

DEFENCE

CHAPTER THREE CAPITAL BUDGET

CAPITAL BUDGET

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OVERVIEW

Reprogramming of the Investment Program

The Defence Major Capital Equipment Program has been revised to reflect a profile of funding over the period 2004-14 that differs from that previously agreed by the Government. Less funds are required in the early years of the program and the Government has agreed to reprogram \$2,226m to the period 2008-09 to 2013-2014. In outturned prices, this represents \$2,547m comprising:

- \$200m that was held in Defence's appropriation receivable, to be reprogrammed to 2008-09;
- \$642m relating to increasing the slippage rate from 15 to 20 per cent that the Government agreed in the 2003-04 Budget, to be reprogrammed to 2008-09 to 2011-12;
- \$500m representing the projected underspend in the Approved Major Capital Equipment Program in 2003-04, to be reprogrammed to 2008-09 to 2011-12;
- reducing by \$884m the funding for the period 2004-08, reprogramming this amount to 2009-10 to 2013-14; and
- incorporating a price outturn provision of \$321m to the reprogrammed amounts.

Table 3.1 shows that the net effect over ten years is \$1,663m, comprising the \$1,342m disclosed in the 2003-04 Additional Estimates (with associated price outturning of \$168m) and price outturning of \$153m in respect of the additional \$884m also to be reprogrammed.

Table 3.1: Reprogramming of the Defence Capital Program (Outturned, 2004-05 prices)

	2004-05	2005-06	2006-07	2007-08	Fwd Est	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total Ten Year
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
\$200m underspend in 2002-03	-	-	-	-	-	220.4	-	-	-	-	-	220.4
\$642m slippage 15-20 per cent	-	-	-	-	-	178.5	279.9	161.6	105.2	-	-	725.3
\$500m underspend in 2003-04	-	-	-	-	-	165.3	168.6	172.0	58.5	-	-	564.3
DCP Reprogramming	-74.0	-303.0	-374.0	-133.0	-884.0	-	200.1	135.3	190.6	298.2	212.9	153.0
Total	-74.0	-303.0	-374.0	-133.0	-884.0	564.2	648.5	468.9	354.3	298.2	212.9	1,663.0

Capital/Operating Adjustment

In accordance with Australian Accounting Standards, Defence is required to classify certain investment costs such as research and development, project studies, design work, specialist and professional advice and project office overheads as Operating expenses rather than through the Capital appropriation.

In the post-Defence Procurement review environment, more work will be undertaken prior to first pass approval and between first and second pass to define the options, costs, schedule and risks of project proposals. There will be an increasing proportion of costs to support the work to be undertaken, classified as Operating expenses such as project definition costs and project development funds. Transfers of a similar nature have also been made in the Capital Facilities Program, and further offsetting adjustments between the capital and operating appropriations have been agreed by the Government to reflect the increase in the information technology and administrative asset capitalisation threshold from \$1,000 to \$2,000.

These transfers do not represent a reduction in the Investment Program, but are an offsetting adjustment between appropriations to reflect accounting standards as shown in Table 3.2.

Table 3.2: Capital and Operating Adjustment

	2004-05 Budget \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	Forward Estimates \$m
Decrease in Capital	-186.4	-191.3	-225.0	-489.9	-1,092.6
Increase in Operating	186.4	191.3	225.0	489.9	1,092.6
Net Impact	-	-	-	-	-

Overview of Capital Investment Program

The Capital Investment Program is comprised of:

- The Defence Capability Plan;
- The Approved Major Capital Equipment Program;
- The Capital Facilities Program;
- Other Capital Purchases; and
- Capital Receipts.

The capital investment program for 2004-05 totals \$3,854m, with a further \$13,799m to be spent over the forward estimates period, as summarised in Table 3.3.

Table 3.3: 2004-05 Capital Investment Program incorporating Forward Estimates

Group/Item Description	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Variation 2003-04 to 2004-05 \$'000	Forward Estimates 2005-06 \$'000	Forward Estimates 2006-07 \$'000	Forward Estimates 2007-08 \$'000
Capital	-	79,312	79,312	242,493	1,017,001	1,603,490
Operating	9,642	20,666	11,024	43,915	178,642	226,801
Sub total Defence Capability Plan⁽¹⁾	9,642	99,978	90,336	286,408	1,195,643	1,830,291
Capital	2,140,721	2,483,834	343,113	2,550,823	2,022,351	1,743,788
Operating	318,438	328,882	10,444	312,401	243,921	210,961
Sub total Approved Major Capital Program⁽²⁾	2,459,159	2,812,716	353,557	2,863,224	2,266,272	1,954,749
Capital	411,061	448,009	36,948	383,219	327,176	320,796
Operating	10,000	20,679	10,679	21,093	21,515	21,945
Sub total Capital Facilities⁽³⁾	421,061	468,688	47,627	404,312	348,691	342,741
Other Capital ⁽⁴⁾	517,708	472,532	-45,176	426,801	457,841	442,963
Foreign Exchange Provision – Capital ⁽⁵⁾	-	-	-	311,598	313,041	354,042
Total Capital Component	3,069,490	3,483,688	414,198	3,914,934	4,137,411	4,465,080
Total Operating Component	338,080	370,227	32,147	377,408	444,078	459,708
Total Capital Investment Program	3,407,570	3,853,915	446,345	4,292,342	4,581,489	4,924,788
Net Capital Receipts⁽⁶⁾	-106,484	-91,980	14,504	-40,000	-40,000	-40,000
Total Capital	3,301,086	3,761,935	460,849	4,252,342	4,541,489	4,884,788

Notes

1. See further details at page 80.
2. See further details at Table 3.5.
3. See further details at page 82.
4. See further details at Table 3.10.
5. Foreign Exchange provision held centrally by Defence for progressive adjustment in future budgets.
6. See further details at Table 2.15 and Table 3.11.

DEFENCE CAPABILITY PLAN

The Defence Capability Plan is a detailed, costed plan for Australia's military capabilities over a ten-year period, with broad guidance on major investments over the following ten years. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities. This plan was reviewed, and a revised Defence Capability Plan was announced in February 2004. The plan sets out the planned investment in new equipment under five capability goals - land forces, air combat, maritime forces, strike and information capability.

Since the Defence White Paper was announced in 2000, the Government has approved more than 110 major projects or phases of projects with an all-up cost of around \$18b. Further projects will be considered for approval by the Government in 2004-05.

Major projects recently approved by the Government

Projects that have recently received Government approval, but which have not yet been transferred to the approved major capital equipment program, are:

- A project which seeks to replace the ADF tank fleet with a more modern, survivable and interoperable tank capability that will be supportable until at least 2020. This capability requirement has been developed in order to support the Combined Arms Team in close combat. The replacement vehicles will be capable of satisfying the ADF operational requirement until replaced by a future combat vehicle system capability.
- Phase 3 of a project that will commence enhancement of the ADF maritime communications capability, with the introduction of the maritime tactical wide area network in guided missile frigates, Anzac-class ships, HMA Ships *Kanimbla* and *Manoora* and HMAS *Success*. This provides the introduction of tactical IP networking and provides the foundation for the network-centric warfare roadmap in the maritime environment.
- The acquisition of two additional airborne early warning and control aircraft, equipping Australia with a fleet of six of the leading edge air and maritime surveillance aircraft.

Table 3.4 provides details of projects to be approved in 2004-05.

Table 3.4: Defence Capability Projects to be Approved in 2004-05⁽¹⁾⁽²⁾

Project Number	Project Title
AIR 5276 Phase 8B	AP-3C Electronic Support Measure – Acquisition
AIR 5276 Phase 5B	P-3C Orion Electro-optic Enhancement
AIR 5418 Phase 1	Follow-on Stand-Off Weapon Capability
AIR 9000 Phase 5A	Chinook Upgrade – Early Engine Replacement
JP 2068 Phase 2A	Defence Network Operations Centre – Defence Network Management System
JP 2068 Phase 2B	Computer Network Defence
JP 2077 Phase 2B	Improved Logistics Information Systems
JP 2080 Phase 2B	Defence Management Systems Improvement
JP 2089 Phase 2	Tactical Information Exchange Domain
JP 2090 Phase 1B	Combined Information Environment (Data Links)
JP 2095 Phase 1	Aviation Fire Trucks
SEA 1448 Phase 2B	Anzac Anti-Ship Missile Defence Upgrade – Fire Control Radar

Notes

1. In addition, it is planned to consider first-pass approvals for amphibious ships, multi-mission unmanned aerial vehicles, combat identification for land forces, maritime training helicopters, and to further consider the development of air warfare destroyers.
2. Capability and Technology Demonstrator projects, Project Development activities and some sensitive projects are not included in the list.

THE APPROVED MAJOR CAPITAL EQUIPMENT PROGRAM

The approved major capital equipment program is comprised of those projects which generally cost in excess of \$20m and which, following approval, are transferred from the Defence Capability Plan to the DMO for their acquisition phase. Up until 2003-04, projects costing \$20m or more required approval by the Government. Following implementation of the new two pass approval process as part of the Defence Procurement Review, the Government approval threshold has been increased to \$50m. Projects costing between \$8m and \$50m (formerly \$8m to \$20m) are now approved jointly by the Ministers for Defence and Finance and Administration.

An overview of the top 30 projects is included at Chapter Seven in Table 7.2. A summary of the total approved major capital equipment program is shown at Table 3.5.

Table 3.5: The Approved Major Capital Equipment Program

	2004-05 Budget \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Top 30 Projects Gross Plans (Constant 2004-05 dollars)	2,722	2,628	2,174	1,322
Other Projects Gross Plans (Constant 2004-05 dollars)	797	882	548	302
Sub total Gross Capital Program	3,519	3,510	2,722	1,624
Programming Adjustment/Slippage	-706	-703	-544	218
Outturning Adjustment	-	56	88	113
Total Net Major Capital Program	2,813	2,863	2,266	1,955

CAPITAL FACILITIES PROJECTS

The capital facilities program is comprised of approved and unapproved major projects, approved and unapproved medium projects and approved and unapproved minor projects.

The following information provides details of estimated expenditure in 2004-05 for approved major and medium capital facilities projects, and lists the major and medium facilities projects foreshadowed for approval in 2004-05.

Major capital facilities projects have expenditure over \$6m and are subject to Government approval and review by the Joint Standing Committee on Public Works. Medium facilities projects have expenditure between \$250,000 and \$6m. Projects between \$5m and \$6m are subject to Government approval but are not reviewed by the Joint Standing Committee on Public Works. Projects under \$5m are approved by departmental delegates. Minor projects are those under \$250,000.

The capital facilities program is designed to give priority to projects that support the Defence Capability Plan, sustain current capability requirements, support other Government initiatives, meet legislative obligations and assist initiatives that support people. 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.

Approved Major Capital Facilities Projects

The following table and descriptions provide details on progress and expenditure in 2004-05 for major facilities projects.

Table 3.6: Approved Major Capital Facilities Projects by State and Federal Electorate

Program of Major Works (by State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2004	Budget Estimate 2004-05
	\$m	\$m	\$m
NEW SOUTH WALES			
Gilmore			
Nowra – HMAS Albatross – Base Redevelopment	110.0	101.4	7.4
Macquarie			
Richmond – RAAF Richmond – Reinvestment	35.0	3.1	25.0
Parramatta			
Ermington – Pre-Disposal Site Works	33.2	7.3	7.6
Paterson			
Williamtown – RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works ⁽¹⁾	129.2	18.7	38.0
Total New South Wales	307.4	130.5	78.0
VICTORIA			
Melbourne Ports			
Fishermans Bend – Relocation of Defence Science and Technology Organisation Platforms Sciences Laboratory	61.2	51.0	6.0
Total Victoria	61.2	51.0	6.0
QUEENSLAND			
Groom			
Oakey – Oakey Base Redevelopment	76.2	64.6	11.5
Herbert			
Townsville – Lavarack Barracks Redevelopment Stage 3	170.6	110.8	39.0
Townsville – RAAF Townsville Redevelopment Stage 2	72.5	71.7	0.8
Total Queensland	319.3	247.1	51.3
SOUTH AUSTRALIA			
Bonython			
Edinburgh – RAAF Edinburgh – Redevelopment Stage 1	41.5	39.6	1.5
Total South Australia	41.5	39.6	1.5
NORTHERN TERRITORY			
Lingiari			
Timber Creek – Bradshaw Field Training Area Infrastructure	64.8	13.0	24.0
Katherine – RAAF Tindal – Security Fence	9.3	0.6	8.6
Solomon			
Darwin – RAAF Darwin – Base Redevelopment Stage 1	11.7	8.9	2.7
Darwin – 1 st Aviation Regiment Relocation	75.0	6.0	50.0
Total Northern Territory	160.8	28.5	85.3
AUSTRALIAN CAPITAL TERRITORY			
Fraser			
Canberra – Intelligence Facilities – Russell Offices	14.9	10.4	4.5

Program of Major Works (by State, Federal Electorate and Locality)	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2004	Budget Estimate 2004-05
	\$m	\$m	\$m
Canberra Multi-User Depot	13.5	12.0	1.5
Total Australian Capital Territory	28.4	22.4	6.0
TOTAL	918.6	519.1	228.1

Note

1. Total estimated expenditure reduced to reflect turnkey project for airborne early warning and control support centre being delivered by Boeing at \$19.8m. These funds are held in the major capital equipment program. Total estimated cost is adjusted accordingly.

Nowra, New South Wales – HMAS Albatross – Base Redevelopment

This project replaces existing facilities and services that are beyond economical repair. It includes redevelopment of the operational and administration support facilities. Outstanding elements include engineering services and the flight deck procedural training facilities that are due for completion by late 2005.

This project contributes to Navy capability.

Richmond, New South Wales – RAAF Richmond – Reinvestment

This project involves a limited capital reinvestment to address pressing infrastructure deficiencies. The individual building works associated with the reinvestment project support the current operations of the Air Lift Group as well as an upgrade of the base engineering infrastructure. Construction is scheduled to commence by mid-2004 and be completed by the end of 2005. Major works for 2004-05 are a squadron headquarters complex and maintenance workshops.

This project contributes to Air Force capability.

Ermington, New South Wales – Ermington Pre-Disposal Site Works

The project involves preparing the 21.28 hectare site for disposal. It includes two elements: progressive site filling and stabilisation of the soil; and the installation of infrastructure services including water, electricity and telecommunications. This will enable the site to be sold progressively in four stages over the coming years. Infrastructure works commenced in February 2004. Planning is proceeding in close consultation with the Ermington Residents' Committee.

Williamtown, New South Wales – RAAF Williamtown – Redevelopment Stage 1 and Airborne Early Warning and Control Works

The project provides a range of new and redeveloped facilities and infrastructure necessary for the introduction into service of the airborne early warning and control capability at RAAF Williamtown. The managing contractor for the main works will complete the planning phase by late 2004, with the delivery phase to commence by the end of 2004. Major works planned

for 2004-05 include the airborne early warning and control aircraft hangar, taxiway widening and base engineering infrastructure upgrade works.

This project contributes to Air Force capability.

Fishermans Bend, Victoria – Relocation of Defence Science and Technology Organisation Platforms Sciences Laboratory

This project relocates science and technology functions from Maribyrnong to Fishermans Bend. It includes the integration of common functions and the construction of enhanced research and laboratory facilities. The chemical, biological and nuclear defence centre will be completed by mid-2004 along with the bulk of the Maritime Platforms Division laboratory, less fit-out. A conference centre is scheduled for completion by mid-2005.

This project contributes to Navy, Army and Air Force capabilities.

Oakey, Queensland – Oakey Base Redevelopment

This project will redevelop the base to optimise it for support of Army rotary-wing flying training, including the armed reconnaissance helicopter. The project is largely complete, with the flight simulator scheduled to be delivered in February 2005. The project is due for completion in May 2005.

This project contributes to Army capability.

Townsville, Queensland – Lavarack Barracks Redevelopment Stage 3

This project provides new working facilities for Army units at Lavarack Barracks to replace existing ones. Construction of new facilities for the 1st Battalion Royal Australian Regiment will be completed by October 2004 and construction of new facilities for Headquarters 3rd Brigade will commence in November 2004. All Stage 3 works will be completed by December 2005.

This project contributes to Army capability.

Townsville, Queensland – RAAF Townsville Redevelopment Stage 2

This project provides a range of new facilities to replace existing ones. This project is substantially complete, with new facilities for 27 Squadron to be completed by August 2004.

This project contributes to Air Force capability.

Edinburgh, South Australia – RAAF Edinburgh – Redevelopment Stage 1

This project will provide enhanced administrative, workshop and warehousing facilities, an upgrade of engineering services and an aircraft shelter.

Construction is substantially complete, with the key remaining deliverable, a new ground support equipment hangar, due for completion by August 2004.

This project contributes to Air Force and Navy capabilities.

Timber Creek, Northern Territory – Bradshaw Field Training Area Infrastructure

This project provides engineering services and infrastructure to allow the use of Bradshaw as a field training area for 1st Brigade. The indigenous land use agreement has been registered and contracts for road construction will be awarded by mid-2004. Construction is expected to be completed by the end of 2005.

This project contributes to Army capability.

Katherine, Northern Territory – RAAF Tindal – Security Fence

This project will provide a base perimeter security fence, which is designed to detect and delay intruder access. Construction of the fence will commence in late May 2004 and will be completed by December 2004.

This project contributes to Air Force capability.

Darwin, Northern Territory – RAAF Darwin – Base Redevelopment Stage 1

This project provides enhanced support facilities at RAAF Darwin. The majority of facilities have been completed and are in use. The base medical facilities and upgrading of the firefighting water supply are due for completion in August 2004.

This project contributes to Air Force capability.

Darwin, Northern Territory – 1st Aviation Regiment Relocation

This project will provide new facilities for the 1st Aviation Regiment at Robertson Barracks in Darwin and includes purpose-built working, training and domestic accommodation facilities. Construction commenced in April 2004 and is due for completion by the end of 2005.

This project contributes to Army capability.

Canberra, Australian Capital Territory – Intelligence Facilities – Russell Offices

Russell Offices Building R4 will be refitted to accommodate the increased requirements of the Defence Imagery and Geospatial Organisation. The project is well progressed with remaining works expected to be completed by September 2004.

This project contributes to Intelligence capability.

Canberra, Australian Capital Territory – Canberra Multi-User Depot

This project will provide a multi-user depot at HMAS Harman that will collocate various Navy, Army and Air Force operational units, reserves and cadets from the Canberra area. The requirement arises from the sale of RAAF

Fairbairn and the proposed sale of the Army depot in Canberra city. Work is scheduled for completion by August 2004.

This project contributes to Navy, Army and Air Force capabilities.

Major Projects Foreshadowed for Government and Joint Standing Committee on Public Works Consideration in 2004-05

In 2004-05, Defence expects to present proposals to the Government and then to the Joint Standing Committee on Public Works for a number of facilities projects. The following table provides details of the proposed major capital projects expected for referral and consideration in 2004-05.

Table 3.7: Proposed Major Capital Projects for Parliamentary Consideration in 2004-05

Program of Major Works (by State, Federal Electorate and Locality)	Referral Date	Indicative Hearing Date
NEW SOUTH WALES		
Eden-Monaro		
Headquarters Joint Operations Command (formerly Headquarters Australian Theatre)	March 2004	June 2004
Hughes		
Holsworthy – Redevelopment and Special Forces Infrastructure	June 2004	August 2004
Kingsford Smith		
Randwick -- Disposal and Rationalisation Project – Interim Works ⁽¹⁾	December 2002	12 March 2004
Randwick Disposal and Rationalisation Project	December 2002	Late 2004
QUEENSLAND		
Forde		
Canungra – Redevelopment of Canungra Army Base	October 2004	March 2005
Blair		
Amberley – RAAF Amberley - Engineering Services Upgrade	April 2005	July 2005
Amberley – RAAF Amberley - Relocate 9 th Force Support Battalion and 21 Construction Squadron	April 2005	July 2005
SOUTH AUSTRALIA		
Bonython		
Edinburgh – RAAF Edinburgh - Extensions to Joint Electronic Warfare Operational Support Unit Facility	June 2004	August 2004
Port Wakefield		
Port Wakefield Ammunition Facility	June 2004	August 2004
NORTHERN TERRITORY		
Solomon		
Darwin – Darwin Naval Base – Patrol Boat Facilities	October 2004	February 2005
LOCATION TO BE ADVISED		
Air-to-Air Refuelling Facilities	April 2005	July 2005

Note

1. Project considered by the Joint Standing Committee on Public Works on 12 March 2004 at an estimated cost of \$8.75m.

The RAAF College project for East Sale and Wagga is scheduled for referral in July 2005 and an indicative hearing date of August 2005.

Eden-Monaro, New South Wales – Headquarters Joint Operations Command (formerly Headquarters Australian Theatre)

The Headquarters Joint Operations Command Project will collocate the Chief of Joint Operations and Strategic Operations Division, the Sydney-based Deputy Chief of Joint Operations and staff, Component Commanders and related staff, the Joint Operations Intelligence Centre and the Headquarters 1st Joint Movement Group into Headquarters Joint Operations Command at a site 11 kilometres south-west of Bungendore, New South Wales. The Government approved the project on 9 March 2004 at a cost of \$301m. Subject to Government approval, Defence proposes to procure the buildings and infrastructure component of the project under private finance arrangements. A traditional (or direct) procurement strategy will be used to acquire and install the command, control, communications and information systems. A supplementary report to the draft environmental impact statement is due to be finalised by mid-2004.

This project contributes to Command of Operations capability.

Holsworthy, New South Wales – Redevelopment and Special Forces Infrastructure

The Holsworthy program of works will deliver five project elements: the redevelopment of the Holsworthy Barracks area; the delivery of facilities to support the establishment of a full-time commando capability; the establishment of the Tactical Assault Group (East); facilities for the Incident Response Regiment and facilities for the establishment of Special Operations Command. The Holsworthy program of works will be delivered in two packages: the redevelopment and Special Forces infrastructure package (working accommodation) and a separate Special Forces training facilities package. Development work will continue during 2004-05. Construction is expected to commence on high-priority work packages following Government and Parliamentary consideration in mid-2004. The major work proposed for construction this financial year is base engineering infrastructure.

This project contributes to Army capability.

Randwick, New South Wales – Disposal and Rationalisation Project – Interim Works

Defence is required to deliver some interim works at Randwick prior to the larger disposal and rationalisation project. The interim works include delivery of community facilities as part of the agreed strategy for the disposal of the site, relocation of some Army units and preparation of some land for disposal. The interim works were considered by the Joint Standing Committee on Public Works on 12 March 2004, at an estimated cost of \$8.75m.

This project contributes to Army capability.

Randwick, New South Wales – Disposal and Rationalisation Project

This project, which is related to the Defence property disposal program, will allow for the disposal of surplus land at Randwick and the redevelopment of the portion of the barracks to be retained. The rationalisation works will support the relocation of the 19th Chief Engineer Works, the 1st Commando Regiment and barracks security and functionality.

This project contributes to Army capability.

Canungra, Queensland – Redevelopment of Canungra Army Base

This project will provide upgraded training and mess facilities, working accommodation, and living-in accommodation for the Army training units collocated there. It also includes the upgrading of all infrastructure services. Construction is scheduled to commence in mid-2005. The target completion date is mid-2007.

This project contributes to Army capability.

Amberley, Queensland – RAAF Amberley – Engineering Services Upgrade

This project will upgrade trunk engineering services at RAAF Amberley. Works will include refurbishment and upgrade of the electrical reticulation, trunk communications, water, stormwater, and sewerage infrastructure including connection to the Ipswich sewerage treatment plant. The works will allow capacity for future infrastructure developments within Amberley (Amberley Stage 3 Redevelopment).

This project contributes to Air Force capability.

Amberley, Queensland – RAAF Amberley – Relocate 9th Force Support Battalion and 21st Construction Squadron

This project will provide new working accommodation for the relocation of Army units to RAAF Amberley. The works to support the relocation of these Army units include workshops, administration buildings, hardstands and vehicle shelters. Construction is scheduled to commence in late 2005. The target completion date is early 2007.

This project contributes to Army capability.

Edinburgh, South Australia – RAAF Edinburgh – Extensions to Joint Electronic Warfare Operational Support Unit Facility

This project will provide facilities to support the collocation of joint electronic warfare operational activities and additional space for the software support facilities for various ADF platforms. Construction is scheduled to commence in late 2004. The target completion date is early 2006.

This project contributes to Navy, Army and Air Force capabilities.

Port Wakefield, South Australia – Port Wakefield Ammunition Facility

The aim of this project is to construct new facilities for the breakdown and analysis of medium to heavy weight ammunition and ordnance. The project will deliver buildings, supporting infrastructure and upgrades to security and range control facilities.

This project contributes to Navy, Army and Air Force capabilities.

Darwin, Northern Territory – Darwin Naval Base – Patrol Boat Facilities

This project will provide upgraded facilities at the Darwin Naval Base for the new Armidale-class patrol boats. Construction is expected to commence in April 2005, and will be completed in stages to allow the continued operation of the naval base and support the introduction into service of the Armidale-class patrol boats. The project is due for completion by the end of 2006.

This project contributes to Navy capability.

Construction of Air-to-Air Refuelling Facilities

This project will provide facilities to support the relocation of the ADF's air-to-air refuelling capability and to support the introduction of the new airframes to be delivered under the ADF Air Refuelling Capability project. The air-to-air refuelling works include construction of administration buildings, airfield pavement upgrades, maintenance facilities and the provision of hydrant refuelling. There has been no formal decision by the Government on the location of the air-to-air refuelling capability. Construction is scheduled to commence in late 2005. The target completion date is early 2007.

This project will contribute to Air Force capability.

Approved Medium Capital Facilities Projects

The following table details estimated expenditure in 2004-05 for medium facilities projects. Medium facilities projects have expenditure between \$250,000 and \$6m.

Table 3.8: Approved Medium Capital Facilities by State and Federal Electorate

Program of Medium Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Estimated Expenditure to 30 June 2004 \$'000	Budget Estimate 2004-05 \$'000
NEW SOUTH WALES			
Hughes – Medium Works			
Holsworthy – Interim Special Forces Works	4,100	3,100	1,000
Macquarie – Medium Works			
Richmond – RAAF Richmond – Fuel Farm Upgrade	3,010	890	2,000
RAAF Richmond – Upgrade Liquid Oxygen Compound	590	160	430
Paterson – Medium Works			
Williamtown – RAAF Williamtown – Child-Care Centre	2,200	600	1,600
Williamtown – Advanced Short Range Air-to-Air Missile/Captive Air Test Module Facility	1,000	300	700
Williamtown – RAAF Williamtown – Lead-In Fighter Hangar	965	660	300
Sydney – Medium Works			
Sydney – Victoria Barracks - Building 110 Extension	2,200	800	1,350
Total New South Wales	14,065	6,510	7,380
VICTORIA			
Corio – Medium Works			
Geelong – Construction of Army Multi-User Depot ⁽¹⁾	4,250	190	3,800
Flinders – Medium Works			
HMAS Cerberus – Weapons Training Simulation System	1,400	30	1,370
Gippsland – Medium Works			
East Sale – East Sale Child-Care Centre	1,800	250	1,500
Indi – Medium Works			
Bandiana – Simulated Training Facility	909	-	909
Lalor – Medium Works			
Laverton – RAAF Band – Training and Rehearsal Facility	4,100	40	1,000
Laverton – Defence International Training Centre	2,440	90	2,300
McEwan – Medium Works			
Puckapunyal – Puckapunyal Child-Care Centre	2,700	140	2,500
Puckapunyal – Regional Training and Simulation Centre	2,200	190	150
Puckapunyal – Australian Light Armoured Vehicle Mission Essential Training Facility	3,560	60	3,450
Total Victoria	23,359	990	16,979
QUEENSLAND			
Brisbane – Medium Works			
Enoggera – Critical Infrastructure Upgrade	3,200	40	3,160
Enoggera – Australian Light Armoured Vehicle Workshops	4,500	-	2,250

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Program of Medium Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Estimated Expenditure to 30 June 2004 \$'000	Budget Estimate 2004-05 \$'000
Herbert – Medium Works			
Townsville – Lavarack Barracks – Helicopter Underwater Escape Training Facility	2,500	10	2,400
Townsville – Lavarack Barracks – Regional Training Centre (Flexible Learning)	3,850	120	3,500
Townsville – Combat Training Centre (Live) Storage and Maintenance Facility	2,800	20	2,500
Townsville – Special Operations Forward Mounting Facility	1,400	-	1,400
Mount Stuart – Training Area Grenade Range	400	10	350
Total Queensland	18,650	200	15,560
SOUTH AUSTRALIA			
Bonython – Medium Works			
Edinburgh – DSTO Hybrid Torpedo Simulator Facility	1,545	1,520	10
Edinburgh – DSTO Virtual Ship Facility ⁽¹⁾	860	850	10
Edinburgh – Relocation of Defence Materiel Organisation Over the Horizon Radar Systems Program Office	5,039	4,400	470
Edinburgh – Corporate Services and Infrastructure Centre ⁽¹⁾	2,850	2,480	30
Edinburgh – DSTO Surveillance Analysis Centre	1,310	920	390
Edinburgh – Aircraft Signature Turntable	1,132	40	1,090
Total South Australia	12,736	10,210	2,000
WESTERN AUSTRALIA			
Brand – Medium Works			
Garden Island – HMAS Stirling – Periscope Workshop Facility	3,521	2,980	540
Garden Island – HMAS Stirling – Wharf Services Upgrade	5,850	2,760	3,000
Garden Island – HMAS Stirling – DSTO Submarine and Surface Combatants Science and Technology Facility Extension	2,895	2,550	100
Garden Island – HMAS Stirling – Training Unit ANZAC Ship Support Centre	5,210	800	4,400
Garden Island – HMAS Stirling – Guided Weapons Maintenance Facility	2,500	900	1,600
Garden Island – HMAS Stirling – Joint Ammunition Logistic Organisation West Office Accommodation (formally Torpedo/Underwater Teams Facility)	1,500	-	1,500
HMAS Stirling – Weapons Training Simulation System	1,400	30	1,370
Curtin – Medium Works			
Swanbourne – 4 th Signal Troop Facilities	3,210	800	2,400
Kalgoorlie – Medium Works			
Taylor Barracks – Training Accommodation	750	-	750
Total Western Australia	26,836	10,820	15,660
NORTHERN TERRITORY			
Lingiari – Medium Works			
Bathurst Island – Tactical Air Defence Radar System	4,486	600	3,880
Katherine – RAAF Tindal – Vehicle Shelters	1,430	600	830

Program of Medium Works (State, Federal Electorate and Locality)	Total Estimated Expenditure \$'000	Estimated Expenditure to 30 June 2004 \$'000	Budget Estimate 2004-05 \$'000
Katherine – RAAF Tindal – Advanced Medium Range Air-to-Air Missile/Advanced Short Range Air-to-Air Missile Secure Facility ⁽²⁾	1,766	90	1,620
Solomon – Medium Works			
Darwin – Married Quarters Electrical Upgrade	3,600	600	3,000
Darwin – Special Operations Forward Mounting Facility ⁽¹⁾	2,500	-	2,500
Darwin – 1 st Brigade Military Operations in Urban Terrain	5,660	600	3,000
Darwin – Vehicle Shelters	2,475	1,000	1,470
Darwin – Robertson Barracks Security Upgrade	1,900	1,000	900
Total Northern Territory	23,817	4,490	17,200
AUSTRALIAN CAPITAL TERRITORY			
Fraser – Medium Works			
Jervis Bay – Remediation of Mary Creek	1,100	137	300
Canberra – Medium Works			
Russell Offices – Passive Defence Works	3,600	2,100	1,500
Total Australian Capital Territory	4,700	2,237	1,800
OTHER – Medium Works			
Air Traffic Control Systems – Various Locations	3,258	2,900	320
Total Other	3,258	2,900	320
TOTAL	127,421	38,357	76,899

Notes

1. Increase in outturn cost.
2. Approval anticipated in mid-2004.

Proposed Medium Capital Projects for Departmental Approval in 2004-05

Table 3.9: Proposed Medium Capital Projects for Departmental Approval in 2004-05

Program of Medium Works (State, Federal Electorate and Locality)
NEW SOUTH WALES
Hughes Defence Police Training Centre Holsworthy – Child-Care Centre
Lindsay Orchard Hills Encanister Decanister Facility
North Sydney HMAS Waterhen – Relocation Mine Warfare and Clearance Divers Systems Program Office
Patterson RAAF Williamtown – Aircraft Rinse Facility
Sydney Garden Island – Royal Australian Navy – Heritage Centre
Warringah Military Law Centre
QUEENSLAND
Herbert RAAF Townsville – Base Training and Support
Kennedy Townsville – Field Training Area Air Weapons Range
NORTHERN TERRITORY
Solomon Darwin – Shoal Bay Receiving Station Refurbishment
AUSTRALIAN CAPITAL TERRITORY
Fraser Canberra – Majura Services Development Canberra – Federation Guard Facilities Canberra – Services Study Relocation HMAS Creswell – Modernisation of School of Survivability and Ship Safety
OTHER RAAF Butterworth – Headquarters Rationalisation

OTHER CAPITAL PURCHASES

Other capital purchases consist of Minor Capital Equipment projects, purchase of repairable items and Other Plant and Equipment which exceeds the asset capitalisation threshold of \$10,000 (for grouped assets, \$50,000) but are not designated minor capital projects. Minor capital projects cover new equipment, modifications to existing equipment or enhancements to new equipment, and are generally valued at between \$250,000 and \$20m. Minor projects costing between \$8m and \$20m are approved jointly by the Ministers for Defence and Finance and Administration. Projects costing between \$5m and \$8m are approved by the Minister for Defence. Projects costing below \$5m are approved by the Service Chiefs and Group Heads, or their nominal delegates.

Repairable items are items such as engines, gearboxes, and components of platforms which are acquired as others wear out or become unserviceable.

Other capital equipment includes purchases of IT and administrative assets costing more than \$2,000 and other projects, plant and equipment assets costing more than \$10,000, and software and intangibles.

Table 3.10: Other Capital Purchases

Group/Item Description	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Variation 2003-04 to 2004-05 \$'000	Forward Estimates 2005-06 \$'000	Forward Estimates 2006-07 \$'000	Forward Estimates 2007-08 \$'000
Minor Capital	178,485	163,807	-14,678	157,977	158,333	165,188
Repairable Items	191,451	148,389	-43,062	115,313	81,419	76,618
Other Plant and Equipment	147,772	160,336	12,564	153,511	218,090	201,157
Total Other Capital	517,708	472,532	-45,176	426,801	457,842	442,963

CAPITAL RECEIPTS

Capital Receipts

The Capital Receipts Program comprises proceeds from property sales which are returned to the Government in the form of equity and proceeds from the sale of Specialist Military Equipment, commercial vehicles and Other Plant and Equipment items which are retained by Defence. Details are shown in Table 3.11.

Table 3.11: Capital Receipts

Group/Item Description	Projected Result 2003-04	Budget Estimate 2004-05	Variation 2003-04 to 2004-05	Forward Estimates 2005-06	Forward Estimates 2006-07	Forward Estimates 2007-08
	\$m	\$m	\$m	\$m	\$m	\$m
Property Sales						
Proceeds from the sale of land and buildings	199.9	164.5	-35.4	-	-	-
Less Capital withdrawal (DoFA requirement)	-199.9	-139.0	60.9	-	-	-
Proceeds retained by Defence ⁽¹⁾	-	25.5	25.5	-	-	-
Proceeds from sale of Specialist Military Equipment	25.3	3.0	-22.3	3.0	3.0	3.0
Proceeds from sale of other property, plant and Other Equipment	81.2	63.5	-17.7	37.0	37.0	37.0
Net Capital Receipts	106.5	92.0	-14.5	40.0	40.0	40.0

Note

1. Proceeds retained by Defence to fund property sale costs.

The Government has agreed on a schedule of surplus Defence properties to be marketed in 2004-05. On current valuations, this will provide an estimated \$164.5m in revenue, which represents a reduction of \$11.3m on previous estimates. Further variations may be made to this estimate following revaluation of properties prior to sale.

The proceeds from the sale of specialist military equipment is expected to be \$22.3m less than in 2003-04 due principally to the non-recurrence of the sale of the APG radars.

The proceeds from the sale of other property, plant and equipment assets is expected to be \$17.7m less than in 2003-04, reflecting variations in the pattern of sales for commercial vehicles and a range of other equipment items.