

PART TWO
DEFENCE MATERIEL ORGANISATION

SECTION ONE
DEFENCE MATERIEL ORGANISATION
OVERVIEW AND RESOURCES

CHAPTER ONE – DEFENCE MATERIEL ORGANISATION OVERVIEW

OVERVIEW

OVERVIEW OF THE 2008-09 ADDITIONAL ESTIMATES

ORGANISATIONAL STRUCTURE

OVERVIEW

The DMO's mission is to equip and sustain the Australian Defence Force (ADF). The DMO is currently managing over 215 major projects, over 180 minor projects and 99 sustainment schedules, across more than 40 locations in Australia and overseas.

OVERVIEW OF THE 2008—09 ADDITIONAL ESTIMATES

The 2008-09 DMO revised estimates are around \$9.7b in departmental funding. This is approximately \$0.1b higher than the funding estimated at the 2008-09 Budget mainly as a consequence of increase in sustainment activity (\$0.1b), movement of foreign exchange rate (\$0.5b) and reprogramming of cash flow requirements (-\$0.5b).

Strategic priorities for 2008—09

Results will be reported in the *Defence Annual Report 2008-09, Volume 2*.

Defence Procurement and Sustainment Review

The Review was completed in September and the Minister for Defence, the Hon Joel Fitzgibbon MP, tabled the Review report, entitled *Going to the Next Level*, in Parliament on 23 September 2008.

The Review concluded that the Kinnaird recommendations have been very successful in improving the system but more work needs to be done. The Review made 46 recommendations across five areas:

- The Strategy and Needs Analysis of Capability Planning
- Defining the Requirements of Capability
- The Capability Acquisition Process
- Sustaining and Disposing of Capability
- Driving Cultural Change in the DMO.

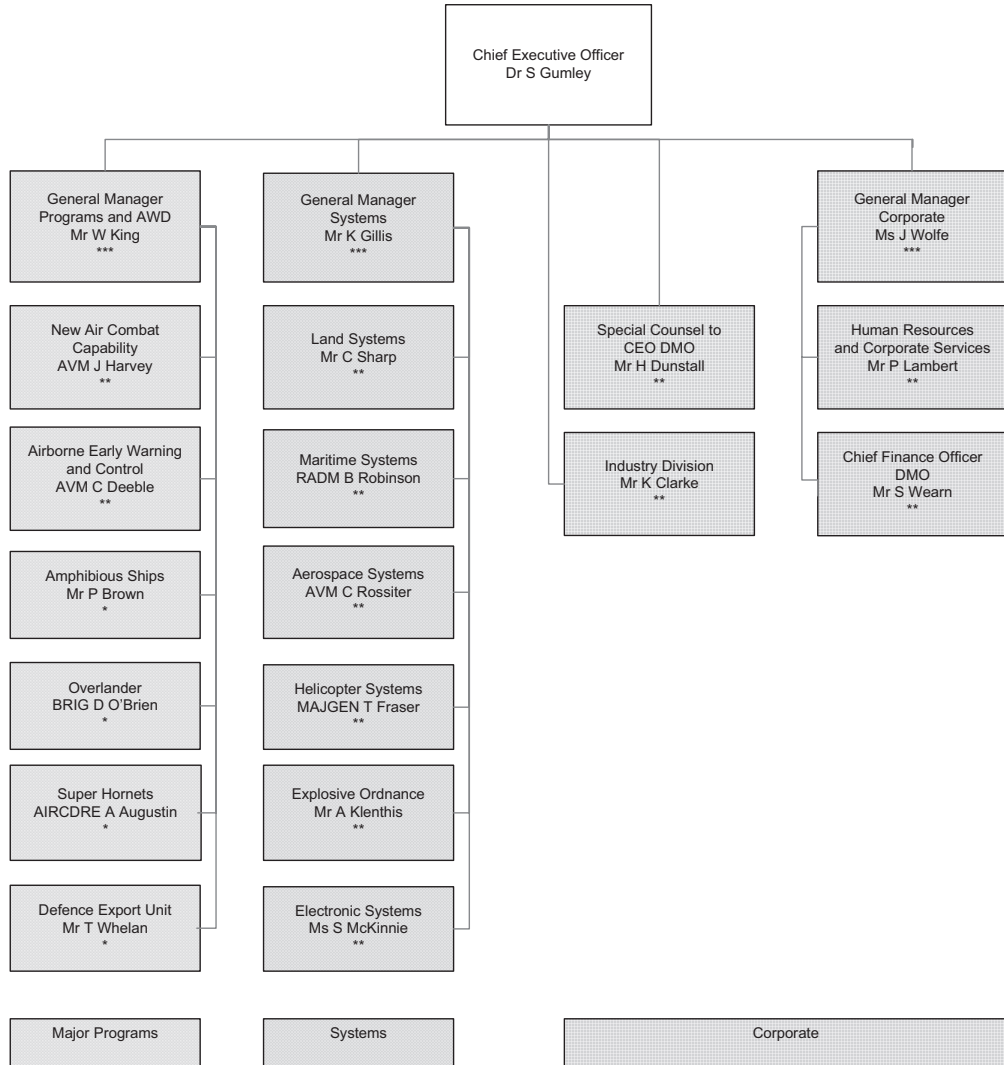
The Government is currently considering its response to the Review.

ORGANISATIONAL STRUCTURE

Senior Executive changes

Ms Gillian Marks, General Counsel, concluded her tenure with the DMO on 31 October 2008.

Figure 2.1.1 – The DMO organisational structure as at 2 December 2008



Stars refer to Australian Defence Force Star Rank or SES Band Levels

CHAPTER TWO – DEFENCE MATERIEL ORGANISATION RESOURCING

RESOURCING FOR 2008-09

RESOURCING FOR 2008–09

Agency resource statement

The Agency Resource Statement details the resourcing for the DMO at Additional Estimates. Table 2.2.1 outlines the total resourcing available from all sources for the 2008-09 Budget year, including variations through Appropriation Bills No.3 and special accounts.

Table 2.2.1—DMO resource statement — Additional Estimates for 2008-09 as at Additional Estimates December 2008

		Estimates at Budget 2008-09 \$'000	Proposed Additional Estimates 2008-09 \$'000	Total Estimate at Additional Estimates 2008-09 \$'000	Total Available Appropriation 2007-08 \$'000
Ordinary Annual Services					
Outcome 1 ^[1]		94,960	-	94,960	93,256
s31 Relevant agency receipts ^[2]		-	-	-	-
Total ordinary annual services	A	94,960	-	94,960	93,256
Total other services	B	-	-	-	-
Total Available Annual Appropriations (A+B)		94,960	-	94,960	93,256
Total Special Appropriations	C	-	-	-	-
Total Appropriations excluding Special Accounts		94,960	-	94,960	93,256
Special Accounts					
Opening balance ^[3]		978,530	9,332	987,862	564,819
Appropriation Receipts		94,960	-	94,960	93,256
Appropriation Receipts - other agencies ^[4]		9,418,881	-47,982	9,370,899	9,201,828
Non-Appropriation receipts to Special Accounts		82,507	5,971	88,478	101,562
Total Special Account	D	10,574,878	-32,679	10,542,199	9,961,465
Total resourcing					
A+B+C+D		10,669,838	-32,679	10,637,159	10,054,721
Less appropriations drawn from annual or special appropriations above and credited to special accounts		-94,960	-	-94,960	-93,256
Total net resourcing for DMO		10,574,878	-32,679	10,542,199	9,961,465

Notes

1. Appropriation Bill (No.1) 2008-09.
2. Total s31 Relevant Agency receipts – estimate.
3. Estimated opening balance for special accounts. For further information on special accounts see Table 2.6.1.
4. Appropriation receipts from Defence annual and special appropriations for 2008-09 included above.

Reader note: All figures are GST exclusive.

Table 2.2.2—Third party drawdowns from and on behalf of other agencies

	Estimate at Budget 2008-09 \$'000	Estimate at Additional Estimates 2008-09 \$'000
Payments made to other agencies for the provision of services	318,105	328,744

Table 2.2.3—Prior year Annual Appropriations Carried Forward and Special Account Opening Balances finalised in Agency Annual Report

	Estimate \$'000	Actual \$'000	Total Adjustment \$'000
Departmental outputs - ordinary annual services	93,256	93,256	-
Departmental - non- operating - equity injections	-	-	-
Special account opening balances	978,530	987,862	9,332

Additional Estimates and Variations

Table 2.2.4 details the changes to the resourcing for the DMO at Additional Estimates, by outcome. It details Additional Estimates or variations through other factors, such as indexation adjustments.

Table 2.2.4—Additional Estimates and variations to outcomes from other variations

	Output Impacted	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Outcome 1					
Decrease in estimates (departmental) Indexation adjustments	1.3	-	-647	-629	-1,557
Net impact on estimates for Outcome 1 (departmental)		-	-647	-629	-1,557

Breakdown of Additional Estimates by Appropriation Bill

Table 2.2.5 details the Additional Estimates sought for the DMO through Appropriation Bills No.3.

Table 2.2.5—Appropriation Bill (No. 3) 2008-09

	2007-08 Available \$'000 ⁽¹⁾	2008-09 Budget \$'000	2008-09 revised \$'000	Additional estimates \$'000	Reduced estimates \$'000
DEPARTMENTAL OUTPUTS					
Outcome 1					
Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel					
	93,256	94,960	94,960	-	-
Total	93,256	94,960	94,960	-	-

Notes

- 2007-08 available appropriation included to allow a comparison of this year's appropriation with what was made available for use in the previous year.

Reader Note: Available appropriation is the amount available to be drawn down, and is equal to:
Budget Appropriation + Additional Estimates Appropriation + Advance from the Finance Minister – Savings
Rephasings - Other Reductions +/- Section 32

CHAPTER THREE – MANAGEMENT REFORMS AND GOVERNANCE

GOVERNING THE DMO

Information remains as reported in the Defence *Portfolio Budget Statements 2008-09* except for the following information.

Vision

The DMO's vision is to become the premier program management, logistics and engineering services organisation in Australia.

GOVERNING THE DMO

A new Ministerial Directive was signed by the Minister for Defence, the Hon Joel Fitzgibbon MP on 28 July 2008.

The Ministerial Directive provides a mechanism to define the relationship between the Minister and the CEO DMO.

CHAPTER FOUR – DEFENCE MATERIEL ORGANISATION PEOPLE

DMO PEOPLE

DMO PEOPLE

Approved increases in the DMO workforce positions have resulted in a revised estimate of 7,658. Variation to the DMO and Defence workforce numbers as shown in Table 2.4.1. The ADF workforce numbers are also included in the Defence People Chapter in Part One.

Table 2.4.1—Breakdown of personnel numbers by service and rank / level ^[1]

	Budget Estimate 2008-09	Revised Estimate 2008-09	Variation	Variation %
APS ^[2]				
Senior Executives ^[3]	35	35	0	0
Senior Officers ^[4]	1,405	1,444	39	3
Other APS Staff	3,935	3,911	-24	-1
Sub-total : APS ^[5]	5,375	5,390	15	0
Professional Service Provider (PSP) ^[6]	255	267	12	5
Sub-total civilian workforce	5,630	5,657	27	0
NAVY				
Star Ranked Officers	8	8	0	0
Senior Officers ^[4]	51	51	0	0
Junior Officers	138	135	-3	-2
Other Ranks	156	155	-1	-1
Sub-total : Permanent Navy	353	349	-4	-1
Reserve Force ^[7]	140	140	0	0
Sub-total Navy	493	489	-4	-1
ARMY				
Star Ranked Officers	6	6	0	0
Senior Officers ^[4]	54	54	0	0
Junior Officers	200	201	1	1
Other Ranks	211	210	-1	0
Sub-total : Permanent Army	471	471	0	0
Reserve Force ^[7]	70	70	0	0
Sub-total Army	541	541	0	0
AIR FORCE				
Star Ranked Officers	9	9	0	0
Senior Officers ^[4]	91	95	4	4
Junior Officers	466	466	0	0
Other Ranks	369	366	-3	-1
Sub-total : Permanent Air Force	935	936	1	0
Reserve Force ^[7]	35	35	0	0
Sub-total Air Force	970	971	1	0
Sub-total ADF permanent workforce	1,759	1,756	-3	0
Expected ADF Shortfalls	0	0	0	0
Sub-total permanent ADF workforce	1,759	1,756	-3	0
Sub-total ADF Reserves Force	245	245	0	0
Total DMO Workforce	7,634	7,658	24	0

Notes

1. Reflects the APS, PSP, ADF permanent and reserve forces for 2008–09. Numbers for the Permanent Forces includes Reservists undertaking Continuous Full Time Service.
2. Includes 15 Full Time Equivalent for unapproved projects.
3. The figures for Senior Executive Service include CEO-DMO and General Managers.
4. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
5. These figures include the 5 per cent efficiency savings.
6. PSPs are individuals with specialist skills under contract to fill line positions.
7. ADF Reserve figures represent numbers of active Reservists (excluding Reservists undertaking full-time service and Foreign Service Reservists) who rendered service during 2008-09 and additional DMO ADF Reservist bids for 2008-09.

SECTION TWO

DEFENCE MATERIEL ORGANISATION OUTCOMES AND PLANNED PERFORMANCE

CHAPTER FIVE – PLANNED OUTCOME AND PERFORMANCE

OUTCOME AND PERFORMANCE INFORMATION

SUMMARY OF OUTCOME AND CONTRIBUTION TO OUTCOME

PERFORMANCE AND EVALUATION INFORMATION FOR THE DMO
OUTCOME

OUTPUT 1.1 - MANAGEMENT OF CAPABILITY ACQUISITION

OUTPUT 1.2 - MANAGEMENT OF CAPABILITY SUSTAINMENT

OUTPUT 1.3 - PROVISION OF POLICY ADVICE AND MANAGEMENT SERVICES

OUTCOME AND PERFORMANCE INFORMATION

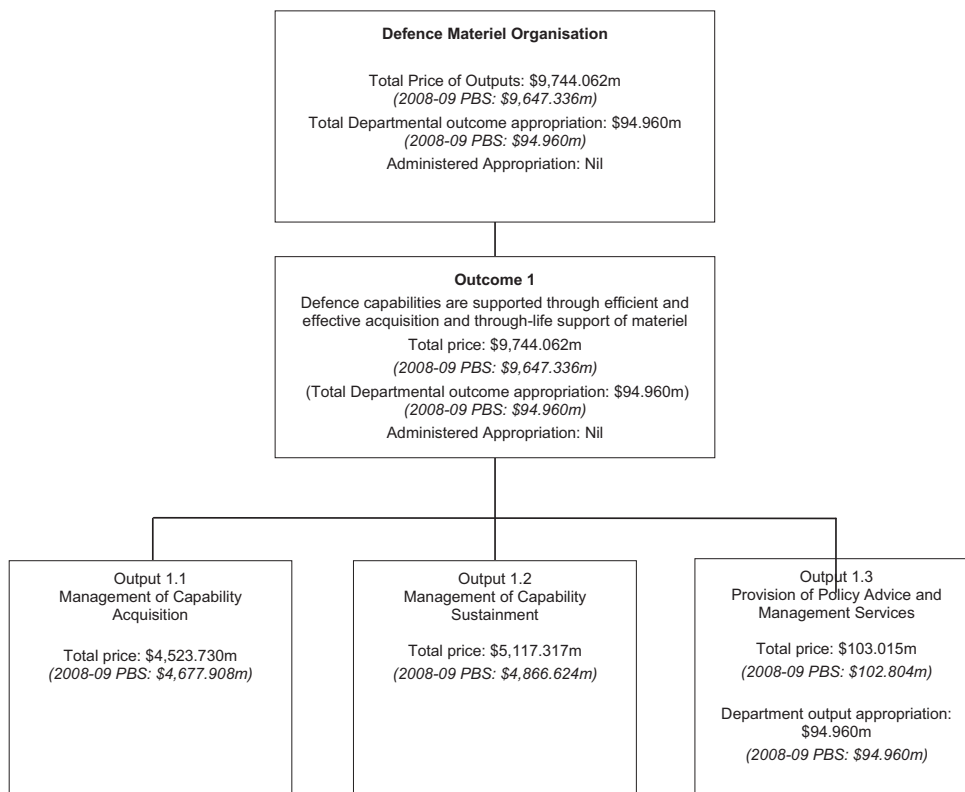
Performance information is as reported in the *Portfolio Budget Statements 2008-09*, except for the revisions detailed in this chapter.

The total price of outputs estimates have primarily increased to reflect movement of exchange rate, increase in sustainment activities and reprogramming of cash flow for major projects estimates to future years.

SUMMARY OF OUTCOME AND CONTRIBUTION TO OUTCOME

The relationship between activities of the DMO and its outcome is summarised in Figure 2.5.1 in terms of accrual-based prices rather than cash received from Defence and the Government. Prices have been updated in accordance with the revised estimates.

Figure 2.5.1—Contributions to outcome and outputs



PERFORMANCE AND EVALUATION INFORMATION FOR THE DMO OUTCOME

Information remains as reported in the *Defence Portfolio Budget Statements 2008-09*.

Output 1.1—Management of capability acquisition

Separate Materiel Acquisition Agreements between the Defence customer and the CEO DMO covers each capability project. Each agreement specifies the project in terms of the scope to be delivered, the schedule for delivery, and the budget that is available. The scope description is a reference to underlying capability specifications and key measures of capability effectiveness as selected by the customer. The schedule description outlines key milestones. The budget information provides current estimates against programmed expenditure.

The revised planned resource use for Output 1.1 is \$4,523.7m in 2008-09, a decrease of \$154.2m from the 2008-09 budget estimate. Planned resources include \$188.1m of currently unapproved major capital projects. The transfer to the DMO of these funds will be subject to Defence obtaining project approval during 2008-09.

Australian defence industry involvement in major capital equipment projects will be reported as an appendix in the *Defence Annual Report 2008-09*.

APPROVED MAJOR CAPITAL EQUIPMENT PROJECTS

The DMO is currently managing over 215 major projects. A major capital equipment project is defined as a project with strategic importance and is part of the Defence Capability Plan.

TOP 30 PROJECTS BY 2008-09 FORECAST EXPENDITURE

Table 2.5.1 lists the top 30 Government approved projects by forecast expenditure for 2008-09. Schedules for delivery of the capability are included in the descriptions of the Top 30 projects.

Table 2.5.1—Top 30 acquisition projects by forecast expenditure in 2008-09

	Project Number	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2008 \$m	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 ^[1] \$m	Variation \$m	Explanation of Variation ^[2]
Aerospace Systems Division							
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	127	15	30	17	-13	Contractor workforce and facilities constraints associated with resources shared by Airborne Early Warning & Control has created some initial schedule slippage. These constraints have been addressed and the schedule rebaselined. The rebaselining also reflects the opportunity provided by BAE Systems acquisition of Tenix Defence to combine equipment delivery with aircraft integration allowing the latter to be commenced later than previously planned. The decrease in expenditure is due to reprogramming milestone payments from 2008-09 to 2011-12 and 2012-13.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	1,983	1,258	125	95	-30	Foreign Military Sales (FMS) deliveries for Hornet Upgrade Phase 2 are on schedule. 2008-09 budget estimates programmed FMS payments of \$43m have been made on delivery of supplies in advance of USN disbursements. As a result, the FMS case is now paid in advance requiring reduced expenditure in 2008-09.
F/A-18 Hornet Upgrade – Structural Refurbishment	AIR 5376 Phase 3.2	919	164	100	83	-17	Planned expenditure for 2008-09 has been reduced by \$4m on account of work completed, ahead of schedule, in the previous year. The remaining variance for 2008-09 plan is attributed to work associated with the Centre Barrel Replacement (CBR) program, where costs are now better defined and are now expected to be completed at prices less than those previously estimated. Secondly, the reduction in planned expenditure is also attributed to the reduction in aircraft requiring CBR. With no further aircraft planned to be inducted for CBR after December 2008, this translates to reduced expenditure in the second half of 2008-09.
ADF Air to Air Refueling Capability	AIR 5402	1,997	560	260	315	55	Variation attributable to global update.
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	155	0	51	21	-30	Commencement of collaboration with the USN on Spiral 1 of its Multi Mission Maritime Aircraft (MMA) program has slipped because of delays in the USN program. The Spiral 1 program and project planning has now matured to enable finalisation of the MoU, including rephasing of the MoU fee over a number of years to provide better value for money.
Airborne Surveillance for Land Operations	JP 129 Phase 2	147	7	25	29	4	Variation attributable to global update.
C-17 Globemaster III	AIR 8000 Phase 3	1,974	1,296	23	22	-1	Variation attributable to global update.

	Project Number	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2008 \$m	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 ^[1] \$m	Variation \$m	Explanation of Variation ^[2]
Airborne Early Warning and Control Program – Project Wedgetail							
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,999	2,511	68	38	-30	Decrease primarily driven by further slippage in the System Acquisition Contract schedule, offset by a number of minor variances in other project cost elements.
Air Warfare Destroyer Program							
Air Warfare Destroyer – Build	SEA 4000 Phase 3	7,872	441	600	694	94	The revised estimate increase is due to the latest exchange and global up date process. There has been no other change to the previously submitted PBS data.
Bridging Air Combat Capability—Super Hornet							
Bridging Air Combat Capability Super Hornet	AIR 5349 Phase 1	3,915	341	564	560	-4	While the revised 2008-09 forecast is a minor variation from previous estimates, it represents the aggregation of large variations in planned expenditure. Estimates for 2008-09 were increased by \$127m due to a declining exchange rate, but were offset by a higher than planned achievement in 2007-08 (-\$129m) and minor re-programming (-\$2m). The higher than anticipated FMS payment of \$129m in June 2008 was the result of USN efforts focused to award production contracts ahead of schedule. The project remains on-schedule to deliver aircraft in 2010.
Electronic Systems Division							
New Air Defence Command and Control Systems for Control and Reporting Units 2 & 3 (2CRU/3CRU)	AIR 5333	272	114	27	30	3	Minor adjustments within the various components of the project including the Prime Contract, work being carried out Defence, and work being carried out by other contractors.
Electronic Warfare Self Protection for Selected ADF Aircraft – Echidna	AIR 5416 Phase 2	314	175	67	52	-15	Milestone payments against the ALR-2002 Full Rate Production contract occurred in 2007-08. The Black Hawk simulator upgrade has been aligned to the Interim Electronic Warfare Self Protection configuration now scheduled for 2009-10, slippage of software development and delay with the induction of the prototype aircraft have also occurred.
Next Generation Satellite Program	JP 2008 Phase 4	1,000	18	79	61	-18	Reduced expenditure reflects revised financial milestones for Australia's contribution to the Wideband Global Satellite program.
High Frequency Modernisation (HFMOD)	JP 2043 Phase 3A	652	361	28	7	-21	Revised estimate is the result of schedule delays by the prime contractor in completing integration and test activities.

Part Two – Defence Materiel Organisation

	Project Number	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2008 \$m	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 ^[1] \$m	Variation \$m	Explanation of Variation ^[2]
Explosive Ordnance Division							
Follow-on Stand-Off Weapon	AIR 5418 Phase 1	413	105	50	47	-3	The variation is principally due to a combination of FMS payments made in 2007-08, previously planned for payment in 2008-09, and exchange rate variations associated with USD payments.
Lightweight Torpedo Replacement	JP 2070 Phase 3	317	94	52	48	-4	This variation relates to slippage of a significant contract milestone. This resulted from a delay in securing some items from subcontractors, which ultimately impacted on delivery of the items to Australia. These will now be delivered into Australia in 2009-10, but this delay will not impact the achievement of the Phase 3 schedule.
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	214	147	33	26	-7	The variation is due to delays in finalising the FMS case and previously planned payments for Excalibur Precision Guided Munitions slipped to 2009-10.
Mulwala Redevelopment Project	JP 2086 Phase 1	367	56	171	144	-27	Expenditure has been reprogrammed from 2008-09 to 2009-10 due to an 8-12 week delay in design and construction activities resulting from the contractor's inability to recruit for design activities, and a delay encountered by the contractor in gaining State Government planning approvals.
Helicopter Systems Division							
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2,078	1,310	172	125	-47	Variation is due to the revised payment regime and Integrated Master Schedule developed from the Deed of Agreement and subsequent contract changes resolving the disputed issues with the contractor.
Multi Role Helicopter	AIR 9000 Phase 2	3,997	818	273	298	25	The forecast \$25m increase in expenditure is due to updated economic parameters being applied to the project plan.
Land Systems Division							
Upgrade of M-113 Armoured Vehicles	LAND 106	649	317	100	105	5	Variation attributable to global update.
Bushmaster Infantry Mobility Vehicle Project Bushranger	LAND 116 Phase 3	916	392	82	85	3	Variation attributable to global update.
Maritime Systems Division							
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2	1,526	1,172	118	109	-9	Variation is due to prime contractor work being ahead of schedule and payments in 2007-08, and corrections for the FMS Case related to Additional Ship Crew Training.
Standard Missile Replacement (SM-1)	SEA 1390 Phase 4B	625	181	79	62	-17	The reduction in planned expenditure is due to cost savings in the procurement of missiles.

	Project Number	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2008 \$m	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 ^[1] \$m	Variation \$m	Explanation of Variation ^[2]
New Heavyweight Torpedo	SEA 1429 Phase 2	457	216	26	32	6	The variation is due to the purchase of additional torpedoes for trial purposes brought forward from future years.
Collins class Submarine Reliability & Sustainability	SEA 1439 Phase 3	402	243	42	39	-3	The variation reflects the diversion of the contractor resources to other higher schedule priorities, and scheduling opportunities for dockings.
Amphibious Deployment and Sustainment Program							
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/4B	3,361	244	132	142	10	Variation attributable to global update.
Military Integrated Logistics Information System							
Improvements to the Logistics Information Systems	JP 2077 Phase 2B.1	128	69	30	25	-5	Delivery and payment schedule was revised and agreed in June 2008 to provide for milestone payments and for some payments to be deferred until after the successful launch of the system.
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	93	4	27	5	-22	Contract negotiations were postponed in December 2007 pending successful delivery by the vendor of Phase 2B.1 software tranches. Contract negotiations now expected first half of 2009.
New Air Combat Capability							
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	107	30	40	44	4	Variation is the result of contracted activities slipping into the first quarter of 2008-09, foreign exchange adjustments and additional tasking to be undertaken in 2008-09 not previously programmed.
TOTAL ESTIMATE		40,976	12,659	3,474	3,360	-114	
Other Approved Project Estimate		34,439	26,856	825	845		
Total Program Estimate for Major Capital Projects		75,415	39,515	4,299	4,205		
Management Margin				-338	-225		
Estimated Outturn from existing Major Capital Projects				3,961	3,980		
Projects Planned for Government Consideration				278	188		

Notes

1. PAES update is based on supplementation for exchange rate movements of \$442m and new project approved and other adjustments following the MYEFO/PAES review of \$19m.
2. The revised estimate 2008-09 will include economic parameter adjustments for price update and foreign exchange calculation, referred to in explanations as the Global Update.

TOP 30 PROJECT DESCRIPTIONS

Information relating to the following projects remains as reported in the *Defence Portfolio Budget Statements 2008-09*:

- Lightweight Torpedo Replacement-JP 2070 Phase 3
- Improvements to the Logistics Information System-JP 2077 Phase 2B.1
- ADF Deployable Logistics Scheme-JP 2077 Phase 2B.2.

UPDATED INFORMATION ON TOP 30 PROJECTS

Information remains as reported in the *Defence Portfolio Budget Statements 2008-09*, except for the following:

Aerospace Systems Division

AP-3C Electronic Support Measure Upgrade – AIR 5276 Phase 8B

Contractor: BAE Systems Australia Limited.

At contract award, the Initial Operating Capability (IOC), including modification of four AP-3C aircraft, the Operational Mission Simulator, Software Support Facility and Part Task Trainers, was planned for August 2011.

BAE have had to divert technical resources from this project to manage technical and performance issues on the Electronic Support Measures on the AEW&C project for which they are a sub-contractor to Boeing. The project is also reliant on some deliverables from the AEW&C project. This has resulted in a revised IOC of August 2012.

F/A-18 Hornet Upgrade – AIR 5376 Phase 2

Contractor:

- The Boeing Company (United States) – for Avionics Upgrade
- The Boeing Company (United States) – for Electronic Warfare Self Protection Suite Aircraft Technical Integration
- United States Navy – for Aircraft Software Integration and Radar Warning Receiver Acquisition
- SAAB (Sweden) – for Supplementary Counter Measures Dispensing Systems
- Elta (Israel) – for Active Radio Frequency Electronic Counter Measures Systems
- Raytheon Australia – for Simulator Upgrade.

The acquisition contract for the Electronic Counter-Measures Jammer was signed in May 2008 and the acquisition contract for Supplementary Counter-Measures Dispensing System in July 2008. The Interim Electronic Warfare capability, which introduces the replacement Radar Warning Receiver into service, is on schedule for completion by the end of 2008. The full-rate, mature, electronic warfare aircraft modification program is expected to commence in mid 2009, following the release of a Request for Tender in September 2008. Tender responses due to be submitted by December 2008.

The new Tactical Operation Flight Trainers (simulators) are operational, with ongoing enhancements planned to keep pace with the aircraft modifications being introduced under the Phase 2 project.

F/A-18 Hornet Upgrade – Structural Refurbishment – AIR 5376 Phase 3.2

Contractor:

- L-3 Communications MAS Inc (Canada) for the Centre Barrel Replacement program, which includes Non-Recurring Engineering/Modification and Production Installation
- Boeing Australia Ltd – for Structural Refurbishment Program 1 Delta Production Installation (Contract Expires 30 November 2008)
- BAE Systems Australia – for Structural Refurbishment Program 1 Delta Production Installation (Contract Expires 30 November 2008)
- Interim contracting arrangements will be in use until mid 2009, when a new contract is planned to be in place to conduct Structural Refurbishment Program 1 Delta Production Installation.

In May 2008 an engineering study was completed that showed the fatigue life of the Centre Barrel could be extended beyond the current limits, resulting in a reduction in the number of aircraft requiring Centre Barrel Replacement (CBR). The DMO and Capability Development Group has re-scoped the project to reduce the number of CBR to 10, but also to introduce new structural refurbishment work to address several emerging ageing aircraft issues such as corrosion in undercarriages, wings and other structural locations.

A total of 10 CBR (including two prototypes) have been contracted to L-3 Communications MAS (Canada).

The first CBR prototype aircraft is complete and has returned to service. The second prototype is undergoing rebuild at BAE Systems Australia in Williamstown, NSW under sub-contract to L-3 Communications MAS (Canada). Production has commenced on a further six aircraft with the last two aircraft to be commenced in December 2008.

Structural Refurbishment Program 1 Delta Production Installation is continuing, with 16 aircraft completed to date and three more due by the end of 2008. A further 23 aircraft will undergo these modifications under the new contract in 2009-12.

ADF Air to Air Refuelling Capability – AIR 5402

Contractor:

- EADS CASA, Spain (Acquisition)
- Qantas Airways Ltd (Through-Life Support).

A significant shortfall in expenditure for 2007-08 was transferred to 2008-09 due to delays by EADS CASA for conversion and test planning milestones that were not completed until August 2008. This increase in 2008-09 expenditure has been offset by reprogramming to account for consequent slippage into 2009-10, resulting in only a small net increase to expenditure in 2008-09. The second phase of testing has commenced following installation of military systems and software.

Flight testing is expected to commence by end-2008 and continue to the third quarter of 2009. The six month slippage in schedule will not be recovered and delivery of the first aircraft is now expected in the fourth quarter of 2009. The second A330 aircraft arrived at Qantas Australian Conversion Centre in Brisbane in June 2008 and has commenced modifications.

Maritime Patrol and Response Aircraft System – AIR 7000 Phase 2

Contractor: The Boeing Company (USA) through a cooperative arrangement with the USN.

This project seeks to replace the AP-3C Orion with the P-8A Poseidon through a cooperative program with the USN. The P-8A Spiral 1 Cooperative Development program will enable the Commonwealth to participate with the USN in the development of the P-8A Poseidon weapon system, reducing the risks and costs for subsequent Commonwealth acquisition. Project activity during 2008-09 will focus on finalising the P-8A Spiral 1 Cooperative Development MoU, and commencing the development of the Production, Sustainment and Follow-on Development (PSFD) MoU for later acquisition. The cooperative development program will enable the Commonwealth to participate in the development of requirements for the Spiral 1 upgrade and to gain visibility of the baseline P-8A design and performance capabilities. The cooperative acquisition strategy with the USN aims to reduce the risk and cost of participating in the production, testing and through-life support of the P-8A weapon system.

Project activity during 2008-09 will focus on finalising the P-8A Spiral 1 Cooperative Development MoU, collaborating with the USN on the P-8A Spiral 1 Systems Design and Development activity, and commencing negotiations of the PSFD MoU.

Airborne Surveillance for Land Operations – JP 129 Phase 2

Contractor: Contractor not yet selected.

The DMO had contracted Boeing Australia Limited, with its principal subcontractor, Israel Aerospace Industries Limited, to provide and support a Tactical Unmanned Aerial Vehicle system. Boeing experienced difficulty delivering the full contracted capability to a schedule and at a risk acceptable to Defence, so the acquisition and in-service support contracts were terminated on 4 September 2008.

In accordance with the deed of settlement, all moneys due to the Commonwealth have been receipted.

Defence now intends to restart the project with an emphasis on fielded systems which can be delivered and deployed in minimum time.

C-17 Globemaster III – AIR 8000 Phase 3

Contractor: The Boeing Company (USA) under a FMS Arrangement with the US Government.

Initial training of Air Force personnel has been completed, with training of the complete squadron cadre of pilots, loadmasters and maintenance personnel continuing until December 2008 after which the Air Force will manage ongoing training requirements. Role expansion to include Air Drop and high-dependency patient Aero-Medical Evacuation is occurring progressively in 2008-09 as planned. This requires specialist equipment to be procured, personnel trained and airworthiness accreditation to be obtained.

Airborne Early Warning and Control Program

Airborne Early Warning and Control Aircraft – AIR 5077 Phase 3

Contractor: The Boeing Company (USA).

On 10 June 2008, Boeing advised a further schedule delay of approximately 10 months to the delivery of the first fully mission capable aircraft, due to continuing problems associated with sub-system integration and radar and electronic support measures maturity. Boeing now proposes delivery of the first aircraft in January 2010, a total delay of 38 months against the contract baseline.

In order to minimise the impact of this latest delay, Boeing has proposed to the Commonwealth that it would deliver two aircraft in July 2009 with sufficient capability to enable the ADF to commence training and bed-down its logistics support systems. Defence continues to review the underlying details of the proposed revised Boeing schedule but assesses that there is still residual technical and schedule risk to the delivery of the first two aircraft in July 2009.

Defence is now planning to establish an initial operating capability by end of 2011 and final operating capability by end of 2012.

Because of the schedule delays, the first three aircraft are being used to finalise the Developmental Acceptance Testing phase. The remaining three aircraft are scheduled to complete their modification programs mid to late 2010.

The initial Airborne Early Warning and Control System (AEW&C) facility at RAAF Tindal is approximately 85 per cent complete and will now be finalised when work begins on the rest of the Tindal precinct. Construction of the main Tindal facilities was approved by Parliament in June 2008. The Operational Flight Trainer was delivered in June 2008, with final acceptance planned for March 2009.

Air Warfare Destroyer Program

Air Warfare Destroyer – Build – SEA 4000 Phase 3

Contractor: This Program is being delivered under an Alliance contract arrangement (the Alliance-Based Target Incentive Agreement, ABTIA) between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Commonwealth (CoA) represented by the DMO.

In addition to the ABTIA, the CoA entered into a Platform System Design contract with Navantia S.A., the ship designer. Supply of the Aegis Combat System by the USN is via a FMS agreement.

A decision on whether to acquire a fourth AWD will be made in the context of the current Defence White Paper Force Structure Review.

Overall the project is on schedule and there have been no real cost increases to the project nor draw down of contingency. All major milestones have been achieved to date.

The AWD Alliance has released a range of Requests for Tenders (RFT) covering combat system equipment and hull block and module fabrication. The contract for the AWD Sonar System has been awarded to United Kingdom firm Ultra Electronics. Infrastructure work progressed on schedule at the South Australian State Government's Common User Facility and ASC shipyard.

The major milestones to be achieved in the near future are the Preliminary Design Review in December 2008 and the selection of the Hull Block manufacturers in early 2009.

The readiness of shipyard infrastructure in Adelaide to support block fabrication in late 2009 is critical to the successful start of hull construction. Any delay in completing this infrastructure work is likely to affect the schedule for first ship delivery. All parties are working cooperatively to ensure the facilities are delivered on schedule. To date, construction of the Common User Facility and ASC shipyard is on schedule.

If information from equipment vendors is not available when required by the Platform System Designer (Navantia), there will be a delay in delivering production data packages to block fabricators. To mitigate this risk, the alliance has a two-pronged strategy; to work closely with vendors and the staged release of information to the Platform System Designer. The recent delivery of a major data drop to Navantia of Vendor Furnished Information (VFI) has considerably alleviated this risk.

Bridging Air Combat Capability—Super Hornet

Bridging Air Combat Capability – AIR 5349 Phase 1

Contractor: The Boeing Company (USA) under a FMS arrangement with the US Government.

The Super Hornet program is on schedule for delivery of Australia's first six aircraft in the second quarter of 2010. The aircraft and ancillary equipment are being purchased under FMS arrangements with the US Government. Aircraft production contract signature occurred in late July 2008 with savings of some USD \$225m on original FMS estimates. Contracts have also been awarded for aircraft engines and a number of items of ancillary equipment.

Electronic Systems Division

New Air Defence Command and Control Systems – AIR 5333

Contractor: Boeing Australia Limited.

The contractor commenced installation work at RAAF Tindal and associated sites in May 2008. This has progressed well and is expected to be completed in early 2009. Completion of the project's critical design review in July 2008 allowed the project to enter the integration and test phase, which will commence at RAAF Tindal in late 2008. Software development and provision of Government-furnished obligations continues in parallel with the testing activities during the 2008-09 period.

The Commonwealth and Boeing signed a Deed of Settlement, Release and Amendment on 17 October 2008 which settled the project's long-running commercial issues.

Software development risk is being managed through the use of Commonwealth resident teams, and active monitoring of contractor performance through software development-related metrics.

Electronic Warfare Self Protection – AIR 5416 Phase 2

Contractor:

- BAE Systems – Phase 2A
- BAE Systems (formerly Tenix Defence) – Phase 2B.

Phase 2A – Modifications to the first Black Hawk commenced June 2008 and ground and flight testing is planned to commence early 2009. Chinook modification kits will be retained for installation once aircraft can be made available from operational commitments.

Phase 2B – All 12 C-130H aircraft have been modified with the last aircraft delivered to Air Force by BAE Systems in April 2008. This phase of the Echidna project is being prepared for closure.

The software development aspects of the Electronic Warfare Controller for Phase 2A are extremely complex. There is a medium risk that software developmental problems could affect the overall project delivery schedule although with solid progress shown by BAE Systems during 2008, this risk is diminishing.

Next Generation Satellite Program – JP 2008 Phase 4

Contractor: The Boeing Company (USA) via the US Government under a MoU.

The first satellite, Wideband Global Satellite (WGS) F1, with a footprint over the Pacific Ocean has been providing operational capability to Australia since June 2008. WGSF2 launch date has slipped three to four months and will now most likely occur in December 2008. There will be no financial impact in relation to expenditure on the contract as the Australian financial commitment relates to

WGS satellite six (SV6). The project is progressing the interim anchoring solution to allow indigenous anchoring of WGS from the eastern and western seaboard.

High Frequency Modernisation – JP 2043 Phase 3A

Contractor: Boeing Australia Ltd.

The first stage of the project has replaced the capability provided by the former Navy sites and Air Force stations. The second stage, to provide increased levels of automation, improved capability, enhanced security and survivability, reduced reliance on staff and to incorporate the new equipment into mobile platforms, is currently being implemented.

Due to difficulties with certain complex elements of design and integration and testing acceptance of the full final fixed network capability which was originally planned for 2008 may now be delayed until 2011. However, a recent independent technical review has confirmed the viability of the design and that there are no potential barriers to successful completion. A schedule review has also been conducted, to inform the way ahead and to enable revised delivery dates to be set. As the difficulties being experienced also affect the design of the mobile upgrade equipment, there is a flow on effect to completion of upgrades to mobile platforms.

Explosive Ordnance Division

Follow-on Stand-off Weapon – Air 5418 Phase 1

Contractor: An FMS case was established with the US Air Force in July 2006 to supply AGM-158 Joint Air-to-Surface Standoff Missiles (JASSM). A commercial contract was signed with Lockheed Martin Missiles and Fire Control in September 2006 for support to integration of JASSM with F/A-18A/B aircraft and supply of technical data and documentation for JASSM airworthiness certification and conduct of a maritime interdiction capability study.

A major risk was realised in mid 2008 when technical issues were encountered by the USN with the development of the F/A-18A/B operational flight program. Whilst the issues have been resolved, achievement of an IOC will be delayed by up to six months to June 2010. Flight testing of the new operational flight program continues. Data and hardware items acquired under FMS and the Lockheed Martin contract continued to be delivered on schedule. Lockheed Martin's simulation studies to model missile performance in a maritime environment have progressed. During 2008-10 missile and aircraft integration testing will continue with testing being undertaken in Australia and the US, culminating in a live missile firing in Australia in early 2010.

Explosive Ordnance Reserve Stocks – JP 2085 Phase 1B

Contractors: Multiple purchase contracts with Australian and overseas munitions suppliers.

The major focus for the remainder of 2008-09 will be on the establishment of arrangements for the Navy 5 inch projectile procurement and delivery to Army of Excalibur's IOC by January 2009. The project expects to deliver Army with its Final Operational Capability for all medium artillery units by December 2009.

The major risk for this project continues to be related to the schedule and costs associated with acquisition and integration of 155mm Artillery Precision Guided Munition with the Australian M198 Gun System. Rigorous review of system specifications, and participation in or visibility of the US Government test program, combined with regular communication with the relevant overseas government agencies will provide higher quality indications of cost and schedule change.

Mulwala Redevelopment Project – JP 2086 Phase 1

Contractor: Bovis Lend Lease.

Design and construction activities are currently running approximately three months behind schedule as a result of contractor delays in achieving necessary State Government planning approvals. The contractor is reviewing the design and construction schedules with the aim of recovering slippage through undertaking parallel work packages.

Practical completion of construction is scheduled for July 2010 and completion of qualification of propellants for use in ADF ammunition is scheduled for September 2011. Certification of ammunition using the qualified products is scheduled for March 2013.

Helicopter Systems Division

Armed Reconnaissance Helicopter – AIR 87 Phase 2

Contractor: Australia Aerospace.

As at 17 October 2008, the Commonwealth had accepted 12 Tiger Armed Reconnaissance Helicopters (ARH), the software support facility, the ground mission management system, facilities in Darwin, Northern Territory, and Oakey, Queensland, training courseware and four of the six ground training devices. The thirteenth ARH is in the process of being accepted.

Delivery of the remaining nine aircraft and the completion of delivery of all supplies is presently the subject of further detailed scheduling to enable Army to conduct operational test and evaluation in 2009–10. Australia has now trained a total of 17 ARH pilots. This includes Battle Captains, instructors and test pilots. A further three pilots and seven Battle captains are currently in training and should qualify by the end of November 2008. A group of seven Army combat aviators (experienced operational helicopter pilots) were trained during 2008 as the emphasis shifts from instructors towards operational crews for the 1st Aviation Regiment. ARH Tiger has now flown in excess of 3,000 hours, mainly in support of training in Australia. The Australian flight hours' achievement is about 30 per cent of the international Tiger fleet that includes France, Germany and Spain.

Payments to Australian Aerospace have resumed although one-third was retained pending completion of the contract changes implementing the Deed of Agreement. These are expected to be signed during December 2008. The project has experienced a much improved rate of achievement since dispute resolution.

As part of the settlement, Australian Aerospace has provided two EC-135 helicopters in Darwin for ARH aircrew currency training at a rate of 1,600 hours per year. In addition, three ARH were relocated from Oakey in Queensland to Robertson Barracks in Darwin in late June 2008, to further achieve training objectives.

Mission equipment test and acceptance is progressing well. The final ARH Weapon Test Campaign was completed successfully by Air Operations Support Group in September 2008 and will result in a Hellfire Missile clearance and certification for the ARH.

Multi Role Helicopter – AIR 9000 Phase 2

Contractors: Australian Aerospace, CAE Australia.

The first four aircraft have been manufactured in France; the remaining 42 have commenced assembly at Australian Aerospace's Brisbane facility.

The third MRH-90 arrived from France on 22 June 2008 and was accepted by the DMO on 7 August 2008. The fourth MRH-90 has completed a data collection task required for the design of the

full flight and mission simulators being developed by CAE Australia and was delivered from France on 14 November 2008 by RAAF C-17. This aircraft is scheduled for acceptance on 5 December 2008. The first Australian assembled aircraft remains on schedule for acceptance on 17 December 2008.

Contracts are currently being awarded for the construction of facilities in Townsville, Oakey, Brisbane and Nowra. A RFT is being developed for the provision of Ground Training Devices.

Land Systems Division

Upgrade of M-113 Armoured Vehicles – LAND 106

Contractor: BAE Systems Australia (formerly Tenix Defence).

Production vehicles required to commence crew and maintenance training have now been delivered. Procurement of initial spares, special tools and test equipment to support the introduction of vehicles has commenced and will continue in parallel with vehicle production.

Results of the comprehensive development test program to date are positive; however, a medium technical risk will remain until all testing is complete in 2009. The contractor has advised that the delivery of the last vehicle will be as contracted in December 2010. To achieve this the contractor is preparing additional facilities in Williamstown, VIC and Wingfield, SA to convert vehicle hulls. The DMO assesses that this remains a high risk production schedule subject to how quickly the contractor can ramp up hull conversions at the alternative facilities.

Bushmaster Infantry Mobility Vehicle-Project Bushranger – LAND 116 Phase 3

Contractor: Thales Australia (formerly known as ADI Ltd).

The project is acquiring 737 vehicles in seven variants, an increase of 14 vehicles since the release of the *Portfolio Budget Statements 2008-09*.

One hundred and two Enhanced Land Force vehicles have been delivered with the remaining 42 to be delivered by March 2009. Successful negotiations with Thales have resulted in a contract amendment for the procurement of an additional 293 Bushmaster vehicles for the protected mobility medium requirement for Land 121 Overlander Phase 3. Delivery will commence in May 2009 and will be completed by June 2012. The through-life support contract will be amended to include the additional vehicles.

All weapon stations and Fire Suppression Systems have been delivered, with the delivery of spall curtains to commence in late 2008. The weapon stations have been fitted to deployed vehicles, with the Fire Suppression Systems and spall curtains to commence fitment to deployed vehicles in early 2009.

Maritime Systems Division

Guided Missile Frigate Upgrade Implementation – SEA 1390 Phase 2

Contractor: Thales Australia (formerly known as ADI Ltd).

HMAS *Darwin* was provisionally accepted by Navy in August 2008. The last of the upgrades in HMAS *Newcastle* is still on schedule for provisional acceptance in June 2009. HMA Ships *Sydney*, *Melbourne* and *Darwin* are operating under Navy control, progressing towards initial operational release in early 2009. Electronic Surveillance and Underwater Warfare Systems performance deficiencies continue to be addressed in HMAS *Melbourne*. HMA Ships *Sydney* and *Darwin* have been accepted from the contractor.

Standard Missile Replacement – SEA 1390 Phase 4B

Contractor: The DMO is the Procurement Coordinator, supported by the US Department of Defense under an FMS arrangement and commercial contracts. Original Equipment Manufacturers are engaged through commercial contracts to mitigate delivery risk of the Standard Missile (SM-2) capability.

An initial number of SM-2 tactical missiles and spare missile sections were received in Australia in September 2008.

Software development and integration under FMS arrangements has commenced with the Stage 1 Critical Design Review held in late August 2008. Integration testing of the various equipment and software items has commenced. These activities will culminate in integration of the Weapon Control System software which has commenced in the US. Continuing software development, integration and testing will follow with initial shipboard fielding in Australia in late 2009.

New Heavyweight Torpedo – SEA 1429 Phase 2

Contractor: US Department of Defense under a MoU with work performed by Raytheon and the US Naval Undersea Warfare Center.

HMAS *Waller* successfully undertook a live heavyweight torpedo firing at RIMPAC 2008 and sinking an ex-USN Destroyer, proving the integrated replacement combat system with the new heavyweight torpedo capability. Installation of heavyweight torpedo modifications in HMAS *Farncomb* are complete with the boat currently undertaking sea trials and expected to be operational in early 2009. Installations in HMA Ships *Dechaineux* and *Sheean* are progressing satisfactorily, however HMAS *Dechaineux* is now expected to complete her Full Cycle Docking in late 2009. Progressive shipments of torpedoes to Australia continue to meet RAN requirements. Additional estimated spend for 2008-09 allows for the purchase of an additional torpedo for trials purposes, which was originally scheduled for purchase in future years.

The installation schedule is synchronised with the submarine docking program and any change in that program is a medium risk to the project delivery schedule.

Collins Class Submarine Reliability & Sustainability – SEA 1439 Phase 3

Contractor: ASC Pty Ltd is the submarine builder and designer for through-life support activities, engaged under a through-life support agreement for up to 25 years, with work packages for all submarine-related projects and product contracted annually.

The project scope is comprised of several sub-projects which separately address a number of submarine reliability and sustainability conditions. The documentation and delivery of each sub-project is subject firstly to the availability of funding and contractor resources, and then the timing of submarine maintenance periods. Overall, this project competes for funding and platform availability as a lower priority than two other submarine-related projects SEA1439 Phase 4A and SEA1429 Phase2.

As a result, the achievement of the budget for 2008-09 is dependent on the opportunities for contracted resources and maintenance periods against the other projects' competing priorities.

A number of sub-projects' modifications were progressed successfully to schedule. The expenditure underachievement for 2008-09 reflects specialist design and production work not performed on this project.

Limited contractor specialist design and production capacity continues as a medium risk. Contracting work packages on an annual basis under the through-life support agreement is a medium risk to controlling costs within the capped project budget.

Amphibious Ships

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

Contractor: BAE Systems Australia (formerly Tenix Defence).

Steel was cut for the first ship on 23 September 2008. Ship 01 (HMAS *Canberra*) is due for acceptance in January 2014 and Ship 02 (HMAS *Adelaide*) in August 2015.

The main risk of technical regulatory acceptance is assessed as high and is being mitigated through early implementation of rigorous oversight of technical and engineering issues. Significant risks of authorisation of contract variations and Intellectual Property controls through the sale of the prime contractor organisation are being mitigated by rigorous project management.

New Air Combat Capability

Detailed Analysis and Acquisition Planning – AIR 6000 Phase 1B

Contractor: Lockheed Martin Aeronautics is contracted to the US Government for the F-35 Lightning II Joint Strike Fighter (JSF) System Development and Demonstration (SDD) and the JSF PSFD phases of the JSF program. Lockheed Martin is teamed with Northrop Grumman and BAE Systems for the JSF air vehicle. Pratt and Whitney and the General Electric/Rolls Royce Fighter Engine Team are the primes for the two engines being developed for the F-35.

Defence analysis is focussed on the F-35 Block 3 Conventional Take Off & Landing (CTOL) variant. The ongoing analysis indicates that the CTOL F-35, if it matures as planned, and when integrated into the networked ADF, will meet the ADF's future air combat needs.

Key decisions on the scope and timing of the project are expected to be made in the context of the new Defence White Paper, Force Structure Review and subsequent Defence Capability Plan. On current planning, Second Pass is planned for June 2009.

Current Status of Acquisition Projects not included in the Top 30

Table 2.5.2 provides an update on the status of major projects reported in the last five financial years. These projects dropped below the Top 30 expenditure thresholds at the time of producing the *Portfolio Budget Statements 2008-09*.

Table 2.5.2—Status of previously reported Top 30 projects

	Project number	Financial year(s) reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2008 \$m	Budget estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Status Report
Aerospace Systems								
Hornet Upgrade Project – Target Designation System	AIR 5376 Phase 2.4	2006-07	152	86	15	20	5	Initial Operational Capability achieved in June 2007. The project is on schedule and Final Operational Capability is expected by December 2009.
P-3C Update Implementation	AIR 5276 Phase 2	2004-05 2007-08	908	864	12	8	-4	Both acoustics and avionics processors continue to be delivered on schedule. Radar: a senior level Project Management Review was conducted in October 2008 to address on going schedule delays, reporting and other project management issues. Outcomes included visibility to senior Elta management of project position, Elta delivering a revised schedule in November 2008 for comment and a status report.
F/A-18 Hornet Structural Refurbishment Program	AIR 5376 Phase 3.1	2004-05	127	100	6	3	-3	Work program on schedule and within budget.
Strategic Air Lift Capability	AIR 5216 Phase 1	2005-06	1,047	1,021	3	1	-2	Remaining project activity relates to deliveries of some components of outstanding spares procurement.
Amphibious Vessels								
Maritime Operations Support Capability	SEA 1654 Phase 2A	2005-06 2006-07	145	129	5	5	-	Project schedule is continuing on track and spend is estimated as programmed.
Electronic Systems								
MILSATCOM Terrestrial Infrastructure	JP 2008 Phase 3E	2004-05 2005-06 2007-08	210	187	11	14	3	The project has commenced the systems integration phase, with the Theatre broadcast software roll-out currently underway. The project remains on schedule for delivery in December 2009.

	Project number	Financial year(s) reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2008 \$m	Budget estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Status Report
Jindalee Radar Network	JP 2025 Phase 3 & 4	2004-05 2005-06 2006-07	1,248	1,226	6	2	-4	A 46-month maintenance and support contract expired on 16 February 2007. Subsequent maintenance contracts are managed from Sustainment (Output 1.2). The residual activities on this project relate to the finalisation of the capability's support environment. Integration of grid power into the radar sites at Longreach has not proven cost effective and so will not be pursued. The project will now investigate the possibility of utilising alternative power generation technology.
Explosive Ordnance								
Air to Air Weapons Capability	AIR 5400 Phase 1/2	2004-05	317	286	-	1	1	Capability is in service. Project closure action has been delayed until early 2009 pending clarification of guidance transfer approval and project closure processes.
Air to Surface Stand-Off Weapon Capability	AIR 5398 Phase 1	2004-05	449	399	-	-	-	Capability is in service. Project closure action has been delayed until early 2009 pending clarification of guidance transfer approval and project closure processes.
Air to Air Weapons Follow-On Buy	AIR 5400 Phase 3	2004-05	184	143	-	-	-	Capability is in service. Project closure action has been delayed until early 2009 pending clarification of guidance transfer approval and project closure processes.
Lightweight Torpedo Replacement	JP 2070 Phase 2	2004-05 2005-06 2006-07 2007-08	347	195	17	19	2	The first successful MU90 Torpedo exercise firing in Australia was achieved in June 2008 and the Torpedo Maintenance and Integration Facility at HMAS Stirling was opened in July 2008. Surface integration is tracking well. Air Integration has been put on hold pending the outcomes of the White Paper.
Evolved SeaSparrow Missile	SEA 1428 Phase 2B/3	2004-05	279	245	6	8	2	The capability is in service and deployed. Deliveries of some support items, spares and remediation work on the test station remain outstanding.

	Project number	Financial year(s) reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2008 \$m	Budget estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Status Report
Helicopter Systems								
Anzac Ship Helicopter	SEA 1411 Phase 1	2004-05 2005-06 2006-07	1,114	953	13	2	-11	On 5 March 2008, the Minister for Defence announced the Government's intention to cancel the Seasprite program and enter into negotiations with Kaman Aerospace Corporation to terminate the contract. On 20 March 2008, the Australian Government and the Contractor reached mutual agreement to cancel the project subject to US Government approval. One element of the agreement is that at least 50 per cent of the proceeds will be provided to the Commonwealth. The first stage of a two-part US Government approval was obtained on 8 August 2008, granting authority to transfer the Seasprite aircraft and equipment to the US under Kaman control. The aircraft and equipment were shipped from Australia late October/early November 2008, and the title transfer to Kaman is expected to be progressed after their arrival in the US.
Land Systems								
Direct Fire Guided Weapon	LAND 40 Phase 1	2004-05	147	123	17	4	-13	Full Operational Capability was achieved in March 2008, and the Javelin weapon system is currently transitioning into service.
Ground Surveillance Radar	LAND 53 Phase 1E	2004-05	81	81	-	-	-	Project has been completed and closed.
Australian Light Armoured vehicles	LAND 112 Phase 3	2005-06	690	588	2	2	-	All prime equipment has been delivered. ASLAV Surveillance prototype is undergoing test and evaluation. Crew Procedural Trainer has been introduced into service and a Through Life Support contract is being established. Extensions to ASLAV hangers and support facilities are being planned by Infrastructure Division.

	Project number	Financial year(s) reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2008 \$m	Budget estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Status Report
General Service Field Vehicles – Overlander	LAND 121 Phase 2	2005-06	93	56	6	6		<p>Bulk Liquid Tankers (\$2.626m) – project has been completed and closed.</p> <p>Heavy Recovery Vehicle (\$33.525m) – project has been completed and closed.</p> <p>Mack Noise Reduction (\$14.000m) – in contract.</p> <p>Passenger/Cargo Restraint & Separation – Unimog and Mack Gun Tractors (\$11.427m)– in contract – due for completion and closure in 2009.</p> <p>Passenger/Cargo Restraint & Separation – Land Rover (\$11.000m). Regional Force Surveillance Vehicle – in contract.</p> <p>Land Rover Handling Upgrade – project has been completed and closed.</p>
Tank Replacement Project	LAND 907 Phase 1	2005-06 2006-07 2007-08	575	425	9	5	-4	<p>Project is on schedule and within budget. All major capability platforms have been delivered and are in service. Current focus is to establish a Through Life Support contract, Leopard Tank disposal and the acquisition of Tank Urban Survivability kits.</p>
Maritime Systems								
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	2007-08	453	75	22	57	35	<p>Under the revised acquisition strategy, industry contract negotiations are progressing, and the phased array radar demonstrations were successful in November 2008. Production of the prototype phased array radar mast continues on schedule.</p>
Anzac Ship Project	SEA 1348 Phase 2	2004-05 2005-06 2006-07 2007-08	5,379	5,343	19	4	-15	<p>The last ship was delivered in June 2006. Contractor warranty works are progressing as well as essential standardisation upgrades to ships.</p>
Collins Replacement Combat System	SEA 1439 Phase 4A	2004-05 2005-06 2006-07 2007-08	457	390	19	19	-	<p>Installations in HMA submarines <i>Dechaineux</i> and <i>Sheean</i> are progressing satisfactorily, and the system has been proven in <i>HMAS Waller</i>.</p>
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	2004-05 2005-06 2006-07 2007-08	375	146	21	23	2	<p>Production and integration successes with infra-red search and track and upgraded combat management system hardware and software continue. Delivery of all hardware and software continues to meet capability on schedule.</p>

	Project number	Financial year(s) reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2008 \$m	Budget estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Status Report
Armida-class Patrol Boat	SEA 1444 Phase 1	2004-05 2005-06 2006-07 2007-08	534	461	15	16	1	Navy's operational release is planned for early 2009. All patrol boats are engaged in operations.
Ships Self Defence Capability – RAPID Acquisition	SEA 1779 Phase 1	2007-08	54	24	16	17	1	Installation in all ships (<i>Manoora</i> , <i>Kanimbla</i> and <i>Tobruk</i>) is 97 per cent complete.
Underwater and Surface Warfighting Upgrade Program	SEA 1348 Phase 3	2004-05	161	132	5	6	1	Harpoon systems installation will continue in 2008-09 along with associated activities and tasks in support of the Harpoon systems.

Minor Capital Investment Programs

Minor capital projects deliver capability to meet emerging enhancement, replacement or new requirements of relatively low values and are funded from allocations outside the Defence Capability Plan. There are five Defence Minor Capital Investment Programs, funded by the Capability Managers through Materiel Acquisition Agreements as described in Chapter Two. There are currently over 180 minor projects with an average value of \$7.0m.

OUTPUT 1.2-MANAGEMENT OF CAPABILITY SUSTAINMENT

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. The level of the DMO's service provision is linked to the level of capability preparedness directed by the CDF, which, in turn, is determined by the Government's funded requirements for the level of Defence capability.

The DMO's sustainment services to Defence, and the price the DMO receives for these services, are formalised in Materiel Sustainment Agreements between the DMO and Defence Capability Managers.

The revised planned resource use for Output 1.2 is \$5,117.3m in 2008-09, an increase of \$250.7m from the 2008-09 budget estimate. Planned resources include \$46.027m of expected net personnel and operating costs being triggered and subsequently approved by Defence during 2008-09.

Table 2.5.3 lists the Top 20 Sustainment products ranked by forecast expenditure in 2008-09. The key activities associated with the key deliverables under each Materiel Sustainment Agreement are addressed in the product descriptions. There are currently seven Materiel Sustainment Agreements under management in Output 1.2 incorporating 99 sustainment schedules.

Table 2.5.3—Top 20 sustainment products by forecast expenditure in 2008-09

	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Explanation of Variation ^[1]
Aerospace Systems Division				
P-3C/AP-3C Orion Weapons System	135	137	2	Variation attributable to Global Update offset by reduced operational supplementation funding.
F/A-18 Hornet Weapons System	133	130	-3	The revised estimate reflects a combination of cost savings, Global Update and a reduced Net Personnel Operating Cost allocation.
C-130J-30 Weapons System	127	136	9	Variation attributable to Global Update and minor variations.
F-111 Weapons System	120	120	-	-
Lead-In Fighter Hawk 127 Weapons System	88	88	-	-
C-17 Globemaster III	86	94	8	Variation attributable to Global Update.
C-130H Weapons System	68	61	-7	Revised application of operational supplementation funding.
Electronic Systems Division				
Wide Area Surveillance Capability	76	75	-1	Minor change following a Branch review, and also includes a change in the attribution of the DMO's indirect costs.
Battlespace Communications Systems	70	105	35	The estimate represents additional operations funding provided by Defence. However the likelihood is that these funds will be returned to Defence this financial year.
Explosive Ordnance Division				
Explosive Ordnance – Air Force, Navy, Army	373	453	80	Variation is attributable to new capability recently introduced into service, realignment of budget, Explosive Ordnance reforms and price variation.
Helicopter Systems Division				
Multi Role Helicopter MRH90	87 ^[2]	95	8	Variation attributable to Global Update. It is expected that the actual achievement will be less than this when adjusted for the MRH90 flying rate that has been below the planned rate.
Black Hawk S70A-9 Weapons System	73	73	0	-
Land Systems Division				
B Vehicles	117	126	9	Variation is the result of Army's reprioritisation of funding for additional sustainment activities for B Vehicles.
Commercial Vehicle Fleet	94	82	-12	Variation is the result of one off savings identified by the Commercial Vehicle program in 2008-09.

	Budget Estimate 2008-09 \$m	Revised Estimate 2008-09 \$m	Variation \$m	Explanation of Variation ^[1]
ADF Clothing and Equipment	76	94	18	Variation is the result of Army's reprioritisation of funding for additional sustainment activities for clothing and support to operations.
Maritime Systems Division				
Fuels and Lubricants – Navy, Army, Air Force	442	428	-14	The decrease is the result of the contribution to the efficiency dividend and price indexation adjustments.
Collins class submarines	296	304	8	Variation attributable to Global Update and rollover of funds for work not finalised in 2007-08, offset by a contribution to the efficiency dividend.
Anzac class frigate	255	270	15	The increase is the result of the rollover of funds for inventory not delivered in 2007-08.
Adelaide class frigate	112	113	1	Inclusion of Operations funding offset by a contribution to the efficiency dividend.
Mine Hunter Coastal	61	58	-3	The decrease is the result of the contribution to the efficiency dividend.
Subtotal Top 20 Sustainment Products	2,889	3,042	153	

Notes

1. The revised estimate 2008-09 will include economic parameter adjustments for price update and foreign exchange calculation, referred to in explanations as the Global Update.
2. This was erroneously reported in the *Portfolio Budget Statements 2008-09* p191 as \$127m.

UPDATED INFORMATION ON DMO SUSTAINMENT PRODUCTS

Aerospace Systems Division

Information remains as reported in the *Defence Portfolio Budget Statements 2008-09*, except for the following:

Aerospace Systems Products

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

Some AP-3C Orion aircraft recently reached their structural safe design life, and as a result a Safety-By-Inspection regime of targeted additional structural inspections is being undertaken.

F/A-18 Hornet Weapons System

A new contracting strategy has been developed to provide through-life support for deeper maintenance and modifications to the Hornet. Contracts are expected to be in place by December 2008. The scope of work reflects a decrease in workload associated with completion of the AIR5376 Phase 2.2 modification program in December 2008, and the reduction in scope of AIR5376 Phase 3.2 from 49 CBR to 10 as a result of fatigue life extensions supported by Defence Science and Technology Organisation testing.

Electronic Systems Division

Information remains as reported in the *Defence Portfolio Budget Statements 2008-09*, except for the following:

A new contract for the operation, maintenance and support of the Harold E Holt facility at Exmouth, WA, is being developed for release to tender in 2009. Approval to close the Navy Transmission Station Darriman in Sale, Vic, is expected from Navy within the next 12 months.

The major new Air Traffic Control Radar and Air Defence Radar systems are expected to transition to sustainment in mid-2009. The in-service support arrangements for the recently delivered Australian Defence Air Traffic System, including radar mechanical maintenance, have commenced and are working well.

One of the four new systems is deployed to the Middle East Area of Operations in support of Operation Slipper. Major upgrades to the interim Regional Operations Centre software are continuing on a six-monthly cycle.

Efficiency measures across all products managed by the Division continue to be identified and implemented: Two recent radio purchases under sustainment support to operations, achieved 10 per cent and 30 per cent savings respectively. By altering the maintenance concept on Satellite ground equipment approaching life-of-type from “preventive” to “on-condition”, savings of 50 per cent over the original contract have been achieved.

Electronic Systems Products

Battlespace Communications Systems

A new contract to improve the in-service support of the ADF's Battlespace trunk communications suite is in place with BAE Systems Australia. BAE Systems has successfully ramped-up to meet commencement of operation in October 2008.

Availability of sufficient contracting resources to effect new contracts or contract changes is a risk to achieving sustainment savings efficiencies in a timely manner.

Explosive Ordnance Division

Information remains as reported in the Defence *Portfolio Budget Statements 2008-09*, except for the following:

Explosive Ordnance Product

Explosive Ordnance-Navy, Army, Air Force

The ability to provide munitions products in the required quantities to Navy, Army and Air Force continues to be impacted by high global demand. Price increases due to this high demand are being encountered. In an effort to reduce the supply chain risks associated with high consumption and critical items, opportunities for greater indigenous manufacturing are being actively explored. Price increases will place pressures on the sustainment budgets of Navy, Army, and Air Force from 2009-10.

Helicopter Systems Division

Information remains as reported in the Defence *Portfolio Budget Statements 2008-09*, except for the following:

Helicopter System Products

Multi Role Helicopter MRH90

Three MRH90 helicopters have been accepted into service, and over the course of 2008-09 a further five helicopters will be delivered.

The planned rate of effort for the year was 600 hours, however this will not be met due to issues with the initial supply of spares for the aircraft. The rate of effort will progressively build to the mature state of 10,300 hours per year by 2014-15.

Land Systems Division

Information remains as reported in the Defence *Portfolio Budget Statements 2008-09*, except for the following:

In 2007-08 Land Systems Division completed 32 rapid acquisition projects at a total cost of \$49.282m. In 2008-09, the division is progressing 14 rapid acquisition projects with an approved budget of approximately \$93.973m. These will be delivered during 2008-09.

Land Systems Products

ADF Clothing

The ADF Clothing and Personal Equipment Procurement Plan for the period 2009-2013 released in October 2008, advises industry on the tendering activities that will establish standing offer agreements for the acquisition of combat and non-combat clothing.

Maritime Systems Division

Information remains as reported in the Defence *Portfolio Budget Statements 2008-09*, except for the following:

An additional challenge for sustainment during 2008-09 is managing the budgetary impact of the volatile price of oil, and the large reduction in the exchange rate, on the procurement of fuel.

OUTPUT 1.3—PROVISION OF POLICY ADVICE AND MANAGEMENT SERVICES

The DMO's direct appropriation for Output 1.3 of \$94.960m has not changed since the 2008-09 budget.

Part Two – Defence Materiel Organisation

The revised price for Output 1.3 is \$103.015m in 2008-09, an increase of \$0.211m from the 2008-09 budget estimate.

SECTION THREE
DEFENCE MATERIEL ORGANISATION
EXPLANATORY TABLES AND FINANCIAL
STATEMENTS

CHAPTER SIX – EXPLANATORY TABLES

EXPLANATORY TABLES

ESTIMATES OF VARIATIONS TO AVERAGE STAFFING LEVEL

EXPLANATORY TABLES

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6.1 shows the expected additions (receipts) and reductions (payments) for each account used by DMO. The corresponding table in the *Portfolio Budget Statements 2008-09* is Table 2.6.2.

Table 2.6.1—Estimates of special account flows^[1]

Outcome		Opening	Receipts	Payments	Adjustments	Closing
		balance	2008-09	2008-09	2008-09	balance
		2007-08	2007-08	2007-08	2007-08	2007-08
		\$'000	\$'000	\$'000	\$'000	\$'000
DMO Special Account ^[2]	1	987,862	10,237,528	10,328,728	-	896,662
		564,819	9,876,149	9,453,106	-	987,862
DMO Other Trust Monies Special Account ^[3]	1	694	200	200	-	694
		905	283	494	-	694
Total special accounts						
	2008-09 Budget estimate	988,556	10,237,728	10,328,928	-	897,356
Total special accounts						
	2007-08 estimated actual	565,724	9,876,432	9,453,600	-	988,556

Notes

1. GST and the appropriation are included in this table.
2. The DMO Special Account is established under section 20 of the Financial Management and Accountability Act 1997.
3. The DMO Other Trust Monies Special Account is established under Section 20 of the Financial Management and Accountability Act 1997.

ESTIMATES OF VARIATIONS TO AVERAGE STAFFING LEVEL

Changes in Average Staff Level (ASL) are presented in the Portfolio Additional Estimates Statements at the whole of agency level to demonstrate any movements since Budget. The ASL figures for Budget were reported in agency *Portfolio Budget Statements 2008-09* in the Outcome Resourcing Table 2.5.2.

Table 2.6.2—Average Staffing Level (ASL)^[1]

	2008-09 Budget	2008-09 Revised	Variation
Outcome 1			
Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel	5,375	5,390	15
Total	5,375	5,390	15

Note:

1. Average staffing levels do not include military staff posted to the DMO, as military staff remain employees of Defence and are included in its staffing numbers. The average staffing levels for military staff posted to the DMO is provided in Chapter 4.

CHAPTER SEVEN – BUDGETED FINANCIAL STATEMENTS

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS
NOTES TO THE BUDGETED FINANCIAL STATEMENTS

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Revisions to the budgeted departmental financial statements for the DMO since the *Portfolio Budget Statements 2008-09* are presented in this section.

Budgeted income statement

An increase in the DMO's estimated income and expenditure for 2008-09 (\$96.7m) is largely a result of the movements as detailed below:

- supplementation due to foreign exchange rates (\$531.9m)
- the reprogramming of major capital projects cash flow to future years (-\$514.0m)
- increase in sustainment funding (\$145.8m)
- decreases predominantly in approved major capital investment, unapproved major capital investment and minor capital investment (-\$67.0m).

Budgeted departmental balance sheet

The balance sheet has been updated to reflect the 2007-08 audited financial statements and adjustments to the budgeted income statement described above.

Statement of cash flows

The estimated cash flows have been updated to reflect the changes in the income statement and balance sheet as noted above and in particular:

- increase in goods and services (\$38.0m) reflecting the reprogramming of major capital cash flow, foreign exchange and sustainment increases
- inclusion of an estimate (\$20.0m) of interest from overseas bank accounts which is returned to the OPA when receipted
- changes to foreign government activities and GST receipts (\$64.0m).

Table 2.7.1—Budgeted departmental income statement (for the period ending 30 June)

	Actual 2007-08 \$'000	Revised budget 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	93,256	94,960	94,294	91,579	92,629
Goods and services	8,262,918	9,544,464	11,977,454	12,651,951	12,415,302
Other	76,442	65,000	65,000	65,000	65,000
Total revenue	8,432,616	9,704,424	12,136,748	12,808,530	12,572,931
Gains					
Net foreign exchange gains	11,807	-	-	-	-
Other	39,638	39,638	39,638	39,638	39,638
Total gains	51,445	39,638	39,638	39,638	39,638
Total income	8,484,061	9,744,062	12,176,386	12,848,168	12,612,569
EXPENSE					
Employees	458,992	465,592	450,608	461,418	462,791
Suppliers	7,976,766	9,274,675	11,722,729	12,385,268	12,149,136
Depreciation and amortisation	4,963	3,795	3,049	1,482	642
Write-down of assets and impairment of assets	754	-	-	-	-
Other	5	-	-	-	-
Total expenses	8,441,480	9,744,062	12,176,386	12,848,168	12,612,569
Net operating result	42,581	-	-	-	-

Table 2.7.2—Budgeted departmental balance sheet (as at 30 June)

	Actual 2007-08 \$'000	Revised budget 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	32,119	33,119	32,119	32,119	32,119
Receivables	1,088,556	945,448	823,671	700,513	505,229
Total financial assets	1,120,675	978,567	855,790	732,632	537,348
Non-financial assets					
Infrastructure, plant and equipment	10,274	10,274	10,274	10,274	10,274
Intangibles	5,315	5,315	5,315	5,315	5,315
Other non-financials assets	1,377,830	1,377,830	1,377,830	1,377,830	1,377,830
Total non-financial assets	1,393,419	1,393,419	1,393,419	1,393,419	1,393,419
Total assets	2,514,094	2,371,986	2,249,209	2,126,051	1,930,767
LIABILITIES					
Payables					
Suppliers	1,142,323	1,142,323	1,142,323	1,142,323	1,142,323
Other payables	994,143	844,056	712,942	581,267	387,286
Total payables	2,136,466	1,986,379	1,855,265	1,723,590	1,529,609
Provisions					
Employees	150,464	158,443	166,780	175,297	173,994
Total provisions	150,464	158,443	166,780	175,297	173,994
Total liabilities	2,286,930	2,144,822	2,022,045	1,898,887	1,703,603
Net assets	227,164	227,164	227,164	227,164	227,164
EQUITY					
Contributed equity	141,724	141,724	141,724	141,724	141,724
Retained surpluses or accumulated deficits	85,440	85,440	85,440	85,440	85,440
Total equity	227,164	227,164	227,164	227,164	227,164
Current assets	2,054,289	1,912,181	1,789,404	1,666,246	1,470,962
Non-current assets	459,805	459,805	459,805	459,805	459,805
Current liabilities	1,988,483	1,888,462	1,802,320	1,715,939	1,576,175
Non-current liabilities	298,447	256,360	219,725	182,948	127,428

Table 2.7.3—Budgeted departmental statement of cash flows (for the period ended 30 June)

	Actual 2007-08 \$'000	Revised budget 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	8,207,991	9,466,577	11,968,117	12,643,434	12,416,605
Appropriations	52,000	94,960	94,294	91,579	92,629
Interest	18,591	20,000	20,000	20,000	20,000
Net GST received	479,504	683,191	800,663	845,863	829,886
Other cash received	45,796	85,000	65,000	65,000	65,000
Total cash received	8,803,882	10,349,728	12,948,074	13,665,876	13,424,120
Cash used					
Employees	446,966	457,613	442,271	452,901	464,094
Suppliers	7,789,942	9,235,037	11,683,091	12,345,630	12,109,498
Net GST paid	533,857	632,283	800,663	845,863	829,886
Other cash used	18,591	20,000	20,000	20,000	20,000
Total cash used	8,789,356	10,344,933	12,946,025	13,664,394	13,423,478
Net cash from or (used by) operating activities	14,526	4,795	2,049	1,482	642
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	4,374	3,795	3,049	1,482	642
Total cash used	4,374	3,795	3,049	1,482	642
Net cash from or (used by) investing activities	-4,374	-3,795	-3,049	-1,482	-642
Net increase or (decrease) in cash held	10,152	1,000	-1,000	-	-
Cash at the beginning of the reporting period	21,967	32,119	33,119	32,119	32,119
Cash at the end of the reporting period	32,119	33,119	32,119	32,119	32,119

Table 2.7.4—Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed Equity / capital \$'000	Total equity \$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	85,440	-	-	141,724	227,164
Adjusted opening balance	85,440	-	-	141,724	227,164
Net operating result	-	-	-	-	-
Estimated closing balance as at 30 June 2009	85,440	-	-	141,724	227,164

NOTES TO THE BUDGETED FINANCIAL STATEMENTS

The notes to the Budgeted Financial Statements remain as reported in the *Portfolio Budget Statements 2008-09*.