

Land Systems Products

General Service B Vehicle Fleet

B Vehicles are unprotected Land Rovers, Mercedes Unimog 4-tonne and Mack 8-tonne trucks, and associated trailers. The fleet contains limited numbers of protected cabins for Unimog and Mack vehicles. There are approximately 12,000 vehicles and trailers under management. A small number of motorcycles, all terrain vehicles and ceremonial vehicles are also under management.

Planned activities to enhance the operation of the fleet include optimising the servicing schedules for the Mercedes Benz Unimog and Mack R Series truck fleet, to ensure the most cost effective support arrangements. To ensure the continued sustainment of the fleet until replacement vehicles are delivered, the LAND 121 (Project Overlander), Service Support contracts will be entered into with the primary equipment manufacturers.

ADF Clothing and Personal Equipment

ADF clothing includes combat clothing, non-combat clothing, footwear and accoutrements for operational and non-operational roles. The 4th edition of the ADF Clothing and Personal Equipment Procurement Plan 2010-2014 was released on 1 July 2009. This plan outlines significant tendering activities to be conducted in 2010 to meet the ADF's combat clothing requirements. Critical items in the plan include disruptive pattern uniforms, combat boots, fire fighting clothing, and wet weather clothing. There will also be procurement activities in support of the Australian Navy in providing operational and sustainment stock for their disruptive pattern Navy uniforms. Clothing SPO is also conducting six-monthly clothing industry forums, with the intention of continuing to foster relationships with the textile clothing and footwear industry.

A tendering process is underway to establish a prime vendor for non-combat clothing based on three work packages, namely for the provision of general duty and ceremonial uniforms, sports wear and commercial work wear. Each work package will deliver a complete head to foot solution for the identified uniform requirements. This activity is scheduled for contract signature in the third quarter of 2010 with deliveries commencing near the end of 2010.

The SPO is also working with Army, Navy and Air Force to analyse and rationalise clothing items. Excess and slow moving stock is also being reviewed with the aim of optimising stock holdings across the supply chain.

Protected Mobility Fleet

The Protected Mobility Vehicle (PMV) fleet is currently sustaining 540 vehicles in six variants (troop, command, mortar, assault pioneer, direct fire weapon, and ambulance). PMVs are designed to provide protected land mobility to Army combat units and RAAF airfield defence guards on operations. Project LAND 116 is currently in contract to deliver a further 197 vehicles. The mature fleet will comprise 737 vehicles across seven variants with the seventh variant being configured for Air Defence roles.

The primary focus of the fleet activity for 2010-11 is the support to the preparation and deployment of vehicles on operations. A number of vehicles will be enhanced to increase operability and safety prior to use on operations in the Middle East.

Key reform activities planned for 2010-11 include continuing the transition to a performance-based contracting model for the PMV support services contract, identification of efficiency measures for implementation in the support services contract, replacement of transparent armour with automotive glass for peace time training activities and extension of the maintenance model on the PMV from 10,000km or one year (whichever occurs soonest) to 10,000km or two years (whichever occurs soonest).

Maritime Systems

The Maritime Systems sustainment concept is to support the Navy and the Army maritime capability through cost effective materiel design, engineering maintenance and logistic support to platforms, equipment and systems. The provision of these sustainment services is under a structure of SPOs that are collocated regionally with the Navy force element by ship class, and under various forms of outsourced commercial contracts.

The major challenges for sustainment during 2010-11 include:

- implementation of effective and sustainable initiatives under the SRP whilst meeting agreed service delivery levels
- establishment of the Major Fleet Unit Repair and Maintenance Reform Program
- improvement of inventory management
- improvement of submarine availability and cost of ownership by working with ASC Pty Ltd to develop and implement the in-service support contract
- management of a program of extensive upgrades to submarine capability in conjunction with routine maintenance and operational availability requirements
- improvement of configuration management and maintenance baseline of major surface ships
- development of options for restoration or replacement of the Australian submarine rescue launch and recovery system whilst maintaining capability.

Maritime Systems Products

Fuels and Lubricants — Navy, Army, Air Force

The support objective is to provide petrol, oil and lubricant products by Defence supply chain and industry delivery methods to Defence operational and support elements and visiting foreign forces.

Planned outcomes for 2010-11 are the revision of the procurement strategy for fuel; the replenishment of fuel stocks to meet the requirements of the ADF and identification of optimal operational and reserve holding requirements for bulk facilities across the ADF.

Collins Class Submarines

The support objective is to maintain the Australian submarine materiel capability, optimise the logistic costs of ownership of the submarines, and provide sustainable and cost effective design, engineering and logistics support under the through-life support agreement for platform systems with ASC Pty Ltd, and through Raytheon Australia, Thales and BAE Systems for combat systems.

Planned outcomes for 2010-11 are the implementation of the revised in-service support contract to provide increased platform availability through increased industry efficiency and the implementation of a 10-year maintenance and operating cycle, addressing the obsolescence of platform and systems and the declining stock levels of inventory. Options will be developed for the restoration or replacement of the submarine rescue launch and recovery system.

Anzac Class Frigate

The support objective is to maintain the materiel capability of the Anzac Class Frigate by the provision of materiel support and ongoing maintenance of eight ship platforms and associated equipment, systems and operator training facilities.

The 2010-11 planned outcomes are the delivery of SRP Smart Sustainment outcomes, contracting of the Major Fleet Unit Repair and Maintenance Reform Program for implementation in 2011-12, and implementation of inventory management reforms, while providing ongoing sustainment of materiel capability to meet Navy's operational requirements.

Adelaide Class Frigate

The support objective is to maintain the materiel capability of the Adelaide Class Frigate by the provision of materiel support and ongoing maintenance of four ship platforms and associated equipment, systems and operator training facilities.

The 2010-11 planned outcomes are the contracting of Major Fleet Unit Repair and Maintenance Reform Program for implementation in 2011-12 and the provision of ongoing sustainment of materiel capability to meet Navy's operational requirements.

General Manager Programs

Airborne Early Warning and Control

Airborne Early Warning and Control System

A five year cost-plus fixed fee sustainment contract was signed in January 2010 with The Boeing Company and major subcontractor Boeing Defence Australia to perform total logistic support to the platform.

The focus in 2010-11 will be on maturing the AEW&C sustainment requirements, including spares provisioning and logistics support arrangements. Incremental delivery of both airframes and systems will occur progressively in 2010-11 as acquisition testing activity is completed. IOC will be achieved following in-country training of sufficient crews, when initial levels of aircraft availability are achieved and required airworthiness accreditation is obtained. This is not anticipated to occur before the end of calendar year 2011.

Program 1.3 Key Performance Indicators

The DMO is meeting Ministerial, Government, Defence and DMO expectations and timeframes for provision of policy, advice and support.

Performance targets for Program 1.3 are the quality and timely provision of:

- contracting and procurement policy, procedures and advice for Defence and the DMO
- industry policy and advice to both the Defence portfolio and the Government.

The Mortimer Review and SRP provide key drivers for Defence reforms in procurement and contracting. As the domain policy owner for procurement in Defence and the DMO, the General Manager Commercial will oversee a continued drive towards a more efficient, effective and commercially astute procurement and contracting workforce as a whole.

Major procurement policy initiatives for 2010-11 include:

- continued updating of the Defence Procurement Policy Manual and related operational procurement guidance
- developing new ASDEFCON contracting templates (including performance based and incentive models) and new internal procurement process templates
- engaging with industry in a range of policy related reviews to pursue best commercial practice and reduce inefficiencies and costs
- improving the quality of data provided to deliver Defence-wide statutory reporting obligations
- continued simplification and standardisation of procurement and contracting policy, procedure and training to reduce waste and variation
- updating existing and developing new internal training courses, and working with the educational and tertiary sector to develop a comprehensive framework of vocational and university courses to support Defence procurement and contracting job family professionalisation.

The Government recognises the important role that Defence industry plays in support of ADF capability, from the provision and maintenance of military equipment through to the delivery of a wide range of support services. In delivering this capability, the Government has a key objective of growing the capacity and competitiveness of the Australian defence industry.

To achieve this measure, performance outcomes for 2010-11 will include delivering the industry outcomes framed by the White Paper, the current DCP and the next Defence Industry Policy. The DMO will monitor the level of expenditure with local contractors to understand achievement against the Government's policy of growing local Defence industry by ensuring that as much of the defence budget as reasonably practicable is spent in Australia. In addition, the DMO will analyse the health of Priority Industry Capabilities (PICs) in the Australian industrial base to provide industry with specific direction on requirements.

The DMO will strengthen its existing initiatives and implement new initiatives to enable the further development of a sustainable domestic industry capable of bidding and winning the opportunities for Australian defence industry. These activities will include:

- The Australian Industry Capability program, that requires an 'Australian Industry Capability Plan' for all Defence contracts valued at \$50m or greater or where there is an identified PIC, for the purpose of maximising the use of cost-effective Australian industry in Defence procurement.
- The Global Supply Chain program that will use Defence's procurement leverage to facilitate opportunities for Australian industry into the supply chains of multinational defence primes.

- Programs to improve Australian defence industry productivity including:
 - the Skilling Australian Defence Industry (SADI) initiative that focuses on the up-skilling of existing employees, and improvements to the quality and quantity of skills training in defence industry
 - the SADI extension initiative, Industry Skilling Program Enhancement package that in partnership with defence industry, State Governments and other stakeholders aims to increase the skills base of defence industry, create entry pathways into the sector and address skill capability gaps.
- Support for the Defence Materiel Technologies Centres that is a joint venture between defence industry, universities and government research agencies that focuses on working collaboratively to enhance Defence capability by developing new materials and manufacturing technologies.
- The ongoing promotion of Australian-based companies through the expansion of the DMO's ePortal that allows industry to register their capabilities. More than 1300 local companies have taken up this opportunity to date.
- The Defence Industry Innovation Centre that will continue to work towards increasing the competitiveness and productivity of Australian small to medium enterprises.
- Ongoing promotion and maintenance of defence materiel and capability cooperation with our major allies through formal bilateral activities focused on identifying collaborative activities, resolving impediments to trade and identification of business opportunities for Australian defence industry.

Industry Division is continuing to work with the Capability Development Group to ensure Defence industry and its stakeholders are kept well informed, particularly through the Public DCP.

Table 75: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
Cash and equivalents	30,000	30,000	30,000	30,000	30,000
Trade and other receivables	572,657	579,047	586,489	592,794	601,569
Total financial assets	602,657	609,047	616,489	622,794	631,569
Non-financial assets					
Property, plant and equipment	8,045	8,045	8,045	8,045	8,045
Intangibles	4,765	4,765	4,765	4,765	4,765
Other	1,537,235	1,537,235	1,537,235	1,537,235	1,537,235
Total non-financial assets	1,550,045	1,550,045	1,550,045	1,550,045	1,550,045
Total assets	2,152,702	2,159,092	2,166,534	2,172,839	2,181,614
LIABILITIES					
Payables					
Suppliers	1,123,549	1,123,549	1,123,549	1,123,549	1,123,549
Other	462,186	464,494	466,972	467,455	470,219
Total payables	1,585,735	1,588,043	1,590,521	1,591,004	1,593,768
Provisions					
Employee provisions	170,095	174,177	179,141	184,963	190,974
Total provisions	170,095	174,177	179,141	184,963	190,974
Total liabilities	1,755,830	1,762,220	1,769,662	1,775,967	1,784,742
Net assets	396,872	396,872	396,872	396,872	396,872
EQUITY^[1]					
Parent entity interest					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Retained surplus (accumulated deficit)	241,504	241,504	241,504	241,504	241,504
Total parent entity interest	396,872	396,872	396,872	396,872	396,872
Total equity	396,872	396,872	396,872	396,872	396,872

Note

1. 'Equity' is the residual interest in assets after deduction of liabilities.

Table 76: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	241,504	-	-	155,368	396,872
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	241,504	-	-	155,368	396,872
Surplus (deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Estimated closing balance as at 30 June 2011	241,504	-	-	155,368	396,872

Table 77: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2009-10	2010-11	2011-12	2012-13	2013-14
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	9,569,831	10,531,399	9,746,998	9,274,726	10,193,515
Appropriations	898,617	899,607	948,311	983,756	1,032,898
Net GST received	660,687	717,512	667,671	636,449	697,692
Other	70,000	53,656	54,997	56,647	58,120
Total cash received	11,199,135	12,202,174	11,417,977	10,951,578	11,982,225
Cash used					
Employees	495,955	563,106	588,137	628,133	665,461
Suppliers	10,043,513	10,908,521	10,148,792	9,672,452	10,603,211
Grants	11,742	11,553	12,735	13,902	15,219
Net GST paid	660,687	717,512	667,671	636,449	697,692
Total cash used	11,211,897	12,200,692	11,417,335	10,950,936	11,981,583
Net cash from (used by) operating activities	(12,762)	1,482	642	642	642
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,049	1,482	642	642	642
Total cash used	3,049	1,482	642	642	642
Net cash from (used by) investing activities	(3,049)	(1,482)	(642)	(642)	(642)
Net increase (decrease) in cash held	(15,811)	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	45,811	30,000	30,000	30,000	30,000
Cash and cash equivalents at the end of the reporting period	30,000	30,000	30,000	30,000	30,000

Table 78: Departmental Capital Budget Statement

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^[1]	3,049	1,482	642	642	642
TOTAL	3,049	1,482	642	642	642
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	3,049	1,482	642	642	642
Total cash used to acquire assets	3,049	1,482	642	642	642

Note

- Includes the following sources of funding:
 - annual and prior year appropriations
 - donations and contributions
 - gifts
 - internally developed assets
 - s31 relevant agency receipts (for FMA agencies only)
 - proceeds from the sale of assets

Table 79: Statement of Asset Movements (2010-11)

	Asset Category		Total \$'000
	Other property, plant and equipment \$'000	Intangibles \$'000	
As at 1 July 2010			
Gross book value	11,432	19,937	31,369
Accumulated depreciation/amortisation and impairment	3,387	15,172	18,559
Opening net book balance	8,045	4,765	12,810
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - other	917	565	1,482
Total additions	917	565	1,482
Other movements			
Depreciation/amortisation expense	917	565	1,482
As at 30 June 2011			
Gross book value	12,349	20,502	32,851
Accumulated depreciation/amortisation and impairment	4,304	15,737	20,041
Closing net book balance	8,045	4,765	12,810

Table 80: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation revenue					
Interest	4,000	4,000	4,000	4,000	4,000
Total non-taxation revenue	4,000	4,000	4,000	4,000	4,000
Total revenues administered on behalf of Government	4,000	4,000	4,000	4,000	4,000
Total income administered on behalf of Government	4,000	4,000	4,000	4,000	4,000

Table 81: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	-	-	-	-	-
Total financial assets	-	-	-	-	-
Total assets administered on behalf of Government	-	-	-	-	-

Table 82: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	4,000	4,000	4,000	4,000	4,000
Total cash received	4,000	4,000	4,000	4,000	4,000
Net cash from (used by) operating activities	4,000	4,000	4,000	4,000	4,000
Net increase (decrease) in cash held					
Cash and cash equivalents at beginning of reporting period	-	-	-	-	-
- Transfers to other entities (Finance - Whole of Government)	4,000	4,000	4,000	4,000	4,000
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.3 NOTES TO THE FINANCIAL STATEMENTS

BUDGETED FINANCIAL STATEMENTS

The budgeted financial statements (income, balance sheet, cash flows and capital budget statement) show the revenues, expenses, assets and liabilities of the DMO. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework and reflect the planned financial performance of the DMO in delivering its programs to Defence and the Government. Unless otherwise stated, the convention used in these budgeted financial statement is to round amounts to the nearest \$'000.

DMO Departmental Revenue

Appropriation received from the Government is recognised as revenue. Revenue for the delivery of Programs 1.1 and 1.2 is recognised by reference to the stage of completion of contracts or other agreements and in accordance with expense incurred. The direct appropriations are a fixed amount and are fully recognised in the financial year. Revenue from other sources represents sales to non-Defence organisations for goods and services and is recognised at the time the service is provided.

DMO Departmental Expenses

EMPLOYEES

Employee expenses include payments and net increases in entitlements to civilian employees for services rendered in the financial year. The DMO pays a fee for service to Defence for the use of military personnel, which is reported as part of suppliers expenses.

Suppliers

This includes payments to suppliers for goods and services used in providing DMO programs and cost of sales expenses associated with the delivery of goods and services to Defence.

Depreciation and Amortisation

Items of property, plant and equipment and intangible assets are depreciated to their estimated residual values over their estimated useful lives. In all cases, the 'straight-line' method of depreciation is used.

DMO DEPARTMENTAL ASSETS

Departmental Assets — Financial

The primary financial assets are cash and receivables.

Departmental Assets — Non-financial

This includes infrastructure, plant and equipment and intangibles and other non-financial assets (including payments), which are used in the delivery of Programs. The reported value represents the purchase price paid less depreciation incurred to date in using the asset.

DMO DEPARTMENTAL LIABILITIES

Departmental Liabilities — Provisions

Provision has been made for the Agency's liability for employee entitlements, arising from services rendered by employees. This liability includes unpaid annual leave and long service leave.

Departmental Liabilities — Payables

Payables include unpaid suppliers and an unearned revenue liability associated with goods and services awaiting delivery to Defence.

