

PORTFOLIO ADDITIONAL ESTIMATES STATEMENTS 2009-10

DEFENCE PORTFOLIO

EXPLANATIONS OF ADDITIONAL ESTIMATES 2009-10

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ISBN 978-0-642-29718-1

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Printed by Bluestar Print Group



MINISTER FOR DEFENCE

PARLIAMENT HOUSE
CANBERRA 2600

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Additional Estimates Statements in support of the 2009-10 Additional Estimates for the Defence Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the funding requirements being sought for the Portfolio.

I present these statements by virtue of my ministerial responsibility for accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Faulkner', followed by a period.

Senator the Hon J Faulkner
Minister for Defence

USER GUIDE

The purpose of the Portfolio Additional Estimates Statements (PAES), like that of the Portfolio Budget Statements, is to inform Senators and Members of Parliament and the public of the proposed allocation of resources to Government outcomes by agencies within the portfolio. However, unlike the Portfolio Budget Statements, the PAES summarise only the *changes* in resourcing by outcome since the Budget, that is, they update the resourcing for the agency.

The PAES facilitate understanding of the proposed appropriations in Appropriation Bills (No. 3 and No. 4) 2009-10. In this sense the PAES is declared by the Additional Estimates Appropriation Bills to be a 'relevant document' to the interpretation of the Bills according to section 15AB of the *Acts Interpretation Act 1901*.

Whereas the *Mid-Year Economic and Fiscal Outlook 2009-10* is a mid-year budget report which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy, the PAES update the most recent budget appropriations for agencies within the portfolio.

Structure of the Portfolio Additional Estimates Statements

The PAES are presented in three parts with subsections.

Portfolio Overview	
The portfolio overview outlines the responsibilities of the portfolio, lists the relevant agencies and Ministers and the resources available.	
Department of Defence – Agency Overview and Resources	
Section One: Defence overview and resources	<p>Section One provides the strategic direction for Defence, the functions and responsibilities of Defence, its organisational structure, as well as information about its contribution towards its outcomes for the budget year and the resources available.</p> <p>This section also provides information about Defence management reforms, its capital budget and workforce.</p>
Section Two: Outcomes and planned performance	Section Two provides a brief overview of Defence's outcomes and programs for 2009-10. Each outcome has an outcome resource statement which provides resourcing information by program. The deliverables and performance indicator information for each program follow the outcome resource statement.
Section Three: Explanatory tables and financial statements	<p>This section includes explanatory tables and budgeted financial statements.</p> <p>The explanatory tables include:</p> <ul style="list-style-type: none"> an explanation of any differences between the information included in the Budget Papers and the PBS arising from the use of the Government Financial Statistics and Australian Accounting Standards accounting methodologies supplementary information on the reconciliation between total available appropriation and outcome attribution, the rephasing and use of appropriations, special account flows and Australian Government Indigenous Expenditure.
Defence Materiel Organisation	
Section One: DMO overview and resources	Section One provides an overview of the DMO's functions and responsibilities, including the strategic priorities for 2009-10 and organisational structure, as well as information about its contribution towards its outcome for the budget year and the resources available.
Section Two: DMO outcomes and planned performance	<p>Section Two provides an overview of the DMO's outcome and programs, including the Top 30 Projects.</p> <p>This section also provides summaries of the DMO's reform initiatives and governance activities, and the DMO workforce.</p>

Section Three: DMO Explanatory tables and financial statements	<p>This section includes explanatory tables and budgeted financial statements.</p> <p>The explanatory tables include:</p> <ul style="list-style-type: none"> • an explanation of any differences between the information included in the Budget Papers and the PBS arising from the use of the GFS and AAS accounting methodologies • supplementary information on the reconciliation between total available appropriation and outcome attribution, the re-phasing and use of appropriations, special account flows and Australian Government Indigenous Expenditure.
Defence Housing Australia	This section provides an overview of Defence Housing Australia (DHA), including performance forecasts for 2009-10, DHA's outcome and program, and its 2009-10 budgeted financial statements.
Appendices	A glossary and list of acronyms and abbreviations.

Abbreviations and conventions

(a) The following notations may be used:

NEC/nec	not elsewhere classified
AEST	Australian Eastern Standard Time
-	nil
	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$'000	\$ thousands
\$m	\$ million
\$b	\$ billion

(b) Figures in tables and in the text may be rounded. Discrepancies in tables between totals and sums of components are due to rounding.

Inquiries

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A copy of this document can be located on the Australian Government Budget website at www.budget.gov.au and the Defence website at www.defence.gov.au/budget.

References

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

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

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PORTFOLIO OVERVIEW

The Defence portfolio occupies a central position in Government. Senator the Hon John Faulkner is the responsible Portfolio Minister. The Hon Greg Combet AM MP is Minister for Defence Personnel, Materiel and Science, and the Hon Dr Mike Kelly AM MP is the Parliamentary Secretary for Defence Support.

The Defence portfolio consists of a number of component organisations. The three most significant are:

- The Department of Defence – a department of state, headed by the Secretary of Defence
- The Australian Defence Force (ADF) – consists of the three Services (including the Reserves) and headed by the Chief of the Defence Force (CDF). Each Service Chief also administers their respective cadet service, although the cadet service is not a component of the parent service
- The Defence Materiel Organisation (DMO) – a prescribed agency within the Department of Defence, headed by its Chief Executive Officer.

In practice, these bodies work together so closely that they are effectively one organisation known simply as Defence (or the Defence organisation). A series of internal directives and delegations effectively create a unified organisation.

The Minister for Defence's portfolio also contains the Department of Veterans' Affairs and its associated bodies, as it is designated as part of the Defence portfolio in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately from Defence.

The Defence Organisation

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

Apart from current operations, the Government's key initiative in 2009-10 will be the implementation of the new Defence White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*. The White Paper, released in May 2009, articulates the Government's policy, capability and funding settings for Defence in the period to 2030.

The Australian Defence Force

Defence continues to plan and structure for its primary role in the defence of Australia and its interests and maintains the capacity to support current commitments and provide response options to the Government to meet the range of potential future domestic, regional and global scenarios.

The ADF's operational tempo remains high with 3,300 personnel deployed to 13 operations overseas and within Australia to protect Australia and its national interests. Additionally, approximately 500 ADF members are actively protecting Australia's borders and offshore maritime interests.

The Defence Materiel Organisation

The DMO is a goods and services delivery agency responsible for equipping and sustaining the ADF. This service is provided through the acquisition of capital equipment assets and sustainment of those assets throughout their in-service life. The DMO manages a capital budget of more than \$5.4 billion, with more than \$5.3 billion on sustainment (through-life support) and has over 210 current major projects and over 150 minor projects. There is currently over 7,700 employees in over 40 locations throughout Australia and overseas.

Defence Housing Australia

The main function of Defence Housing Australia (DHA) is to provide adequate and suitable housing for members of the ADF. DHA is an enterprise within the Defence portfolio and has two shareholder Ministers; the Minister for Defence, Senator the Hon John Faulkner, and the Minister for Finance and Deregulation, the Hon Lindsay Tanner MP.

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

Ministers and portfolio responsibilities

SENATOR THE HON JOHN FAULKNER - MINISTER FOR DEFENCE

Specific responsibilities allocated to Senator Faulkner are:

- General
 - Oversight of all aspects of the Defence portfolio
 - Lead on all Cabinet submissions
- Strategic Policy
- Operations and Intelligence
- International Policy
- White Paper Implementation
- Force Structure
- Capability Development
- Strategic Reform Program
- Budget and Finance
- Defence estate policy and major projects
- Military Justice System
- Defence Legal

THE HON GREG COMBET AM MP - MINISTER FOR DEFENCE PERSONNEL, MATERIEL AND SCIENCE

Specific responsibilities allocated to Mr Combet are:

- Personnel policy
 - Workforce planning
 - Recruitment and Retention
 - Pay and superannuation
 - Equity and diversity policy
 - Personnel support
 - Housing policy
 - Health
- Defence Materiel and Industry Policy
 - DMO
 - Tendering and Contracting
 - Sustainment issues
 - Industry capacity, structure, policy and engagement
 - Skills policy
 - Equipment Disposal
- Defence Science and Technology Organisation

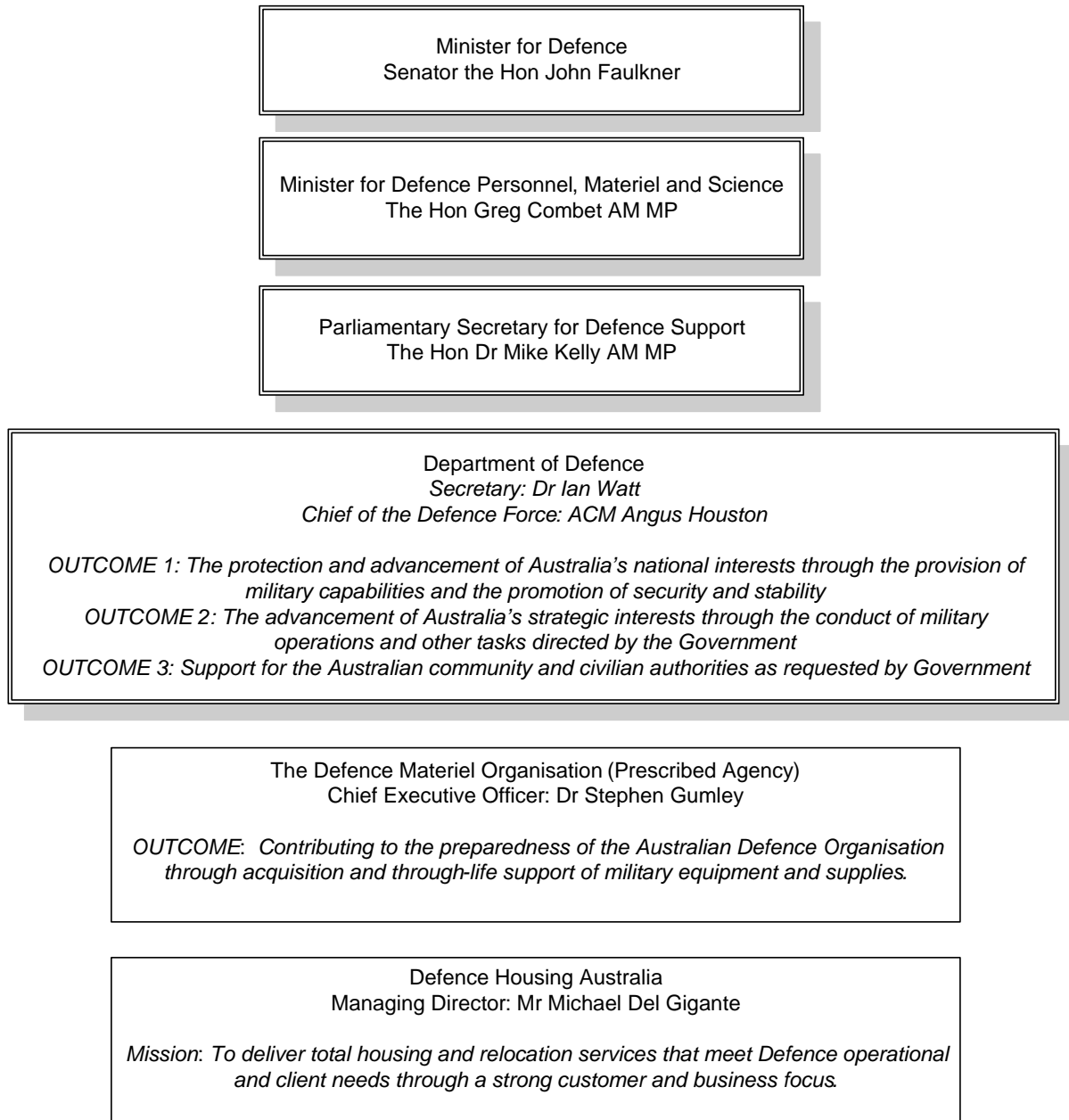
THE HON DR MIKE KELLY AM MP - PARLIAMENTARY SECRETARY FOR DEFENCE SUPPORT

Specific responsibilities allocated to Dr Kelly are:

Assisting the Minister for Defence on:

- Garrison services and administration of Defence estate policy
- Facilities, infrastructure and property
- Reserves policy
- Cadets
- Asia-Pacific Civil Military Centre of Excellence (APCM-COE) and Asia Pacific Centre Military Law
- Honours and Awards
- Nature of Service Review
- Defence education and training
- ADF Parliamentary exchange program
- Assist the Minister for Defence on information communications technology matters.

Figure 1: Defence portfolio structure and outcomes



Portfolio Resource Statement

Table 1: Portfolio Resources

	Departmental Appropriation		Section 13	Departmental	Movements	Non-	Total Additional
	Bill No. 3	Bill No. 4	Appropriation	Appropriation	Administered	Appropriation	Resources
			Act (No.2)	Return to the OPA	Special	Receipts	Available
	\$m	\$m	2009-10 ⁽¹⁾⁽²⁾	\$m	Appropriation	\$m	\$m
Department of Defence							
Administered appropriations	-	-	-	-	-	-	-
Departmental appropriations	639.2	-	-1,592.5	161.0	-	-205.4	-997.7
Total	639.2	-	-1,592.5	161.0	-	-205.4	-997.7
Defence Materiel Organisation							
Administered appropriations	-	-	-	-	-	-	-
Departmental appropriations	49.8	-	-	-	-	-1,055.2	-1,005.4
Total	49.8	-	-	-	-	-1,055.2	-1,005.4
Defence Housing Australia							
Administered appropriations	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Notes

- Defence will seek a determination by the Minister for Finance and Deregulation, under section 13 of the Appropriation Act (No.2) 2009-10, to decrease the equity injection appropriation.
- The decrease in Defence's equity is mainly a result of the foreign exchange hand back on Capital and classification as a result of Defence's Budget Remediation.

Table 2: Defence and DMO Consolidated Departmental Resources

	Revised Budget \$m
APPROPRIATIONS AND CAPITAL	
Appropriation (Bill 1)	22,543.3
Appropriation - Contributed Equity (Bill 2)	4,011.5
Appropriation (Bill 3)	689.1
Return of equity (section 13)	-1,592.5
/ess Returns to the OPA	-2.0
Total Cash Available	25,649.3
OPERATING ACTIVITIES	
Cash received	
Goods and services	350.2
Other cash received including GST	1,374.7
Total cash received	1,724.9
Cash used	
Employees	9,133.2
Suppliers	9,111.7
Other cash used including GST	1,304.2
Total cash used	19,549.0
Net cash from or (used by) operating activities	-17,824.1
INVESTING ACTIVITIES	
Cash received	
Proceeds from sales of land and buildings, infrastructure, plant and equipment	97.9
Proceeds from sales of specialist military equipment	-
Total cash received	97.9
Cash used	
Purchase of land and buildings, infrastructure, plant and equipment	1,654.4
Purchase of specialist military equipment	4,880.3
Purchase of inventory	1,254.5
Other	115.0
Total cash used	7,904.2
Net cash from or (used by) investing activities	-7,806.3
FINANCING ACTIVITIES	
Cash received	
	-
Cash used	
Repayment of debt	34.7
Total cash used	34.7
Net cash from or (used by) financing activities	-34.7
Net increase or (decrease) in cash and cash equivalents held	-15.8
Cash and cash equivalents at beginning of the reporting period	73.9
Effect of exchange rate movements on cash at the beginning of the reporting period	-
Cash and cash equivalents at end of the reporting period	58.1

