.

Reductions to the net APS workforce will result from planned Strategic Reform Program (SRP) reductions in duplication of effort in the Defence organisation in the areas of administrative and corporate functions. There has been ongoing examination into identifying initiatives which will streamline and improve administrative and corporate functions, including the use of new Information and Communications Technology (ICT). Shared Services reform will facilitate the reduction in overall forecast growth of 1,000 from financial year 2011-12 through to 2013-14 announced in the *Portfolio Budget Statements 2011-12*.

In addition to the above reductions to the civilian workforce, which flow from decisions made in previous years, Defence will make further savings through an additional tranche of reductions to its civilian numbers of an additional 666 in 2012-13 and 334 in 2013-14, a total of 1,000 further reductions. This additional tranche has initially been allocated as a proportional reduction of 5 per cent across each Group in this Portfolio Budget Statements. A more comprehensive review of the requirements across Groups will be completed in the new financial year. The additional reductions will be achieved primarily through a combination of natural attrition, tightening of recruitment practices and other measures.

Care will be taken in this program of reductions to not reduce standards of service in priority areas of Defence including support to operations.

These reductions are partially offset by increases associated with the 2009 White Paper and the Workforce and Shared Services Reform diagnostic program. These resulted in increases to the APS workforce in the years to 2015-16, in support of capability growth and sustainment for the ADF. There are two main drivers for the increases: the need to invest in specific future force capability development initiatives, and the need to support reforms to the Defence workforce mix, creating significant organisational cost savings. The workforce reforms comprise:

- the civilianisation of more expensive non-combat-related ADF roles
- conversions within the civilian workforce from contractors to less costly APS positions.

WORKFORCE SUMMARY

The total Defence workforce, including the DMO, is forecast to be 102,017 in 2012-13, comprising:

- Permanent Forces (57 per cent) of:
 - 14,260 Navy Personnel
 - 30,270 Army Personnel
 - 14,106 Air Force Personnel
- 21,650 Reserve Forces (21 per cent)
- 21,195 APS staff (21 per cent)
- 536 Contractors (less than 1 per cent)

Over the forward estimates period, the total workforce is funded to grow by 1,038 from the forecast of 102,017 in 2012-13 to 103,055 in 2015-16.

The total planned strength of the Defence workforce is shown in Table 20, while a breakdown by Service and rank or level appears at Table 21.

Defence People

A new Defence People Group will be in operation in 2012-13 within the Chief Operating Officer Group structure to ensure the effective integration of People functions across the Defence organisation. The Defence People Group is now structured to better respond to key People priorities and service the needs of key stakeholders more effectively. It will include additional transferred from the Defence Support Group, including the Defence Community Organisation, People Services Division, Defence People Solutions and the Directorate of Honours and Awards. This forms part of a wider range of reforms within the Chief Operating Officer Group.

The attraction, recruitment and retention of skilled employees through a compelling employment offer remain the critical priority in 2012-13 to ensure that Defence has the required workforce to deliver capability. To enable Defence to remain competitive in a tight labour market, work is underway to identify the levers available within the organisation to mitigate shortages and gaps in critical skills through a differentiated employment offer.

High priority will be given to the implementation of the *Pathway to Change* - Defence's response to the Culture Reviews announced by the Minister for Defence in April 2012. This will deliver a workplace culture which promotes diversity and the highest standards of behaviour, as well as creating an environment where complaints can be aired and appropriately addressed. An Organisational Development Unit has been established in Defence People Group to facilitate the implementation of the *Pathway to Change*.

Ongoing work will also continue to implement human resource reforms identified as part of strategic reform of Defence. This includes the modernisation of Defence's personnel systems and the enablement of Human Resources Shared Services reforms.

Further work is ongoing to improve Defence's capacity to manage its workforce. Developing a better understanding of the cost of our workforce, and the implications of changes to key drivers of workforce cost will enable better decision-making. This is being provided through the development of tools to develop and test scenarios which model external changes, internal decisions, and workforce impacts. Activity is also ongoing in the Defence Personnel Solutions Division to improve the effectiveness of processes and systems for managing and maintaining performance standards.

Table 20: Planned Workforce Allocation for the 2012-13 Budget and Forward Estimates

		2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	ADF Permanent Force^[1]					
	Navy	14,111	14,260	14,314	14,338	14,359
	Army	29,608	30,270	30,111	30,408	30,543
	Air Force	14,163	14,106	14,164	14,126	14,116
1	Total Permanent Force	57,882	58,636	58,589	58,872	59,018
	Active Reserve Force					
	Navy	2,100	2,100	2,100	2,100	2,100
	Army	15,700	16,000	16,200	16,400	16,600
	Air Force	2,390	2,400	2,500	2,500	2,500
2	Sub-total Active Reserve Force	20,190	20,500	20,800	21,000	21,200
	High Readiness Reserve					
	Navy	–	–	–	–	–
	Army	550	550	1,195	1,195	1,195
	Air Force	510	600	600	600	600
3	Sub-total High Readiness Reserve Force	1,060	1,150	1,795	1,795	1,795
4	Total Reserves (2 + 3)	21,250	21,650	22,595	22,795	22,995
5	Total ADF Employees (1 + 4)	79,132	80,286	81,184	81,667	82,013
	APS - Defence	15,848	15,651	15,241	14,880	14,698
	APS - DMO	5,993	5,544	5,608	5,830	5,849
6	Total APS	21,841	21,195	20,849	20,710	20,547
	Contractors - Defence	483	488	450	447	449
	Contractors - DMO	31	48	48	48	46
7	Total Contractors^[2]	514	536	498	495	495
8	Total Civilian Employees (6 + 7)	22,355	21,731	21,347	21,205	21,042
	Total Workforce Strength (5 + 8)	101,487	102,017	102,531	102,872	103,055

Notes

- Numbers for ADF Permanent Force include ADF members in the DMO, and Reservists on Continuous Full Time Service, but exclude Active and High Readiness Reserve members.
- Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Table 21: Breakdown of Personnel Numbers by Service and Rank

	2011-12 Estimated Actual	2012-13 Budget Estimate
Navy^[1]		
One Star and above	54	57
Senior Officers ^[2]	524	531
Officers	2,821	2,851
Other Ranks	10,664	10,731
Gap Year Participants ^[3]	48	90
Sub-total: Permanent Navy	14,111	14,260
Reserve Forces ^[4]	2,100	2,100
Total Navy	16,211	16,360
Army^[1]		
One Star and above	77	77
Senior Officers ^[2]	764	765
Officers	5,346	5,346
Other Ranks	23,177	23,788
Gap Year Participants ^[3]	244	294
Sub-total: Permanent Army	29,608	30,270
Reserve Forces ^[4]	16,250	16,550
Total Army	45,858	46,820
Air Force^[1]		
One Star and above	53	53
Senior Officers ^[2]	633	630
Officers	3,837	3,822
Other Ranks	9,640	9,601
Gap Year Participants ^[3]	-	-
Sub-total: Permanent Air Force	14,163	14,106
Reserve Forces ^[4]	2,900	3,000
Total Air Force	17,063	17,106
APS^[1]		
Senior Executives ^[5]	169	169
Senior Officers ^[2]	6,729	6,431
Other APS Staff	14,943	14,595
Total APS	21,841	21,195
Contractors ^[6]	514	536
Total Workforce	101,487	102,017

Notes

1. Permanent Forces and APS numbers are forecasts of the average strength for 2012-13.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. ADF Recruitment and Retention Initiative.
4. Reserve figures represent the actual numbers of Active and High Readiness Reservists who render service. Reservists on full-time service are reported in the Permanent Force.
5. The figures for Senior Executive Service include the Secretary of the Department of Defence.
6. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

WORKFORCE EXPENSES

Table 22: Workforce Expenses for the Department of Defence (including DMO)

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Military employees				
Salary, allowances, superannuation and leave ⁽¹⁾	6,802.5	6,900.7	7,253.5	7,854.1
Housing	751.8	737.2	705.6	775.3
Health services	351.2	365.5	380.5	408.3
Fringe Benefits Tax	364.4	389.7	430.6	434.8
Total military employee expense	8,270.0	8,393.2	8,770.2	9,472.5
Civilian employees				
Salary, allowances, superannuation and leave	2,133.1	2,195.5	2,306.3	2,444.3
Other expenses including Fringe Benefits Tax	14.2	14.9	16.3	16.5
Total civilian employee expenses	2,147.3	2,210.3	2,322.5	2,460.8
Total employee expenses	10,417.3	10,603.5	11,092.7	11,933.3

Note

1. This includes estimates for Reservists.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of Defence in achieving Government outcome.

Figure 3: Structure of Defence's 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 1 STRATEGY

Outcome 1 addresses the strategic objectives set out in the 2009 *Defence White Paper*, namely

- shaping and building a defence capability that provides options for a credible response wherever Australia's security interests are engaged
- building strong security relationships both regionally and globally.

The primary focus of Outcome 1 is on maintaining the capacity to support current commitments and provide strategic response options to the Government to meet the range of potential future security contingencies. It also covers working collaboratively with our neighbours and the broader international defence community, and contributing to coalition operations in support of Australia's national interests. As well as the provision of military capabilities, this outcome encompasses all of the policy, command and support functions undertaken by the organisation.

Defence's administered appropriations relating to superannuation, housing support services for current and retired Defence personnel and Other Administered are covered by Outcome 1. Apart from supporting current operations, which are described in detail under Outcomes 2 and 3, the priorities that will be progressed under Outcome 1 in 2012-13 are:

- to increase the professional and personal accountability of Defence personnel, and to improve Defence management and decision-making processes
- delivering the next Defence White Paper in the first half of 2013
- implementing reform including in the areas of capability development, procurement and acquisition, the Defence budget and the strengthening of personal and institutional accountability
- implementing the recommendations of the Cultural Reviews under the Pathway to Change
- supporting the program of efficiency and economy measures to ensure that all areas of Defence are best able to support and deliver future military capability requirements
- continuing the commitment to the recruitment and retention of ADF personnel.

Outcome 1 Resources

Table 23: Total Budgeted Resources Available for Outcome 1

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Program 1.1 Office of the Secretary and CDF					
Revenues from other sources	2,562	1,389	1,407	1,427	1,451
Departmental outputs	175,458	168,219	177,835	179,749	213,532
Program 1.2 Navy Capabilities					
Revenues from other sources	162,765	167,686	175,967	182,064	188,018
Departmental outputs	4,091,466	4,270,118	4,385,538	4,411,126	4,503,299
Program 1.3 Army Capabilities					
Revenues from other sources	138,530	146,748	163,384	172,345	180,630
Departmental outputs	5,236,978	5,025,969	5,360,763	5,622,753	5,922,596
Program 1.4 Air Force Capabilities					
Revenues from other sources	224,773	263,467	276,763	288,980	299,352
Departmental outputs	4,352,927	4,217,797	4,352,107	4,490,063	4,705,654
Program 1.5 Intelligence Capabilities					
Revenues from other sources	13,885	12,813	13,022	12,077	12,602
Departmental outputs	522,709	474,357	498,823	524,285	573,868
Chief Operating Officer^[1]					
Revenues from other sources	286,895	303,300	312,121	390,118	422,256
Departmental outputs	5,238,084	4,845,092	4,960,506	5,000,991	5,416,419
Program 1.6 Chief Operating Officer - Defence Support					
Revenues from other sources	277,595	295,193	304,354	381,976	413,696
Departmental outputs	3,966,670	3,688,491	3,788,769	3,770,054	4,054,435
Program 1.8 Chief Operating Officer - Chief Information Officer					
Revenues from other sources	9,180	8,107	7,767	8,142	8,560
Departmental outputs	964,145	833,021	802,612	844,497	968,251
Program 1.13 Chief Operating Officer - People Strategies and Policy					
Revenues from other sources	120	-	-	-	-
Departmental outputs	307,269	323,580	369,125	386,440	393,733
Program 1.7 Defence Science and Technology					
Revenues from other sources	45,823	34,039	34,704	35,618	36,559
Departmental outputs	461,724	439,548	425,148	430,027	457,934
Program 1.9 Vice Chief of the Defence Force					
Revenues from other sources	263,539	244,528	240,810	238,405	236,560
Departmental outputs	1,088,760	1,013,394	1,122,408	1,108,700	1,146,177
Program 1.10 Joint Operations Command					
Revenues from other sources	367	374	380	392	404
Departmental outputs	48,864	43,274	43,321	45,979	48,684
Program 1.11 Capability Development					
Revenues from other sources	73,708	87,544	102,524	120,775	144,384
Departmental outputs	331,308	987,597	1,508,819	2,061,700	2,762,436
Program 1.12 Chief Finance Officer					
Revenues from other sources	147,917	151,354	154,853	158,675	162,630
Departmental outputs	294,724	458,100	756,133	777,661	339,833

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Program 1.14 Defence Force Superannuation Benefits					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	-	-	-	-	-
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	129,786	92,344	81,122	71,342	62,592
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,308,047	1,210,709	1,299,327	1,389,354	1,443,959
Total Administered expenses	1,437,833	1,303,053	1,380,449	1,460,696	1,506,551
Administered revenues from other sources	1,192,238	1,215,188	1,256,539	1,309,468	1,366,639
Total Program 1.14	245,595	87,865	123,910	151,228	139,912
Program 1.15 Defence Force Superannuation Nominal Interest					
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	28,443	28,531	26,912	25,344	23,828
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	1,449,013	1,481,844	1,486,254	1,488,450	1,488,484
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,165,906	1,304,763	1,433,947	1,572,738	1,721,098
Total Administered expenses	2,643,362	2,815,138	2,947,113	3,086,532	3,233,410
Administered revenues from other sources	-	-	-	-	-
Total Program 1.15	2,643,362	2,815,138	2,947,113	3,086,532	3,233,410
Program 1.16 Housing Assistance					
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	3,547	2,883	2,306	1,845	1,476
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	94,335	106,353	115,047	121,422	126,443
Total Administered expenses	97,882	109,236	117,353	123,267	127,919
Administered revenues from other sources	9,811	9,963	10,228	10,502	10,695
Total Program 1.16	88,071	99,273	107,125	112,765	117,224
Program 1.17 Other Administered					
Administered revenues from other sources	131,382	116,719	121,848	125,788	136,011
Total Program 1.17	-131,382	-116,719	-121,848	-125,788	-136,011
Total resourcing					
Total Departmental outputs	21,843,002	21,943,465	23,591,401	24,653,034	26,090,432
Total Administered	2,845,646	2,885,557	3,056,300	3,224,737	3,354,535
Total Departmental revenue from other sources	1,360,764	1,413,242	1,475,935	1,600,876	1,684,846
Total Administered revenue from other sources	1,333,431	1,341,870	1,388,615	1,445,758	1,513,345
Equity injection	2,052,892	-	-	285,802	1,549,322
Total resources for Outcome 1	29,435,735	27,584,134	29,512,251	31,210,207	34,192,480

Note

- Programs 1.6 Defence Support, 1.8 Chief Information Officer and 1.13 People Strategies and Policy form the newly created Chief Operating Officer Group. These three Programs are presented together, however their Program numbers have not yet been reassigned in the Central Budget Management System and are therefore not in sequential order.

CONTRIBUTIONS TO OUTCOME 1

Program 1.1: Office of the Secretary and CDF

Program 1.1 Objective

The Office of the Secretary and CDF (OSCDF) Group's primary objective in delivering Program 1.1 is to support the Secretary and CDF so they can deliver high quality policy advice to the Government, drive organisational reform and exercise strategic leadership.

The OSCDF Group manages the vast array of operational, policy, commercial, regulatory, risk and other matters associated with the Defence mission of defending Australia and its national interests.

During 2012-13, the Group will continue to drive implementation of the strategic reforms across Defence. It will implement new measures to align Defence's corporate and enterprise risk planning functions with strategic planning, and continue development of the Defence White Paper to be delivered in 2013.

The Group comprises the small personal offices of the Secretary and CDF, the Strategy Executive, the Audit and Fraud Control Division and a number of Military Justice agencies.

Table 24: Cost Summary for Program 1.1 Office of the Secretary and CDF

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	62,775	60,195	55,851	59,002	63,910
Suppliers	106,634	104,046	118,021	116,843	145,634
Grants	7,248	3,957	4,057	4,160	4,264
Depreciation and amortisation	1,363	1,410	1,313	1,171	1,175
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	178,020	169,608	179,242	181,176	214,983
Income					
Revenues					
Goods and services	2,562	1,389	1,407	1,427	1,451
Other revenue	-	-	-	-	-
Total revenue	2,562	1,389	1,407	1,427	1,451
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	2,562	1,389	1,407	1,427	1,451
Program 1.1 Office of the Secretary and CDF	175,458	168,219	177,835	179,749	213,532

Program 1.1 Deliverables

- oversee, integrate and coordinate reforms and ensure Group-specific reform and savings initiatives have been achieved
- review the recommendations of the Australian Defence Force Posture Review and incorporate them as appropriate into the 2013 White Paper.
- enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes
- ensure Defence input to Cabinet and the National Security Committee of Cabinet is timely, relevant and appropriately robust ^[1]
- align Defence's corporate, enterprise risk and strategic planning functions, including through Defence's annual and corporate plans
- undertake activities to produce the next Defence White Paper in 2013
- 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
- ensure both Defence strategic policy and corporate strategy align with Government direction and priorities, including fiscal policy
- ensure Defence's international relationships complement broader foreign policy goals, promote security and enhance productive Defence partnerships, particularly regionally, including through the Defence Cooperation Program as discussed in Appendix B
- provide policy advice on arms control and international collaborative programs
- manage export control of defence and strategic goods
- implement the legislation for the Australia-United States Defence Trade Cooperation Treaty and appropriate Treaty guidance to Australian Defence industry
- implementation of the recommendations of the Review into the Woomera Prohibited Area
- continue implementation of the reforms to the Military Justice System
- promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements and strengthen Defence capabilities in media-related activities
- provide overarching strategic guidance, policy and supporting plans to implement the recommendations of the reviews into the culture of the ADF and Defence
- ensure that Defence complies fully with its obligations under the Archives and Freedom of Information Acts, including the pro-disclosure and accessibility requirements of the Information Publication Scheme^[1]
- on behalf of the Secretary and CDF undertake independent audits of Defence activities.

Note

1. These functions have transferred to the Chief Operating Officer Group.

Program 1.1 Key Performance Indicators

- the Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department
- group-specific outcomes and programs are delivered within allocated resources and meet directed efficiency, economy measures and economy and cultural measures
- staff skills are developed and personnel management practices successfully balance competing priorities
- policy guidance is forward-looking, timely, innovative and practical.

Program 1.2: Navy Capabilities

Program 1.2 Objective

The Navy's primary objective in delivering Program 1.2 is to provide maritime forces that contribute to the ADF capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect our national interests. This is achieved by providing maritime patrol and response, interdiction and strategic strike, protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, hydrographic and oceanographic operations, and escort duties. Peacetime activities include maritime surveillance and response within Australia's offshore maritime zones, hydrographic, oceanographic and meteorological support operations, humanitarian assistance, and maritime search and rescue.

In 2012-13, the Navy will aim to maintain sufficient maritime combatant forces to deploy on operations, as directed by the CDF, while managing key challenges and capability risks such as the transition of the amphibious and aviation forces to new capabilities, shortages of trained personnel and upgrades to a number of major fleet units.

The Navy will continue to support ongoing ADF operations and conduct operational deployments as directed by the CDF, and maintain a rapid response to provide humanitarian assistance and disaster relief within the capacity of current capability. Focus will also continue towards the future introduction of new capabilities in the areas of: air warfare; littoral warfare; amphibious lift; anti-ship missile defence and naval aviation.

The reprioritisation of the Defence budget has included additional funding to address critical shortfalls in the sustainment of the Collins Class submarine, and our ageing ships, HMAS Tobruk and HMAS Success. In addition, Navy is reprioritising its operating activities to achieve a reduction in its budget. This review will cover all non-operational activities including Navy's international program.

Navy is committed the cultural intent outlined in Pathways to Change. The program has been harmonized with the cultural journey Navy began in 2009 with the New Generation Navy Program (NGN).

Table 25: Cost Summary for Program 1.2 Navy Capabilities

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	1,692,146	1,715,971	1,789,244	1,870,287	2,033,877
Suppliers	1,457,005	1,719,021	1,759,396	1,776,145	1,730,549
Grants	-	-	-	-	-
Depreciation and amortisation	887,534	774,788	773,045	695,681	665,337
Finance cost	21,831	18,023	17,905	19,532	23,148
Write-down of assets and impairment of assets	195,715	210,001	221,915	231,545	238,406
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	4,254,231	4,437,804	4,561,505	4,593,190	4,691,317
Income					
Revenues					
Goods and services	53,061	52,770	56,459	58,974	62,903
Other revenue	88	77	92	82	96
Total revenue	53,149	52,847	56,551	59,056	62,999
Gains					
Assets now recognised	109,616	114,839	119,416	123,008	125,019
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	109,616	114,839	119,416	123,008	125,019
Total income	162,765	167,686	175,967	182,064	188,018
Program 1.2 Navy Capabilities	4,091,466	4,270,118	4,385,538	4,411,126	4,503,299

Program 1.2 Deliverables

- prepare, sustain and lead assigned forces to deliver Navy capability to meet Government requirements
- maintain preparedness of Navy capability as directed by the Chief of the Defence Force
- be prepared for future credible contingencies and in consultation with the Capability Development Group and the Defence Material Organisation, continue to plan, develop and monitor the delivery of, and transition to new capability
- provide timely accurate and high quality advice on Navy capabilities to the Government, the Chief of the Defence Force and the Secretary of Defence
- deliver reform and savings without compromising agreed levels of Navy capability and safety

Navy's capability-based deliverables are detailed in Table 26, Table 27 and Table 28.

Table 26: Navy Deliverables (Unit Ready Days)^[1]

Deliverables	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
18 Major Combatants ^[2]	3,329	4,304	4,416	3,801	3,514
22 Minor Combatants ^[3]	5,696	5,323 ^[4]	5,523	5,637	5,582
12 Amphibious and Afloat Support ^[5]	2,190	2,417	1,878	1,876	1,184
7 Maritime Teams ^[6]	1,830	2,555	2,555	2,555	2,562
9 Hydrographic Force ^[7]	3,060	2,967	3,051	2,967	3,060

Notes

1. Unit Ready Days (URD) are the aggregate number of days that constituent force elements are available for tasking.
2. Major Combatants include Adelaide class frigates, Anzac class frigates, Hobart class air warfare destroyers (from 2015-16) and submarines. One Adelaide class frigate is planned to be withdrawn from operational service late 2014 subject to the delivery schedule of the first Hobart class air warfare destroyer.
3. Minor Combatants include patrol boats, coastal mine hunters, and auxiliary minesweepers. Two coastal mine hunters, HMA Ships Hawkesbury and Norman, were placed in extended readiness from December 2009. The roles of the two auxiliary minesweepers, MSA Bandicoot and Wallaroo, have been reduced from mine sweeping training and essential support to nuclear power warship visit support only.
4. To allow a recovery of maintenance backlog in the Armidale Class Patrol Boats (ACPB) there will be a short term reduction of sea days availability across the ACPB fleet until June 2013.
5. Amphibious and Afloat Support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship, heavy landing craft and Canberra class landing helicopter dock (LHD) from 2014. The reducing number of URD over the forward estimates period is due to the scheduled withdrawal from operational service of a number of ships as part of the overall amphibious capability transition to the Canberra class LHD. The first LHD is anticipated to commence operational trial and evaluation in April 2014 and the second LHD is expected to enter service in October 2015.
6. Maritime Teams comprise clearance diving teams, the deployable geospatial support team, and mobile meteorological and oceanographic teams. Mobile meteorological and oceanographic teams have increased from two to four from 2012-13 to support LHD requirements.
7. Hydrographic Force comprises the hydrographic ships, survey motor launches, chart production office and meteorological and oceanographic centres.

Table 27: Navy Deliverables (products)

Deliverables	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Nautical Charting ^[1]	50	156 ^[2]	150	150	150
Nautical Publications ^[3]	-	6	5	5	6
New Electronic Navigational Chart Cells	50	30 ^[4]	-	-	-

Notes

1. Nautical Charting includes paper charts from 'Hydroscheme' charting programme and corresponding Electronic Navigation Chart Cells.
2. The increase of product from 2012 is due to the different product mix associated with the full introduction of electronic charts.
3. Four annual publications are produced; 'Hydroscheme', Australian Tide Tables, Annual Notices to Mariners and 'AusTides'. In addition, Australian Pilot Volumes 1-3 and the Australian Seafarer's Handbook are due for publication 2012 - 2016.
4. The production of new electronic navigational chart cells and chart coverage of the Australian Charting Area will complete in 2012-13, when all cell boundaries will be defined and remain unchanged. From 2013-14 chart production efforts will focus on maintenance, updates and continuous improvement of the content of existing products.

Table 28: Navy Deliverables (flying hours)

Deliverables	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
16 Seahawks ^[1]	4,200	4,200	3,600	2,400	1,800
13 Squirrels	4,000	4,000	4,000	4,000	4,000
MRH-90 ^[2]	-	-	-	-	-
MH-60R	-	_ ^[3]	600	2,400	3,400
1 Laser airborne depth sounder aircraft	980	980	980	980	980

Notes

1. Seahawk helicopter flying hours reduce over the forward years with the introduction of the replacement MH-60R helicopters.
2. Navy is operating MRH-90 from 2012-13 and their flying hours have been included in the Army Aviation deliverables as they are the Joint Capability Manager. The portion of the hours planned for Navy is approximately 1,500 hours per annum in the mature state.

3. The total of 24 MH-60R will be built up progressively from late 2013 to early 2017.

Program 1.2 Key Performance Indicators

- achieve levels of preparedness directed by the Chief of the Defence Force for military response options with a warning time of less than 12 months
- achieve a level of training that maintains core skills and professional standards across all outputs
- achieve missions capability for assigned tasks
- achieve Hydroscheme 2012-2015 data and surveying tasking requirements to meet national hydrographic surveying and charting obligations
- provide timely, accurate and considered advice on Navy capabilities to the Government, the Chief of the Defence Force and the Secretary of Defence

Program 1.3: Army Capabilities

Program 1.3 Objective

Army's primary objective in delivering Program 1.3 is to contribute to the achievement of the Government's defence objectives through the provision of capabilities for land and special operations. 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.

Army's first priority is to continue to support forces and individuals deployed on operations. During 2012-13 Army will remain heavily committed across a spectrum of operations at the domestic, regional and global level. Army will continue to sustain and preserve the ability to deploy and sustain a brigade group and a battalion group, in different areas of operation, for a prolonged period of time in our primary operational environment. During 2012-13 Army will continue with Plan Beersheba including the raising of Multi Combat Brigades and the reform of the Army Reserve. The Army will substantially contribute to the raising of the Joint Amphibious capability.

The Army will continue further development and refinement of the Army Sustainment Campaign Plan and force generation cycle to ensure Army is capable of supporting current operations and is concurrently postured to meet the challenges of future operations.

Army is committed to the support of its people. Initiatives to improve diversity and provide support for our wounded soldiers will be core Army activities in 2012-13.

Army will achieve reductions in its operating budget including through a reduction in the use of M113AS4 vehicles and M1A1 Abrams tanks. Some of these vehicles will be placed in temporary storage and Army will continue to review these fleets to ensure a viable mechanised capability is maintained.

Army will build on its existing cultural strengths through the implementation of a Pathway to Change, to ensure the organisation excels in preparing for and conducting operations in support of Australia and its national interests, while reflecting modern community standards and attitudes.

Table 29: Cost Summary for Program 1.3 Army Capabilities

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	3,332,083	3,236,511	3,442,832	3,599,957	3,917,512
Suppliers	1,197,371	1,181,381	1,320,642	1,444,979	1,503,649
Grants	80	82	284	84	88
Depreciation and amortisation	706,943	604,465	598,111	576,810	498,638
Finance cost	2,712	1,778	1,802	2,305	3,355
Write-down of assets and impairment of assets	136,319	148,500	160,476	170,963	179,984
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	5,375,508	5,172,717	5,524,147	5,795,098	6,103,226
Income					
Revenues					
Goods and services	67,930	71,235	75,378	79,652	84,042
Other revenue	-	-	-	-	-
Total revenue	67,930	71,235	75,378	79,652	84,042
Gains					
Assets now recognised	75,351	79,632	84,099	87,973	90,962
Net gains from sale of assets ^[1]	-4,751	-4,119	3,907	4,720	5,626
Other gains	-	-	-	-	-
Total gains	70,600	75,513	88,006	92,693	96,588
Total income	138,530	146,748	163,384	172,345	180,630
Program 1.3 Army Capabilities	5,236,978	5,025,969	5,360,763	5,622,753	5,922,596

Note

1. At the Portfolio level Defence has budgeted for a total net gain from sale of assets. Whilst amounts shown in 2011-12 and 2012-13 represent a loss for this Program, the overall Portfolio budgeted outcome is for a gain.

Program 1.3 Deliverables

- prepare, sustain and lead assigned forces to deliver Army capability to meet Government requirements
- conduct force generation and force preparation for Special Operation, and maintain preparedness of Army capability as directed by the Chief of the Defence Force
- continue to contribute to domestic security operations
- in consultation with Capability Development Group and the Defence Materiel Organisation, continue to develop the Army's combat capabilities through improvements in mobility, firepower and force protection
- introduce new capabilities that meet operational requirements
- provide accurate and timely advice to the Government, the Chief of the Defence Force and the Secretary of Defence
- develop programs to increase diversity within Army's workforce
- continue to improve programs that provide support for Army's seriously wounded and ill personnel
- undertake collective training to ensure force elements are prepared for deployment
- improve linkage between resource inputs and collective training outputs within Army's force generation and preparation continuum
- deliver a single training continuum that unifies the majority of Army's conventional individual and collective training, namely force generation
- 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 (This includes the recently announced Plan Beersheba initiatives including the forming of Multi Role Combat Brigades, an amphibious capability and reform of the Army Reserve)
- deliver Group specific reform and savings without compromising agreed levels of Army capability, including the revamping of Army's governance, risk, and budgeting and performance achievement management

Table 30: Army Deliverables (Rate of Effort - flying hours)

Deliverables		2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
6	CH-47D Chinook ^{[1][2]}	2,000	2,000	2,000	2,000	2,000
34	S-70A-9 Black Hawk ^[3]	7,500	7,500	7,125	4,375	2,250
41	B-206 Kiowa ^[4]	7,000	6,000	6,000	6,000	6,000 ^[5]
22	Armed Reconnaissance Helicopter (ARH) Tiger ^[6]	3,200 ^[7]	7,147	7,147	7,147	7,147
46	Multi Role Helicopter (MRH-90) ^{[8][9]}	1,600	3,020	5,280	8,190	11,060

Notes

1. The seven aircraft CH-47D fleet will be withdrawn and progressively replaced by seven CH-47F aircraft in the 2014-16 timeframe. CH47 ROE is planned to remain constant during the transition.
2. ROE is planned to progressively grow from the previous 1570 (1270 plus 300 Operational Supplement) baseline as the deep maintenance regime is adjusted to a revised cycle. A review of CH47D/F operations is in progress and this may result in a progressive increase in ROE above 2000 from FY2013-14 onwards.
3. Black Hawk sustainment has been extended by a further two years to June 2019. Due to delays in the MRH 90 program, the ability to maintain ROE at present rates beyond FY 2013-14 is being reassessed.
4. Kiowa ROE is reduced due to lower utilisation by 173 Squadron (now programmed to disband at end CY 2013) and reduced pilot throughput at AAvt TC in FY12-13 and FY13-14.
5. Air 9000 Phase 7 is programmed to replace Kiowa in the 2016-17 timeframe. The requirement for Kiowa ROE in FY 2016 -17 will be reassessed once the Phase 7 schedule is known.
6. ARH ROE is less than predicted due to maintenance support network limitations.
7. Contracted ROE figure Achievable ROE may be less due to maintenance support network limitations.
8. Final figure may vary due to number of airframes accepted.
9. MRH -90 ROE includes hours flown on MRH-90 operated by RAN.

Program 1.3 Key Performance Indicators

- achieve levels of preparedness as directed by the Chief of the Defence Force
- achieve a level of training that maintains core skills and professional standards across all outputs
- execute force generation and preparation in a manner that balances operational commitments and contingency planning
- provide timely, accurate and considered advice on Army capabilities to the Government, the Chief of the Defence Force and the Secretary of Defence

Program 1.4: Air Force Capabilities

Program 1.4 Objective

Air Force's primary objective is to contribute to the achievement of Government's defence objectives by providing immediate and responsive military options across the spectrum of operations as part of a whole-of-government joint or coalition response, either from Australia or deployed overseas. This is achieved through the key air power roles—control of the air; precision strike; intelligence, surveillance and reconnaissance; and air mobility—all enabled by combat support and operational support functions. The capabilities provided by Air Force offer a unique combination of persistent and precision effect, flexibility, perspective, reach, penetration, versatility and responsiveness, and the ability to generate integrated kinetic and non-kinetic effects across the sea, land, air, space and cyber operating domains.

Frequently, the options and capabilities provided by Air Force are also employed by the Government in a range of non-military activities such as search and rescue, disaster relief, humanitarian assistance, coastal and maritime surveillance, evacuation of civilians from trouble spots and other protective functions.

The C130H is an older platform that is to be retired early in order to minimise costs associated with maintaining and operating the fleet. Current activities undertaken by the C130H aircraft fleet will be redistributed across the remaining Air Force air mobility fleet. There is no expectation that this will require additional hours for those platforms but this will be monitored and reviewed as part of the Additional Estimates process during the year.

The Air Force Improvement program will continue to drive reform in Air Force, connecting with enabling Groups' reform projects and with the cultural change of the Air Force Adaptive Culture and Defence Pathway to Change programs. Air Force Improvement is a multi-year program that will improve effectiveness and efficiency through wide reaching and sustainable reform while simultaneously fostering a cost-conscious continuous improvement culture. The ultimate objective is to support the successful delivery and ongoing operation of the future Air Force.

Table 31: Cost Summary for Program 1.4 Air Force Capabilities

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	1,738,430	1,774,709	1,819,723	1,881,788	2,045,712
Suppliers	1,482,661	1,554,171	1,675,913	1,760,853	1,835,247
Grants	-	-	-	-	-
Depreciation and amortisation	1,118,981	901,562	866,670	855,434	830,728
Finance cost	8,676	5,690	5,767	7,376	10,732
Write-down of assets and impairment of assets	228,952	245,132	260,797	273,592	282,587
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	4,577,700	4,481,264	4,628,870	4,779,043	5,005,006
Income					
Revenues					
Goods and services	95,549	128,088	135,387	142,929	150,723
Other revenue	-	-	-	-	-
Total revenue	95,549	128,088	135,387	142,929	150,723
Gains					
Assets now recognised	129,224	135,379	141,376	146,051	148,629
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	129,224	135,379	141,376	146,051	148,629
Total income	224,773	263,467	276,763	288,980	299,352
Program 1.4 Air Force Capabilities	4,352,927	4,217,797	4,352,107	4,490,063	4,705,654

Program 1.4 Deliverables

- prepare, sustain and lead assigned forces in operations to deliver air power to meet Government requirements
- maintain preparedness of Air Force capability as directed by the Chief of the Defence Force
- be prepared for future credible contingencies and in consultation with the Capability Development Group and the Defence Material Organisation, continue to plan develop, and monitor the delivery of, and transition to new capability
- provide air power options to Government by meeting directed preparedness requirements while minimising expenditure
- provide accurate and timely advice to the Government, the Chief of the Defence Force and the Secretary of Defence
- deliver reform, including resource management and cultural change, without compromising capability safety or airworthiness
- engage with Government, the public, international partners, Defence groups, industry, other stakeholders and Air Force members to maximise achievement of all outputs

Table 32: Air Force Deliverables (flying hours)

Deliverables		2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
64	PC-9 ^[1]	17,852	17,852	17,852	17,852	17,852
16	B300 King Air 350	11,400	11,400	11,400	11,400	11,400
12	C-130H Hercules ^[2]	3,200	Withdrawn	Withdrawn	Withdrawn	Withdrawn
12	C-130J Hercules	7,350	7,350	7,350	7,350	7,350
4	C-17 Globemaster III ^[3]	4,500	4,800	4,800	4,800	4,800
5	KC-30A	2,160	2,950	3,100	3,100	3,100
2	B737 BBJ ^[4]	1,600	1,600	1,600	1,600	TBA
3	CL604 Challenger ^[5]	2,403	2,403	2,403	2,403	TBA
19	P-3 Orion ^[6]	7,900	7,900	7,900	7,900	7,550
6	B737 Airborne Early Warning & Control Aircraft ^[7]	2,600	2,800	3,600	3,600	3,600
71	F/A-18A/B Hornet	13,000	13,000	12,000	12,000	12,000
24	F/A-18F Super Hornet ^[8]	4,800	4,800	4,800	4,800	5,200
33	Hawk Lead-in Fighter ^[9]	7,500	7,500	7,500	7,500	8,000

Notes

- Figures include Training, Forward Area Control, and Aerospace Operational Test Support aircraft. The PC-9 replacement and outer year Rate of Effort will be dependent on Project AIR 5428.
- Project AIR 5232 is scheduled to provide a replacement capability.
- The increase in 2012-13 and forward years is due to the acquisition of a fifth and sixth aircraft.
- The B737 BBJ lease contract will expire in 2014, with Air Force investigating extending the contract for two years.
- The CL604 lease contract will expire in 2014, with Air Force investigating extending the contract for two years.
- The Rate of Effort for 2015-16 is the result of the planned introduction of Project AIR 7000.
- The reduced Rate of Effort for 2012-13 is based on a realistic target for AEW&C.
- The F/A-18F Rate of Effort is based on the current Air Combat Capability Transition Plan.
- The 500 hours increase in 2015-16 is based on an increased throughput of pilots.

Program 1.4 Key Performance Indicators

- achieve levels of preparedness as directed by the Chief of the Defence Force
- achieve a level of training that maintains core skills and professional standards across all outputs
- transition to new capability systems
- grow the cost-conscious culture
- provide timely, accurate and considered advice on Army capabilities to the Government, the Chief of the Defence Force and the Secretary of Defence

Program 1.5: Intelligence Capabilities**Program 1.5 Objective**

Intelligence and Security Group delivers intelligence capability for Defence and Government; and leads the development of security policy, standards and plans to meet Defence's protective security requirements and provide information security services to Government.

As Defence's ability to preserve its intelligence capability edge is critically dependent on the availability of skilled and experienced ADF and civilian personnel, the Group has broadened its recruitment and retention strategies through programs, such as targeted university recruitment drives, incentives for staff with specific language and technical talents, and enhanced use of online recruitment tools. These initiatives will continue in 2012-13.

The Defence Security Authority leads the Defence security community in minimising the security risks to Defence's people, information and material. The Authority is responsible for developing security policy, reporting on security performance, investigating serious security incidents, producing security intelligence and threat assessments, developing and delivering specialist security training, and undertaking personnel security vetting for the majority of Commonwealth agencies and related industry.

Table 33: Cost Summary for Program 1.5 Intelligence Capabilities

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	258,609	260,054	268,437	278,130	302,990
Suppliers	229,562	185,269	205,842	219,985	249,017
Grants	-	-	-	-	-
Depreciation and amortisation	44,946	38,901	34,983	35,426	31,464
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	3,477	2,946	2,583	2,821	2,999
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	536,594	487,170	511,845	536,362	586,470
Income					
Revenues					
Goods and services	11,490	10,784	11,243	10,134	10,536
Other revenue	-	-	-	-	-
Total revenue	11,490	10,784	11,243	10,134	10,536
Gains					
Assets now recognised	2,395	2,029	1,779	1,943	2,066
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	2,395	2,029	1,779	1,943	2,066
Total income	13,885	12,813	13,022	12,077	12,602
Program 1.5 Intelligence Capabilities	522,709	474,357	498,823	524,285	573,868

Program 1.5 Deliverables

- provide timely, accurate and high quality intelligence and security support in accordance with Government priorities to support the ADF, policy and wider security operations
- deliver enhanced capabilities to better exploit next generation technologies, improve intelligence assessment, and enhance the security of the Government's information
- provide advice and assistance to the Government on the security and integrity of electronic information, cryptography and communications technology
- meet the Government Security Vetting Agency's key performance results as specified in the Agency's Service Level Charter
- strengthen the management framework of the Government Security Vetting Agency
- provide management and strategic direction for Defence's Foreign Language capability
- ensure the effectiveness of the intelligence and security governance and compliance framework
- strengthen the workforce through targeted recruitment, retention and training initiatives
- ensure effective and efficient transfer of expertise, capabilities and intelligence across key international partnerships, and strengthen collaboration with national agencies
- contribute to reform outcomes.

Program 1.5 Key Performance Indicators

- deliver intelligence and security services to meet Defence and Government requirements
- develop next generation intelligence, geospatial and security capabilities
- strengthen the approach to security across Defence and Government
- deliver strategic guidance and management support to meet Defence's Foreign Language requirements
- achieve best practice in governance and compliance
- ensure that the intelligence and security workforce is developed and skilled
- deliver capability dividends through international and national partnerships.

Chief Operating Officer - Overview

The newly created Chief Operating Officer (COO) organisation comprises Programs 1.6 Defence Support, 1.8 Chief Information Officer, 1.13 People Strategies and Policy. It also contains the Strategic Reform Office, and Ministerial and Executive Coordination and Communication Division. Better integration of these Group outputs will ensure that the development and delivery of corporate services best support Defence's ability to effect necessary reforms. The COO will also be responsible for implementing shared services and achieving cost efficiencies and cultural change that the Government is seeking.

Within the new COO structure, the Defence Support Group (DSG) will continue to operate and perform its role as a key enabler of Defence's mission and vision. The linkages within the COO organisation will develop DSG as part of a single integrated support organisation, providing the backbone of Defence's capability. This will emphasise accountability and responsibility while ensuring services are delivered to clients efficiently and cost-effectively.

Work to integrate the programs of the new COO organisation is continuing. Table 34 provides a cost summary of organisational Programs 1.6, 1.8 and 1.13. The Strategic Reform Office and Ministerial and Executive Coordination and Communication Division are currently captured under Program 1.1 Office of the Secretary and CDF, but this will be reflected appropriately in the Additional Estimates.

Table 34: Cost Summary for Chief Operating Officer^[1]

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	1,248,104	1,315,568	1,328,312	1,368,132	1,448,308
Suppliers	3,089,251	2,636,945	2,750,871	2,665,336	2,987,442
Grants	9,428	1,473	1,509	1,548	1,584
Depreciation and amortisation	981,200	1,021,350	997,630	1,029,258	1,066,578
Finance cost	56,737	67,100	96,545	107,101	103,457
Write-down of assets and impairment of assets	65,198	72,059	78,687	83,405	88,212
Net losses from sale of assets	-	-	-	-	-
Other expenses	75,061	33,897	19,073	136,329	143,094
Total expenses	5,524,979	5,148,392	5,272,627	5,391,109	5,838,675
Income					
Revenues					
Goods and services	262,262	278,771	290,111	301,941	313,285
Other revenue	6,573	8,053	6,428	6,601	6,782
Total revenue	268,835	286,824	296,539	308,542	320,067
Gains					
Assets now recognised	9,820	12,076	14,000	14,423	14,706
Net gains from sale of assets	8,240	4,400	1,582	67,153	87,483
Other gains	-	-	-	-	-
Total gains	18,060	16,476	15,582	81,576	102,189
Total income	286,895	303,300	312,121	390,118	422,256
Chief Operating Officer	5,238,084	4,845,092	4,960,506	5,000,991	5,416,419

Note

1. The newly created Chief Operating Officer Group comprises Programs 1.6 Defence Support, 1.8 Chief Information Officer and 1.13 People Strategies and Policy.

Program 1.6: Chief Operating Officer - Defence Support**Program 1.6 Objective**

Program 1.6 is delivered by the Defence Support Group (DSG). DSG is responsible for delivering most of the shared services that support the ADF and Defence Groups, and is fundamental to generating Defence capability through the services it provides.

DSG supports Defence through the provision of a range of products and services including: legal services; personnel administration; housing; a range of personnel support functions; business services; base support services including catering, accommodation, cleaning and grounds maintenance; and managing, developing and sustaining the Defence estate.

Linked to: Administered Programs 1.14 (Defence Force Superannuation Benefits), 1.15 (Defence Force Superannuation - Nominal Interest) and Program 1.16 (Housing Assistance).

Table 35: Cost Summary for Program 1.6 Chief Operating Officer - Defence Support^[1]

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	1,071,163	1,108,969	1,105,878	1,121,536	1,186,487
Suppliers	2,140,920	1,820,259	1,872,826	1,754,136	1,962,944
Grants	1,428	1,473	1,509	1,548	1,584
Depreciation and amortisation	846,702	888,990	925,281	955,020	989,828
Finance cost	52,830	65,375	96,545	107,101	103,457
Write-down of assets and impairment of assets	56,161	64,721	72,011	76,360	80,737
Net losses from sale of assets	-	-	-	-	-
Other expenses	75,061	33,897	19,073	136,329	143,094
Total expenses	4,244,265	3,983,684	4,093,123	4,152,030	4,468,131
Income					
Revenues					
Goods and services	259,187	275,718	286,942	298,652	309,874
Other revenue	6,573	8,053	6,428	6,601	6,782
Total revenue	265,760	283,771	293,370	305,253	316,656
Gains					
Assets now recognised	3,595	7,022	9,402	9,570	9,557
Net gains from sale of assets	8,240	4,400	1,582	67,153	87,483
Other gains	-	-	-	-	-
Total gains	11,835	11,422	10,984	76,723	97,040
Total income	277,595	295,193	304,354	381,976	413,696
Program 1.6 Chief Operating Officer - Defence Support	3,966,670	3,688,491	3,788,769	3,770,054	4,054,435

Note

1. Programs 1.6 Defence Support, 1.8 Chief Information Officer and 1.13 People Strategies and Policy form the newly created Chief Operating Officer Group. These three Programs are presented together, however their Program numbers have not yet been reassigned in the Central Budget Management System and are therefore not in sequential order.

Program 1.6 Deliverables

DSG's core responsibilities focus on day-to-day support to the ADF to enable Defence capability. Particular deliverables for 2012-13 and the forward estimate years include:

- provision of timely, accurate and high quality advice on Defence Support matters to the CDF, the Secretary and the Government
- continue to drive reform including in areas of the non-equipment procurement and the Estate Shared Services reform
- development and delivery of the 2012-13 Major Capital Facilities Program within scope and budget as outlined in Appendices C, D and E.
- provision of facilities, housing and other DSG support services to support the Enhanced Land Force
- development of environmental policies and strategies in accordance with Defence obligations towards the Environment and Biodiversity Conservation Act 1999 and other environmental policies as outlined in the Defence Environmental Strategic Plan 2010-2014
- management of Defence's property leasing, acquisition and disposal programs
- ongoing development of options for changes to the estate which inform and are informed by Force Structure Review 2013, the Australian Defence Force Posture Review, agreed US Global Force Posture Review initiatives, and Defence White Paper 2013 considerations
- provision of specialist legal support to Defence and legal support for ADF operations
- formulation of concept, policy, legislation and procedure for the Defence legislative program, including a new Chapter III military court
- provision of, through the centre of excellence, non-equipment procurement and contracting advice and support, and continuation of the improvement of procurement practices across Defence
- provision of garrison and other base support services to support Defence bases and establishments throughout Australia
- provision of nationally delivered whole-of-Defence corporate services, including accounts processing and travel
- establishment of business centres for simple procurement purchasing services and accounts receivable and the transition of accounts processing work from Groups/Services
- 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
- continue development of enhanced support to Defence families through development of a national service delivery model
- processing of applications for Defence medals that reward excellence, achievement and outstanding service
- administration of the Defence Home Ownership Assistance Scheme
- 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
- implementation of DSG elements of the base security improvement program
- provision of medical/rehabilitation and redeployment/redundancy product management, conduct and performance support and continued expansion of opportunities through the Defence Work Experience Program.

Program 1.6 Key Performance Indicators

- improve business outcomes as part of broader Defence reform, including ongoing implementation of the revised responsibilities and accountabilities for base support
- deliver products and services on time and on budget to support the development and delivery of Defence capability
- develop industry engagement and collaborative relationships to ensure the effective and efficient delivery of products and services
- support ADF operational capability, including through the deployment of ADF lawyers to provide access to relevant and timely legal support
- provide ADF members with high quality service residences, relocation and travel services using cost-effective contract arrangements
- 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
- 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
- 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

Program 1.8: Chief Operating Officer - Chief Information Officer**Program 1.8 Objective**

The Chief Information Officer Group's objective in delivering Program 1.8 is to provide Defence with dependable, secure and integrated ICT capabilities to support the conduct of ADF operations and Defence business.

The 2009 Defence ICT Strategy identified five clear objectives for Defence's future ICT environment:

- greater ICT scalability, flexibility and adaptability
- improved information speed and accuracy
- continued technological capability edge
- enhanced interoperability
- improved business support.

CIOG is focussed on implementing a number of initiatives that are fundamental to the realisation of the Defence ICT Strategy and essential to delivering capability to support the ADF. This will result in the simplification, consolidation and standardisation of the Defence platform. The delivery of these initiatives, as well as several other large programs of work, will assist other Defence reform.

Table 36: Cost Summary for Program 1.8 Chief Operating Officer- Chief Information Officer^[1]

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	122,538	111,821	99,288	107,131	117,436
Suppliers	704,208	588,772	632,974	665,234	776,272
Grants	-	-	-	-	-
Depreciation and amortisation	133,635	131,472	71,441	73,229	75,628
Finance cost	3,907	1,725	-	-	-
Write-down of assets and impairment of assets	9,037	7,338	6,676	7,045	7,475
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	973,325	841,128	810,379	852,639	976,811
Income					
Revenues					
Goods and services	2,955	3,053	3,169	3,289	3,411
Other revenue	-	-	-	-	-
Total revenue	2,955	3,053	3,169	3,289	3,411
Gains					
Assets now recognised	6,225	5,054	4,598	4,853	5,149
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	6,225	5,054	4,598	4,853	5,149
Total income	9,180	8,107	7,767	8,142	8,560
Program 1.8 Chief Operating Officer - Chief Information Officer	964,145	833,021	802,612	844,497	968,251

Note

1. Programs 1.6 Defence Support, 1.8 Chief Information Officer and 1.13 People Strategies and Policy form the newly created Chief Operating Officer Group. These three Programs are presented together, however their Program numbers have not yet been reassigned in the Central Budget Management System and are therefore not in sequential order.

Program 1.8 Deliverables

- Provide ICT support to military operations
 - 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
- Enable the Raise-Train-Sustain, administration and business operations of Defence
 - plan and implement the next phase of ICT shared services
 - deliver ICT services in accordance with the Defence ICT Services Delivery Charter and maintain the integrity and security of the Defence Information Environment
- Lead and deliver ICT across Defence
 - mature the Applications Managed Services Partner Arrangement (AMSPA) for applications development
 - deliver the ICT elements of endorsed projects in the Integrated Plan of Work and the Defence Capability Plan
- Lead and deliver the ICT components of reform
 - support reforms to Defence's enterprise and business systems
 - embed improved project approval processes (Faster Time to Market) through the implementation of the whole-of-government costing methodology
 - Lead and optimise Defence's ICT investment
 - 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
- Fulfil Group governance requirements
 - strengthen ICT capability.

Program 1.8 Key Performance Indicators

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

Program 1.13: Chief Operating Officer - People Strategies and Policy

Program 1.13 Objective

People Strategies and Policy (PSP) Group's two primary objectives in delivering Program 1.13 are to: deliver sustainable People capability to support the achievement of Defence's key outcomes as articulated in the 2009 White Paper, and lead workforce and shared services reform in the Human Resource function across the organisation.

PSP Group's vision for achieving these two key objectives is delivered in People in Defence - Generating Force for Future Capability, which provides the Group's strategic blueprint for achieving key People outcomes. This key strategic level document is supported by the *Annual People Plan*, which provides the plan for achieving PSP Group's vision and primary objectives. Projects and initiatives identified in the *Annual People Plan* focus on three key facets. These are to:

- define an attractive and compelling employment offer
- develop a work environment that delivers our commitments to our people
- develop an effective and efficient People system to achieve more consistently effective outcomes for our People.

A new Defence People Group will be in operation in 2012-13 within the Chief Operating Officer Group structure to ensure the effective integration of People functions across the Defence organisation. The Defence People Group is now structured to better respond to key People priorities and service the needs of key stakeholders more effectively. It will include additional functions arriving from the Defence Support Group, including the Defence Community Organisation, People Services Division, Defence People Solutions and the Directorate of Honours and Awards.

Table 37: Cost Summary for Program 1.13 Chief Operating Officer - People Strategies and Policy^[1]

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	54,403	94,778	123,146	139,465	144,385
Suppliers	244,123	227,914	245,071	245,966	248,226
Grants	8,000	-	-	-	-
Depreciation and amortisation	863	888	908	1,009	1,122
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	307,389	323,580	369,125	386,440	393,733
Income					
Revenues					
Goods and services	120	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	120	-	-	-	-
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	120	-	-	-	-
Program 1.13 Chief Operating Officer - People Strategies and Policy	307,269	323,580	369,125	386,440	393,733

Note

1. Programs 1.6 Defence Support, 1.8 Chief Information Officer and 1.13 People Strategies and Policy form the newly created Chief Operating Officer Group. These three Programs are presented together, however their Program numbers have not yet been reassigned in the Central Budget Management System and are therefore not in sequential order.

Program 1.13 Deliverables

- provide timely, accurate and high quality advice on key People issues to the Secretary, the CDF and the Government
- complete the projects and initiatives described in the *Annual People Plan* in order to deliver sustainable people capability through the development of:
 - an attractive and compelling employment offer
 - a work environment that delivers on its commitments to our People
 - an effective and efficient People system
- lead the implementation of Human Resource Workforce and Shared Services reform and savings across the organisation
- deliver Group-specific reform and savings
- establishment of an Organisational Development Unit within PSP Group to coordinate single service, APS and Defence wide implementation of the *Pathway to Change*

Program 1.13 Key Performance Indicators

- Advice to the Secretary, CDF and Government on People issues is timely and of a high quality.
- 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.
- Human Resource Workforce and Shared Services reforms are achieved in a timely manner, and are effective in reducing costs and improving efficiency across Defence.
- Culture reform is implemented across Defence.
- Group specific outcomes and programs (including those related to Workforce and Shared Services reform) are achieved in a timely manner.

Program 1.7: Defence Science and Technology**Program 1.7 Objective**

The Defence Science and Technology Organisation's (DSTO) principal objective in delivering Program 1.7 is to provide expert, impartial science and technology (S&T) advice, and innovative solutions to the Government, Defence and Australia's national security agencies to support the provision of military capabilities and the promotion of security and stability. From February 2012, DSTO assumed a whole-of-government responsibility for coordinating S&T support to national security.

This is achieved by enhancing capability, reducing risk and saving resources through applied research focussed on support to military and national security operations, current capability, and to future capability development and acquisition.

DSTO's enabling research program also contributes to future-proofing Defence, being aimed at developing the Organisation's S&T capability in alignment with Defence's evolving technology requirements, including those arising from the challenges of emerging technologies.

In order to achieve its objectives, DSTO draws upon the scientific ability and reputation of its staff, world class research facilities, and extensive networks with external organisations such as international defence research agencies, industry and academia.

Table 38: Cost Summary for Program 1.7 Defence Science and Technology

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	310,163	295,733	304,008	323,566	345,811
Suppliers	169,952	151,653	127,906	114,358	120,573
Grants	2,108	-	-	-	-
Depreciation and amortisation	22,303	23,613	25,753	25,434	25,703
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	3,021	2,588	2,185	2,287	2,406
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	507,547	473,587	459,852	465,645	494,493
Income					
Revenues					
Goods and services	43,742	32,256	33,199	34,043	34,901
Other revenue	-	-	-	-	-
Total revenue	43,742	32,256	33,199	34,043	34,901
Gains					
Assets now recognised	2,081	1,783	1,505	1,575	1,658
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	2,081	1,783	1,505	1,575	1,658
Total income	45,823	34,039	34,704	35,618	36,559
Program 1.7 Defence Science and Technology	461,724	439,548	425,148	430,027	457,934

Program 1.7 Deliverables

- provide timely, accurate and high-quality S&T advice on defence and national security related matters to the Secretary, CDF and Government
- provide effective, relevant and timely S&T solutions and technical support to military operations, to the current force and to national security agencies' operations and capabilities
- provide effective, relevant and timely S&T support to capability development and acquisition decision making, including technical risk assessment and certification for Defence Capability Plan projects
- deliver a program of enabling research aimed at enhancing future Defence capabilities and maintaining world-class research expertise and facilities
- maintain and enhance strategic relationships with external organisations, in particular international partners, local industry, academia, and national security agencies
- 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.

Program 1.7 Key Performance Indicators

- advice on S&T matters is of high quality
- 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
- S&T outputs and programs are delivered on time and within agreed resources
- outputs of the research program can be identified as innovative solutions that can be used to enhance capability, reduce risk and save resources
- enabling research is focussed on supporting future Defence capability
- DSTO's S&T capability is contributed to by:
 - a workforce with world-class expertise and facilities
 - highly leveraged S&T engagement with international defence research organisations, key national security partners, industry and academia.

Program 1.9: Vice Chief of the Defence Force**Program 1.9 Objective**

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 enables Defence to meet its objectives through the provision of military strategic effects and commitments advice and planning, joint military professional education and training, logistics support, health support, ADF Cadet and Reserve policy, joint capability management, and joint and combined ADF doctrine.

The VCDF Group has responsibility for the Australian Civil-Military Centre, which was established by the Government in 2008 with the role of supporting the development of national civil-military capabilities to prevent, prepare and respond more effectively to conflicts and disasters overseas. To meet this objective, VCDF Group provides funding of approximately \$9m per year.

In addition, the Group has responsibility for the Australian Defence Simulation Office, the ADF Parliamentary Program, the Federation Guard, ADF ceremonial activities, the ADF Investigative Service and the Strategic Communications Branch.

VCDF Group is committed to drive cultural reform in line with Defence's *Pathway to Change* Program.

Table 39: Cost Summary for Program 1.9 Vice Chief of the Defence Force

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	444,756	456,387	522,207	540,805	573,866
Suppliers	612,673	527,233	580,935	558,201	576,765
Grants	-	-	-	-	-
Depreciation and amortisation	20,441	25,901	34,506	41,722	43,563
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	274,429	248,401	225,570	206,377	188,543
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	1,352,299	1,257,922	1,363,218	1,347,105	1,382,737
Income					
Revenues					
Goods and services	169,978	159,787	163,782	167,876	172,072
Other revenue	-	-	-	-	-
Total revenue	169,978	159,787	163,782	167,876	172,072
Gains					
Assets now recognised	93,561	84,741	77,028	70,529	64,488
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	93,561	84,741	77,028	70,529	64,488
Total income	263,539	244,528	240,810	238,405	236,560
Program 1.9 Vice Chief of the Defence Force	1,088,760	1,013,394	1,122,408	1,108,700	1,146,177

Program 1.9 Deliverables

- lead the preparation of departmental military strategic advice to Government via Ministerial Submissions, Ministerial Representations, Question Time Briefs and Cabinet Submissions
- provide military strategic expertise to CDF in order to prepare direction from CDF to subordinate headquarters
- deliver agreed savings and reforms within the VCDF Group including in the areas of Logistics, Reserves, and Preparedness and Personnel and Operating Costs.
- deliver coordinated logistic advice and services to the ADF, and provide Defence Strategic Joint Operations services
- provide policy advice and deliver services to optimise the health of ADF personnel
- enhance Defence, inter-agency and combined capability coordination
- manage education and training for the defence workforce
- enhance capacity of Reserves to support Defence capability
- 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
- promote best-practice civil-military engagement through the Australian Civil-Military Centre.

Program 1.9 Key Performance Indicators

- timely, accurate and widely consulted advice provided to Government
- high level of engagement with Joint Operations Command (JOC), International Policy Division, Strategic Policy Division, Australian Civil-Military Centre, and other Government agencies, for operational matters
- advice is readily sourced and made available to the Offices of CDF and VCDF to support strategic decision making
- ADF operational tempo is managed within concurrency constraints
- Group-specific reform and savings have been achieved
- ADF operations and exercises receive effective logistics and health support and services
- ADF joint and combined operational capability
- delivery of learning outcomes that deliver the skills required for defence capability
- planning and policy frameworks are developed to enhance the contribution of the reserves to Defence and the wider community
- governance and accountability frameworks enhance the youth development experience within the ADF Cadets
- Australian Civil-Military Centre delivers its goals effectively and efficiently in accordance with Government instructions
- ADF investigations are supported by effective and efficient administration
- deliver Group-specific outcomes and programs on time and within agreed resources.

Program 1.10: Joint Operations Command

Program 1.10 Objective

Joint Operations Command is the ADF joint integrated operational level headquarters (HQ) responsible for ADF contributions to combined and interagency operations and international engagement activities, both domestically and internationally, in order to achieve Government and CDF's strategic priorities and direction.

Chief of Joint Operations (CJOPS), as the commander of Joint Operations Command, is supported by (and in some cases commands) assigned units such as Border Protection Command, Northern Command, 1st Joint Movements Group, Headquarters Special Operations Command, HQ 1st Division and the Air and Space Operations and the Maritime/Submarine Operations Group. Liaison Officers from the Australian Federal Police and AusAID are also assigned to HQJOC.

CJOPS is the CDF's principal adviser on operational matters and is responsible to the CDF for the conduct of military operational planning. CJOPS exercises command over assigned deployed combined (coalition and multilateral, military and interagency) and joint task forces and the Australian contingents to United Nations operations.

In addition, and on behalf of the CDF, Joint Operations Command is responsible for the ADF's commitment to the Coastwatch civil surveillance program, Border Protection Command tasking, search and rescue and emergency defence assistance to the civil community.

The Customs and Border Protection component of the Border Protection Command program is listed and reported in the Customs and Border Protection Service section of the Attorney-General Portfolio Budget Statements (PBS).

Linked to: Outcomes 2 and 3, Attorney-General's PBS.

Table 40: Cost Summary for Program 1.10 Joint Operations Command

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	8,417	8,199	8,502	8,613	9,372
Suppliers	38,627	32,243	31,681	33,786	35,031
Grants	-	-	-	-	-
Depreciation and amortisation	2,187	3,206	3,518	3,972	4,685
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	49,231	43,648	43,701	46,371	49,088
Income					
Revenues					
Goods and services	367	374	380	392	404
Other revenue	-	-	-	-	-
Total revenue	367	374	380	392	404
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	367	374	380	392	404
Program 1.10 Joint Operations Command	48,864	43,274	43,321	45,979	48,684

Program 1.10 Deliverables

- 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
- plan, control, conduct and evaluate the ADF's, and where applicable the whole-of-government and/or coalition, contributions to Government directed operational commitments
- plan, control, conduct and evaluate the ADF's contributions to Defence Assistance to the Civil Community (DACC) and Defence Force Assistance to the Civil Authority (DFACA), and plan for and co-ordinate Search and Rescue (SAR) for military purposes
- 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
- maintain ongoing partnerships, collaboration and effective information sharing related to operational matters at the national level and effective engagement at the international level
- provide advice to Service Headquarters, other Defence Groups and other Government Departments as necessary to support the development of capability in relation to current, planned and anticipated operations
- contribute to Group-specific reforms and cost reductions.

Program 1.10 Key Performance Indicators

- 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.
- Operations achieve the Government's direction and intent, and/or, where applicable, the whole-of-government strategy.
- Forces are deployed and sustained efficiently and effectively, and in accordance with agreed timeframes.
- 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.
- ADF operations and non-operational activities are planned, controlled and conducted in accordance with the promulgated Rules of Engagement (ROE) and operational governance requirements in the areas of medical administration and clinical governance, and personnel, logistics, financial and contract management.

Program 1.11: Capability Development

Program 1.11 Objective

Capability Development Group (CDG) develops and manages the Defence Capability Plan (DCP) and prepares Defence capability investment approval proposals for Government consideration. This objective is delivered through both Capability Systems Division and Capability Investment and Resources Division (CIR).

CIR also provides analysis and contestability of proposals (this function reports directly to the Secretary and CDF).

The Group maintains a sponsor role during the acquisition process and maintains close relationships with a range of stakeholders including the DMO and Capability Managers.

CDG will continue to refine the capability development process and ensure that it is well understood and applied uniformly across Defence. It will also seek to ensure that the process is understood by, and meets the expectations of, external stakeholders. CDG will build on its relationship with stakeholders, industry and capability development organisations in other countries.

Table 41: Cost Summary for Program 1.11 Capability Development

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees ^[1]	20,465	39,614	49,832	53,427	56,466
Suppliers	257,310	399,343	796,338	1,222,131	1,756,239
Grants	-	-	-	-	-
Depreciation and amortisation	668	485,459	587,572	696,666	842,218
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	126,573	150,725	177,601	210,251	251,897
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	405,016	1,075,141	1,611,343	2,182,475	2,906,820
Income					
Revenues					
Goods and services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
Gains					
Assets now recognised	73,708	87,544	102,524	120,775	144,384
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	73,708	87,544	102,524	120,775	144,384
Total income	73,708	87,544	102,524	120,775	144,384
Program 1.11 Capability Development	331,308	987,597	1,508,819	2,061,700	2,762,436

Note

1. From 2012-13 includes \$16.1m of employee expenses which are yet to be reclassified as capital.

Program 1.11 Deliverables

- provision of timely, accurate and high quality advice on all aspects of capability development to the Secretary, CDF and Government
- development of an affordable and executable DCP, refer to Appendix F
- publication of the Public version of the DCP
- management of the Key Defence Assets Register, Unapproved Major Capital Investment Program and Net Personnel Operating Cost (also known as the Defence Capability Plan)
- development of Defence capability investment proposals for consideration by the Government
- provision of independent analysis and contestability of capability proposals (CIR Division reporting to Secretary and CDF)
- update and publication of the Defence Capability Development Manual (derived from the former Defence Capability Development Handbook 2011)
- enhance the effectiveness of the capability development process through the implementation of Capability Development Improvement Program (CDIP) initiatives
- under the Rapid Prototyping Development and Evaluation (RPDE) program, work collaboratively with Australia's defence industry to develop innovative solutions to complex issues affecting capability and current operations
- deliver independent Test and Evaluation (T&E) support, trials and demonstrations to Defence throughout the capability systems life-cycle.

Program 1.11 Key Performance Indicators

- submit capability investment proposals, on schedule, within agreed resources and to agreed standards
 - implement CDIP initiatives to improve the timeliness and quality of capability submissions, and reflect these improvements in an update to the Defence Capability Development Manual
 - introduce Portfolio Management arrangements that improve coordination and performance of capability development activities
 - introduce corporate information management systems that support end-to-end visibility, planning, management and reporting of capability development.
- contestable advice that delivers (CIR Division reporting to Secretary and CDF):
 - a greater level of confidence that individual proposals have realistic schedule and costs projections, comprehensive risk assessments and mitigation
 - proposals that are coherent, compelling and consistent with strategic guidance and affordable within the DCP.

Program 1.12: Chief Finance Officer**Program 1.12 Objective.**

The Chief Finance Officer Group (CFOG) 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.

The CFOG 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 CFOG drives Defence's financial management and improvement programs through uniform financial management approaches, a streamlined accountability structure, a financial controls framework, and training and skilling programs.

Portfolio budget pressures and risks are managed through a strong culture of prioritising resource management.

The CFOG works with all Groups and Services to identify cost drivers for all key business elements.

To streamline, standardise and professionalise the delivery of financial services across Defence the CFOG is leading a reform program to deliver Finance as a Shared Service.

Table 42: Cost Summary for Program 1.12 Chief Finance Officer

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	367,046	408,582	433,340	476,106	473,773
Suppliers	26,848	103,817	399,453	434,054	1,884
Grants	-	-	-	-	-
Depreciation and amortisation	2,687	2,720	6,106	9,518	9,466
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	4,716	4,953	4,589	4,551	4,561
Net losses from sale of assets	-	-	-	-	-
Other expenses	41,344	89,382	67,498	12,107	12,779
Total expenses	442,641	609,454	910,986	936,336	502,463
Income					
Revenues					
Goods and services	79,381	81,127	83,155	85,234	87,365
Other revenue	60,688	62,104	63,710	65,351	67,033
Total revenue	140,069	143,231	146,865	150,585	154,398
Gains					
Assets now recognised	2,969	3,122	2,862	2,836	2,846
Net gains from sale of assets	-	-	-	-	-
Other gains	4,879	5,001	5,126	5,254	5,386
Total gains	7,848	8,123	7,988	8,090	8,232
Total income	147,917	151,354	154,853	158,675	162,630
Program 1.12 Chief Finance Officer	294,724	458,100	756,133	777,661	339,833

Program 1.12 Deliverables

- Defence Financial Statements
- Defence Portfolio Budget Statements
- Defence Portfolio Additional Estimates Statements
- Defence Control Effectiveness Report
- Defence Chief Executive Instructions
- Monthly/Annual input to whole-of-government reporting.

Program 1.12 Key Performance Indicators

- provide timely and high quality financial advice to the Minister, the Secretary and CDF
- produce Defence's Budget, Financial Statements and the annual Defence Management and Finance Plan within agreed statutory timeframes
- maintain un-qualified Financial Statements.

Administered Program 1.14: Defence Force Superannuation Benefits**Administered Program 1.14 Objective**

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 plus the Defence Force Retirement Benefits (DFRB) scheme. This program includes payment of the MSBS Retention Benefit.

The DFRB commenced in 1948 and only covers members or their dependants who were in receipt of a pension at the time DFRDB commenced. This scheme does not have any contributing members.

The DFRDB was closed to new participants in 1991.

The MSBS commenced in 1991 and is available to all full-time members of the ADF.

All three schemes are managed on Defence's behalf by ComSuper.

Since 1991, Defence has paid the MSBS Retention Benefit to eligible MSBS 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.

Linked to: Program 1.6 Defence Support.

Table 43: Cost Summary for Program 1.14 Defence Force Superannuation Benefits

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Net foreign exchange losses	-	-	-	-	-
Retention benefits	52,443	64,223	77,103	95,883	77,940
Military superannuation benefits	1,385,390	1,238,830	1,303,346	1,364,813	1,428,611
Total expenses	1,437,833	1,303,053	1,380,449	1,460,696	1,506,551
Income					
Revenues					
Interest	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-
Military superannuation contributions	1,192,238	1,215,188	1,256,539	1,309,468	1,366,639
Total income	1,192,238	1,215,188	1,256,539	1,309,468	1,366,639
Program 1.14 Defence Force Superannuation Benefits	245,595	87,865	123,910	151,228	139,912

Administered Program 1.14 Deliverable

- report on superannuation contributions and the movement in liabilities associated with the three military superannuation schemes.

Administered Program 1.14 Key Performance Indicator

- provision of timely payments to ComSuper and quality administration of DFRB, DFRDB and MSBS employer and member contributions.

Administered Program 1.15: Defence Force Superannuation – Nominal Interest**Administered Program 1.15 Objective**

The objective of Program 1.15 is to administer nominal interest for the three military superannuation schemes: the Defence Force Retirement Benefits (DFRB), the Defence Force Retirement and Death Benefits Scheme (DFRDB); and, the Military Superannuation and Benefits Scheme (MSBS).

The DFRB commenced in 1948 and only covers members or their dependants who were in receipt of a pension at the time DFRDB commenced. This scheme does not have any contributing members.

The DFRDB was closed to new participants in 1991.

The MSBS commenced in 1991 and is available to all full-time members of the ADF.

All three schemes are managed on Defence's behalf by ComSuper.

Linked to: Program 1.6 Defence Support.

Table 44: Cost Summary for Program 1.15 Defence Force Superannuation Nominal Interest

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Net foreign exchange losses	-	-	-	-	-
Retention benefits	-	-	-	-	-
Military superannuation benefits	2,643,362	2,815,138	2,947,113	3,086,532	3,233,410
Total expenses	2,643,362	2,815,138	2,947,113	3,086,532	3,233,410
Income					
Revenues					
Interest	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-
Military superannuation contributions	-	-	-	-	-
Total income	-	-	-	-	-
Program 1.15 Defence Force Superannuation Nominal Interest	2,643,362	2,815,138	2,947,113	3,086,532	3,233,410

Administered Program 1.15 Deliverable

- report on superannuation nominal interest associated with the three military superannuation schemes.

Administered Program 1.15 Key Performance Indicator

- provide quality administration services for DFRB, DFRDB and MSBS nominal interest transactions.

Administered Program 1.16: Housing Assistance**Administered Program 1.16 Objective**

The Defence Home Ownership Assistance Scheme was established in order to support the Government's retention and recruitment initiatives and influence ADF members' decision to stay beyond critical career points. The scheme came into effect on 1 July 2008.

The Scheme provides eligible ADF members and ex-serving members with assistance to either purchase a home, purchase land for the purpose of building a home, or to renovate or extend an existing home.

The Scheme contains a three-tiered subsidised loan limit structure that provides increasing entitlements as members serve beyond key exit points.

Following a competitive tendering process the Department of Veterans' Affairs was appointed Scheme Administrator and a panel of three Home Loan Providers was established: National Australia Bank, Australian Defence Credit Union and the Defence Force Credit Union (which has recently changed its name to Defence Bank).

Table 45: Cost Summary for Program 1.16 Housing Assistance

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Net foreign exchange losses	-	-	-	-	-
Housing subsidies	97,882	109,236	117,353	123,267	127,919
Total expenses	97,882	109,236	117,353	123,267	127,919
Income					
Revenues					
Interest	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-
Dividends	-	-	-	-	-
License fees	9,811	9,963	10,228	10,502	10,695
Other	-	-	-	-	-
Total income	9,811	9,963	10,228	10,502	10,695
Program 1.16 Housing Assistance	88,071	99,273	107,125	112,765	117,224

Administered Program 1.16 Deliverables

- provide ADF members with assistance to achieve home ownership that reflects the contemporary housing and home finance markets
- provide progressively higher levels of assistance for eligible members serving beyond the critical career points of four, eight and twelve years of service
- provision of quality services for the administration of the Scheme, including the accurate and timely processing of member applications and issuing of Subsidy Certificates.

Administered Program 1.16 Key Performance Indicators

- members respond to and take up the scheme
- ensure that interest rates provided to ADF members by the Home Loan Providers are competitive with other interest rates in the market.

Administered Program 1.17: Other Administered**Administered Program 1.17 Objective**

Other administered comprises 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 DHA
- 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 \$10 million.

Table 46: Cost Summary for Program 1.17 Other Administered

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses	-	-	-	-	-
Total expenses	-	-	-	-	-
Income					
Revenues					
Interest	32,104	31,849	31,849	31,849	31,849
Dividends	48,594	45,813	49,717	52,306	59,456
Other	50,684	39,057	40,282	41,633	44,706
Total income	131,382	116,719	121,848	125,788	136,011
Program 1.17 Other Administered	-131,382	-116,719	-121,848	-125,788	-136,011

Administered Program 1.17 Deliverables

- report on interest and other receipts transferred to the Official Public Account.

Administered Program 1.17 Key Performance Indicators

- accurate accounting and reporting of 'Other Administered'.

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

OUTCOME 2 STRATEGY

The ADF is required to undertake a wide range of military and humanitarian assistance operations as directed by the Government to ensure the defence of Australia and its national interests. The ADF's military operations and other tasks contribute to the achievement of the Government's strategic objectives, defined in the White Paper as defending Australia, contributing to the security of the immediate neighbourhood and supporting wider interests.

OUTCOME 2 RESOURCES

Table 47: Total Budgeted Resources Available for Outcome 2

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood					
Revenue from other sources	5,500	3,100	-	-	-
Departmental outputs	203,669	130,545	2,381	1,610	-
Program 2.2 Operations Supporting Wider Interests					
Revenue from other sources	40,891	21,291	-	-	-
Departmental outputs	1,247,823	1,210,738	361,478	131,548	49,999
Total resourcing					
Total Departmental outputs	1,451,492	1,341,283	363,859	133,158	49,999
Total Departmental revenue from other sources	46,391	24,391	-	-	-
Total resources for Outcome 2	1,497,883	1,365,674	363,859	133,158	49,999

CONTRIBUTIONS TO OUTCOME 2

Program 2.1: Operations contributing to the security of the immediate neighbourhood

Program 2.1 Objective

Ensure that the Government, through the ADF, has an active and effective role in regional stability, integrity and cohesion of the region.

Australia shares the immediate neighbourhood with Indonesia, New Zealand, Papua New Guinea, East Timor and the island countries of the South West Pacific.

Table 48: Cost Summary for Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	63,038	40,234	-	-	-
Suppliers	146,131	93,411	2,381	1,610	-
Grants	-	-	-	-	-
Depreciation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	209,169	133,645	2,381	1,610	-
Income					
Revenues					
Goods and services	5,500	3,100	-	-	-
Other revenue	-	-	-	-	-
Total revenue	5,500	3,100	-	-	-
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	5,500	3,100	-	-	-
Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood	203,669	130,545	2,381	1,610	-

Program 2.1 Deliverables

Operation	Commenced	Objective
Gateway	1981	Conduct northern Indian Ocean and South China Sea maritime surveillance patrols.
Anode	2003	Support the coalition police forces in maintaining the rule of law in Solomon Islands.
Astute	2006	Contribute security support to the Government of Timor Leste and the United Nations Mission in East Timor.
Tower (previously Chiron)	2006	Contribute to the United Nations Integrated Mission in East Timor.

Program 2.1 Key Performance Indicators

- ADF operations meet their stated objectives within the Government's guidance.
- ADF forces are effectively deployed and sustained.
- ADF forces are withdrawn for reconstitution when they are no longer required.

Program 2.2: Operations Supporting Wider Interests

Program 2.2 Objective

Operations supporting wider interests are designed to contribute to United Nations and international efforts to uphold global security.

Table 49: Cost Summary for Program 2.2 Operations Supporting Wider Interests

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	238,804	250,683	-	-	-
Suppliers	987,339	942,988	323,120	131,548	49,999
Grants	43,502	38,358	38,358	-	-
Depreciation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	19,069	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	1,288,714	1,232,029	361,478	131,548	49,999
Income					
Revenues					
Goods and services	40,891	21,291	-	-	-
Other revenue	-	-	-	-	-
Total revenue	40,891	21,291	-	-	-
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	40,891	21,291	-	-	-
Program 2.2 Operations Supporting Wider Interests	1,247,823	1,210,738	361,478	131,548	49,999

Program 2.2 Deliverables		
Operation	Commenced	Objective
Paladin	1956	Contribute to the United Nations Truce Supervisory Organisation in the Middle East.
Mazurka	1982	Contribute to the Multinational Force and Observers in the Sinai.
Slipper	2001	Contribute to the international coalition against international terrorism and assist with the reconstruction of Afghanistan.
Aslan	2011	Contribute to the United Nations mission to the Republic of South Sudan
Palate II	2005	Provide a Military Liaison Officer to the United Nations Assistance Mission in Afghanistan.
Riverbank	2008	Contribute to the United Nations Assistance Mission for Iraq.

Program 2.2 Key Performance Indicators
<ul style="list-style-type: none"> • ADF operations meet their stated objectives within the Government's guidance. • ADF forces are effectively deployed and sustained. • ADF forces are withdrawn for reconstitution when they are no longer required.

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

OUTCOME 3 STRATEGY

Defence can be called upon to provide emergency and non-emergency assistance to the Government and the Australian community in non-combat related roles. The tasks Defence may be requested to undertake could include emergency assistance, search and rescue, disaster recovery, surveillance, security or non-emergency law enforcement roles. Tasks may be directed by the Government or requested by other civil authorities, government departments or agencies through Emergency Management Australia. The Government may also require Defence to support significant international events conducted within Australia.

Outcome 3 Resources

Table 50: Total Budgeted Resources Available for Outcome 3

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Program 3.1 Defence Contribution to National Support Tasks in Australia					
Revenues from other sources	-	-	-	-	-
Departmental outputs	9,829	9,500	-	-	-
Total resourcing	9,829	9,500	-	-	-
Total Departmental outputs	9,829	9,500	-	-	-
Total Departmental revenue from other sources	-	-	-	-	-
Total resources for Outcome 3	9,829	9,500	-	-	-

CONTRIBUTIONS TO OUTCOME 3

Program 3.1: Defence contribution to national support tasks in Australia

Program 3.1 Objective

Undertake tasks that include planning and conduct of operations, which aim to provide the security of the Australian coastline from unauthorised arrivals, smuggling, quarantine evasion and other intrusions to Australian sovereignty, counter-terrorism responses, search and rescue and natural disaster relief. Defence contributes to the Coastwatch civil surveillance program and Border Protection Command tasking, providing maritime surveillance assets that are tasked routinely in accordance with the Government's direction.

Defence, through the Defence Assistance to the Civil Community program, supports the Commonwealth with emergency and non-emergency tasks and events of national significance as requested by relevant authorities and the general public.

Table 51: Cost Summary for Program 3.1 Defence Contribution to National Support Tasks in Australia

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Expenses					
Employees	1,269	202	-	-	-
Suppliers	8,560	9,298	-	-	-
Grants	-	-	-	-	-
Depreciation	-	-	-	-	-
Finance cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	9,829	9,500	-	-	-
Income					
Revenues					
Goods and services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
Gains					
Assets now recognised	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-	-	-	-	-
Program 3.1 Defence Contribution to National Support Tasks in Australia	9,829	9,500	-	-	-

Program 3.1 Deliverables		
Operation	Commenced	Objective
Solania	1988	Conduct South West Pacific maritime surveillance patrols.
Resolute	2006	Contribute to the whole-of-government maritime surveillance and response.

Program 3.1 Key Performance Indicators		
<ul style="list-style-type: none"> • Defence's contribution to national support tasks in Australia meets Government directives. • Defence's response to requests for Defence Force Aid to Civilian Authorities is effectively managed, sustained and reported. • Defence's response to requests for Defence Assistance to the Civil Community is effectively managed, sustained and reported. 		

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of agency finances for the 2012-13 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government indigenous expenditure.

3.1 Explanatory Tables

Table 52: Summary of Estimated Special Account Balances^{[1][2][3][4][5]}

		Opening 2012-13 2011-12	Receipts 2012-13 2011-12	Payments 2012-13 2011-12	Adjustments 2012-13 2011-12	Closing Balance 2012-13 2011-12
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entities and Trust Moneys (A) - Defence Special Account- <i>Financial Management and Accountability Act 1997</i>	1	91,872 <i>114,880</i>	49,968 <i>68,435</i>	-49,873 <i>-91,443</i>	- <i>-</i>	91,967 <i>91,872</i>
Defence Endowments Special Account (A) – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	320 <i>322</i>	28 <i>29</i>	-39 <i>-31</i>	- <i>-</i>	309 <i>320</i>
Fedorczenko Legacy Special Account (A) – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	163 <i>162</i>	8 <i>7</i>	-6 <i>-6</i>	- <i>-</i>	165 <i>163</i>
Young Endeavour Youth Program Special Account (A) – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	1,212 <i>1,167</i>	60 <i>60</i>	- <i>-15</i>	- <i>-</i>	1,272 <i>1,212</i>
Total Special Accounts 2012-13		93,567	50,064	-49,918	-	93,713
<i>2011-12 estimated actual</i>		<i>116,531</i>	<i>68,531</i>	<i>-91,495</i>	<i>-</i>	<i>93,567</i>

Notes

- 2012-13 estimates in bold.
 - 2011-12 estimates in italics.
 - These are all Special Public Monies.
 - The 2012-13 figures include an estimate of \$80,000 for interest earned on the Official Public Account (OPA).
 - The 2011-12 figures include \$71,219 for interest earned on the OPA.
- (A) = Administered
(D) = Departmental

3.1.1 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 53: Australian Government Indigenous Expenditure (AGIE)

	Program	Bill No. 1 \$'000
Outcome 1		
Defence Indigenous Employment Strategy	1.13	
Departmental 2012-13 Budget Estimate		2,783
Departmental 2011-12 Estimated Actual		2,102
Defence Indigenous Development Program	1.13	
Departmental 2012-13 Budget Estimate		6,174
Departmental 2011-12 Estimated Actual		5,994
Army Community Assistance Project⁽¹⁾	1.3	
Departmental 2012-13 Budget Estimate		7,800
Departmental 2011-12 Estimated Actual		4,730
Total 2012-13 Budget Estimate		16,757
Total 2011-12 Estimated Actual		12,826

Note

1. The majority of costs are subsequently recovered from Department of Families, Housing, Community Services and Indigenous Affairs.

Defence Indigenous Employment Strategy

The Secretary and CDF place a high priority on the recruitment and retention of Indigenous staff. Defence has increased its efforts to engage with Indigenous programs across Government and into Indigenous communities. Defence seeks to be an organisation reflective of Australia and the Australian people. Defence undertakes specific programs to attract and retain Indigenous staff.

Defence Indigenous Development Program

Aligned to the Government's Closing the Gap Program, the Defence Indigenous Development Program is a whole-of-government initiative that will provide the opportunity for Indigenous people from remote communities to acquire skills that are transferable back to their community. An increase in the recruitment of Indigenous people from remote communities into the ADF is an additional benefit of the program. Currently, the Department of Education, Employment and Workplace Relations and the Department of Defence are engaged in the ongoing development and implementation of the program.

Army Aboriginal Community Assistance Program

The Army Community Assistance Program is a cooperative initiative between the Department of Families, Housing, Community Services and Indigenous Affairs and the Army to improve environmental health conditions within remote Aboriginal communities. The program seeks to maximise the benefits to Indigenous communities by focusing on projects that allow the Army to make best use of its construction expertise and capability, by capitalising on the Army's ability to holistically deliver a range of services to remote Indigenous communities that would not normally be available in a single project.

3.1.2 GRANTS

Defence Grants are paid from Departmental funds and are approved by the Minister for Defence.

Grants can be:

- Payments made to an organisation or individual and include ad hoc grants that are made on a one-off basis, as well as grants renewed under continuing programs.
- Payments that organisations or individuals received after satisfying eligibility and/or reporting requirements, and include awards, departmental (non-legislated) rebate schemes and non-reciprocal scholarships.

The Government requires Defence to report on all grant approvals. Table 54 provides information on grants approved to date.

Table 54: Grants Approved for the 2012-13 Budget

	2011-12 Estimated Actual \$'000	Total Grant Amount Approved \$'000	2012-13 Budget Estimate \$'000
Approved since 2011-12 PAES			
Fisher House at Landstuhl, Germany ⁽¹⁾	125	225	25
Legacy Services Trust ⁽¹⁾	14,000	14,000	-
Professor in Strategic Policy at the Australian National University	-	731	238
United Nations Trust Fund for the African Union in Somalia	1,500	1,500	-
Total grants approved since 2011-12 PAES	15,625	16,456	263
Previously approved grants			
Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (AUS-CSCAP)	50	-	52
Afghan National Army Trust Fund Contribution ⁽²⁾	38,692	-	-
ANU School of Regulation Justice and Diplomacy	146	-	146
Army Military History Research Grants Scheme	72	-	-
Australian National University Centre for International Governance and Justice	80	-	45
Australian Strategic Policy Institute (ASPI)	3,051	-	3,118
Centre for Research and Security Studies, Islamabad (Pakistan)	125	-	66
Commando Welfare Trust Fund	8,000	-	-
Defence Family Support Funding Program	1,146	-	-
Indigenous Australians And Torres Strait Islanders Defence Service History Project	300	-	-
International Institute for Strategic Studies (IISS) – for 2012 Shangri-La Dialogue	82	-	-
Kokoda Foundation	95	-	-
Low y Institute	225	-	-
Oxfam Australia	100	-	100
Royal Melbourne Institute of Technology (RMIT)	101	-	-
Royal United Services Institute (RUSI) of Australia	93	-	95
Sir Arthur Tange Defence PhD Scholarships	58	-	58
Strategic and Defence Studies Centre at the ANU: Post Doctoral Fellow ship	159	-	174
United Nations Trust Fund for the African Union in Somalia	2,000	-	-
University of NSW	132	-	93
Total	54,707	-	3,947
Grants	70,332	16,456	4,210

Note

1. This grant has been approved by the Defence Minister however the Funding Agreement has not been signed.
2. This was a budget measure in 2009-10 and it is expected that a grant will be approved in 2012-13.

The following are grants that have been approved since the *Portfolio Additional Estimates Statements 2011-12*:

Fisher House, Landstuhl, Germany

A multi year grant of \$225,000, with \$125,000 to be paid in 2011-12, and \$25,000 to be paid in 2012-13, was awarded to the Fisher House Foundation to be used at the Fisher House at Landstuhl, Germany. This facility provides important medical care for members of the ADF who have sustained severe wounds on operations. It is a world class facility that has been used extensively by wounded Defence personnel. The grant is on the condition that any such payment is used by Fisher House for the continued support of families of injured military personnel who are being treated at the Landstuhl Regional Medical Center.

Legacy Services Trust

A grant of \$14,000,000 was announced to the Legacy Services Trust in 2011-12. The Trust has been established to provide assistance to all Australian Defence Force personnel not covered by the terms of the existing special forces trusts. This includes families and in particular, the children of those service men and women who have been killed or incapacitated as a result of their service to Australia. The types of assistance include the education of children, support to a widow or widower enabling them to rejoin the workforce and support for wounded personnel to receive assistance that cannot be provided by the ADF in their rehabilitation.

Professor in Strategic Policy at the Australian National University

A Multi-year grant of \$731,000 with \$237,515 to be paid in 2012-13, was awarded to the ANU. The grant will be used to fund the position 'Professor of Strategic Policy Studies' at the ANU. The position will provide leadership in the field of Australia's strategic policy on security and defence challenges, including strategic interests and objectives, force priorities, and capability management and delivery.

United Nations Trust Fund for the African Union Mission in Somalia

A grant of \$1,500,000 was approved and paid in 2011-12 for the United Nations Trust Fund for the African Mission in Somalia. The payment will be used by the United Nations to help address humanitarian, security, piracy and terrorism challenges in Somalia.

3.2 Budgeted Financial Statements

3.2.1 DEPARTMENTAL AND ADMINISTERED BUDGETED FINANCIAL STATEMENTS

Table 55: Variation in Departmental Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
EXPENSES				
Employee benefits	9,631,678	9,862,642	230,964	2.4
Supplier expenses	8,765,930	9,640,819	874,889	10.0
Grants	49,014	43,870	-5,144	-10.5
Depreciation and amortisation	3,621,425	3,883,375	261,950	7.2
Finance costs	69,230	92,591	23,361	33.7
Write-down of assets and impairment of assets	1,083,744	1,085,305	1,561	0.1
Other	21,151	123,279	102,128	482.9
Total expenses	23,242,172	24,731,881	1,489,709	6.4
LESS:				
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services	858,181	840,972	-17,209	-2.0
Other revenue ⁽¹⁾	68,716	70,234	1,518	2.2
Total own-source revenue	926,897	911,206	-15,691	-1.7
Gains				
Assets now recognised	520,299	521,145	846	0.2
Sale of assets	281	281	-	-
Other gains	5,001	5,001	-	-
Total gains	525,581	526,427	846	0.2
Total own-source income	1,452,478	1,437,633	-14,845	-1.0
Net cost of (contribution by) services	21,789,694	23,294,248	1,504,554	6.9
Revenue from Government	21,789,694	23,269,856	1,480,162	6.8
Surplus (deficit) attributable to the Australian Government	-	-24,392	-24,392	-
Total comprehensive income (loss) attributable to the Australian Government	-	-24,392	-24,392	-
Plus non-appropriated accrual expenses	4,951,617	5,250,646	299,029	6.0
Total comprehensive income (loss) attributable to the agency	4,951,617	5,226,254	274,637	5.5

Note

- Includes Rental income. Estimated Rental income of \$6,535,000 was shown separately in Table 58 of the *Portfolio Additional Estimates Statements 2011-12*.

Table 56: Variation in Budgeted Departmental Balance Sheet (as at 30 June)

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
ASSETS				
Financial assets				
Cash and cash equivalents	72,871	72,871	-	-
Trade and other receivables	159,722	90,967	-68,755	-43.0
Tax assets	112,449	112,449	-	-
Appropriation receivable	121,517	121,517	-	-
Other receivables	232,507	232,507	-	-
Total financial assets	699,066	630,311	-68,755	-9.8
Non-financial assets				
Land and buildings	16,126,359	15,905,773	-220,586	-1.4
Infrastructure, plant and equipment	6,613,128	6,763,225	150,097	2.3
Specialist military equipment	41,330,123	39,847,374	-1,482,749	-3.6
Intangibles	443,578	438,992	-4,586	-1.0
Heritage and cultural	965,942	965,944	2	-
Inventories	5,667,955	5,388,990	-278,965	-4.9
Prepayments	154,845	154,833	-12	-
Total non-financial assets	71,301,930	69,465,131	-1,836,799	-2.6
Assets held for sale	53,512	53,512	-	-
Total assets	72,054,508	70,148,954	-1,905,554	-2.6
LIABILITIES				
Payables				
Suppliers	777,907	872,433	94,526	12.2
Other	363,000	365,640	2,640	0.7
Total payables	1,140,907	1,238,073	97,166	8.5
Interest bearing liabilities				
Leases	1,015,758	1,015,758	-	-
Total interest bearing liabilities	1,015,758	1,015,758	-	-
Provisions				
Employee provisions	2,313,914	2,310,942	-2,972	-0.1
Restoration, decontamination and decommissioning	841,379	879,277	37,898	4.5
Other	6,358	6,358	-	-
Total provisions	3,161,651	3,196,577	34,926	1.1
Total liabilities	5,318,316	5,450,408	132,092	2.5
NET ASSETS	66,736,192	64,698,546	-2,037,646	-3.1
EQUITY				
Contributed equity	18,534,273	16,521,019	-2,013,254	-10.9
Reserves	14,565,011	14,565,010	-1	-
Retained surplus (accumulated deficit)	33,636,908	33,612,517	-24,391	-0.1
Total equity	66,736,192	64,698,546	-2,037,646	-3.1

Table 57: Variation in Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Goods and services	827,011	840,972	13,961	1.7
Appropriations	21,789,694	23,269,856	1,480,162	6.8
Net GST received	529,501	637,848	108,347	20.5
Other cash received	68,716	70,234	1,518	2.2
Cash transfer from the Official Public Account (receivables)	-	-	-	-
Total cash received	23,214,922	24,818,910	1,603,988	6.9
Cash used				
Employees	9,577,571	9,841,548	263,977	2.8
Suppliers	7,993,488	8,910,692	917,204	11.5
Net GST paid	529,501	637,848	108,347	20.5
Grants	49,014	43,870	-5,144	-10.5
Other cash used	5,335	33,897	28,562	535.4
Cash transfer to the Official Public Account (receivables)	136,792	90,304	-46,488	-34.0
Total cash used	18,291,701	19,558,159	1,266,458	6.9
Net cash from (used by) operating activities	4,923,221	5,260,751	337,530	6.9
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of land and buildings	143,515	97,936	-45,579	-31.8
Proceeds from sales of infrastructure, plant and equipment	28,747	28,747	-	-
Total cash received	172,262	126,683	-45,579	-26.5
Cash used				
Purchase of land and buildings	1,055,520	873,245	-182,275	-17.3
Purchase of infrastructure, plant and equipment	311,451	416,946	105,495	33.9
Purchase of specialist military equipment	3,901,782	2,936,004	-965,778	-24.8
Purchase of intangibles	11,306	11,306	-	-
Purchase of inventory	1,178,064	988,753	-189,311	-16.1
Selling costs on sale of assets	3,245	4,154	909	28.0
Finance costs	61,029	77,434	16,405	26.9
Total cash used	6,522,397	5,307,842	-1,214,555	-18.6
Net cash from (used by) investing activities	-6,350,135	-5,181,159	1,168,976	-18.4
FINANCING ACTIVITIES				
Cash received				
Appropriations - contributed equity	1,506,506	-	-1,506,506	-100.0
Total cash received	1,506,506	-	-1,506,506	-100.0
Cash used				
Repayment of debt	79,592	79,592	-	-
Cash to the Official Public Account	-	-	-	-
Total cash used	79,592	79,592	-	-
Net cash from (used by) financing activities	1,426,914	-79,592	-1,506,506	-105.6
Net increase (decrease) in cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at beginning of the reporting period	72,871	72,871	-	-
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end of the reporting period	72,871	72,871	-	-

Table 58: Budgeted Departmental Comprehensive Income Statement (showing net cost of services) for the period ended 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
EXPENSES					
Employee benefits	9,786,105	9,862,642	10,022,288	10,459,813	11,271,597
Supplier expenses	9,809,924	9,640,819	10,092,499	10,479,829	10,992,029
Grants	62,366	43,870	44,208	5,792	5,936
Depreciation and amortisation	3,789,253	3,883,375	3,929,207	3,971,092	4,019,555
Finance costs	89,956	92,591	122,019	136,314	140,692
Write-down of assets and impairment of assets	1,057,469	1,085,305	1,134,403	1,185,792	1,239,595
Other	116,405	123,279	86,571	148,436	155,873
Total expenses	24,711,478	24,731,881	25,431,195	26,387,068	27,825,277
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	832,713	840,972	850,501	882,602	917,682
Other revenue ⁽¹⁾	67,349	70,234	70,230	72,034	73,911
Total own-source revenue	900,062	911,206	920,731	954,636	991,593
Gains					
Assets now recognised	498,725	521,145	544,589	569,113	594,758
Sale of assets	3,489	281	5,489	71,873	93,109
Other gains	4,879	5,001	5,126	5,254	5,386
Total gains	507,093	526,427	555,204	646,240	693,253
Total own-source income	1,407,155	1,437,633	1,475,935	1,600,876	1,684,846
Net cost of (contribution by) services	23,304,323	23,294,248	23,955,260	24,786,192	26,140,431
Revenue from Government	23,304,323	23,269,856	23,410,374	24,786,192	26,140,431
Surplus (deficit) attributable to the Australian Government	-	-24,392	-544,886	-	-
Total comprehensive income (loss) attributable to the Australian Government	-	-24,392	-544,886	-	-
Plus non-appropriated accrual expenses	5,272,456	5,250,646	5,631,802	5,652,917	5,942,199
Total comprehensive income (loss) attributable to the agency	5,272,456	5,226,254	5,086,916	5,652,917	5,942,199

Note

1. Includes Rental income. Estimated Rental income of \$6,535,000 was shown separately in Table 58 of the *Portfolio Additional Estimates Statements 2011-12*.

Table 59: Budgeted Departmental Balance Sheet (as at 30 June)

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	72,871	72,871	72,871	72,871	72,871
Trade and other receivables	90,967	90,967	90,967	90,967	90,967
Tax assets	112,449	112,449	112,449	112,449	112,449
Appropriation receivable	121,517	121,517	121,517	121,517	121,517
Other receivables	263,757	232,507	232,507	232,507	232,507
Total financial assets	661,561	630,311	630,311	630,311	630,311
Non-financial assets					
Land and buildings	15,725,838	15,905,773	15,758,109	15,713,805	16,043,684
Infrastructure, plant and equipment	6,443,097	6,763,225	7,099,953	6,880,123	6,612,149
Specialist military equipment	39,947,219	39,847,374	39,763,801	40,427,084	42,614,355
Intangibles	509,858	438,992	381,707	328,063	281,914
Heritage and cultural	965,944	965,944	965,944	965,944	965,944
Inventories	5,425,175	5,388,990	5,368,687	5,357,149	5,372,523
Prepayments	154,845	154,833	154,816	154,798	154,780
Total non-financial assets	69,171,976	69,465,131	69,493,017	69,826,966	72,045,349
Assets held for sale	53,512	53,512	53,512	53,512	53,512
Total assets	69,887,049	70,148,954	70,176,840	70,510,789	72,729,172
LIABILITIES					
Payables					
Suppliers	946,160	872,433	956,659	971,408	990,903
Other	362,138	365,640	371,505	381,108	383,876
Total payables	1,308,298	1,238,073	1,328,164	1,352,516	1,374,779
Interest bearing liabilities					
Leases	691,063	1,015,758	1,430,410	1,353,873	1,315,275
Total interest bearing liabilities	691,063	1,015,758	1,430,410	1,353,873	1,315,275
Provisions					
Employee provisions	2,293,350	2,310,942	2,364,566	2,446,101	2,544,336
Restoration, decontamination and decommissioning	864,120	879,277	894,640	914,290	942,880
Other	6,358	6,358	6,358	6,358	6,358
Total provisions	3,163,828	3,196,577	3,265,564	3,366,749	3,493,574
Total liabilities	5,163,189	5,450,408	6,024,138	6,073,138	6,183,628
NET ASSETS	64,723,860	64,698,546	64,152,702	64,437,651	66,545,544
EQUITY					
Contributed equity	16,521,941	16,521,019	16,520,061	16,805,010	18,353,457
Reserves	14,565,010	14,565,010	14,565,010	14,565,010	14,565,010
Retained surplus (accumulated deficit)	33,636,909	33,612,517	33,067,631	33,067,631	33,627,077
Total equity	64,723,860	64,698,546	64,152,702	64,437,651	66,545,544

Table 60: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	832,713	840,972	850,501	882,602	917,682
Appropriations	23,312,323	23,269,856	23,410,374	24,786,192	26,140,431
Net GST received	647,124	637,848	651,602	679,079	704,620
Other cash received	150,833	70,234	70,230	72,034	73,911
Cash transfer from the Official Public Account (receivables)	6,389	-	-	-	-
Total cash received	24,949,382	24,818,910	24,982,707	26,419,907	27,836,644
Cash used					
Employees	9,659,586	9,841,548	9,962,799	10,368,675	11,170,594
Suppliers	9,040,437	8,910,692	9,102,755	9,486,585	9,843,386
Net GST paid	647,124	637,848	651,602	679,079	704,620
Grants	62,366	43,870	44,208	5,792	5,936
Other cash used	75,061	33,897	19,073	136,329	143,094
Cash transfer to the Official Public Account (receivables)	125,718	90,304	68,456	12,960	13,654
Total cash used	19,610,292	19,558,159	19,848,893	20,689,420	21,881,284
Net cash from (used by) operating activities	5,339,090	5,260,751	5,133,814	5,730,487	5,955,360
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	61,625	97,936	86,809	79,975	101,045
Proceeds from sales of infrastructure, plant and equipment	28,739	28,747	36,160	36,371	37,277
Total cash received	90,364	126,683	122,969	116,346	138,322
Cash used					
Purchase of land and buildings	820,926	873,245	601,889	674,117	525,937
Purchase of infrastructure, plant and equipment	335,565	416,946	359,404	282,520	240,773
Purchase of specialist military equipment	4,993,736	2,936,004	3,009,284	3,775,487	5,331,841
Purchase of intangibles	23,353	11,306	1,913	2,002	2,073
Purchase of inventory	1,151,768	988,753	1,114,426	1,204,593	1,390,897
Selling costs on sale of assets	12,041	4,154	9,311	715	783
Finance costs	66,842	77,434	106,656	116,664	112,102
Total cash used	7,404,231	5,307,842	5,202,883	6,056,098	7,604,406
Net cash from (used by) investing activities	-7,313,867	-5,181,159	-5,079,914	-5,939,752	-7,466,084
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	2,052,892	-	-	285,802	1,549,322
Total cash received	2,052,892	-	-	285,802	1,549,322
Cash used					
Repayment of debt	70,115	79,592	53,900	76,537	38,598
Cash to the Official Public Account	-	-	-	-	-
Total cash used	70,115	79,592	53,900	76,537	38,598
Net cash from (used by) financing activities	1,982,777	-79,592	-53,900	209,265	1,510,724
Net increase (decrease) in cash and cash equivalents held	8,000	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	64,871	72,871	72,871	72,871	72,871
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	72,871	72,871	72,871	72,871	72,871

**Table 61: Departmental Statement of Changes in Equity—Summary of Movement
(Budget year 2012-13)**

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2012				
Balance carried forward from previous period	33,636,909	14,565,010	16,521,941	64,723,860
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	33,636,909	14,565,010	16,521,941	64,723,860
Comprehensive Income				
Comprehensive income recognised directly in equity:				
Gain/loss on revaluation of property	-	-	-	-
Sub-total comprehensive income	-	-	-	-
Surplus (deficit) for the period	-24,392	-	-	-24,392
Total comprehensive income recognised directly in equity	-24,392	-	-	-24,392
Transactions with owners				
<i>Distribution to owners</i>				
Returns on capital:				
Restructuring	-	-	-	-
Other	-	-	-	-
<i>Contributions by owners</i>				
Appropriation (equity injection)	-	-	-	-
Other	-	-	-922	-922
Sub-total transaction with owners	-	-	-922	-922
Transfers between equity components	-	-	-	-
Estimated closing balance as at 30 June 2013	33,612,517	14,565,010	16,521,019	64,698,546

Table 62: Departmental Capital Budget Statement

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
CAPITAL APPROPRIATIONS					
Equity injections - Bill 2	2,052,892	-	-	285,802	1,549,322
Total capital appropriations	2,052,892	-	-	285,802	1,549,322
Represented by:					
Purchase of non-financial assets	1,982,777	-79,592	-53,900	209,265	1,510,724
Annual finance lease costs	70,115	79,592	53,900	76,537	38,598
Other items	-	-	-	-	-
Total items	2,052,892	-	-	285,802	1,549,322
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	2,052,892	-	-	285,802	1,549,322
Funded by finance lease costs	100,000	404,287	468,552	-	-
Funded internally from departmental resources ⁽¹⁾	4,120,688	4,237,501	3,972,490	4,448,324	4,551,302
Total	6,273,580	4,641,788	4,441,042	4,734,126	6,100,624
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	5,573,468	4,641,788	4,441,042	4,734,126	6,100,624
less additions by finance lease	100,000	404,287	468,552	-	-
less additions by creditors/borrowings	-	-	-	-	-
plus borrowing/finance costs	66,842	77,434	106,656	116,664	112,102
plus Annual finance lease costs	70,115	79,592	53,900	76,537	38,598
less Gifted assets	-	-	-	-	-
less s32/restructuring	-	-	-	-	-
Total cash used to acquire assets	5,610,425	4,394,527	4,133,046	4,927,327	6,251,324

Note

1. Includes the following sources of funding:
- annual and prior year appropriations
 - donations and contributions
 - gifts
 - internally developed assets
 - s31 relevant agency receipts
 - proceeds from the sale of assets.

Table 63: Statement of Departmental Asset Movements (2012-13)

	Land \$'000	Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure, Plant and Equipment \$'000	Computer Software \$'000	Other Intangibles \$'000	Heritage and Cultural Assets \$'000	Assets Held for Sale \$'000	Total \$'000
As at 1 July 2012									
Gross book value	4,561,942	12,000,180	76,961,660	7,226,203	901,275	165,493	965,944	53,512	102,836,209
Accumulated depreciation/amortisation and impairment	-	836,284	37,014,441	783,106	467,224	89,686	-	-	39,190,741
Opening net book balance	4,561,942	11,163,896	39,947,219	6,443,097	434,051	75,807	965,944	53,512	63,645,468
CAPITAL ASSET ADDITIONS									
Estimated expenditure on new or replacement assets									
By purchase - appropriation	-	873,245	2,936,004	416,946	384	10,922	-	-	4,237,501
By purchase - donated funds	-	-	-	-	-	-	-	-	-
By finance lease	-	-	-	404,287	-	-	-	-	404,287
Total additions	-	873,245	2,936,004	821,233	384	10,922	-	-	4,641,788
Other movements									
Assets held for sale	-	-	-	-	-	-	-	-	-
Reclassifications ^[1]	-	-	383,172	21,459	-	-	-	-	404,631
Depreciation and amortisation	-	580,652	2,762,008	458,543	67,280	14,892	-	-	3,883,375
Disposal of entities or other operations (including restructuring)	47,371	10,761	-	32,866	-	-	-	-	90,998
Other disposals ^[2]	-	54,526	657,013	31,155	-	-	-	-	742,694
As at 30 June 2013									
Gross book value	4,514,571	12,808,138	79,623,823	8,004,874	901,659	176,415	965,944	53,512	107,048,936
Accumulated depreciation/amortisation and impairment	-	1,416,936	39,776,449	1,241,649	534,504	104,578	-	-	43,074,116
Closing net book value	4,514,571	11,391,202	39,847,374	6,763,225	367,155	71,837	965,944	53,512	63,974,820

Notes

1. Reclassifications include assets first found.
2. Other disposals includes write-offs.

Table 64: Variation in Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT				
Revenue				
Non-taxation				
Interest	33,123	31,849	-1,274	-3.8
Dividends	51,967	45,813	-6,154	-11.8
Military superannuation contributions	1,209,374	1,215,188	5,814	0.5
Fees	10,349	9,963	-386	-3.7
Other	44,239	39,057	-5,182	-11.7
Total non-taxation	1,349,052	1,341,870	-7,182	-0.5
Total revenues administered on behalf of Government	1,349,052	1,341,870	-7,182	-0.5
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT				
Subsidies	112,401	109,236	-3,165	-2.8
Military retention benefits	64,223	64,223	-	-
Military superannuation benefits	3,914,000	4,053,968	139,968	3.6
Total expenses administered on behalf of Government	4,090,624	4,227,427	136,803	3.3

Table 65: Variation in Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT				
Financial assets				
Cash and cash equivalents	-	-	-	-
Receivables	71,629	65,475	-6,154	-8.6
Investments accounted for using the equity method	2,310,760	2,311,926	1,166	0.1
Loans	509,580	509,580	-	-
Total financial assets	2,891,969	2,886,981	-4,988	-0.2
Non-financial assets				
Prepayments	165,468	165,226	-242	-0.1
Total non-financial assets	165,468	165,226	-242	-0.1
Total assets administered on behalf of Government	3,057,437	3,052,207	-5,230	-0.2
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT				
Payables				
Other	-	-	-	-
Total payables	-	-	-	-
Provisions				
Superannuation - DFRB ^[1]	479,000	475,271	-3,729	-0.8
Superannuation - DFRDB ^[2]	25,546,000	25,475,645	-70,355	-0.3
Superannuation - MSBS ^[3]	22,069,000	23,472,268	1,403,268	6.4
Total provisions	48,094,000	49,423,184	1,329,184	2.8
Total liabilities administered on behalf of Government	48,094,000	49,423,184	1,329,184	2.8

Notes

1. Defence Force Retirement Benefits.
2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

Table 66: Variation in Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2012-13 Previous Estimate \$'000	2012-13 Budget Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Interest	33,123	31,849	-1,274	-3.8
Military superannuation contributions	1,209,318	1,215,132	5,814	0.5
Fees	10,349	9,963	-386	-3.7
Other	44,239	39,057	-5,182	-11.7
Total cash received	1,297,029	1,296,001	-1,028	-0.1
Cash used				
Subsidies paid	112,401	109,236	-3,165	-2.8
Military benefits	2,040,900	1,910,631	-130,269	-6.4
Total cash used	2,153,301	2,019,867	-133,434	-6.2
Net cash from or (used by) operating activities	-856,272	-723,866	132,406	-15.5
INVESTING ACTIVITIES				
Cash received				
Dividends	49,105	48,594	-511	-1.0
Total cash received	49,105	48,594	-511	-1.0
Net cash from or (used by) investing activities	49,105	48,594	-511	-1.0
Net increase (decrease) in cash held	-807,167	-675,272	131,895	-16.3
Cash at the beginning of the reporting period	-	-	-	-
Cash from the Official Public Account for appropriations	2,153,301	2,019,867	-133,434	-6.2
Cash to the Official Public Account	-1,346,134	-1,344,595	1,539	-0.1
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end the of the reporting period	-	-	-	-

Table 67: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	32,104	31,849	31,849	31,849	31,849
Dividends	48,594	45,813	49,717	52,306	59,456
Military superannuation contributions	1,192,238	1,215,188	1,256,539	1,309,468	1,366,639
Fees	9,811	9,963	10,228	10,502	10,695
Other	50,684	39,057	40,282	41,633	44,706
Total non-taxation	1,333,431	1,341,870	1,388,615	1,445,758	1,513,345
Total revenues administered on behalf of Government	1,333,431	1,341,870	1,388,615	1,445,758	1,513,345
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	97,882	109,236	117,353	123,267	127,919
Military retention benefits	52,443	64,223	77,103	95,883	77,940
Military superannuation benefits	4,028,752	4,053,968	4,250,459	4,451,345	4,662,021
Total expenses administered on behalf of Government	4,179,077	4,227,427	4,444,915	4,670,495	4,867,880

Table 68: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Receivables	68,200	65,475	69,435	72,080	78,559
Investments accounted for using the equity method	2,309,508	2,311,926	2,313,529	2,314,729	2,317,398
Loans	509,580	509,580	509,580	509,580	509,580
Total financial assets	2,887,288	2,886,981	2,892,544	2,896,389	2,905,537
Non-financial assets					
Prepayments	170,549	165,226	152,523	150,540	179,000
Total non-financial assets	170,549	165,226	152,523	150,540	179,000
Total assets administered on behalf of Government	3,057,837	3,052,207	3,045,067	3,046,929	3,084,537
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other	-	-	-	-	-
Total Payables	-	-	-	-	-
Provisions					
Superannuation - DFRB ^[1]	503,457	475,271	447,928	421,470	395,919
Superannuation - DFRDB ^[2]	25,380,808	25,475,645	25,531,574	25,550,468	25,532,197
Superannuation - MSBS ^[3]	21,336,681	23,472,268	25,772,515	28,237,814	30,866,433
Total provisions	47,220,946	49,423,184	51,752,017	54,209,752	56,794,549
Total liabilities administered on behalf of Government	47,220,946	49,423,184	51,752,017	54,209,752	56,794,549

Notes

1. Defence Force Retirement Benefits.

2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

Table 69: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June).

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Interest	32,104	31,849	31,849	31,849	31,849
Military superannuation contributions	1,192,126	1,215,132	1,256,483	1,309,412	1,367,310
Fees	9,811	9,963	10,228	10,502	10,695
Other	54,761	39,057	40,282	41,633	44,706
Total cash received	1,288,802	1,296,001	1,338,842	1,393,396	1,454,560
Cash Used					
Subsidies paid	97,882	109,236	117,353	123,267	127,919
Military benefits	1,852,303	1,910,631	1,986,025	2,087,510	2,183,624
Total cash used	1,950,185	2,019,867	2,103,378	2,210,777	2,311,543
Net cash from or (used by) operating activities	-661,383	-723,866	-764,536	-817,381	-856,983
INVESTING ACTIVITIES					
Cash Received					
Dividends	52,332	48,594	45,813	49,717	52,306
Total cash received	52,332	48,594	45,813	49,717	52,306
Cash Used					
Loans	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (used by) investing activities	52,332	48,594	45,813	49,717	52,306
Net increase (decrease) in cash held	-609,051	-675,272	-718,723	-767,664	-804,677
Cash at the beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	1,950,185	2,019,867	2,103,378	2,210,777	2,311,543
Cash to the Official Public Account	-1,341,134	-1,344,595	-1,384,655	-1,443,113	-1,506,866
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	-	-	-	-	-

3.2.2 NOTES TO THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Australian Accounting Standards and the Finance Minister's Orders.

3.3 CONSOLIDATED BUDGETED FINANCIAL STATEMENTS FOR THE DEPARTMENT OF DEFENCE (INCLUDING DMO)

Table 70: Consolidated Comprehensive Departmental Income Statement (showing net cost of services) for the Department of Defence (including DMO) for the period ending 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
EXPENSES					
Employee benefits	10,374,715	10,417,299	10,603,536	11,092,733	11,933,292
Supplier expenses	9,740,430	9,545,711	9,987,767	10,349,576	10,879,737
Grants	86,536	73,004	70,126	36,819	9,317
Depreciation and amortisation	3,791,718	3,885,902	3,931,797	3,973,746	4,022,276
Finance costs	89,956	92,591	122,019	136,314	140,692
Losses from sale of assets	1,057,469	1,085,305	1,134,403	1,185,792	1,239,595
Other	116,405	123,279	86,571	148,436	155,873
Total expenses	25,257,229	25,223,091	25,936,219	26,923,416	28,380,782
LESS:					
OWN-SOURCE INCOME					
Own-source Revenue					
Sales of goods and rendering of services	451,744	401,766	392,585	404,832	419,693
Other revenue	67,349	70,234	70,230	72,034	73,911
Total own-source revenue	519,093	472,000	462,815	476,866	493,604
Gains					
Reversals of previous asset write-downs	498,725	521,145	544,589	569,113	594,758
Sale of assets	3,489	281	5,489	71,873	93,109
Other gains	6,829	6,951	7,076	7,204	7,336
Total gains	509,043	528,377	557,154	648,190	695,203
Total own-source income	1,028,136	1,000,377	1,019,969	1,125,056	1,188,807
Net cost of (contribution by) services	24,229,093	24,222,714	24,916,250	25,798,360	27,191,975
Revenue from Government	24,235,593	24,198,322	24,371,364	25,798,360	27,191,975
Surplus (Deficit) attributable to the Australian Government	6,500	-24,392	-544,886	-	-
Total comprehensive income attributable to the Australian Government	6,500	-24,392	-544,886	-	-
Plus non-appropriated accrual expenses	5,268,822	5,253,584	5,634,813	5,656,004	5,945,363
Total comprehensive income (loss) attributable to the agency	5,275,322	5,229,192	5,089,927	5,656,004	5,945,363

Table 71: Consolidated Budgeted Departmental Balance Sheet for the Department of Defence (including DMO) as at 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	115,898	115,898	115,898	115,898	115,898
Trade and other receivables	100,464	100,464	100,464	100,464	100,464
Tax assets	215,496	215,496	215,496	215,496	215,496
Appropriation receivable	493,976	504,329	507,396	511,051	497,916
Other receivables	273,969	242,719	242,719	242,719	242,719
Total financial assets	1,199,803	1,178,906	1,181,973	1,185,628	1,172,493
Non-financial assets					
Land and buildings	15,725,838	15,905,773	15,758,109	15,713,805	16,043,684
Infrastructure, plant and equipment	6,450,086	6,770,542	7,107,606	6,888,121	6,620,500
Specialist military equipment	39,947,219	39,847,374	39,763,801	40,427,084	42,614,355
Intangibles	510,178	439,395	382,195	328,639	282,580
Heritage and cultural	965,944	965,944	965,944	965,944	965,944
Inventories	5,425,175	5,388,990	5,368,687	5,357,149	5,372,523
Prepayments	1,539,992	1,539,980	1,539,963	1,539,945	1,539,927
Total non-financial assets	70,564,432	70,857,998	70,886,305	71,220,687	73,439,513
Assets held for sale	53,512	53,512	53,512	53,512	53,512
Total assets	71,817,747	72,090,416	72,121,790	72,459,827	74,665,518
LIABILITIES					
Payables					
Suppliers	2,233,076	2,159,349	2,243,575	2,258,324	2,277,819
Other	421,422	425,705	434,014	446,085	429,845
Total payables	2,654,498	2,585,054	2,677,589	2,704,409	2,707,664
Interest bearing liabilities					
Leases	691,063	1,015,758	1,430,410	1,353,873	1,315,275
Total interest bearing liabilities	691,063	1,015,758	1,430,410	1,353,873	1,315,275
Provisions					
Employee provisions	2,477,637	2,505,212	2,559,880	2,643,035	2,747,586
Restoration, decontamination and decommissioning	864,120	879,277	894,640	914,290	942,880
Other	9,547	9,547	9,547	9,547	9,547
Total provisions	3,351,304	3,394,036	3,464,067	3,566,872	3,700,013
Total liabilities	6,696,865	6,994,848	7,572,066	7,625,154	7,722,952
NET ASSETS	65,120,882	65,095,568	64,549,724	64,834,673	66,942,566
EQUITY					
Contributed equity	16,677,309	16,676,387	16,675,429	16,960,378	18,508,825
Reserves	14,565,010	14,565,010	14,565,010	14,565,010	14,565,010
Retained surplus (accumulated deficit)	33,878,563	33,854,171	33,309,285	33,309,285	33,868,731
Total equity	65,120,882	65,095,568	64,549,724	64,834,673	66,942,566

Table 72: Consolidated Budgeted Departmental Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	595,995	400,745	391,560	403,801	418,654
Appropriations	24,233,292	24,187,969	24,368,297	25,794,705	27,205,110
Net GST received	1,326,682	1,203,127	1,241,218	1,353,960	1,505,625
Other cash received	123,361	127,902	129,375	132,696	136,132
Cash transfer from the Official Public Account (receivables)	6,389	-	-	-	-
Total cash received	26,285,719	25,919,743	26,130,450	27,685,162	29,265,521
Cash used					
Employees	10,237,494	10,385,441	10,540,559	10,997,507	11,844,981
Suppliers	9,092,272	8,870,281	9,054,193	9,414,013	9,790,326
Net GST paid	1,326,682	1,203,127	1,241,218	1,353,960	1,505,625
Grants	86,536	73,004	70,126	36,819	9,317
Other cash used	75,061	33,897	19,073	136,329	143,094
Cash transfer to the Official Public Account (receivables)	125,718	90,304	68,456	12,960	13,654
Total cash used	20,943,763	20,656,054	20,993,625	21,951,588	23,306,997
Net cash from (used by) operating activities	5,341,956	5,263,689	5,136,825	5,733,574	5,958,524
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	61,625	97,936	86,809	79,975	101,045
Proceeds from sales of infrastructure, plant and equipment	28,739	28,747	36,160	36,371	37,277
Total cash received	90,364	126,683	122,969	116,346	138,322
Cash used					
Purchase of land and buildings	820,926	873,245	601,889	674,117	525,937
Purchase of infrastructure, plant and equipment	338,431	419,884	362,415	285,607	243,937
Purchase of specialist military equipment	4,993,736	2,936,004	3,009,284	3,775,487	5,331,841
Purchase of intangibles	23,353	11,306	1,913	2,002	2,073
Purchase of inventory	1,151,768	988,753	1,114,426	1,204,593	1,390,897
Selling costs on sale of assets	12,041	4,154	9,311	715	783
Finance costs	66,842	77,434	106,656	116,664	112,102
Total cash used	7,407,097	5,310,780	5,205,894	6,059,185	7,607,570
Net cash from (used by) investing activities	-7,316,733	-5,184,097	-5,082,925	-5,942,839	-7,469,248
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	2,052,892	-	-	285,802	1,549,322
Total cash received	2,052,892	-	-	285,802	1,549,322
Cash used					
Repayment of debt	70,115	79,592	53,900	76,537	38,598
Cash to the Official Public Account	-	-	-	-	-
Total cash used	70,115	79,592	53,900	76,537	38,598
Net cash from (used by) financing activities	1,982,777	-79,592	-53,900	209,265	1,510,724
Net increase (decrease) in cash and cash equivalents held	8,000	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	107,898	115,898	115,898	115,898	115,898
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	115,898	115,898	115,898	115,898	115,898

Table 73: Consolidated Budgeted Income and Expenses Administered on Behalf of the Government for the Department of Defence (including DMO) for the period ended 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	33,104	32,849	32,849	32,849	32,849
Dividends	48,594	45,813	49,717	52,306	59,456
Military superannuation contributions	1,192,238	1,215,188	1,256,539	1,309,468	1,366,639
Fees	9,811	9,963	10,228	10,502	10,695
Other	50,684	39,057	40,282	41,633	44,706
Total non-taxation	1,334,431	1,342,870	1,389,615	1,446,758	1,514,345
Total revenues administered on behalf of Government	1,334,431	1,342,870	1,389,615	1,446,758	1,514,345
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	97,882	109,236	117,353	123,267	127,919
Military retention benefits	52,443	64,223	77,103	95,883	77,940
Military superannuation benefits	4,028,752	4,053,968	4,250,459	4,451,345	4,662,021
Total expenses administered on behalf of Government	4,179,077	4,227,427	4,444,915	4,670,495	4,867,880

Table 74: Consolidated Budgeted Assets and Liabilities Administered on Behalf of Government for the Department of Defence (including DMO) as at 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	72,417	69,692	73,652	76,297	82,776
Investments accounted for using the equity method	2,309,508	2,311,926	2,313,529	2,314,729	2,317,398
Loans	509,580	509,580	509,580	509,580	509,580
Total financial assets	2,891,505	2,891,198	2,896,761	2,900,606	2,909,754
Non-financial assets					
Prepayments	170,549	165,226	152,523	150,540	179,000
Total non-financial assets	170,549	165,226	152,523	150,540	179,000
Total assets administered on behalf of Government	3,062,054	3,056,424	3,049,284	3,051,146	3,088,754
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Superannuation - DFRB ^[1]	503,457	475,271	447,928	472,470	395,919
Superannuation - DFRDB ^[2]	25,380,808	25,475,645	25,531,574	25,550,468	25,532,197
Superannuation - MSBS ^[3]	21,336,681	23,472,268	25,772,515	28,237,814	30,866,433
Total provisions	47,220,946	49,423,184	51,752,017	54,260,752	56,794,549
Total liabilities administered on behalf of Government	47,220,946	49,423,184	51,752,017	54,260,752	56,794,549

Notes

1. Defence Force Retirement Benefits.
2. Defence Force Retirement and Death Benefits.
3. Military Superannuation and Benefits Scheme.

Table 75: Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	41,504	32,849	32,849	32,849	32,849
Military superannuation contributions	1,192,126	1,215,132	1,256,483	1,309,412	1,367,310
Fees	9,811	9,963	10,228	10,502	10,695
Other	54,761	39,057	40,282	41,633	44,706
Total cash received	1,298,202	1,297,001	1,339,842	1,394,396	1,455,560
Cash used					
Subsidies paid	97,882	109,236	117,353	123,267	127,919
Military benefits	1,852,303	1,910,631	1,986,025	2,087,510	2,183,624
Total cash used	1,950,185	2,019,867	2,103,378	2,210,777	2,311,543
Net cash from or (used by) operating activities	-651,983	-722,866	-763,536	-816,381	-855,983
INVESTING ACTIVITIES					
Cash received					
Dividends	52,332	48,594	45,813	49,717	52,306
Total cash received	52,332	48,594	45,813	49,717	52,306
Cash used					
Loans	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (used by) investing activities	52,332	48,594	45,813	49,717	52,306
Net increase (decrease) in cash held	-599,651	-674,272	-717,723	-766,664	-803,677
Cash at the beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	1,950,185	2,019,867	2,103,378	2,210,777	2,311,543
Cash to the Official Public Account	-1,350,534	-1,345,595	-1,385,655	-1,444,113	-1,507,866
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	-	-	-	-	-

Appendices

Appendix A	Defence Portfolio Bodies
Appendix B	Defence Cooperation Program
Appendix C	Major Capital Facilities Program
Appendix D	Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works (PWC) consideration in 2012-13
Appendix E	Approved Projects being Developed for Private Financing Arrangements
Appendix F	The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)

APPENDIX A

Defence Portfolio Bodies

None of the portfolio bodies described below receives direct appropriations from the Commonwealth.

Army and Air Force Canteen Service

Chairman: Mr Edward (Ted) Moore

The Army and Air Force Canteen Service (trading as Frontline Defence Services) is a Commonwealth authority, established under the *Army and Air Force Canteen Service Regulations 1959* and supplies goods, facilities and services to, or for the entertainment and recreation of, members of the Army and the Air Force including persons employed in, or in connection with, Army or Air Force installations and dependants of those members or persons, visitors to such installations and members of the Australian Army or Air Force Cadets.

Its role is to enhance the living conditions and social environment of the Australian Defence Force by providing canteen services, comprising food beverages and convenience items; wholesale supply of alcohol and other requirements to messes and clubs; vending; dry-cleaning services; postal services; fuel and mechanical workshops; and Army Shop - the online supplier of Brand Army merchandise and Military and adventure-wear stores.

Australian Military Forces Relief Trust Fund

Chairman: Brigadier Gavan Reynolds AM

The Australian Military Forces Relief Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits to members of the Australian Defence Force who have served in, or in association with, the Army and to the dependants of such members.

Royal Australian Air Force Veterans' Residences Trust Fund

Chairman: Air Commodore D.E. Tindal AM (Retd.)

The Royal Australian Air Force Veterans' Residences Trust Fund is a Commonwealth authority which provides a residence or residences in which eligible former members, including dependants, of the Royal Australian Air Force, Royal Australian Air Force Nursing Service and Women's Auxiliary

Australian Air Force who are in necessitous circumstances and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

Royal Australian Air Force Welfare Trust Fund

Chairman: Chaplain (Air Commodore) Murray Earl

The Royal Australian Air Force Welfare Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits for members of the Defence Force who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

Royal Australian Navy Central Canteens Board

Chairman: Commodore Clinton Thomas AM CSC

The Royal Australian Navy Central Canteens Board is a Commonwealth authority established by the *Navy (Canteens) Regulations 1954* under the *Naval Defence Act 1910* and administers the Royal Australian Navy Central Canteens Fund (RANCCF) which provides grants and loans to canteens, clubs, cinemas or other institutions or facilities for the welfare or entertainment of the members of the Navy and to make grants to the Royal Australian Navy Relief Trust Fund.

The RANCCF also operates holiday parks, accommodation and amenities which provide discounted holiday accommodation to Naval and Defence members; a theatre and entertainment ticketing agency which provides discounted theatre tickets to Naval and Defence members; a retail e-Commerce facility called SALT which sells Navy memorabilia; a raffle for Navy members; a retail operation at the Fleet Air Arm Museum in Nowra; mobile coffee services and wholesale supply services to canteens, messes and clubs.

Royal Australian Navy Relief Trust Fund

Chairman: Commodore Paul Kinghorne

The Royal Australian Navy Relief Trust Fund is a Commonwealth authority established under the *Services Trust Funds Act 1947* and provides benefits for members of the Defence Force who have served in, or in association with, the Navy and to the dependants of such members.

AAF Company

President: Brigadier Gavan Reynolds AM

The AAF Company is a Commonwealth company that undertakes the management and trusteeship of the unincorporated funds known as the 'Army Amenities Fund' and the 'Messes Trust Fund'. The AAF Company promotes and supports the objects of the Army Amenities Fund which provides amenities for members of the Australian

Australian Strategic Policy Institute Limited

Chairman: Mr Stephen Loosley

The Australian 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.

Royal Australian Air Force Welfare Recreational Company

Chairman: Air Commodore Robert Rodgers CSM

The Royal Australian Air Force Welfare Recreational Company is a Commonwealth company that provides access to discounted recreational accommodation and manages and promotes the Royal Australian Air Force Central Welfare Trust Fund-owned recreational facilities for the Royal Australian Air Force members, their families and other eligible persons. It also provides financial support to, and assists in the provision of, recreational facilities and services to the Royal Australian Air Force members

APPENDIX B

Defence Cooperation Program

Defence's international engagement supports the Government's broader foreign policy goal of building confidence and transparency in the Asia-Pacific Region and globally. The Defence International Engagement Plan provides strategic guidance for Defence's approach to international engagement, including work undertaken as part of the Defence Cooperation Program (DCP).

The aims and objectives of the DCP are to:

- contribute to regional security
- work with regional partners and others to shape a stable environment
- consolidate Australia's position as a key partner on regional security issues
- encourage and assist the development of defence self-reliance within regional countries.

These objectives are enhanced by assisting regional security forces in the areas of:

- defence reform and governance
- strategic planning
- analysis
- command and control
- counter terrorism
- maritime security
- peacekeeping
- humanitarian assistance and disaster relief
- communications
- logistic support
- education and training
- countering the threat of improvised explosive devices and unexploded ordnance
- preparedness for chemical, biological, radiological and explosive incidents and pandemics.

By assisting the development of professional and sustainable defence forces and Pacific police forces in the region, the DCP is improving the ability of our partners to contribute to national and regional security objectives. Australian assistance includes ADF and civilian advisers, a range of training initiatives and bilateral exercises, capacity building initiatives, and equipment and infrastructure projects.

A key element of the DCP is the Pacific Patrol Boat Program, through which Australia has provided 22 Patrol Boats (with associated personnel and technical assistance) to 12 countries. The Program engages Pacific navies and police maritime wings and is designed to help Pacific island countries improve their ability to independently police their maritime zones. Other important areas of focus are the continued development of East Timor's Defence Force and Secretariat of Defence, as well as our support to the reinvigoration of Papua New Guinea's Defence Force.

Table 76: Defence Cooperation Program budget 2012-13^[1]

Region	2011-12	2012-13
	Estimated Actual \$'000	Budget Estimate \$'000
Papua New Guinea	12,250	21,410
South Pacific Region	31,612	31,691
South-East Asia	16,782	18,270
Other regional activities	6,502	7,291
Defence International Training Centre ^[1]	5,357	5,464
Total	72,503	84,126

Note

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. The Defence International Training Centre is managed by VCDF Group.

Table 77: South Pacific region budget 2012-13

South Pacific	2011-12	2012-13
	Estimated Actual \$'000	Budget Estimate \$'000
East Timor	5,771	4,862
Vanuatu	947	1,096
Solomon Islands	792	924
Tonga	1,663	2,394
Samoa	72	108
Cook Islands	91	134
Republic of the Marshall Islands	241	289
Federates States of Micronesia	183	267
Tuvalu	260	255
Kiribati	376	171
Palau	222	235
DCP Housing	2,424	1,820
Pacific Patrol Boat Program	18,570	19,136
Total	31,612	31,691

Table 78: South-East Asia region budget 2012-13

South-East Asia	2011-12	2012-13
	Estimated Actual \$'000	Budget Estimate \$'000
Singapore	114	82
Philippines	3,686	3,307
Thailand	2,913	3,152
Malaysia	3,229	4,148
Indonesia	3,834	4,105
Vietnam	1,760	2,102
Cambodia and Laos	1,197	1,353
Brunei	49	21
Total	16,782	18,270

APPENDIX C

Major Capital Facilities Program

The Facilities Program comprises approved and unapproved major and medium projects.

Major capital facilities projects are defined as having expenditure over \$15m and are subject to Government approval and review by the Parliamentary Standing Committee on Public Works (PWC). Medium facilities projects have an expenditure of between \$250,000 and \$15m. Projects between \$8m and \$15m are subject to Government approval, but are not formally reviewed by the PWC. Details of these projects are provided in this Appendix.

The Major Capital Facilities Program gives priority to projects that support and sustain current and future capability requirements, 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 basic engineering and infrastructure services, in support of new projects and upgrades to existing facilities.

Approved Major Capital Facilities Projects

Table 79 and the following descriptions provide details on progress and expenditure during 2012-13 on major capital facilities projects.

Table 79: Approved Major Capital Facilities Projects by State and Federal Electorate

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2012 \$m	2012-13 Budget Estimate \$m
NEW SOUTH WALES			
Gilmore			
HMAS Albatross			
Redevelopment Stage 3	192.0	0.2	19.1
Hughes			
Moorebank			
Moorebank Units Relocation	332.0	-	64.8
Hunter			
Singleton			
Enhanced Land Force Stage 1 Works ^{[1][3]}	-	81.2	24.0
MacKellar			
Pittwater Annexe			
HMAS Penguin and Pittwater Annexe Redevelopment ^{[1][4]}	-	3.5	4.3
Riverina			
Kapooka			
Enhanced Land Force Stage 1 Works ^{[1][2]}	-	103.0	1.2
Warringah			
HMAS Penguin			
HMAS Penguin and Pittwater Annexe Redevelopment ^{[1][4]}	-	22.3	20.5
Total New South Wales	524.0	210.2	133.9

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2012 \$m	2012–13 Budget Estimate \$m
VICTORIA			
Gippsland			
East Sale			
RAAF Base East Sale Redevelopment	185.6	0.8	25.0
Indi			
Bandiana			
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	2.8
Gaza Ridge Barracks			
Facilities for Project Overlander (LAND 121) ^{[1][7]}	-	8.0	7.8
Jagajaga			
Watsonia			
Defence Force School of Signals	101.3	91.4	2.4
McEwen			
Puckapunyal			
Enhanced Land Force Stage 1 Works ^{[1][2]}	-	56.9	32.5
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	2.5
Total Victoria	286.9	157.5	73.0
QUEENSLAND			
Blair			
Amberley			
RAAF Base Amberley Redevelopment Stage 3	331.5	295.1	29.2
Australian Super Hornet Facilities ^[8]	110.1	107.7	0.9
Heavy Airlift Capability - Permanent Facilities ^{[1][9]}	-	150.6	5.2
Facilities for Project Overlander (LAND 121) ^{[1][7]}	-	8.1	3.9
Enhanced Land Force Stage 1 Works ^{[1][2]}	-	102.5	3.1
Brisbane			
Enoggera			
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	334.7	119.5
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	13.0
Forde			
Canungra			
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	34.5	28.3
Herbert			
Townsville			
Enhanced Land Force Stage 1 Works ^{[1][2]}	-	175.0	8.8
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	55.7	2.9
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	4.0
Lilley			

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2012 \$m	2012-13 Budget Estimate \$m
Damascus Barracks			
Facilities for Project Overlander (LAND 121) ^{[1][7]}	-	12.5	6.2
Rankin			
Greenbank Training Area			
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	9.1	83.2
Wide Bay			
Wide Bay Training Area			
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	61.3	38.7
Total Queensland	441.6	1,347.2	346.9
SOUTH AUSTRALIA			
Barker			
Murray Bridge Training Area			
Hardened and Networked Army Facilities ^{[1][10]}	-	21.5	7.1
Wakefield			
Edinburgh Defence Precinct			
Hardened and Networked Army Facilities ^{[1][10]}	-	544.1	3.8
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	3.2
RAAF Base Edinburgh			
Redevelopment Stage 2	99.6	82.1	6.1
Enhanced Land Force Stage 1 Works ^{[1][2]}	-	19.2	5.8
Enhanced Land Force Stage 2 Works ^{[1][3]}	-	18.2	19.9
Total South Australia	99.6	685.3	45.9
WESTERN AUSTRALIA			
Pearce			
RAAF Base Pearce			
Redevelopment Stage 1	142.2	133.7 ^[13]	7.6
Total Western Australia	142.2	133.7	7.6
TASMANIA			
Bass			
Scottsdale Specific Nutritional Capability	18.7	3.7	9.9
Total Tasmania	18.7	3.7	9.9
NORTHERN TERRITORY			
Solomon			
Darwin			
Robertson Barracks			
Redevelopment	72.1	47.8	0.4
Electrical Reticulation System Upgrade	43.4	4.9	32.0
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	-	0.2	4.4
RAAF Base Darwin			
Redevelopment Stage 2	48.7 ^[12]	45.2	0.7
Heavy Airlift Capability - Permanent Facilities ^{[1][9]}	-	44.3	1.7
Total Northern Territory	164.2	142.4	39.2

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2012 \$m	2012-13 Budget Estimate \$m
AUSTRALIAN CAPITAL TERRITORY			
Canberra			
Defence Facilities at HMAS Harman and Other Locations ^[6]	-	55.4	103.9
Australian Defence Force Academy: Living-In Accommodation Refurbishment	34.7	18.4	9.5
Australian Defence Force Academy Redevelopment	98.5	13.3	41.6
Fraser			
HMAS Creswell Redevelopment	83.6	83.5	0.1
Total Australian Capital Territory	216.8	170.6	155.1
VARIOUS LOCATIONS ^[1]			
Enhanced Land Force - Facilities Stage 1 ^{[1][2]}	793.1	-	-
Enhanced Land Force - Facilities Stage 2 ^{[1][3]}	1457.8	-	-
HMAS Penguin and Pittwater Annexe Redevelopment ^{[1][4]}	63.3	-	-
Facilities for Replacement Towed Artillery (LAND 17) ^{[1][5]}	46.5	-	-
Defence Facilities at HMAS Harman and Other Locations ^[6]	163.5 ^[11]	-	-
Facilities for Project Overlander (LAND 121) ^{[1][7]}	50.3	-	-
Heavy Airlift Capability - Permanent Facilities ^{[1][9]}	268.2	-	-
Hardened and Networked Army Facilities ^{[1][10]}	597.4	-	-
Completed Projects in Defects Liability Period	801.0	-	3.5
Total Various	4,241.1	-	3.5
TOTAL	6,135.1	2,850.6	815.0

Notes

- These projects cross state and electoral boundaries. Expenditure estimates for 2012-13 are provided in the table per location.
- Enhanced Land Force Stage 1 has an approved budget of \$793.1m covering the following locations: RAAF Base Richmond (completed), Hols-worthy, Singleton (completed), Kapooka, Puckapunyal, RAAF Base Amberley, Lavarack Barracks, Townsville High Range Training Area (com-pleted), RAAF Base Edinburgh and Campbell Barracks.
- 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, Caltana Training Area, RAAF Base Edinburgh, Majura Field Training Area (completed) and Royal Military College Duntroon (completed).
- HMAS Penguin and Pittwater Annexe Redevelopment has an approved budget of \$63.3m covering two locations: HMAS Penguin and the Pitt-water Annexe.
- Facilities for Replacement Towed Artillery (LAND 17) has an approved budget of \$46.5 m. This project covers six sites: Enoggera, Puckapu-nyal, Townsville, Edinburgh, Darwin and Bandiana
- Defence Facilities at HMAS Harman and Other Locations project covers two locations: Army facilities in Victoria (completed) and Defence facil-ities at HMAS Harman, ACT.
- 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.
- The \$117.1m budget for Australian Super Hornet Facilities includes both the development and delivery phase budgets leaving a delivery budget of \$110.1m
- 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 Amberley, Townsville, Edinburgh and Darwin are complete. Outstanding Defects Liability works remain to be completed at RAAF Base Darwin. The Cargo Compart-ment Trainer is an approved additional scope item being delivered at RAAF Base Amberley.
- The \$623.7m budget for Hardened and Networked Army Facilities 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. The project does not include similarly named works at Robertson Barracks.
- Defence Facilities at HMAS Harman Defence Network Operation Centre received budget increase approved in October 2011. The Data Centre component received budget increase approval in December 2011. The total approved budget is \$163.5m
- RAAF Base Darwin Redevelopment Stage 2 had a total budget decrease of \$1.1m approved in September 2011.
- Pearce Redevelopment Stage 1 Estimated Cumulative Expenditure to June 2012 adjusted to reflect a delay in contracting.

New South Wales

HMAS Albatross Redevelopment Stage 3

This project will replace ageing and obsolete engineering services and infrastructure and provide a combination of new and refurbished facilities to support operational and training outcomes as well as enabling functions. The project received Parliamentary clearance in March 2012. Construction is scheduled to commence in mid 2012.

Moorebank Units Relocation

The Moorebank Units Relocation (MUR) project has been developed to support the Government's proposed Moorebank Intermodal Freight Terminal (MIMT) to be developed on Commonwealth owned/Defence occupied land at Moorebank, NSW. The land currently houses thirteen Defence units and four associated Defence facilities, the largest of which is the Army's School of Military Engineering. The MUR project will enable the relocation of these Defence activities from Moorebank to the nearby Holsworthy Barracks by developing new purpose built facilities and enhancing existing barracks infrastructure. This project will be funded from the Government's MIMT initiative and the Defence Portfolio.

Victoria

RAAF Base East Sale Redevelopment

This project will provide in-ground engineering services upgrades, new working accommodation, new training and maintenance facilities, security upgrades, new air traffic control complex, new commercial and community facilities, a new chapel, new firing range, new living-in accommodation and demolition of redundant facilities. The project received Parliamentary clearance in March 2012. Construction will commence in mid 2012.

Watsonia - Defence Force School of Signals

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. The Living-In Accommodation component is now complete. Completion of the refurbishment elements is currently being assessed in relation to remaining funds available to the project

Queensland

Amberley - RAAF Base Amberley Redevelopment Stage 3

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. Works have been progressively completed from 2009 with completion scheduled in early 2013.

Amberley - Australian Super Hornet Facilities

This project will provide 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. Construction is scheduled to be completed in late 2012.

South Australia

RAAF Base Edinburgh Redevelopment Stage 2

This project will provide new working accommodation and upgrades to engineering services. The project has achieved a substantial portion of the scope of work since construction commenced in late 2010, including highly complex Information and Communications Technology fit-out to multiple buildings. There was a substantial delay to the construction commencement of the two new Ordnance Loading Areas due to technical design and licensing issues. The Ordnance Loading Areas commenced construction in November 2010. The project will be complete by late 2012.

Western Australia

RAAF Base Pearce Redevelopment Stage 1

This project will provide new and refurbished operational, training, domestic support and aircraft maintenance facilities, upgrading of engineering services and demolition of redundant facilities. Construction commenced in 2008, with completion scheduled in late 2012.

Tasmania

Scottsdale: Specific Nutritional Capability

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 2013.

Northern Territory

Darwin - Robertson Barracks Redevelopment

This project comprises three individual project elements: the Robertson Barracks redevelopment project; LAND 907 facilities project; and the Hardened and Networked Army facilities project (which is separately funded and distinct from the Hardened and Networked Army 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 LAND 907 facilities project will provide parking and working accommodation for heavy tank transport vehicles and other tank support services. The Hardened and Networked Army Facilities project will provide additional working accommodation and other support facilities. The LAND 907 component is complete. Construction commenced in 2009, with completion scheduled in late 2012.

Darwin - Robertson Barracks Electrical Reticulation System Upgrade

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 with completion scheduled in mid 2013.

Darwin - RAAF Base Darwin Redevelopment Stage 2

This project will provide new and upgrade existing facilities including fuel farms and workshops. Construction commenced in late 2010, with completion scheduled in late 2012.

Australian Capital Territory

Australian Defence Force Academy: Living-In Accommodation Refurbishment

This project will refurbish existing living-in accommodation for the ADFA cadets. Construction commenced in late 2010, with completion scheduled in late 2013.

Australian Defence Force Academy Redevelopment

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

This project will provide 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, with completion scheduled in late 2012.

Various Locations

Enhanced Land Force - Facilities Stage 1

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.

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 2012.

Enhanced Land Force - Facilities Stage 2

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.

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 2014.

HMAS Penguin and Pittwater Annexe Redevelopment

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)

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 will commence in mid 2012, with completion scheduled in mid 2013.

Defence Facilities at HMAS Harman and Other Locations

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. Completion is scheduled for late 2012.

Facilities for Project Overlander (LAND 121)

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 with completion scheduled for 2013.

Heavy Airlift Capability - Permanent Facilities

This project will provide 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 RAAF Amberley home base. The upgrading of airfield pavements, movements and cargo facilities and supporting infrastructure at RAAF Bases Edinburgh, Townsville, Darwin and Pearce is also included. Construction commenced in 2008. The C-17 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. The Cargo Compartment Trainer has been approved as an additional scope item at RAAF Base Amberley. Construction is scheduled to be completed in late 2012.

Hardened and Networked Army Facilities

This project will provide facilities and infrastructure to support a mechanised battle group in the Edinburgh Defence Precinct. Some additional infrastructure will also be provided at Murray Bridge. Construction commenced in late 2008. While the project is not planned to be complete until late 2012, progressive occupation of facilities commenced in December 2010.

APPENDIX D

Status of Major Projects Foreshadowed For Government and Parliamentary Standing Committee on Public Works (PWC) Consideration in 2012-13

During 2012-13, Defence expects to present a number of facilities proposals to the Government and the PWC. Table 80 provides details of the proposed major capital projects expected to be referred to the PWC in 2012-13. In some cases, projects may require the Government's approval before referral to PWC.

Table 80: Program of Major Works by State, Federal Electorate and Locality

	Actual/ Indicative Referral Date	Actual/ Indicative Hearing Date ^[1]	Current Status
NEW SOUTH WALES			
Hughes			
Liverpool Military Area High Voltage Upgrade	mid 2012	mid 2012	in development
Moorebank - Units Relocation	mid 2012	mid 2012	approved by Government
QUEENSLAND			
Blair			
17 Construction Squadron Redevelopment/ Relocation to Amberley	early 2013	mid 2013	in development
VICTORIA			
Corio			
Point Wilson Waterside Infrastructure Remediation	early 2013	mid 2013	in development
VARIOUS LOCATIONS			
Base Security Improvement Program	mid 2012	mid 2012	in development
Defence Logistics Transformation Program	mid 2012	late 2012	in development
Aircraft Pavements and Airfield Lighting at RAAF Base Amberley, RAAF Base Williamtown, RAAF Base Darwin and RAAF Base Townsville ^[2]	early 2013	mid 2013	in development
Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)	mid 2012	late 2012	in development
Facilities for Force Protection Research and Training (JP154)	mid 2012	early 2012	in development
Facilities for Air Warfare Destroyer (SEA 4000)	mid 2012	late 2012	in development
Facilities for Amphibious Deployment and Sustainment (JP 2048)	mid 2012	late 2012	in development
Facilities for Future Naval Aviation Combat System Support (AIR 9000 Phase 8)	late 2012	early 2013	in development

Notes

1. Hearing dates will be subject to the Committee's consideration and agreement.
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*.

New South Wales

Liverpool Military Area High Voltage Upgrade

The project aims to provide improved energy supply and distribution to the Liverpool Military Area, primarily at Holsworthy Barracks. The two elements of this project will provide a necessary increase in electrical supply to the Liverpool Military Area, and improved electrical reticulation within Holsworthy Barracks. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in early 2013, and be completed in mid 2014.

RAAF Base Williamtown Redevelopment Stage 2

The project aims to support and improve the functionality and capability of the Base, while at the same time upgrade or replace critical ageing infrastructure to meet future requirements. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2013, and be completed in late 2016.

Queensland

17 Construction Squadron Redevelopment/Relocation to Amberley

The project aims to provide new facilities to accommodate 17 Construction Squadron at RAAF Base Amberley. The 17 Construction Squadron is currently located at Holsworthy Barracks in the precinct marked for the future base entry under the Moorebank Units Relocation project. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in mid 2013, and be completed in late 2014.

Victoria

Point Wilson Waterside Infrastructure Remediation

The project aims to construct upgraded Explosive Ordnance waterside infrastructure (new wharf, refurbished jetty, associated mooring and berthing infrastructure) at Point Wilson Explosive Area (PWEA), Victoria. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in mid 2013, and be completed in early 2016. Australian Capital Territory

Various Locations

Base Security Improvement Program

The project aims to provide infrastructure works at 16 high security risk bases in order to achieve an acceptable level of security. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2012, and be completed in late 2013.

Defence Logistics Transformation Program

The project aims to modernise and enhance the wholesale storage, distribution and land materiel functions of Joint Logistic Command units nationally to provide optimum support to Defence operations. The project will provide enhanced logistics facilities at Moorebank New South Wales, Bandiana Victoria, Amberley and Townsville Queensland, Palmerston Northern Territory, Edinburgh South Australia and Guilford and Garden Island Western Australia. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2012, and be completed in late 2015.

Aircraft Pavements and Aircraft Lighting at RAAF Base Amberley, RAAF Base Darwin, RAAF Williamtown and RAAF Base Townsville

The project aims to resurface asphalt pavement and the replace airfield lighting at RAAF Base Amberley, RAAF Base Darwin and RAAF Base Townsville. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in mid 2013, and be completed in late 2014.

Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)

The project aims to provide new and upgraded facilities to support the introduction into service of the Chinook Helicopter. The works will be primarily at 5 Aviation Regiment at RAAF Base Townsville. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2012, and be completed in early 2014.

Facilities for Force Protection Research and Training (JP 154)

This 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. Subject to Government and Parliamentary approval, construction is scheduled to commence in late 2012, and be completed in mid 2013.

Facilities for Air Warfare Destroyer (SEA 4000)

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island, Sydney, for the new Hobart Class Air Warfare Destroyer. The works also include the provision of training facilities at HMAS Watson and Randwick Barracks. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2012, and be completed in mid 2014.

Facilities for Amphibious Deployment and Sustainment (JP 2048)

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island, Sydney, for the new Canberra Class Landing Helicopter Dock Ship. The works also include the provision of training facilities at Randwick Barracks. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2012, and be completed in mid 2014.

Facilities for Future Naval Aviation Combat System Support (Air 9000 Phase 8)

This project aims to provide new and upgraded facilities for operational maritime helicopter squadrons at HMAS Stirling and HMAS Albatross. The works include the provision of facilities for explosive ordnance storage, aircraft hangars, aircraft workshops, synthetic training, and working accommodation. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in early 2013, and be completed in late 2014.

APPENDIX E

Approved Projects being Developed for Private Financing Arrangements

Project Single Living Environment and Accommodation Precinct (Single LEAP) Phase 2

Project Single LEAP Phase 2 is an extension of the delivery of new single living-in accommodation facilities at various sites around Australia. The project has been approved to deliver a further 3,015 units at 14 bases around mainland Australia. Table 81 provides details of the 14 elements of Phase 2.

Table 81: Single LEAP Phase 2 by state, federal electorate and locality^[1]

State	Electorate	Locality
NEW SOUTH WALES	Gilmore	Nowra: HMAS Albatross
	Riverina	RAAF Base Wagga Kapooka: Blamey Barracks
VICTORIA	Indi	Albury/Wodonga: Bandiana
	Jagajaga	Watsonia: Simpson Barracks
	McEwen	Puckapunyal
QUEENSLAND	Herbert	Townsville: Lavarack Barracks
SOUTH AUSTRALIA	Wakefield	RAAF Base Edinburgh
WESTERN AUSTRALIA	Brand	Garden Island: HMAS Stirling
	Curtin	Swanbourne: Campbell Barracks
NORTHERN TERRITORY	Solomon	Darwin: Robertson Barracks
		Darwin: HMAS Coonawarra (Larrakeyah Barracks)
AUSTRALIAN CAPITAL TERRITORY	Fraser	Royal Military College Australian Defence Force Academy

Notes

1. Work commenced during September 2011 at Lavarack Barracks, RAAF Base Edinburgh, Larrakeyah Barracks, Robertson Barracks and HMAS Stirling. Work will commence at the remaining sites in 2012, with the last site due for completion by February 2014. Under the Public Private Partnership arrangement, annual payments to the Strategic Partner will commence after Commercial Acceptance of each site.

Approved Medium Capital Facilities Projects

Table 82: Spending in 2012-13 for medium facilities projects

NEW SOUTH WALES	Total Estimated Expenditure \$'000	Estimated Cumulative Expenditure to 30 June 2012 \$'000	2012-2013 Budget Estimate \$'000
Hughes			
Holsworthy			
6 th Aviation Regiment – Expanded 171 Aviation Squadron Facilities	11,684 ^[4]	1,221 ^[5]	9,396
Total New South Wales	11,684	1,221	9,396
VICTORIA			
RAAF Williams			
Australian Operational Concept Special Operation Contingency Vehicles & Stores ^{[1][3]}	-	200	616
Total Victoria	-	200	616
QUEENSLAND			
Capricornia			
Shoalwater Bay Training Area			
Triangular Island Facility Upgrade	1,560	400	1,160
Herbert			
Lavarack Barracks			
Countermine Capability Facilities (LAND 144) ^{[1][2]}	-	237	87
RAAF Townsville			
Australian Operational Concept Special Operation Contingency Vehicles & Stores ^{[1][3]}	-	900	610
Rankin			
Greenbank Training Area			
Countermine Capability Facilities (LAND 144) ^{[1][2]}	-	377	120
Ryan			
Enoggera			
Australian Operational Concept Special Operation Contingency Vehicles & Stores ^{[1][3]}	-	200	490
Total Queensland	1,560	2,114	2,467
SOUTH AUSTRALIA			
Wakefield			
RAAF Edinburgh			
Australian Operational Concept Special Operation Contingency Vehicles & Stores ^{[1][3]}	-	300	605
Total South Australia	-	300	605
WESTERN AUSTRALIA			
Pearce			
RAAF Base Pearce			
Potable Water Supply Upgrade	3,144	1,538 ^[6]	1,533
Total Western Australia	3,144	1,538	1,533
TASMANIA			
Denison			
Derwent Barracks			

NEW SOUTH WALES	Total Estimated Expenditure \$'000	Estimated Cumulative Expenditure to 30 June 2012 \$'000	2012-2013 Budget Estimate \$'000
Australian Operational Concept Special Operation	-	300	695
Contingency Vehicles & Stores ^{[1][3]}			
Total Tasmania	-	300	695
NORTHERN TERRITORY			
Lingiari			
RAAF Base Tindal			
Mount Bunday Training Area - Medical Facility	4,260	1,583	2,677
Corrosion Control Facility	3,565	890	2,675
Solomon			
Darwin			
Australian Operational Concept Special Operation	-	1,000	1,377
Contingency Vehicles & Stores ^{[1][3]}			
Naval Fuel Installation Rectification	10,690	10,245	10
Robertson Barracks			
Countermine Capability Facilities (LAND 144) ^{[1][2]}	-	1	235
1st Aviation Regiment Facilities Upgrade	2,250	1,836	95
Total Northern Territory	20,765	15,555	7,069
VARIOUS LOCATIONS ^[1]			
Countermine Capability Facilities (LAND 144) ^{[1][2]}	1,420	-	-
Australian Operational Concept Special Operation	7,900	-	-
Contingency Vehicles & Stores ^{[1][3]}			
Total Various	9,320	-	-
TOTAL	46,473	21,228	22,381

Notes

1. This project crosses state and electoral boundaries.
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 Special Operation Contingency Vehicles & Stores has a budget of \$7.900m covering six locations; RAAF Bases Williams, Darwin, Townsville, Edinburgh, and Gallipoli and Derwent Barracks. This project has previously been reported on under the name Special Operations: National Storage Facilities
4. 6th Aviation Regiment - Expanded 171 Aviation Squadron Facilities had an approved budget reduction of \$1m in July 2011.
5. 6th Aviation Regiment - Expanded 171 Aviation Squadron Facilities Estimated Cumulative Expenditure to June 2012 adjusted to reflect a delay in construction commencement.
6. RAAF Base Pearce Potable Water Supply Upgrade Estimated Cumulative Expenditure to June 2012 adjusted to reflect a delay in design approval.

Proposed Medium Capital Projects for Consideration in 2012-13

Table 83 lists new medium capital facilities projects foreshadowed for consideration in 2012-13.

Table 83: 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	In development
	Newcastle	RAAF Base Williamtown: Corrosion Control Facility Upgrade	In development
	Warringah	HMAS Penguin – ADF Centre for Mental Health Facility	In development
South Australia	Grey	Woomera Prohibited Area: Disposal Explosive Ordnance Storage Facilities	In development
	Wakefield	Port Wakefield: Vibration Test Facility	In development
Northern Territory	Solomon	RAAF Base Darwin: Flood Mitigation Works	In development
Various		ASLAV Additional Facilities	In development

APPENDIX F

The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)

The Defence Capability Plan (DCP) is a costed, detailed development plan for Australia's future military capabilities. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget. The plan sets out the proposed investment in new capability, reviewed and revised as part of the financial year 2012-13 budget.

Table 82 provide details of the projects likely to be considered for approval by Government in financial year 2012-13.

Table 84: Defence Capability Plan projects in development for first pass approval consideration within the Financial Year 2012-13^{[1][2]}

Project Number	Project Title
JP 2064 Phase 3	Geospatial Information Infrastructure and Services
JP 2080 Phase 3 ^[3]	Defence Management Systems Improvement - Financial System
JP 2089 Phase 3A	Tactical Information Exchange Domain (Datalink) - Common Support Infrastructure
LAND 155 Phase 1	Enhanced Gap Crossing Capability
SEA 1397 Phase 5B	Nulka Missile Decoy Enhancement
SEA 1654 Phase 3	Maritime Operational Support Capability

Notes

1. Project Development activities, Capability and Technology Demonstrator projects and some sensitive projects are not included in the list.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).
3. The JP 2080 Phase 3 project is being progressed by CIO Group in accordance with the Australian Government Information Management Office (AGIMO) endorsed process.

Table 85: Defence Capability Plan Projects in Development for Second Pass Approval Consideration with the Financial Year 2012-13^{[1][2][3]}

Project Number	Project Title
AIR 5276 Phase CAP2	AP-3C Capability Assurance Program
AIR 5349 Phase 3	EA-18G Growler Airborne Electronic Attack Capability
AIR 5416 Phase 4B.2	C-130J Large Aircraft Counter Measure (LAIRCM)
JP 66 Phase 1	Replacement for Air Defence Targets
JP 2008 Phase 3H	Military Satellite Communications - Wide band Terrestrial Terminals
JP 2025 Phase 7	Over the Horizon Radar Priority Industry Capability
JP 2044 Phase 4A	Digital Topographical Systems (DTS) Upgrade
JP 2047 Phase 3	Terrestrial Communications
JP 2072 Phase 2B	Battlespace Communications System (LAND)
JP 2080 Phase 2B.1	Defence Management System Improvement - Personnel Systems Modernisation
JP 3029 Phase 1	Space Surveillance
JP 5408 Phase 3	ADF Navigation Warfare (NAVWAR) Capability
LAND 17 Phase 1C.1	Artillery Replacement - Towed Howitzer
LAND 19 Phase 7A	Counter - Rocket, Artillery and Mortar/Missile (C-RAM)
LAND 121 Phase 3B	Overlander - Medium and Heavy Capability
SEA 1357 Phase 1	Close-In Weapon Systems (CIWS) Phalanx Block Upgrade
SEA 1397 Phase 5C	Nulka Missile Decoy Enhancements
SEA 1439 Phase 3.1	Collins Obsolescence Management
SEA 1448 Phase 4A	ANZAC Electronic Support System Improvements

Notes

1. Project Development activities, Capability and Technology Demonstrator and some sensitive projects are not included in the list.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).
3. Projects planned for a combined 1st and 2nd pass approval have been included within the list.

DEFENCE MATERIEL ORGANISATION

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: DMO Overview and Resources

- 1.1 Strategic Direction Statement
- 1.2 DMO Resource Statement
- 1.3 People

Section 2: Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

DEFENCE MATERIEL ORGANISATION

Section 1: Agency Overview and Resources

1.1 Strategic Direction Statement

The Defence Materiel Organisation (DMO) is a prescribed agency and an integrated element of Defence that exists to purchase and support the military equipment and supplies required by Defence, agreed by the Australian Government and funded by the Australian taxpayer. It is a complex and important role, and we are largely succeeding despite many technical challenges and the tough global economic conditions.

The DMO's first priority continues to be meeting the needs of deploying forces. The safety of our people through the equipment we provide, and of our work practices and workplaces, is also vitally important. We remain committed to continuing to improve in all areas of our business, including the advice we provide to Government and the strength of our relationships with our internal Defence customers and industry suppliers.

Of equal significance in the context of the priorities outlined below is our approach to these tasks, as individuals and as a collective team. Among the hallmarks of the DMO's approach to delivering on these priorities will be high levels of professionalism and commercial acumen. At all levels there also needs to be a sense of 'measured urgency' about the tasks that are before us and a strong desire, where it is required, to simplify and 'de-thatch' our processes.

The priorities for the DMO in 2012-13 are grouped under key enduring themes that have remained relatively consistent for a number of years.

SUPPORT TO OPERATIONS

- continue to equip forces deploying on operations, which includes responding to urgent supply demands
- develop comprehensive transition and reconstitution plans for equipment approved for return from theatre.

REFORM

- drive down the cost of sustaining platforms and fleets through reform-led actions to implement better practices: reward and sustain efficiency and effectiveness
- achieve programmed Smart Sustainment stream cost savings in 2012-13
- implement Rizzo recommendations on amphibious fleet sustainment and continue to contribute to the Coles Review on submarine sustainment
- continue to improve our processes and procedures to enhance DMO's contribution to the ADF.

ACQUISITION AND SUSTAINMENT PERFORMANCE

- deliver safe materiel elements of capability solutions within budget and schedule and approved scope
- engage earlier and more effectively with the Capability Development Group and Industry on emerging projects and support proposals through approval processes
- establish a major projects negotiation cell to provide a central source of expertise and inject a stronger commercial outlook at this critical stage of the project lifecycle

- improve schedule estimation and performance through better early planning, more effective engagement with Industry and closer collaboration with the Capability Managers.

GOVERNANCE AND ACCOUNTABILITY

- enhance performance through senior management interventions, Gate Reviews and implementing recommendations for improvement
- continue to mature the Early Indicators and Warnings system.

WORKFORCE AND SKILL DEMANDS

- contribute to Skills Australia study on Defence sector skills and deliver a comprehensive plan for the future workforce and skill demands of the Australian naval shipbuilding and repair sector
- integrate the new Work Health and Safety legislative requirements into the way we do business in the DMO.

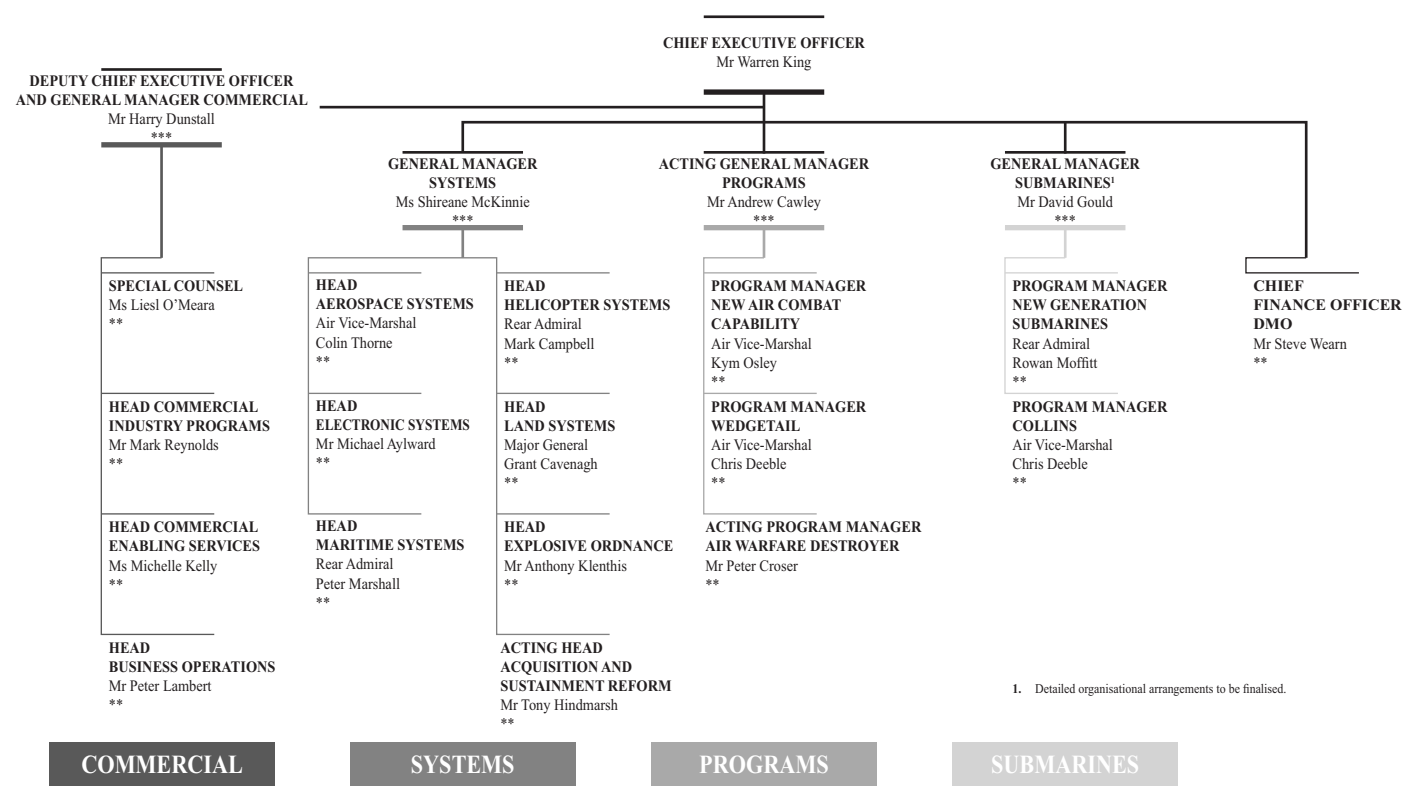
In 2012-13, the DMO will also pilot a number of new initiatives designed to drive a stronger commercial outlook on our business, and ultimately improve our performance. These initiatives include 'managed contractor' arrangements where industry specialists will be invited to compete for the role of managing selected procurement activities.

Another area of focus will be in extending the independent benchmarking of our performance, not for its own sake, but to highlight areas where we can adapt and learn from better practices in other industry or government sectors.

ORGANISATIONAL STRUCTURE

With the creation of the new General Manager Submarines the DMO organisational structure will be reviewed to balance the workload between the General Managers. Submarine activities currently presented in the PBS under General Manager Programs will be allocated to the new General Manager Submarines. These adjustments will be made in the PAES.

Figure 4: The DMO Organisational Structure as at 1 May 2012



1. Detailed organisational arrangements to be finalised.

1.2 DMO Resourcing

RESOURCING FOR 2012-13

The total net resourcing available to the DMO is \$9,534.6m. The majority of the total resourcing is provided by Defence as an initial or anticipated payment of \$8,132.9m in 2012-13 for the procurement of equipment and the provision of sustainment services to the ADF. The remaining amount constitutes an appropriation receipt of \$928.5m from Government for DMO's workforce and operating expenses, non-appropriation receipts of \$57.7m for services for non ADF customers, and the DMO special account opening balance relating in the main for work yet to be performed from previous years.

The DMO's total income and expense estimate in 2012-13 is \$9,100.7m which consists of \$3,676.1m for the procurement of equipment, \$5,295.3m for the estimated cost for sustainment of existing capability and support to operations and \$129.3m for the provision of Australian Defence Industry programs and management services.

In comparison to the 2012-13 estimates contained in the *Portfolio Additional Estimates Statements 2011-12*, there has been a decrease in the DMO's income and expense estimate of \$640.8m primarily as a result of:

- reductions in major capital investment of \$663.9m
- reduction due to foreign exchange gain hand back of \$80.1m
- reduction of funding for contracted services (sustainment) of \$62.0m
- reductions to Workforce and Operating costs of \$20.6m
- reduction of the Net Personnel and Operating Costs provision held by Defence of \$5.4m
- an increase in supplementation for the support of ADF operations of \$191.2m.

DMO RESOURCE STATEMENT

Table 86 shows the total resources from all sources to support the delivery of the DMO Outcome.

Table 86: DMO Resource Statement Budget Estimates for 2012-13 as at Budget May 2012

	Estimate of prior ⁺ year amounts available in 2012-13 \$'000	Proposed at Budget ⁼ 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
Ordinary annual services¹				
Departmental appropriation				
Prior year departmental appropriation ²	415,486	-	415,486	550,451
Departmental appropriation ³	-	928,466	928,466	931,270
Total	415,486	928,466	1,343,952	1,481,721
Total ordinary annual services A	415,486	928,466	1,343,952	1,481,721
Special Accounts				
Opening balance ⁴	415,486	-	415,486	550,451
Appropriation receipts ³	-	928,466	928,466	931,270
Appropriation receipts - other agencies ⁵	-	8,132,945	8,132,945	9,751,316
Non-appropriation receipts to Special Accounts	-	57,668	57,668	56,012
Total Special Account B	415,486	9,119,079	9,534,565	11,289,049
Total resourcing				
A+B	830,972	10,047,545	10,878,517	12,770,770
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	415,486	928,466	1,343,952	1,481,721
Total net resourcing for DMO	415,486	9,119,079	9,534,565	11,289,049

Notes

1. Appropriation Bill (No.1) 2012-13.
2. Estimated adjusted balance carried forward from previous year.
3. Direct appropriation for Workforce and Operating Expenses.
4. Estimated opening balance for special accounts (less Services for Other Entities and Trust Moneys Special accounts (SOETM)). For further information on special accounts see Table 101.
5. Appropriation receipts from Department of Defence credited to DMO's special accounts.

Reader note: All figures are GST exclusive.

Table 87: Third Party Payments From and on Behalf of Other Agencies

	2012-13 \$'000	2011-12 \$'000
Receipts received from the Department of Defence for the provision of goods and services	8,132,945	9,751,316
Payments made to the Department of Defence for the provision of services ¹	440,227	381,984

Note

1. Primarily relates to the payment of military staff posted to the DMO and services provided by Defence to the DMO in accordance with the Defence Services Agreement.

TOTAL PLANNED PAYMENTS FROM DEFENCE
Table 88: Total Planned Payments from Department of Defence

Serial No.		2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total \$m
	Planned Defence Capability Plan (DCP) approvals	248.2	826.1	1,745.0	3,219.5	6,038.8
	Approved Major Capital Investment Projects (AMCIP)	3,074.2	2,431.4	2,379.1	2,506.6	10,391.3
1	Total Major Capital Investment Projects	3,322.5	3,257.6	4,124.1	5,726.0	16,430.2
	Approved Navy minor projects	3.3	5.8	2.2	0.7	12.1
	Approved Army minor projects	48.2	26.4	16.5	3.9	95.0
	Approved Air Force minor projects	19.0	8.6	5.7	-	33.3
	Approved Vice Chief of Defence Force minor projects	0.8	0.7	-	-	1.4
	Approved Chief Information Officer minor projects	0.5	-	-	-	0.5
2	Sub-total approved minor program	71.9	41.4	24.5	4.6	142.4
	Unapproved Navy minor projects	6.0	22.8	26.8	28.4	84.0
	Unapproved Army minor projects	3.4	54.9	59.9	70.7	188.8
	Unapproved Air Force minor projects	4.1	27.2	31.2	38.9	101.5
3	Sub-total unapproved minor program planned for transfer from Defence	13.5	104.9	117.8	138.0	374.3
4	Total minor program (2+3)	85.5	146.3	142.3	142.7	516.7
5	Total acquisition (DMO Program 1.1) (1+4)	3,407.9	3,403.9	4,266.4	5,868.7	16,946.9
	Navy sustainment	1,669.5	1,684.0	1,681.9	1,618.6	6,654.0
	Army sustainment	1,249.9	1,206.0	1,346.1	1,353.3	5,155.3
	Air Force sustainment	1,476.3	1,487.6	1,553.6	1,595.9	6,113.4
	Chief Information Officer sustainment	65.6	82.0	81.1	95.3	324.0
	Vice Chief of the Defence Force sustainment	88.4	87.9	90.5	93.2	360.0
	Office of the Secretary and CDF sustainment	18.0	19.0	21.3	19.8	78.0
	Joint Operations Command sustainment	6.1	6.2	6.4	6.7	25.4
	Defence Support Group sustainment	27.0	27.0	27.0	-	81.0
	Future sustainment costs associated with AMCIP	124.4	490.6	710.4	1,031.4	2,356.8
6	Total sustainment (DMO Program 1.2)	4,725.0	5,090.3	5,518.4	5,814.2	21,147.9
7	Total planned payments to DMO from Defence (5+6)	8,132.9	8,494.2	9,784.7	11,682.9	38,094.8

DMO BUDGET MEASURES

There are no budget measures directly affecting the DMO for the 2012-13 Budget.

1.3 People

WORKFORCE SUMMARY

The DMO combined APS, ADF and contractor workforce forecast is 7,385. This is a decrease of 49 in comparison with the 2011-12 projected end of year results. The DMO manages its workforce under a combined APS, ADF and contractor model. Through this arrangement, the DMO can utilise funding from unfilled ADF positions to fill and resource positions with APS staff. Therefore the overall total workforce plan should be viewed in its entirety. The forecast DMO workforce is shown in Table 89 and Table 90, and has already taken anticipated workforce savings into account as well as minor increases to the allocation as approved by the Government under the Defence White Paper for new project and sustainment activities.

The projected end of year result in 2011-12 reflects the DMO's commitment to match its workforce to workload and to maintain outputs while delivering reform, including Mortimer, savings. As part of the Strategic Reform Program the DMO delivered ongoing workforce savings across 2011-12 in Full Time Equivalents and Average Funded Strength, and intends to do the same in 2012-13.

Table 89: Planned Workforce for the 2012-13 Budget and Forward Estimates

		Projected result	Budget estimate	Forward estimate	Forward estimate	Forward estimate
		2011-12	2012-13	2013-14	2014-15	2015-16
Navy sub-total		303	368	373	377	381
Army sub-total		389	485	497	507	512
Air Force sub-total		718	940	958	971	984
Sub Total ADF Permanent Force ⁽¹⁾	A	1,410	1,793	1,828	1,855	1,877
APS ⁽²⁾	B	5,993	5,544	5,608	5,830	5,849
Contractors ⁽³⁾	C	31	48	48	48	46
Total Workforce Strength (A+B+C)		7,434	7,385	7,484	7,733	7,772

Notes

1. Numbers for ADF Permanent Force includes Reservists on Continuous Full Time Service.
2. Includes the contribution to the Defence Budget Reduction Measure (175 Average Staffing Level (ASL) reduction in 2012-13 and 266 ASL reduction every year thereafter).
3. Contractors (formerly known as PSPs) are individuals with specialist skills under contract to fill line positions.

Table 90: Breakdown of Personnel Numbers by Service and Rank Including APS and Contractors

	Projected result 2011-12	Budget estimate 2012-13
NAVY		
Star Ranked Officers ^[1]	10	10
Senior Officers ^[2]	54	55
Junior Officers	118	154
Other Ranks	121	149
Sub-total : Permanent Force ^[3]	303	368
ARMY		
Star Ranked Officers ^[1]	7	6
Senior Officers ^[2]	61	65
Junior Officers	175	226
Other Ranks	146	188
Sub-total : Permanent Force ^[3]	389	485
AIR FORCE		
Star Ranked Officers ^[1]	9	7
Senior Officers ^[2]	85	103
Junior Officers	333	475
Other Ranks	291	355
Sub-total : Permanent Force ^[3]	718	940
APS		
Senior Executives ^{[1][6]}	35	35
Senior Officers ^[2]	1,919	1,762
Other APS Staff	4,039	3,747
Sub-total : APS ^[4]	5,993	5,544
Total Contractors ^[5]	31	48
Total DMO Workforce	7,434	7,385

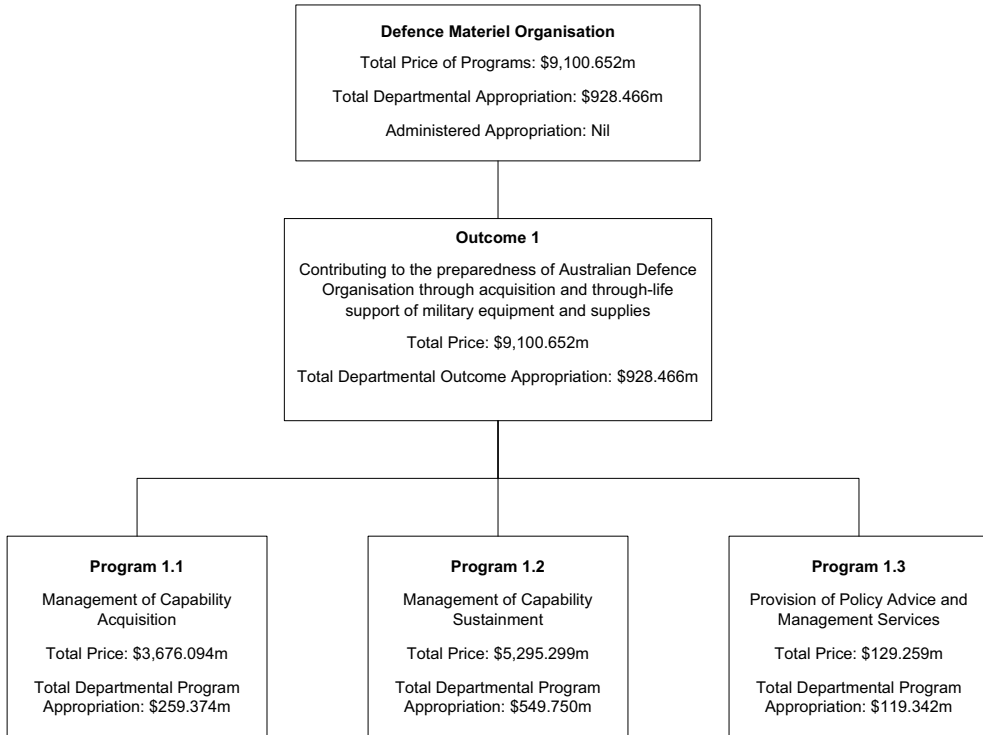
Notes

1. Senior Executive Officers are of General to Brigadier rank equivalent and substantive Senior Executive Band 3 to 1.
2. Senior Officers are of Colonel and Lieutenant Colonel rank equivalent and substantive Executive Level 2 and 1.
3. Reflects the ADF Permanent forces and includes Reservists undertaking continuous full-time service.
4. Includes the contribution to the Defence Budget Reduction Measure (175 Average Staff Level (ASL) reduction in 2012-13).
5. Contractors (formerly known as PSPs) are individuals with specialist skills under contract to fill line positions.
6. This reflects a reduction of one Senior Executive Position and an increase of one (nil net variation due to the new General Manager Submarines position).

Section 2: Outcomes and Planned Performance

Outcome 1 encapsulates the entire business of the DMO, the activities it undertakes as part of Defence in acquisition and sustainment of materiel and the advice it provides on contracting policy and industry policy.

Figure 5: Contributions to Outcomes and Programs



The outcome is described in Section 2.1 together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the DMO in achieving Government outcomes.

2.1 DMO Outcomes and Performance Information

Outcome 1: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies

OUTCOME 1 STRATEGY

In 2012-13, the DMO will continue to deliver against Outcome 1 targets while simultaneously pursuing ongoing reform, improvement and change activities to enhance future performance against this Outcome.

Under Program 1.1, Management of Capability Acquisition, the DMO will:

- deliver the approved materiel elements of the Defence Capability Plan (DCP) and continue to meet capability and budget targets while striving to improve overall schedule performance
- work in consultation with Capability Managers to yield benefits from our continuing efforts to develop enhanced Materiel Acquisition Agreements
- put into effect the full complement of many process and governance improvements established over recent years, which are expected to yield measurable improvements in procurement performance
- continue to implement reforms resulting from strategic reviews
- perform the role of Defence Business Process owner for Materiel Engineering.

Under Program 1.2, Management of Capability Sustainment, the DMO will:

- support military operations while planning, preparing and supporting the Department on likely transitions in military operations that will lead to remediation and disposal of materiel
- sustain materiel as specified in the Materiel Sustainment Agreements
- achieve the Smart Sustainment Stream reform targets by: working with Navy, Army, Air Force, Chief Information Officer Group (CIOG) and Vice Chief of the Defence Force (VCDF) to reduce the cost of ownership of Defence military fleets and commodities.
- consult and engage with industry jointly to deliver savings and efficiencies and reform internal functions to deliver savings and efficiencies
- improve sustainment outcomes as a result of the combined application of the range of process, management, professionalisation, governance and measurement improvements.
- perform the role of the Defence Business Process owner for Materiel Logistics.

Under Program 1.3, Provision of Policy Advice and Management Services, the DMO will:

- continue to provide independent assurance and trusted expert advice to Government and the Department on materiel acquisition and sustainment, with a particular focus on further improvements in the quality of submissions to Government
- engage meaningfully with industry as it addresses challenges stemming from global economic uncertainty and challenges in the domestic economy
- continue to deliver Defence industry programs and otherwise implement the *Defence and Industry Policy Statement 2010*
- perform the role of the Defence Business Policy Owner for Procurement and Intellectual Property
- work cooperatively with other elements of Defence (particularly the Non Equipment Procurement area) to deliver clear and consistent procurement policy and practice across Defence
- leverage the opportunities presented by several years of process improvement, governance review and standardisation and continue to simplify processes and management arrangements.

In 2012-13, the DMO will also pilot a number of new initiatives designed to drive a stronger commercial outlook on our business, and ultimately improve our performance. These initiatives include establishing a professional major project negotiation cell, and piloting managing contractor arrangements for selected procurement activities to examine their potential to improve the overall performance of the DMO.

Another area of focus will be in extending the independent benchmarking of our performance, not for its own sake, but to highlight areas where we can adapt and learn from better practices in other industry or government sectors.

STRATEGY HIGHLIGHT: SMART SUSTAINMENT

The Smart Sustainment Stream is a Defence-wide reform program that includes Defence industry. The Smart Sustainment Stream consists of reforms in three disciplines:

- maintenance reforms to improve the operation, support and maintenance of fleets
- inventory reforms to optimise stock holdings, improve stock target setting and apply a risk weighted approach to inventory management
- Non-Equipment Procurement reforms to establish better demand management arrangements, change the way fleets are operated, improve governance, reduce waste, remove duplication in requirements between Defence Groups and Services, and establish smarter procurement practices to deliver savings in fuel, clothing and explosive ordnance.

To date, the Smart Sustainment stream has successfully achieved the scheduled reform targets over the first three years, without any adverse affect on capability or safety. The reform program is now undertaking the planning and delivery of reforms to deliver the remaining reform targets.

Over 2012-13 the Smart Sustainment stream will: further develop the understanding of the relationship between preparedness levels and sustainment cost drivers including improving the linkages with the Preparedness Personnel and Operating Costs Reform Stream; continue engagement with Defence industry to identify reform opportunities; and maintain the Department-wide focus on reforming processes.

As the annual saving targets continue to increase, and in order to ensure that the stream continues successfully for the remainder of the program and achieves its overall savings target, some re-planning and work to identify further initiatives and savings will be undertaken in 2012-13. A focal area for future initiatives will be seeking further savings from end to end reviews of capabilities in partnership with Capability Managers to identify sustainment reforms and other measures to reduce the total cost of ownership of assets.

STRATEGY HIGHLIGHT: IMPLEMENTING RECOMMENDATIONS FROM STRATEGIC REVIEWS

Defence has been subject to a number of reviews that offer an opportunity to improve performance against Outcome 1 through the collective lessons learnt by implementation of the agreed recommendations. The most immediately relevant reviews at this time include:

- the Defence Procurement and Sustainment Review (the Mortimer Review) that has resulted in the DMO continuing to implement improvements to deliver better project and sustainment outcomes
- the DMO, Navy and Capability Development Group (CDG) are working jointly to improve significantly the methods and practices employed in the repair and maintenance of ships, as identified in the Plan to Reform Support Ship Repair and Management Practices (the Rizzo Reform Program) released in July 2011. The focus areas for improvements are:
 - lifecycle asset and sustainment management, including improved supplier relationships
 - strengthening capability management
 - rebuilding maritime engineering
 - implementing integrated risk management
 - quantifying total cost of ownership for the fleet
 - improving technical integrity culture.

A Defence level lifecycle management model, describing improved practices for each stage of the capability lifecycle, is expected to be agreed by December 2012. This model will cover the supply chain end-to-end, and introduce an asset management approach. The DMO, together with Navy, has dedicated resources to plan and drive implementation of the model.

STRATEGY HIGHLIGHT: DMO SUSTAINMENT BUSINESS MODEL

The DMO has accelerated the Sustainment Business Model Project in the second half of 2011-12. The project, a significant reform initiative, will develop and embed business models aimed at improving and simplifying the methods, practices and processes employed across sustainment. The intention is to tailor the business models to the environment. The models include:

- a revised Services-based view of DMO sustainment activities, focused on portfolio and program management
- better understanding of demand, customer service and associated cost drivers
- delivering integrated services and supplier management.

The model will introduce greater consistency in the DMO through definition of a sustainment reference model, including good business processes, and staff guidance. The top level model is now part of the approved 2015 Maritime Capability Business Model developed by the Rizzo Reform Program. The sustainment business model will be developed further over 2012-13 and piloted at selected sites. Selected business processes will also be piloted across the DMO.

STRATEGY HIGHLIGHT: IMPROVING SCHEDULE MANAGEMENT

In 2012-13, the DMO will continue to strive to improve performance against schedule. It is common for large, complex projects to find achievement of the expected schedule very challenging, since many of the factors affecting schedule delivery are outside the control of the DMO. While this is not a problem unique to the DMO, continued improvement in respect to schedule performance contributes to the DMO's vision to be the premier program management, logistics, procurement and engineering services organisation in Australia.

The DMO's average schedule performance continues to improve as a result of ongoing efforts to:

- employ rigorous metrics-based management of project schedules
- improve scrutiny and analysis of estimates
- closely manage Projects of Concern
- more thoroughly identify and mitigate risks early
- more widely implement the Gate Review process
- train and develop specialist schedulers
- target use of the Schedule Compliance Risk Assessment Method
- improve the basis of estimates.

These improvements are expected to become established practice that should yield measurable and sustainable improvements in average schedule performance as well as increase the consistency of schedule performance.

STRATEGY HIGHLIGHT: BETTER TARGETED MANAGEMENT REPORTING

The DMO provides regular performance reports to its key stakeholders including Defence Capability Managers, the Government, Central Agencies, and other elements within Defence.

In 2012-13, the DMO will continue its program of reviewing both its internal and external project performance reports. The aim of the review is to have an integrated, targeted and simpler set of performance management reports that better meet user requirements to support timely and informed decision-making about DMO projects. The reports will also improve information flow.

In line with this initiative, a new Project Performance Reporting System (PPRS) was implemented during 2011-12, with further enhancements to occur throughout 2012-13. The PPRS provides DMO Executives, Project Directors and Managers the ability to view summary and detailed data as required, to assist them in the interpretation and understanding of individual project performance, and to enable management action based on that data.

OUTCOME EXPENSES AND RESOURCES STATEMENT

Table 91 provides an overview of the total expenses for Outcome 1 by program.

Table 91: Budgeted Expenses and Resources for Outcome 1

Outcome 1: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
Program 1.1: Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation ¹	248,663	259,374
Special Accounts	4,292,918	3,407,923
Expenses not requiring appropriation in the Budget year ²	8,582	8,797
Total for Program 1.1	4,550,163	3,676,094
Program 1.2: Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation ¹	560,918	549,750
Special Accounts	4,720,049	4,725,022
Expenses not requiring appropriation in the Budget year ²	20,026	20,527
Total for Program 1.2	5,300,993	5,295,299
Program 1.3: Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation ¹	115,189	119,342
Special Accounts	1,015	1,021
Expenses not requiring appropriation in the Budget year ²	8,727	8,896
Total for Program 1.3	124,931	129,259
Outcome 1 Totals by appropriation type		
Departmental expenses		
Departmental appropriation ¹	924,770	928,466
Special Accounts	9,013,982	8,133,966
Expenses not requiring appropriation in the Budget year ²	37,335	38,220
Total expenses for Outcome 1	9,976,087	9,100,652
	2011-12	2012-13
Average Staffing Level (number)³	5,993	5,544

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1)", and "Revenue from independent sources (s31)".
2. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.
3. Average staffing levels do not include military staff posted to DMO, as military staff remain employees of Defence and are included in its staffing.

CONTRIBUTIONS TO OUTCOME 1

Program 1.1: Management of Capability Acquisition

Program 1.1 Objective

Acquisition projects will be delivered in a transparent and accountable manner, on time, within budget and to the required standard as approved by Government.

This Program delivers specialist military and associated equipment. It encompasses the DMO's activities in support of the acquisition process, including all pre-approval activities, as well as the acquisition process for major and minor capital investments.

Program 1.1 Management of Capability Acquisition Expenses

The cost of Program 1.1 provides for estimated expenditure on acquisition of specialist military and associated equipment for the ADF. This covers all the DMO's activities in support of acquisition processes for major and minor capital investment projects. The estimated expenses for this Program include the estimated budget for all approved projects together with an estimate for the unapproved major and minor projects that are expected to be approved and transferred from Defence during that year.

The planned resource use for Program 1.1 is \$3,676.0m in 2012-13 which represents approximately 40 per cent of the DMO's total expenses.

The planned resource use for Program 1.1 includes:

- the DMO major capital investment program of \$3,322.5m, which comprises the Approved Major Capital Investment Program of \$3,074.2m and \$248.2m of work planned to be transferred to the DMO during 2012-13 from Defence
- the DMO minor capital investment program of \$85.5m, including the approved minor program of \$71.9m and \$13.5m of work to be transferred to the DMO during 2012-13
- direct appropriation of \$259.4m relating to Acquisition Workforce and Operating Expenses
- resources received free of charge from Defence of \$8.8m.

Table 92: Program 1.1 Management of Capability Acquisition

	2011-12 Estimated outcome \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,292,918	3,407,923	3,403,884	4,266,352	5,868,704
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1)	248,663	259,374	284,105	318,249	338,878
Expenses not requiring appropriation in the Budget year ¹	8,582	8,797	9,017	9,242	9,473
Total program expenses	4,550,163	3,676,094	3,697,006	4,593,843	6,217,055

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.1 Deliverables

The DMO is currently managing 188 major projects. A major capital equipment project is defined as a project with strategic importance and valued over \$20m.

Key deliverables are specified in a Project Directive issued by the Secretary and Chief of the Defence Force (for projects approved after March 2010) and described in more detail in a Materiel Acquisition Agreement (MAA) with the Capability Development Group and relevant Capability Manager. The top 30 major capital equipment projects are discussed under the project headings in the following text. A status update on other major projects that were included in the top 30 list in previous years is provided, at Table 95.

Minor capital projects are valued at under \$20m and deliver capability to meet emerging enhancement, replacement or new requirements and are funded from allocations outside the DCP. There are currently six minor capital investment programs funded by the Capability Managers which incorporate around 80 minor acquisition projects with an average value of \$8.0m. The number of minor projects has decreased from the previous year (by approximately 20 per cent) as a result of the closure of projects that have achieved delivery. The top 10 minor projects are discussed under the project headings following Table 96.

Program 1.1 Key Performance Indicators

The key performance indicators are being on schedule, within budget and to the required standard. They vary with each project and are specified in the MAAs.

Australian Defence industry involvement in major capital equipment projects will be reported as an appendix in the *Defence Annual Report 2012-13*.

TOP 30 PROJECTS BY 2012-13 FORECAST EXPENDITURE

Table 93 lists the Top 30 Government-approved major projects by forecast expenditure for 2012-13. Schedules for delivery of the capability are included in the descriptions of the top 30 major projects that follow the table; descriptions also include project risk and strategies employed by the project office to manage the risk.

In 2012-13, the 10 largest projects within the top 30 list are forecast to constitute 72 per cent of the DMO's total forecast acquisition expenditure for 2012-13 (predicated on the forecast outcome for 2011-12). The dependency of the program outcome may be influenced by the successful delivery by industry of key financial milestones enabling expenditure to occur in this relatively small number of material spending projects.

Table 93: Top 30 Projects by 2012-13 Forecast Expenditure (Gross Plan) ^[1]

	Project number / phase	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m
General Manager Systems				
Aerospace Systems				
Air to Air Refuelling Capability	AIR 5402	1,801	1,477	174
Additional C-17A Globemaster III	AIR 8000 Phase 4	554	395	51
Bridging Air Combat Capability	AIR 5349 Phase 1	3,275	2,699	49
C-17 Globemaster III	AIR 8000 Phase 3	1,846	1,334	40
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	172	72	31
Airborne Surveillance for Land Operations	JP 129 Phase 2	93	31	27
Electronic Systems				
Battlespace Communications System (LAND)	JP 2072 Phase 2A	437	53	156
Next Generation Satellite Communications System	JP 2008 Phase 4	865	485	116
Joint Command Support Environment	JP 2030 Phase 8	256	138	47
Ultra High Frequency Satellite Communications	JP 2008 Phase 5A	433	282	43
Battle Management System	LAND 75 Phase 3.4	307	144	33
Explosive Ordnance				
Bridging Air Combat Capability	AIR 5349 Phase 2	274	124	54
Lightweight Torpedo Replacement	JP 2070 Phase 2	337	249	33
Mulwala Redevelopment Project	JP 2086 Phase 1	369	322	28
Helicopter Systems				
Multi Role Helicopter	AIR 9000 Phase 2	3,656	2,098	260
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	2,943	216	145
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2,031	1,818	72

	Project number / phase	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m
Land Systems				
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3	3,191	216	132
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,032	771	58
Counter Rocket, Artillery & Mortar (C-RAM)	LAND 19 Phase 7A	253	147	55
Digital Terminal Control System	LAND 17 Phase 1B	115	38	35
Artillery Replacement 155MM Howitzer	LAND 17 Phase 1A	322	122	29
Australian Protected Route Clearance Capability	JP 154 Phase 3A	74	15	29
Upgrade of M-113 Armoured Vehicles	LAND 106	884	763	26
Maritime Systems				
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	676	351	52
General Manager Programs				
Air Warfare Destroyer				
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,870	3,733	622
Amphibious Deployment and Sustainment				
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,066	2,192	158
Amphibious Watercraft Replacement	JP 2048 Phase 3	230	23	59
Collins and Wedgetail				
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,837	3,286	289
New Air Combat Capability				
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	2,362	130	103
Total -Top 30 Projects		43,561	23,724	3,007

Table 94: Major Capital Investment Program by 2012-13 Forecast Expenditure ^[1]

		Budget estimate 2012-13 \$m
Top 30 Projects Gross Plans	A	3,007
Other Approved Projects Gross Plans	B	683
Total Gross Plan Project Estimates	C = A+B	3,690
Management Margin: Slippage ²	D	-616
Payments Required from Defence for Approved Programs³	E = C+D	3,074
Projects planned for Government Consideration and Transfer to the DMO ³	F	248
Total Estimated Funds Available	G = E+F	3,322

Notes

1. The serials designated in this table are also referred to in the following section of text.
2. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2012-13 financial year progresses.
3. Refer to Table 88: See "Total Planned Payments from Department of Defence" on page 142.

Table 94 reflects the cash payment required from Defence to fund the current Approved Major Capital Investment Program. The Total Program Estimate for Major Capital Projects (serial c) is the sum of the 2012-13 expenditure estimates for the Top 30 projects (serial a) and the remaining 158 projects in the program (serial b). This is referred to as the Program's 'Gross Plan' estimate and is based on project expenditure expected to occur during the year in accordance with project schedules. The Management Margin (serial d) reflects an estimate of possible overall program slippage that may occur during the year, resulting in the estimated funding required from Defence to meet the estimated outturn required.

The inherent uncertainty in a program with a large number of complex and long lead time projects means that unknown project events will occur which may result in a range of possible outcomes including cost savings and better payment terms, variations to project schedules, withholding of planned payments due to contractor non-performance, and variations to payments required under the United States Government's Foreign Military Sales program. The DMO estimates and applies a slippage model to the program to determine the appropriate the Management Margin and annual cash requirement for the program.

The slippage model is predicated upon the assumption that for each year, a certain percentage of project Gross Plan estimates will slip or be accelerated. The percentages applied vary with the composition of the program, the estimates update being conducted and the probability assessments of expenditure plan achievement provided by projects.

TOP 30 MAJOR PROJECT DESCRIPTIONS

General Manager Systems

Aerospace Systems

Air to Air Refuelling Capability—AIR 5402

Prime Contractor: EADS CASA (Trading as Airbus Military - Spain)

This project will deliver five new generation Airbus A330 Multi-Role Tanker Transport (MRTT) aircraft, to be known as the KC-30A in RAAF service, and the associated through-life support infrastructure for the new fleet.

During 2012-13, the project will complete operational testing of the pod refuelling system with RAAF F/A-18 Hornet receivers in Australia; undertake Australian military certification and service release of the aircraft systems, training, publications and other elements necessary to support achievement of an Initial Operational Capability (for pods air-to-air refuelling and air logistics services); complete testing of modifications to the military avionics and Aerial Refuelling Boom System in Spain; complete final conversion activities and delivery of the fifth aircraft; refurbish and re-deliver the first (prototype) aircraft on the completion of testing in Spain; and deliver upgrades to the simulation training devices in line with modifications to the aircraft fleet.

The key risk for the project is the schedule for completion of testing and documentation for acceptance and introduction into service of the boom refuelling system.

This project continues to be managed as a Project of Concern.

Additional C-17A Globemaster III—AIR 8000 Phase 4

Prime Contractor: Boeing, through a Foreign Military Sales case with the United States Air Force

This project provides an additional two C-17 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 AIR8000 Phase 3. The fifth C-17 aircraft is now in service with the Royal Australian Air Force and the sixth aircraft is on schedule for delivery by December 2012. Final Operational Capability is expected in June 2013 upon installation of the enhanced US-common electronic warfare self-protection system.

During 2012-13, the project will take delivery of the sixth aircraft and will install an enhanced US-common electronic warfare self-protection system in each of the aircraft.

On schedule installation of the enhanced US-common electronic warfare self-protection system represents a major risk to the project as it is managed by a number of different organisations, and the United States export licence process is now more rigorous.

Bridging Air Combat Capability—AIR 5349 Phase 1

Prime Contractor: Boeing, through a Foreign Military Sales case with the United States Navy

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.

During 2012-13, the project will deliver all remaining elements of the aircraft mission and support systems, along with a number of software updates, to achieve Final Operational Capability scheduled for late 2012.

There are no key risks identified for 2012-13 as the project is near completion.

C-17 Globemaster III—AIR 8000 Phase 3

Prime Contractor: Boeing, through a Foreign Military Sales case with the United States Air Force

This project provides a global heavy airlift capability based around the Boeing C-17 Globemaster III aircraft and related provisions, including an enhanced US-common electronic warfare self-protection system.

During 2012-13, the project will continue maturing C-17 sustainment requirements, including spares and the procurement of ancillary items such as training devices, role expansion equipment, ground support equipment and materiel handling equipment.

The key risk for the project is the complex design, building integration and transportation challenges associated with achieving delivery of the Cargo Compartment Trainer in time to commence in-country C-17 loadmaster training by the end of 2014.

Maritime Patrol and Response Aircraft System—AIR 7000 Ph 2B

Prime Contractor: Boeing (United States), through a cooperative arrangement with the United States Navy

Defence continues to participate with the United States Navy in the cooperative development of the first upgrade to the P-8A Poseidon capability under the Increment 2 Memorandum of Understanding. Defence has also entered into the Production, Sustainment and Follow on Development Memorandum of Understanding with the United States Navy that provides the framework for the acquisition, sustainment and upgrade of the P-8A, following Government approval.

During 2012-13, the project will focus on informing the AIR 7000 Phase 2 acquisition business case for second pass Government approval in 2014. Activities include the design of the P-8A mission support system and integration into Defence's Single Information Environment and further developing the Logistics Support Strategy for the P-8A. Defence also expects to finalise a project agreement with the United States Navy for the cooperative development of the Increment 3 upgrade to the P-8A capability.

Airborne Surveillance for Land Operations—JP 129 Phase 2

Prime Contractor: AAI Corporation through a Foreign Military Sales case with the United States Army

This phase of the project delivers two Tactical Uninhabited Aerial Systems; each comprising five air vehicles, two ground control stations, a tactical launch and recovery element, associated tactical support systems, logistics and training. Two Shadow 200 systems, based on a four air vehicle United States Army configuration, have been delivered under an accelerated arrangement with the United States Army, with the first deployed to Afghanistan. Additional equipment to meet the Australian configuration will be delivered in 2012 and 2013.

During 2012-13, the project will establish a Shadow 200 Australian Based Training Centre, install Australian Combat Network Radios into the Ground Control Stations and complete installation of system shelters on Unimog vehicles.

The key risk for the project is incorporation of the accelerated radio modification to meet Army's deployed operational requirement which may face unexpected technical challenges or schedule issues.

Electronic Systems

Battlespace Communications Systems (LAND)—JP 2072 Phase 2A

Prime Contractor: Harris Corporation

This project will deliver combat net radios to replace many of the current land based, dismantled radios in use by the ADF. The current dismantled radio fleets are approaching end-of-life and these legacy, analogue radios will be replaced by modern, digital radios, maximising commonality with the radio fleet procured under the previous JP 2072 Phase 1. The acquisition contract was signed in January 2012.

During 2012-13, this project will commence delivery and introduction into service of the first radios, as well as establishing a support infrastructure for ongoing support of the radios and ancillaries.

The key risk for this project is managing the smooth transition into service and support of the new capability.

Next Generation Satellite Communications System—JP 2008 Phase 4

Prime Contractor: Boeing through a Foreign Military Sales case with the United States Government

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 SATCOM System (WGS) Service Initial Operational Capability and Interim Anchoring Capability.

The focus for 2012-13 will be:

- the finalisation of production and testing of the WGS 6 satellite and the Remote Monitoring and Control system at HMAS Harman and Geraldton to allow the control of a WGS satellite in the Indian Ocean Region
- achievement of material release for the activation of satellite 104°E slot and progression towards Final Materiel Release to the United States operational acceptance of WGS 6.

The key risk for 2012-13 is the successful coordination of an international telecommunications union orbital slot to position a WGS satellite.

Joint Command and Support Environment—JP 2030 Phase 8

Prime Contractors: System Integrator Contractor: CSC Australia; Capability Development & Support Contractor: Lockheed Martin Australia

JP 2030 Phase 8 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 Operations Command (HQJOC). Two of the three evolutions have been approved.

During 2012-13, this project will implement the first two hardware and software capability releases as part of evolution 2. The first evolution 2 releases include business artefacts generation, enhancements to the planning capability and the initial delivery of the Situational Awareness - Common Operating Picture capability.

Key risks are evolving business process and user needs at HQJOC and ensuring the delivered solution provides an efficient and effective user interface. These risks are mitigated by the user-centric software development process and multiple release cycles allowing user feedback based on use in service.

Ultra High Frequency Satellite Communications—JP 2008 Phase 5A

Prime Contractor: Intelsat LLC

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. The launch of the Intelsat satellite occurred in March 2012.

During 2012-13, this project will achieve in-orbit testing of the Intelsat-22 satellite and delivery of ground infrastructure.

The key risk to this project is delivering a Network Control System that provides interoperability with United States infrastructure.

Battle Management System—LAND 75 Phase 3.4

Prime Contractor: Elbit Systems Limited

This project will deliver Mounted Battle Management Systems including command post systems to the ADF in cooperation with LAND 125 Phase 3A (delivering the dismounted Battle Management System) and JP 2072 Phase 1 (providing the Combat Radio System). The project is delivering into a Brigade group in support of land network-centric warfare roadmap milestones. Initial Materiel Release was achieved in June 2011, and initial operational test and evaluation activities will be conducted in mid 2012. The Final Materiel Release for the system is due in 2013.

During 2012-13, this project will complete the majority of remaining acceptance and quality assurance procedures for installation of the Battle Management System into a number of platforms, and achieve full-rate installation into priority variants of the Protected Mobility Vehicle.

The key risk is finalising the complex design acceptance processes with the respective platform design authorities. Risk mitigation activities include implementation of a detailed technical certification plan, close management of the commercial arrangements with the platform design authorities and formation of contracts between Elbit and platform design authorities for the provision of expert support.

Explosive Ordnance

Bridging Air Combat Capability—AIR 5349 Phase 2

Prime Contractor: United States Government through Foreign Military Sales cases

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 RAAF's ability to conduct air, land and maritime strike operations. This project is running concurrently with AIR 5349 Phase 1 to deliver the Bridging Air Combat Capability.

During 2012-13, the United States Navy and United States Air Force will undertake weapon integration testing. Delivery of the Joint Stand-off Weapon C-1 is due to commence in 2013.

The key risk for this project is schedule. Both the United States Air Force and United States Navy are under budgetary pressure and have identified early indications of schedule slip for their test programs and production contracts.

Lightweight Torpedo Replacement—JP 2070 Phase 2

Prime Contractor: EuroTorp, Thales

This project will deliver MU90 Anti-Submarine Lightweight Torpedoes, integrated with the Anzac and Adelaide class frigates. JP 2070 Phase 2 is being managed as a Project of Concern in conjunction with JP 2070 Phase 3.

During 2012-13, this project will continue to support operational test and evaluation, complete ship modifications, establish in-service support arrangements and deliver essential spares.

The key risk for this project is delay to the successful completion of operational test and evaluation. Elements of this risk include availability of fleet assets and adverse weather conditions. The project is mitigating this risk through close liaison with Navy.

Mulwala Redevelopment Project—JP 2086 Phase 1

Prime Contractor: Lend Lease

This project will deliver a modernised propellant manufacturing facility at Mulwala, 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, the design and construction contractor will continue the task of commissioning the modernised facility using trained operators from the Thales workforce. This commissioning process will include the manufacture and qualification of military grade propellants. Following acceptance by the Commonwealth in 2013, the modernised facility will be transitioned to Thales for operation.

The key risk for this project is the successful transition of propellant production from the existing facility to the modernised facility. This risk is being mitigated by the project obtaining appropriate technical expertise and engaging closely with key internal and external project stakeholders.

Helicopter Systems

Multi Role Helicopter—AIR 9000 Phase 2

Prime Contractor: Australian Aerospace

This project is acquiring 46 MRH90 helicopters for the Army and Navy. Phase 2 represents 12 Army MRH90 (additional Squadron to support Army lift capability). Fifteen aircraft have been accepted as at 28 February 2012. The MRH90 program has suffered delays of over two years and was declared a Project of Concern in late 2011.

During 2012-13, this project aims to achieve Initial Operational Capability for Navy, and introduce full flight and mission simulators into service.

The key risks for this project will be rectifying a range of technical issues and to generate the necessary flying rates to meet Navy and Army requirements.

Future Naval Aviation Combat System Helicopter—AIR 9000 Phase 8

Prime Contractor: Foreign Military Sales

The MH-60R Seahawk Romeo, 24 of which are being acquired under Project AIR 9000 Phase 8, will replace the current 16 S-70B-2 Seahawk helicopters and the 11 cancelled SH-2G(A) Seasprite helicopters. The aircraft will be equipped with a highly sophisticated avionics suite designed to employ Hellfire air-to-surface missiles and Mark 54 anti-submarine torpedoes. The aircraft will provide Navy with a contemporary helicopter based anti-submarine and anti-surface warfare capability.

The acquisition of 24 aircraft will enable the Navy to deploy at least eight Seahawk Romeo flights across the Anzac class frigates and the new Hobart class Air Warfare Destroyers.

During 2012-13, introduction into service training for aircrew and maintainers will commence in the United States, Australian certification activities will be progressed, and the detailed design for facilities, predominately at HMAS Albatross, will be finalised and construction will commence.

The key risk to meeting the Initial Operational Capability lies in coordinating the facilities construction schedule with the aircraft delivery schedule.

Armed Reconnaissance Helicopter—AIR 87 Phase 2

Prime Contractor: Australian Aerospace

This project has acquired an Armed Reconnaissance Helicopter system for Army. The system consists of 22 aircraft (which have been accepted into service), a software support facility, electronic warfare mission support system, ground mission equipment, facilities, a training system and training devices including full flight and mission simulators.

The major objectives for 2012-13 will be the completion of the retrofit aircraft program, delivery of supplies under the acquisition contract and to commence close-out of the acquisition contract.

The key risks for this project are delivery of the remaining capabilities and retrofit program on schedule and effectively improving the performance of maintenance and supply support networks.

Land Systems

Field Vehicles and Trailers—LAND 121 Phase 3

Prime Contractor: Light/Lightweight Vehicle Capability: Mercedes-Benz Australia-Pacific, Light/Lightweight Trailer Capability: Haulmark Trailers Australia, Medium/Heavy Vehicle Capability: Rheinmetall MAN Military Vehicles Australia (preferred tenderer as at December 2011); Medium/Heavy Trailer Capability: Haulmark Trailers Australia (preferred tenderer as at December 2011); Additional Bushmaster vehicles: Thales Australia

Project Overlander is a multi-phased project to deliver the ADF's future field vehicles, modules and trailers. Under this phase Defence plans to acquire:

- unprotected light lightweight/Mercedes G-Wagon vehicles, light lightweight and medium/heavy trailers
- protected and unprotected medium/heavy vehicles and specialist modules
- Bushmaster protected mobility vehicles (reported under LAND 116).

Light/lightweight capability: Key activities for 2012-13 will be the continued receipt and delivery of production vehicles and trailers into service, refinement of the through-life support capability and the continued training of vehicle operators and maintenance personnel.

Medium/heavy capability: During 2012-13 the Offer Definition Activity and contract negotiation with Rheinmetall MAN Military Vehicles Australia will be finalised and Defence will present a Second Pass submission to Government for approval.

Bushmaster Protected Mobility Vehicle—LAND 116 Phase 3

Prime Contractor: Thales Australia

This project, referred to as Project Bushranger, will deliver 838 vehicles in seven variants (troop, command, mortar, assault pioneer, direct fire weapon, ambulance and air defence). The vehicles will provide protected land mobility to Army units and Air Force Airfield Defence Guards. All 300 troop, command, assault pioneer, mortar, direct fire weapon and ambulance variants 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.

The prime focus of the project for 2012-13 is the completion of the delivery of 101 protected mobility troop variants approved as Production Period 4 to address attrition and future operational requirements. Delivery of these vehicles commenced in February 2012.

A key risk is that fitment of External Composite Armour buttons to the protected mobility vehicle will be affected by vehicle availability impacting on schedule, however this risk is being mitigated by comprehensive liaison between the Prime Contractor and Army to establish fitment priorities and schedule.

Counter Rocket, Artillery and Mortar (C-RAM)—LAND 19 Phase 7A

Prime Contractors: Saab AB (Sweden), Northrop Grumman (United States), SRC Tech (United States) and Coopers Notifications (United States)

This project will deliver a Counter Rocket Artillery and Mortar (C-RAM) sense and warn capability for Australian bases in Afghanistan to provide early warning against enemy indirect fire attacks.

The project has achieved Initial Operational Capability and during 2012-13 will deliver Final Operational Capability consisting of additional giraffe radars for the Multi National Base at Tarin Kowt. The first two of three radars will be delivered to Afghanistan in September 2012, with the third and final radar being delivered to Australia in January 2013 for training use. These deliveries are on schedule.

The capability has been fielded operationally since December 2010 and is operating effectively at all bases where it is present. Defence is now examining the introduction of the C-RAM capability into service.

The key risks include completing the full introduction into service, and the ability to establish an Australian training capability in order to support domestic ADF based training for C-RAM in 2012.

Digital Terminal Control System—LAND 17 Phase 1B

Prime Contractor: Not in contract

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 will be in contract and commence acquisition of core system components and the peripheral items that constitute the digital terminal control system capability. The project will also conduct system engineering activities to comply with the technical regulatory requirements of the design acceptance process.

The key risk for this project is in delivering a digital terminal control system that meets the integration and interfacing requirements of the joint fires environment. This risk is being treated through the rigorous application of systems engineering processes, with comprehensive stakeholder engagement.

Artillery Replacement 155mm Howitzer—LAND 17 Phase 1A

Prime Contractor: through several United States Government Foreign Military Sales cases

This project will deliver 35 M777A2 lightweight towed howitzers, a command and control battle management system and course correcting fuzes.

The 35 M777A2 howitzers have now been received and the final version of the battle management system software has been delivered. During 2012-13, this project will complete deliveries of the howitzers and the battle management systems into Army units. The project will also establish a Foreign Military Sales case for the acquisition of the course correcting fuze element of the capability.

The key risk for this project is achieving complete integration and interoperability within the ADF Joint Fires digital command and control environment.

Australian Protected Route Clearance Capability—JP 154 Phase 3A

Prime Contractor:

- US Foreign Military Sales - HUSKY Ground Penetrating Radar (GPR) and Interrogator Arm (IA)
- JCB Construction Equipment Australia - High Mobility Engineer Excavator (HMEE)
- Pearson Engineering - Self Protected Adaptive Roller Kit (SPARK) Mine Roller mark II (SMRII)

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 SMRII (integrated onto Protected Mobility Vehicles (PMV), supplied by Land 116
- two protected HMEE.

During 2012-13, this project will deliver 12 HUSKY (eight fitted with GPR and four fitted with IA); a SMRII support system (11 SMRII have been delivered under an extant Operational User Requirement); and eight HMEE - two to Australia and six to theatre.

The key risk for this project is the potential for delay in releasing a required amendment to the Foreign Military Sales Case for HUSKY vehicles, which would adversely impact delivery of the vehicles and Initial Materiel Release.

Upgrade of M-113 Armoured Vehicles—LAND 106

Prime Contractor: BAE Systems Australia Defence

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. The final contracted delivery date for all 431 vehicles is December 2012, but the contractor is delivering ahead of schedule.

During 2012-13, this project will complete delivery of the final vehicles (logistic and mortar variants) and associated technical publications. Final deliveries of project related spare parts will also be achieved, as the project moves towards project closure by June 2013.

The key risk for this project is production slippage, which will remain until all production is complete. The production schedule relies on the contractor maintaining the current manufacturing capacities of its Bandiana and Wingfield facilities.

Maritime Systems

Anzac Ship Anti-Ship Missile Defence—SEA 1448 Phase 2B

Prime Contractor: CEA Technologies Proprietary Limited and the Anzac Ship Integrated Material Support Program Alliance (comprising the DMO, Saab Technologies Australia and BAE Systems)

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, the project will continue to develop the Stage 2 final phased array radar software capability, for delivery by mid 2013 with sea acceptance testing in late 2013.

The project will also progress installation in HMAS *Arunta* and prepare for subsequent ship installations.

The key risk for this project is successfully achieving the upgrade to meet capability software requirements within the planned scheduled program given the nature of software development risks.

General Manager Programs

Air Warfare Destroyer—SEA 4000 Phase 3

Prime Contractor: the AWD Alliance

The Air Warfare Destroyer program is being delivered under an alliance-based contracting arrangement between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Government, represented by the DMO.

This project will deliver three Hobart Class Air Warfare Destroyers and their support system to the Royal Australian Navy, providing a significant increase in defence capabilities, from area air-defence and escort duties, right through to peacetime national tasking and diplomatic missions.

During 2012-13, this project will achieve a number of key milestones, including keel-laying and commencement of hull consolidation for the first ship. Final deliveries of Foreign Military Sales equipment for the first ship's aegis combat system will be received, testing of the Australian Tactical Interface hardware and software will be carried out and the integration of the Combat System Through-Life Support Facility will be complete by mid 2013.

Areas of risk and opportunity for the project in 2012-13 include managing the recruiting and training of people to ensure a sensible workforce profile is achieved, a work plan that develops core shipbuilding skills and improves the long term performance of the shipyards. A key area for workforce development in 2012-13 will be building the team that will consolidate blocks and integrate equipment to build the complete warship, which will be done on the Government of South Australia's Common User Facility adjacent to the ASC shipyard in Adelaide. Delivery of hull blocks to Adelaide and maintaining a safe workplace in the shipyards will also be important.

Amphibious Deployment and Sustainment

Amphibious Deployment and Sustainment—JP 2048 Phase 4A/4B

Prime Contractor: BAE Systems Australia Defence

This project will acquire two Canberra Class Amphibious Ships referred to as Landing Helicopter Dock (LHD). This project is one of a number of projects grouped under the Amphibious Deployment and Sustainment (ADAS) Program, designed to replace and enhance Navy's amphibious and afloat support capability.

Navantia, a subcontractor to BAE Systems, is constructing the LHD hulls in Spain. BAE Systems is constructing the superstructures in Williamstown dockyard. L3 Communications is subcontracted to BAE to supply the communications system and Saab Systems Australia to provide and integrate the combat management system. BAE will deliver the first ship to the DMO in early 2014 and the second ship in the third quarter of 2015.

The hull of the first ship will be transported to Australia via Heavy Lift Ship arriving in the third quarter of 2012. Superstructure consolidation and installation of Combat and Communications systems will be undertaken in Williamstown after the hull arrives. The hull of the second ship will be launched in Spain in mid 2012.

The key risks for this project remain the change in requirements from either regulatory change or requirements creep and the risk associated with the complex system integration.

Amphibious Watercraft Replacement—JP 2048 Phase 3

Prime Contractor: Navantia

This project will acquire 12 new watercraft to operate with the LHD ships. The watercraft (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 the shore, including where there are no fixed port facilities or prepared landing facilities.

The project entered Contract for the acquisition of the LHD Landing Craft in December 2011. A number of key milestones are forecast to occur during 2012-13, including system design reviews and cutting of steel for the first LHD Landing Craft.

The most significant milestone and risk for this project is the potential for late delivery of the first four LHD Landing Craft in 2014, thus failing to support the delivery of the first LHD to Defence.

Collins and Wedgetail

Airborne Early Warning and Control Aircraft—AIR 5077 Phase 3

Prime Contractor: Boeing (United States)

This phase, referred to as Project Wedgetail, will provide the ADF with an Airborne Early Warning and Control (AEW&C) capability comprising six aircraft and associated supplies and support.

Project Wedgetail is being managed as a Project of Concern due to the significant schedule slippage and technical risks that have been encountered in the delivery of this capability. Ongoing issues with subsystem technical maturity and integrated system performance have resulted in Boeing not meeting the revised delivery dates of December 2010 and subsequently March 2012. Boeing now plans to deliver the first aircraft in its final operating configuration in mid 2012.

During 2012-13, this project will deliver the final operating configurations for the six aircraft and associated ground support systems. The project will also deliver the final elements of the logistics support requirements by mid 2013.

The key risk for this project is completion of the test and evaluation program.

F-35 Joint Strike Fighter—AIR 6000 Phase 2A/2B

Prime Contractor: Lockheed Martin is contracted to the United States Government for the development and production of the F-35 Joint Strike Fighter (JSF). Australia is procuring the aircraft through a government-to-government agreement

This phase of the program will deliver 14 Conventional Take Off and Landing F-35 aircraft and associated support systems.

The first two aircraft will be delivered in 2014-15 in the United States for testing and training purposes. Purchase of another 12 aircraft will occur two years after the previously anticipated timetable.

Acquisition Projects not included in the Top 30 projects-Current Status

Table 95 provides an update on the status of major projects reported in previous financial years. These projects were not ranked in the Top 30 projects by expenditure in 2012-13.

Table 95: Current Status of Previously Reported Top 30 Projects (Projects Reported in the Last Five Financial Years)

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
General Manager Systems						
Aerospace Systems						
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	74	13	<p>The prime contractor for the development and testing of the AP-3C electronic support measure upgrade is BAE Systems Australia.</p> <p>AIR 5276 Phase 8B commenced formal Factory Acceptance Testing and prototype aircraft modification as scheduled in February 2012. Following completion of these activities in mid 2012, a comprehensive aircraft ground and flight test program will be undertaken, culminating in delivery of the first upgraded aircraft by late 2013.</p> <p>In addition to introduction into service of the first modified AP-3C Orion aircraft, modification of the supporting ground systems and simulators will commence in early 2013, with completion forecast late 2013.</p> <p>This project is being managed as a Project of Concern.</p>
F/A-18 Hornet Upgrade	AIR5376 Phase 2	2011-12	1,877	1,614	25	<p>The project provides several upgrades to the F/A-18 (Classic) Hornet weapon system 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 the earlier AIR5376 Phase 2 project.</p> <p>During 2012-13, the project will achieve service release with the delivery of all equipment.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	65	4	<p>AIR 5276 Capability Assurance Program 1 successfully completed flight testing in February 2012, which concluded the test program. Delivery of the first upgraded AP-3C Orion aircraft into service is forecast for mid 2012.</p> <p>In addition to introduction into service of the first modified aircraft, modification of the supporting ground systems and simulators is also forecast to be completed mid 2012. Installation of the capability onto the remaining AP-3C Orion fleet is forecast to occur over the next 18 months.</p> <p>Deployment, testing, and incorporation of the modifications are being undertaken by the P-3 Accord - an Alliance between DMO, BAE Systems Australia, and Australian Aerospace.</p>
Electronic Systems						
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	255	197	15	<p>This phase of the project will deliver combat and tactical data radios to address urgent capability shortfalls, including provision of communications for the in-Service Battlefield Command Support System and Battle Management Systems to be procured under projects LAND 75 and LAND 125. This phase of the project will assist in achievement of the ADF's network centric warfare milestone of the networked battlegroup.</p> <p>This project will complete delivery of all equipment in mid 2012, with the focus during 2012-13 being on supporting the introduction into service of this new capability.</p>
High Frequency Modernisation	JP 2043 Phase 3A	2010-11	671	437	11	The Defence High Frequency Fixed Network delivered and maintained by Boeing Defence Australia is meeting operational performance requirements.
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	2011-12	134	23	..	The objective for JP 2077 2B.2 is to build on the core transactional element of the Military Integrated Logistics Information System to deliver a Deployable Logistics System and the Integrate In-Transit Visibility system. Following major difficulties with the project, the capability requirements are being reviewed.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	105	74	6	<p>This project will deliver Dismounted Battle Management Systems including a command post system to the ADF in cooperation with LAND 75 Phase 3.4 and JP 2072 Phase 1. The project is delivering a dismounted Battle Management System into a Brigade group in support of land network centric warfare roadmap milestones. Initial operational test and evaluation activities will be conducted in mid 2012. The Final Materiel Release for the System is due in 2013.</p> <p>During 2012-13, this project will complete all acceptance testing and quality assurance procedures and take delivery of the majority of the systems. Following operational test and evaluation further enhancements may be incorporated where possible to reduce the overall weight of the system. The project remains on schedule and within the approved project funding.</p>
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	103	60	6	<p>JP 2089 Phase 2A - Anzac frigate Multi-Link upgrade completed training unit - Anzac ship support centre and first of class physical installations and risk reduction testing of the Combat Management System software in 2011. Subject to Anzac frigate operational requirements and ship availability the software Test Readiness Review for the Combat Management System is scheduled for early 2013 with ship installation scheduled for mid 2013 and Initial Operational Release expected late 2013.</p> <p>JP 2089 Phase 2A - Initial Common Support Infrastructure completed the majority of acquisitions and demonstrated the deployable network monitoring and management capability in 2011. The Phase 3A Function and Performance Specification is scheduled for completion in late 2012. The demonstration of the fixed infrastructure capability is planned for late 2012. This element of the project is a 'proof of capability' undertaken as a risk reduction activity to develop the systems requirements and inform the follow on Phase 3A of JP 2089.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
New Air Defence Command and Control Systems for Control Units 2 & 3	AIR 5333	2011-12	274	246	2	<p>Project Vigilare has replaced the Air Defence Command and Control System with new systems at Northern Regional Operations Centre and Eastern Regional Operations Centre. The Prime Contractor for AIR 5333 is Boeing Defence Australia Ltd. Outside the main contract with Boeing the project has also designed and delivered an integrated ADF Air Defence System communications network.</p> <p>The Vigilare capability represents a highly networked command and control capability for the RAAF combining surveillance, airspace battle management and provision of the Recognised Air Picture (RAP) to higher Defence headquarters. The RAP combines data and information from over 250 sources in near real time. The Vigilare capability includes integrated voice and data communications across security domains and a sophisticated implementation of tactical data links, including Link-11 and Link-16.</p> <p>During 2012-13, this project will oversee the remediation of noise related issues in key vigilare equipment, which will allow the project to progress to Final Operating Capability and project closure, planned for late-2012.</p>
MILSATCOM Terrestrial Infrastructure	JP 2008 Phase 3E	2007-08	208	207	..	<p>Full capability has been delivered and through-life support of the capability has transitioned to the sustainment organisation. The Maritime Advanced SATCOM Terrestrial Infrastructure System interference remediation to manufacture and install Radio Frequency (RF) Barriers is expected to be completed by mid-2012.</p>
Electronic Warfare Self Protection for Selected Aircraft	AIR 5416 Phase 2	2009-10	292	276	-	<p>All supplies have been delivered by the project as per revised Government direction. Transition into service is now complete. The project is in final closure and will be closed by mid-2012.</p>
Improvements to the Logistics Information Systems	JP 2077 Phase 2B	2009-10	153	152	-	<p>This project has delivered the Military Integrated Logistics Information System (MILIS) based on software from Ventyx Ltd (formerly MINCOM Ltd). The target date for Final Operating Capability (FOC) is mid-2012. Project closure activities have commenced and this is planned for late-2012. MILIS in-service activities will focus on the completion of the MILIS Inventory Assurance Plan by mid-2012, and further system enhancement as directed by the Capability Manager.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
Explosive Ordnance						
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	301	261	16	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. JP 2070 Phase 3 is being managed as a Project of Concern in conjunction with JP 2070 Phase 2. The procurement of MU90 war stock inventory is due to be completed during 2012-13.
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	2008-09	235	205	10	A partial delivery of Excalibur projectiles was achieved in January 2012 with the remainder to be delivered in late-2012. Work is in progress to develop Range Safety templates for firing the Excalibur and SMArt 155 Precision Guided Munitions in Australia. Work on upgrading Advanced Field Artillery Tactical Data System (AFATDS) is progressing and arrangements to integrate AFATDS with the Bushmaster Protected Mobility Vehicle is being finalised.
Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	341	277	4	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 delivery of missiles is due to be accepted by the DMO, permitting Final Materiel Release to be achieved, and project closure to commence.
Evolved Sea Sparrow Missiles	SEA 1428 Phase 4		89	84	..	All orders for Evolved Sea Sparrow Missiles and canisters for the Anzac / FFG frigates have been placed. The remaining payments relate to transport, travel and other minor expenses. Deliveries have commenced and the project is expected to close in 2016.
Land Systems						
Australian Light Armoured Vehicle Additional	LAND 112 Phase 3		690	610	21	This project has delivered the bulk of the capability, being: 144 new Australian Light Armoured Vehicle (ASLAV) Phase 3 vehicles; 59 behind armour commander's weapon stations; 9 crew procedural trainers; and standardisation of the Phase 2 fleet to an approximate Phase 3 build standard. The remaining element is 18 Multi Spectral Surveillance Suites that will commence delivery during 2012-13 when this project will achieve Initial Materiel Release of six ASLAV surveillance variants.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
Tank Replacement Project	LAND 907 Phase 1		559	446	4	<p>The project has delivered all key milestones – residual issues to be finalised are delivery of the Tank Urban Survivability Kit (TUSK) and execution of the final amendment to the prime Foreign Military Sales case. The Loaders Armoured Gun Shield was fitted to 1 Armoured Regiment vehicles in March 2012 and the Abrams' Reactive Armour Tiles were introduced in 2011. This completes two of the four elements of TUSK.</p> <p>During 2012-13, the project plans to deliver the two remaining elements of TUSK - the commander's weapon station and remote thermal sight. The project will then complete the Foreign Military Sales case amendment and undertake project closure.</p>
Direct Fire Support Weapons	LAND 40 Phase 2		145	38	2	<p>There have been delays for the light weight automatic grenade launcher component of this project, as negotiations with the preferred tenderer were unsuccessful. The acquisition strategy has been reviewed and Defence is seeking endorsement of the way forward.</p>
Maritime Systems						
Anzac Ship Project	SEA 1348 Phase 2	2007-08	5,381	5,373	5	<p>The warranty and safety upgrade work is being finalised prior to commencement of the project closure process.</p>
Armidale Class Patrol Boat	SEA 1444 Phase 1	2007-08	537	489	1	<p>The 14 patrol boats are in operational service. Eight have been granted Final Operational Release and the remaining six should be released following completion of modification work in 2011-12.</p>
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,450	1,356	23	<p>This project is to upgrade four Adelaide class frigates to deliver integrated sensors, missile launchers and combat management systems and to improve aspects of the frigates' war fighting capability. All four ships have achieved Navy Initial Operational Release.</p> <p>The planned 2012-13 outcomes are procurement of inventory spares and system equipment, and granting of Operational Release by the Chief of Navy.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m	Status report
Standard Missile Replacement	SEA 1390 Phase 4B	2011-12	399	314	19	This project is to upgrade four Adelaide Class Frigates with the SM-2 Surface-to-Air Mid Course Guidance mode missile capability; acquire the weapons, and provide missile technician training. The planned 2012-13 outcome is the installation of the tested SM-2 Stage 2 Mid-Course Guidance system software to all of the remaining Adelaide Class frigates and shore-based support facilities following the completion of testing in mid-2012. This will finalise the installation of this capability in the Adelaide Class frigates.
Ships Self Defence Capability	SEA 1779 Phase 1	2007-08	53	44	-	This project is progressing to closure in late-2012.
General Manager Programs						
Collins and Wedgetail						
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	426	297	13	Heavyweight torpedo modifications continue. However, project schedule is dependent on the submarine full cycle docking program, and recent changes to the program have resulted in the final submarine modification in HMAS Collins being scheduled for completion in 2015. The final delivery of weapons was made in January 2012 although software development to meet the specified operational performance continues.
Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008-09	411	326	13	Major modifications to fire fighting halon distribution, sewage automation, diesels, and submerged signal ejector continue during full cycle docking. Outside of these dockings, planning and design continue for the special forces exit and re-entry capability and Land Based Test Facility.
Collins Replacement Combat System	SEA 1439 Phase 4A	2007-08	450	430	5	Combat System installations continue dependent on the submarine full cycle docking program. Recent changes to the program have resulted in the final submarine installation in HMAS Collins being scheduled for completion in 2015.
New Air Combat Capability						
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	Project has been completed.

Note

1. Top 30 Major Projects are based on a review of expenditure plans for 2012-13 and following years conducted in December 2011.

Top 10 Minor Capital Investment Projects by 2012-13 Forecast Expenditure

Table 96 lists the Top 10 approved Minor Capital Investment Projects by forecast expenditure for 2012-13. Schedules for delivery of the capability are included in the descriptions of the Top 10 Minor projects; descriptions also include project risk and strategies employed by the project office to manage the risk.

Table 96: Top 10 Minor Projects by 2012-13 Forecast Expenditure^[1]

	Project number / phase	Approved project expenditure \$m	Estimated cumulative expenditure to 30 June 2012 \$m	Budget estimate 2012-13 \$m
Army				
Enhanced Static Line Parachute Capability	AMP058.08	28	4	15
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	44	9	14
Enhanced Land Force (ELF) Weapons Training Simulator System (WTSS)	AMP029.44	34	..	9
Chinook Passenger and Crew Seating	AMP015.36	8	3	4
Army Field Catering Equipment	AMP500.09	4	..	3
Kiowa Pilot Seating	AMP015.58	7	1	2
Air Force				
Traffic Alert & Collision Avoidance System (TCAS)	AFM01001	25	16	3
Broadband	AFM01004	6	3	3
462SQN Electronic Combat and Monitoring System	AFM00977	3	..	2
RAAF Intelligence Deployable LAN (RIDL)	AFM01003	5	2	2
Total - Top 10 Minor Projects		164	38	58

Note

1. The Top 10 Minor Projects are based on a review of expenditure plans for 2012-13 and the following years conducted in December 2011.

Table 97: Top 10 Minor Capital Investment Program by 2012-13 Forecast Expenditure

	Budget estimate 2012-13 \$m
Top 10 Projects Gross Plans	58
Other Approved Project Gross Plans	26
Total Gross Plan Project Estimates	84
Management Margin: Slippage ¹	-12
Payments Required from Defence for Approved Programs²	72
Projects Planned for Consideration and Transfer to the DMO ²	14
Total Estimated Funds Available	85

Notes

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2012-13 financial year progresses

2. Refer to Table 88: See "Total Planned Payments from Department of Defence" on page 142.

Top 10 Minor Project Descriptions

Army

Enhanced Static Line Parachute Capability—AMP058.08

Prime Contractor:

- Static Line Parachute System - no prime contractor
- Dispatcher Parachute System - Air N Sea Safety Pty Ltd

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. A Prime Contractor has not been selected as the United States Government is yet to sign a contract. This is likely to occur around mid 2012.

This project will deliver a replacement capability for the ADF that will comprise a number of components, including non-steerable static line parachutes, steerable static line parachutes, reserve parachute systems and dispatcher parachutes. A wide range of spares, support and test equipment, training and training materials will also be delivered to meet the ADF's in-service support and training needs.

During 2012-13, the project will commence deliveries of the Static Line Parachute System and Dispatcher Parachute. It is expected that the project will achieve Initial Operating Capability by mid 2013.

Australian Light Armoured Vehicle Crew Procedural Trainers—AMP002.12

Prime Contractor: Thales Australia Limited

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.

During 2012-13, the project will deliver six crew procedural trainers, amend the existing crew procedural trainer through-life support contract to incorporate the nine new crew procedural trainers and conduct a test readiness review.

Enhanced Land Force Weapons Training Simulator System—AMP029.44

Prime Contractor: Meggitt Training Systems Australia

This project will deliver five additional Weapons Training Simulation Systems in support of the Enhanced Land Force at Edinburgh, South Australia; Townsville, Queensland; Singleton, Kapooka, New South Wales; and Enoggera, Queensland. The initial capability comprises the supply and installation of simulated weapons currently in-service. The final capability comprises the introduction into service of new simulated weapon types, ammunition natures and training scenarios not currently in service.

The contract for the initial capability was signed in February 2012 and the project will deliver the initial capability of existing in-service weapons at all five sites between late 2012 and mid 2013. The Request for Tender for the final capability will be released by mid 2012.

Chinook Passenger and Crew Seating—AMP015.36

Prime Contractor: Dynamic Control International, Detroit United States

This project delivers crashworthy Passenger and Crew Seats to five CH-47D Chinook helicopters. The solution encompasses contemporary seats, a new floor, 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.

During 2012-13, the project will complete design activities for certification and modify five CH-47D aircraft with the contemporary seating solution, making the CH-47D compliant with Airworthiness Directive AD-003. AD-003 calls for enhanced passenger survivability in 'legacy aircraft' where practical to do so.

Army Field Catering Equipment—AMP500.09

Prime Contractor: Not in contract

This project will deliver a range of field catering equipment for the Army and its associated logistic support for introduction into service.

This project is not yet in contract.

During 2012-13, requests for tender for equipment and support will be issued.

Kiowa Pilot Seating—AMP015.58

Prime Contractor: Sikorsky Aircraft Australia Limited (Sikorsky Helitech)

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.

During 2012-13, the project will complete the Kiowa Pilot Seating modification design, including the completion of the first two prototype aircraft.

Air Force

Traffic Alert and Collision Avoidance System (TCAS)—AFM01001

Prime Contractor: BAE Systems

The project is installing a Traffic Alert and Collision Avoidance System onto the AP-3C Aircraft to enhance the safety awareness and de-confliction of other air traffic, including civil aircraft, in all aspects of flight.

The first modified aircraft will be delivered into service in mid 2012, with the modifications of further fleet aircraft and the ground based simulator continuing into 2013.

Broadband—AFM1004

Prime Contractor: Foreign Military Sales

This project will deliver an enhanced satellite communications capability for a number of ADF surveillance aircraft.

During 2012-13, the project will deliver the first aircraft modified with the enhanced satellite communications capability in late 2012 and in early 2013 the second aircraft will be retrofitted with the capability.

462SQN Electronic Combat and Monitoring System—AFM00977

Prime Contractor: Contract signature is planned to occur in late 2012

The Project will provide Air Force with new capability for electronic support, radio communications intercept and direction finding. Equipment will also be procured to facilitate the creation of a hostile electronic warfare environment for the purpose of pilot training.

During 2012-13, the project is expected to award the contract in late 2012, conduct acceptance testing and evaluation in early 2013 and achieve Initial Materiel Release by mid 2013.

RAAF Intelligence Deployable LAN (RIDL)—AFM01003

Prime Contractor: Thales Australia Limited

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.

During 2012-13, the project will deliver a suite of deployable local area networks to the Air Force Intelligence community by late 2012. Additionally, the Air Force Tactical Intelligence Flights, which are located throughout Australia, will be delivered fixed desktops on the Defence Secret Network, which will be upgraded to accommodate the capability by mid 2013.

Program 1.2: Management of Capability Sustainment

Program 1.2 Objective

Defence capabilities will be sustained to meet operational requirements as identified in the specific Materiel Sustainment Agreement (MSA).

Sustainment involves the provision of in-service support for specialist military equipment, including platforms, fleets and systems operated by Defence. Typical services include repair and maintenance, engineering, supply, configuration management and disposal action. It includes the maintenance of equipment and purchasing of inventory, such as explosive ordnance, fuel, stores and spare parts.

Program 1.2 Management of Capability Sustainment Expenses

The cost of Program 1.2 provides for estimated expenditure on maintenance and inventory purchases and the DMO's costs in delivering sustainment services, including support to ADF Operations.

Planned resource use for Program 1.2 is \$5,295.3m in 2012-13 which represents approximately 58 per cent of the DMO's total expenses.

The planned resource use for Program 1.2 includes:

- the cost of contracted sustainment services of \$4,242.6m
- support for current ADF operations of \$358.1m
- direct appropriation of \$549.8m relating to Sustainment Workforce and Operating Expenses
- Net Operating Costs of \$124.4m in support of new capabilities expected to enter service
- resources received free of charge from Defence of \$20.5m.

Table 98: Program 1.2 Management of Capability Sustainment

	2011-12 Estimated outcome \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,720,049	4,725,022	5,090,323	5,518,350	5,814,214
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1)	560,918	549,750	559,780	585,937	590,393
Expenses not requiring appropriation in the Budget year ¹	20,026	20,527	21,040	21,566	22,105
Total program expenses	5,300,993	5,295,299	5,671,143	6,125,853	6,426,712

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.2 Deliverables

Key deliverables are specified under each MSA, and the top 20 sustainment products are discussed under the product headings in the following text. There are currently eight MSAs incorporating 118 product schedules. The number of schedules has increased in 2012-13 due to the sustainment of new equipment, such as HMAS *Choules*, and the LHD, and the splitting of Explosive Ordnance schedules between munitions and guided weapons. The latter has been done to provide greater visibility and improved management.

Program 1.2 Key Performance Indicators

The indicators vary with each sustainment product and are specified in the MSAs.

Top 20 Sustainment Products by 2012-13 Forecast Expenditure

Table 99 lists the Top 20 sustainment products by forecast expenditure for 2012-13. The key objective of sustaining the ADF and its capabilities to meet operational requirements through support to platforms, equipment and services of the Top 20 products are included in the descriptions that follow the table.

Table 99: Top 20 Sustainment Products by Forecast End of Financial Year Outcome in 2012-13

	Budget estimate 2012-13 \$m
General Manager Systems	
Aerospace Systems	
Airborne Early Warning & Control	161
F/A-18A Hornet Weapons System	153
F/A-18F Block II Super Hornet Weapons System	111
P-3C/AP-3C Orion Weapons System	105
C-130J-30 Weapons System	81
Lead-in Fighter Haw k 127 Weapons System	73
Electronic Systems	
Wide Area Surveillance Capability	83
Explosive Ordnance	
Explosive Ordnance - Navy, Army, Air Force	323
Helicopter Systems	
Armed Reconnaissance Helicopter Weapons System	96
Multi Role Helicopter	93
S70A-9 Black Haw k Weapons System	86
S70B-2 Seahaw k Weapons System	62
Land Systems	
General Service B Vehicle Fleet	66
ADF Clothing	56
Maritime Systems	
Fuels and Lubricants - Navy, Army, Air Force	412
Anzac class frigate	206
Adelaide class frigate	139
Auxiliary Oiler Replenishment	91
Mine Hunter Coastal	61
General Manager Programs	
Collins Class Submarines	516
Total -Top 20 Products	2,974
Other approved Sustainment Product estimates	1,268
Total Sustainment Product Funds Available	4,242
Support to Operations	359
Total Sustainment and Operations Funding	4,601

TOP 20 SUSTAINMENT PRODUCT DESCRIPTIONS

General Manager Systems

Aerospace Systems

Aerospace Systems Division provides through-life support to 14 fixed wing aircraft types including the F/A-18 Classic Hornet and Super Hornet, AEW&C (Airborne Early Warning and Control), AP-3C Orion, C-17A Globemaster III, KC-30A (Multi-Role Tanker/Transport), C-130 Hercules and PC9. Aerospace Systems Division also provides through-life support to a number of advanced flight simulators and ground support equipment fleets.

Major challenges for sustainment during 2012-13 include:

- implementing efficiency initiatives aligned with strategic reform for maintenance and engine support to a range of aerospace weapons systems, including the implementation of a single aircraft surface finishing (painting) contract for multiple aircraft fleets
- introducing incentive-based support contracts for new and existing aircraft fleets
- managing the Classic Hornet ageing aircraft issues to maintain the capability through until 2020
- supporting operationally deployed weapon systems such as the C-17A, C-130 and the AP-3C
- taking delivery of the remaining KC-30A and AEW&C aircraft and finalising in-service support arrangements
- contributing to the development of acquisition and sustainment strategies for future aerospace projects including Maritime Patrol and Response capabilities, replacement Battle Field Airlifter and Pilot Training Systems
- providing support to emergent operational capabilities such as the Heron Unmanned Aerial System
- rationalising the number of ground support equipment fleet types and replacing the aging Aircraft Cargo Loader fleets.

Aerospace System Products

Airborne Early Warning and Control

The DMO is into the third year of a total logistics support contract with Boeing Defence Australia for the Wedgetail platform. With the acceptance of the sixth (final) aircraft under the acquisition phase, the support contract continues to mature to cover the entire fleet, and associated simulators and software laboratories. Work will continue to establish repair pipelines and examine in-country sub-contractor support opportunities.

The focus in 2012-13 will be finalising the initial in-lay of spares and maturing electronic warfare self protection and electronic support measures sustainment, under subcontract with BAE Systems Australia. Initial Operational Capability is expected to be achieved in the first quarter of 2012-13 as the operations and sustainment arrangements mature.

F/A-18A Hornet Weapons System

Seventy-one F/A-18 Classic Hornet aircraft and associated training systems are supported by a range of commercial contracts and in-house RAAF workshops. The major challenge in supporting the Classic Hornet fleet continues to be maintaining endorsed flying rates due to the increased maintenance requirements of an ageing aircraft.

During 2012-13, the focus will be to continue to work closely with Air Force and industry partners to remediate ageing aircraft issues and thereby further increase serviceability levels. Additionally, a number of strategic follow-on contracts will be established, in particular for Classic Hornet Deeper Maintenance, and Hydraulic and Undercarriage support. Significant savings across all elements of sustainment as part of strategic reform will continue to be aggressively sought.

The final report from a Classic Hornet Ageing Aircraft Systems Audit is due mid 2012. The outcomes of this report will be reviewed and an implementation plan developed during the coming year.

F/A-18F Block II Super Hornet Weapons System

Twenty-four F/A-18F Block II Super Hornet aircraft were progressively introduced into service over the period March 2010 to October 2011. The final aircraft arrived ahead of schedule and the full program is under budget.

Some spares continue to be delivered but there has been sufficient sustainment support to allow the required flying and deployment program to be adequately supported.

The focus for 2012-13 will be the further maturing of the three sustainment Foreign Military Sales programs and four commercial support contracts, which are all now well established. Full Operational Capability is planned for December 2012.

P-3C/AP-3C Orion Weapons System

The P-3 fleet consists of 18 Orion aircraft and a range of ground based systems. The P-3 remains heavily tasked on operations in the Middle East and northern Australia. The P-3 Accord (Defence, BAE Systems Australia and Australian Aerospace) provides in-service modification and deeper maintenance support. Other major contractors, including Raytheon, Thales, and Qantas Defence Systems, provide in-service support. The majority of the fleet has reached its structural safe design life and has transitioned to a more resource intensive 'safety-by-inspection' program, comprising targeted additional structural inspections, repairs or structural element replacements.

During 2012-13, the focus will be on induction of aircraft for repaint. Work will continue on the aircraft safety-by-inspection 16,000 hour servicing program, supportability and obsolescence treatments for aging avionics systems and implementation of strategic reform activities. Retendering of the T-56 engine contract under the Propulsions Improvement Program initiative is scheduled for mid 2013.

C-130J-30 Weapons System

The C-130J fleet consists of 12 aircraft and one Level 5 simulator. The C-130J is supported by two prime performance based contracts. Australian Aerospace provides deeper maintenance, logistics and engineering support, and Standard Aero provides propulsion system support.

During 2012-13, the focus will be on implementation of the C-130J planned servicing schedule review to optimise maintenance planning and increase the interval between scheduled maintenance events. This will increase the availability of C-130J aircraft to support in-country and deployed operations, and reduce the cost of ownership. Continued remediation of wear caused by the harsh operating environment experienced by deployed aircraft will continue to place pressure on maintenance support and the maintenance budget, particularly structural components and the propulsions system. Alternative support arrangements are currently being investigated to reduce the cost of ownership of the AE2100 propulsions system, with transition to a new performance based contract anticipated during 2013.

Lead-In Fighter Hawk 127 Weapons System

During 2012-13, the focus will be on competing and negotiating a new total logistic support contract to ensure ongoing support to the Lead-In Fighter capability.

Other major activities include: continuation of the fleet corrosion control program, addressing ageing aircraft reliability and obsolescence management through long term remediation and equipment purchase programs, and achieving flight clearance of the Air Combat Manoeuvring Instrumentation Pod to support the Lead-In Fighter Capability Assurance Program.

The major challenge for the future remains achievement of a more cost effective support solution to meet strategic reform objectives.

Electronic Systems

The sustainment of electronic systems is executed via 19 System Program and System Support Offices (SPO/SSO) based on Materiel Sustainment Agreements (MSAs) with six Capability Managers. These offices cover command and control systems, communications, satellites and tactical interoperability, airspace surveillance and control systems, logistics information systems and electronic warfare systems.

Key challenges in 2012-13 include delivery of required sustainment outcomes with growth in demand and increasing obsolescence. Some 260 reform initiatives have been identified to achieve performance requirements within budget. Sustainment activities scheduled for 2012-13 include:

- **Communications**
 - analysing, planning and executing a major fleet transition phase as the second tranche of JP 2072 (future Combat Net Radio) equipment is delivered and rolled out from July 2012
 - continuing to participate in the successful Army Enhanced Equipment Pool (EEP) initiative to maximise effective utilisation of tactical communications equipment
 - phase in of new support contract for Harold E Holt, very low frequency communications
 - development of work packages under the Support Services Contract for the modernised High Frequency Network to support obsolescence management including information technology refresh and cryptographic equipment update.
- **Command Support Systems**
 - investigating options for the Next Generation Deployable Local Area Networks (DLAN), which will leverage the opportunities afforded by technological advancement and improved hardware and software being developed by commercial sources.
- **Electronic Warfare**
 - managing sustainment of all ADF Large Aircraft Infrared Countermeasures Systems (LAIRCM), covering multiple current and future Airborne programs
 - sustaining the Joint Counter IED capability
 - in-service support of the Nulka anti-ship missile countermeasures.
- **Surveillance and Control**
 - ongoing sustainment of air traffic control systems, including remediation of support arrangements in preparation for possible life of type extensions and to achieve reform
 - ongoing sustainment of the air defence ground environment including remediation of support arrangements with industry to achieve strategic reform
 - ongoing sustainment of military GPS systems including the implementation of revised repair support arrangements with Australian industry in lieu of overseas support
 - ongoing support to Air Force in remediating a number of obsolescence issues at the Woomera Test Facility
 - ongoing support of Wide Area Surveillance systems including implementing further efficiency initiatives as identified with industry
 - identifying further efficiencies and remediation obsolescence issues effecting Wide Area Surveillance.
- **Satellites and Tactical Interoperability**
 - continuing sustainment activities in support of Defence's Fixed Satellite Communications Ground Infrastructure sites in Australia
 - development of support concepts for narrowband satellite communications and project equipment provisioned under the WGS partnership with the United States
 - identifying further efficiencies and remediation of obsolescence issues effecting tactical Satellite terminal equipment

- continuing provision of engineering and technical support to the ADF's Tactical Information Exchange Domain
- ongoing sustainment of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) capabilities and equipment purchased and/or managed by the Tactical Information Exchange Integration Office.
- Logistics Information
 - completion of Military Integrated Logistics Information System (MILIS) remediation activities
 - continuing to deliver customer identified MILIS enhancements.

Electronic Systems Product

Wide Area Surveillance Capability

The Wide Area Surveillance Capability consists of three Over-The-Horizon-Radars based in Longreach Queensland, Laverton Western Australia and Alice Springs Northern Territory. These radars are maintained by Lockheed Martin Australia and BAE Systems. The capability is remotely operated by Air Force from an operations centre at RAAF Base Edinburgh South Australia.

During 2012-13, the focus will be on continuing to develop reform initiatives to deliver the balance of the project's strategic reform targets. Challenges with respect to obsolescence and ageing facilities will continue to be managed.

Key initiatives will be the upgrade of the communication links used to connect the radars with the operations centre, and the remediation of the Timing and Frequency System between all radars.

Explosive Ordnance

Explosive Ordnance Division (EOD) is responsible for the sustainment of all complex guided weapons and non-guided munitions for the ADF. The Division operates major missile and torpedo maintenance facilities on the east and west coast of Australia for the conduct of in-house support for guided weapons. The Division also manages the national inventory of munitions and is the contract authority for domestic munitions manufacturing under the strategic agreement for munitions supply.

Key objectives for sustainment in 2012-13 include:

- pursuing new commercial arrangements for the supply of munitions to the ADF, including production at the Benalla and Mulwala facilities
- continued focus to deliver sustainable savings in munitions procurement and management and guided weapon support as part of strategic reform
- migration of all General Stores Inventory and Repairable Items from the Explosive Ordnance inventory system, Computer System Armament (COMSARM), to MILIS
- remediation of current missile maintenance facilities and improvements to test set support arrangements and spares holdings
- further development of inventory performance reporting capabilities within the Division and improved Key Performance Indicators for incorporation into our MSAs with the Navy, Army and Air Force
- continued roll-out of the EOD professionalisation framework, including workplace competency certification and broad banding arrangements for guided weapon maintainers
- commencement of transition-out planning with Thales in anticipation of the expiry of the Strategic Agreement for Munitions Supply in 2015.

Explosive Ordnance Product

Explosive Ordnance — Navy, Army, Air Force

During 2012-13, a number of sustainment issues affecting Navy Guided Weapons will be addressed through a remediation plan, including inventory management, spares holdings and in-house maintenance practices. Reforms to engineering certification processes will deliver greater availability of weapons and further savings in support of strategic reform.

The Division will continue to improve munitions inventory serviceability in support of ADF training and operations, including resolving issues with engineering capacity and Explosive Ordnance certification. The focus will be on longer term procurement planning and more strategic contracting to build security and certainty into the munitions supply chain and achieve better value for money.

Helicopter Systems

Helicopter Systems Division provides through-life support to seven rotary wing weapons systems through System Program Offices (SPOs) based at Nowra for Navy Aviation and Brisbane and Oakey for Army Aviation. The SPOs 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 SPO 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 Unmanned Aerial Vehicles (UAV) has been established in Brisbane.

The sustainment tasks are driven by operational unit requirements and deployments such as Seahawk helicopters on ships serving in the Middle East, the Chinooks and UAVs in Afghanistan, and Black Hawks in East Timor.

For 2012-13, the major sustainment objectives include:

- providing ongoing support to operationally deployed helicopters and UAVs
- providing cost conscious support of Seahawk and Black Hawk helicopters for training and operations while managing increasing levels of obsolescence and impending replacement by new aircraft
- maturing the support arrangements for the Tiger and MRH90 helicopters as they are delivered
- disposal of Iroquois and Sea King helicopters.

Under the Smart Sustainment initiative, management and support of all helicopter fleets will be reviewed to ensure that the appropriate level of aircraft availability is achieved and that this is done in the most cost effective manner possible, in order to achieve strategic reform cost reduction targets.

Helicopter System Products

Armed Reconnaissance Helicopter Weapons System

All 22 aircraft have been accepted into service, 19 of which are in the mature configuration and are being used for training and operational evaluation activities, while the remaining three aircraft are undergoing a retrofit program to bring them up to the contracted configuration. The Prime Contractor continues to work towards delivering the remaining three retrofit aircraft by late 2012.

During 2012-13, the main focus will be improving support performance. The Armed Reconnaissance Helicopter fleet has flown in excess of 10,000 hours and Defence continues to work closely with the Prime Contractor to improve Tiger rate of effort and aircraft serviceability.

A key capability milestone of a deployable squadron, by day and night, will be evaluated in August 2012.

Multi Role Helicopter

Of the 46 aircraft to be acquired, 15 aircraft have been accepted and are based in three locations: five aircraft are at 5th Aviation Regiment in Townsville, seven aircraft are at the Army Aviation Training Centre in Oakey and three aircraft are at 808 Squadron in Nowra.

During 2012-13, key technical deficiencies are likely to be rectified by mid 2012. Until these issues are resolved the MRH90 will be limited in achieving capability objectives. Resolutions to the engineering and reliability issues will be identified and progressively implemented by the contractor. A new performance based support arrangement will be developed to deliver increased rate of effort to support Navy and Army requirements.

S70A-9 Black Hawk Weapons System

Army's fleet of 34 Black Hawk helicopters continues to support airmobile and special operations capabilities. In-service sustainment is provided through support and maintenance contracts with BAE Systems Australia, Sikorsky Helitech, Asia Pacific Aerospace and CAE.

During 2012-13, the main focus will be on the sustainment activities required to ensure that Black Hawk can maintain the required operational availability until replaced by the MRH90.

S70B-2 Seahawk Weapons System

The fleet of 16 Seahawk helicopters contributes to Navy's anti-surface and anti-submarine warfare capabilities. The Seahawk is supported through a combination of maintenance contracts primarily with BAE Systems Australia and Asia Pacific Aerospace, Navy in-unit maintenance, and support from the helicopter manufacturer Sikorsky.

The Seahawk is an aging aircraft with a number of mission system related obsolescence issues under careful management. It will begin to be replaced by the new MH-60R Seahawk Romeo helicopters from 2014.

During 2012-13, the focus will be on continuing to support the Seahawk fleet, maintaining sufficient availability ahead of the transition to the MH-60R while generating strategic reforms to drive cost reductions across the aircraft's remaining service life through targeted efficiencies in contracted maintenance activities.

Land Systems

Land Systems Division is responsible for the sustainment of the following land materiel, managed in conjunction with Army and Joint Health Command as the lead capability managers:

- armoured fighting, combat support and field vehicles
- engineer, surveillance and simulation systems
- small arms to missile weapon systems
- medical, and dental equipment, health systems and combat rations
- ADF clothing and personal combat equipment.

During 2012-13, the key sustainment objectives will be:

- meeting the support requirement of forces on operations
- delivering the agreed level of support to the ADF within budget
- meeting reform objectives and ongoing reform of inventory management and sustainment including:
 - more efficient contracting
 - comprehensive equipment fleet performance reviews with Defence Capability Managers
 - expanded equipment pool trials aimed at reducing the total cost of ownership
 - vehicle/equipment fleet servicing analysis to achieve cost saving without a reduction in availability, functionality or safety.

Land System Products

General Service B Vehicle Fleet

The General Service vehicle fleet consists of over 11,000 unprotected vehicles and trailers. Fleet elements are Light (Land Rover), Medium (Unimog) and Heavy (Mack) trucks (including associated trailers), motorcycles, All-Terrain Vehicles and ceremonial vehicles. The major issue for the fleets is the ability to maintain serviceability levels until they are replaced by Project LAND 121 acquisitions.

The focus for 2012-13 will continue to be on repair parts, labour, and improving efficiency consistent with the Capability Manager's requirements. Management of critical variants is the priority with particular attention being directed in support of operations. Those vehicles that are no longer economically viable will undergo disposal.

ADF Clothing

ADF Clothing includes combat and non-combat clothing for operational and non-operational roles. In 2012-13, key objectives will be:

- the conduct of a range of procurements including the establishment of new standing offer(s) for combat and cold weather boots for use in Australia and overseas. This tender is ongoing and is due to be completed by late 2012 with the Standing Offer Deeds to be signed by late 2013
- the establishment of new standing offers to supply the standard combat uniform and accessories. The successful tenderers will be required to supply a range of garments including the disruptive pattern camouflage uniform worn by Army and Air Force personnel and the disruptive pattern Navy uniform worn by Navy personnel
- establishing standing offers for the local manufacture of the new operational combat uniform and fabric printed with the Australian version of the multicam camouflage pattern. These standing offers are expected to be signed by mid 2012 and the first uniforms are expected by late 2012
- the conduct of industry forums, the publishing of a quarterly newsletter and the release of the ADF Clothing and Personal Equipment Procurement Plan, which will detail all planned major clothing and personal equipment procurements.

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.

The key objectives for sustainment during 2012-13 include:

- implementation of the Rizzo review recommendations and embedding the policy, procedural and cultural changes needed for reform
- continued implementation of the Smart Sustainment strategic reform through initiatives such as amended in-service support arrangements to improve efficiency of the Mine Hunter Coastal ships, and the Strategic Sourcing Initiative in the Navy Inventory Procurement Office
- improvement of the configuration management and maintenance baseline of major surface ships
- transitioning to the Anzac class Group Maintenance Contract, and tendering for the FFG class Group Maintenance Contract
- establishing appropriate support and operational arrangements for the Captain Cook Graving Dock after expiration of the current lease in June 2013
- ongoing support to HMAS *Choules*, implementing support for the Interim Maritime Humanitarian Aid and Disaster Relief vessel, and preparations for the in-service sustainment of the LHD and AWD ships.

Maritime Systems Product

Fuels and Lubricants—Navy, Army, Air Force

Petrol, oil and lubricant products are procured under long term contracts and provided to Defence operational and support elements and visiting foreign forces.

Planned outcomes for 2012-13 include the identification of optimal operational and reserve holdings with Defence stakeholders, the implementation of revised fuel card processes, embedding the new fuel inventory and financial accounting system, and implementing procedures to align across the ADF fuel supply chain with responsibilities under new Australian Standards and *Work Health and Safety Act 2011*.

Anzac class frigate

The Anzac fleet consists of eight frigates. The 2012-13 planned outcomes are: the provision of ongoing sustainment of materiel capability to meet Navy's operational requirements, the award and implementation of the Anzac Class Group Maintenance Contract, and continued Inventory Management reforms and preparation of the designated ships for work under Project SEA 1448 Phase 2.

Adelaide class frigate

The support objective is to maintain the materiel capability of the Adelaide class frigate through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.

The 2012-13 planned outcomes are to: provide ongoing sustainment of materiel capability to meet Navy's operational requirements, undertake and complete scheduled ship maintenance activities for the frigates across the financial year, and release and evaluate the tender for the FFG Class Group Maintenance Contract.

Auxiliary Oiler Replenishment

The support objective is to maintain the materiel capability of Navy's Auxiliary Oiler Replenishment ship HMAS *Success* through the provision of materiel support and ongoing maintenance of the ship, and associated equipment and systems.

During 2012-13, the focus will be to maintain an Auxiliary Oiler Replenishment capability for fleet exercises and operations, prior to entering into a major refit from late 2012 until mid 2013.

Mine Hunter Coastal

The support objective is to maintain the materiel capability of the Huon Class Mine Hunter Coastal vessels and associated training equipment through the provision of materiel support and ongoing maintenance of the in-service ships.

During 2012-13, the focus will be to complete scheduled ship maintenance activities for the operational ships throughout the financial year, and complete detail design for the upgrade of the ships' fire fighting and combat systems.

General Manager Programs

Collins Program

Collins Class Submarines

The objective of the Collins Program is to sustain the Collins Class Submarine (CCSM) materiel capability, minimise the logistic costs of ownership, and provide sustainable and cost effective design, engineering and logistics support for platform systems and combat systems, through agreements with industry partners including ASC Pty Ltd (ASC), Raytheon Australia, Thales and BAE Systems.

The planned outcome for 2012-13 is to improve the availability and reliability of the CCSM. This will be achieved through a range of initiatives focussed on safety and reliability, optimising the maintenance program, supply support reform and establishing the performance based In-Service Support Contracts (ISSC) for platform and mission systems.

The Phase 3 Coles Review report will help to direct further the Collins Reform program and will guide the ISSC transition activities undertaken during 2012-13. In parallel the Collins Program will work collaboratively with Navy in the implementation of the Rizzo Review and Continuous Improvement Program.

Program 1.3: Provision of Policy Advice and Management Services

Program 1.3 Objective

The DMO will meet Government, Ministerial and departmental expectations and timeframes for the provision of policy, advice and support and delivery of industry programs.

Program 1.3 Provision of Policy Advice and Management Services Expenses

The cost of Program 1.3 provides for estimated expenditure in delivering industry and procurement policy and advice to both the Defence Portfolio and the Government, and the corporate functions in support of the DMO's business activities. Planned resource use for Program 1.3 is \$129.3m in 2012-13 representing approximately one per cent of the DMO's total expenses.

The planned resource use for Program 1.3 primarily includes:

- direct appropriation of \$119.3m relating to policy advice and management services
- resources received free of charge from Defence and ANAO of \$8.9m
- other resources of \$1.0m.

Table 100: Program 1.3 Provision of Policy Advice Management Services

	2011-12 Estimated outcome \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	1,015	1,021	1,025	1,031	1,039
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1)	115,189	119,342	117,105	107,982	122,273
Expenses not requiring appropriation in the Budget year ¹	8,727	8,896	9,070	9,248	9,430
Total program expenses	124,931	129,259	127,200	118,261	132,742

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.3 Deliverables

This program delivers specialist legal, procurement and contracting policy and services, industry programs and engagement, and acquisition and sustainment advice to support the Department and the Government.

Program 1.3 Key Performance Indicators

The DMO is meeting Government, Ministerial and departmental expectations and timeframes for provision of policy, advice and support.

Performance targets for Program 1.3 are the quality and timely provision of:

- procurement and intellectual property policy advice, contracting and services to the wider Department and DMO
- Defence industry policy, programs, engagement and advice to both the Defence portfolio and the Government.

As the Defence domain policy owner for procurement and contracting, General Manager Commercial oversees an ongoing program of reform aimed at realising improved efficiency, effectiveness, and commercially astute outcomes under Defence procurements.

Major procurement policy initiatives for 2012-13 include:

- continued updating and streamlining of the Australian Standard for Defence Contracting (ASDEFCON). A key focus will be to incorporate the changes to the work health and safety framework under the *Work Health and Safety Act (Commonwealth) 2011*. The new streamlined support template will also be released and will be available for less complex sustainment contracts
- commencement of a complete overhaul of the *Defence Procurement Policy Manual* to simplify policy and practice requirements and better distinguish between mandatory policy and better practice guidance
- continued development of a certification program to upskill Defence procurement and contracting officers
- working with the educational and tertiary sector to finalise a comprehensive framework of vocational and university courses to enhance Defence procurement and contracting job family professionalisation.

The Government is committed to ensuring Australia's domestic Defence industry base remains healthy and that opportunities are provided to allow Australian companies to compete for Defence work on their merits. To improve Australia's industrial capability, capacity, and competitiveness, the Government has a key objective of delivering the industry outcomes framed by the White Paper, the Public Defence Capability Plan, and the *Defence Industry Policy Statement 2010*.

A key activity supporting achievement of this objective is the Priority Industry Capability (PIC) Health Check Program, which seeks to ensure that Australian industry capabilities needed to deliver Defence self reliance, can deliver now and in the foreseeable future, a defined capability on time and to an acceptable technical standard at a reasonable price. The DMO will continue to review and analyse the health of the PICs during 2012 and provide industry with advice on any changes to industry requirements and implications for future procurement activities within the relevant PICs.

Additionally, the DMO will continue to monitor the level of expenditure on domestic suppliers to ensure that Australian companies continue to be provided with opportunities to compete for Defence work.

More broadly, the DMO will continue to pursue its wider industry development initiatives, including through:

- the Defence Industry Innovation Board - which reviews and provides advice to Government about Defence's industry development programs
- the Global Supply Chain Program, which facilitates opportunities for Australian companies to enter the supply chains of multi-national Defence primes
- the Defence Exports Unit's 'Team Australia' initiative - which facilitates opportunities for exports by Australian Defence industry
- the Australian Industry Capability Program which seeks to maximise opportunities for Australian industry to compete on its merits
- programs aimed at improving industry productivity, including:
 - Skilling Australian Defence Industry (SADI) and its extension program, the Industry Skilling Program Enhancement (IPSE) package, to upskill existing employees and broaden the Defence industry skill base
 - PIC Innovation Program that will provide repayable matching grants to invest in delivering innovation within each Priority Industry Capability, thereby assisting companies to develop, adopt, or commercialise new products, methodologies, materials, or systems.
- the Defence Materials Technology Centre which develops new materials and manufacturing technologies
- upgrading the existing e-Portal capability to promote industry awareness and connectivity
- the Defence Industry Innovation Centre, with its focus on Small to Medium Enterprises
- The *National Partnership on the School Pathways Program* will provide \$5.8m over five years from 2010-11 to South Australia and Western Australia to facilitate transition of young people from school into further education and apprenticeships and part-time work/study combinations in Defence industry
- Additionally, a *Manufacturing School Pathways Program* will provide an extra \$2.17m over three years from 2011-12 in the Hunter Region of New South Wales, led by Regional Development Australia - Hunter.

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of agency finances for the 2012-13 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 Explanatory tables

3.1.1 SPECIAL ACCOUNTS

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act* or under separate enabling legislation. Table 101 shows the expected additions (receipts) and reductions (payments) for each account used by DMO.

Table 101: Estimates of Special Account Flows and Balances

		Opening balance 2012-13 2011-12	Receipts 2012-13 2011-12	Payments 2012-13 2011-12	Closing balance 2012-13 2011-12
	Outcome	\$'000	\$'000	\$'000	\$'000
Defence Materiel Special Account (A & D)	1	415,486 550,451	9,685,358 11,427,556	9,675,005 11,562,521	425,839 415,486
Services for Other Entities and Trust Moneys - Defence Materiel Organisation (S)	1	- -	- -	- -	- -
Total Special Accounts 2012-13 Budget estimate		415,486	9,685,358	9,675,005	425,839
<i>Total Special Accounts 2011-12 estimate actual</i>		<i>550,451</i>	<i>11,427,556</i>	<i>11,562,521</i>	<i>415,486</i>

Notes

(A) = Administered

(D) = Departmental

(S) = Special Public Money

3.1.2 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

The 2012-13 Australian Government indigenous Statement is not applicable to the DMO as it has no specific indigenous expenditure. DMO participates in the wider departmental Indigenous programs.

3.1.3 GRANTS

The DMO's grants are paid from departmental funds provided by direct appropriation from the Government and are approved by the Minister for Defence. The approved budget to date for the DMO's grants program is \$29.1m.

Table 102: Approved Grants for 2012-13

	Estimated actual 2011-12 \$'000	Budget 2012-13 \$'000
Skilling Australia's Defence Industry (SADI)	7,753	13,190
Priority Industry Capability Innovation Program (PIC IP)	9,233	9,403
Industry Skilling Program Enhancement (ISPE)	7,184	6,541
Total	24,170	29,134

Skilling Australia's Defence Industry (SADI)

The SADI program was established to generate additional skilled positions, up-skill existing employees and improve the quality and quantity of skills training in defence industry. Proposals are expected to demonstrate that they:

- target growth in professional and technical trades categories where current and future shortages are identified
- retain skilled employees
- address the current and long term growth requirements of industry
- demonstrate the commitment of the Company to increase their workforce skills base
- contribute to Defence capability.

Priority Industry Capability Innovation Program (PIC IP)

The PIC IP is an Australian Government initiative, providing direct support in the form of repayable, matched grants, to Australian defence companies. The program particularly focuses on assisting small to medium sized enterprises to pursue innovative defence industry projects. Grants are awarded through a competitive grants round. Funding is available for up to \$4m per project.

PIC IP grants support Australia's defence industry to develop, adopt and commercialise innovative technologies, methodologies, materials or systems in areas defined as Priority Industry Capabilities (PICs).

The first application round of the PIC IP closed in January 2012. The next application round is expected to be held in the first quarter of financial year 2012-13. The Program Guidelines detail the requirements for entry to the program and are available on the PIC IP website at <http://www.defence.gov.au/dmo/id/picip/>.

Industry Skilling Program Enhancement (ISPE)

The ISPE package aims to promote skilling and career pathways within defence industry. The initiative sees the DMO work with ISPE package key stakeholders to expand the pool of skilled people in defence industry and enhance work and career pathways in the sector.

The following elements of ISPE are grants:

- Masters in Systems Supporting Engineering, Professional Doctorate in Systems Engineering and the Advanced Manufacturing Schools Pathways Program
- The following grant programs as provided by the Defence Industry Innovation Centre (DIIC, an ISPE initiative):
 - Tailored Advisory Service Grants
 - Researchers in Business Grants
 - Workshops, Industry Intelligence and Networking Grants
 - Defence Special Purpose Grants (a fourth grants program to be provided by the DIIC).

3.2 DMO Budgeted Financial Statements

3.2.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

INCOME STATEMENT

The DMO is budgeting for a break-even operating result for 2012-13, with total income and expenses of \$9,100.7m. Of this amount, the DMO will earn \$8,132.9m (89.4 per cent) from Defence, \$928.5m (10.2 per cent) through direct appropriation from Government, and \$39.3m (0.4 per cent) from other sources.

The funding received from Defence for the delivery of Programs 1.1 and 1.2 is recorded as revenue to the extent that the DMO procures goods and services for Defence during the financial year. Amounts received for goods and services not yet provided or delivered are recorded as a liability (unearned revenue within Payables - Other) in the DMO financial statements.

The income for 2012-13 is expected to be \$881.9m (8.8 per cent) lower than the 2011-12 estimated actual. The variation is mainly the result of the decrease in program activities as follows:

- Program 1.1 (Management of Capability Acquisition) \$3,676.1m - decrease of \$874.6m (19.2 per cent)
- Program 1.2 (Management of Capability Sustainment) \$5,295.3m - decrease of \$6.9m (0.1 per cent)
- Program 1.3 (Provision of Policy Advice and Management Services) \$129.5m - no material change.

The net cash resourcing reforms under Operation Sunlight are not applicable to the DMO as it is already essentially operating on a net cash basis. Accordingly the DMO appropriation has not been adjusted for depreciation and the DMO continues to meet asset purchases through internal reserves.

BALANCE SHEET

With the exception of employee entitlements that are expected to increase consistent with salary growth, other assets and liabilities in accordance with the Defence and the DMO business Model are estimated to remain relatively consistent over the forward estimates. This includes the unearned revenue from Defence as the DMO plans to deliver acquisition and sustainment outcomes based on the funding provided by Defence.

STATEMENT OF CASH FLOWS

Cash flows are consistent with the income statement and growth in employee entitlements as described above.

3.2.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 103: Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
EXPENSES					
Employee benefits	588,610	554,657	581,248	632,920	661,695
Suppliers	9,360,842	8,514,334	8,885,593	10,171,356	12,108,712
Grants	24,170	29,134	25,918	31,027	3,381
Depreciation and amortisation	2,465	2,527	2,590	2,654	2,721
Total expenses	9,976,087	9,100,652	9,495,349	10,837,957	12,776,509
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	9,013,982	8,133,966	8,495,232	9,785,733	11,683,957
Total own-source revenue	9,013,982	8,133,966	8,495,232	9,785,733	11,683,957
Gains					
Other	37,335	38,220	39,127	40,056	41,008
Total gains	37,335	38,220	39,127	40,056	41,008
Total own-source income	9,051,317	8,172,186	8,534,359	9,825,789	11,724,965
Net cost of (contribution by) services	924,770	928,466	960,990	1,012,168	1,051,544
Revenue from Government	931,270	928,466	960,990	1,012,168	1,051,544
Surplus (Deficit) attributable to the Australian Government	6,500	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	6,500	-	-	-	-
Plus non-appropriated accrual expenses	-	-	-	-	-
Total comprehensive income (loss) attributable to the agency	6,500	-	-	-	-

Table 104: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	43,027	43,027	43,027	43,027	43,027
Trade and other receivables	495,215	505,568	508,635	512,290	499,155
Total financial assets	538,242	548,595	551,662	555,317	542,182
Non-financial assets					
Property, plant and equipment	6,989	7,317	7,653	7,998	8,351
Intangibles	320	403	488	576	666
Other non-financial assets	1,385,147	1,385,147	1,385,147	1,385,147	1,385,147
Total non-financial assets	1,392,456	1,392,867	1,393,288	1,393,721	1,394,164
Total assets	1,930,698	1,941,462	1,944,950	1,949,038	1,936,346
LIABILITIES					
Payables					
Suppliers	1,286,916	1,286,916	1,286,916	1,286,916	1,286,916
Grants	4,809	4,809	4,809	4,809	4,809
Other payables	54,475	55,256	57,700	60,168	41,160
Total payables	1,346,200	1,346,981	1,349,425	1,351,893	1,332,885
Provisions					
Employee provisions	184,287	194,270	195,314	196,934	203,250
Other provisions	3,189	3,189	3,189	3,189	3,189
Total provisions	187,476	197,459	198,503	200,123	206,439
Total liabilities	1,533,676	1,544,440	1,547,928	1,552,016	1,539,324
Net assets	397,022	397,022	397,022	397,022	397,022
EQUITY					
Parent entity interest					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves					
Retained surplus					
(accumulated deficit)	241,654	241,654	241,654	241,654	241,654
Total parent entity interest	397,022	397,022	397,022	397,022	397,022
Total Equity	397,022	397,022	397,022	397,022	397,022

Table 105: Departmental Statement of Changes in Equity - Summary of Movement (Budget Year 2012-13)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	241,654	-	-	155,368	397,022
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	241,654	-	-	155,368	397,022
Surplus (deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Transactions with owners					
Contributions by owners					
Appropriation (equity injection)	-	-	-	-	-
Departmental Capital Budget (DCBs)	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-
Estimated closing balance as at 30 June 2013	241,654	-	-	155,368	397,022

Table 106: Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash received					
Sales of goods and rendering of services	9,896,582	8,132,945	8,494,207	9,784,702	11,682,918
Appropriations	920,969	918,113	957,923	1,008,513	1,064,679
Net GST received	679,558	565,279	589,616	674,881	801,005
Other	56,012	57,668	59,145	60,662	62,221
Total cash received	11,553,121	9,674,005	10,100,891	11,528,758	13,610,823
Cash used					
Employees	577,908	543,893	577,760	628,832	674,387
Suppliers	10,268,619	8,532,761	8,904,586	10,190,931	12,128,886
Grants	24,170	29,134	25,918	31,027	3,381
Net GST paid	679,558	565,279	589,616	674,881	801,005
Other	-	-	-	-	-
Total cash used	11,550,255	9,671,067	10,097,880	11,525,671	13,607,659
Net cash from (used by) operating activities	2,866	2,938	3,011	3,087	3,164
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2,866	2,938	3,011	3,087	3,164
Total cash used	2,866	2,938	3,011	3,087	3,164
Net cash from (used by) investing activities	-2,866	-2,938	-3,011	-3,087	-3,164
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	43,027	43,027	43,027	43,027	43,027
Cash and cash equivalents at the end of the reporting period	43,027	43,027	43,027	43,027	43,027

Table 107: Departmental Capital Budget Statement

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ¹	2,866	2,938	3,011	3,087	3,164
TOTAL	2,866	2,938	3,011	3,087	3,164
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	2,866	2,938	3,011	3,087	3,164
Total cash used to acquire assets	2,866	2,938	3,011	3,087	3,164

Note

1. Includes the following sources of funding:
- annual and prior year appropriations
 - donations and contributions
 - gifts
 - internally developed assets
 - s31 relevant agency receipts (for FMA agencies only)
 - proceeds from the sale of assets

Table 108: Statement of Asset Movements (2012-13)

	Asset Category		
	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000
As at 1 July 2012			
Gross book value	12,989	12,497	25,486
Accumulated depreciation/amortisation and impairment	6,000	12,177	18,177
Opening net book balance	6,989	320	7,309
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - internal sources	2,370	568	2,938
Total additions	2,370	568	2,938
Other movements			
Depreciation/amortisation expense	2,042	485	2,527
As at 30 June 2013			
Gross book value	15,359	13,065	28,424
Accumulated depreciation/amortisation and impairment	8,042	12,662	20,704
Closing net book balance	7,317	403	7,720

3.2.3 ADMINISTERED BUDGETED FINANCIAL STATEMENTS TABLES

Table 109: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the Period Ended 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation revenue					
Interest	1,000	1,000	1,000	1,000	1,000
Total non-taxation revenue	1,000	1,000	1,000	1,000	1,000
Total revenues administered on behalf of Government	1,000	1,000	1,000	1,000	1,000
Gains					
Other	-	-	-	-	-
Total gains administered on behalf of Government	-	-	-	-	-
Total income administered on behalf of Government	1,000	1,000	1,000	1,000	1,000

Table 110: Schedule of Budgeted Assets and Liabilities on Behalf of Government (as at 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	4,217	4,217	4,217	4,217	4,217
Total financial assets	4,217	4,217	4,217	4,217	4,217
Total assets administered on behalf of Government	4,217	4,217	4,217	4,217	4,217

Table 111: Schedule of Budgeted Administered Cash Flows (for the Period 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	9,400	1,000	1,000	1,000	1,000
Total cash received	9,400	1,000	1,000	1,000	1,000
Net cash from (used by) operating activities	9,400	1,000	1,000	1,000	1,000
Net increase (decrease) in cash held	9,400	1,000	1,000	1,000	1,000
Cash and cash equivalents at beginning of reporting period	-	-	-	-	-
Cash to Official Public Account for: - Transfers to other entities (Finance - Whole of Government)	9,400	1,000	1,000	1,000	1,000
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.4 NOTES TO THE FINANCIAL STATEMENTS

Budgeted Financial Statements

The budgeted financial statements (comprehensive income statement, balance sheet, cash flows and capital budget statement) show the revenues, expenses, assets and liabilities of the DMO. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework and reflect the planned financial performance of the DMO in delivering its programs to Defence and the Government. Unless otherwise stated, the convention used in these budgeted financial statement is to round amounts to the nearest \$'000.

DMO Departmental Revenue

Appropriation received from the Government is recognised as revenue. Revenue for the delivery of Programs 1.1 and 1.2 is recognised by reference to the stage of completion of contracts or other agreements and in accordance with expense incurred. The direct appropriations are a fixed amount and are fully recognised in the financial year. Revenue from other sources represents sales to non- Defence organisations for goods and services and is recognised at the time the service is provided.

DMO Departmental Expenses

Employers

Employee expenses include payments and net increases in entitlements to civilian employees for services rendered in the financial year. The DMO pays a fee for service to Defence for military personnel provided to the DMO, which is reported as part of supplier expenses.

Suppliers

This includes payments to suppliers for goods and services used in providing DMO programs and cost of sales expenses associated with the delivery of goods and services to Defence.

Depreciation and Amortisation

Items of property, plant and equipment and intangible assets are depreciated to their estimated residual values over their estimated useful lives. In all cases, the 'straight-line' method of depreciation is used.

DMO DEPARTMENTAL ASSETS

Departmental Assets — Financial

The primary financial assets are cash and appropriation receivable.

Departmental Assets — Non-financial

This includes infrastructure, plant and equipment and intangibles and other non-financial assets (including prepayments), which are used in the delivery of Programs. The reported value represents the purchase price paid less depreciation incurred to date in using the asset.

DMO Departmental Liabilities

Departmental Liabilities — Provisions

Provision has been made for the Agency's liability for employee entitlements, arising from services rendered by employees. This liability includes unpaid annual leave and long service leave.

Departmental Liabilities — Payables

Payables include unpaid suppliers and an unearned revenue liability associated with goods and services awaiting delivery to Defence.

DEFENCE HOUSING AUSTRALIA

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: DHA Overview and Resources

- 1.1 Strategic Direction
- 1.2 DHA Resourcing

Section 2: Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

DEFENCE HOUSING AUSTRALIA

Section 1: DHA Overview and Resources

1.1 Strategic Direction

The primary function of the Defence Housing Australia (DHA), as set out in the *DHA Act 1987*, is to provide housing and related services for members of the Australian Defence Force (ADF) and their families in line with Defence operational requirements. The DHA seeks to deliver positive outcomes for Defence while also functioning as a Government Business Enterprise charged with operating commercially and delivering shareholder return targets.

The DHA achieves its function through a contracted relationship with the Commonwealth of Australia (Defence). A Services Agreement outlines the commercial arrangements and the responsibilities of both parties in providing housing services to members of the ADF and their families.

The Portfolio Budget Statements have been developed in an environment whereby suitable, well located housing solutions are difficult to obtain in major capital cities. In addition, it is forecasted that total Defence housing requirements will increase and with some significant variations to the requirements between regions.

The DHA aims to meet these requirements through an extensive capital program that constructs, purchases and leases properties from private investors or in bulk from property developers.

The development of land for residential housing will assume a greater role in future operations. This focus reflects the importance to the DHA of the cost effective supply of well-located land for its construction program.

The DHA will undertake major projects to upgrade or replace Defence owned housing on and off base to a modern standard of housing. The DHA has also established a program to provide housing for single defence members in Brisbane, Canberra and Darwin.

The capital program is primarily funded through the cashflows generated by a sale and leaseback program to investors, as well as the disposal of properties no longer required for use by Defence families.

ORGANISATIONAL STRUCTURE

The DHA reports to two shareholder ministers - the Minister for Defence and the Minister for Finance and Deregulation.

The DHA has an independent Board comprising nine directors:

- a Chairman appointed by the Shareholder Ministers
- four directors with expertise in residential property, real estate, building, social planning or finance
- three directors nominated respectively by the Chief of the Defence Force, and the Secretaries of the Departments of Defence, and Finance and Administration
- the Managing Director of the DHA (also the Chief Executive Officer) appointed by the Board and who is the only Executive Director.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Michael Del Gigante
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	The Hon JAL (Sandy) Macdonald
Commercial Director	The Hon Arch Bevis
Nominee Secretary of Finance and Deregulation	Mr Gary Potts
Nominee Secretary of Defence	Mr Peter Sharp
Nominee Chief of Defence Force	Air Vice Marshal Gary Beck AO (Rtd)

The DHA has an Advisory Committee which is attended by:

Chairman	Air Vice Marshal Gary Beck AO (Rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Trevor Jones AM, CSC, RAN
Appointee of Chief of Army	Major General Paul Symon AO
Appointee of Chief of Air Force	Air Vice Marshall Gavin (Leo) Davies CSC
Appointee of Defence Housing Australia	Mr Michael Del Gigante

1.2 Agency Resource Statement

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by departmental classification

Table 1: DHA Resource Statement — Budget Estimates for 2012-13 as at Budget May 2012^[1]

Source	Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
Opening balance/Reserves at bank		170,653	170,653	282,694
REVENUE FROM GOVERNMENT				
Other services				
<i>Bill 2-Non-Operating-Equity</i>				
<i>Bill 2-Non-Operating-Loan</i>			0	0
Total other services		0	0	0
Total annual appropriations		0	0	0
Payments from related entities^[2]				
Department of Defence		501,460	501,460	527,824
Total		501,460	501,460	527,824
Total funds from Government		501,460	501,460	527,824
FUNDS FROM INDUSTRY SOURCES				
FUNDS FROM OTHER SOURCES				
Interest		6,032	6,032	14,208
Sale of goods and services		459,767	459,767	258,545
Total		465,799	465,799	272,753
Total net resourcing for agency		967,259	967,259	800,577

Notes

1. DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered 'departmental' for all purposes.
2. Revenue for sale of goods and services provided by Department of Defence that is not specified within the annual appropriation bills as a payment to the CAC Act body.

Reader Note: All Figures are GST exclusive.

1.3 Budget Measures

There are no budget measures relating to the DHA for the May 2012 budget.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the DHA in achieving government outcomes.

Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus

OUTCOME 1 STRATEGY

The DHA will meet this outcome through the execution of the Services Agreement on Housing and Related Matters (Services Agreement) between the Commonwealth of Australia (Defence) and the DHA.

Under the terms of the Service Agreement, the DHA provides a provisioning schedule to Defence in response to the Defence Housing Forecast (DHF). A Capital Program is also developed, which contains the detailed financial program of capital expenditure related to the provisioning schedule. The key drivers of the DHA's Capital Program are changes to ADF strength and disposition; changes to Defence housing policy and standards; and the DHA's need to replace ageing stock.

OUTCOME EXPENSE STATEMENT

Table 2 provides an overview of the total expenses for Outcome 1, by program.

Table 2: Budgeted Expenses for Outcome 1

Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus	2011-12	2012-13
	Estimated	Estimated
	actual expenses \$'000	expenses \$'000
Program 1.1: Other Departmental- DHA		
Revenue from Government		
Payment from related entities	544,297	545,230
Revenues from other independent sources	195,686	392,176
Total for Program 1.1	739,983	937,406
Total expenses for Outcome 1	739,983	937,406
	2011-12	2012-13
Average Staffing Level (number)	571	591

CONTRIBUTIONS TO OUTCOME 1

Program 1: The provisioning of Defence housing and housing related services

Program 1: Objective

- Provide modern quality housing that meets Defence requirements and community standards.
- Meet financial return targets.

Program 1: Expenses

Program 1: Deliverables

- Deliver housing provisioning schedule outcomes to within 5% of agreed numbers.
- Deliver major land developments and acquisition/construction activities in key defence locations.
- Achieve sustainable sale and leaseback and disposal revenues.

Program 1 Provisioning of Defence housing and housing related services expenses

- Refer to section 3.2 for Financial Statements.

Program 1: Key Performance Indicators

Key performance indicators	2011-12 Revised budget	2011-12 On target	2012-13 Budget target	2013-14 Forward year 1	2014-15 Forward year 2	2015-16 Forward year 3
Houses supplied against provisioning schedule	95%	Yes	95%	95%	95%	95%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	6.1%	Yes	6.3%	6.5%	6.7%	6.7%

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive snapshot of agency finances for the 2011-12 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses

3.1 Explanatory Tables

Not applicable to the DHA.

3.2 Budgeted financial statements

3.2.1 DIFFERENCES IN AGENCY RESOURCING AND FINANCIAL STATEMENTS

Not applicable to the DHA.

3.2.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The DHA operates in a commercial environment and seeks to deliver financial returns to Government through its provisioning activities. Returns are also generated through development and construction activities as well as from capital appreciation on the housing owned by the DHA.

The DHA will not require any direct appropriations or additional borrowings to achieve its outcome.

3.2.3 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3: Comprehensive Income Statement (Showing Net Cost of Service) for the Period Ended 30 June)^[1]

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
EXPENSES					
Employee benefits	54,857	59,555	62,202	64,966	66,625
Supplier expenses	628,468	821,328	911,041	935,909	952,701
Depreciation and amortisation	19,554	20,674	20,802	20,404	20,194
Finance costs	32,104	31,849	31,849	31,849	31,849
Write-down and impairment of assets	5,000	4,000	4,000	4,000	4,000
Income Tax Expenses	25,718	27,674	31,478	30,160	34,109
Total expenses	765,701	965,080	1,061,372	1,087,288	1,109,478
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and services	231,511	439,955	522,314	509,736	498,939
Share of net profit from associates	384	400	76	-	-
Interest	13,126	5,639	4,525	4,544	8,352
Total revenue	245,021	445,994	526,915	514,280	507,291
Gains					
Sale of assets	205	83	77	84	83
Total gains	205	83	77	84	83
Total own-source income	245,226	446,077	526,992	514,364	507,374
Net cost of services	520,475	519,003	534,380	572,924	602,104
Revenue from Government	544,297	545,230	576,030	605,113	639,980
Surplus (Deficit) attributable to the Australian Government	23,822	26,227	41,650	32,189	37,876
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	(45,404)	18,263	18,793	19,201	19,591
Total other comprehensive	(45,404)	18,263	18,793	19,201	19,591
Total comprehensive income	(21,582)	44,490	60,443	51,390	57,467
Total comprehensive income attributable to the Australian Government	(21,582)	44,490	60,443	51,390	57,467

Note

1. Prepared on Australian Accounting Standards basis.

Table 4: Budgeted Departmental Balance Sheet (as at 30 June)^[1]

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS					
Financial assets					
Cash and equivalents	170,653	106,369	74,884	89,058	96,234
Trade and other receivables	49,618	95,192	147,272	180,478	187,149
Investments accounted for under the equity method	4,639	3,479	2,475	2,475	2,475
Accrued Revenue	15,901	12,153	12,505	13,389	14,372
Other Financial Assets	26,657	25,596	27,560	29,365	30,830
Total financial assets	267,468	242,789	264,696	314,765	331,060
Non-financial assets					
Land and buildings	1,603,972	1,596,579	1,608,860	1,614,140	1,609,600
Property, plant and equipment	5,692	8,281	11,272	15,061	19,450
Inventories	885,221	912,792	891,342	833,884	832,453
Tax Assets	24,854	26,104	26,804	26,804	26,804
Total non-financial assets	2,519,739	2,543,756	2,538,278	2,489,889	2,488,307
Assets held for sale	74,740	74,740	74,740	74,740	74,740
Total assets	2,861,947	2,861,285	2,877,714	2,879,394	2,894,107
LIABILITIES					
Payables					
Suppliers	4,932	3,039	306	417	552
Current tax liabilities	7,718	7,339	6,801	3,783	6,873
Dividends	48,594	45,813	49,717	52,306	59,455
Other payables and accrued expenses	86,424	85,225	87,059	87,817	88,866
Total payables	147,668	141,416	143,883	144,323	155,746
Interest bearing liabilities					
Loans	509,580	509,580	509,580	509,580	509,580
Total interest bearing liabilities	509,580	509,580	509,580	509,580	509,580
Provisions					
Employee provisions	17,508	20,927	23,645	26,529	29,434
Provisions for restoration	83,534	86,630	88,427	87,851	88,468
Other	7,050	7,450	6,170	6,018	7,775
Total provisions	108,092	115,007	118,242	120,398	125,677
Total liabilities	765,340	766,003	771,705	774,301	791,003
Net assets	2,096,607	2,095,282	2,106,009	2,105,093	2,103,104
EQUITY²					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,560,437	1,578,700	1,597,493	1,616,694	1,636,285
Retained surplus	140,022	120,434	112,368	92,251	70,671
Total parent entity interest	2,096,607	2,095,282	2,106,009	2,105,093	2,103,104

Notes

1. Prepared on Australian Accounting Standards basis.

2. 'Equity' is the residual interest in assets after deduction of liabilities.

Table 5: Budgeted Statement of Cash Flows (for the Period Ended 30 June)^[1]

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	783,212	961,227	1,069,050	1,083,650	1,099,268
Interest	14,208	6,032	4,689	4,468	8,170
Other	3,157				
Total cash received	800,577	967,259	1,073,739	1,088,118	1,107,438
Cash used					
Employees	53,736	58,337	59,678	62,388	63,951
Suppliers	822,430	842,961	900,359	891,385	951,034
Borrowing costs	32,460	31,849	31,849	31,849	31,849
Taxes paid	27,295	28,603	32,016	33,178	31,019
Total cash used	935,921	961,750	1,023,902	1,018,800	1,077,853
Net cash from (used by) operating activities	(135,344)	5,509	49,837	69,318	29,585
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	238,121	134,255	124,047	139,084	143,058
Total cash received	238,121	134,255	124,047	139,084	143,058
Cash used					
Purchase of property, plant and equipment	162,510	155,454	159,556	144,511	113,161
Total cash used	162,510	155,454	159,556	144,511	113,161
Net cash from (used by) investing activities	75,611	(21,199)	(35,509)	(5,427)	29,897
FINANCING ACTIVITIES					
Cash received					
Contributed equity	0	-	-	-	-
Proceeds from issuing financial	0	0	-	-	-
Total cash received	0	0	0	0	0
Cash used					
Dividends paid	52,308	48,594	45,813	49,717	52,306
Total cash used	52,308	48,594	45,813	49,717	52,306
Net cash from (used by) financing activities	(52,308)	(48,594)	(45,813)	(49,717)	(52,306)
Net increase (decrease) in cash held	(112,041)	(64,284)	(31,485)	14,174	7,176
Cash and cash equivalents at the beginning of the reporting period	282,694	170,653	106,369	74,884	89,058
Cash and cash equivalents at the end of the reporting period	170,653	106,369	74,884	89,058	96,234

Note

1. Prepared on Australian Accounting Standards basis.

Table 6: Departmental Statement of Changes in Equity—Summary of Movement (Budget Year 2012-13)^[1]

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	140,020	1,560,437		396,148	2,096,605
Opening balance	140,020	1,560,437	0	396,148	2,096,605
Comprehensive income					
Comprehensive income recognised directly in equity:					
Gain/loss on revaluation of property	26,227				26,227
		18,263			18,263
Sub-total comprehensive income	26,227	18,263	0	0	44,490
Total comprehensive income recognised directly in equity	166,247	1,578,700	0	396,148	2,141,095
Transactions with owners					
Distributions to owners					
Returns on capital					
Dividends	45,813				45,813
Sub-total transactions with owners	45,813	0	0	0	45,813
Estimated closing balance as at 30 June 2013	120,434	1,578,700	0	396,148	2,095,282

Note

1. Prepared on Australian Accounting Standards basis.

Table 7: Departmental Capital Budget Statement^[1]

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
CAPITAL APPROPRIATIONS					
Equity injections - Bill 2	-				
Loans - Bill 2	-	-			
Total capital appropriations	-	-	-	-	-
Total new capital appropriations					
Represented by:					
Purchase of non-financial assets	-	-			
Total Items	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-				
Funded internally from departmental resources ²	114,591	80,255	94,815	94,446	82,906
TOTAL	114,591	80,255	94,815	94,446	82,906
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	114,591	80,255	94,815	94,446	82,906
plus reclassification					
plus other	47,919	75,199	64,741	50,065	30,255
Total cash used to acquire assets	162,510	155,454	159,556	144,511	113,161

Notes

1. Prepared on Australian Accounting Standards basis.
2. Funded internally through proceeds from sale of assets.

Table 8: Statement of asset movements (2012-13)

	Land	Buildings	Other property, plant and equipment	L&B IP&E held for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2012					
Gross book value	880,741	723,273	34,826	74,740	1,713,580
Accumulated depreciation/amortisation and impairment	-	(42)	(29,134)	-	(29,176)
Opening net book balance	880,741	723,231	5,692	74,740	1,684,404
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase - Government funding					
By purchase - other	26,669	48,586	5,000	0	80,255
Total additions	26,669	48,586	5,000	0	80,255
Other movements					
Disposals	-	-	-	(82,648)	(82,648)
Transfer to assets held for sale	(41,324)	(41,324)	-	82,648	-
Depreciation	-	-	(2,411)	-	(2,411)
Total other movements	(41,324)	(41,324)	(2,411)	-	(85,059)
As at 30 June 2013					
Gross book value	866,086	730,535	39,826	74,740	1,711,187
Accumulated depreciation/amortisation and impairment	-	(42)	(31,545)	-	(31,587)
Closing net book balance	866,086	730,493	8,281	74,740	1,679,600

APPENDICES

Glossary

Acronyms and Abbreviations

Glossary

Accumulated Depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Additional estimates	Where amounts appropriated at Budget time are required to change, Parliament may make adjustments to portfolios through the Additional Estimates Acts.
Administered appropriation	Revenue, expenses, assets and liabilities administered by an agency for the Commonwealth (such as taxes, benefits payments and public debt) that are not concerned with running the agency or its commercial activities.
Administered items	Expenses, revenues, assets and liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Assets, liabilities, revenues and expenses that are controlled by Defence or a subsidiary. Includes officials allocated to the organisation.
Amortisation	A term used interchangeably with depreciation, except that it applies to a non-current physical asset under finance lease, or a non-current intangible asset, over its limited useful life.
Appropriation	An authorisation by Parliament to spend money from the Consolidated Revenue Fund (the principal working fund of the Commonwealth) for a particular purpose.
Annual appropriation	Two appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the additional estimates.
Assets	Future economic benefits controlled by Defence as a result of past transactions or other past events. Assets are initially recognised at the cost of acquisition. Non-financial assets are subject to ongoing revaluation assessment.
Assets under construction	Assets under construction by Defence for Defence, or for the use of another entity according to a construction contract where Defence controls the asset until completion, or assets under construction or otherwise being made ready by another entity for use by Defence.
Australian Accounting Standards	Specify techniques of accounting practice and the method of presenting financial information about a reporting entity.
Average funded strength	A budgetary measure used to count the average number of ADF members paid on a full-time equivalent basis during a financial year.
Capability	The combination of military equipment, personnel, logistics support, training, resources, etc. that provides Defence with the ability to achieve its operational aims.
Capability Manager	A Capability Manager is responsible for raising, training and sustaining in-service capabilities through the coordination of fundamental inputs to capability. Capability Managers include the Service Chiefs, the Chief of Joint Operations and the Chief Information Officer.
Capital budget	All proposed capital expenditure funded by appropriation for outcomes, by equity injections or loans and/or appropriations for administered capital, or by other sources.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.
Coalition	Countries including Australia who provide troops, logistical support or assistance in Military Operations, peacekeeping or reconstruction efforts.
Combined exercise	An exercise or activity involving one or more Services of the ADF with the forces of other countries.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund. The fund is not a bank account. The Official Public Account reflects most of the operations of the fund.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.

Defence Capability Plan	The Defence Capability Plan is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget.
Defence information environment	Encompasses all of Defence's computing and communication capabilities at all classification levels. It supports all Defence warfighting functions, including overseas deployed elements and connection to Coalition networks, as well as the day-to-day management functions.
Defence Management and Finance Plan	The Defence Management and Finance Plan provide Ministers and central agencies with a clear oversight of Defence planning and financing strategies. It describes the strategies agreed through the 2000 Defence White Paper and subsequent Strategic Review papers. As a compendium of information attached to Defence's annual Portfolio Budget Submission, it is intended to help Ministers make informed strategic and budgetary decisions on Defence, by bringing into one document the expected financial position of the portfolio taking into account existing commitments and proposed new investments. The Plan also provides the Government with the information necessary to ensure that its investment in Defence is both affordable and sustainable.
Defence Procurement Review	An independent review initiated by the Government in December 2002 to examine the procurement process for major acquisitions in Defence. The review was led by Mr Malcolm Kinnaird and is also known as the Kinnaird Review.
Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Discretionary grants	Payments where the portfolio Minister and paying agency have discretion in determining whether or not a particular applicant should receive funding and may or may not impose conditions in return for the grant. There is a central discretionary grants register.
Employee	Any Australian Public Service officer of Defence or serving Defence Force member who receives a salary or wage, along with other benefits, for the provision of services whether on a full-time, part-time, permanent, casual or temporary basis
Employee expenses	Include, but are not limited to, benefits provided to employees in the form of salaries and wages, performance pay, senior officers' allowances, leave, and superannuation, but does not include amounts paid or owed to employees as reimbursement of out-of-pocket expenses.
Equity injection	An additional contribution, over and above the cost of outputs. Equity injections form part of the Commonwealth's investment in Defence.
Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.
Financial Management and Accountability Act 1997	The Act establishes the regulatory framework for financial management within Defence and other public sector agencies.
Force element	A component of a unit, a unit or an association of units having common prime objectives and activities.
Force element group	A grouping of force elements with an appropriate command and control structure for a specified role or roles (eg the Navy Submarine Group).

Forward estimates	The level of proposed expenditure for future years, based on relevant demographic, economic and other future forecasting assumptions). The Government required forward estimates for the following three financial years to be published in each annual Federal Budget paper.
Garrison support services	Includes a range of base support services such as ground maintenance, hospitality, training area management, base security, transport, air support and fire fighting and rescue services.
Group	A high-level organisational grouping of functions and activities used by the Defence Executive as its primary management grouping (e.g. the Capability Development Group).
Hardened and Networked Army	The Army's key initiative to modernise and meet future operations demands and requirements of the Government. It will increase the size and firepower of the land force, improve the protection provided to troops, and allow them to communicate better on the future battlefield.
Infrastructure	Items owned, leased or otherwise under the control of Defence in support of activities on land and within buildings. Infrastructure includes items such as runways, roads, car parks, parade grounds, ovals, lighting, water, sewerage and other general service related items. It does not include land upon which, or within which, it is constructed or those fixed items integral to, and under, buildings.
Interoperability	The ability of systems, units or forces to provide the services to, and accept services from, other systems, units or forces and to use the services so exchanged to enable them to operate effectively together.
Inventory	Inventory is comprised of consumable stores and supplies, fuel and explosive ordnance used in the delivery of Defence services. These are items which are consumed in normal use, lose their identity during periods of use by incorporation into, or attachment upon, another assembly, as a result of wear and tear, cannot be reconditioned because their design does not make it possible or their specific values do not justify it.
Joint exercise	An exercise involving two or more Services of the ADF.
Liabilities	Sacrifices of future economic benefits that Defence is presently obliged to make to other entities as a result of past transactions or other past events.
Materiel Acquisition Agreements	Materiel Acquisition Agreements cover the Defence Materiel Organisation's acquisition services to Defence for both major and minor capital equipment.
Materiel Sustainment Agreements	Materiel Sustainment Agreements are between the Capability Managers and the Chief Executive Officer of the Defence Materiel Organisation. These agreements cover the sustainment of current capability, including goods and services such as repairs, maintenance, fuel and explosive ordnance.
Military response options	A set of generic tasks that describe the range of military options the Government could consider as a basis for a response to a particular situation or contingency.
Net assets	See Equity
Network Centric Warfare	The aim of Network Centric Warfare is to improve the ability of the ADF to collaborate internally with supporting agencies and with coalition partners across organisation and geographic boundaries. Network Centric Warfare would allow Defence to harness recent development in computing and communications technologies to enhance decision making and warfighting capability.
Operating result	Equals revenue less expense.
Operational tempo	The rate at which the ADF is able to deliver its operations effects, for example, the rate at which forces are dispatched and the time in which they are turned around for their next task. At the local level, this might translate to the crew of an aircraft spending a very small amount of time on the ground before it is re-tasked for its next mission. At the organisational level, this translates to available fighting forces spending very little time at home before they are deployed again for their next operation.

Outcomes	The results that the Government seeks from Defence, and are achieved by the successful delivery of its outputs, to the standards set in the Portfolio Budget Statements. For more information, see Defence's Section 2 - Planned Outcome Performance.
Permanent forces	The permanent Navy, the regular Army and the permanent Air Force.
Platforms	Refers to air, land, surface or sub-surface assets that are discrete and taskable elements within the ADF.
Portfolio additional estimates statements	Similar to the portfolio budget statement and prepared at Additional Estimates time to support and update on the Government's original annual budget for Defence.
Portfolio budget statements	The document presented by the Minister for Defence to Parliament to inform Senators and Members of the basis for the Defence budget appropriations in support of the provisions in Appropriations Bills 1 and 2. The statements summarise the Defence budget and provides detail of outcome performance forecasts and resources in order to justify expenditure for Defence.
Prescribed agency	An agency established by regulation under the <i>Financial Management and Accountability Act 1997</i> . The Act provides financial management authority to, and requires accountability by the Chief Executive of an agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Professional Service Providers	Individuals with specialist skills contracted to fill a line position.
Purchaser-provider arrangements	Arrangements under which the outputs of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies and state/territory government or private sector bodies.
Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the three key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Readiness	The readiness of forces to be committed to operations within a specified time, dependent on the availability and proficiency of personnel, equipment, facilities and consumables.
Reserves	The Naval Reserve, the Army Reserve and the Air Force Reserve.
Revenues	Inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of Defence, other than those relating to contributions by the Commonwealth, that result in an increase in equity during the reporting period.
Risk management	At the highest level, involves the identification and mitigation of those risks that have the potential to adversely affect the achievement of agreed output performance at the agreed output price.
Special account	Balances existing within the Consolidated Revenue Fund, that are supported by standing appropriations (<i>Financial Management and Accountability Act 1997</i> , ss.20 and 21). Special accounts allow money in the Consolidated Revenue Fund to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (s.20 of the <i>Financial Management and Accountability Act 1997</i>) or through an Act of Parliament (referred to in s.21 of the <i>Financial Management and Accountability Act 1997</i>).

Special Appropriations (including Standing Appropriations)	<p>An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year.</p> <p>Standing appropriations are a sub-category consisting of ongoing special appropriations — the amount appropriated will depend on circumstances specified in the legislation.</p>
Specialist military equipment	Items of a specific military nature and that are not available though the normal external market in their current form to other than government military purchasers. It includes the prime military equipment plus the direct support items associated with the equipment.
Standard Defence Supply System (SDSS)	A key information system for the financial management of inventory, general stores, repairable items and other assets associated with Defence's logistic capability.
System Program Office	The office of the program manager. It serves as the single point of contact with industry, government agencies, and other activities participating in the acquisition process of a given system.
Theatre	The area in which military operations and activities take place.
Two-pass approval process	The process by which major capital investment proposals are developed for consideration and approval by the Government.
Unit ready days	The number of days that a force element is available for tasking, by the Maritime commander, either outside of major maintenance and within planned readiness requirements, or in accordance with contracted availability. Planned unit ready days are determined for each Force Element Group by aggregating total days for the unit in commission, less all days when the unit is programmed to be in major maintenance and conducting associated pre-workup (preparations for initial operational training) or based on the total number of days the force element is contracted to be available to Defence. Contracted availability applies to the Armidale-class patrol boats and may apply to other classes in the future.
Weighted average cost	An inventory valuation method which considers the fluctuating prices and quantities of acquired goods in computing of the cost of inventory. The weighted average method takes the prices of units at the beginning inventory and the varying prices of purchases made and are weighted by the number of units to determine the weighted average cost per unit. It may be computed as the weighted average cost of all available goods present in a given period, or as a weighted moving average cost adjusted when new goods are delivered.
Write-downs	The reduction in the value of assets.

Acronyms and Abbreviations

A

AASB	Australian Accounting Standards Board
ACM-COE	Australian Civil-Military Centre of Excellence
ACPB	Armidale Class Patrol Boats
ACT	Australian Capital Territory
ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
AEW&C	Airborne Early Warning and Control
AGIE	Australian Government Indigenous Expenditure
AMCIP	Approved Major Capital Investment Program
AMSPA	Applications Managed Services Partner Arrangement
ANAO	Australian National Audit Office
ANZAC	Australian and New Zealand Army Corps
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
ARH	Armed Reconnaissance Helicopter
ASL	Average Staffing Level
ASLAV	Australian Light Armoured vehicle
ASPI	Australian Strategic Policy Institute
ATC	Air Traffic Control

C

CDF	Chief of the Defence Force
CDIP	Capability Development Improvement Program
CEO	Chief Executive Office
CFO	Chief Financial Officer

CIOG Chief Information Officer Group

CIR Capability Investment and Resources

CJOPs Chief of Joint Operations

COMSUPER Commonwealth Superannuation Administration

COO Chief Operating Officer

D

DACC Defence Assistance to the Civil Community

DCP Defence Capability Plan

DFACA Defence Force Assistance to the Civil Authority

DFAT Department of Foreign Affairs and Trade

DFRDB Defence Force Retirement and Death Benefits Scheme

DHA Defence Housing Australia

DMFP Defence Management Finance Plan

DMO Defence Materiel Organisation

DFRB Defence Force Retirement Benefit

DSG Defence Support Group

DSTO Defence Science and Technology Organisation

DVA Department of Veterans' Affairs

E

ELF Enhanced Land Force

EWSP Electronic Warfare Self Protection

ERC Expenditure Review Committee

F

FFG Guided Missile Frigate

FMS	Foreign Military Sales	MP	Member of Parliament
FOC	Final Operational Capability	MoU	Memorandum of Understanding
FTE	Full-Time Equivalent	MRH	Multi Role Helicopter
G		MSBS	Military Superannuation and Benefits Scheme
GDP	Gross Domestic Product	MYEFO	Mid-Year Economic and Fiscal Outlook
GSI	General Stores Inventory	N	
GST	Goods and Services Tax	NACC	New Air Combat Capability
H		O	
HMAS	Her Majesty's Australian Ship	OPA	Official Public Account
Hon	Honourable	OSCDF	Office of the Secretary and Chief Defence Force
HQ	Headquarters	OTE	Ordinary Times Earnings
HQJOC	Headquarters Joint Operations Command	P	
I		PBS	Portfolio Budget Statements
ICT	Information and Communications Technology	PSP	People Strategies and Policy
IOC	Initial Operational Capability	PSP	Professional Service Providers
ILS	Integrated Logistics Support	R	
IRS	Indigenous Recruitment Strategy	RAAF	Royal Australian Air Force
IRRS	Indigenous Retention and Recruitment Strategy	RAN	Royal Australian Navy
J		ROE	Rules of Engagement
JOC	Joint Operations Command	RPDE	Rapid Prototyping Development and Evaluation
JP	Joint Project	S	
JSF	Joint Strike Fighter	S&T	Science & Technology
JSOW	Joint Stand-Off Weapon	SAR	Search and Rescue
L		SAS	Special Air Service Regiment
LEAP	Living Environment and Accommodation Precinct	SES	Senior Executive Service
LHD	Landing Helicopter Dock	SRO	Senior Responsible Officer
LS	Logistics Support	SRP	Strategic Reform Program
M		T	
MAC	Materiel Audit Committee	T&E	Test and Evaluation

U

URD Unit Ready Days

US United States

USAF United States Air Force

USN United States Navy

V

VCDF Vice Chief of the Defence Force

W

WGS Wideband Global Satellite

