

**PORTFOLIO ADDITIONAL  
ESTIMATES STATEMENTS 2011-12**

**DEFENCE PORTFOLIO**

**EXPLANATIONS OF ADDITIONAL ESTIMATES 2011-12**

ISBN 978-0-642-29760-0



With the exception of the Commonwealth Coat of Arms and where otherwise noted all material presented in this document is provided under a Creative Commons Attribution 3.0 Australia (<http://creativecommons.org/licenses/by/3.0/au/>) licence.

The details of the relevant licence conditions are available on the Creative Commons website (accessible using the links provided) as is the full legal code for the CC BY 3.0 AU licence (<http://creativecommons.org/licenses/by/3.0/au/legalcode>).

The document must be attributed as the *Defence Portfolio Additional Estimates Statements 2011-12*

Printed by Blue Star Group Aust Pty Limited



## **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 2011-12 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 'Stephen Smith', written over a horizontal line.

Stephen Smith MP  
Minister for Defence

## Abbreviations and Conventions

The following notations may be used:

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nfp	not for publication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

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

## Enquiries

Should you have any enquiries regarding this publication please contact:

Director  
Ministerial and Parliamentary Reporting  
R1-5-A036  
Department of Defence  
CANBERRA ACT 2600  
Telephone:(02) 6265 6277  
Email: [DMPR.publicinquiries@defence.gov.au](mailto:DMPR.publicinquiries@defence.gov.au)

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

**USER GUIDE TO THE  
PORTFOLIO ADDITIONAL ESTIMATES  
STATEMENTS**

## **USER GUIDE**

The purpose of the Portfolio Additional Estimates Statements (PAES), like that of the Portfolio Budget Statements (PB 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. The focus of the PAES differs from the PB Statements in one important aspect. While the PAES include an Agency Resource Statement to inform Parliament of the revised estimate of the total resources available to an agency, the focus of the PAES is on explaining the changes in resourcing by outcome(s) since the Budget. As such, the PAES provides information on new measures and their impact on the financial and/or non financial planned performance of programs supporting those outcomes.

The PAES facilitate understanding of the proposed appropriations in Appropriation Bills (No. 3 and No. 4) 2011-12. 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 2011-12* 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 Defence PAES are presented in three parts with subsections.

<b>User guide</b>	
Provides a brief introduction explaining the purpose of the PAES.	
<b>Portfolio Overview</b>	
The portfolio overview outlines the responsibilities of the portfolio, lists the relevant agencies and Ministers and the resources available.	
<b>Department of Defence – Agency Overview and Resources</b>	
<b>Section One: Defence overview and resources</b>	<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, including the DMO.</p>
<b>Section Two: Outcomes and Planned Performance</b>	Section Two provides a brief overview of Defence's outcomes and programs for 2011-12. 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.
<b>Section Three: Explanatory tables and budgeted financial statements</b>	<p>Section Three includes explanatory tables and budgeted financial statements.</p> <p>The explanatory tables include:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>
<b>Defence Materiel Organisation</b>	
<b>Section One: DMO overview and resources</b>	<p>Section One provides an overview of the DMO's functions and responsibilities, including the strategic priorities for 2011-12 and 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 summaries of the DMO's reform initiatives and governance activities.</p>
<b>Section Two: DMO Outcomes and Planned Performance</b>	Section Two provides an overview of the DMO's outcomes and outputs, including the Top 30 Projects, the Top 20 Sustainment Products and the Top 10 Minor Projects. This section also provides summaries of the DMO's reform initiatives and governance activities.
<b>Section Three: DMO Explanatory tables and budgeted financial statements</b>	<p>Section 3 includes explanatory tables and budgeted financial statements.</p> <p>The explanatory tables include:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>
<b>Defence Housing Australia</b>	
	This section provides an overview of Defence Housing Australia (DHA), including performance forecasts for 2011-12, DHA's outcome and output, and its 2011-12 budgeted financial statements.
<b>Glossary</b>	Explains key terms relevant to the Portfolio.





# TABLE OF CONTENTS

User Guide .....	vi
Structure of the Portfolio Additional Estimates Statements.....	vii
<b>PORTFOLIO OVERVIEW .....</b>	<b>2</b>
<b>Ministers and their Portfolio Responsibilities .....</b>	<b>3</b>
Changes Affecting the Portfolio .....	3
Portfolio Resource Statement.....	6
Portfolio Workforce.....	8
<b>DEPARTMENT OF DEFENCE</b>	
<b>Section 1: Defence Overview and Resources .....</b>	<b>11</b>
1.1 Strategic Direction .....	11
1.2 Portfolio Resource Statement .....	14
1.3 Funding from Government .....	21
1.4 Capital Investment Program .....	26
1.5 People .....	28
<b>Section 2: Outcomes and Planned Performance .....</b>	<b>32</b>
2.1 Outcomes and Performance Information .....	32
<b>Section 3: Explanatory Tables and Budgeted Financial Statements.....</b>	<b>76</b>
3.1 Explanatory Tables .....	76
3.2 Budgeted Financial Statements .....	81
<b>DEFENCE MATERIEL ORGANISATION</b>	
<b>Section 1: DMO Overview and Resources.....</b>	<b>112</b>
1.1 Strategic Direction .....	112
1.2 DMO Resource Statement .....	115
1.3 Agency Measures Table .....	116
1.4 Additional Estimates and Variations .....	116
1.5 Breakdown of Additional Estimates by Appropriation Bill .....	117
1.6 People .....	118
<b>Section 2: Outcomes and Planned Performance .....</b>	<b>120</b>
2.1 DMO Outcome and Performance Information .....	121
<b>Section 3: DMO Explanatory Tables and Budgeted Financial Statements .....</b>	<b>148</b>
3.1 DMO Explanatory Tables .....	148
3.2 DMO Budgeted Financial Statements .....	149
<b>DEFENCE HOUSING AUSTRALIA</b>	
<b>Resources and Planned Performance.....</b>	<b>159</b>
Section 1: DHA Overview and Resources.....	160
Section 2: DHA Outcomes and Planned Performance .....	160
Section 3: DHA Explanatory Tables and Budgeted Financial Statements .....	160
<b>Appendices .....</b>	<b>161</b>
Glossary .....	162
Acronyms and Abbreviations .....	167



# **PORTFOLIO OVERVIEW**

## PORTFOLIO OVERVIEW

The Defence portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The three most significant bodies are:

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

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

The portfolio also contains some smaller entities, including a number of statutory offices created by the *Defence Force Discipline Act, 1982* which are independent but reside administratively within Defence and various trusts and companies such as Defence Housing Australia (DHA) and the Australian Strategic Policy Institute.

DHA's main function 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, the Hon Stephen Smith MP; and the Minister for Finance and Deregulation, Senator the Hon Penny Wong.

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.

The Minister for Defence's portfolio also contains the Department of Veterans' Affairs and 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 to Defence.

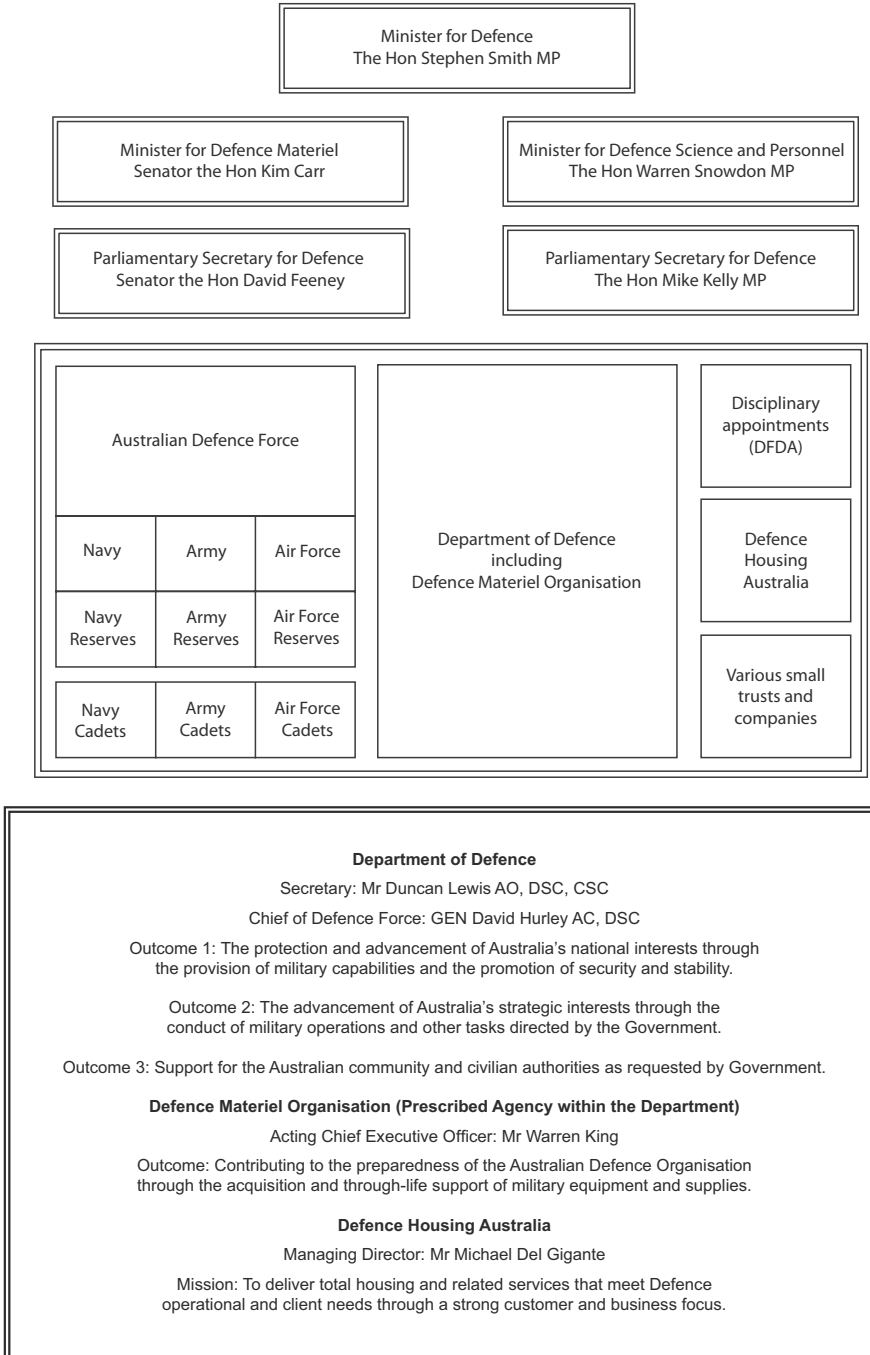
## **Ministers and their Portfolio Responsibilities**

### **Changes Affecting the Portfolio**

Following the Prime Minister's announcement on changes to the Ministry, on 14 December 2011, Senator the Hon Kim Carr was sworn in as the Minister for Defence Materiel, replacing the Hon Jason Clare MP; and the Hon Mike Kelly MP was sworn in as a Parliamentary Secretary for Defence.

## PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence Portfolio Structure and Outcomes



## **DEFENCE PORTFOLIO BODIES**

The following changes have taken place since the *Portfolio Budget Statements 2011-12*.

### **Australian Military Forces Relief Trust Fund**

Chairman: Brigadier Gavan Reynolds AM

### **Royal Australian Air Force Veterans' Residences Trust Fund**

Chairman: Air Commodore David Tindal AM (Ret'd)

### **Royal Australian Navy Central Canteens Board**

Chairman: Commodore Clint Thomas AM CSC

### **AAF Company**

Chairman: Brigadier Gavan Reynolds AM

## Portfolio Resource Statement

Table 1: Portfolio Resources<sup>[1]</sup>

	Departmental Bill No. 3	Appropriation Bill No. 4	Section 10 Appropriation Act (No.1) 2011-12 <sup>[2]</sup>	Section 13 Appropriation Act (No.2) 2011-12 <sup>[3]</sup>	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items <sup>[4]</sup>	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Department of Defence</b>										
Administered appropriations	-	-	-	-	-43.2	259.2	216.0	71.3	-28.1	259.2
Departmental appropriations	-	-	-14.6	-135.5	-104.6	-	-254.8	55.3	-	-199.4
<b>Total Department of Defence</b>	<b>-</b>	<b>-</b>	<b>-14.6</b>	<b>-135.5</b>	<b>-147.8</b>	<b>259.2</b>	<b>-38.8</b>	<b>126.6</b>	<b>-28.1</b>	<b>59.8</b>
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2011-12	Section 13 Appropriation Act (No.2) 2011-12	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Materiel Organisation</b>										
Administered appropriations	-	-	-	-	-	-	-	-0.5	-	-0.5
Departmental appropriations	2.1	-	-	-	-	-	2.1	-	-	2.1
<b>Total Defence Materiel Organisation</b>	<b>2.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.1</b>	<b>-0.5</b>	<b>-</b>	<b>1.6</b>
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2011-12	Section 13 Appropriation Act (No.2) 2011-12	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Defence Housing Australia</b>										
Administered appropriations	-	-	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	-	-	-	-	-
<b>Total Defence Housing Australia</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Portfolio</b>	<b>2.1</b>	<b>-</b>	<b>-14.6</b>	<b>-135.5</b>	<b>-147.8</b>	<b>259.2</b>	<b>-36.7</b>	<b>126.1</b>	<b>-28.1</b>	<b>61.4</b>

### Notes

- Figures shown include inter-agency transactions.
- Defence will seek a determination by the Minister for Finance and Deregulation, under Section 10 of the *Appropriation Act (No. 1) 2011-12*, to decrease the Departmental outcome appropriation.
- Defence will seek a determination by the Minister for Finance and Deregulation, under Section 13 of the *Appropriation Act (No. 2) 2011-12*, to decrease the Departmental equity injection.
- Represents interest on DHA loans taken out prior to 30 June 2008 reported against non-appropriation receipts.



**Table 2: Total Departmental and Administered Consolidated Cash Budget for the Department of Defence (including DMO)<sup>[1]</sup>**

	<b>2011-12 Revised Budget \$m</b>
<b>APPROPRIATIONS AND CAPITAL</b>	
Appropriation (Bill 1) <sup>[2]</sup>	23,553.1
Appropriation - Contributed Equity (Bill 2)	2,773.8
Appropriation (Bill 3)	2.1
Appropriation (Bill 4)	-
Appropriations for military superannuation <sup>[3]</sup>	2,154.8
less Returns to the OPA	-1,501.0
<b>Total cash available</b>	<b>26,982.8</b>
<b>OPERATING ACTIVITIES</b>	
<b>Cash received</b>	
Goods and services	520.5
Interest and licence fees	52.3
Other cash received including GST	1,461.1
<b>Total cash received</b>	<b>2,033.9</b>
<b>Cash used</b>	
Employees	9,042.4
Suppliers	8,961.2
Subsidies and grants	192.7
Administered military benefits	2,053.1
Other cash used including GST	1,287.6
<b>Total cash used</b>	<b>21,537.0</b>
<b>Net cash from or (used by) operating activities</b>	<b>-19,503.1</b>
<b>INVESTING ACTIVITIES</b>	
<b>Cash received</b>	
Proceeds from sales of land and buildings, infrastructure, plant and equipment	133.6
Dividends	52.4
<b>Total cash received</b>	<b>186.0</b>
<b>Cash used</b>	
Purchase of land and buildings, infrastructure, plant and equipment	1,248.3
Purchase of specialist military equipment	5,027.1
Purchase of inventory	1,201.4
Purchase of intangibles	31.5
Loans	-
Other	79.2
<b>Total cash used</b>	<b>7,587.6</b>
<b>Net cash from or (used by) investing activities</b>	<b>-7,401.6</b>
<b>FINANCING ACTIVITIES</b>	
<b>Cash used</b>	
Repayment of debt	70.1
<b>Total cash used</b>	<b>70.1</b>
<b>Net cash from or (used by) financing activities</b>	<b>-70.1</b>
<b>Net increase or (decrease) in cash and cash equivalents held</b>	<b>8.0</b>
Cash and cash equivalents at beginning of the reporting period	107.9
Effect of exchange rate movements on cash and cash equivalents	-
<b>Cash and cash equivalents at end of the reporting period</b>	<b>115.9</b>

**Notes**

- Figures shown eliminate interagency transactions flowing between Departmental and Administered funding.
- Includes \$8.0m of Prior Year Appropriation for 2010-11 relating to Operations.
- Cross reference with Table 75 Consolidated budgeted administered statement of cash flows for the Department of Defence (including DMO) for the period ended 30 June.

## Portfolio Workforce

The 2011-12 Portfolio Budget Statements noted the projected achievement (Budget Estimate) for the Australian Defence Force (ADF) was 801 personnel over budget guidance. ADF workforce growth was accelerated in 2009-10 by the lowest separation rates for military personnel for over 20 years, and for a time the ADF workforce exceeded its budgeted strength. In response, Defence has pursued measures throughout 2011 to return the ADF to its budgeted strength by reducing recruiting (both for normal entry and the ADF Gap Year) and reducing the use of Reservists on Continuous Full Time Service.

These measures have been effective, and in conjunction with changes in labour market conditions, have led to the return of the ADF workforce to its budgeted strength. The reductions in recruitment have consequently been moderated. However, as the Budget Estimate for Permanent Forces was based on the earlier overachievement, the Revised Estimate is some 796 personnel lower.

The 2011-12 Revised Estimate for Australian Public Service (APS) staff in the DMO represents an increase of 368 APS employees over the Budget Estimate. DMO manages its workforce under a combined ADF, APS and contractor model. Through this arrangement, DMO can utilise the funding from vacant ADF positions by filling them with APS staff. The increase in the estimated APS workforce represents the number of positions that the Services have been unable to fill and have instead been filled by APS staff. While the strength of the ADF is close to budget, personnel of the necessary skill and experience profile are not available for the vacant DMO positions. Options for remedying the underlying structural causes of these imbalances in the medium to long term are currently under development.

From 2012-13 onward, the increase in the APS workforce is primarily associated with workforce allocations approved by the Defence White Paper 2009 and ongoing initiatives under the Strategic Reform Program (SRP), which includes civilianisation of military positions and contractor conversions.

The conversion of contractor positions to APS positions is an SRP initiative that supports APS growth over the forward estimates to achieve cost savings to the total workforce expenses budget.

The use of APS staff in civilianised non-combat related ADF positions provides value for money for the Defence budget due to the lower cost of APS staff.

**Table 3: Defence and DMO consolidated workforce**

		2011-12 Budget Estimate	2011-12 Revised Estimate	Variation	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
	<b>ADF</b>						
	ADF Permanent Force <sup>[1]</sup>	59,053	58,257	-796	58,031	58,589	58,872
	Reserves <sup>[2]</sup>	22,350	21,753	-597	23,400	23,890	23,890
1	<b>Total ADF Workforce</b>	<b>81,403</b>	<b>80,010</b>	<b>-1,393</b>	<b>81,431</b>	<b>82,479</b>	<b>82,762</b>
	<b>APS</b>						
	Defence APS	16,001	15,974	-27	16,140	15,973	15,612
	DMO APS	5,647	6,015	368	5,719	5,874	6,096
2	<b>Total APS</b>	<b>21,648</b>	<b>21,989</b>	<b>341</b>	<b>21,859</b>	<b>21,847</b>	<b>21,708</b>
	<b>Contractor<sup>[3]</sup></b>						
	Defence Contractor	593	621	28	488	450	447
	DMO Contractor	51	25	-26	48	48	48
3	<b>Total Contractor</b>	<b>644</b>	<b>646</b>	<b>2</b>	<b>536</b>	<b>498</b>	<b>495</b>
	<b>Total Workforce (1+2+3)</b>	<b>103,695</b>	<b>102,645</b>	<b>-1,050</b>	<b>103,826</b>	<b>104,824</b>	<b>104,965</b>

### Notes

1. Numbers for ADF Permanent Force include ADF members in the DMO and Reservists on full-time service.
2. Numbers for Reserves include Active and High Readiness Reserve members.
3. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.

# **AGENCY RESOURCES AND PLANNED PERFORMANCE**

**Department of Defence**

**Defence Materiel Organisation**

**Defence Housing Australia**

# DEPARTMENT OF DEFENCE

## RESOURCES AND PLANNED PERFORMANCE

### **Section 1: Defence Overview and Resources**

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

### **Section 2: Outcomes and Planned Performance**

- 2.1 Outcomes and Performance Information

### **Section 3: Explanatory Tables and Budgeted Financial Statements**

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

## DEPARTMENT OF DEFENCE

### Section 1: Defence Overview and Resources

#### 1.1 Strategic Direction

The overview and strategic direction for the Department of Defence remains as reported in the *Portfolio Budget Statements 2011-12*.

#### **STRATEGIC REFORM PROGRAM**

Information is as reported in the *Portfolio Budget Statements 2011-12*.

#### **DEFENCE ACCOUNTABILITY AND PROJECT MANAGEMENT REFORM**

Information is as reported in the *Portfolio Budget Statements 2011-12*.

#### **CULTURAL REVIEWS**

Defence will commence implementation of the recommendations emanating from a series of reviews into various aspects of Australian Defence Force (ADF) and Department of Defence culture. Defence is developing a response to the outcomes of the culture reviews, which is integrated with the broader Defence reform agenda. Based on a theme of cultural change and reinforcement, the initial priority will include implementation of findings from the review into the treatment of women at the Australian Defence Force Academy (ADFA), submitted by the Federal Sex Discrimination Commissioner and tabled in Parliament on 3 November 2011.

#### **DEFENCE MATERIEL ORGANISATION**

There has been no change to the DMO's strategic direction since the *Portfolio Budget Statements 2011-12*.

## **ORGANISATIONAL STRUCTURE**

The following changes have taken place since the *Portfolio Budget Statements 2011-12*.

### **Senior Executive changes**

Changes below reflect senior level movements that have occurred since the publication of the *Defence Annual Report 2010-11*.

- With effect 5 September 2011, Ms Jane Wolfe (Special Advisor Strategic Reform and Governance) transferred from the Defence Materiel Organisation to Strategic Reform and Governance.
- With effect 5 December 2011, Air Marshal John Harvey ceased as the Chief of Capability Development Group.
- With effect 6 December 2011, Rear Admiral Peter Jones was promoted to Vice Admiral, Chief of Capability Development Group, replacing Air Marshal John Harvey.
- With effect 7 October 2011, Professor Robert G. Clark ceased as the Chief Defence Scientist.
- From 10 October 2011 to 1 February 2012, Dr Ian Sare acted in the position of Chief Defence Scientist.
- With effect 1 February 2012, Dr Warren Harch commenced acting in the position of Chief Defence Scientist.
- With effect 28 October 2011, Mr Stephen Merchant ceased as the Deputy Secretary Intelligence and Security.
- Mr Stephen Meekin, Director Defence Imagery and Geospatial Organisation, commenced acting in the position of Deputy Secretary Intelligence and Security for the period 31 October 2011 until 6 November 2011 and 6 December 2011 until 3 January 2012.
- Mr Ian McKenzie, Director Defence Signals Directorate, commenced acting in the position of Deputy Secretary Intelligence and Security for the period 7 November 2011 until 5 December 2011 and 4 January 2012 until 4 March 2012.
- With effect 3 February 2012, Mr Phil Minns ceased as the Deputy Secretary People Strategies and Policy Group.
- With effect 6 February 2012, MAJGEN Gerard Fogarty commenced acting in the position of Deputy Secretary People Strategies and Policy Group.

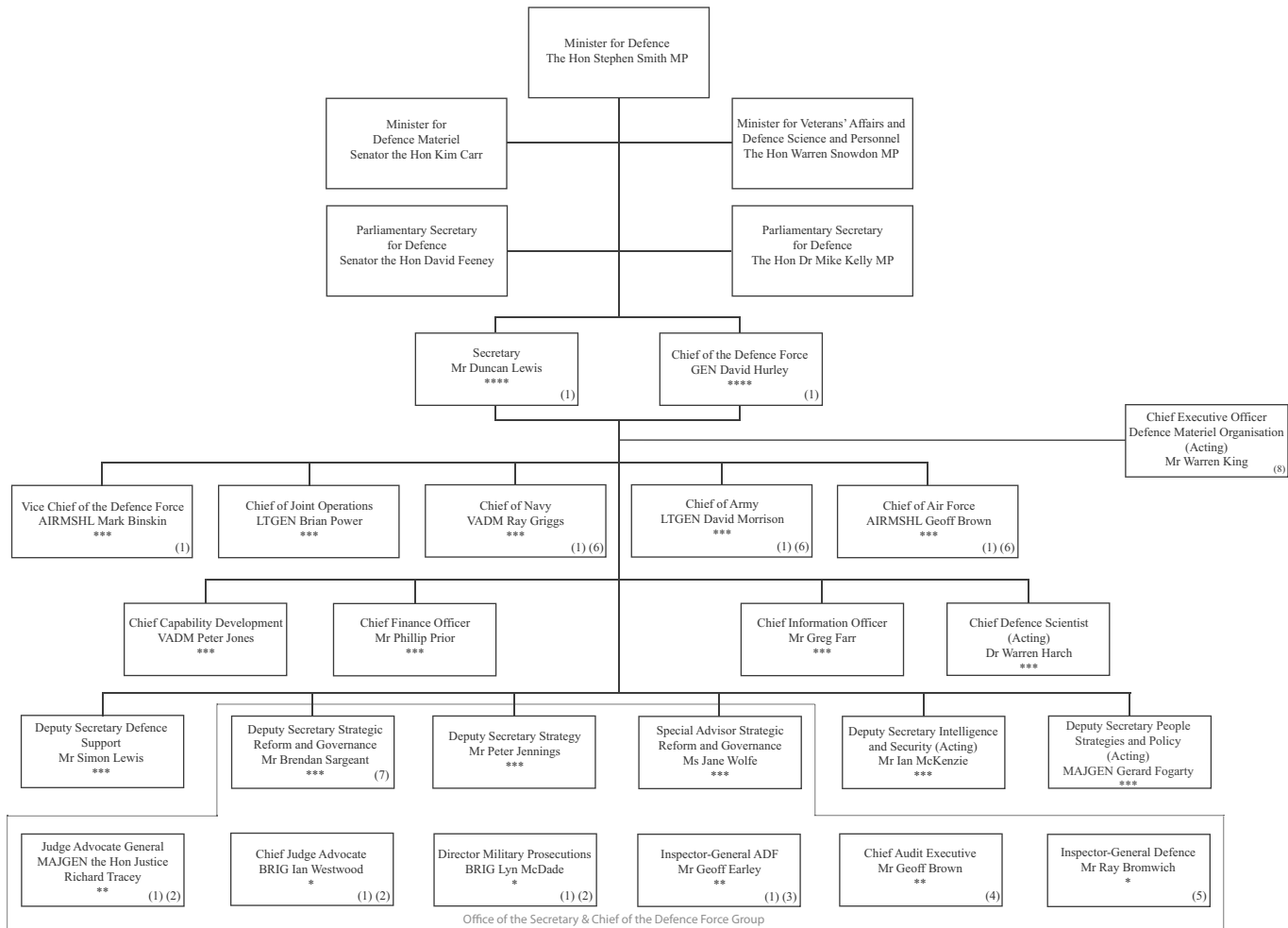
### **Organisational Structure**

The Defence Organisational Structure remains as reported in the *Portfolio Budget Statements 2011-12*.

### **DMO Senior Executive changes**

- With effect 7 July 2011, Dr Stephen Gumley ceased as the Chief Executive Officer of the Defence Materiel Organisation.
- With effect 7 July 2011, Mr Warren King commenced acting in the position of Chief Executive Officer Defence Materiel Organisation.

**Figure 2: Defence Organisational Chart**



(1) Statutory appointment.  
 (2) Reports directly to the Minister for Defence in accordance with Section 196A of the *Defence Force Discipline Act 1982*.  
 (3) The Inspector-General ADF is directly responsible to the Chief of the Defence Force (CDF).  
 (4) Chief Audit Executive reports directly to the Secretary and CDF.  
 (5) The Inspector-General Defence reports directly to the Secretary and CDF, and CEO DMO on investigative matters.  
 (6) Section 9(3) of the *Defence Act 1903* requires the Service Chiefs to advise the Minister on matters relating to their command.  
 (7) Deputy Secretary Strategic Reform and Governance is appointed as the Group Head for Office of the Secretary and Chief of the Defence Force Group to perform all the duties and exercise all the relevant delegations of that role.  
 (8) Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directive identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

Stars (\*) refer to ADF Star rank or SES Band levels

## 1.2 Portfolio Resource Statement

Departmental funding is presented in serial 14 of Table 4. The total level of departmental funding in 2011-12 has decreased by \$199.4m to \$26,360.4m compared with \$26,559.8m in the 2011-12 Budget. The revised total Defence funding is comprised of:

- an appropriation for departmental outputs (\$22,634.2m)
- an equity injection (\$2,773.8m)
- drawdown of appropriations carried forward from previous years (\$6.4m)
- other appropriation receivable movement (-\$83.5m)
- return of equity to government (-\$79.2m)
- net capital receipts (\$133.6m)
- own source revenue (\$891.5m)
- prior year receipts (\$83.5m).

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

- a decrease of \$150.1m in departmental appropriations resulting from:
  - an increase of \$2.2m associated with departmental budget measures
  - a net decrease of \$152.3m for other budget adjustments
- a transfer of funding of \$83.5m into the appropriation receivable related to the return of a prior year service fee from DMO
- a decrease in funding as a result of an increase of \$21.1m in return of equity to the Government, related to the revised housing and property disposal programs
- an increase of \$15.8m in capital receipts
- a decrease of \$44.0m in own source revenue
- an increase of \$83.5m in prior year receipts.

### **SAVINGS AND INITIATIVES**

Since the 2011-12 Budget a one-off increase in the efficiency dividend of 2.5 per cent in 2012-13 has been applied which resulted in a reduction in funding from government of \$190.5m across the forward estimates.



Table 4: Total Defence Resourcing

Serial No	2010-11 Actual \$'000		2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Defence resourcing</b>									
1	21,190,716	Appropriation for departmental outcomes	22,640,794	22,626,192	-14,602	-0.1	21,789,694	23,180,966	24,056,541
2	2,755,907	Equity injection appropriation	2,909,317	2,773,786	-135,531	-4.7	1,506,506	1,748,976	2,131,990
3	-	Prior Year Appropriation <sup>[1]</sup>	8,000	8,000	-	-	-	-	-
<b>4</b>	<b>23,946,623</b>	<b>Current year's appropriation (1+2+3)</b>	<b>25,558,111</b>	<b>25,407,978</b>	<b>-150,133</b>	<b>-0.6</b>	<b>23,296,200</b>	<b>24,929,942</b>	<b>26,188,531</b>
5	89,746	Draw down of appropriations carried forward	6,389	6,389	-	-	-	-	-
6	-	Other appropriation receivable movements	-	-83,484	-83,484	-	-	-	-
7	-470,251	Return to OPA	-58,026	-79,166	-21,140	36.4	-136,792	-18,459	-12,960
<b>8</b>	<b>-380,505</b>	<b>Funding from/to the OPA (5+6+7)</b>	<b>-51,637</b>	<b>-156,261</b>	<b>-104,624</b>	<b>202.6</b>	<b>-136,792</b>	<b>-18,459</b>	<b>-12,960</b>
<b>9</b>	<b>23,566,118</b>	<b>Funding from Government (4+8)</b>	<b>25,506,474</b>	<b>25,251,717</b>	<b>-254,757</b>	<b>-1.0</b>	<b>23,159,408</b>	<b>24,911,483</b>	<b>26,175,571</b>
10	138,458	Capital receipts	117,827	133,634	15,807	13.4	172,262	65,066	125,592
11	945,204	Own source revenue (s31 receipts) <sup>[2]</sup>	935,515	891,548	-43,967	-4.7	895,727	936,666	975,213
12	-	Prior Year Receipts	-	83,484	83,484	-	-	-	-
<b>13</b>	<b>1,083,662</b>	<b>Funding from Other Sources (10+11+12)</b>	<b>1,053,342</b>	<b>1,108,666</b>	<b>55,324</b>	<b>5.3</b>	<b>1,067,989</b>	<b>1,001,732</b>	<b>1,100,805</b>
<b>14</b>	<b>24,649,780</b>	<b>Total Defence funding (9+13)</b>	<b>26,559,816</b>	<b>26,360,383</b>	<b>-199,433</b>	<b>-0.8</b>	<b>24,227,397</b>	<b>25,913,215</b>	<b>27,276,376</b>
<b>Administered</b>									
15	4,013,166	Administered special appropriations <sup>[3]</sup>	3,928,923	4,188,144	259,221	6.6	4,090,624	4,278,987	4,475,857
16	1,392,762	Own source revenue	1,264,020	1,335,326	71,306	5.6	1,346,134	1,398,169	1,458,209
17	-1,392,762	Returns to the OPA	-1,292,077	-1,335,326	-43,249	3.3	-1,346,134	-1,398,169	-1,458,209
18	-	Interest earned for DHA loans <sup>[4]</sup>	28,057	-	-28,057	-100.0	-	-	-
19	44,100	Administered Payments to CAC Act bodies	-	-	-	-	-	-	-
<b>20</b>	<b>4,057,266</b>	<b>Total Administered Funding (15+16+17+18+19)</b>	<b>3,928,923</b>	<b>4,188,144</b>	<b>259,221</b>	<b>6.6</b>	<b>4,090,624</b>	<b>4,278,987</b>	<b>4,475,857</b>
<b>21</b>	<b>28,707,046</b>	<b>Total Defence Resourcing (14+20)</b>	<b>30,488,739</b>	<b>30,548,527</b>	<b>59,788</b>	<b>0.2</b>	<b>28,318,021</b>	<b>30,192,202</b>	<b>31,752,233</b>
<b>Appropriation carried forward</b>									
22	50,122	Appropriation Receivable including previous year's outputs	20,457	121,517	101,060	494.0	121,517	121,517	121,517
23	64,871	Cash in bank	52,226	72,871	20,645	39.5	72,871	72,871	72,871
<b>24</b>	<b>114,993</b>	<b>Total appropriations carried forward (22+23)</b>	<b>72,683</b>	<b>194,388</b>	<b>121,705</b>	<b>167.4</b>	<b>194,388</b>	<b>194,388</b>	<b>194,388</b>
<b>25</b>	<b>28,822,039</b>	<b>Total Defence Resourcing (21+24)</b>	<b>30,561,422</b>	<b>30,742,915</b>	<b>181,493</b>	<b>0.6</b>	<b>28,512,409</b>	<b>30,386,590</b>	<b>31,946,621</b>

## Notes

1. Prior Year Appropriation in 2011-12 is related to Operation no-win no-loss expenditure drawn in 2010-11 and appropriated in 2011-12.
2. All figures are net of GST.
3. The 2010-11 Actual excludes \$0.841m of foreign exchange and impairment reported in the *Defence Annual Report 2010-11*.
4. Interest earned on DHA loans now recorded in own source revenue.

Table 5: Defence Resource Statement

Serial No.		Estimate	Proposed	Total	
		as at Budget 2011-12 \$'000	+ Estimates 2011-12 \$'000	= Estimate at Additional Estimates 2011-12 \$'000	Total Appropriation Actual 2010-11 \$'000
	<b>ORDINARY ANNUAL SERVICES</b>				
	Outcome 1	21,052,011	34,537 <sup>(1)</sup>	21,086,548	19,987,888
	Outcome 2	1,578,954	-49,139	1,529,815	1,070,894
	Outcome 3	9,829	-	9,829	10,762
<b>1</b>	<b>Total Departmental outputs</b>	<b>22,640,794</b>	<b>-14,602</b>	<b>22,626,192</b>	<b>21,069,544</b>
<b>2</b>	<b>Total Ordinary Annual Services</b>	<b>22,640,794</b>	<b>-14,602</b>	<b>22,626,192</b>	<b>21,069,544</b>
	<b>OTHER SERVICES</b>				
	<b>Departmental non-operating</b>				
	Equity injections	2,909,317	-135,531	2,773,786	2,755,907
<b>3</b>	<b>Total Departmental non-operating</b>	<b>2,909,317</b>	<b>-135,531</b>	<b>2,773,786</b>	<b>2,755,907</b>
	<b>Administered non-operating</b>				
	Payments to CAC Act bodies	-	-	-	44,100
<b>4</b>	<b>Total Administered non-operating</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,100</b>
<b>5</b>	<b>Total Other Services (3+4)</b>	<b>2,909,317</b>	<b>-135,531</b>	<b>2,773,786</b>	<b>2,800,007</b>
<b>6</b>	<b>Total Available Annual Appropriation (2+5)</b>	<b>25,550,111</b>	<b>-150,133</b>	<b>25,399,978</b>	<b>23,869,551</b>
	<b>SPECIAL APPROPRIATIONS</b>				
	<b>Special appropriations limited by criteria/entitlement</b>				
	<i>Defence Forces Retirement Benefits Act, 1948</i> Part 1, s.15D and VIC, s.82ZJ	30,000	-2,000	28,000	29,400
	<i>Defence Force Retirement and Death Benefits Act, 1973</i> Part XII, s.125	1,591,000	-28,000	1,563,000	1,593,000
	<i>Military Superannuation and Benefits Act, 1991</i> Part V, s.17	2,194,443	301,000	2,495,443	2,305,525
	<i>Defence Force (Home Loan Assistance) Act, 1990</i> Part IV, s.38	3,547	-	3,547	4,293
	<i>Defence Home Ownership Assistance Scheme Act 2008</i> Part VI, s.84	109,933	-11,779	98,154	80,948
<b>7</b>	<b>Total Special Appropriations</b>	<b>3,928,923</b>	<b>259,221</b>	<b>4,188,144</b>	<b>4,013,166</b>
<b>8</b>	<b>Total Appropriations (6+7)</b>	<b>29,479,034</b>	<b>109,088</b>	<b>29,588,122</b>	<b>27,882,717</b>
	Funding from other sources	2,297,826	93,787	2,391,613	2,341,758
	Returns from the OPA	-1,343,714	-147,873	-1,491,587	1,863,013
	Previous year's outputs (appropriation receivable)	20,457	101,060 <sup>(1)</sup>	121,517	50,122
	Cash Available	52,226	20,645	72,871	64,871
	Dividends	47,593	4,786	52,379	52,700
<b>9</b>	<b>Total Other Available Resources</b>	<b>1,074,388</b>	<b>72,405</b>	<b>1,146,793</b>	<b>4,372,464</b>
<b>10</b>	<b>Total Resourcing (8+9)</b>	<b>30,553,422</b>	<b>181,493</b>	<b>30,734,915</b>	<b>32,255,181</b>
	<b>Special Accounts</b>				
	Opening Balance	78,306	38,225	116,531	-
	Appropriation Receipts	-	-	-	-
	Appropriation Receipts - other agencies	-	-	-	-
	Non-Appropriation Receipts to Special Accounts	62,355	-875	61,480	-
<b>11</b>	<b>Total Special Accounts</b>	<b>140,661</b>	<b>37,350</b>	<b>178,011</b>	<b>-</b>

**Note**

- Includes a s32 transfer totalling \$4.533m for the transfer of NSST Branch from PM&C to DSTO under the Administrative Arrangements Order (dated 14 December 2011). The transfer is comprised of \$2.233m under Outcome 1 and a \$2.3m increase in Appropriation Receivable.

## ANNUAL APPROPRIATIONS

Defence's annual appropriations will decrease by a net \$150.133m to \$25,407.978m. This decrease is related to a net reduction of \$14.602m for Departmental outcomes and a reduction of \$135.531m in equity injection. The net reduction of \$14.602m for Departmental outcomes is comprised of an increase of \$34.537m in Outcome 1 offset by a reduction of \$49.139m in Outcome 2. Defence will seek a determination by the Minister for Finance and Deregulation, under section 10 of the *Appropriation Act (No 1) 2011-12*, to decrease its Departmental appropriation by a net \$14.602m. Defence will also seek a determination by the Minister for Finance and Deregulation, under section 13 of the *Appropriation Act (No 2) 2011-12*, to decrease its Departmental Equity Injection by \$135.531m.

**Table 6: Appropriation Bill (No 3) 2011-12<sup>[1]</sup>**

	2010-11 Actual \$'000	2011-12 Budget \$'000 <sup>[2]</sup>	2011-12 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
<b>Departmental Outputs</b>					
<b>Outcome 1</b>					
Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability	20,109,060	21,052,011	21,086,548	34,537	-
<b>Outcome 2</b>					
Military operations and other tasks directed by the Government to achieve the desired results	1,070,894	1,578,954	1,529,815	-	49,139
<b>Outcome 3</b>					
Defence's support to the Australian community and civilian authorities to achieve the desired results	10,762	9,829	9,829	-	-
<b>Total</b>	<b>21,190,716</b>	<b>22,640,794</b>	<b>22,626,192</b>	<b>34,537</b>	<b>49,139</b>

### Notes

- No additional appropriation is provided in Appropriation Bill 3 as the net funding change is negative.
- The Budget amounts for Outcome 1 include a s32 appropriation transfer from PM&C for a Machinery of Government change.

**Table 7: Appropriation Bill (No 4) 2011-12<sup>[1]</sup>**

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
<b>Non-operating</b>					
Equity injections	2,755,907	2,909,317	2,773,786	-	135,531
<b>Total non-operating</b>	<b>2,755,907</b>	<b>2,909,317</b>	<b>2,773,786</b>	<b>-</b>	<b>135,531</b>

### Note

- No additional appropriation is provided in Appropriation Bill 4 as the total adjustment is a reduction in the current Bill 2 Appropriation.

## DRAWDOWN OF APPROPRIATIONS CARRIED FORWARD

**Table 8: Revised Appropriation Receivable**

	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Previous estimate<sup>[1]</sup></b>	<b>20,457</b>	<b>20,457</b>	<b>20,457</b>	<b>20,457</b>
Appropriation carried forward (from 2010-11)	15,276	15,276	15,276	15,276
DMO prior year service fee return	83,484	83,484	83,484	83,484
NSST Branch transfer from PM&C to DSTO <sup>[2]</sup>	2,300	2,300	2,300	2,300
<b>Closing balance appropriation receivable</b>	<b>121,517</b>	<b>121,517</b>	<b>121,517</b>	<b>121,517</b>

### Notes

- As published in Table 7 of the *Portfolio Budget Statements 2011-12*.
- The transfer from PM&C is comprised of \$2.233m under Outcome 1 and a \$2.3m increase in Appropriation Receivable.

## FUNDING FROM OTHER SOURCES

### Own Source Revenue

**Table 9: Variation in Own Source Revenue**

	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Previous Estimate <sup>(1)</sup>	935,515	925,354	967,089	1,008,364
Variation in own source revenue	-43,967	-29,627	-30,423	-33,151
<b>Own source revenue revised estimates</b>	<b>891,548</b>	<b>895,727</b>	<b>936,666</b>	<b>975,213</b>
Prior year receipts	83,484	-	-	-
<b>Total</b>	<b>975,032</b>	<b>895,727</b>	<b>936,666</b>	<b>975,213</b>

**Note**

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

**Table 10: Variation in Estimates of Net Capital Receipts**

	2011-12 Revised Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
Portfolio Budget Statements 2011-12 Estimates <sup>(1)</sup>	60.7	43.4	64.7	71.9
Movement in capital withdrawal associated with capital disposals program	-21.1	-23.8	4.0	9.8
Movement in proceeds from sales associated with the capital disposals program	15.8	16.8	-21.1	31.8
<b>Variation in Net Capital Receipts</b>	<b>-5.3</b>	<b>-7.0</b>	<b>-17.1</b>	<b>41.6</b>
<b>Total Net Capital Receipts</b>	<b>55.4</b>	<b>36.4</b>	<b>47.6</b>	<b>113.5</b>

**Note**

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

## PURCHASER-PROVIDER ARRANGEMENTS

## Payments to the DMO

Table 11: Total Planned Payments to the DMO

Serial No.		2011-12	2011-12	Variation
		Budget Estimate \$m	Revised Estimate \$m	
	Planned Defence Capability Plan (DCP) approvals	647.1	335.4	-311.6
	Approved Major Capital Investment Projects (AMCIP) delivered by the DMO	4,329.1	3,850.6	-478.5 <sup>[1]</sup>
<b>1</b>	<b>Total Major Capital Investment Projects</b>	<b>4,976.1</b>	<b>4,186.0</b>	<b>-790.1</b>
	Approved Navy minor projects	5.4	5.4	-
	Approved Army minor projects	48.5	46.2	-2.3
	Approved Air Force minor projects	15.5	16.8	1.3
	Approved Chief Information Officer minor projects	4.1	4.1	-0.1
	Approved Office of the Secretary and CDF minor projects	0.2	0.2	-
<b>2</b>	<b>Sub-total approved Minor program delivered by the DMO</b>	<b>73.9</b>	<b>72.7</b>	<b>-1.2</b>
	Unapproved Navy minor projects	22.2	22.2	-
	Unapproved Army minor projects	14.9	13.8	-1.2
	Unapproved Air Force minor projects	-	16.8	16.8
	Unapproved Joint Logistics Command minor projects	2.4	-	-2.4
<b>3</b>	<b>Sub-total unapproved Minor program planned for transfer to the DMO</b>	<b>39.5</b>	<b>52.8</b>	<b>13.3</b>
<b>4</b>	<b>Total Minor program (2+3) to be delivered by the DMO</b>	<b>113.4</b>	<b>125.5</b>	<b>12.1</b>
<b>5</b>	<b>Total Acquisition (DMO Program 1.1) (1+4)</b>	<b>5,089.5</b>	<b>4,311.5</b>	<b>-778.0</b>
	Navy sustainment	1,435.7	1,460.5	24.7
	Army sustainment	1,614.0	1,569.9	-44.1
	Air Force sustainment	1,657.7	1,589.9	-67.8
	Chief Information Officer sustainment	43.6	42.2	-1.3
	Vice Chief of the Defence Force sustainment	81.4	78.7	-2.7
	Office of the Secretary and CDF sustainment	22.7	19.7	-3.0
	Joint Operations Command sustainment	5.2	5.9	0.7
	Defence Support Group sustainment	27.0	27.0	-
	Future sustainment costs associated with AMCIP	122.7	41.3	-81.4
<b>6</b>	<b>Total Sustainment (DMO Program 1.2)</b>	<b>5,010.0</b>	<b>4,835.1</b>	<b>-174.9</b>
<b>7</b>	<b>Total Planned Payments to DMO (5+6)</b>	<b>10,099.5</b>	<b>9,146.6</b>	<b>-952.9</b>

## Note

1. This variation is comprised of an increase in project approvals of \$304.1m from the DCP, a reduction of \$101.7m for foreign exchange and a reduction of \$680.9m for the AMCIP component of the 2010-11 payable to DMO as referenced on page 407 of the *Defence Annual Report 2010-11* (Related Entities settled within 12 months).

**PAYMENTS TO DEFENCE HOUSING AUSTRALIA**

Information is as reported in the *Portfolio Budget Statements 2011-12*.

## 1.3 Funding from Government

### 2011-12 BUDGET MEASURES AND OTHER BUDGET ADJUSTMENTS

Table 12: Variations to Defence Funding

	Program	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	Total FE \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	TOTAL \$m
<b>Budget measures</b>													
<b>Expenditure Measures</b>													
Afghanistan – Enhanced Detainee Management Framework	2.2	2.2	-	-	-	2.2	-	-	-	-	-	-	2.2
AE1	various	-	-0.8	-0.8	-0.8	-2.4	-	-	-	-	-	-	-2.4
<b>Total Budget Measures</b>		<b>2.2</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.2</b>
<b>Other Budget Adjustments</b>													
DMO Direct Appropriation Adjustment	various	2.6	35.5	44.8	45.5	128.4	48.3	49.5	51.7	54.2	56.5	58.9	447.3
Out Year Rollover Adjustment	various	-	-	-	-	-	-	-	-	-	-	-50.3	-50.3
s32 NSST Branch to DSTO	1.7	2.2	0.3	0.3	0.3	3.1	0.3	0.3	0.3	0.3	0.3	0.3	4.9
Single LEAP	1.6	-	-402.9	-461.2	10.1	-854.0	10.8	11.5	12.3	13.1	13.9	14.8	-777.7
One-off 2.5% Efficiency Dividend	various	-	-60.4	-64.0	-66.0	-190.5	-71.6	-73.8	-78.8	-81.7	-84.4	-89.6	-670.3
Foreign Exchange Movements	various	-157.1	-133.8	-145.3	-157.9	-594.1	-143.0	-155.2	-172.9	-167.8	-195.1	-236.7	-1,664.8
<b>Total Other Budget Adjustments</b>		<b>-152.3</b>	<b>-561.4</b>	<b>-625.4</b>	<b>-168.0</b>	<b>-1,507.1</b>	<b>-155.2</b>	<b>-167.7</b>	<b>-187.5</b>	<b>-182.0</b>	<b>-208.9</b>	<b>-302.6</b>	<b>-2,710.8</b>
<b>Variation to Defence Funding</b>		<b>-150.1</b>	<b>-562.2</b>	<b>-626.2</b>	<b>-168.8</b>	<b>-1,507.3</b>	<b>-155.2</b>	<b>-167.7</b>	<b>-187.5</b>	<b>-182.0</b>	<b>-208.9</b>	<b>-302.6</b>	<b>-2,711.0</b>
<b>Non-appropriation Adjustments</b>													
Housing and Property Disposals	1.6	-21.1	-23.8	4.0	9.8	-31.2	9.6	9.5	9.3	9.1	9.1	9.0	24.3
DMO Prior Year Service Fee Return <sup>(1)</sup>	various	-83.5	-	-	-	-83.5	-	-	-	-	-	-	-83.5
<b>Total Non-appropriation Adjustments</b>		<b>-104.6</b>	<b>-23.8</b>	<b>4.0</b>	<b>9.8</b>	<b>-114.7</b>	<b>9.6</b>	<b>9.5</b>	<b>9.3</b>	<b>9.1</b>	<b>9.1</b>	<b>9.0</b>	<b>-59.1</b>

**Note**

1. This receipt from DMO is the return of unused prior year appropriations which, following return to the OPA, is deposited into Defence's Appropriation Receivable account.

## **2011-12 Budget Expenditure Measures**

### **Afghanistan - Enhanced Detainee Management Framework**

The Government will provide \$2.2m in 2011-12 to enhance detainee management in Afghanistan.

The measure will fund the upgrading of the Initial Screening Area and the deployment of an interrogation capability to Multi-National Base Tarin Kot. This will increase the ADF's capacity to detain and screen suspected insurgents until their release or transfer to Afghan or US authorities.

### **AE1**

The Government has approved AE1 Incorporated as a deductible gift recipient (DGR) from 26 September 2011 to 26 September 2014.

AE1 Incorporated will continue the search for the World War 1 Submarine AE1. The AE1 did not return to Rabaul harbour from patrol in September 1914. The organisation is seeking to raise funds to meet the cost of a vessel to conduct a deep sea search off the Papua New Guinean coast and to contribute towards commemoration expenses.

The estimated cost of this measure (\$2.4m over the forward estimates) will be offset from within the existing resourcing of the Department of Defence.

## **Other Budget Adjustments**

### **DMO Direct Appropriation Adjustments**

Due to movements of staff between DMO and Defence, the DMO will return \$2.6m in the budget year, with a net result of DMO transferring \$128.4m to Defence across the forward estimates.

### **Out Year Rollover Adjustment**

This adjustment corrects a calculation error when Defence transitioned from a 10 year to a 15 year budget in the Central Budget Management System. The correction results in a handback of \$50.3m in 2020-21.

### **Section 32 Transfer of National Security Science and Technology Branch from the Department of the Prime Minister and Cabinet to the Defence Science and Technology Organisation**

Machinery of Government changes resulted in the transfer of the National Security Science and Technology Branch from the Department of the Prime Minister and Cabinet to the Defence Science and Technology Organisation. This transferred funds of \$2.2m in 2011-12 and a total of \$3.1m across the forward estimates. This change also results in an increase in the appropriation receivable of \$2.3m.



### **Single Living Environment and Accommodation Precinct**

An adjustment to recognise a finance lease and reprogram the principal payments over the life of the lease for Single Living Environment and Accommodation Precinct. This results in a hand back to government of \$854.0m across the forward estimates with a zero impact across the life of the lease.

### **One-off 2.5 per cent Efficiency Dividend**

A one-off increase in the efficiency dividend of 2.5 per cent in 2012-13 has been applied which resulted in a reduction in funding from government of \$190.5m across the forward estimates.

### **Foreign Exchange Movements**

Under no-win/no-loss arrangements, Defence is required to return to the Government any surplus foreign exchange supplementation for an appreciation of the Australian dollar relative to other currencies as part of the Budget process. Conversely, where the Australian dollar depreciates relative to other currencies, the exchange rate set for Defence is supplemented under these arrangements. Defence will return \$157.1m in 2011-12, as a result of movements in exchange rates since the 2011-12 Budget. Over the forward estimates a total of \$594.1m will be returned.

## **Non-appropriation Adjustments**

### **Housing and Property Disposals**

Adjustments have been made to the Housing and Property Disposal Programs since the 2011-12 Budget that have resulted in Defence returning an additional \$21.1m in 2011-12 and \$31.2m over the forward estimates.

### **DMO Prior Year Service Fee Return**

DMO has returned \$83.5m relating to unspent prior year service fee. This return of unused prior year appropriations will flow through the Return to OPA to be deposited into Defence's Appropriation Receivable account.

Table 13: Net Additional Cost of Operations from 1999-00 to 2014-15

	1999-00 to 2006-07 Actual Result \$m	2007-08 Actual Result \$m	2008-09 Actual Result \$m	2009-10 Actual Result \$m	2010-11 Actual Result \$m	2011-12 Revised Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	Total \$m
Operation Astute	3,405.5	205.6	164.7	144.9	155.7	160.2	10.7	0.9	-	4,248.2
Operation Bel Isi	47.7	-	-	-	-	-	-	-	-	47.7
Operation Slipper <sup>[1]</sup>	805.3	394.9	701.9	1,125.3	1,088.9	1,224.0	299.6	139.2	-	5,779.1
Operation Resolute <sup>[2]</sup>	96.9	7.0	10.0	10.3	8.2	9.8	-	-	-	142.2
Operation Catalyst	1,560.7	501.5	290.9	11.4	-	-	-	-	-	2,364.5
Operation Anode	148.2	23.7	25.1	27.9	35.7	43.5	1.4	0.2	-	305.6
Operation Sumatra Assist	44.5	-	-	-	-	-	-	-	-	44.5
Operation Acolyte	10.5	-	-	-	-	-	-	-	-	10.5
Operation Deluge	2.7	4.0	-	-	-	-	-	-	-	6.7
Operation Pakistan Assist	9.8	-	-	-	-	-	-	-	-	9.8
Operation Outreach	-	12.3	2.3	-	-	-	-	-	-	14.6
Operation Kruger <sup>[3]</sup>	-	-	-	29.8	13.8	2.1	1.9	-	-	47.5
Enhanced Force Protection in Afghanistan <sup>[4][5]</sup>	-	-	-	80.3	196.0	487.1	190.6	-	-	954.0
<b>Total Net Additional Costs</b>	<b>6,131.8</b>	<b>1,149.1</b>	<b>1,194.9</b>	<b>1,429.8</b>	<b>1,498.2</b>	<b>1,926.7</b>	<b>504.2</b>	<b>140.3</b>	<b>-</b>	<b>13,974.9</b>
<b>Sources of Funding for Operations</b>										
Government Supplementation	6,122.0	1,127.5	112.5	1,386.7	1,320.1	1,554.1	311.7	140.3	-	12,075.0
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-	-	-	-	9.1
Department of Defence (Absorbed)	0.7	21.6	1,082.4	43.1	178.1	372.6	192.5	-	-	1,890.8
<b>Total Cost</b>	<b>6,131.8</b>	<b>1,149.1</b>	<b>1,194.9</b>	<b>1,429.8</b>	<b>1,498.2</b>	<b>1,926.7</b>	<b>504.2</b>	<b>140.3</b>	<b>-</b>	<b>13,974.9</b>

**Notes**

1. The Government approved \$2.2m in 2011-12 to enhance detainee management in Afghanistan.
2. For 2011-12 Defence will absorb the cost of Operation Resolute.
3. For 2011-12 and 2012-13 Defence will absorb the cost of Operation Kruger, which includes costs associated with the transition to a fully contracted security arrangement in 2011 as well as return of equipment to Australia and its remediation.
4. An amount of \$4.715m has been re-programmed from 2010-11 to 2011-12 to align acquisition funding with revised acquisition schedules.
5. Government supplementation for Enhanced Force Protection in Afghanistan costs are captured against Operation Slipper.

## **OPERATIONS SUMMARY**

The ADF is involved in a number of deployments around the world, including United Nations peacekeeping and regional assistance missions, and border protection and domestic security operations. Defence plans to spend \$1,926.7m on the net additional costs of its operational deployments in 2011-12, or \$6.9m more than the budget estimate. This represents a \$2.2m increase for detainee management and an additional \$4.7m for Defence funded enhanced force protection measures in 2011-12. The revised estimates for all operations are shown in Table 13.

### **Afghanistan - Enhancement of Force Protection Measures for Australian Troops**

Defence funded enhanced force protection measures have been adjusted to reflect the reprogramming of sustainment funds (\$4.7m) from 2010-11 to 2011-12 to align funding with revised acquisition schedules.

### **Afghanistan - Enhanced Detainee Management Framework**

The Government will provide \$2.2m in 2011-12 to enhance detainee management in Afghanistan.

The measure will fund the upgrading of the Initial Screening Area and the deployment of an interrogation capability to Multi-National Base Tarin Kot. This will increase the ADF's capacity to detain and screen suspected insurgents until their release or transfer to Afghan or US authorities.

## 1.4 Capital Investment Program

The Capital Investment Program comprises the Defence Capability Plan, the Approved Major Capital Investment Program, the Capital Facilities Program, Other Capital Purchases, and Retained Capital Receipts.

**Table 14: Total Capital Investment Program**

Serial No.		2011-12	2011-12	Variation
		Budget Estimate	Revised Estimate	
		\$m	\$m	\$m
	<b>Defence Capability Plan</b>			
	Planned payment to DMO for projects awaiting Government approval <sup>[1]</sup>	647.1	335.4	-311.6
	Other Defence groups	71.9	37.3	-34.6
<b>1</b>	<b>Total Defence Capability Plan</b>	<b>718.9</b>	<b>372.7</b>	<b>-346.2</b>
<b>2</b>	Approved Major Capital Investment Program <sup>[2]</sup>	4,409.6	4,009.2	-400.4
<b>3</b>	<b>Major Capital Investment Program (1+2)</b>	<b>5,128.6</b>	<b>4,382.0</b>	<b>-746.6</b>
	<b>Capital Facilities</b>			
	Approved Capital Facilities Projects <sup>[3]</sup>	829.9	780.3	-49.6
	Unapproved Capital Facilities Projects	350.4	221.3	-129.1
<b>4</b>	<b>Total Capital Facilities Program<sup>[4]</sup></b>	<b>1,180.3</b>	<b>1,001.6</b>	<b>-178.7</b>
<b>5</b>	<b>Other Investment <sup>[5]</sup></b>	<b>739.8</b>	<b>1,475.9</b>	<b>736.1</b>
<b>6</b>	<b>Total Capital Investment Program (3+4+5)<sup>[6]</sup></b>	<b>7,048.6</b>	<b>6,859.5</b>	<b>-189.1</b>
	<i>Capital component</i>	6,665.9	6,304.1	-361.8
	<i>Operating component</i>	382.8	555.4	172.7

### Notes

1. Cross reference with Table 11, Total Planned Payments to the DMO.
2. Includes projects delivered by the DMO and Defence Groups.
3. Includes both Major and Medium Capital Facilities Program.
4. In the 2011-12 PBS, the split between the Approved and Unapproved Capital Facilities Projects was incorrect by \$10.8m. The 2011-12 Budget Estimate split has been amended to align with the detailed project breakdown in Tables 34 and 37 of the 2011-12 PBS. The total shown remains unchanged.
5. This includes plant and equipment, Minor Capital Investment projects, infrastructure costs, non-capital facilities building projects, intangibles and purchase of repairable items.
6. The Capital Investment Program funding includes \$60.7m (Budget Estimate) and \$55.4m (Revised Estimate) in retained capital receipts. Cross reference with Table 15, Retained Capital Receipts.

## MAJOR CAPITAL INVESTMENT PROGRAM

The \$746.6m decrease in the Major Capital Investment Program is comprised of a \$346.2m decrease in the Defence Capability Plan (DCP) and a \$400.4m decrease in the Approved Major Capital Investment Program (AMCIP).

The \$346.2m decrease in the DCP relates to transfers to the AMCIP of \$334.7m following project approval, \$9.3m in foreign exchange movements and \$2.2m transfer to the DMO through their Direct Appropriation.

The \$400.4m decrease in the AMCIP relates to \$101.7m decrease for foreign exchange, a \$680.9m decrease for the 2010-11 payable to the DMO (refer note 1, Table 11), a transfer of \$3.0m to the Sustainment Program, offset by a \$334.7m increase due to transfers from the DCP and a \$50.5m increase as a result of projects funded outside of the DCP.

## CAPITAL FACILITIES PROGRAM

The Capital Facilities Program net variance of -\$178.7m is comprised of:

- a \$49.6m reduction in the Approved Capital Facilities Projects due to:
  - \$63.3m reduction as identified in Table 30
  - \$13.6m increase as identified in Table 32
- a \$129.1m reduction in the Unapproved Capital Facilities Projects due to slippage in development and approval of various not yet approved projects.

## OTHER INVESTMENT

The Other Investment variance of a net \$736.1m is comprised of a \$176.2m increase for the purchase of Buildings, a \$662.1m increase in Specialist Military Equipment (SME), a \$58.0m decrease in Other Plant and Equipment purchases, a \$25.3m decrease in Infrastructure purchases, a \$20.4m decrease in purchases of Repairable Items and a number of other smaller movements totalling \$1.5m.

The \$662.1m increase in SME includes a \$680.9m payment (refer note 1, Table 11) to the DMO (to extinguish the capital component of the \$738.0m payable recognised in 2010-11), offset by decreases in SME in Defence Groups totalling \$18.8m.

## RETAINED CAPITAL RECEIPTS

The Retained Capital Receipts form part of the Total Capital Investment Program at Table 14: Total Capital Investment Program.

Retained Capital Receipts comprises the net proceeds from property sales which are returned to Government. It also includes proceeds from sale of specialist military equipment, commercial vehicles and other plant and equipment. Adjustments have been made to the property sales program since the 2011-12 Budget that have resulted in Defence retaining \$5.3m less Capital Receipts.

**Table 15: Retained Capital Receipts**

Serial No.		2011-12 Budget Estimate \$m	2011-12 Revised Estimate \$m	Variation \$m
	<b>Property Sales</b>			
	Proceeds from the sale of land and buildings	68.8	95.0	26.3
	Proceeds from the sale of housing	20.3	9.9	-10.5
	Less capital return to Government	-57.1	-78.3	-21.1
1	<b>Proceeds retained by Defence</b>	<b>32.0</b>	<b>26.6</b>	<b>-5.3</b>
2	<b>Proceeds from sale of specialist military equipment</b>	-	-	-
3	<b>Proceeds from sale of infrastructure, plant and equipment</b>	<b>28.7</b>	<b>28.7</b>	-
4	<b>Retained Capital Receipts (1+2+3)</b>	<b>60.7</b>	<b>55.4</b>	<b>-5.3</b>

## 1.5 People

### **WORKFORCE OVERVIEW**

Defence's workforce priorities remain as published in the *Portfolio Budget Statements 2011-12*.

### **Workforce Summary**

The revised strength of the total Defence workforce (including the DMO) is shown in Table 16. The revised strength of the total workforce in 2011-12 is forecast to be 1,050 less than the 2011-12 Budget Estimate of 103,695, including ADF Permanent Forces (-796), Reserve Forces (-597), APS staff (+341), and Contractors (+2).

The reduction in the estimate for Permanent Forces is largely due to the success of measures introduced to return the ADF to its budgeted strength, combined with changes in labour market conditions leading to increased separations. The reduction in the estimate for High Readiness Reserve (HRR) Forces is mostly due to the temporary suspension of new HRR contracts by Army pending a review of the HRR.

Over the forward estimates period, the total workforce is funded to grow by 2,320 from the revised estimate of 102,645 in 2011-12 to 104,965 in 2014-15. This consists of a decrease of -432 in the civilian workforce and an increase of +2,752 in the military workforce.

**Table 16: Planned Workforce Allocation for the 2011-12 Budget and Forward Estimates**

	2011-12 Budget estimate	2011-12 Revised estimate	Variation	2012-13 Forward estimate	2013-14 Forward estimate	2014-15 Forward estimate
<b>ADF Permanent Force<sup>[1]</sup></b>						
Navy	14,220	14,218	-2	14,260	14,314	14,338
Army	30,617	30,003	-614	29,665	30,111	30,408
Air Force	14,216	14,036	-180	14,106	14,164	14,126
<b>1 Total Permanent Force</b>	<b>59,053</b>	<b>58,257</b>	<b>-796</b>	<b>58,031</b>	<b>58,589</b>	<b>58,872</b>
<b>Active Reserve Force</b>						
Navy	2,200	2,100	-100	2,200	2,200	2,200
Army	16,250	16,000	-250	17,050	17,350	17,350
Air Force	2,300	2,334	34	2,400	2,500	2,500
<b>2 Sub-total Active Reserve Force</b>	<b>20,750</b>	<b>20,434</b>	<b>-316</b>	<b>21,650</b>	<b>22,050</b>	<b>22,050</b>
<b>High Readiness Reserve</b>						
Navy	-	-	-	-	-	-
Army	1,000	700	-300	1,150	1,240	1,240
Air Force	600	619	19	600	600	600
<b>3 Sub-total High Readiness Reserve Force</b>	<b>1,600</b>	<b>1,319</b>	<b>-281</b>	<b>1,750</b>	<b>1,840</b>	<b>1,840</b>
<b>4 Total Reserves (2 + 3)</b>	<b>22,350</b>	<b>21,753</b>	<b>-597</b>	<b>23,400</b>	<b>23,890</b>	<b>23,890</b>
<b>5 Total ADF Employees (1 + 4)</b>	<b>81,403</b>	<b>80,010</b>	<b>-1,393</b>	<b>81,431</b>	<b>82,479</b>	<b>82,762</b>
<b>Civilian Employees</b>						
APS - Defence	16,001	15,974	-27	16,140	15,973	15,612
APS - DMO	5,647	6,015	368	5,719	5,874	6,096
<b>6 Total APS</b>	<b>21,648</b>	<b>21,989</b>	<b>341</b>	<b>21,859</b>	<b>21,847</b>	<b>21,708</b>
Contractors - Defence	593	621	28	488	450	447
Contractors - DMO	51	25	-26	48	48	48
<b>7 Total Contractors<sup>[2]</sup></b>	<b>644</b>	<b>646</b>	<b>2</b>	<b>536</b>	<b>498</b>	<b>495</b>
<b>8 Total Civilian Employees (6 + 7)</b>	<b>22,292</b>	<b>22,635</b>	<b>343</b>	<b>22,395</b>	<b>22,345</b>	<b>22,203</b>
<b>Total Workforce Strength (5 + 8)</b>	<b>103,695</b>	<b>102,645</b>	<b>-1,050</b>	<b>103,826</b>	<b>104,824</b>	<b>104,965</b>

**Notes**

1. Numbers for ADF Permanent Force include ADF members in the DMO and Reservists on full-time service.
2. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

**Table 17: Breakdown of Personnel Numbers by Service and Rank**

	2011-12 Budget Estimate	2011-12 Revised Estimate
<b>Navy<sup>[1]</sup></b>		
One Star and above	52	52
Senior Officers <sup>[2]</sup>	529	517
Officers	2,798	2,780
Other Ranks	10,793	10,822
Gap Year Participants <sup>[3]</sup>	48	47
<b>Sub-total: Permanent Navy</b>	<b>14,220</b>	<b>14,218</b>
Reserve Forces <sup>[4]</sup>	2,200	2,100
<b>Total Navy</b>	<b>16,420</b>	<b>16,318</b>
<b>Army<sup>[1]</sup></b>		
One Star and above	80	77
Senior Officers <sup>[2]</sup>	789	761
Officers	5,484	5,381
Other Ranks	24,063	23,536
Gap Year Participants <sup>[3]</sup>	201	248
<b>Sub-total: Permanent Army</b>	<b>30,617</b>	<b>30,003</b>
Reserve Forces <sup>[4]</sup>	17,250	16,700
<b>Total Army</b>	<b>47,867</b>	<b>46,703</b>
<b>Air Force<sup>[1]</sup></b>		
One Star and above	51	52
Senior Officers <sup>[2]</sup>	574	572
Officers	3,895	3,914
Other Ranks	9,696	9,498
Gap Year Participants <sup>[3]</sup>	-	-
<b>Sub-total: Permanent Air Force</b>	<b>14,216</b>	<b>14,036</b>
Reserve Forces <sup>[4]</sup>	2,900	2,953
<b>Total Air Force</b>	<b>17,116</b>	<b>16,989</b>
<b>APS<sup>[1]</sup></b>		
Senior Executives <sup>[5]</sup>	165	168
Senior Officers <sup>[2]</sup>	6,416	6,786
Other APS Staff	15,067	15,035
<b>Total APS</b>	<b>21,648</b>	<b>21,989</b>
Contractors <sup>[6]</sup>	644	646
<b>Total Workforce</b>	<b>103,695</b>	<b>102,645</b>

**Notes**

1. Permanent Forces and APS numbers are forecasts of the average strength for 2011-12.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and APS Executive Level 1 and 2.
3. ADF Recruitment and Retention Initiative.
4. Reserve figures represent the actual numbers of Active and High Readiness Reservists who render service. Reservists on full-time service are reported in the Permanent Force.
5. The figures for Senior Executive Service include the Secretary of the Department of Defence.
6. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.



## WORKFORCE EXPENSES

The revised estimate for employee expenses in 2011-12 is \$10,332.0m representing an increase of \$162.6m from the 2011-12 Budget Estimate of \$10,169.4m. Details are shown in Table 18.

**Table 18: Workforce Expenses for the Department of Defence (including DMO)**

	2011-12 Budget Estimate \$m	2011-12 Revised Estimate \$m	Variation \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
<b>Military employees</b>						
Salary, allowances, superannuation and leave <sup>(1)</sup>	6,645.4	6,767.8	122.4	6,572.6	6,862.0	7,145.0
Housing	696.6	747.2	50.6	713.0	745.9	719.2
Health services	330.9	287.2	-43.7	361.5	381.0	401.7
Fringe Benefits Tax	348.3	349.0	0.7	345.7	359.5	367.4
<b>Total military employee expense</b>	<b>8,021.2</b>	<b>8,151.1</b>	<b>129.9</b>	<b>7,992.8</b>	<b>8,348.4</b>	<b>8,633.4</b>
<b>Civilian employees</b>						
Salary, allowances, superannuation and leave	2,135.5	2,166.4	30.9	2,200.2	2,257.5	2,353.0
Other expenses including Fringe Benefits Tax	12.7	14.4	1.7	13.8	14.0	14.5
<b>Total civilian employee expenses</b>	<b>2,148.2</b>	<b>2,180.8</b>	<b>32.6</b>	<b>2,214.0</b>	<b>2,271.5</b>	<b>2,367.5</b>
<b>Total employee expenses</b>	<b>10,169.4</b>	<b>10,332.0</b>	<b>162.6</b>	<b>10,206.8</b>	<b>10,619.9</b>	<b>11,000.9</b>

### Note

1. This includes estimates for Reservists.

## Section 2: Outcomes and Planned Performance

### 2.1 Outcomes and Performance Information

Defence's outcomes structure remains as reported in the *Portfolio Budget Statements 2011-12*.

**Figure 3: Structure of Defence's Outcomes**



**Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability**

## OUTCOME 1 STRATEGY

There has been no change to the Strategy of Outcome 1 since the *Portfolio Budget Statements 2011-12*.

## Outcome Expense Statement

**Table 19: Total Budgeted Resources Available for Outcome 1**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Program 1.1 Office of the Secretary and CDF</b>						
Revenues from other sources	1,462	2,562	1,100	1,389	1,407	1,427
Departmental outputs	172,623	173,886	1,263	173,753	165,529	167,688
<b>Program 1.2 Navy Capabilities</b>						
Revenues from other sources	171,647	163,022	-8,625	166,110	171,700	175,256
Departmental outputs	4,051,659	4,117,215	65,556	4,202,139	4,188,682	4,206,309
<b>Program 1.3 Army Capabilities</b>						
Revenues from other sources	165,222	138,663	-26,559	148,131	164,474	172,844
Departmental outputs	4,926,814	4,903,290	-23,524	5,006,655	5,215,111	5,507,576
<b>Program 1.4 Air Force Capabilities</b>						
Revenues from other sources	263,414	227,346	-36,068	262,928	273,686	283,101
Departmental outputs	4,007,321	4,086,908	79,587	4,276,074	4,349,833	4,490,667
<b>Program 1.5 Intelligence Capabilities</b>						
Revenues from other sources	15,833	13,933	-1,900	12,813	13,030	12,079
Departmental outputs	530,650	515,857	-14,793	504,884	525,012	549,491
<b>Program 1.6 Defence Support</b>						
Revenues from other sources	284,803	283,633	-1,170	298,044	322,476	405,473
Departmental outputs	3,528,819	3,795,444	266,625	3,534,414	3,611,848	3,560,012
<b>Program 1.7 Defence Science and Technology</b>						
Revenues from other sources	33,668	42,939	9,271	33,869	34,578	35,485
Departmental outputs	433,695	465,694	31,999	456,720	433,823	440,534
<b>Program 1.8 Chief Information Officer</b>						
Revenues from other sources	9,886	9,203	-683	8,026	7,721	8,082
Departmental outputs	779,918	880,153	100,235	763,424	690,584	639,348
<b>Program 1.9 Vice Chief of the Defence Force</b>						
Revenues from other sources	435,497	292,154	-143,343	279,006	279,414	277,853
Departmental outputs	855,607	1,036,306	180,699	1,057,388	1,114,816	1,078,614
<b>Program 1.10 Joint Operations Command</b>						
Revenues from other sources	380	368	-12	375	384	395
Departmental outputs	46,328	47,566	1,238	48,657	47,924	51,244
<b>Program 1.11 Capability Development</b>						
Revenues from other sources	105,821	73,248	-32,573	90,053	110,377	133,944
Departmental outputs	747,849	461,346	-286,503	762,647	1,649,366	2,265,746
<b>Program 1.12 Chief Finance Officer</b>						
Revenues from other sources	21,491	148,241	126,750	151,734	155,129	158,907
Departmental outputs	644,488	299,779	-344,709	354,969	669,169	709,474
<b>Program 1.13 People Strategies and Policy</b>						
Revenues from other sources	-	120	120	-	-	-
Departmental outputs	326,240	303,104	-23,136	336,248	378,955	389,838

Table 19 (cont): Total Budgeted Resources Available for Outcome 1

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest</b>						
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	30,000	28,000	-2,000	29,000	27,000	26,000
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	1,591,000	1,563,000	-28,000	1,584,000	1,566,000	1,551,000
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	2,194,443	2,495,443	301,000	2,365,223	2,566,103	2,775,883
<b>Total Administered Expenses</b>	<b>3,815,443</b>	<b>4,086,443</b>	<b>271,000</b>	<b>3,978,223</b>	<b>4,159,103</b>	<b>4,352,883</b>
Administered Revenues from other sources	1,165,332	1,180,774	15,442	1,209,374	1,256,628	1,309,561
<b>Total Program 1.14 &amp; 1.15</b>	<b>2,650,111</b>	<b>2,905,669</b>	<b>255,558</b>	<b>2,768,849</b>	<b>2,902,475</b>	<b>3,043,322</b>
<b>Program 1.16 Housing Assistance</b>						
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s 38[1]</i>	3,547	3,547	-	2,871	2,253	1,768
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s 84</i>	109,933	98,154	-11,779	109,530	117,631	121,206
<b>Total Administered Expenses</b>	<b>113,480</b>	<b>101,701</b>	<b>-11,779</b>	<b>112,401</b>	<b>119,884</b>	<b>122,974</b>
Administered Revenues from other sources	9,811	9,811	-	10,349	10,808	11,266
<b>Total Program 1.16</b>	<b>103,669</b>	<b>91,890</b>	<b>-11,779</b>	<b>102,052</b>	<b>109,076</b>	<b>111,708</b>
<b>Program 1.17 Other Administered</b>						
Administered Revenues from other sources	91,351	137,502	46,151	129,329	133,811	138,255
<b>Total Program 1.17</b>	<b>-91,351</b>	<b>-137,502</b>	<b>-46,151</b>	<b>-129,329</b>	<b>-133,811</b>	<b>-138,255</b>
<b>Total resourcing</b>						
Total Departmental outputs	21,052,011	21,086,548	34,537	21,477,972	23,040,652	24,056,541
Total Administered	2,662,429	2,860,057	197,628	2,741,572	2,877,740	3,016,775
Total Departmental revenue from other sources	1,509,124	1,395,432	-113,692	1,452,478	1,534,376	1,664,846
Total Administered revenue from other sources	1,266,494	1,328,087	61,593	1,349,052	1,401,247	1,459,082
Equity Injection	2,909,317	2,773,786	-135,531	1,506,506	1,748,976	2,131,990
<b>Total resources for Outcome 1</b>	<b>29,399,375</b>	<b>29,443,910</b>	<b>44,535</b>	<b>28,527,580</b>	<b>30,602,991</b>	<b>32,329,234</b>

## CONTRIBUTIONS TO OUTCOME 1

### Program 1.1: Office of the Secretary and CDF

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

#### Program 1.1 Deliverables

- In late December 2011 the Woomera Prohibited Area Coordination Office, which is responsible for the implementation of the recommendations of the Woomera Prohibited Area Review, transferred from the Intelligence and Security Group to Strategy Executive within the Office of the Secretary and CDF Group.

**Table 20: Cost Summary for Program 1.1 Office of the Secretary and CDF**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	60,318	61,977	1,659	62,139	59,100	61,176
Suppliers	108,873	105,782	-3,091	107,618	102,583	102,719
Grants	3,617	7,248	3,631	3,957	4,057	4,160
Depreciation and amortisation	1,277	1,441	164	1,428	1,196	1,060
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>174,085</b>	<b>176,448</b>	<b>2,363</b>	<b>175,142</b>	<b>166,936</b>	<b>169,115</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	1,462	2,562	1,100	1,389	1,407	1,427
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>1,462</b>	<b>2,562</b>	<b>1,100</b>	<b>1,389</b>	<b>1,407</b>	<b>1,427</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>1,462</b>	<b>2,562</b>	<b>1,100</b>	<b>1,389</b>	<b>1,407</b>	<b>1,427</b>
<b>Program 1.1 Office of the Secretary and CDF</b>	<b>172,623</b>	<b>173,886</b>	<b>1,263</b>	<b>173,753</b>	<b>165,529</b>	<b>167,688</b>

## Defence Cooperation Program

Information is as reported in the *Portfolio Budget Statements 2011-12*.

**Program 1.2: Navy Capabilities**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Program 1.2 Deliverables**

**Table 21: Navy Deliverables (Unit Ready Days)<sup>[1]</sup>**

Deliverables		2011-12 Budget Estimate	2011-12 Revised Budget
18	Major combatants	3,771	3,329 <sup>[2]</sup>
10	Amphibious and Afloat Support	2,008 <sup>[3]</sup>	2,190 <sup>[4]</sup>

**Notes**

1. Unit Ready Days (URD) are the aggregate number of days that constituent force elements are available for tasking.
2. Major Combatants include the Adelaide class frigates, Anzac class frigates, and submarines. The decrease in the URD target is due to a combination of changes in scheduled major maintenance periods for Adelaide class frigates, Anzac class frigates and submarines.
3. The URD figure for Amphibious and Afloat Support was erroneously reported in the *Portfolio Budget Statements 2011-12* as 2,908.
4. Amphibious and Afloat Support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship, and heavy landing craft. The increase in the URD target is due to a combination of changes in the scheduled major maintenance periods for the heavy landing ship, HMAS *Tobruk*, and the replenishment ship, HMAS *Success*; three heavy landing craft due to decommission in 2011 have been retained and the landing ship dock, HMAS *Choules*, became available for tasking in December 2011. The amphibious landing ships HMA Ships *Manoora* and *Kanimbla* were decommissioned on 27 May 2011 and 25 November 2011, respectively.

**Table 22: Navy deliverables (flying hours)**

Deliverables		2011-12 Budget Estimate	2011-12 Revised Budget
1	Laser airborne depth sounder aircraft	1,120	980 <sup>[1]</sup>

**Notes**

1. The laser airborne depth sounder aircraft is contracted for 980 flying hours with the latitude to achieve beyond this figure. In November 2011 the decision was made that the aircraft would be limited to contracted flying hours only.

Table 23: Cost Summary for Program 1.2 Navy Capabilities

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	1,671,314	1,686,537	15,223	1,739,029	1,805,767	1,884,142
Suppliers	1,422,620	1,425,836	3,216	1,506,856	1,432,727	1,443,765
Grants	-	-	-	-	-	-
Depreciation and amortisation	919,197	960,742	41,545	903,193	894,777	821,626
Finance Cost	14,320	10,685	-3,635	12,715	14,439	15,024
Write-down of assets and impairment of assets	195,855	196,437	582	206,456	212,672	217,008
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>4,223,306</b>	<b>4,280,237</b>	<b>56,931</b>	<b>4,368,249</b>	<b>4,360,382</b>	<b>4,381,565</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	50,561	53,061	2,500	52,770	56,459	58,974
Other revenue	88	88	-	77	92	82
<b>Total Revenue</b>	<b>50,649</b>	<b>53,149</b>	<b>2,500</b>	<b>52,847</b>	<b>56,551</b>	<b>59,056</b>
<b>Gains</b>						
Reversals of previous asset write-downs	120,998	109,873	-11,125	113,263	115,149	116,200
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>120,998</b>	<b>109,873</b>	<b>-11,125</b>	<b>113,263</b>	<b>115,149</b>	<b>116,200</b>
<b>Total income</b>	<b>171,647</b>	<b>163,022</b>	<b>-8,625</b>	<b>166,110</b>	<b>171,700</b>	<b>175,256</b>
<b>Program 1.2 Navy Capabilities</b>	<b>4,051,659</b>	<b>4,117,215</b>	<b>65,556</b>	<b>4,202,139</b>	<b>4,188,682</b>	<b>4,206,309</b>

**Program 1.3: Army Capabilities**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Program 1.3 Deliverables**

**Table 24: Army Deliverables (Rate of Effort (ROE) – flying hours)**

Deliverables		2011-12 Budget	2011-12 Revised Budget	2012-13 Forward Year 1	2013-14 Forward Year 2	2014-15 Forward Year 3
6	CH-47D Chinook <sup>[1][2]</sup>	1,570	1,570	2,000	2,000	2,000
34	S-70A-9 Black Hawk <sup>[3]</sup>	8,600	7,500	7,500	7,500	7,100
41	B-206 Kiowa <sup>[4]</sup>	7,360	8,500	8,500	6,360	6,360
22	Armed Reconnaissance Helicopter (ARH) Tiger <sup>[5]</sup>	4,150	3,400	7,147 <sup>[6]</sup>	7,147	7,147
46	Multi Role Helicopter (MRH-90) <sup>[7][8]</sup>	1,500	2,000	3,020	5,280	8,190

**Notes**

1. The seven aircraft CH-47D fleet will be withdrawn and progressively replaced by seven CH-47F in the 2014-16 timeframe. CH47 ROE is planned to remain constant during the transition.
2. ROE is planned to progressively grow from the historical 1570 baseline as the Deep Maintenance regime is adjusted to a revised cycle.
3. Black Hawk sustainment has been extended by a further two years.
4. Kiowa hours are reduced due to lower utilisation by 173 Squadron and restrictions on IFR operations.
5. ARH ROE less than predicted due to maintenance support network limitations.
6. Contracted ROE figure. Achievable ROE may be less due to maintenance support network limitations.
7. Final figure may vary due to number of airframes accepted.
8. MRH-90 ROE includes hours flown on MRH-90 operated by the Navy.



Table 25: Cost Summary for Program 1.3 Army Capabilities

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	3,257,357	3,325,964	68,607	3,301,327	3,478,795	3,632,423
Suppliers	1,249,172	1,113,910	-135,262	1,253,994	1,291,464	1,432,743
Grants	80	80	-	82	284	84
Depreciation and amortisation	435,664	465,749	30,085	445,636	441,934	437,337
Finance Cost <sup>(1)</sup>	820	-391	-1,211	410	1,054	1,323
Write-down of assets and impairment of assets	148,943	136,641	-12,302	153,337	166,054	176,510
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>5,092,036</b>	<b>5,041,953</b>	<b>-50,083</b>	<b>5,154,786</b>	<b>5,379,585</b>	<b>5,680,420</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	67,930	67,930	-	71,235	75,378	79,652
Other revenue	15,637	-	-15,637	-	-	-
<b>Total Revenue</b>	<b>83,567</b>	<b>67,930</b>	<b>-15,637</b>	<b>71,235</b>	<b>75,378</b>	<b>79,652</b>
<b>Gains</b>						
Reversals of previous asset write-downs	86,406	75,484	-10,922	81,015	85,189	88,472
Net gains from sale of assets <sup>(2)</sup>	-4,751	-4,751	-	-4,119	3,907	4,720
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>81,655</b>	<b>70,733</b>	<b>-10,922</b>	<b>76,896</b>	<b>89,096</b>	<b>93,192</b>
<b>Total income</b>	<b>165,222</b>	<b>138,663</b>	<b>-26,559</b>	<b>148,131</b>	<b>164,474</b>	<b>172,844</b>
<b>Program 1.3 Army Capabilities</b>	<b>4,926,814</b>	<b>4,903,290</b>	<b>-23,524</b>	<b>5,006,655</b>	<b>5,215,111</b>	<b>5,507,576</b>

**Note**

1. The reduction in Finance Costs reflects the outcome of the annual reassessment of the net present value, at the required discount rate, of the required provision for the future restoration, decontamination and decommissioning of Specialist Military Equipment in Army. The current assessment of the required provision has resulted in the budgeted provision in Army reducing by \$0.4m (-0.9%) from \$42.1m to \$41.7m.
2. At the Portfolio level Defence has budgeted for a total net gain from sale of assets. Whilst amounts shown in 2011-12 and 2012-13 represent a loss for this Program, the overall Portfolio budgeted outcome is for a gain.

**Program 1.4: Air Force Capabilities**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Program 1.4 Deliverables**

**Table 26: Air Force Deliverables (flying hours)**

Deliverables		2011-12 Budget	2011-12 Revised Budget	2012-13 Forward Year 1	2013-14 Forward Year 2	2014-15 Forward Year 3
33	Hawk Lead-in Fighter <sup>[1]</sup>	7,500	7,000	7,500	7,500	7,500

**Notes**

- 2011-12 Rate of Effort reduction is due to reduced postgraduate pilot throughput. Rate of Effort will return to 7,500 hours in 2012-13 and the forward years.

**Table 27: Cost Summary for Program 1.4 Air Force Capabilities**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	1,684,470	1,723,924	39,454	1,781,853	1,827,594	1,887,137
Suppliers	1,602,870	1,453,228	-149,642	1,629,601	1,690,276	1,777,905
Grants	-	-	-	-	-	-
Depreciation and amortisation	745,124	908,865	163,741	880,381	844,754	839,226
Finance Cost <sup>[1]</sup>	3,281	-1,566	-4,847	1,640	4,217	5,294
Write-down of assets and impairment of assets	234,990	229,803	-5,187	245,527	256,678	264,206
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>4,270,735</b>	<b>4,314,254</b>	<b>43,519</b>	<b>4,539,002</b>	<b>4,623,519</b>	<b>4,773,768</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	121,226	97,884	-23,342	128,088	135,387	142,929
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>121,226</b>	<b>97,884</b>	<b>-23,342</b>	<b>128,088</b>	<b>135,387</b>	<b>142,929</b>
<b>Gains</b>						
Reversals of previous asset write-downs	142,188	129,462	-12,726	134,840	138,299	140,172
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>142,188</b>	<b>129,462</b>	<b>-12,726</b>	<b>134,840</b>	<b>138,299</b>	<b>140,172</b>
<b>Total income</b>	<b>263,414</b>	<b>227,346</b>	<b>-36,068</b>	<b>262,928</b>	<b>273,686</b>	<b>283,101</b>
<b>Program 1.4 Air Force Capabilities</b>	<b>4,007,321</b>	<b>4,086,908</b>	<b>79,587</b>	<b>4,276,074</b>	<b>4,349,833</b>	<b>4,490,667</b>

**Note**

- The reduction in Finance Costs reflects the outcome of the annual reassessment of the net present value, at the required discount rate, of the required provision for the future restoration, decontamination and decommissioning of Specialist Military Equipment in Air Force. The current assessment of the required provision has resulted in the budgeted provision in Air Force reducing by \$1.6m (-1.2%) from \$134.6m to \$133.0m.

### Program 1.5: Intelligence Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

#### Program 1.5 Deliverables

- In late December 2011 the Woomera Prohibited Area Coordination Office, which is responsible for the implementation of the recommendations of the Woomera Prohibited Area Review, transferred from the Intelligence and Security Group to Strategy Executive within the Office of the Secretary and CDF Group.

#### Program 1.5 Key Performance Indicators

- deliver intelligence and security services to meet Defence and Government requirements
- develop next generation intelligence, geospatial and security assessment capabilities, including Geoint, Sigint, and Cyber
- strengthen the approach to security across Defence and Government
- achieve best practice in governance and compliance
- ensure that the intelligence and security workforce is developed and skilled
- deliver enhanced intelligence capability through international and national partnerships.

**Table 28: Cost Summary for Program 1.5 Intelligence Capabilities**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	253,962	259,784	5,822	264,221	273,614	288,957
Suppliers	252,188	222,146	-30,042	213,540	229,241	235,560
Grants	-	-	-	-	-	-
Depreciation and amortisation	34,975	44,313	9,338	36,990	32,593	34,230
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	5,358	3,547	-1,811	2,946	2,594	2,823
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>546,483</b>	<b>529,790</b>	<b>-16,693</b>	<b>517,697</b>	<b>538,042</b>	<b>561,570</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	11,490	11,490	-	10,784	11,243	10,134
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>11,490</b>	<b>11,490</b>	<b>-</b>	<b>10,784</b>	<b>11,243</b>	<b>10,134</b>
<b>Gains</b>						
Reversals of previous asset write-downs	4,343	2,443	-1,900	2,029	1,787	1,945
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>4,343</b>	<b>2,443</b>	<b>-1,900</b>	<b>2,029</b>	<b>1,787</b>	<b>1,945</b>
<b>Total income</b>	<b>15,833</b>	<b>13,933</b>	<b>-1,900</b>	<b>12,813</b>	<b>13,030</b>	<b>12,079</b>
<b>Program 1.5 Intelligence Capabilities</b>	<b>530,650</b>	<b>515,857</b>	<b>-14,793</b>	<b>504,884</b>	<b>525,012</b>	<b>549,491</b>

**Program 1.6: Defence Support**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Program 1.6 Deliverables**

Defence Support Group's core responsibilities focus on day-to-day support to Defence to enable Defence capability. Particular deliverables for 2011-12 and the forward estimate years include:

- provision of medical/rehabilitation and redeployment/redundancy product management, conduct, performance and probation support and continued expansion of opportunities through the Defence Work Experience Program.

**Program 1.6 Key Performance Indicators**

- deliver products and services on time and within budget to support the development and delivery of Defence capability.

**Table 29: Cost Summary for Program 1.6 Defence Support**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	990,944	1,048,988	58,044	1,010,498	1,043,860	1,000,626
Suppliers	1,849,146	1,981,124	131,978	1,789,864	1,801,719	1,732,489
Grants	1,440	1,428	-12	1,473	1,509	1,548
Depreciation and amortisation	822,400	843,755	21,355	891,601	938,430	960,621
Finance Cost	69,554	46,379	-23,175	52,740	57,164	56,811
Write-down of assets and impairment of assets	73,229	56,342	-16,887	65,131	72,569	77,061
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	6,909	101,061	94,152	21,151	19,073	136,329
<b>Total expenses</b>	<b>3,813,622</b>	<b>4,079,077</b>	<b>265,455</b>	<b>3,832,458</b>	<b>3,934,324</b>	<b>3,965,485</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	266,702	259,187	-7,515	279,991	296,274	312,460
Other revenue	6,373	6,573	200	6,535	6,715	6,902
<b>Total Revenue</b>	<b>273,075</b>	<b>265,760</b>	<b>-7,315</b>	<b>286,526</b>	<b>302,989</b>	<b>319,362</b>
<b>Gains</b>						
Reversals of previous asset write-downs	4,395	3,633	-762	7,118	9,487	9,624
Net gains from sale of assets	7,333	14,240	6,907	4,400	10,000	76,487
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>11,728</b>	<b>17,873</b>	<b>6,145</b>	<b>11,518</b>	<b>19,487</b>	<b>86,111</b>
<b>Total income</b>	<b>284,803</b>	<b>283,633</b>	<b>-1,170</b>	<b>298,044</b>	<b>322,476</b>	<b>405,473</b>
<b>Program 1.6 Defence Support</b>	<b>3,528,819</b>	<b>3,795,444</b>	<b>266,625</b>	<b>3,534,414</b>	<b>3,611,848</b>	<b>3,560,012</b>

## CAPITAL FACILITIES PROGRAM

### Approved Major Capital Facilities Projects

Table 30 and the following descriptions provide details on progress and expenditure during 2011-12 on major capital facilities projects.

**Table 30: Approved Major Capital Facilities Projects by State and Federal Electorate**

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2011 \$m	2011-12 Budget Estimate \$m	2011-12 Revised Estimate \$m	Variation \$m
<b>NEW SOUTH WALES</b>					
<b>Gilmore</b>					
HMAS Albatross					
Aircraft Pavements and Airfield Lighting <sup>[1][2]</sup>	-	4.5	0.6	0.6	-
<b>Hunter</b>					
Singleton					
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	49.9	7.2	8.5	1.3
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	34.9	46.3	46.3	-
<b>MacKellar</b>					
Pittwater Annexe					
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[1][5]</sup>	-	-	5.0	3.5	-1.5
<b>Riverina</b>					
Kapooka					
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	91.5	18.9	11.5	-7.4
<b>Warringah</b>					
HMAS Penguin					
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[1][5]</sup>	-	0.7	21.0	21.6	0.6
<b>Total New South Wales</b>	<b>-</b>	<b>181.5</b>	<b>99.0</b>	<b>92.0</b>	<b>-7.0</b>
<b>VICTORIA</b>					
<b>Corangamite</b>					
Defence Facilities at HMAS Harman and Other Locations <sup>[1][6]</sup>					
	-	26.7	0.8	2.8	2.0
<b>Indi</b>					
Bandiana					
Joint Logistics Unit Victoria Warehousing	36.4	30.1	2.2	2.5	0.3
Gaza Ridge Barracks					
Facilities for Project Overlander (LAND 121) <sup>[1][7]</sup>	-	-	16.4	8.0	-8.4
<b>Jagajaga</b>					
Watsonia					
Defence Force School of Signals	101.3	89.3	9.9	2.1	-7.8
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	7.2	7.9	7.9	-
<b>McEwen</b>					
Puckapunyal					
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	35.4	31.3	21.5	-9.8
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	-	10.8	0.7	-10.1
<b>Total Victoria</b>	<b>137.7</b>	<b>188.7</b>	<b>79.3</b>	<b>45.5</b>	<b>-33.8</b>

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2011 \$m	2011-12 Budget Estimate \$m	2011-12 Revised Estimate \$m	Variation \$m
<b>QUEENSLAND</b>					
<b>Blair</b>					
Amberley					
RAAF Base Amberley Redevelopment Stage 3	331.5	286.1	39.1	9.0	-30.1
Australian Super Hornet Facilities <sup>[8]</sup>	110.1	99.2	7.4	8.5	1.1
Heavy Airlift Capability – Permanent Facilities <sup>[1][9]</sup>	-	138.3	12.0	12.3	0.3
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	92.8	7.0	9.7	2.7
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	0.9	6.9	6.9	-
Facilities for Project Overlander (LAND 121) <sup>[1][7]</sup>	-	-	12.0	8.1	-3.9
<b>Brisbane</b>					
Enoggera					
Base Redevelopment Stage 1 <sup>[10]</sup>	80.2	74.7	1.9	2.4	0.5
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	155.0	100.0	179.7	79.7
<b>Forde</b>					
Canungra					
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	2.0	32.5	32.5	-
<b>Groom</b>					
Oakey					
Aircraft Pavements and Airfield Lighting <sup>[1][2]</sup>	-	0.7	0.7	0.7	-
<b>Herbert</b>					
Townsville					
Lavarack Barracks Redevelopment Stage 4	207.2	204.8	3.6	2.0	-1.6
Multi Role Helicopter Facilities <sup>[1][10]</sup>	-	24.9	1.6	5.9	4.3
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	159.1	50.8	15.9	-34.9
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	32.4	23.3	23.3	-
<b>Kennedy</b>					
Townsville Field Training Area (High Range)					
Enhanced Land Force Stage 2 Work <sup>[1][4]</sup>	-	2.6	1.3	1.3	-
<b>Lilley</b>					
Damascus Barracks					
Facilities for Project Overlander (LAND 121) <sup>[1][7]</sup>	-	-	18.2	12.5	-5.7
<b>Rankin</b>					
Greenbank Training Area					
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	3.3	40.4	5.8	-34.6
<b>Wide Bay</b>					
Wide Bay Training Area					
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	24.3	37.0	37.0	-
<b>Total Queensland</b>	<b>729.0</b>	<b>1,301.1</b>	<b>395.7</b>	<b>373.5</b>	<b>-22.2</b>
<b>SOUTH AUSTRALIA</b>					
<b>Barker</b>					
Murray Bridge Training Area					
Hardened and Networked Army Facilities <sup>[1][11][12]</sup>	-	16.5	1.0	5.0	4.0
<b>Wakefield</b>					

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2011 \$m	2011–12 Budget Estimate \$m	2011–12 Revised Estimate \$m	Variation \$m
<b>Edinburgh Defence Precinct</b>					
Hardened and Networked Army Facilities <sup>[1][1][12]</sup>	-	529.8	46.0	14.3	-31.7
<b>RAAF Base Edinburgh</b>					
Redevelopment Stage 2	99.6	44.2	37.0	37.9	0.9
Enhanced Land Force Stage 1 Works <sup>[1][3]</sup>	-	17.6	10.5	1.6	-8.9
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	-	18.2	18.2	-
<b>Total South Australia</b>	<b>99.6</b>	<b>608.1</b>	<b>112.7</b>	<b>77.0</b>	<b>-35.7</b>
<b>WESTERN AUSTRALIA</b>					
<b>Hasluck</b>					
<b>RAAF Gin Gin</b>					
Aircraft Pavements and Airfield Lighting <sup>[1][2]</sup>	-	2.5	0.8	0.8	-
<b>Pearce</b>					
<b>RAAF Base Pearce</b>					
Redevelopment Stage 1	142.2	125.3	10.0	11.8	1.8
Aircraft Pavements and Airfield Lighting <sup>[1][2]</sup>	-	2.8	0.6	0.6	-
<b>Total Western Australia</b>	<b>142.2</b>	<b>130.6</b>	<b>11.4</b>	<b>13.2</b>	<b>1.8</b>
<b>NORTHERN TERRITORY</b>					
<b>Solomon</b>					
<b>Darwin</b>					
Robertson Barracks Redevelopment	72.1	8.1	36.3	39.7	3.4
Robertson Barracks Electrical Reticulation System Upgrade <sup>[13]</sup>	43.4	-	-	4.9	4.9
RAAF Base Darwin Redevelopment Stage 2	49.8	26.4	16.4	18.8	2.4
Heavy Airlift Capability – Permanent Facilities <sup>[1][9]</sup>	-	40.3	1.7	4.0	2.3
<b>Total Northern Territory</b>	<b>165.3</b>	<b>74.8</b>	<b>54.4</b>	<b>67.4</b>	<b>13.0</b>
<b>TASMANIA</b>					
<b>Bass</b>					
Scottsdale Specific Nutritional Capability <sup>[14]</sup>	18.7	-	-	3.7	3.7
<b>Total Tasmania</b>	<b>18.7</b>	<b>-</b>	<b>-</b>	<b>3.7</b>	<b>3.7</b>
<b>AUSTRALIAN CAPITAL TERRITORY</b>					
<b>Canberra</b>					
Defence Facilities at HMAS Harman and Other Locations <sup>[1][6]</sup>	-	6.4	49.0	49.0	-
Australian Defence Force Academy: Living-In Accommodation Refurbishment	34.7	8.1	9.1	10.3	1.2
Australian Defence Force Academy Redevelopment <sup>[15]</sup>	98.5	-	-	13.3	13.3
<b>Fraser</b>					
<b>HMAS Creswell</b>					
Redevelopment	83.6	77.5	3.6	6.0	2.4
<b>Majura Field Training Area</b>					
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	12.9	0.5	0.5	-
<b>Royal Military College</b>					
Enhanced Land Force Stage 2 Works <sup>[1][4]</sup>	-	5.7	3.3	3.3	-
<b>Total Australian Capital Territory</b>	<b>216.8</b>	<b>110.6</b>	<b>65.5</b>	<b>82.4</b>	<b>16.9</b>

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2011 \$m	2011-12 Budget Estimate \$m	2011-12 Revised Estimate \$m	Variation \$m
<b>VARIOUS LOCATIONS <sup>[1]</sup></b>					
Aircraft Pavements and Airfield Lighting <sup>[1][2]</sup>	32.2	-	-	-	-
Enhanced Land Force – Facilities Stage 1 <sup>[1][3]</sup>	793.1	-	-	-	-
Enhanced Land Force – Facilities Stage 2 <sup>[1][4]</sup>	1457.8	-	-	-	-
HMAS Penguin and Pittwater Annexe Redevelopment <sup>[1][5]</sup>	63.3	-	-	-	-
Defence Facilities at HMAS Harman and Other Locations <sup>[1][6]</sup>	134.7	-	-	-	-
Facilities for Project Overlander (LAND 121) <sup>[1][7]</sup>	50.3	-	-	-	-
Multi Role Helicopter Facilities <sup>[1][10]</sup>	137.2	-	-	-	-
Heavy Airlift Capability – Permanent Facilities <sup>[1][9]</sup>	268.2	-	-	-	-
Hardened and Networked Army Facilities <sup>[1][11][12]</sup>	597.4	-	-	-	-
<b>Total Various</b>	<b>3,534.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>5,043.5</b>	<b>2,595.4</b>	<b>818.0</b>	<b>754.7</b>	<b>-63.3</b>

**Notes**

1. These projects cross state boundaries. Cumulative expenditure and expenditure estimates for 2011-12 are provided in the table per location.
2. Aircraft Pavements and Airfield Lighting has an approved budget of \$32.2m covering four locations: HMAS Albatross, Army Aviation Centre Oakey, RAAF Base Pearce and RAAF Gin Gin. HMAS Albatross, Army Aviation Centre Oakey and RAAF Gin Gin are complete.
3. Enhanced Land Force Stage 1 has an approved budget of \$793.1m covering the following locations: RAAF Base Richmond (construction completed), Holsworthy, Singleton, Kapooka, Puckapunyal, RAAF Base Amberley, Lavarack Barracks, Townsville High Range Training Area, RAAF Base Edinburgh and Campbell Barracks.
4. Enhanced Land Force Stage 2 has an approved budget of \$1,457.8m covering the following locations: Singleton, Garden Island (completed), HMAS Penguin (completed), Watsonia, Puckapunyal, RAAF Base Amberley, Enoggera, Canungra, Lavarack Barracks, Townsville Field Training Area, Greenbank Training Area, Wide Bay Training Area, Cultana Training Area, RAAF Base Edinburgh, Majura Field Training Area and Royal Military College Duntroon.
5. HMAS Penguin and Pittwater Annexe Redevelopment has an approved budget of \$63.3m covering two locations: HMAS Penguin and the Pittwater Annexe. The HMAS Penguin and Pittwater Annexe Redevelopment Cumulative Expenditure to 30 June 2011 for the Warringah site was incorrectly reported in the 2010-11 Defence Annual Report and should have read \$0.7m as shown in the table above.
6. Defence Facilities at HMAS Harman and Other Locations has an approved budget increase to \$134.7m. This project covers two locations: Army facilities in Victoria and Defence facilities at HMAS Harman, Australian Capital Territory.
7. Facilities for Project Overlander (LAND 121) has an approved budget of \$50.3m. This project covers three locations: Gaza Ridge Barracks North Bandiana, Damascus Barracks Meeandah and RAAF Base Amberley.
8. The \$117.1m budget for Australian Super Hornet Facilities includes both the development and delivery phase budgets leaving a delivery budget of \$110.1m
9. Heavy Airlift Capability - Permanent Facilities has an approved budget of \$268.2m covering five locations: RAAF Base Amberley, RAAF Base Edinburgh, RAAF Base Darwin, RAAF Base Townsville and RAAF Base Pearce. C-17 Construction works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin are complete. Outstanding Defects Liability works remain to be completed at RAAF Base Darwin. The Cargo Compartment Trainer is an approved additional scope item being delivered at RAAF Base Amberley.
10. Multi Role Helicopter Facilities has an approved budget of \$168.7m covering four locations: HMAS Albatross Nowra, RAAF Base Townsville, the Army Aviation Centre (Oakey) and Gallipoli Barracks, Enoggera. The budget includes \$31.5m for simulation facilities being delivered and reported by the Defence Materiel Organisation. Construction works at HMAS Albatross, Army Aviation Centre Oakey and Gallipoli Barracks, Enoggera are complete.
11. The \$623.7m budget for Hardened and Networked Army Facilities includes the development and delivery phase budgets leaving a delivery phase budget of \$597.4m.
12. Hardened and Networked Army Facilities project covers two locations: Edinburgh Defence Precinct and Murray Bridge Training Area. The project does not include similarly named works at Robertson Barracks.
13. Robertson Barracks Electrical Reticulation System Upgrade was approved subsequent to the publication of the *Defence Annual Report 2010-11*.
14. Scottsdale Specific Nutritional Capability was approved subsequent to the publication of the *Defence Annual Report 2010-11*.
15. Australian Defence Force Academy Redevelopment was approved subsequent to the publication of the *Defence Annual Report 2010-11*.



## **Victoria**

### ***Bandiana - Joint Logistics Unit Victoria Warehousing***

This project will provide new and upgraded warehousing, storage and ancillary support facilities at Bandiana. A variation in scope has resulted in an increase in estimated expenditure in 2011-12. Key facilities have been completed with demolition of redundant facilities scheduled to be completed in early 2012.

### ***Watsonia - Defence Force School of Signals***

This project will provide new working accommodation, improved security arrangements and upgraded living-in accommodation for the Defence Force School of Signals at Simpson Barracks. Construction commenced in October 2008. The living-in accommodation component is now complete. Completion of the refurbishment elements is currently being assessed in relation to remaining funds available to the project. This has caused a slippage to the program.

## **Queensland**

### ***Amberley - RAAF Base Amberley Redevelopment Stage 3***

This project will provide new trainee living-in accommodation and messing facilities, physical fitness facilities, office, medical and working accommodation, consolidation of maintenance facilities, construction of a new fuel farm and a base security upgrade. Construction commenced in 2008. Some key facilities were completed in 2009 and works will continue to be completed progressively through to early 2013.

### ***Amberley - Australian Super Hornet Facilities***

This project will provide new, expanded and modified facilities and infrastructure at RAAF Base Amberley to support the introduction of the Super Hornet aircraft. Key facilities have been progressively completed from late 2009. Construction is scheduled to be completed in early 2012. Variation to user requirements have resulted in an increase in estimates for 2011-12

### ***Enoggera Redevelopment Stage 1***

This project will provide new working accommodation for Headquarters 7th Brigade, upgrade base engineering services, and upgrade messing facilities. Potential contamination has resulted in an increase in the additional estimate. Major elements are now complete with only demolition works outstanding these are scheduled to be completed by late 2012.

### ***Townsville Lavarack Barracks Redevelopment Stage 4***

This project will provide upgraded working accommodation for Army elements located at Lavarack Barracks. Construction commenced in 2007 with the final elements 4th Field Regiment and 3rd Combat Engineer Regiment facilities being completed in late 2010. The project is due for completion in late 2012.

## **South Australia**

### ***RAAF Base Edinburgh - Redevelopment Stage 2***

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

## **Western Australia**

### ***RAAF Base Pearce - Redevelopment Stage 1***

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

## **Northern Territory**

### ***Darwin - Robertson Barracks Redevelopment***

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

### ***Darwin - Robertson Barracks Electrical Reticulation System Upgrade***

This project will provide Robertson Barracks with a reliable high voltage electrical distribution system that rectifies identified deficiencies and is capable of meeting current and future demands. Works include the installation of a new intake switching station, upgrade of existing intake stations and intake switching stations, an upgrade of the network of interconnecting high voltage ring mains to distribute the power supply around the base, installation of new substations and the upgrade of existing substations to meet localised power distribution requirements, construction of a new central emergency power station to provide Robertson Barracks with an upgraded back-up power supply to critical facilities and the provision of integrated power control and monitoring systems for the electrical network and the emergency power supply. The project received Parliamentary approval in July 2011. Construction commenced in late 2011 with completion scheduled in mid 2013.

### ***Darwin - RAAF Base Darwin Redevelopment Stage 2***

This project will provide new and upgrade existing facilities including fuel farms and workshops. Protracted negotiations with the specialist construction contractor, which caused delays in 2010-11, have resulted in an increased estimate this financial year. Construction commenced in late 2010, with completion scheduled in mid 2012.

## **Tasmania**

### ***Scottsdale: Specific Nutritional Capability***

This project provides a reinvestment in the existing Defence Science and Technology Organisation nutritional capability at Scottsdale through the construction of replacement food technology laboratories and working facilities. The project received expediency in October 2011. Construction is to commence in early 2012, with completion scheduled in late 2013.

## **Australian Capital Territory**

### ***Australian Defence Force Academy: Living-In Accommodation Refurbishment***

This project will refurbish existing living-in accommodation for the Australian Defence Force Academy (ADFA) cadets. Some elements have been accelerated and as a result the expenditure forecast for this year has increased. Construction commenced in late 2010, with completion scheduled in late 2013.

### ***Australian Defence Force Academy Redevelopment***

This project aims to address the functional deficiencies of the teaching, training, office and living-in accommodation and mess facilities at ADFA to meet current and future academic and military training needs for the next 20 to 30 years. Construction commenced in November 2011 and is scheduled for completion in mid 2015.

### ***HMAS Creswell***

This project will provide new and upgraded facilities for the training of Navy officers upon initial entry and senior sailors in the areas of leadership, management and personal development. The works include upgrades to base engineering services and infrastructure, new and refurbished classrooms, office and living-in accommodation and specialised training facilities. Construction commenced in 2009, with completion scheduled in mid 2012.

## **Various Locations**

### ***Aircraft Pavements and Airfield Lighting***

This project will involve the resurfacing of asphalt pavement and replacement of airfield lighting at RAAF Base Pearce, RAAF Gin Gin, HMAS Albatross and the Army Aviation Training Centre (Oakey). Public Works Committee exemption granted November 2010. Construction is expected to commence in March 2011, with completion scheduled in early 2012.

### ***Enhanced Land Force - Facilities Stage 1***

This project will provide modern, purpose-built facilities and supporting infrastructure for the relocation of the 3rd Battalion of the Royal Australian Regiment from Sydney to Townsville. The works involve the construction of new and refurbished accommodation and training facilities, as well as the construction of common use facilities and site infrastructure upgrades at Townsville and other Defence sites across five states.

Facilities at Kapooka, Singleton, Holsworthy and Puckapunyal will provide modern accommodation and supporting infrastructure for increased Army initial employment training. At RAAF Bases Amberley, Edinburgh and Richmond, new facilities will be provided for joint enabling elements supporting the enhanced land force capabilities. Key facilities at RAAF Base Richmond, Campbell Barracks Perth, Holsworthy and 21 Construction Squadron at Amberley were completed in 2010. Construction commenced in mid-2009 and completion of the remaining elements is scheduled by late 2012. Some minor delays are being experienced due to linkages to other defence reviews and land acquisitions. As a result Enhanced Land Force - Facilities Stage 1 is slightly behind schedule.

### ***Enhanced Land Force - Facilities Stage 2***

This project will provide modern purpose-built facilities and supporting infrastructure for the 8th/9th Battalion of the Royal Australian Regiment and supporting elements of the Army's 7th Brigade at Gallipoli Barracks in Enoggera, Brisbane. The project will involve the construction of new and refurbished accommodation and training facilities, as well as common use facilities and site infrastructure upgrades at Enoggera and other Defence sites across four states and both mainland territories.

Facilities at Townsville, Singleton, Duntroon and Watsonia will provide modern accommodation and supporting infrastructure for increased Army career training. In Sydney and at RAAF Bases Amberley and Edinburgh and at nine Defence Training Areas, new and refurbished facilities and site infrastructure upgrades will be provided for Army and joint enabling elements supporting the enhanced land force capabilities. Works at Garden Island and Balmoral were completed in 2010. Construction at Greenbank site has been delayed due to environmental clearances, tender releases and wet weather. Some elements of the project have been accelerated and as a result the expenditure forecast for 2011-12 has increased. Construction commenced in mid 2010 and is scheduled to be completed by late 2014.

### ***HMAS Penguin and Pittwater Annexe Redevelopment***

This project will provide a comprehensive upgrade of base wide engineering services infrastructure, security works and working accommodation for training and support functions. Construction commenced in mid 2011 and is scheduled to be completed in late 2013. A delay in establishing the Delivery Phase contract has resulted in minor slippage to the program.

### ***Defence Facilities at HMAS Harman and Other Locations***

This project will provide an extension to the existing Defence Network Operation Centre that controls and monitors communication activities within Defence, as well as providing new data storage facilities for other capability projects and additional support facilities for the Army. The expenditure forecast for the facilities at HMAS Harman has been revised to reflect an extension to the design phase of the project and the consequent revision to the current construction schedule. Completion is now scheduled for late 2012. Due to delays in achieving approvals from Regional Statutory Authorities the Army Facilities will be completed in early 2012.

### ***Facilities for Project Overlander (LAND 121)***

This project will provide the facilities to enable vehicle and conversion training for drivers and vehicle maintainers. Construction is expected to start in 2012 with completion scheduled for 2013. A delay in procurement activities has resulted in a slippage to the program.

### ***Multi Role Helicopter Facilities***

This project will provide a range of helicopter shelters, maintenance and operational facilities, simulator buildings and deeper maintenance facilities to support the introduction of the Multi Role Helicopter aircraft. The works involve new facilities and refurbishment of existing facilities. The proposed facilities and infrastructure will be located at HMAS Albatross (Nowra), Gallipoli Barracks, Enoggera (Brisbane), RAAF Base Townsville and the Army Aviation Centre (Oakey). The works at Enoggera are now complete. Expenditure this financial year will be higher than originally forecast due to latent conditions at Nowra and Townsville. The remaining works are scheduled to be completed in 2012.

***Heavy Airlift Capability - Permanent Facilities***

This project will provide new facilities for the C-17 Globemaster III aircraft. The works include a headquarters, maintenance facilities, air movements and cargo facilities, a simulator, warehousing and support facilities and airfield pavement works at the Amberley home base. The upgrading of airfield pavements, movements and cargo facilities and supporting infrastructure at RAAF Bases Edinburgh, Townsville, Darwin and Pearce will also be included. Construction commenced in 2008. The C-17 works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin were completed in late 2009. The works at RAAF Base Pearce were completed in late 2010. The Cargo Compartment Trainer has been approved as an additional scope item at RAAF Base Amberley and this has resulted in an increase in expenditure. Under Defects Liability, Defence is expending funds on defects that have been identified after handover on RAAF Base Darwin. Project completion is scheduled in late 2012.

***Hardened and Networked Army Facilities***

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

## Status of Major Projects Foreshadowed For Government and Parliamentary Standing Committee on Public Works (PWC) Consideration in 2011-12

During 2011-12, Defence expects to present a number of facilities proposals to the Government and the Public Works Committee. Table 31 provides details of the proposed major capital projects expected to be referred to the Public Works Committee in 2011-12. In some cases, the projects may require the Government's approval before referral to the committee.

**Table 31: Program of Major Works by State, Federal Electorate and Locality**

	Actual/ Indicative Referral Date	Actual/ Indicative Hearing Date <sup>[1]</sup>	Current Status
<b>NEW SOUTH WALES</b>			
<b>Gilmore</b>			
HMAS Albatross Redevelopment Stage 3	22 September 2011	6 December 2011	Under Committee consideration
<b>VICTORIA</b>			
<b>Gippsland</b>			
RAAF Base East Sale Redevelopment	22 September 2011	Early 2012	In development
<b>TASMANIA</b>			
<b>Bass</b>			
Scottsdale Specific Nutritional Capability	16 June 2011	27 July 2011	Approved
<b>NORTHERN TERRITORY</b>			
<b>Solomon</b>			
Robertson Barracks Electrical Reticulation and Supply Upgrade	23 March 2011	4 May 2011	Approved
Larrakeyah Barracks NORFORCE Redevelopment	Early 2012	Mid 2012	In development
<b>AUSTRALIAN CAPITAL TERRITORY</b>			
<b>Fraser</b>			
Australian Defence Force Academy Redevelopment	23 March 2011	3 June 2011	Approved
<b>VARIOUS LOCATIONS</b>			
Aircraft Pavements and Airfield Lighting at RAAF Base Amberley, RAAF Base Darwin and RAAF Base Townsville <sup>[2]</sup>	Mid 2012	Mid 2012	In development
Facilities for Replacement Towed Artillery (LAND 17)	12 October 2011	7 December 2011	Under Committee consideration
Facilities for Chinook Helicopter (AIR 9000 Phases 5B and 5C)	Early 2012	Mid 2012	In development
Facilities for Force Protection Research and Training (JP154)	Early 2012	Mid 2012	In development
Facilities for Air Warfare Destroyer (SEA 4000)	Early 2012	Mid 2012	In development
Facilities for Amphibious Deployment and Sustainment Facilities (JP 2048)	Early 2012	Mid 2012	In development
Facilities for Future Naval Aviation Combat System Support (AIR 9000 Phase 8)	Mid 2012	Late 2012	In development

### Notes

- Hearing dates will be subject to the committee's consideration and agreement.
- Defence proposes to seek exemption from the Public Works Committee scrutiny of this project on the grounds that the work is declared repetitive in accordance with Section 18(8A) of the *Public Works Act 1969*.

## **New South Wales**

### ***HMAS Albatross Redevelopment Stage 3***

This project will replace ageing and out-dated engineering services infrastructure and provide a combination of new and refurbished facilities to support operational and training outcomes as well as enabling functions. Subject to Government approval and Parliamentary clearance, construction is expected to commence in early 2012, with completion expected in mid 2015.

## **Victoria**

### ***RAAF Base East Sale Redevelopment***

This project will provide in-ground engineering services upgrades, new working accommodation, new training and maintenance facilities, security upgrades, new air traffic control complex, new commercial and community facilities, a new chapel, new firing range, new living-in accommodation and demolition of redundant facilities. Subject to Government approval and Parliamentary clearance construction is expected to commence in mid 2012, with completion expected in mid 2015.

## **Northern Territory**

### ***Larrakeyah Barracks NORFORCE Redevelopment***

The project will provide replacement facilities in response to the poor conditions, Occupational Health and Safety deficiencies and the numerous functional and operational constraints imposed by the existing facilities. Subject to Government approval and Parliamentary clearance, construction is expected to commence in late 2012, with completion expected in late 2014.

## **Various Locations**

### ***Aircraft Pavements and Aircraft Lighting at RAAF Base Amberley, RAAF Base Darwin and RAAF Base Townsville***

This project will involve the resurfacing of asphalt pavement and the replacement of airfield lighting at RAAF Bases Amberley, Darwin and Townsville.

### ***Facilities for Replacement Towed Artillery (LAND 17)***

The project will provide new and upgraded facilities to support the introduction into service of the new towed artillery. The works will be at three sites: Gallipoli Barracks, Enoggera, Bridges Barracks Puckapunyal and Gaza Ridge Barracks Bandiana. Subject to Government approval and Parliamentary clearance, construction is expected to commence in early 2012, with completion expected in early 2013.

### ***Facilities for Chinook Helicopter (AIR 9000 Phases 5B and 5C)***

The project will provide new and upgraded facilities to support the introduction into service of the Chinook Helicopter. The works will be at two sites: RAAF Base Townsville and Gallipoli Barracks Enoggera. Subject to Government approval and Parliamentary clearance, construction is expected to commence in mid 2012, with completion expected in late 2013.

### ***Facilities for Force Protection Research and Training (JP 154)***

This project will provide test and evaluation facilities at Nurrungar (Woomera, South Australia) and Edinburgh (Adelaide, South, Australia), plus storage and training facilities at 14 other sites across Australia. Subject to Government and Parliamentary approval, construction is expected to commence in late 2012, with completion expected in mid 2013.

***Facilities for Air Warfare Destroyer (SEA 4000)***

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

***Facilities for Amphibious Deployment and Sustainment (JP 2048)***

This project will provide new and upgraded wharf side facilities to support berthing, and sustainment at Garden Island, Sydney, for the new Canberra Class Landing Helicopter Dock Ship. The works also include the provision of training facilities at HMAS Watson. Subject to Government approval and Parliamentary clearance, construction is expected to commence in late 2012, with completion expected in mid 2014.

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

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



## Approved Medium Capital Facilities Projects

Table 32: Spending in 2011-12 for Medium Facilities Projects

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2011 \$'000	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000
<b>NEW SOUTH WALES</b>					
<b>Hughes</b>					
Holsworthy					
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	-	1	135	255	120
6 <sup>th</sup> Aviation Regiment – Expanded 171 Aviation Squadron Facilities <sup>[3]</sup>	12,684	-	-	4,445	4,445
<b>Newcastle</b>					
RAAF Base Williamtown Additional Working Accommodation Tactical Fighter Systems Program Office	1,199 <sup>[4]</sup>	178	500	860	360
<b>Riverina</b>					
RAAF Base Wagga					
Headquarters Ground Training Wing	1,255 <sup>[4]</sup>	1,129	200	16	-184
<b>Wentworth</b>					
Victoria Barracks					
Military Law Centre/Asia Pacific Centre for Military Law	7,825	2,155	2,400	3,222	822
<b>Total New South Wales</b>	<b>22,963</b>	<b>3,463</b>	<b>3,235</b>	<b>8,798</b>	<b>5,563</b>
<b>VICTORIA</b>					
RAAF Williams					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	200	200
<b>Total Victoria</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>200</b>
<b>QUEENSLAND</b>					
<b>Blair</b>					
Amberley					
Head Quarters 82 Wing Security Upgrade	1,150	-	-	1,150	1,150
<b>Capricornia</b>					
Shoalwater Bay Training Area					
Camp Growl Stage 2	7,977	7,957	300	16	-284
<b>Groom</b>					
Oakey					
Fuel Farm Upgrade	9,257	8,724	150	1,803	1,653
<b>Herbert</b>					
Lavarack Barracks					
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	-	-	189	237	48
RAAF Townsville					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	900	900
<b>Rankin</b>					
Greenbank Training Area					
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	-	1	496	376	-120

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2011 \$'000	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000
<b>Ryan</b>					
Enoggera					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	200	200
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	-	9,503	22	-	-22
<b>Total Queensland</b>	<b>18,384</b>	<b>26,185</b>	<b>1,157</b>	<b>4,682</b>	<b>3,525</b>
<b>SOUTH AUSTRALIA</b>					
<b>Wakefield</b>					
RAAF Edinburgh					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	300	300
<b>Total South Australia</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>300</b>
<b>WESTERN AUSTRALIA</b>					
<b>Curtin</b>					
Campbell Barracks					
Helicopter Underwater Escape Training Facility	9,723	8,622	504	339	-165
<b>Pearce</b>					
RAAF Base Pearce					
Potable Water Supply Upgrade	3,144	243	2,500	1,569	-931
<b>Total Western Australia</b>	<b>12,867</b>	<b>8,865</b>	<b>3,004</b>	<b>1,908</b>	<b>-1,096</b>
<b>TASMANIA</b>					
<b>Denison</b>					
Derwent Barrack					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	300	300
<b>Total Tasmania</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>300</b>
<b>NORTHERN TERRITORY</b>					
<b>Lingiari</b>					
RAAF Base Tindal					
Mount Bunday Training Area - Medical Facility	4,260	-	3,725	1,583	-2,142
Corrosion Control Facility	3,565	-	-	890	890
<b>Solomon</b>					
Darwin					
Australian Operational Concept Special Operation Contingency Vehicles & Stores <sup>[1][5][6]</sup>	-	-	-	1,000	1,000
Naval Fuel Installation Rectification	10,690	5,345	200	4,900	4,700
Robertson Barracks					
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	-	1	370	-	-370
1st Aviation Regiment Facilities Upgrade <sup>[7]</sup>	2,250	829	249	1,007	758
<b>Total Northern Territory</b>	<b>20,765</b>	<b>6,175</b>	<b>4,544</b>	<b>9,380</b>	<b>4,836</b>

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2011 \$'000	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000
<b>VARIOUS LOCATIONS <sup>[1]</sup></b>					
Australian Operational Concept Special Operation Contingency	7,900	-	-	-	-
Vehicles & Stores <sup>[1][5][6]</sup>					
Countermine Capability Facilities (LAND 144) <sup>[1][2]</sup>	1,420	-	-	-	-
<b>Total Various</b>	<b>9,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>84,299</b>	<b>44,688</b>	<b>11,940</b>	<b>25,568</b>	<b>13,628</b>

**Notes**

1. This project crosses state and electoral boundaries.
2. Countermine Capabilities Facilities (LAND 144) has a budget of \$1,420m covering five locations: Holsworthy Barracks; Lavarack Barracks; Greenbank Training Area; Gallipoli Barracks, Enoggera; and Robertson Barracks. Construction works at Holsworthy and Enoggera are complete.
3. The Holsworthy 6th Aviation Regiment project has been approved subsequent to the publication of the *Defence Annual Report 2010-11*.
4. Budget increase approved in February 2011.
5. Special Operations: National Storage Facilities has a budget of \$7,900m covering six locations; RAAF Bases Williams, Darwin, Townsville, Edinburgh, and Gallipoli and Derwent Barracks.
6. Special Operations: National Storage Facilities was approved subsequent to the publication of the *Portfolio Budget Statements 2011-12*.
7. Robertson Barracks 1st Aviation Regiment Facilities Upgrade was omitted from the *Defence Annual Report 2010-11*.

**Proposed Medium Capital Projects for Consideration in 2011-12**

Table 33 lists new medium capital facilities projects foreshadowed for consideration in 2011-12.

**Table 33: Proposed Medium Capital Projects for Consideration in 2011-12**

State	Federal Electorate	Locality	Status
New South Wales	Calare	Bathurst Regional Airport: Australian Air Force Cadets	In development
	Hughes	Holsworthy HQ6 Aviation Regiment Facilities	Approved
	Newcastle	RAAF Base Williamtown: Corrosion Control Facility Upgrade	In development
	Warringah	HMAS Penguin – ADF Centre for Mental Health Facility	In development
Queensland	Blair	RAAF Base Amberley: C-17A Cargo Compartment Trainer Facility <sup>[1]</sup>	Approved
	Capricornia	Shoalwater Bay Training Area: Maritime Warfare Facilities (Triangular Island)	In development
	Ryan	Enoggera: Training Facilities (LAND 200)	Complete
South Australia	Grey	Woomera Prohibited Area: Disposal Explosive Ordnance Storage Facilities	In development
	Wakefield	Port Wakefield: Vibration Test Facility	In development
Northern Territory	Lingiari	RAAF Base Tindal: Corrosion Control Facility Remediation	Approved
	Solomon	RAAF Base Darwin: Flood Mitigation Works	In development
Various		Special Operations: National Storage Facilities	In development
		ASLAV Additional Facilities	In development

**Note**

1. This project will now be delivered as a component of the Heavy Airlift Capability.

## Approved Projects Being Developed for Private Financing Arrangements

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

Project Single LEAP Phase 2 is an extension of the delivery of new single living-in accommodation facilities at various sites around Australia. Due to changes in Defence strategic priorities, the scope of Phase 2 was amended in October 2009 and will now deliver a further 3,015 units at 14 bases around mainland Australia. Table 34 provides details of the 1 element of Phase 2 which was amended.

**Table 34: Single LEAP Phase 2<sup>[1][2]</sup> by State, Federal Electorate and Locality**

<b>State</b>	<b>Electorate</b>	<b>Locality</b>
NORTHERN TERRITORY	Solomon	Darwin: Robertson Barracks Darwin: HMAS Coonawarra (Larrakeyah Barracks)

**Notes**

1. The original scope of Single LEAP Phase 2 was 3,535 units at 17 locations. Randwick Barracks, RAAF Base Pearce and RAAF Base Laverton have been removed from the scope, and the number of units at the Edinburgh Defence Precinct increased.
2. Work commenced during September 2011 at Lavarack Barracks, RAAF Base Edinburgh, Larrakeyah Barracks, Robertson Barracks and HMAS Stirling. Work will commence at the remaining sites in 2012, with the last site due for completion by February 2014. Under the Public Private Partnership arrangement, annual payments to the Strategic Partner will commence after Commercial Acceptance of each site.

<b>Program 1.7: Defence Science and Technology</b>
--

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 35: Cost Summary for Program 1.7 Defence Science and Technology**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	304,728	313,009	8,281	315,506	316,315	333,994
Suppliers	140,652	167,887	27,235	150,085	127,896	118,452
Grants <sup>(1)</sup>	-	2,108	2,108	-	-	-
Depreciation and amortisation	19,054	22,772	3,718	22,665	22,200	21,483
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	2,929	2,857	-72	2,333	1,990	2,090
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>467,363</b>	<b>508,633</b>	<b>41,270</b>	<b>490,589</b>	<b>468,401</b>	<b>476,019</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	31,293	40,971	9,678	32,262	33,207	34,046
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>31,293</b>	<b>40,971</b>	<b>9,678</b>	<b>32,262</b>	<b>33,207</b>	<b>34,046</b>
<b>Gains</b>						
Reversals of previous asset write-downs	2,375	1,968	-407	1,607	1,371	1,439
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>2,375</b>	<b>1,968</b>	<b>-407</b>	<b>1,607</b>	<b>1,371</b>	<b>1,439</b>
<b>Total income</b>	<b>33,668</b>	<b>42,939</b>	<b>9,271</b>	<b>33,869</b>	<b>34,578</b>	<b>35,485</b>
<b>Program 1.7 Defence Science and Technology</b>	<b>433,695</b>	<b>465,694</b>	<b>31,999</b>	<b>456,720</b>	<b>433,823</b>	<b>440,534</b>

**Note**

1. This increase in Grants budget relates to the s32 transfer from PM&C of the NSST Branch.

<b>Program 1.8: Chief Information Officer</b>
---

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 36: Cost Summary for Program 1.8 Chief Information Officer**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	113,844	122,420	8,576	113,231	102,719	110,806
Suppliers	533,669	614,311	80,642	511,111	513,813	452,062
Grants	-	-	-	-	-	-
Depreciation and amortisation	129,834	139,648	9,814	138,164	75,164	77,604
Finance Cost	3,907	3,907	-	1,725	-	-
Write-down of assets and impairment of assets	8,550	9,070	520	7,219	6,609	6,958
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>789,804</b>	<b>889,356</b>	<b>99,552</b>	<b>771,450</b>	<b>698,305</b>	<b>647,430</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	2,955	2,955	-	3,053	3,169	3,289
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>2,955</b>	<b>2,955</b>	<b>-</b>	<b>3,053</b>	<b>3,169</b>	<b>3,289</b>
<b>Gains</b>						
Reversals of previous asset write-downs	6,931	6,248	-683	4,973	4,552	4,793
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>6,931</b>	<b>6,248</b>	<b>-683</b>	<b>4,973</b>	<b>4,552</b>	<b>4,793</b>
<b>Total income</b>	<b>9,886</b>	<b>9,203</b>	<b>-683</b>	<b>8,026</b>	<b>7,721</b>	<b>8,082</b>
<b>Program 1.8 Chief Information Officer</b>	<b>779,918</b>	<b>880,153</b>	<b>100,235</b>	<b>763,424</b>	<b>690,584</b>	<b>639,348</b>

<b>Program 1.9: Vice Chief of the Defence Force</b>
---

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 37: Cost Summary for Program 1.9 Vice Chief of the Defence Force**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	458,181	435,647	-22,534	520,994	542,685	566,252
Suppliers	569,544	600,984	31,440	546,056	597,962	550,915
Grants	-	-	-	-	-	-
Depreciation and amortisation	15,892	19,954	4,062	29,148	36,819	41,134
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	247,487	271,875	24,388	240,196	216,764	198,166
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>1,291,104</b>	<b>1,328,460</b>	<b>37,356</b>	<b>1,336,394</b>	<b>1,394,230</b>	<b>1,356,467</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	292,525	199,484	-93,041	197,107	205,490	210,225
Other revenue	50,432	-	-50,432	-	-	-
<b>Total Revenue</b>	<b>342,957</b>	<b>199,484</b>	<b>-143,473</b>	<b>197,107</b>	<b>205,490</b>	<b>210,225</b>
<b>Gains</b>						
Reversals of previous asset write-downs	92,540	92,670	130	81,899	73,924	67,628
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>92,540</b>	<b>92,670</b>	<b>130</b>	<b>81,899</b>	<b>73,924</b>	<b>67,628</b>
<b>Total income</b>	<b>435,497</b>	<b>292,154</b>	<b>-143,343</b>	<b>279,006</b>	<b>279,414</b>	<b>277,853</b>
<b>Program 1.9 Vice Chief of the Defence Force</b>	<b>855,607</b>	<b>1,036,306</b>	<b>180,699</b>	<b>1,057,388</b>	<b>1,114,816</b>	<b>1,078,614</b>

**Program 1.10: Joint Operations Command**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 38: Cost Summary for Program 1.10 Joint Operations Command**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	8,013	8,348	335	8,504	8,850	8,967
Suppliers	37,143	37,535	392	38,012	36,594	38,790
Grants	-	-	-	-	-	-
Depreciation and amortisation	1,552	2,051	499	2,516	2,864	3,882
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>46,708</b>	<b>47,934</b>	<b>1,226</b>	<b>49,032</b>	<b>48,308</b>	<b>51,639</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	380	368	-12	375	384	395
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>380</b>	<b>368</b>	<b>-12</b>	<b>375</b>	<b>384</b>	<b>395</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>380</b>	<b>368</b>	<b>-12</b>	<b>375</b>	<b>384</b>	<b>395</b>
<b>Program 1.10 Joint Operations Command</b>	<b>46,328</b>	<b>47,566</b>	<b>1,238</b>	<b>48,657</b>	<b>47,924</b>	<b>51,244</b>



<b>Program 1.11: Capability Development</b>
---

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

Since release of the 2009 Defence White Paper, 78 major projects, phases and supporting studies have been approved with an all-up cost of approximately \$12.3b. Further projects will be considered for approval in 2011-12.

### Major Projects Recently Approved By Government

Tables 39 and 40 provide details for the following major projects that have been approved since publication of the *Portfolio Budget Statements 2011-12* and significantly contribute to the variance in the Defence Capability Plan for the period.

**Table 39: Significant Defence Capability Plan Projects with Second-Pass Approval [1]**

Project Number	Project Title	Second Pass Approval
AIR 9000 Ph SCAP1	Seahawk Capability Assurance Program	Approved
AIR 9000 Phase 5D	Additional Chinooks [2]	Approved
AIR 9000 Phase 8	Future Navy Aviation Combat System	Approved
JP 2030 Phase 8	Joint Command Environment – Evolution 2 [2]	Approved
JP 2048 Phase 3	Amphibious Watercraft Replacement	Approved
JP 2069 Phase 2	High Grade Cryptographic Equipment	Approved
JP 2072 Phase 2A	Battlespace Communications Systems (LAND)	Approved
JP 3027 Phase 1	JDAM Enhancements	Approved
LAND 116 Phase 3.1	Additional Bushmasters [2]	Approved
LAND 121 Phase 5A	Overlander – Field Vehicles and Trailers	Approved
SEA 1352 Phase 1	Evolved Sea Sparrow Missiles (ESSM) upgrade	Approved
SEA 4000 Phase 3.2	SM2 Conversion and Upgrade [2]	Approved

**Notes**

1. Project Development activities and some sensitive projects are not included in this list.
2. Additional projects not listed for Second-Pass approval in the *Portfolio Budget Statements 2011-12*.

**Table 40: Significant Defence Capability Plan Projects with First-Pass Approval [1]**

Project Number	Project Title	Second Pass Approval
AIR 5431 Phase 2/3	Fixed Base Air Traffic Management and Control Systems	Approved
AIR 5438 Phase 1A	Lead In Fighter Capability Assurance Program	Approved
JP 2008 Phase 3H	Military Satellite Capability – Wideband Terrestrial Terminals	Approved
JP 2008 Phase 5B	Military Satellite Capability – Wideband Terrestrial Terminals	Approved

**Note**

1. Project Development activities and some sensitive projects are not included in this list.

**Table 41: Cost Summary for Program 1.11 Capability Development**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	17,430	19,680	2,250	21,269	15,844	16,487
Suppliers	369,435	298,847	-70,588	416,342	1,114,173	1,493,090
Grants	-	-	-	-	-	-
Depreciation and amortisation	303,736	90,182	-213,554	259,990	438,653	657,345
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	163,069	125,885	-37,184	155,099	191,073	232,768
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>853,670</b>	<b>534,594</b>	<b>-319,076</b>	<b>852,700</b>	<b>1,759,743</b>	<b>2,399,690</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>						
Reversals of previous asset write-downs	105,821	73,248	-32,573	90,053	110,377	133,944
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>105,821</b>	<b>73,248</b>	<b>-32,573</b>	<b>90,053</b>	<b>110,377</b>	<b>133,944</b>
<b>Total income</b>	<b>105,821</b>	<b>73,248</b>	<b>-32,573</b>	<b>90,053</b>	<b>110,377</b>	<b>133,944</b>
<b>Program 1.11 Capability Development</b>	<b>747,849</b>	<b>461,346</b>	<b>-286,503</b>	<b>762,647</b>	<b>1,649,366</b>	<b>2,265,746</b>

<b>Program 1.12: Chief Finance Officer</b>
--

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 42: Cost Summary for Program 1.12 Chief Finance Officer**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	412,968	375,405	-37,563	395,944	410,041	412,062
Suppliers	228,852	63,365	-165,487	97,166	398,819	441,303
Grants	-	-	-	-	-	-
Depreciation and amortisation	12,441	4,063	-8,378	8,093	10,462	10,148
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	11,718	5,187	-6,531	5,500	4,976	4,868
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>665,979</b>	<b>448,020</b>	<b>-217,959</b>	<b>506,703</b>	<b>824,298</b>	<b>868,381</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	-	79,381	79,381	81,127	83,155	85,234
Other revenue	12,534	60,688	48,154	62,104	63,710	65,351
<b>Total Revenue</b>	<b>12,534</b>	<b>140,069</b>	<b>127,535</b>	<b>143,231</b>	<b>146,865</b>	<b>150,585</b>
<b>Gains</b>						
Reversals of previous asset write-downs	8,957	3,293	-5,664	3,502	3,138	3,068
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	4,879	4,879	5,001	5,126	5,254
<b>Total gains</b>	<b>8,957</b>	<b>8,172</b>	<b>-785</b>	<b>8,503</b>	<b>8,264</b>	<b>8,322</b>
<b>Total income</b>	<b>21,491</b>	<b>148,241</b>	<b>126,750</b>	<b>151,734</b>	<b>155,129</b>	<b>158,907</b>
<b>Program 1.12 Chief Finance Officer</b>	<b>644,488</b>	<b>299,779</b>	<b>-344,709</b>	<b>354,969</b>	<b>669,169</b>	<b>709,474</b>

**Program 1.13: People Strategies and Policy**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 43: Cost Summary for Program 1.13 People Strategies and Policy**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	87,825	55,872	-31,953	97,163	125,783	136,148
Suppliers	238,306	238,114	-192	237,465	251,471	252,498
Grants	-	8,000	8,000	-	-	-
Depreciation and amortisation	109	1,238	1,129	1,620	1,701	1,192
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>326,240</b>	<b>303,224</b>	<b>-23,016</b>	<b>336,248</b>	<b>378,955</b>	<b>389,838</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	-	120	120	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>-</b>	<b>120</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>-</b>	<b>120</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 1.13 People Strategies and Policy</b>	<b>326,240</b>	<b>303,104</b>	<b>-23,136</b>	<b>336,248</b>	<b>378,955</b>	<b>389,838</b>

<b>Administered Program 1.14: Defence Force Superannuation Benefits</b> <b>Administered Program 1.15: Defence Force Superannuation Nominal Interest</b>
--

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 44: Cost Summary for Program 1.14: Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Net foreign exchange losses	-	-	-	-	-	-
Retention benefits	52,443	52,443	-	64,223	77,103	95,883
Military superannuation benefits	3,763,000	4,034,000	271,000	3,914,000	4,082,000	4,257,000
<b>Total expenses</b>	<b>3,815,443</b>	<b>4,086,443</b>	<b>271,000</b>	<b>3,978,223</b>	<b>4,159,103</b>	<b>4,352,883</b>
<b>Income</b>						
<b>Revenues</b>						
Interest	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Military superannuation contributions	1,165,332	1,180,774	15,442	1,209,374	1,256,628	1,309,561
<b>Total income</b>	<b>1,165,332</b>	<b>1,180,774</b>	<b>15,442</b>	<b>1,209,374</b>	<b>1,256,628</b>	<b>1,309,561</b>
<b>Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest</b>						
	<b>2,650,111</b>	<b>2,905,669</b>	<b>255,558</b>	<b>2,768,849</b>	<b>2,902,475</b>	<b>3,043,322</b>

**Administered Program 1.16: Housing Assistance**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*.

**Table 45: Cost Summary for Program 1.16 Housing Assistance**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Net foreign exchange losses	-	-	-	-	-	-
Housing subsidies	113,480	101,701	-11,779	112,401	119,884	122,974
<b>Total expenses</b>	<b>113,480</b>	<b>101,701</b>	<b>-11,779</b>	<b>112,401</b>	<b>119,884</b>	<b>122,974</b>
<b>Income</b>						
<b>Revenues</b>						
Interest	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
License fees	9,811	9,811	-	10,349	10,808	11,266
Other	-	-	-	-	-	-
<b>Total income</b>	<b>9,811</b>	<b>9,811</b>	<b>-</b>	<b>10,349</b>	<b>10,808</b>	<b>11,266</b>
<b>Program 1.16 Housing Assistance</b>	<b>103,669</b>	<b>91,890</b>	<b>-11,779</b>	<b>102,052</b>	<b>109,076</b>	<b>111,708</b>

**Administered Program 1.17: Other Administered**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Administered Program 1.17 Objective**

Other administered comprises four elements:

- interest earned on overdue accounts and on official bank accounts held to facilitate operational requirements and project payments in foreign currency
- Defence Housing Australia (DHA) dividends, tax equivalent payments and interest on Government loans used by DHA to fund the building of new accommodation
- revenue received from special public monies for unmatched Comcare receipts
- departmental returns to the Official Public Account arising from sale of assets with an original purchase price in excess of \$10m and receipts from foreign governments who have received services provided by Defence during shared deployments.

**Table 46: Cost Summary for Program 1.17 Other Administered**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>	-	-	-	-	-	-
<b>Total expenses</b>	-	-	-	-	-	-
<b>Income</b>						
<b>Revenues</b>						
Interest	5,299	33,123	27,824	33,123	33,123	33,123
Dividends	50,067	49,105	-962	51,967	54,989	55,806
Other	35,985	55,274	19,289	44,239	45,699	49,326
<b>Total income</b>	<b>91,351</b>	<b>137,502</b>	<b>46,151</b>	<b>129,329</b>	<b>133,811</b>	<b>138,255</b>
<b>Program 1.17 Other Administered</b>	<b>-91,351</b>	<b>-137,502</b>	<b>-46,151</b>	<b>-129,329</b>	<b>-133,811</b>	<b>-138,255</b>

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

## OUTCOME 2 STRATEGY

There has been no change to the Outcome 2 Strategy since the *Portfolio Budget Statements 2011-12*.

## OUTCOME 2 RESOURCES

**Table 47: Total Budgeted Resources Available for Outcome 2**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Program 2.1 - Operations Contributing to the Security of the Immediate Neighbourhood</b>						
Revenue from other sources	5,500	5,500	-	-	-	-
Departmental outputs	203,669	203,669	-	12,117	1,114	-
<b>Program 2.2 - Operations Supporting Wider Interests</b>						
Revenue from other sources	40,891	40,891	-	-	-	-
Departmental outputs	1,375,285	1,326,146	-49,139	299,605	139,200	-
<b>Total resourcing</b>						
Total Departmental outputs	1,578,954	1,529,815	-49,139	311,722	140,314	-
Total Departmental revenue from other sources	46,391	46,391	-	-	-	-
<b>Total resources for Outcome 2</b>	<b>1,625,345</b>	<b>1,576,206</b>	<b>-49,139</b>	<b>311,722</b>	<b>140,314</b>	<b>-</b>



## CONTRIBUTIONS TO OUTCOME 2

**Program 2.1: Operations Contributing to the Security of the Immediate Neighbourhood**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

Program 2.1 Deliverables		
Operation	Commenced	Objective
Christchurch Assist	2011 (now ceased)	Provide assistance in support of the Government of New Zealand in the aftermath of the Christchurch earthquake.
Pacific Assist	2011 (now ceased)	Contribute to the Government of Japan response to the earthquake and tsunami crisis.

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	63,038	63,038	-	-	-	-
Suppliers	146,131	146,131	-	12,117	1,114	-
Grants	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>209,169</b>	<b>209,169</b>	<b>-</b>	<b>12,117</b>	<b>1,114</b>	<b>-</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	5,500	5,500	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>5,500</b>	<b>5,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>5,500</b>	<b>5,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>	<b>203,669</b>	<b>203,669</b>	<b>-</b>	<b>12,117</b>	<b>1,114</b>	<b>-</b>

**Program 2.2: Operations Supporting Wider Interests**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

Program 2.2 Deliverables		
Operation	Commenced	Objective
Kruger	2009 (ceased 2011)	Support Australian Government relations with Iraq through the delivery of tailored security support to the diplomatic mission.
Aslan	2011	Contribute to the United Nations Mission in South Sudan in order to support United Nations Security Council Resolution 1996 and Australian interests.
Azure	2005 (expected to cease March 2012)	Contribute to the United Nations mission in Sudan.

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	211,431	238,804	27,373	-	-	-
Suppliers	1,009,317	987,339	-21,978	256,103	95,698	-
Grants	43,502	43,502	-	43,502	43,502	-
Depreciation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write down of assets and impairment of assets	151,926	97,392	-54,534	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>1,416,176</b>	<b>1,367,037</b>	<b>-49,139</b>	<b>299,605</b>	<b>139,200</b>	<b>-</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	40,891	40,891	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>40,891</b>	<b>40,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>40,891</b>	<b>40,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 2.2 Operations Supporting Wider Interests</b>	<b>1,375,285</b>	<b>1,326,146</b>	<b>-49,139</b>	<b>299,605</b>	<b>139,200</b>	<b>-</b>

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

### OUTCOME 3 STRATEGY

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

### OUTCOME 3 RESOURCES

**Table 50: Total Budgeted Resources Available for Outcome 3**

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Program 3.1 - Defence Contribution to National Support Tasks in Australia</b>						
Revenues from other sources	-	-	-	-	-	-
Departmental outputs	9,829	9,829	-	-	-	-
<b>Total resourcing</b>	<b>9,829</b>	<b>9,829</b>	-	-	-	-
Total Departmental outputs	9,829	9,829	-	-	-	-
Total Departmental revenue from other sources	-	-	-	-	-	-
<b>Total resources for Outcome 3</b>	<b>9,829</b>	<b>9,829</b>	-	-	-	-

## CONTRIBUTIONS TO OUTCOME 3

**Program 3.1: Defence Contributions to National Support Tasks in Australia**

Performance information is as reported in the *Portfolio Budget Statements 2011-12*, except for the following revisions.

**Program 3.1 Objective**

National support tasks undertaken by Defence may include the security of the Australian coastline from illegal immigration, smuggling, quarantine evasion and other intrusions to Australian sovereignty, counter-terrorism responses, search and rescue and natural disaster relief. Defence contributes to the Coastwatch civil surveillance program and Border Protection Command tasking, providing maritime surveillance assets that are tasked routinely in accordance with the Government's direction.

Defence also supports tasks of national significance through the Defence Assistance to the Civil Community program. This includes emergency and non-emergency tasks and events of public significance as requested by federal and state authorities, and the general public.

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>Expenses</b>						
Employees	1,269	1,269	-	-	-	-
Suppliers	8,560	8,560	-	-	-	-
Grants	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Finance Cost	-	-	-	-	-	-
Write down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>9,829</b>	<b>9,829</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income</b>						
<b>Revenues</b>						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program 3.1 Defence Contribution to National Support Tasks in Australia</b>	<b>9,829</b>	<b>9,829</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Program 3.1 Deliverables</b>		
<b>Operation</b>	<b>Commenced</b>	<b>Objective</b>
Amulet	2011 (now ceased)	Contribution to the whole-of-government security framework to maintain a secure environment and support the conduct of the Commonwealth Heads of Government Meeting 2011 and associated VIP visits.
Norwich	2011 (now ceased)	Contribute to the whole-of-government security operation for the President of the United States visit to Australia.
Victorian Flood Assist	2011 (now ceased)	Support to the Government of Australia contribution to the flood crisis in Victoria.
Queensland Flood Assist	2011 (now ceased)	Support to the Government of Australia contribution to the flood crisis in Queensland and Northern New South Wales.
Yasi Assist	2011 (now ceased)	Contribution to the preparation and post impact disaster relief and recovery activities associated in response to tropical cyclone Yasi.

## Section 3: Explanatory Tables and Budgeted Financial Statements

### 3.1 Explanatory Tables

**Table 52: Summary of Estimated Special Account Balances<sup>[1][2][3][4][5]</sup>**

	Outcome	Opening	Receipts	Payments	Adjustments	Closing
		2011-12 2010-11	2011-12 2010-11	2011-12 2010-11	2011-12 2010-11	Balance 2011-12 2010-11
		\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entities and Trust Moneys - Defence Special Account – <i>Financial Management and Accountability Act 1997</i>	1	<b>114,880</b> <i>118,830</i>	<b>61,391</b> <i>73,240</i>	<b>-94,632</b> <i>-77,190</i>	- -	<b>81,639</b> <i>114,880</i>
Defence Endowments Special Account – <i>Financial Management and Accountability Act 1997<sup>[4][5]</sup></i>	1	<b>322</b> <i>322</i>	<b>29</b> <i>25</i>	<b>-43</b> <i>-25</i>	- -	<b>308</b> <i>322</i>
Fedorczenko Legacy Special Account – <i>Financial Management and Accountability Act 1997<sup>[4][5]</sup></i>	1	<b>162</b> <i>156</i>	<b>7</b> <i>6</i>	<b>-6</b> <i>-</i>	- -	<b>163</b> <i>162</i>
Young Endeavour Youth Program Special Account – <i>Financial Management and Accountability Act 1997<sup>[4][5]</sup></i>	1	<b>1,167</b> <i>997</i>	<b>53</b> <i>221</i>	<b>-15</b> <i>-51</i>	- -	<b>1,205</b> <i>1,167</i>
<b>Total Special Accounts 2011-12</b>		<b>116,531</b>	<b>61,480</b>	<b>-94,696</b>	-	<b>83,315</b>
<i>2010-11 actual</i>		<i>120,305</i>	<i>73,492</i>	<i>-77,266</i>	-	<i>116,531</i>

#### Notes

1. 2011-12 estimates in bold.
2. 2010-11 actuals in italics.
3. These are all Special Public Monies.
4. The 2011-12 figures include \$71,219 for interest earned on the Official Public Account (OPA).
5. The 2010-11 figures include \$48,969 for interest earned on the OPA.

## AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

**Table 53: Australian Government Indigenous Expenditure**

	Program	Bill No. 1 \$'000
<b>Outcome 1</b>		
<b>Defence Indigenous Employment Strategy</b>	1.13	
Departmental 2011-12 Revised Estimate		2,102
<i>Departmental 2011-12 Budget Estimate</i>		2,702
<b>Defence Indigenous Development Program</b>	1.13	
Departmental 2011-12 Revised Estimate		5,994
<i>Departmental 2011-12 Budget Estimate</i>		5,994
<b>Army Community Assistance Project<sup>(1)</sup></b>	1.3	
Departmental 2011-12 Revised Estimate		3,270
<i>Departmental 2011-12 Budget Estimate</i>		3,270
<b>Indigenous Liaison Officers</b>	1.6	
Departmental 2011-12 Revised Estimate		400
<i>Departmental 2011-12 Budget Estimate</i>		720
<b>Total 2011-12 Revised Estimate</b>		<b>11,766</b>
<i>Total 2011-12 Budget Estimate</i>		<i>12,686</i>

**Note**

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

### Defence Indigenous Employment Strategy

The Directorate of Indigenous Affairs within the Fairness and Resolution Branch has been established to provide a single point of contact for Defence Indigenous Employment matters, and is responsible for implementation of the Defence Reconciliation Action Plan across Defence. The Directorate of Indigenous Affairs develops and manages Defence Indigenous policy in line with the Commonwealth's Indigenous agenda, and is responsible for the implementation of the Defence Indigenous Employment Strategy. This strategy addresses the recruitment of Indigenous Australians to the ADF and to the Defence APS workforce. It also focuses on retention strategies for Indigenous ADF members and APS employees, ensuring that strong support mechanisms are in place.

### Defence Indigenous Development Program

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

### Army Aboriginal Community Assistance Program

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

## Indigenous Liaison Officers

Indigenous Liaison Officers develop and maintain links with local Indigenous communities and are responsible for consulting with Indigenous Groups on issues relating to the use and upkeep of Defence training areas on heritage land as part of the Defence Heritage Management Plans and Indigenous Land Use Agreements.

### 3.1.2 GRANTS

New grants since the publishing of the *Portfolio Budget Statements 2011-12* total \$92,317.0m, with two grants programs and 15 grants approved. Two additional grants were approved and paid in 2010-11. Grants were made to the Afghan National Army Trust Fund and to Chartis Australia Insurance Limited.

**Table 54: Grants Approved Since the 2011-12 Budget**

	Total Approvals \$'000	2011-12 Payments \$'000
Afghan National Army Trust Fund <sup>[1]</sup>	38,369	-
Afghan National Army Trust Fund <sup>[2]</sup>	38,692	38,692
United Nations Trust Fund for the African Union Mission in Somalia	2,000	2,000
Army Military History Research Grants Scheme	72	72
ANU Centre for International Governance and Justice	235	80
ANU School of Regulation Justice and Diplomacy	292	146
Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (AUS-CSCAP)	157	50
Centre for Research and Security Studies, Islamabad (Pakistan)	191	125
Chartis Australia Insurance Limited <sup>[1]</sup>	1,935	-
Commando Welfare Trust Fund	8,000	8,000
Defence Family Support Funding Program	1,146	1,146
Kokoda Foundation	95	95
Indigenous Australians And Torres Strait Islanders Defence Service History	300	300
International Institute for Strategic Studies (IISS) – for 2012 Shangri-La Dialogue	82	82
Low y Institute	225	225
Oxfam Australia	200	100
Royal Melbourne Institute of Technology (RMIT)	101	101
University of NSW	225	132
<b>Total additional grants</b>	<b>92,317</b>	<b>51,346</b>

#### Notes

1. Payment was approved and paid in the 2010-11 Financial Year.
2. Payment was approved in the 2011-12 Financial Year.

### Afghan National Army Trust Fund

A grant of \$38,369,000 was approved for the Afghan National Army Trust Fund during the 2010-11 financial year. A further grant of \$38,692,000 was approved during the 2011-12 financial year for the Trust Fund. The grants were made to the Afghanistan government for long-term Afghanistan National Army sustainment.

### United Nations Trust Fund for the African Union Mission in Somalia

A grant of \$2,000,000 was approved for the United Nations Trust Fund for the African Union Mission in Somalia. The payment will be used by the United Nations to help address humanitarian, security, piracy and terrorism challenges in Somalia.



### **Army Military History Research Grants Scheme**

A grant of \$72,000 was approved for the Army Military History Research Grants Scheme. The purpose of the scheme is to support and encourages research into the role and involvement of the Army in the development of the nation. The scheme has been in operation since 1992.

### **Australian National University Centre for International Governance and Justice**

A grant of \$235,000, with a payment of \$80,000 in 2011-12 was awarded to the Australian National University (ANU) Centre for International Governance and Justice for the ANU ARC Linkage Research Project: Strengthening the Rule of Law through the United Nations Security Council (UNSC).

### **ANU School of Regulation Justice and Diplomacy**

A grant of \$292,000, with a payment of \$146,000 in 2011-12 was awarded to the ANU School of Regulation, Justice and Diplomacy for a project: 'Effective rule of law promotion in civil-military interventions'.

### **Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (AUS-CSCAP)**

A grant of \$157,000, with a payment of \$50,000 in 2011-12 was awarded to AUS-CSCAP to facilitate and promote dialogue on security issues in the Asia-Pacific. This grant is for administration and publication costs.

### **Centre for Research and Security Studies, Islamabad (Pakistan)**

A grant of \$191,000, with a payment of \$125,000 in 2011-12 was awarded to the Centre for Research and Security Studies, based in Islamabad, Pakistan for the project: Counterinsurgency Under Customary Law.

### **Chartis Australia Insurance Limited**

A grant of \$1,935,000 was awarded to Chartis Insurance Australia Limited to ensure that currently deployed members and those with notice to deploy would continue to be covered by death and invalidity insurance coverage for the following 12 months.

### **Commando Welfare Trust**

A grant of \$8,000,000 was approved to the Commando Welfare Trust for its continued financial support to the families of serving and ex-serving members of the Special Operations Command East Coast Units who have been killed or injured in the course of their duties and are facing financial hardship.

### **Defence Family Support Funding Program**

A grant of \$1,146,000 was awarded to the Defence Family Support Funding Program, which provides funds to support projects and services initiated by Defence families. The program is also available to existing groups in the community composed of, or benefiting, Defence families.

### **Kokoda Foundation**

A grant of \$65,000 was awarded to the Kokoda Foundation to support the Australia-United States Trilogy Dialogue 2011 titled Asian Security in 2020-30: Challenges and Opportunities. A further grant of \$30,000 was also awarded for two weekend congresses of the Kokoda Foundation Young Strategic Leaders program. The Kokoda Foundation is a not-for profit organisation that focuses on issues relating to national security and whole-of-nation responses to crises and threats, and fosters research and innovative thinking on Australia's future security challenges.

### **Indigenous Australians and Torres Strait Islanders Defence Service History Project**

A grant of \$300,000 was awarded to Professor Dodson, Chair of the ANU - National Centre for Indigenous Studies, for research into the contribution made by Indigenous Australians in the ADF.

### **International Institute for Strategic Studies (IISS) - Shangri-La Dialogue**

A grant of \$82,000 was awarded to the IISS for the 2012 Shangri-La Dialogue, which is a major annual Ministerial level meeting of defence and security officials from the Asia-Pacific and wider region, providing an opportunity for regional states' defence establishments to exchange views on security in the region. IISS is a registered charity based in London and is a leading authority on political-military conflict and an independent source of objective information on international strategic issues.

### **Lowy Institute**

A grant of \$225,000 was awarded to the Lowy Institute for the project: Privateers in Australia's Conflict and Disaster Zones.

### **Oxfam Australia**

A grant of \$200,000, with a payment of \$100,000 in 2011-12 was awarded to Oxfam Australia for the project: Better understanding of Point of Contact Language and Practice for Civil-Military Practitioners. The project involves identification of the relevant mechanisms, methodologies and guidelines used by different actors in pursuit of their protection of civilian objectives; analysis of areas of convergence and divergence.

### **Royal Melbourne Institute of Technology (RMIT)**

A grant of \$101,000 was awarded to RMIT for the project: The NGO-military interface in post-conflict and post-disaster contexts.

### **University of New South Wales**

A grant of \$225,000, with a payment of \$132,000 in 2011-12 was awarded to Dr Scott Flower, who is based at the Australian Defence Force Academy (ADFA) for the project: Anthropology, Counterinsurgency and Civil-Military Relations for Stabilisation, Peace-building and Conflict Prevention.

## 3.2 Budgeted Financial Statements

### 3.2.1 ANALYSIS OF DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

#### Revised Income Statement

Since the 2011-12 Budget, net cost of services has decreased by \$14.6m. Details are shown in Table 55 and an explanation of the financial variations follow.

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>EXPENSES</b>				
Employee benefits	9,597,092	9,740,666	143,574	1.5
Supplier expenses	9,766,478	9,465,099	-301,379	-3.1
Grants	48,639	62,366	13,727	28.2
Depreciation and amortisation	3,441,255	3,504,773	63,518	1.8
Finance costs	91,882	59,014	-32,868	-35.8
Write-down of assets and impairment of assets	1,244,054	1,135,036	-109,018	-8.8
Other	6,909	101,061	94,152	1,362.7
<b>Total expenses</b>	<b>24,196,309</b>	<b>24,068,015</b>	<b>-128,294</b>	<b>-0.5</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Sales of goods and rendering of services	892,915	861,784	-31,131	-3.5
Rental income	6,373	6,373	-	-
Other revenue	78,691	60,976	-17,715	-22.5
<b>Total own-source revenue</b>	<b>977,979</b>	<b>929,133</b>	<b>-48,846</b>	<b>-5.0</b>
<b>Gains</b>				
Reversals of previous asset write-downs	574,954	498,322	-76,632	-13.3
Sale of assets	2,582	9,489	6,907	267.5
Other gains	-	4,879	4,879	-
<b>Total gains</b>	<b>577,536</b>	<b>512,690</b>	<b>-64,846</b>	<b>-11.2</b>
<b>Total own-source income</b>	<b>1,555,515</b>	<b>1,441,823</b>	<b>-113,692</b>	<b>-7.3</b>
<b>Net cost of (contribution by) services</b>	<b>22,640,794</b>	<b>22,626,192</b>	<b>-14,602</b>	<b>-0.1</b>
Revenue from Government	22,640,794	22,626,192	-14,602	-0.1
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Changes in asset revaluation reserves	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Expenses

Total expenses in 2011-12 are estimated to decrease by \$128.3m due to:

- an increase in employee expenses of \$143.6m including:
  - revised accrual calculations for employee provisions (\$44.3m)
  - movements in foreign exchange parameters (-\$0.7m)
  - re-allocation between categories to better reflect spending activities predominately driven by AFS overachievement (\$99.9m)
  - transfer from Prime Minister and Cabinet (PM&C) National Security Science and Technology (NSST) Branch (\$0.1m)
- a decrease in supplier expenses of \$301.4m including:
  - re-allocation across categories to better reflect estimated expenditure (-\$25.8m)
  - movements in foreign exchange parameters (-\$38.0m)
  - revised accrual calculations for supplier payables (-\$1,013.3m)
  - a decrease in the expected rate of inventory consumption (-\$24.4m)
  - adjustment to the DCP Capital/Operating Split (\$100.0m)
  - adjustment to opening balances resulting in a reallocation from Suppliers to SME for a DMO Payable (\$700.1m)
- an increase in grants of \$13.7m including:
  - s32 transfer of NSST Branch Grants from PM&C to DSTO (\$2.1m)
  - grant for Commando Welfare Trust (\$8.0m)
  - other miscellaneous grants movements (\$3.6m)
- an increase in the estimated depreciation and amortisation of \$63.5m due to revised estimates of Defence's asset purchases, asset values and useful lives
- a decrease in finance costs of \$32.9m due to:
  - adjustments to the restoration and decontamination provision (-\$24.3m)
  - DHA Annuity payout (-\$8.6m)
- a decrease in the estimate of write-downs and impairment of assets of \$109.0m following a review of Defence's assets and historical write-downs
- an increase in other expenses of \$94.1m due to:
  - an increase in property disposals costs (\$8.2m)
  - re-classification from Suppliers into Decontamination costs (\$85.9m).

## Income

Total own-source income in 2011-12 is estimated to decrease by \$113.7m due to:

- a decrease in sales of goods and services of \$31.1m due to re-classification from other categories to better reflect estimated receipts
- a decrease in other revenue by \$17.7m due to:
  - re-allocation to Other Gains to better reflect the nature of receipts (-\$4.8m)
  - FMS refund remediation (-\$13.0m)
  - other adjustments (\$0.1m)
- a decrease in the reversal of previous asset write-downs of \$76.6m following a review of Defence's assets and historical achievement
- an increase in the sale of assets of \$6.9m due to revised property and commercial vehicle disposal programs
- an increase in Other Gains from Other Revenue to better reflect the nature of receipts \$4.9m.

Revenue from Government in 2011-12 is estimated to decrease by \$14.6m due to:

- return of appropriations from the DMO (\$2.6m)
- transfers from PM&C for NSST Branch (\$2.2m)
- movements in foreign exchange parameters (-\$38.7m)
- Detainee Management budget measure (\$2.2m)
- re-allocation between outcome appropriation and equity injections to reflect category transfers from operating to capital (\$17.1m).

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	52,226	72,871	20,645	39.5
Trade and other receivables	202,926	128,552	-74,374	-36.7
Tax assets	45,573	112,449	66,876	146.7
Appropriation receivable	20,457	121,517	101,060	494.0
Other receivables	200,568	263,757	63,189	31.5
<b>Total financial assets</b>	<b>521,751</b>	<b>699,146</b>	<b>177,395</b>	<b>34.0</b>
<b>Non-financial assets</b>				
Land and buildings	15,834,983	15,813,241	-21,742	-0.1
Infrastructure, plant and equipment	6,037,291	6,406,397	369,106	6.1
Specialist military equipment	41,366,780	40,189,679	-1,177,101	-2.8
Intangibles	494,619	516,442	21,823	4.4
Heritage and cultural	900,600	965,943	65,343	7.3
Inventories	5,466,811	5,552,216	85,405	1.6
Prepayments	164,021	154,845	-9,176	-5.6
<b>Total non-financial assets</b>	<b>70,265,105</b>	<b>69,598,763</b>	<b>-666,342</b>	<b>-0.9</b>
Assets held for sale	28,465	53,512	25,047	88.0
<b>Total assets</b>	<b>70,815,320</b>	<b>70,351,421</b>	<b>-463,899</b>	<b>-0.7</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	801,641	831,537	29,896	3.7
Other	321,501	364,414	42,913	13.3
<b>Total payables</b>	<b>1,123,142</b>	<b>1,195,951</b>	<b>72,809</b>	<b>6.5</b>
<b>Interest bearing liabilities</b>				
Leases	826,250	691,063	-135,187	-16.4
<b>Total interest bearing liabilities</b>	<b>826,250</b>	<b>691,063</b>	<b>-135,187</b>	<b>-16.4</b>
<b>Provisions</b>				
Employee provisions	2,316,090	2,258,393	-57,697	-2.5
Restoration, decontamination and decommissioning	787,509	833,178	45,669	5.8
Other	14,834	6,358	-8,476	-57.1
<b>Total provisions</b>	<b>3,118,432</b>	<b>3,097,929</b>	<b>-20,503</b>	<b>-0.7</b>
<b>Total liabilities</b>	<b>5,067,824</b>	<b>4,984,943</b>	<b>-82,881</b>	<b>-1.6</b>
<b>NET ASSETS</b>	<b>65,747,496</b>	<b>65,366,478</b>	<b>-381,018</b>	<b>-0.6</b>
<b>EQUITY</b>				
Contributed equity	17,225,661	17,164,559	-61,102	-0.4
Reserves	14,042,887	14,565,011	522,124	3.7
Retained surplus (accumulated deficit)	34,478,948	33,636,908	-842,040	-2.4
<b>Total equity</b>	<b>65,747,496</b>	<b>65,366,478</b>	<b>-381,018</b>	<b>-0.6</b>

## Assets

Total assets in 2011-12 are estimated to decrease by \$463.9m due to:

- total financial assets being \$177.4m higher than projected in the *Portfolio Budget Statements 2011-12* resulting from:
  - an increase in cash and cash equivalents of \$20.6m from the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based
  - a decrease in trade and other receivables of \$74.4m from the flow-on effect of the actual opening balance being lower than the projected 2010-11 result, on which the previous budget estimate was based
  - an increase in the budgeted value of tax assets of \$66.9m due to the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based
  - an increase in appropriation receivable of \$101.1m resulting from:
    - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (\$15.3m)
    - > an increase due to transfer of the NSST Branch from PM&C to DSTO (\$2.3m)
    - > an increase due to a return of prior year service fees from DMO (\$83.5m)
  - an increase in other receivables of \$63.2m resulting from:
    - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result on which the previous budget estimate was based (\$150.4m)
    - > a decrease due to an adjustment in the property disposals program (-\$3.7m)
    - > a decrease due to the settlement of a receivable with DMO (-\$83.5m)
- total non-financial assets being \$666.3m lower than projected in the *Portfolio Budget Statements 2011-12* resulting from:
  - a decrease in the budgeted value of land and buildings of \$21.7m due to:
    - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (\$156.2m)
    - > revised asset values following a review of historical write downs, impairment and useful life (\$17.9m)
    - > reduced purchases due to the re-allocation to other categories to better reflect estimated expenditure (-\$167.7m)
    - > a reduction due to property disposals (-\$28.1m)
  - an increase in the budgeted value of infrastructure, plant and equipment of \$369.1m including:
    - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (\$425.0m)
    - > reduced purchases due to the re-allocation across categories to better reflect estimated expenditure (-\$18.2m)
    - > revised asset values following a review of historical write downs, impairment and useful life (-\$37.7m)
  - a decrease in the budgeted value of specialist military equipment of \$1,177.1m due to:
    - > the flow-on effect of the actual opening balance being lower than the projected 2010-11 result, on which the previous budget estimate was based (-\$310.1m)
    - > decrease in purchases due to the re-allocation across categories to better reflect estimated expenditure (-\$55.2m)
    - > decrease due to a reallocation from a DMO Suppliers Payable (-\$700.1m)
    - > decrease due to FOREX exchange movements (-\$111.2m)
    - > revised asset values following a review of historical write downs, impairment and useful life (-\$0.5m)

- an increase in the budgeted value of intangible assets of \$21.8m due to:
  - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (\$41.1m)
  - > increased purchases due to re-allocation across categories to better reflect estimated expenditure (\$0.1m)
  - > revised asset values following a review of historical write downs, impairment and useful life (-\$19.4m)
- the budgeted value of heritage and cultural assets will increase by \$65.3m due to the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based
- an increase in the budgeted value of inventory of \$85.4m due to:
  - > decreased purchases due to re-allocation across categories to better reflect estimated expenditure (-\$44.8m)
  - > a decrease in the expected rate of inventory consumption (\$24.4m)
  - > the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (\$104.6m)
  - > revised asset values following a review of historical write downs and impairment (\$8.4m)
  - > a decrease due to FOREX (-\$7.2m)
- the budgeted value of prepayments decreasing by \$9.2m due to the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based
- assets held for sale increasing by \$25.0m due to the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based.

## Liabilities

Total liabilities in 2011-12 are estimated to decrease by \$82.9m due to:

- total payables are \$72.8m higher than projected in the *Portfolio Budget Statements 2011-12* due to an increase in supplier payables (\$29.9m) and other payables (\$42.9m) following a review of historical achievement
- total interest bearing liabilities are \$135.2m lower than projected in the *Portfolio Budget Statements 2011-12* resulting from:
  - the flow-on effect of the actual opening balance being higher than the projected 2010-11 result, on which the previous budget estimate was based (-\$142.0m)
  - an increase due to the DHA annuity payout (\$6.8m)
- total provisions are \$20.5m lower than projected in the *Portfolio Budget Statements 2011-12*. The variation consists of a decrease in employee provisions (\$57.7m), an increase in the restoration, decontamination and decommissioning provision (\$45.7m), and a decrease in other provisions (\$8.5m). The variation in the total provision is due to:
  - the flow-on effect of the actual opening balance being lower than the projected 2010-11 result, on which the previous budget estimate was based (-\$39.1m)
  - an increase in provision accrual balances (\$18.6m).

## **Equity**

Total equity in 2011-12 is estimated to decrease by \$381.0m. The variation consists of a decrease in contributed equity (\$61.1m), an increase in reserves (\$522.1m) and a decrease in retained surplus (\$842.0m). The variation in total equity is due to:

- the flow-on effect of the actual opening balance being lower than the projected 2010-11 result, on which the previous budget estimate was based (-\$226.7m)
- foreign exchange adjustments (-\$118.4m)
- NSST Branch Transfer from PM&C (\$2.3m)
- Housing and Property Disposals (-\$21.1m)
- re-allocation between outcome appropriation and equity injection to reflect transfers between operating and capital (-\$17.1m).



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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Goods and services	855,330	824,199	-31,131	-3.6
Appropriations	22,648,794	22,634,192	-14,602	-0.1
Net GST received	568,476	590,171	21,695	3.8
Other cash received	80,185	150,833	70,648	88.1
Cash transfer from the Official Public Account (receivables)	6,389	6,389	-	-
<b>Total cash received</b>	<b>24,159,174</b>	<b>24,205,784</b>	<b>46,610</b>	<b>0.2</b>
<b>Cash used</b>				
Employees	9,543,130	9,642,391	99,261	1.0
Suppliers	8,855,448	8,983,566	128,118	1.4
Net GST paid	568,476	590,171	21,695	3.8
Grants	48,639	62,366	13,727	28.2
Other cash used	6,909	9,240	2,331	33.7
Cash transfer to the Official Public Account (receivables)	58,026	162,650	104,624	180.3
<b>Total cash used</b>	<b>19,080,628</b>	<b>19,450,384</b>	<b>369,756</b>	<b>1.9</b>
<b>Net cash from (used by) operating activities</b>	<b>5,078,546</b>	<b>4,755,400</b>	<b>-323,146</b>	<b>-6.4</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of land and buildings	89,088	104,895	15,807	17.7
Proceeds from sales of infrastructure, plant and equipment	28,739	28,739	-	-
<b>Total cash received</b>	<b>117,827</b>	<b>133,634</b>	<b>15,807</b>	<b>13.4</b>
<b>Cash used</b>				
Purchase of land and buildings	1,116,415	939,304	-177,111	-15.9
Purchase of infrastructure, plant and equipment	324,313	306,112	-18,201	-5.6
Purchase of specialist military equipment	5,193,700	5,027,106	-166,594	-3.2
Purchase of intangibles	31,446	31,546	100	0.3
Purchase of inventory	1,253,513	1,201,416	-52,097	-4.2
Selling costs on sale of assets	25,952	12,379	-13,573	-52.3
Finance costs	75,478	66,842	-8,636	-11.4
<b>Total cash used</b>	<b>8,020,817</b>	<b>7,584,705</b>	<b>-436,112</b>	<b>-5.4</b>
<b>Net cash from (used by) investing activities</b>	<b>-7,902,990</b>	<b>-7,451,071</b>	<b>451,919</b>	<b>-5.7</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations - contributed equity	2,909,317	2,773,786	-135,531	-4.7
<b>Total cash received</b>	<b>2,909,317</b>	<b>2,773,786</b>	<b>-135,531</b>	<b>-4.7</b>
<b>Cash used</b>				
Repayment of debt	76,873	70,115	-6,758	-8.8
Cash to the Official Public Account	-	-	-	-
<b>Total cash used</b>	<b>76,873</b>	<b>70,115</b>	<b>-6,758</b>	<b>-8.8</b>
<b>Net cash from (used by) financing activities</b>	<b>2,832,444</b>	<b>2,703,671</b>	<b>-128,773</b>	<b>-4.5</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>8,000</b>	<b>8,000</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	44,226	64,871	20,645	46.7
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>52,226</b>	<b>72,871</b>	<b>20,645</b>	<b>39.5</b>

## Operating Activities

Net cash from Operating Activities will decrease by \$323.1m.

Operating Cash Received will increase by \$46.6m due to:

- a decrease in sales of goods of and services of \$31.1m due to re-classification from other categories to better reflect estimates receipts
- a decrease in 'appropriation revenue' of \$14.6m due to:
  - return of appropriations from the DMO (\$2.6m)
  - transfers from PM&C for NSST Branch (\$2.2m)
  - movements in foreign exchange parameters (-\$38.7m)
  - Detainee Management budget measure (\$2.2m)
  - re-allocation between outcome appropriation and equity injections to reflect category transfers from capital to operating (\$17.1m)
- an increase in net GST received of \$21.7m based on an increase in suppliers
- an increase in other cash received of \$70.6m primarily due to the settlement of a receivable with DMO (\$83.5m) offset by \$12.9m of other adjustments.

Operating Cash Used will increase by \$369.8m resulting from:

- an increase in employees of \$99.3m due to:
  - DMO direct appropriation adjustment (\$1.1m)
  - movements in foreign exchange parameters (-\$0.7m)
  - re-allocation between categories (\$98.8m)
  - transfer from PM&C NSST Branch (\$0.1m)
- an increase in suppliers of \$128.1m due to:
  - re-allocation across categories to better reflect estimated expenditure (\$166.1m)
  - movements in foreign exchange parameters (-\$38.0m)
- an increase in net GST payments of \$21.7m due to increased supplier payments
- an increase in grants of \$13.7m due to:
  - Commando Welfare trust (\$8.0m)
  - s32 NSST Branch Transfer (\$2.1m)
  - recategorisation to improve estimates (\$3.6m)
- an increase in other cash used of \$2.3m due to an adjustment to act of grace payments
- an increase in transfers to the OPA of \$104.6m due to:
  - the revised housing and property disposals programs (\$21.1m)
  - a transfer to appropriation receivable of a return of a prior year service fee from DMO (\$83.5m).

## Investing Activities

Net cash used by Investing Activities will decrease by \$451.9m due to:

- investing cash received will increase by \$15.8m due to the revised housing and property disposals programs.

Investing cash used will decrease by \$436.1m resulting from:

- a decrease in purchase of land and buildings relating to the re-allocation across categories to better reflect estimated expenditure \$177.1m
- a decrease in purchase of infrastructure, plant and equipment of \$18.2m due to the re-allocation to suppliers and specialist military equipment to better reflect estimated expenditure

- a decrease in purchase of specialist military equipment of \$166.6m resulting from:
  - adjustment to the funding profile of the Logistics Stream of the SRP resulting in a category reclassification (\$115.8m)
  - re-allocation across categories to better reflect estimated expenditure (\$-171.2m)
  - movements in foreign exchange parameters (\$-111.2m)
- an increase in intangibles of \$0.1m due to re-allocation from specialist military equipment to better reflect anticipated expenditure
- a decrease in purchasing of inventory of \$52.1m due to:
  - the re-allocation from suppliers to better reflect estimated expenditure (\$-44.9m)
  - movements in foreign exchange parameters of (\$-7.2m)
- a decrease in selling costs on sale of assets of \$13.6m due to the revised housing and property disposals program
- a decrease in finance costs of \$8.6m due to DHA Annuity Payout.

### **Financing Activities**

Net cash from Financing Activities will decrease by \$128.8m due to:

- equity injections will decrease by \$135.5m due to:
  - a foreign exchange reduction (\$-118.4m)
  - re-allocation between outcome appropriation and equity injections to reflect category transfers from capital to operating (\$-17.1m)
- repayment of debt will decrease by \$6.8m due to reduced finance costs related to a DHA Annuity pay out.

## 3.2.2 DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

Table 58: Budgeted Departmental Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>EXPENSES</b>					
Employee benefits	9,538,241	9,740,666	9,631,678	10,010,967	10,339,177
Supplier expenses	9,520,250	9,465,099	8,765,930	9,685,550	10,072,291
Grants	45,181	62,366	49,014	49,352	5,792
Depreciation and amortisation	3,796,572	3,504,773	3,621,425	3,741,547	3,906,888
Finance costs	96,545	59,014	69,230	76,874	78,452
Write-down of assets and impairment of assets	861,880	1,135,036	1,083,744	1,131,979	1,182,458
Losses from sale of assets	30,205	-	-	-	-
Other	197,252	101,061	21,151	19,073	136,329
<b>Total expenses</b>	<b>24,086,126</b>	<b>24,068,015</b>	<b>23,242,172</b>	<b>24,715,342</b>	<b>25,721,387</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sales of goods and rendering of services	739,709	861,784	858,181	901,553	938,765
Rental income	9,240	6,373	6,535	6,715	6,902
Other revenue	860,924	60,976	62,181	63,802	65,433
<b>Total own-source revenue</b>	<b>1,609,873</b>	<b>929,133</b>	<b>926,897</b>	<b>972,070</b>	<b>1,011,100</b>
<b>Gains</b>					
Foreign exchange	7,464	-	-	-	-
Reversals of previous asset write-downs	377,567	498,322	520,299	543,273	567,285
Sale of assets	-	9,489	281	13,907	81,207
Other gains	50,937	4,879	5,001	5,126	5,254
<b>Total gains</b>	<b>435,968</b>	<b>512,690</b>	<b>525,581</b>	<b>562,306</b>	<b>653,746</b>
<b>Total own-source income</b>	<b>2,045,841</b>	<b>1,441,823</b>	<b>1,452,478</b>	<b>1,534,376</b>	<b>1,664,846</b>
<b>Net cost of (contribution by) services</b>	<b>22,040,285</b>	<b>22,626,192</b>	<b>21,789,694</b>	<b>23,180,966</b>	<b>24,056,541</b>
Revenue from Government	21,069,544	22,626,192	21,789,694	23,180,966	24,056,541
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-970,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	522,124	-	-	-	-
<b>Total other comprehensive income</b>	<b>522,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>	<b>-448,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	64,871	72,871	72,871	72,871	72,871
Trade and other receivables	90,967	128,552	159,722	195,126	231,013
Tax assets	112,449	112,449	112,449	112,449	112,449
Appropriation receivable	50,122	121,517	121,517	121,517	121,517
Other receivables	315,991	263,757	232,507	232,507	232,507
<b>Total financial assets</b>	<b>634,400</b>	<b>699,146</b>	<b>699,066</b>	<b>734,470</b>	<b>770,357</b>
<b>Non-financial assets</b>					
Land and buildings	15,569,795	15,813,241	16,126,359	16,286,660	16,135,415
Infrastructure, plant and equipment	6,505,246	6,406,397	6,613,128	6,871,664	6,636,240
Specialist military equipment	38,638,060	40,189,679	41,330,123	43,128,376	45,571,685
Intangibles	575,391	516,442	443,578	386,456	333,906
Heritage and cultural	965,944	965,943	965,942	965,941	965,940
Inventories	5,422,087	5,552,216	5,667,955	5,780,263	5,900,635
Prepayments	154,845	154,845	154,845	154,845	154,845
<b>Total non-financial assets</b>	<b>67,831,368</b>	<b>69,598,763</b>	<b>71,301,930</b>	<b>73,574,205</b>	<b>75,698,666</b>
Assets held for sale	53,512	53,512	53,512	53,512	53,512
<b>Total assets</b>	<b>68,519,280</b>	<b>70,351,421</b>	<b>72,054,508</b>	<b>74,362,187</b>	<b>76,522,535</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	1,812,211	831,537	777,907	841,073	846,721
Other	379,394	364,414	363,000	366,808	370,081
<b>Total payables</b>	<b>2,191,605</b>	<b>1,195,951</b>	<b>1,140,907</b>	<b>1,207,881</b>	<b>1,216,802</b>
<b>Interest bearing liabilities</b>					
Leases	648,238	691,063	1,015,758	1,430,410	1,353,873
<b>Total interest bearing liabilities</b>	<b>648,238</b>	<b>691,063</b>	<b>1,015,758</b>	<b>1,430,410</b>	<b>1,353,873</b>
<b>Provisions</b>					
Employee provisions	2,162,515	2,258,393	2,313,914	2,388,367	2,470,832
Restoration, decontamination and decommissioning	841,006	833,178	841,379	862,462	888,931
Other	6,358	6,358	6,358	6,358	6,358
<b>Total provisions</b>	<b>3,009,879</b>	<b>3,097,929</b>	<b>3,161,651</b>	<b>3,257,187</b>	<b>3,366,121</b>
<b>Total liabilities</b>	<b>5,849,722</b>	<b>4,984,943</b>	<b>5,318,316</b>	<b>5,895,478</b>	<b>5,936,796</b>
<b>NET ASSETS</b>	<b>62,669,558</b>	<b>65,366,478</b>	<b>66,736,192</b>	<b>68,466,709</b>	<b>70,585,739</b>
<b>EQUITY</b>					
Contributed equity	14,467,639	17,164,559	18,534,273	20,264,790	22,383,820
Reserves	14,565,011	14,565,011	14,565,011	14,565,011	14,565,011
Retained surplus (accumulated deficit)	33,636,908	33,636,908	33,636,908	33,636,908	33,636,908
<b>Total equity</b>	<b>62,669,558</b>	<b>65,366,478</b>	<b>66,736,192</b>	<b>68,466,709</b>	<b>70,585,739</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	732,688	824,199	827,011	866,149	902,878
Appropriations	21,190,716	22,634,192	21,789,694	23,180,966	24,056,541
Net GST received	634,572	590,171	529,501	582,053	608,889
Other cash received	212,516	150,833	68,716	70,517	72,335
Cash transfer from the Official Public Account (receivables)	559,504	6,389	-	-	-
<b>Total cash received</b>	<b>23,329,996</b>	<b>24,205,784</b>	<b>23,214,922</b>	<b>24,699,685</b>	<b>25,640,643</b>
<b>Cash used</b>					
Employees	9,363,834	9,642,391	9,577,571	9,932,706	10,253,439
Suppliers	7,827,935	8,983,566	7,993,488	8,777,556	9,179,108
Net GST paid	560,332	590,171	529,501	582,053	608,889
Grants	44,911	62,366	49,014	49,352	5,792
Other cash used	84,617	9,240	5,335	10,957	130,979
Cash transfer to the Official Public Account (receivables)	470,251	162,650	136,792	18,459	12,960
<b>Total cash used</b>	<b>18,351,880</b>	<b>19,450,384</b>	<b>18,291,701</b>	<b>19,371,083</b>	<b>20,191,167</b>
<b>Net cash from (used by) operating activities</b>	<b>4,978,116</b>	<b>4,755,400</b>	<b>4,923,221</b>	<b>5,328,602</b>	<b>5,449,476</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of land and buildings	87,332	104,895	143,515	28,906	89,221
Proceeds from sales of infrastructure, plant and equipment	24,373	28,739	28,747	36,160	36,371
Proceeds from sales of specialist military equipment	26,676	-	-	-	-
Other cash received	77	-	-	-	-
<b>Total cash received</b>	<b>138,458</b>	<b>133,634</b>	<b>172,262</b>	<b>65,066</b>	<b>125,592</b>
<b>Cash used</b>					
Purchase of land and buildings	1,042,035	939,304	1,055,520	868,210	578,291
Purchase of infrastructure, plant and equipment	472,583	306,112	311,451	279,893	259,981
Purchase of specialist military equipment	4,808,075	5,027,106	3,901,782	4,688,078	5,488,138
Purchase of intangibles	60,678	31,546	11,306	1,913	2,002
Purchase of inventory	1,217,893	1,201,416	1,178,064	1,193,454	1,249,499
Purchase of heritage and cultural assets	5	-	-	-	-
Selling costs on sale of assets	23,176	12,379	3,245	1,405	627
Finance costs	61,175	66,842	61,029	55,791	51,983
<b>Total cash used</b>	<b>7,685,620</b>	<b>7,584,705</b>	<b>6,522,397</b>	<b>7,088,744</b>	<b>7,630,521</b>
<b>Net cash from (used by) investing activities</b>	<b>-7,547,162</b>	<b>-7,451,071</b>	<b>-6,350,135</b>	<b>-7,023,678</b>	<b>-7,504,929</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	2,755,907	2,773,786	1,506,506	1,748,976	2,131,990
<b>Total cash received</b>	<b>2,755,907</b>	<b>2,773,786</b>	<b>1,506,506</b>	<b>1,748,976</b>	<b>2,131,990</b>
<b>Cash used</b>					
Repayment of debt	171,669	70,115	79,592	53,900	76,537
Cash to the Official Public Account	-	-	-	-	-
<b>Total cash used</b>	<b>171,669</b>	<b>70,115</b>	<b>79,592</b>	<b>53,900</b>	<b>76,537</b>
<b>Net cash from (used by) financing activities</b>	<b>2,584,238</b>	<b>2,703,671</b>	<b>1,426,914</b>	<b>1,695,076</b>	<b>2,055,453</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>					
Cash and cash equivalents at the beginning of the reporting period	52,226	64,871	72,871	72,871	72,871
Effect of exchange rate movements on cash and cash equivalents at beginning of the reporting period	-2,547	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>64,871</b>	<b>72,871</b>	<b>72,871</b>	<b>72,871</b>	<b>72,871</b>

**Table 61: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2011-12)**

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
<b>Opening balance as at 1 July 2011</b>				
Balance carried forward from previous period	33,636,908	14,565,011	14,467,639	62,669,558
Adjustment for changes in accounting policies	-	-	-	-
<b>Adjusted opening balance</b>	<b>33,636,908</b>	<b>14,565,011</b>	<b>14,467,639</b>	<b>62,669,558</b>
<b>Comprehensive income</b>				
Comprehensive income recognised directly in equity:				
Gain/loss on revaluation of property	-	-	-	-
<b>Subtotal comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Surplus (Deficit) for the period	-	-	-	-
<b>Total comprehensive income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners</b>				
<i>Distribution to owners</i>				
Returns on capital:				
Restructuring	-	-	-	-
Other	-	-	-79,166	-79,166
<i>Contributions by owners</i>				
Appropriation (equity injection)	-	-	2,773,786	2,773,786
Other	-	-	2,300	2,300
<b>Sub-total transaction with owners</b>	<b>-</b>	<b>-</b>	<b>2,696,920</b>	<b>2,696,920</b>
Transfers between equity components	-	-	-	-
<b>Estimated closing balance as at 30 June 2012</b>	<b>33,636,908</b>	<b>14,565,011</b>	<b>17,164,559</b>	<b>65,366,478</b>

**Table 62: Departmental Capital Budget Statement**

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Equity Injections - Bill 2	2,755,907	2,773,786	1,506,506	1,748,976	2,131,990
<b>Total capital appropriations</b>	<b>2,755,907</b>	<b>2,773,786</b>	<b>1,506,506</b>	<b>1,748,976</b>	<b>2,131,990</b>
<b>Represented by:</b>					
Purchase of non-financial assets	2,584,238	2,703,671	1,426,914	1,695,076	2,055,453
Annual finance lease costs	171,669	70,115	79,592	53,900	76,537
Other items	-	-	-	-	-
<b>Total Items</b>	<b>2,755,907</b>	<b>2,773,786</b>	<b>1,506,506</b>	<b>1,748,976</b>	<b>2,131,990</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	2,755,907	2,773,786	1,506,506	1,748,976	2,131,990
Funded by finance lease costs	-	100,000	404,287	468,552	-
Funded internally from departmental resources <sup>(1)</sup>	4,135,108	3,530,282	3,773,553	4,089,118	4,196,422
<b>Total</b>	<b>6,891,015</b>	<b>6,404,068</b>	<b>5,684,346</b>	<b>6,306,646</b>	<b>6,328,412</b>
<b>Reconciliation of cash used to acquire assets to asset movement table</b>					
Total purchases	6,891,015	5,703,956	5,684,346	6,306,646	6,328,412
less additions by finance lease	-	100,000	404,287	468,552	-
less additions by creditors/borrowings	-	-	-	-	-
plus borrow ing/finance costs	61,175	66,842	61,029	55,791	51,983
plus Annual finance lease costs	171,669	70,115	79,592	53,900	76,537
less Gifted assets	3,205	-	-	-	-
less s32/restructuring	-	-	-	-	-
<b>Total cash used to acquire assets</b>	<b>7,120,654</b>	<b>5,740,913</b>	<b>5,420,680</b>	<b>5,947,785</b>	<b>6,456,932</b>

**Note**

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



**Table 63: Statement of Departmental Asset Movements (2011-12)**

	Land and Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure, Plant and Equipment \$'000	Intangibles \$'000	Heritage and Cultural Assets \$'000	Total \$'000
<b>As at 1 July 2011</b>						
Gross book value	15,864,737	72,948,275	6,833,558	1,043,418	965,944	<b>97,655,932</b>
Accumulated depreciation/amortisation and impairment	294,942	34,310,215	328,312	468,027	-	<b>35,401,496</b>
<b>Opening net book balance</b>	<b>15,569,795</b>	<b>38,638,060</b>	<b>6,505,246</b>	<b>575,391</b>	<b>965,944</b>	<b>62,254,436</b>
<b>CAPITAL ASSET ADDITIONS</b>						
<b>Estimated expenditure on new or replacement assets</b>						
By purchase - appropriation equity	939,304	4,326,994	306,112	31,546	-	<b>5,603,956</b>
By purchase - donated funds	-	-	-	-	-	-
By finance lease	-	-	100,000	-	-	<b>100,000</b>
<b>Total Additions</b>	<b>939,304</b>	<b>4,326,994</b>	<b>406,112</b>	<b>31,546</b>	-	<b>5,703,956</b>
<b>Other Movements</b>						
Assets held for sale	44,111	7,618	347	-	1,436	<b>53,512</b>
Reclassifications <sup>[1]</sup>	-	365,260	20,815	-	-	<b>386,075</b>
Depreciation and amortisation	535,263	2,416,944	462,070	90,495	1	<b>3,504,773</b>
Disposal of entities or other operations (including restructuring)	109,526	-	33,490	-	-	<b>143,016</b>
Other disposals <sup>[2]</sup>	51,069	723,691	30,216	-	-	<b>804,976</b>
<b>As at 30 June 2012</b>						
Gross book value	16,643,446	76,916,838	7,196,779	1,074,964	965,944	<b>102,797,971</b>
Accumulated depreciation/amortisation and impairment	830,205	36,727,159	790,382	558,522	1	<b>38,906,269</b>
<b>Closing net book value</b>	<b>15,813,241</b>	<b>40,189,679</b>	<b>6,406,397</b>	<b>516,442</b>	<b>965,943</b>	<b>63,891,702</b>

**Notes**

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

## ANALYSIS OF ADMINISTERED ACTIVITY

Defence administers and pays entitlements funded from special appropriations included in specific Acts through four programs on behalf of the Government as follows:

- Program 1.14: Defence Force Superannuation Benefits
- Program 1.15: Defence Force Superannuation Nominal Interest
- Program 1.16: Housing Assistance
- Program 1.17: Other Administered

## Administered Income and Expenses

In 2011-12, Defence is budgeting to receive \$1,328.1m of administered income and incur expenses of \$4,188.1m. Details supported by an explanation of key variances are shown in Table 64.

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Revenue</b>				
<b>Non-taxation</b>				
Interest	5,299	33,123	27,824	525.1
Dividends	50,067	49,105	-962	-1.9
Military superannuation contributions	1,165,332	1,180,774	15,442	1.3
Fees	9,811	9,811	-	-
Other	35,985	55,274	19,289	53.6
<b>Total non-taxation</b>	<b>1,266,494</b>	<b>1,328,087</b>	<b>61,593</b>	<b>4.9</b>
<b>Total revenues administered on behalf of Government</b>	<b>1,266,494</b>	<b>1,328,087</b>	<b>61,593</b>	<b>4.9</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
Subsidies	113,480	101,701	-11,779	-10.4
Military retention benefits	52,443	52,443	-	-
Military superannuation benefits	3,763,000	4,034,000	271,000	7.2
<b>Total expenses administered on behalf of Government</b>	<b>3,928,923</b>	<b>4,188,144</b>	<b>259,221</b>	<b>6.6</b>

## Income

Total income administered on behalf of Government will increase by \$61.6m due to:

- an increase in interest on DHA loans taken out prior to 30 June 2008 previously only reported in the cash flow of \$27.8m
- a reduction of \$0.9m in the dividend received from DHA
- an increase in military superannuation contributions due to additional MSBS member contributions received from departmental of \$15.4m
- an increase in other of \$19.3m due to:
  - revenue from the sale of an investment (\$9.5m) and
  - net proceeds from Defence property disposals returned to the Official Public Account (\$9.8m).

## Expenses

Expenses administered on behalf of the Government will increase by \$259.2m due to:

- an increase in military superannuation accrual expense as a result of applying a lower discount rate (2011-12 Additional Estimates 5.3%, 2011-12 Portfolio Budget Statement 6.0%) to the first year of the expenses (\$271.0m) offset by:
  - a reduction in subsidies paid through the Defence Home Ownership Assistance Scheme due to fewer members taking up the benefit (-\$11.8m).

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Receivables	63,906	68,711	4,805	7.5
Investments accounted for using the equity method	2,174,330	2,309,853	135,523	6.2
Loans	84,580	509,580	425,000	502.5
<b>Total financial assets</b>	<b>2,322,816</b>	<b>2,888,144</b>	<b>565,328</b>	<b>24.3</b>
<b>Non-financial assets</b>				
Prepayments	170,549	170,791	242	0.1
<b>Total non-financial assets</b>	<b>170,549</b>	<b>170,791</b>	<b>242</b>	<b>0.1</b>
<b>Total assets administered on behalf of Government</b>	<b>2,493,365</b>	<b>3,058,935</b>	<b>565,570</b>	<b>22.7</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
<b>Payables</b>				
Other	40,970	-	-40,970	-100.0
<b>Total payables</b>	<b>40,970</b>	<b>-</b>	<b>-40,970</b>	<b>-100.0</b>
<b>Provisions</b>				
Superannuation - DFRDB <sup>1</sup>	25,970,000	26,036,000	66,000	0.3
Superannuation - MSBS <sup>2</sup>	20,023,000	20,128,000	105,000	0.5
<b>Total provisions</b>	<b>45,993,000</b>	<b>46,164,000</b>	<b>171,000</b>	<b>0.4</b>
<b>Total liabilities administered on behalf of Government</b>	<b>46,033,970</b>	<b>46,164,000</b>	<b>130,030</b>	<b>0.3</b>

### Notes

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

## Assets

Total assets administered on behalf of Government are estimated to be \$3,058.9m reflecting an increase of \$565.6m due to:

- an increase in receivables of \$4.8m occurred due to:
  - change in DHA's competitive neutrality payment (\$6.4m) offset by
  - DHA dividend (-\$1.0m) and
  - other items (-\$0.6m)
- an increase in investments of \$135.5m arose due to:
  - a change in accounting policy to reflect recognition of small portfolio agencies (\$77.2m)
  - an adjustment to fair value of DHA investment (\$58.3m) as a result of adjusting for the 2010-11 financial statement result
- an increase in loans of \$425.0m due to the recognition of DHA loans provided by the Commonwealth prior to June 2008 previously not reported by Defence in the statement of assets and liabilities
- an increase in prepayment of \$0.2m due to a recalculation of retention benefits with updated assumptions.

## Liabilities

Liabilities administered on behalf of Government are estimated to be \$46,164.0m reflecting an increase in the budget estimate of \$130.0m due to:

- a reduction in other payables now included in the Actuarial assessment of superannuation provisions (-\$41.0m)
- an increase in provisions due to the combined effect of adjusting for actual 2011 opening balance and change resulting from adjustment of discount rate (5.3% versus 6.0%) (DFRDB \$66.0m and MSBS \$105.0m).

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

	2011-12 Budget Estimate \$'000	2011-12 Revised Estimate \$'000	Variation \$'000	Variation %
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Interest	5,299	33,123	27,824	525.1
Military superannuation contributions	1,165,332	1,180,662	15,330	1.3
Fees	9,811	9,811	-	0.0
Other	64,042	59,351	-4,691	-7.3
<b>Total cash received</b>	<b>1,244,484</b>	<b>1,282,947</b>	<b>38,463</b>	<b>3.1</b>
<b>Cash used</b>				
Subsidies paid	113,480	101,701	-11,779	-10.4
Military benefits	1,987,100	2,053,100	66,000	3.3
<b>Total cash used</b>	<b>2,100,580</b>	<b>2,154,801</b>	<b>54,221</b>	<b>2.6</b>
<b>Net cash from or (used by) operating activities</b>	<b>-856,096</b>	<b>-871,854</b>	<b>-15,758</b>	<b>1.8</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Dividends	47,593	52,379	4,786	10.1
<b>Total cash received</b>	<b>47,593</b>	<b>52,379</b>	<b>4,786</b>	<b>10.1</b>
<b>Net cash from or (used by) investing activities</b>	<b>47,593</b>	<b>52,379</b>	<b>4,786</b>	<b>10.1</b>
<b>Net increase (decrease) in cash held</b>	<b>-808,503</b>	<b>-819,475</b>	<b>-10,972</b>	<b>1.4</b>
Cash at the beginning of the reporting period	-	-	-	-
Cash from the Official Public Account for appropriations	2,100,580	2,154,801	54,221	2.6
Cash to the Official Public Account	-1,292,077	-1,335,326	-43,249	3.3
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	-	-	-	-
<b>Cash and cash equivalents at end the of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Operating Activities

Net cash used by operating activities will increase by \$15.8m due to:

- an increase in interest of \$27.8m due to:
  - a transfer of interest from other (\$28.1m)
  - an estimate adjustment (-\$0.3m)
- an increase in military superannuation contributions of \$15.3m due to:
  - adjustment to contributions received from departmental (\$15.4m) offset by
  - other movements (\$0.1m)
- a decrease in other of \$4.7m as a result of:
  - expected receipts from sale of an investment (\$9.5m)
  - net proceeds from property disposals (\$9.6m)
  - refund of FBT paid in 2010-11 (\$4.0m)
  - transfer of interest in DHA loans to interest (-\$28.1m)
  - other (\$0.3m)
- a decrease in subsidies paid due to re-estimate of costs paid through the Defence Home Ownership Assistance Scheme of \$11.8m
- an increase in the military benefits of \$66.0m arising from revised actuarial calculations.

## Investing Activities

Net cash from investing activities increased by \$4.8m as a result of a planned increase in the DHA dividend.

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	31,122	33,123	33,123	33,123	33,123
Dividends	52,379	49,105	51,967	54,989	55,806
Military superannuation contributions	1,135,592	1,180,774	1,209,374	1,256,628	1,309,561
Fees	7,833	9,811	10,349	10,808	11,266
Other	127,464	55,274	44,239	45,699	49,326
<b>Total Non-taxation</b>	<b>1,354,390</b>	<b>1,328,087</b>	<b>1,349,052</b>	<b>1,401,247</b>	<b>1,459,082</b>
<b>Total revenues administered on behalf of Government</b>	<b>1,354,390</b>	<b>1,328,087</b>	<b>1,349,052</b>	<b>1,401,247</b>	<b>1,459,082</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Subsidies	85,241	101,701	112,401	119,884	122,974
Military retention benefits	44,517	52,443	64,223	77,103	95,883
Military superannuation benefits	3,883,408	4,034,000	3,914,000	4,082,000	4,257,000
Other	841	-	-	-	-
<b>Total expenses administered on behalf of Government</b>	<b>4,014,007</b>	<b>4,188,144</b>	<b>4,090,624</b>	<b>4,278,987</b>	<b>4,475,857</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Trade and other receivables	75,997	68,711	71,629	74,707	75,580
Investments accounted for using the equity method	2,307,972	2,309,853	2,310,760	2,311,522	2,311,514
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total financial assets</b>	<b>2,893,549</b>	<b>2,888,144</b>	<b>2,891,969</b>	<b>2,895,809</b>	<b>2,896,674</b>
<b>Non-financial assets</b>					
Prepayments	157,134	170,791	165,468	152,765	150,782
<b>Total non-financial assets</b>	<b>157,134</b>	<b>170,791</b>	<b>165,468</b>	<b>152,765</b>	<b>150,782</b>
<b>Total assets administered on behalf of Government</b>	<b>3,050,683</b>	<b>3,058,935</b>	<b>3,057,437</b>	<b>3,048,574</b>	<b>3,047,456</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Other	47	-	-	-	-
<b>Total payables</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
Superannuation - DFRDB	28,587,200	26,036,000	26,025,000	25,988,000	25,916,000
Superannuation - MSBS	21,531,000	20,128,000	22,069,000	24,155,000	26,384,000
<b>Total provisions</b>	<b>50,118,200</b>	<b>46,164,000</b>	<b>48,094,000</b>	<b>50,143,000</b>	<b>52,300,000</b>
<b>Total liabilities administered on behalf of Government</b>	<b>50,118,247</b>	<b>46,164,000</b>	<b>48,094,000</b>	<b>50,143,000</b>	<b>52,300,000</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	31,122	33,123	33,123	33,123	33,123
Military superannuation contributions	1,179,662	1,180,662	1,209,318	1,256,572	1,309,505
Fees	7,742	9,811	10,349	10,808	11,266
Other	121,534	59,351	44,239	45,699	49,326
<b>Total cash received</b>	<b>1,340,060</b>	<b>1,282,947</b>	<b>1,297,029</b>	<b>1,346,202</b>	<b>1,403,220</b>
<b>Cash used</b>					
Subsidies paid	89,814	101,701	112,401	119,884	122,974
Military benefits	1,875,206	2,053,100	2,040,900	2,099,400	2,190,900
<b>Total cash used</b>	<b>1,965,020</b>	<b>2,154,801</b>	<b>2,153,301</b>	<b>2,219,284</b>	<b>2,313,874</b>
<b>Net cash from or (used by) operating activities</b>	<b>-624,960</b>	<b>-871,854</b>	<b>-856,272</b>	<b>-873,082</b>	<b>-910,654</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Dividends	52,700	52,379	49,105	51,967	54,989
<b>Total cash received</b>	<b>52,700</b>	<b>52,379</b>	<b>49,105</b>	<b>51,967</b>	<b>54,989</b>
<b>Cash used</b>					
Loans	44,100	-	-	-	-
<b>Total cash used</b>	<b>44,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from (used by) investing activities</b>	<b>8,600</b>	<b>52,379</b>	<b>49,105</b>	<b>51,967</b>	<b>54,989</b>
<b>Net increase (decrease) in cash held and cash equivalents held</b>	<b>-616,360</b>	<b>-819,475</b>	<b>-807,167</b>	<b>-821,115</b>	<b>-855,665</b>
Cash at the beginning of reporting period	1	-	-	-	-
Cash from the Official Public Account for appropriations	2,009,121	2,154,801	2,153,301	2,219,284	2,313,874
Cash to the Official Public Account	-1,392,762	-1,335,326	-1,346,134	-1,398,169	-1,458,209
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at end of reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



### **3.2.3 NOTES TO THE BUDGETED FINANCIAL STATEMENTS**

The notes on the budgeted financial statements (income, balance sheet, cash flows and capital budget statement) remain as reported in the Portfolio Budget Statements 2011-12 except for a change in accounting policy to reflect recognition of small portfolio agencies; and DHA loans provided by the Commonwealth prior to June 2008 previously not reported by Defence.

## 3.3.3 CONSOLIDATED DEFENCE/DMO BUDGETED FINANCIAL STATEMENTS

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

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>EXPENSES</b>					
Employee benefits	10,069,859	10,331,995	10,206,802	10,619,926	11,000,917
Supplier expenses	8,753,284	9,327,930	8,647,231	9,558,443	9,923,176
Grants	54,307	91,036	78,790	75,882	33,880
Depreciation and amortisation	3,798,278	3,507,238	3,623,952	3,744,137	3,909,542
Finance costs	96,545	59,014	69,230	76,874	78,452
Write-down of assets and impairment of assets	862,900	1,135,036	1,083,744	1,131,979	1,182,458
Losses from sale of assets	30,205	-	-	-	-
Other	197,277	101,061	21,151	19,073	136,329
<b>Total expenses</b>	<b>23,862,655</b>	<b>24,553,310</b>	<b>23,730,900</b>	<b>25,226,314</b>	<b>26,264,754</b>
<b>LESS</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source Revenue</b>					
Sales of goods and rendering of services	396,237	413,859	395,870	421,875	439,195
Rental Income	9,240	6,373	6,535	6,715	6,902
Other revenue	117,231	60,976	62,181	63,802	65,433
<b>Total own-source revenue</b>	<b>522,708</b>	<b>481,208</b>	<b>464,586</b>	<b>492,392</b>	<b>511,530</b>
<b>Gains</b>					
Foreign exchange	74,862	-	-	-	-
Reversals of previous asset write-downs	377,567	498,322	520,299	543,273	567,285
Sale of assets	-	9,489	281	13,907	81,207
Other gains	52,891	6,829	6,951	7,076	7,204
<b>Total gains</b>	<b>505,320</b>	<b>514,640</b>	<b>527,531</b>	<b>564,256</b>	<b>655,696</b>
<b>Total own-source income</b>	<b>1,028,028</b>	<b>995,848</b>	<b>992,117</b>	<b>1,056,648</b>	<b>1,167,226</b>
<b>Net cost of (contribution by) services</b>	<b>22,834,627</b>	<b>23,557,462</b>	<b>22,738,783</b>	<b>24,169,666</b>	<b>25,097,528</b>
Revenue from Government	21,916,826	23,557,462	22,738,783	24,169,666	25,097,528
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-917,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	522,124	-	-	-	-
<b>Total Other comprehensive income</b>	<b>522,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive income attributable to the Australian Government</b>	<b>-395,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	107,898	115,898	115,898	115,898	115,898
Trade and other receivables	82,765	138,049	169,219	204,623	240,510
Tax assets	215,496	215,496	215,496	215,496	215,496
Appropriation receivable	557,546	493,976	504,329	507,396	511,051
Other receivables	68,751	273,969	242,719	242,719	242,719
<b>Total financial assets</b>	<b>1,032,456</b>	<b>1,237,388</b>	<b>1,247,661</b>	<b>1,286,132</b>	<b>1,325,674</b>
<b>Non-financial assets</b>					
Land and buildings	15,569,795	15,813,241	16,126,359	16,286,660	16,135,415
Infrastructure, plant and equipment	6,511,915	6,413,386	6,620,445	6,879,317	6,644,238
Specialist military equipment	38,638,060	40,189,679	41,330,123	43,128,376	45,571,685
Intangibles	575,630	516,762	443,981	386,944	334,482
Heritage and cultural	965,944	965,943	965,942	965,941	965,940
Inventories	5,422,087	5,552,216	5,667,955	5,780,263	5,900,635
Prepayments	1,139,992	1,539,992	1,539,992	1,539,992	1,539,992
<b>Total non-financial assets</b>	<b>68,823,423</b>	<b>70,991,219</b>	<b>72,694,797</b>	<b>74,967,493</b>	<b>77,092,387</b>
Assets held for sale	53,512	53,512	53,512	53,512	53,512
<b>Total Assets</b>	<b>69,909,391</b>	<b>72,282,119</b>	<b>73,995,970</b>	<b>76,307,137</b>	<b>78,471,573</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	2,579,279	2,124,953	2,071,323	2,134,489	2,140,137
Other	435,922	423,698	423,065	429,317	435,058
<b>Total payables</b>	<b>3,015,201</b>	<b>2,548,651</b>	<b>2,494,388</b>	<b>2,563,806</b>	<b>2,575,195</b>
<b>Interest bearing liabilities</b>					
Leases	648,238	691,063	1,015,758	1,430,410	1,353,873
<b>Total interest bearing liabilities</b>	<b>648,238</b>	<b>691,063</b>	<b>1,015,758</b>	<b>1,430,410</b>	<b>1,353,873</b>
<b>Provisions</b>					
Employee provisions	2,338,856	2,442,680	2,508,184	2,583,681	2,667,766
Restoration, decontamination and decommissioning	841,006	833,178	841,379	862,462	888,931
Other provisions	9,547	9,547	9,547	9,547	9,547
<b>Total provisions</b>	<b>3,189,409</b>	<b>3,285,405</b>	<b>3,359,110</b>	<b>3,455,690</b>	<b>3,566,244</b>
<b>Total Liabilities</b>	<b>6,852,848</b>	<b>6,525,119</b>	<b>6,869,256</b>	<b>7,449,906</b>	<b>7,495,312</b>
<b>NET ASSETS</b>	<b>63,056,543</b>	<b>65,757,000</b>	<b>67,126,714</b>	<b>68,857,231</b>	<b>70,976,261</b>
<b>EQUITY</b>					
Contributed equity	14,623,007	17,319,927	18,689,641	20,420,158	22,539,188
Reserves	14,565,011	14,565,011	14,565,011	14,565,011	14,565,011
Retained surplus (accumulated deficits)	33,868,525	33,872,062	33,872,062	33,872,062	33,872,062
<b>Total Equity</b>	<b>63,056,543</b>	<b>65,757,000</b>	<b>67,126,714</b>	<b>68,857,231</b>	<b>70,976,261</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	499,504	520,525	363,679	385,446	402,277
Appropriations	21,969,009	23,555,161	22,728,430	24,166,599	25,093,873
Net GST received	1,324,928	1,278,372	1,135,739	1,274,221	1,386,026
Other cash received	245,252	123,361	126,384	129,662	132,997
Cash transfer from the Official Public Account (receivables)	559,504	6,389	-	-	-
<b>Total cash received</b>	<b>24,598,197</b>	<b>25,483,808</b>	<b>24,354,232</b>	<b>25,955,928</b>	<b>27,015,173</b>
<b>Cash used</b>					
Employees	9,884,976	10,223,018	10,141,931	10,538,177	10,911,091
Suppliers	7,982,714	8,961,226	7,929,486	8,706,619	9,087,674
Net GST paid	1,192,261	1,278,372	1,135,739	1,274,221	1,386,026
Grants	53,776	91,036	78,790	75,882	33,880
Other cash used	84,676	9,240	5,335	10,957	130,979
Cash transfer to the Official Public Account (receivables)	470,251	162,650	136,792	18,459	12,960
<b>Total Cash used</b>	<b>19,668,654</b>	<b>20,725,542</b>	<b>19,428,073</b>	<b>20,624,315</b>	<b>21,562,610</b>
<b>Net cash from or (used by) operating activities</b>	<b>4,929,543</b>	<b>4,758,266</b>	<b>4,926,159</b>	<b>5,331,613</b>	<b>5,452,563</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of land and buildings	87,332	104,895	143,515	28,906	89,221
Proceeds from sales of infrastructure, plant and equipment	24,373	28,739	28,747	36,160	36,371
Proceeds from sales of specialist military equipment	26,676	-	-	-	-
Other cash received	77	-	-	-	-
<b>Total Cash received</b>	<b>138,458</b>	<b>133,634</b>	<b>172,262</b>	<b>65,066</b>	<b>125,592</b>
<b>Cash used</b>					
Purchase of land and buildings	1,042,035	939,304	1,055,520	868,210	578,291
Purchase of infrastructure, plant and equipment	473,422	308,978	314,389	282,904	263,068
Purchase of specialist military equipment	4,808,076	5,027,106	3,901,782	4,688,078	5,488,138
Purchase of intangibles	60,678	31,546	11,306	1,913	2,002
Purchase of inventory	1,217,893	1,201,416	1,178,064	1,193,454	1,249,499
Purchase of heritage and cultural assets	5	-	-	-	-
Selling costs on sale of assets	23,176	12,379	3,245	1,405	627
Finance costs	61,175	66,842	61,029	55,791	51,983
<b>Total Cash used</b>	<b>7,686,460</b>	<b>7,587,571</b>	<b>6,525,335</b>	<b>7,091,755</b>	<b>7,633,608</b>
<b>Net cash from or (used by) investing activities</b>	<b>-7,548,002</b>	<b>-7,453,937</b>	<b>-6,353,073</b>	<b>-7,026,689</b>	<b>-7,508,016</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	2,755,907	2,773,786	1,506,506	1,748,976	2,131,990
<b>Total Cash received</b>	<b>2,755,907</b>	<b>2,773,786</b>	<b>1,506,506</b>	<b>1,748,976</b>	<b>2,131,990</b>
<b>Cash used</b>					
Repayment of debt	171,669	70,115	79,592	53,900	76,537
Cash to the Official Public Account	-	-	-	-	-
<b>Total Cash used</b>	<b>171,669</b>	<b>70,115</b>	<b>79,592</b>	<b>53,900</b>	<b>76,537</b>
<b>Net cash from or (used by) financing activities</b>	<b>2,584,238</b>	<b>2,703,671</b>	<b>1,426,914</b>	<b>1,695,076</b>	<b>2,055,453</b>
<b>Net increase or (decrease) in cash and cash equivalents held</b>	<b>-34,221</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	144,666	107,898	115,898	115,898	115,898
Effect of exchange rate movements on cash and cash equivalents	-2,547	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>107,898</b>	<b>115,898</b>	<b>115,898</b>	<b>115,898</b>	<b>115,898</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	33,407	34,123	34,123	34,123	34,123
Dividends	52,379	49,105	51,967	54,989	55,806
Military superannuation contributions	1,135,592	1,180,774	1,209,374	1,256,628	1,309,561
Fees	7,833	9,811	10,349	10,808	11,266
Other	127,561	55,274	44,239	45,699	49,326
<b>Total non-taxation</b>	<b>1,356,772</b>	<b>1,329,087</b>	<b>1,350,052</b>	<b>1,402,247</b>	<b>1,460,082</b>
<b>Total revenues administered on behalf of Government</b>	<b>1,356,772</b>	<b>1,329,087</b>	<b>1,350,052</b>	<b>1,402,247</b>	<b>1,460,082</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Subsidies	85,241	101,701	112,401	119,884	122,974
Military retention benefits	44,517	52,443	64,223	77,103	95,883
Military superannuation benefits	3,883,408	4,034,000	3,914,000	4,082,000	4,257,000
Other	841	-	-	-	-
<b>Total expenses administered on behalf of Government</b>	<b>4,014,007</b>	<b>4,188,144</b>	<b>4,090,624</b>	<b>4,278,987</b>	<b>4,475,857</b>

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Receivables	88,615	72,928	75,846	78,924	79,797
Investments accounted for using the equity method	2,307,972	2,309,853	2,310,760	2,311,522	2,311,514
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total financial assets</b>	<b>2,906,167</b>	<b>2,892,361</b>	<b>2,896,186</b>	<b>2,900,026</b>	<b>2,900,891</b>
<b>Non-financial assets</b>					
Prepayments	157,134	170,791	165,468	152,765	150,782
<b>Total non-financial assets</b>	<b>157,134</b>	<b>170,791</b>	<b>165,468</b>	<b>152,765</b>	<b>150,782</b>
<b>Total assets administered on behalf of Government</b>	<b>3,063,301</b>	<b>3,063,152</b>	<b>3,061,654</b>	<b>3,052,791</b>	<b>3,051,673</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Other	47	-	-	-	-
<b>Total payables</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
Superannuation - DFRDB <sup>[1]</sup>	28,587,200	26,036,000	26,025,000	25,988,000	25,916,000
Superannuation - MSBS <sup>[2]</sup>	21,531,000	20,128,000	22,069,000	24,155,000	26,384,000
<b>Total provisions</b>	<b>50,118,200</b>	<b>46,164,000</b>	<b>48,094,000</b>	<b>50,143,000</b>	<b>52,300,000</b>
<b>Total liabilities administered on behalf of Government</b>	<b>50,118,247</b>	<b>46,164,000</b>	<b>48,094,000</b>	<b>50,143,000</b>	<b>52,300,000</b>

**Notes**

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

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

	2010-11 Actual Result \$'000	2011-12 Revised Budget \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash Received</b>					
Interest	32,180	42,523	34,123	34,123	34,123
Military superannuation contributions	1,179,662	1,180,662	1,209,318	1,256,572	1,309,505
Fees	7,742	9,811	10,349	10,808	11,266
Other	121,534	59,351	44,239	45,699	49,326
<b>Total Cash received</b>	<b>1,341,118</b>	<b>1,292,347</b>	<b>1,298,029</b>	<b>1,347,202</b>	<b>1,404,220</b>
<b>Cash used</b>					
Subsidies paid	89,814	101,701	112,401	119,884	122,974
Military benefits	1,875,206	2,053,100	2,040,900	2,099,400	2,190,900
<b>Total Cash used</b>	<b>1,965,020</b>	<b>2,154,801</b>	<b>2,153,301</b>	<b>2,219,284</b>	<b>2,313,874</b>
<b>Net cash from or (used by) operating activities</b>	<b>-623,902</b>	<b>-862,454</b>	<b>-855,272</b>	<b>-872,082</b>	<b>-909,654</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Dividends	52,700	52,379	49,105	51,967	54,989
<b>Total Cash received</b>	<b>52,700</b>	<b>52,379</b>	<b>49,105</b>	<b>51,967</b>	<b>54,989</b>
<b>Cash used</b>					
Loans	44,100	-	-	-	-
<b>Total Cash used</b>	<b>44,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from (used by) investing activities</b>	<b>8,600</b>	<b>52,379</b>	<b>49,105</b>	<b>51,967</b>	<b>54,989</b>
<b>Net increase (decrease) in cash held</b>	<b>-615,302</b>	<b>-810,075</b>	<b>-806,167</b>	<b>-820,115</b>	<b>-854,665</b>
Cash at the beginning of the reporting period	1	-	-	-	-
Cash from the Official Public Account for appropriations	2,009,121	2,154,801	2,153,301	2,219,284	2,313,874
Cash to the Official Public Account	-1,393,820	-1,344,726	-1,347,134	-1,399,169	-1,459,209
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





# DEFENCE MATERIEL ORGANISATION RESOURCES AND PLANNED PERFORMANCE

## **Section 1: Agency Overview and Resources**

- 1.1 Strategic Direction Statement
- 1.2 DMO Resource Statement
- 1.3 Agency Measures Table
- 1.4 Additional Estimates and Variations
- 1.5 Breakdown of Additional Estimates by Appropriation Bill
- 1.6 People

## **Section 2: Outcomes and Planned Performance**

- 2.1 Outcomes and Performance Information

## **Section 3: Explanatory Tables and Budgeted Financial Statements**

- 3.1 Explanatory Tables
- 3.2 Budgeted Financial Statements

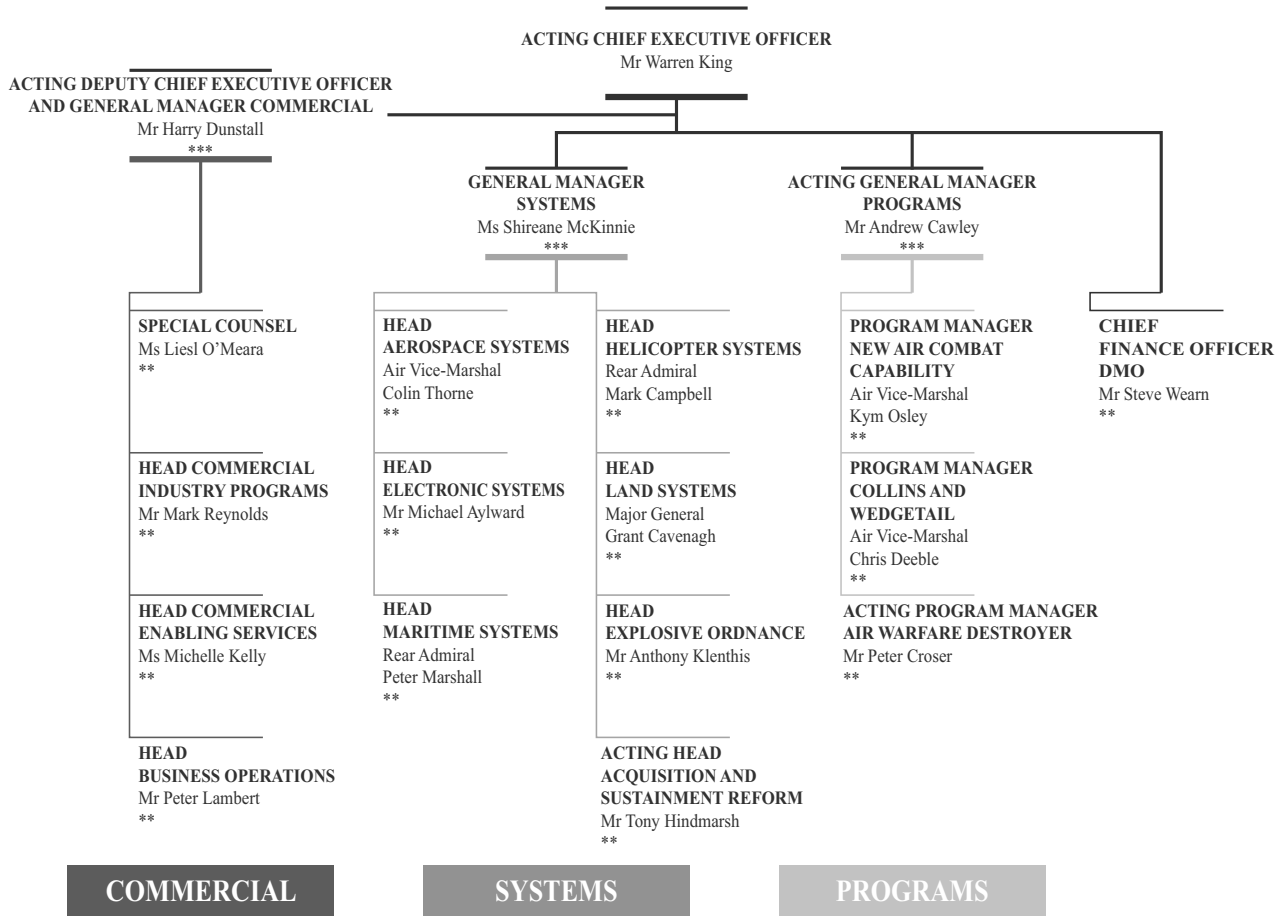
## **DEFENCE MATERIEL ORGANISATION**

### **Section 1: DMO Overview and Resources**

#### **1.1 Strategic Direction**

There has been no change to the DMO's strategic direction since the *Portfolio Budget Statements 2011-12*.

**Figure 4: The DMO organisational structure as at 18 January 2012**



## **SENIOR EXECUTIVE CHANGES**

The following changes have occurred to the DMO senior leadership group since 1 July 2011:

- In July 2011, Dr Stephen Gumley retired from the position of Chief Executive Officer of the Defence Materiel Organisation.
- In July 2011, Mr Warren King commenced acting in the position of Chief Executive Officer of the Defence Materiel Organisation.
- In July 2011, Mr Harry Dunstall commenced acting in the position of Deputy Chief Executive Officer whilst continuing as General Manager Commercial.
- In July 2011, Mr Andrew Cawley commenced acting in the position of General Manager Programs.
- In July 2011, Mr Peter Croser commenced acting in the position of Program Manager Air Warfare Destroyer.
- In July 2011, Ms Liesl O'Meara was appointed to the position of Special Counsel.
- In July 2011, Ms Jane Wolfe transferred to the Strategic Reform and Governance Executive within Defence.
- In July 2011, Acquisition and Sustainment Reform Division was relocated within the DMO to General Manager Systems.
- In July 2011, Mr Ian Donoghue ceased acting in the position of Head Acquisition and Sustainment Reform.
- In August 2011, Mr Tony Hindmarsh commenced acting in the position of Head Acquisition and Sustainment Reform.
- In November 2011, Ms Michelle Kelly was appointed to the position of Head Commercial Enabling Services.
- In December 2011, the position of Head Human Resources and Corporate Services, occupied by Mr Peter Lambert, was re-titled to Head Business Operations.

## 1.2 DMO Resource Statement

The Resource Statement details the resourcing for the DMO at Additional Estimates. Table 76 outlines the total resourcing available from all sources for the 2011-12 Budget year, including variations through *Appropriation Bill (No.3) 2011-12* and special accounts.

**Table 76: The DMO Resource Statement – for the 2011-12 additional estimates**

	Estimate as at Budget +	Proposed Additional Estimate	Total estimate at Additional Estimates	Total available appropriation
	2011-12 \$'000	2011-12 \$'000	2011-12 \$'000	2010-11 \$'000
<b>Ordinary annual services</b>				
<b>Departmental appropriation</b>				
Prior year departmental appropriation <sup>1</sup>	660,931	-110,480	550,451	501,559
Departmental appropriation <sup>2</sup>	929,201	2,069	931,270	847,282
<b>Total</b>	<b>1,590,132</b>	<b>-108,411</b>	<b>1,481,721</b>	<b>1,348,841</b>
<b>Total ordinary annual services</b>	<b>A 1,590,132</b>	<b>-108,411</b>	<b>1,481,721</b>	<b>1,348,841</b>
<b>Total available annual appropriations</b>	<b>1,590,132</b>	<b>-108,411</b>	<b>1,481,721</b>	<b>1,348,841</b>
<b>Special Accounts</b>				
Opening balance <sup>3</sup>	660,931	-110,480	550,451	501,559
Appropriation receipts <sup>4</sup>	929,201	2,069	931,270	847,282
Appropriation receipts - other agencies <sup>5</sup>	1,099,491	-214,536	9,884,955	9,170,022
Non-appropriation receipts to Special Accounts	56,012	-	56,012	205,013
<b>Total Special Account</b>	<b>B 11,745,635</b>	<b>-322,947</b>	<b>11,422,688</b>	<b>10,723,876</b>
<b>Total resourcing</b>				
A+B	13,335,767	-431,358	12,904,409	12,072,717
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	1590,132	-108,411	1,481,721	1,348,841
<b>Total net resourcing for DMO</b>	<b>11,745,635</b>	<b>-322,947</b>	<b>11,422,688</b>	<b>10,723,876</b>

### Notes

1. Estimated adjusted balance carried forward from previous year for annual appropriations.
2. Appropriation Bill (No.1 & 3) 2011-12.
3. Estimated opening balance for special accounts (less 'Special Public Money' held in accounts like Other Trust Monies accounts (OTM), Services for Other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Monies Special accounts (SOETM)). For further information on special accounts see Table 94.
4. Direct appropriation for Workforce and Operating Expenses.
5. Appropriation receipts from Defence credited to DMO's special accounts.

Reader note: All figures are GST exclusive

**Table 77: Third party payments for and on behalf of other agencies**

	Estimate at Budget	Estimate at Additional Estimates
	2011-12 \$'000	2011-12 \$'000
Receipts received from Defence for the provision of services	1,099,491	9,884,955
Payments made to other agencies for the provision of services (disclosed above) <sup>1</sup>	440,329	448,940

### Note

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

### 1.3 Agency Measures Table

Table 78 summarises new Government measures taken since the 2011-12 Budget. The DMO has one expense measure, with the affected program identified.

**Table 78: DMO 2011-12 Measures since Budget<sup>[1]</sup>**

	Program	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Expense measure</b>					
Reducing the cost of Government					
administration - one-off efficiency					
dividend					
Departmental expenses	1.3	-	-2,533	-2,631	-2,621
<b>Total</b>		-	<b>-2,533</b>	<b>-2,631</b>	<b>-2,621</b>

**Note**

1. Prepared on a Government Financial Statistics (fiscal) basis.

### 1.4 Additional Estimates and Variations

The following tables detail the changes to the resourcing for the DMO at Additional Estimates by outcome. Table 79 details the Additional Estimates and variations resulting from new measures since the 2011-12 Budget in Appropriation Bill No.3. Table 80 details Additional Estimates or variations through other factors.

**Table 79: Additional estimates and variations to outcomes from measures since 2011-12 Budget**

	Program impacted	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Outcome 1</b>					
Decrease in estimates (departmental)					
Reducing the cost of Government					
administration - one-off efficiency					
dividend					
	1.3	-	2,533	2,631	2,621
Net impact on estimates					
for Outcome 1 (departmental)					
		-	-2,533	-2,631	-2,621

**Table 80: Additional estimates and variations to outcomes from other variations**

	Program impacted	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Outcome 1</b>					
Increase in estimates (departmental)					
Adjustments to agreed level of activity					
	All	2,069	-	-	-
Decrease in estimates (departmental)					
Adjustments to agreed level of activity					
	All	-	30,764	39,940	40,644
Net impact on estimates					
for Outcome 1 (departmental)					
		2,069	-30,764	-39,940	-40,644

## 1.5 Breakdown of Additional Estimates by Appropriation Bill

The following table details the Additional Estimates sought for the DMO through Appropriation Bill No.3.

**Table 81: Appropriation Bill (No 3) 2011-12**

	2010-11 Available \$'000	2011-12 Budget \$'000	2011-12 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
<b>DEPARTMENTAL PROGRAMS</b>					
<b>Outcome 1</b>					
Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	847,282	929,201	931,270	2,069	-
<b>Total departmental</b>	<b>847,282</b>	<b>929,201</b>	<b>931,270</b>	<b>2,069</b>	<b>-</b>

The net additional estimates of \$2.069m identified above reflect price supplementation for DMO program delivery offset by agreed workforce and operating transfers to and from Defence.

## 1.6 People

### WORKFORCE SUMMARY

The DMO combined APS, ADF and Contractor workforce forecast is 7,439. This is a decrease of 49 below 7,488. The DMO manages its workforce under a combined ADF, APS and contractor model. Through this arrangement, the DMO can use funding from unfilled ADF positions to fill and resource positions with APS staff. The increase in the estimated APS workforce broadly represents the number of positions that the Services have been unable to fill (409) and have instead been filled by APS staff. The forecast DMO workforce is shown in Table 82.

**Table 82: DMO Consolidated workforce statement**

		2011-12 Budget Estimate	2011-12 Revised Estimate	Variation	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
	Navy	361	295	-66	368	373	377
	Army	474	381	-93	485	497	507
	Air Force	955	705	-250	940	958	971
1	<b>Total Permanent Force</b> <sup>[1]</sup>	<b>1,790</b>	<b>1,381</b>	<b>-409</b>	<b>1,793</b>	<b>1,828</b>	<b>1,855</b>
	Navy	49	63	14	49	49	49
	Army	34	22	-12	34	34	34
	Air Force	35	29	-6	35	35	35
2	<b>Total Reserve Force</b> <sup>[2]</sup>	<b>118</b>	<b>114</b>	<b>-4</b>	<b>118</b>	<b>118</b>	<b>118</b>
3	<b>Total DMO - APS</b>	<b>5,647</b>	<b>6,015</b>	<b>368</b>	<b>5,746</b>	<b>5,876</b>	<b>6,098</b>
4	<b>Total - DMO Contractor</b> <sup>[3]</sup>	<b>51</b>	<b>43</b>	<b>-8</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>Total Workforce excluding Reserves (1+3+4)</b>		<b>7,488</b>	<b>7,439</b>	<b>-49</b>	<b>7,587</b>	<b>7,752</b>	<b>8,001</b>
<b>Total Workforce Strength (1+2+3+4)</b>		<b>7,606</b>	<b>7,553</b>	<b>-53</b>	<b>7,705</b>	<b>7,870</b>	<b>8,119</b>

#### Notes

- Numbers for ADF Permanent Force include the DMO ADF Permanent Force and Reservists on full-time service.
- Reservist figures represent numbers of active Reservists (excluding Reservists undertaking full-time service and Foreign Service Reservists) who are rendering service during 2011-12.
- Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.



Table 83: Planned workforce allocation for 2011-12 at additional estimates

	Budget Estimate 2011-12	Revised Estimate 2011-12	Variation	Variation %
<b>Navy</b>				
One Star and above	9	9	-	-
Senior Officers <sup>[1]</sup>	63	49	-14	-22%
Officers	144	122	-22	-15%
Other Ranks	145	115	-30	-21%
<b>Sub-total : Permanent Navy <sup>[2][3]</sup></b>	<b>361</b>	<b>295</b>	<b>-66</b>	<b>-18%</b>
<b>Army</b>				
One Star and above	7	7	-	-
Senior Officers <sup>[1]</sup>	61	60	-1	-2%
Officers	214	173	-41	-19%
Other Ranks	192	141	-51	-27%
<b>Sub-total : Permanent Army <sup>[2][3]</sup></b>	<b>474</b>	<b>381</b>	<b>-93</b>	<b>-20%</b>
<b>Air Force</b>				
One Star and above	9	9	-	-
Senior Officers <sup>[1]</sup>	88	87	-1	-2%
Officers	469	326	-143	-30%
Other Ranks	389	283	-106	-27%
<b>Sub-total : Permanent Air Force <sup>[2][3]</sup></b>	<b>955</b>	<b>705</b>	<b>-250</b>	<b>-26%</b>
<b>APS</b>				
Senior Executives	36	36	-	-
Senior Officers <sup>[1]</sup>	1,788	1,925	137	8%
Other APS Staff	3,823	4,054	231	6%
<b>Sub-total : APS</b>	<b>5,647</b>	<b>6,015</b>	<b>368</b>	<b>7%</b>
Contractors <sup>[4]</sup>	51	43	-8	-16%
<b>Sub-total civilian workforce</b>	<b>5,698</b>	<b>6,058</b>	<b>360</b>	<b>6%</b>
<b>Sub-total ADF permanent workforce</b>	<b>1,790</b>	<b>1,381</b>	<b>-409</b>	<b>-23%</b>
<b>Total DMO Workforce</b>	<b>7,488</b>	<b>7,439</b>	<b>-49</b>	<b>-1%</b>

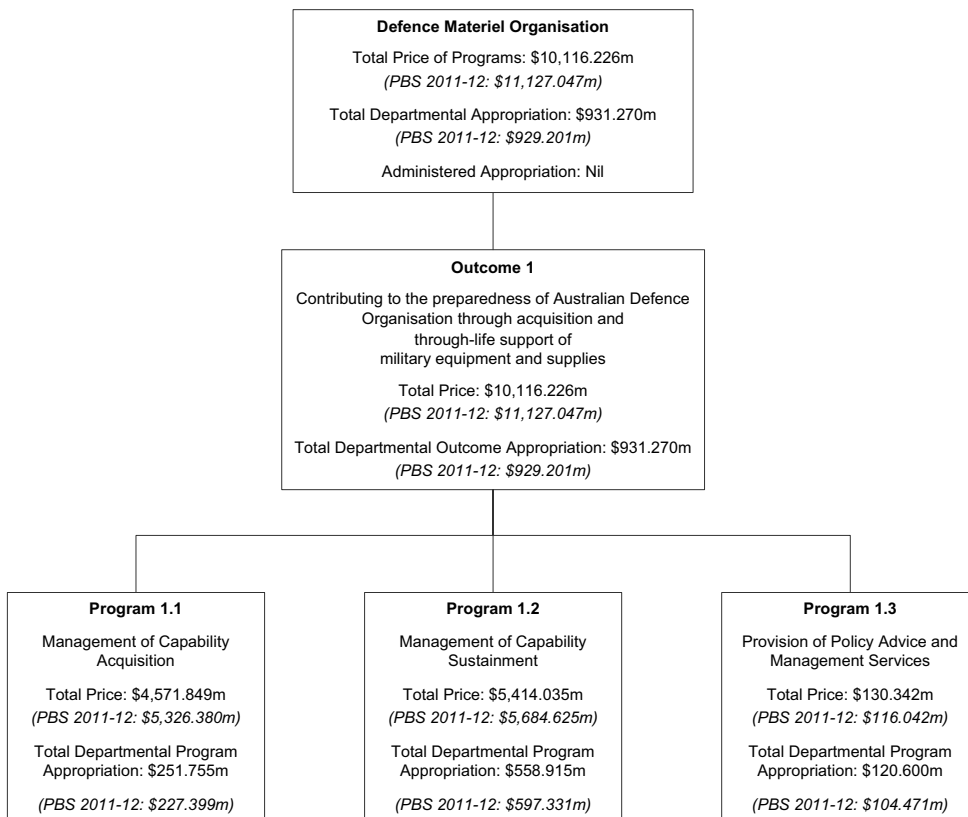
**Notes**

1. Senior Officers are of Colonel and Lieutenant Colonel rank equivalent and substantive Executive Level 1 and 2.
2. ADF rank distribution will be finalised in the Military Workforce Agreement with the Services.
3. Reflects the ADF Permanent forces and includes Reservists undertaking continuous full-time service.
4. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.

## Section 2: Outcomes and Planned Performance

There has been no change to the DMO's Outcome since the *Portfolio Budget Statements 2011-12*.

**Figure 5: Contribution to Outcome and Programs**



## 2.1 DMO Outcome and Performance Information

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

### OUTCOME 1 STRATEGY

There has been no change to the DMO's Outcome Strategy since the *Portfolio Budget Statements 2011-12*.

**Table 84: Budgeted Expenses and Resources for Outcome 1**

Outcome 1: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	2010-11 Actual expenses \$'000	2011-12 Revised estimated expenses \$'000
<b>Program 1.1: Management of Capability Acquisition</b>		
Departmental expenses		
Departmental appropriation <sup>1</sup>	195,169	251,755
Special Accounts	5,590,282	4,311,512
Expenses not requiring appropriation in the Budget year <sup>2</sup>	8,373	8,582
<b>Total for Program 1.1</b>	<b>5,793,824</b>	<b>4,571,849</b>
<b>Program 1.2: Management of Capability Sustainment</b>		
Departmental expenses		
Departmental appropriation <sup>1</sup>	521,230	558,915
Special Accounts	4,213,204	4,835,094
Expenses not requiring appropriation in the Budget year <sup>2</sup>	19,538	20,026
<b>Total for Program 1.2</b>	<b>4,753,972</b>	<b>5,414,035</b>
<b>Program 1.3: Provision of Policy Advice and Management</b>		
Departmental expenses		
Departmental appropriation <sup>1</sup>	76,962	120,600
Special Accounts	-	1,015
Expenses not requiring appropriation in the Budget year <sup>2</sup>	8,562	8,727
<b>Total for Program 1.3</b>	<b>85,524</b>	<b>130,342</b>
<b>Outcome 1 Totals by appropriation type</b>		
Departmental expenses		
Departmental appropriation <sup>1</sup>	793,361	931,270
Special Accounts	9,803,486	9,147,621
Expenses not requiring appropriation in the Budget year <sup>2</sup>	36,473	37,335
<b>Total expenses for Outcome 1</b>	<b>10,633,321</b>	<b>10,116,226</b>
	2010-11	2011-12
<b>Average Staffing Level (number)</b>	<b>5,533</b>	<b>6,015</b>

#### Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1 & 3)" and "Revenue from independent sources (s31)".
2. Expenses not requiring appropriation in the Budget year is made up of resources provided free of charge.

## CONTRIBUTIONS TO OUTCOME 1

### Program 1.1: Management of Capability Acquisition

#### Program 1.1 Objective

There has been no change to the Program 1.1 Objective since the *Portfolio Budget Statements 2011-12*. Refer to Page 157 of the *Portfolio Budget Statements 2011-12* for current Program 1.1 Objective information.

#### Program 1.1 Expenses

The nature of the costs of Program 1.1 remains as described in the *Portfolio Budget Statements 2011-12*.

Table 86 Top 30 Projects by 2011-12 forecast expenditure reflects an adjusted payment required from Defence for Approved Projects of \$478m. A significant element of this adjustment reflects the strengthening of the Australian dollar against foreign currencies since the publication of the *Portfolio Budget Statements 2011-12* (\$101m), resulting in adjusted payments required of \$377m.

As reported in the *Defence Annual Report 2010-11*, the DMO achieved accelerated expense outcomes for major projects in that year over and above final budget estimates. This positive outcome achieved in 2010-11 is a significant driver for the reduction in expenses expected in 2011-12.

The revised planned resource use for Program 1.1 is \$4,571.8m in 2011-12 which now represents approximately 45 per cent of the DMO's total expenses. The revised planned resource use for Program 1.1 includes:

- direct appropriation of \$251.8m relating to Acquisition workforce and operating expenses
- the DMO major capital equipment program of \$4,186.0m which comprises of \$3,850.6m of the approved major capital investment program and a further \$335.4m of work planned to be transferred to the DMO during 2011-12 from Defence
- the DMO minor capital investment program of \$125.5m, which comprises of the approved minor program of \$72.7m and \$52.8m of work planned to be transferred to the DMO during 2011-12
- resources received free of charge from Defence of \$8.6m.

**Table 85: Program 1.1 Management of Capability Acquisition**

	2010-11 Actual \$'000	2011-12 Revised budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	5,590,282	4,311,512	4,137,219	5,124,523	6,081,314
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1 and No. 3)	195,169	251,755	266,028	293,155	327,987
Departmental item					
Expenses not requiring appropriation in the Budget year <sup>1</sup>	8,373	8,582	8,797	9,017	9,242
<b>Total program expenses</b>	<b>5,793,824</b>	<b>4,571,849</b>	<b>4,412,044</b>	<b>5,426,695</b>	<b>6,418,543</b>

**Note**

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

**Program 1.1 Deliverables**

The changes to the detailed descriptions of deliverables for the Top 30 DMO projects is contained in Table 86 Top 30 projects by expenditure. A status update on other major projects included in the previous five years is provided at Table 87.

Information relating to the DMO's Program 1.1 Deliverables remains as reported in the *Portfolio Budget Statements 2011-12*, except for the following.

As at January 2012, the DMO was managing over 180 major projects.

**Program 1.1 Key Performance Indicators**

There have been no changes to the Program 1.1 Key Performance Indicators since the *Portfolio Budget Statements 2011-12*. Refer to page 158 of the *Portfolio Budget Statements 2011-12* for current Program 1.1 Key Performance Indicators information.

Table 86: Top 30 projects by 2011-12 forecast expenditure

Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation	
		2011 \$m	2011-12 \$m	2011-12 \$m			
<b>General Manager Systems</b>							
<b>Aerospace Systems</b>							
Air to Air Refuelling Capability	AIR 5402	1,805	1,328	235	151	-84	The first two KC-30A aircraft were accepted and handed over to the RAAF on 1 June and 22 June 2011 respectively. The third aircraft was accepted and handed over on 7 November 2011, and the fourth aircraft was accepted on 29 December 2011. The variation is primarily due to a favourable US to Australian dollar exchange rate, shortfalls in delivery of initial stocks of spares and test equipment, and reduced demand from Air Force for hire of tankers to support exercise and training commitments, pending commissioning of the KC-30A aircraft.
Bridging Air Combat Capability	AIR 5349 Phase 1	3,274	2,590	177	108	-69	The 24 Super Hornets have been delivered progressively to RAAF Base Amberley since March 2010, with the final four aircraft arriving on 21 October 2011. This project is working to accelerate delivery of outstanding support equipment and spares in support of Final Materiel Release milestone. The variation is the result of a favourable US to Australian dollar exchange rate. Additionally, the contract for procurement of the Air Combat Manoeuvrability Instrumentation pods was not awarded by the US Air Force as initially planned.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	1,876	1,541	90	73	-17	The first countermeasure pods have been delivered and are being tested. This, together with the mitigation of technical risks, has cleared the way for full delivery of the electronic warfare capability by December 2012. The variation is primarily due to delays in deliveries of the Electronic Countermeasure Pods by up to six months. A favourable US to Australian dollar exchange rate has also contributed to the variation.
C-17 Globemaster III	AIR 8000 Phase 3	1,846	1,318	49	16	-33	This project has delivered all equipment and facilities required to support the achievement of Final Materiel Release on schedule. The variation is due to a favourable US to Australian dollar exchange rate, slower than anticipated financial disbursement action by the US Government against C-17 acquisition deliveries, and a decision to standardise materiel handling equipment across the Royal Australian Air Force fleet.

	Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation
			2011 \$m	2011-12 \$m	2011-12 \$m		
Airborne Surveillance for Land Operations	JP 129 Phase 2	92	27	34	5	-30	The US Army agreed to accelerate delivery of one of the two Shadow 200 Tactical Unmanned Aerial Vehicle (TUAV) systems which was delivered in Australia in August 2011, 18 months ahead of schedule. The expedited delivery of the second TUAV did not occur but is likely to occur in 2013 as per the original plan.
<b>Electronic Systems</b>							
Next Generation Satellite Communications System	JP 2008 Phase 4	864	387	135	98	-38	The US reforecast more than \$30m in scheduled payments to now occur later in the program due to changes with US contracting mechanisms.
Battlespace Communications Systems (LAND)	JP 2072 Phase 1	256	103	109	94	-15	The project achieved Initial Operational Capability status for the radio systems on 29 August 2011. Delivery of major equipment is well under way and will be complete in mid-2012. The variation is a result of improved production lead times and early delivery of Tactical Data Radios (reported as a positive variance last financial year).
Battle Management System	LAND 75 Phase 3.4	322	83	101	61	-40	Initial Materiel Release, consisting of the mounted components of a motorised infantry company in 7 Brigade in Brisbane, was achieved in June 2011. Final Materiel Release is now planned for the second half of 2013 to align with the planned availability of Army units for activities such as training. Also, elements of the vehicle integration design work has been delayed due to a lack of available vehicles allocated from Army fleet stocks as well as issues associated with International Trafficking of Arms Regulations.
Ultra High Frequency Satellite Communications	JP 2008 Phase 5A	402	247	84	35	-49	The variation is due to prime contract payment being slipped from 2011-12 to 2012-13 due to an increased risk of launch delay. In-orbit acceptance and the associated test activities of the IS-22 satellite should also slip to 2012-13.
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	108	28	53	46	-7	Initial Materiel Release, consisting of the dismantled components of a motorised infantry company in 7 Brigade in Brisbane, was achieved in June 2011. Final Materiel Release is planned for the second half of 2013. Contractor performance on related tasks has led to schedule delay against milestones, such as training, and production.

	Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation
			2011 \$m	2011-12 \$m	2011-12 \$m		
Joint Command Support Environment	JP 2030 Phase 8	147	83	30	32	1	Hardware and software delivery and development work is ahead of forecast schedule. Final payment for Infrastructure Update has been brought forward to this Financial Year.
New Air Defence Command and Control Systems for Control Units 2 & 3	AIR 5333	274	230	30	16	-14	The major activities remaining for 2011-12 will be the final remediation of a series of important but not critical issues identified during Eastern Region Operations Centre acceptance testing. The Vigilare system will continue to be used for operations. Upgrades to software and minor hardware changes will be installed in one Regional Operations Centre first, then the other. Once the remaining upgrades are installed and tested, the Vigilare system will be set for Final Materiel Release at the end of the first quarter 2012. Vigilare was removed from the Projects of Concern list by the Minister for Defence Materiel in June 2011. The variation is primarily due to work planned to be completed in 2011-12 occurring two months early, in 2010-11.
ADF Deployment Logistics System	JP 2077 Phase 2B.2	134	14	29	9	-20	The Solution Design Stage (Stage 1) of the project has been delayed. Defence is reviewing the way forward for the project.
<b>Explosive Ordnance</b>							
Follow-On Stand Off Weapon	AIR 5418 Phase 1	341	245	43	33	-10	In February 2011, the US Navy issued a certification letter for the F/A-18A/B Joint Air-to-Surface Standoff Missile (JASSM) aircraft software. Further testing of the updated software was completed in May 2011 and the US Navy issued a certification letter for the updated software in June 2011. RAAF operational test and evaluation was completed in July 2011 with two successful JASSM live warhead firings by a RAAF F/A-18A/B at the Woomera Test Range. The variation is primarily due to changes to missile deliveries and cost savings against missile purchases.
Lightweight Torpedo Replacement	JP 2070 Phase 3	302	243	29	19	-11	The production and delivery of MU90 lightweight torpedoes has continued during 2011. Quality assurance issues identified during 2011 have been resolved satisfactorily by the contractor. The variation is primarily due to early achievement of torpedo and inventory deliveries and rescheduling of Alliance milestones to reflect revised delivery of other torpedo batches and safety reports.



Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation	
		2011 \$m	2011-12 \$m	2011-12 \$m			
Bridging Air Combat Capability	AIR 5349 Phase 2	272	103	29	20	-9	Procurement of the latest Advanced Medium Range Air-to-Air Missile variant (AIM-120 C-7) was initiated with the US Government in October 2011, with deliveries to commence in 2014. Support of the previously delivered Joint Stand-Off Weapon and AIM-9X missiles has been transitioned to in-service. The variation is primarily due to changes to missile deliveries.
<b>Helicopter Systems</b>							
Multi Role Helicopter	AIR 9000 Phase 2	3694	1838	393	265	-128	The objectives for 2011-12 continue to be the satisfactory resolution of deficiencies identified with the aircraft, consequently this project was added to the Projects of Concern list on 28 November 2011. Acceptance of aircraft was stopped in November 2010 and did not resume until November 2011 when a partial settlement was reached on recertification of aircraft deficiencies.
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2035	1733	118	87	-31	The Commonwealth has now accepted all 22 aircraft for service in Army. A further delay is anticipated for the delivery of three previously accepted aircraft undergoing retrofit to the mature configuration. The final retrofit of aircraft is scheduled for completion in July 2012. Good progress has been made on meeting this year's objectives of maturing the support arrangements, however, Aircrew training has been affected by low ARH availability. Additional effort is being directed towards improving ARH availability. The variation is due to contractor delays to the delivery of the retrofit of aircraft and modification work. The development of agreed requirements for training systems has also been delayed.
<b>Land Systems</b>							
Field Vehicles and Trailers	LAND 121 Phase 3	3238	105	136	113	-23	Light/Lightweight capability: Prototype trailers were received in mid-2011, and production commenced in late 2011 with the trailers due to enter into service in June 2012. Medium/Heavy capability: The Minister for Defence announced on 12 December 2011 that Rheinmetall MAN Military Vehicles Australia and Haulmark Trailers have been selected as the preferred tenderers for the Medium Heavy truck component of LAND 121. Negotiations to provide approximately 2,700 protected and unprotected medium and heavy vehicles are expected to commence in the first half 2012. The variation has been driven primarily by changes to the Light/Lightweight Mercedes G Wagon vehicle delivery schedule to manufacture less complex vehicles first which resulted in lower cost vehicle types being delivered in place of higher cost vehicles, delays in the delivery of G Wagon support system spares, price escalation and foreign exchange adjustments and rescheduling of contract negotiations for the Medium Heavy vehicle component.

Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation	
		2011 \$m	2011-12 \$m	2011-12 \$m			
Artillery Replacement 155mm Howitzer	LAND 17 Phase 1A	321	89	111	33	-78	The Initial Materiel Release milestone was achieved in December 2011. As at November 2011, 17 Lightweight 155mm Towed Howitzers have been delivered, and the remaining 18 are scheduled for delivery between November 2011 and February 2012. The final version of the Battle Management System-Fires software will be delivered in February 2012. For the Lightweight 155mm Towed Howitzer, seven operator and three maintainer courses have been completed. For the Battle Management System-Fires, three conversion courses and one full training course have been completed. The variation is primarily due to the reprogramming of Foreign Military Sales (FMS) payments to more accurately reflect the likely disbursements. A substantial proportion of expenditure was brought forward into 2010-2011 for payment against the deliveries of the lightweight Howitzers and tactical data system ahead of the schedule presented at second pass approval. Residual FMS payments were also reprogrammed to later financial years.
Upgrade of M-113 Armoured Vehicles	LAND 106	884	698	100	66	-33	Designs for all seven variants (personnel, fitters, recovery, command, ambulance, logistics and mortar) are now complete. Initial Production Vehicles for each design (prototypes) have passed through the Design Test & Evaluation phase and all designs have now been cleared for production. The variation is primarily due to a renegotiated schedule to allow for contractor and Commonwealth delays. Final vehicle delivery is contracted to December 2012.
Counter Rocket, Artillery and Mortar (C-RAM)	LAND 19 Phase 7A	255	96	85	52	-33	All of the Australian operating bases that were required to be equipped with a C-RAM capability were equipped and operational by 15 July 2011, ahead of schedule. An in-theatre stock holding has also supported surge deployment of C-RAM systems to address emerging threats. The Saab production contract to deliver three Giraffe radars in 2012 remains on schedule. The variation primarily resulted from a substantial proportion of expenditure being brought forward into 2010-2011 as a result of early delivery of key systems and the subsequent reprogramming of FMS payments from 2011-12 to 2012-13 to better reflect planned deliveries.
Bushmaster Protected Mobility Vehicle	LAND 116 Phase 3	1033	684	67	87	21	This project is now acquiring 838 vehicles in seven variants (troop, command, mortar, assault pioneer, direct fire weapon, ambulance and Air Defence). Government approved the acquisition of an additional 70 Protected Mobility Variant Troop Variants and Middle East Area of Operations Upgrade Kits under this project and 31 vehicles to replace damaged vehicles. The project will commence acquisition of an additional 101 Production Period 4 Bushmaster vehicles this financial year.

Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June	Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation	
		2011 \$m	2011-12 \$m	2011-12 \$m			
Australian Light Armoured Vehicle - Additional	LAND 112 Phase 3	690	601	34	9	-25	Initial Materiel Release of the Multi Spectral Surveillance Suites is scheduled for early 2013 and Final Materiel Release later that year. The variation primarily reflects the value of funding allocated for transfer from this phase of the project into LAND 112 Phase 4. Following the cancellation of LAND 112 Phase 4 in December 2011, this funding was reallocated to LAND 121. The variance was partially offset by ASLAV Multi-Spectral Surveillance Suite milestone payments that were achieved ahead of contract schedule.
<b>Maritime Systems</b>							
Standard Missile Replacement	SEA 1390 Phase 4B	618	295	90	27	-63	The variation is due to costs being less than project estimates. Savings from this project will be used to fund the upgrade of SM2 Missiles to transition to the Air Warfare Destroyer.
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	462	283	59	65	6	The variation is primarily due to an increase in planned work and rescheduling of activity with Government approval to proceed with Ships 2-8.
<b>Deputy Chief Executive Officer</b>							
<b>Air Warfare Destroyer</b>							
Air Warfare Destroyer Build	SEA 4000 Phase 3	7883	3038	841	701	-139	All 31 blocks for AWD01, HMAS <i>Hobart</i> , are in production and three blocks from the BAE Systems shipyard in Melbourne for AWD01 were sent to ASC in Adelaide. The first arrived in August 2011 and the other two in September 2011. To balance capacity across shipyards and limit delays to the program schedule, hull construction has been reallocated between the three Australian shipyards (ASC, BAE Systems and Forgacs in Newcastle) and Navantia in Ferrol, Spain. Eleven blocks for AWD02 are under construction at ASC, Forgacs and Navantia. Two blocks for AWD02 will be constructed at BAE Systems. The third and final of the three shipsets of AWD Aegis Combat System equipment was formally accepted by the US Navy in July 2011. The variation is due to schedule slippage of 12 months (as advised in the <i>Defence Annual Report 2010-11</i> Volume 2), a reduction in forecast payments for Financial Military Sales and reprogrammed phasings aligning payment schedule for SM2 and Harpoon contracts expenditure.

Project number/ phase	Approved project expenditure	Cumulative expenditure to 30 June		Budget estimate	Revised estimate	Variation	Project performance update and explanation of variation
		2011 \$m	2011-12 \$m	2011-12 \$m	2011-12 \$m	\$m	
<b>Amphibious Deployment and Sustainment</b>							
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/4B	3,088	1,569	707	636	-72	LHD02 keel was laid on 18 February 2011. Erection of the hull is well advanced. Lessons learned during the construction of LHD01 have been effectively applied to the construction of LHD02, resulting in reduced levels of re-work and greater production efficiencies. LHD01 superstructure production at the BAE Systems Williamstown dockyard is underway, as is the commencement of integration testing of the Combat and Communications Systems. The LHD hulls will be transported to Australia by Heavy Lift Ship and are scheduled to arrive in August 2012 and February 2014 respectively. The variation is primarily due to the program exercising an opportunity to achieve production milestones early, resulting in expenses being brought forward from 2011-12 to 2010-11. Foreign Exchange gains have also contributed significantly to the revised estimate.
<b>Collins and Wedgetail</b>							
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,836	2,972	401	313	-88	Acceptance of the next increment of aircraft capability, planned for June 2011, did not occur until August 2011. Ongoing issues with the Electronic Support Measures subsystem, system integration, and close-out of open Test Problem Reports will result in final acceptance of all aircraft hardware and software components, planned for December 2011 and March 2012 respectively, not occurring until July 2012. Acceptance of the first fully configured aircraft in July 2012 will represent a 68 month delay against the original contract baseline. Incremental delivery of the associated ground support systems was planned for completion by March 2012. Initial acceptance should be completed by early 2012, with final acceptance anticipated by November 2012. The variation is driven primarily by further slippage in the System Acquisition Contract schedule.
<b>New Air Combat Capability</b>							
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/2B	2,579	71	65	58	-7	The outcomes of the Integrated Baseline Review and the revised US Joint Strike Fighter Program Plan are now not expected to be known until the US budgetary review activity is finalised in early 2012. The variation is primarily due to an adjustment to the timing of shared payment contributions Australia is required to make as a partner in the Joint Strike Fighter program.
<b>Total -Top 30 Projects (Gross Plan)</b>							
		<b>42,932</b>	<b>22,640</b>	<b>4,465</b>	<b>3,328</b>	<b>-1,137</b>	

**Table 87: Major Capital Investment Program by 2011-12 forecast expenditure**

		Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m
Top 30 Projects Gross Plans	A	4,465	3,328	-1,137
Other Approved Project Gross Plans	B	649	816	167
<b>Total Gross Plan Project Estimates</b>	<b>C = A+B</b>	<b>5,114</b>	<b>4,144</b>	<b>-970</b>
Management Margin: Slippage <sup>[1]</sup>	D	-785	-293	492
<b>Payments Required from Defence for Approved Programs<sup>[2]</sup></b>	<b>E = C+D</b>	<b>4,329</b>	<b>3,851</b>	<b>-478</b>
Projects Planned for Government Consideration and Transfer to the DMO	F	647	335	-312
<b>Total Estimated Funds Available</b>	<b>G = E+F</b>	<b>4,976</b>	<b>4,186</b>	<b>-790</b>

**Notes**

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2011-12 financial year progresses.
2. Refer to Table 11: Total Planned Payments to the DMO, on page 19.

Table 88: Current status of previously reported Top 30 projects (projects reported in the last five financial years)

Project number/phase	Last financial year reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Status report	
<b>General Manager Systems</b>								
<b>Aerospace Systems</b>								
Hornet Structural Refurbishment Program Stage 2	AIR 5376 Phase 3.2	2009-10	952	319	16	-	-16	AIR 5376 Phase 3 project was formally closed on 5 November 2011. The remaining activities associated with Structural Refurbishment Program are to be completed under the Government approved Hornet Structural Assurance Consolidation Program (HSACP). The HSACP has been established to complete the remaining Structural Refurbishment Program Phase 1D program, remediate a number of known ageing aircraft issues and investigate other potential ageing aircraft risks to achieving the fleet planned withdrawal date. Some of the savings made in AIR 5376 Phase 3 were reinvested as part of the HSACP approval. The HSACP was established within the F/A-18 A/B Hornet in-service sustainment program.
Hornet Upgrade Project Target Designation System	AIR 5376 Phase 2.4	2006-07	152	116	12	..	-12	All 41 Litening pods have been delivered, providing an enhanced day and night laser and precision targeting capability for the F/A-18 A/B Hornet. The project expects Final Operating Capability to be declared in early 2012, with project closure to occur in mid-2012.
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	2008-09	126	51	27	27	..	The DMO has finalised the Production, Sustainment, and Follow-on Development Memorandum of Understanding with the US Navy, which was subsequently agreed by Government at Intermediate Consideration in December 2011. Signature is planned for March 2012.
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	62	18	13	-5	AIR 5276 Phase 8B remains on the Projects of Concern list, due to poor contractor performance against the project schedule. A revised contract baseline for a March 2013 delivery was approved in November 2011. Taking into consideration the ongoing risk of further delay, Defence has committed to deliver by December 2013. The prototype aircraft is expected to enter modification in early 2012.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Status report
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	56	9	9	..	The project suffered delays of 13 months to the contracted In-Service Date of April 2010 as a result of subcontractor performance. The last remaining impediments to progressing to flight test and subsequent delivery of the capability have been resolved. The forecast In-Service Date is May 2012.
<b>Electronic Systems</b>								
Tactical information Exchange Domain	JP 2089 Phase 2A	2010-11	104	45	13	15	2	Work on SHIP 01 has progressed ahead of schedule.
High Frequency Modernisation	JP 2043 Phase 3A	2010-11	671	431	15	6	-9	Delay in approval of a proposed change of scope to the Mobile upgrade program has delayed work and expenditure against platforms affected by the changes.
Jindalee Radar Network	JP 2025 Phase 3&4	2006-07	1249	1239	-	..	..	Project is undertaking project closure activities.
Electronic Warfare Self Protection for Selected Aircraft	AIR 5416 Phase 2	2009-10	292	274	3	2	-1	Project is in final closure following de-scope by government. All activities are to be completed by mid-2012.
Improvements to the Logistics Information Systems	JP 2077 Phase 2B	2009-10	103	98	-	-	-	Target date for Final Operational Capability of 29 June 2012 has been identified. Outstanding issues are being managed through the Military Integrated Logistics Information System (MILIS) Inventory Assurance Program (MIAP) with targeted resolution/prioritisation of effort towards improving MILIS and logistics performance.
MILSATCOM Terrestrial Infrastructure	JP 2008 Phase 3E	2007-08	208	206	-	1	1	Project Closure has been delayed from last financial year to May 2012. The activity to be completed prior to closure is the acquisition of radio frequency Barriers for DSTO.
<b>Explosive Ordnance</b>								
Lightweight Torpedo Replacement	JP 2070 Phase 2	2010-11	337	228	19	21	2	Shipboard integration issues identified during acceptance testing have now been resolved satisfactorily. Operational test and evaluation will commence in 2012 with Initial Operational Capability also expected in 2012.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Status report
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	2008-09	235	204	9	1	-7	A partial delivery of Excalibur precision guided munitions and control systems is expected in early 2012 with remaining deliveries to be delivered in late 2012.
Mulwala Redevelopment Project	JP 2086 Phase 1	2010-11	369	277	25	45	19	Final Acceptance is scheduled to occur in February 2013, 20 months behind the original contract schedule.
Evolved Sea Sparrow Missiles	SEA 1428 Phase 4	2009-10	89	78	..	6	6	Follow on procurements of Evolved Sea Sparrow Missiles / canisters for the ANZAC/FFG Frigates are planned with the project to be completed in 2016 upon staggered delivery of missiles/canisters.
<b>Land Systems</b>								
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	34	6	4	-3	Delivery of Light Weight Automatic Grenade Launcher has been delayed due to rejection of the preferred supplier's offer following negotiations.
Tank Replacement Project	LAND 907 Phase 1	2007-08	559	441	23	6	-17	This project achieved Final Operational Capability in August 2011.
<b>Maritime Systems</b>								
Anzac Ship Project	SEA 1348 Phase 2	2007-08	5381	5366	6	7	1	Contractor warranty work and essential safety upgrade of ships to contemporary standards continues prior to commencement of the project closure process.
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1450	1347	15	9	-6	Delivery of the upgraded FFG materiel capability is achievable within the current approved Project Cost. Variation is attributable to a reduced requirement for upgraded Underwater Warfare Systems components and the land based combat system facility.
Armidale Class Patrol Boat	SEA 1444 Phase 1	2007-08	537	485	5	4	-1	All 14 patrol boats are in operational service. The work to improve engineering and habitability features is now complete.



	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Status report
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	2007-08	388	237	23	43	19	Government approved the ASMD upgrade for Ships 2-8 in December 2011 following successful trials of the ASMD solution.
Ships Self Defence Capability	SEA 1779 Phase 1	2007-08	53	44	-	-	-	Project is technically complete.
<b>General Manager Programs</b>								
Amphibious Deployment and Sustainment								
Maritime Operations Support Capability	SEA 1654 Phase 2A	2006-07	139	138	-	..	..	Project is complete and is being closed.
<b>Collins and Wedgetail</b>								
Collins Replacement Combat System	SEA 1439 Phase 4A	2007-08	450	426	7	5	-2	Combat System installations continue. However, as each installation is dependent on the Full Cycle Docking program completion dates may vary according to changes with the Integrated Master Schedule. The final two systems are planned for installation in HMAS <i>Rankin</i> during the docking that commenced in 2011 and in HMAS <i>Collins</i> during a docking commencing in 2012. The project will complete in 2015.
Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008-09	411	313	13	13	..	Major modifications to fire fighting safety, sewage system safety, submerged signal ejector, diesel safety modifications, training systems and a Special Forces capability continue. However, as each installation is dependent on the Full Cycle Docking program completion dates may vary according to changes with the Integrated Master Schedule.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Status report
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	426	285	15	12	-3	Heavyweight torpedo modifications continue. However, as each modification is dependent on the Full Cycle Docking program completion dates may vary according to changes with the Integrated Master Schedule. Platform modifications in HMAS <i>Rankin</i> are being made during the docking that commenced in 2011. Modifications in HMAS <i>Collins</i> will be made during a docking commencing in 2012. Torpedo deliveries from the US are being received in accordance with the agreed schedule.
<b>New Air Combat Capability</b>								
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	153	152	-	1	1	All elements of this phase of the project are complete. The New Air Combat Capability is to be delivered under AIR 6000 Phase 2A/B (Stage 1 Approved) and 2C.
			<b>15,199</b>	<b>12,951</b>	<b>279</b>	<b>248</b>	<b>-31</b>	

## TOP 10 MINOR CAPITAL INVESTMENT PROJECTS BY 2011-12 FORECAST EXPENDITURE

The following table lists the Top 10 approved Minor Capital Investment Projects by forecast expenditure for 2011-12. Schedules for delivery of the capability are included in the descriptions of the Top 10 minor projects.

**Table 89: Top 10 approved Minor Capital Investment Projects by forecast expenditure for 2011-12. .**

	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Project performance update and explanation of variation
<b>Navy</b>							
Digital Voice Recording Equipment	NMP1822	21	3	3	3	..	Design issues were rectified and factory acceptance tests were completed in November 2011.
<b>Army</b>							
Field Refrigeration Storage and Distribution	AMP081.0 3	22	8	6	3	-3	During 2011, the project completed acquisition and commenced transition into service. Key activities included final deliveries of all hardware and introduction into service training. Unit issue, achievement of Final Operational Capability and project closure are expected by July 2012. The financial variation is a result of deliverables scheduled for acceptance in 2011-12 being delivered earlier than originally planned and paid for in 2010-11.
Light Tracked Bulldozer (RPT)	AMP007.2 5	7	..	5	4	-1	Variance attributable to reprogramming of expenditure based on the risk of final delivery of vehicles occurring in July 2012, rather than June 2012. The contractor forecasts delivery in June 2012 and is currently working to schedule.
Replacement Fire Fighting Truck Rural	AMP085.0 6	12	4	5	5	..	No significant variation.
Enhanced Land Force (ELF) Weapons Training Simulator System (WTSS)	AMP029.4 4	26	..	4	..	-3	Delays in the solicitation stage of the project have caused the financial variation. Contract signature is planned for late January 2012 with opportunities to compress the delivery and project schedule.
Bullet Trap Blank Firing Attachment	AMP048.4 2	11	3	4	3	-1	In August 2011, Government approved the removal of the requirement for Bullet Trap Blank Firing Attachments for the F89 Minimi family of weapons was removed from the project. Consequently, this project will deliver over 46,000 Bullet Trap Blank Firing Attachments for the F88 Austeyr family of weapons and M4A1 Carbine Modular Weapon System. The F88 variant is currently being delivered to units with the manufacture of the F88 Carbine variant completed in October 2011. By the end of July 2012, it is anticipated all Bullet Trap Blank Firing Attachments for the Austeyr family of weapons and M4A1 Carbine Modular Weapon System will have been delivered to the ADF. F88 Carbine bullet trap blank firing attachment delivery achieved early; late in 2010-11 rather than 2011-12.

	Project number/ phase	Approved project expenditure \$m	Cumulative expenditure to 30 June 2011 \$m	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m	Project performance update and explanation of variation
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.1 2	44	3	3	6	3	This project entered a contract with Thales Australia in May 2011, four months ahead of schedule. The variation resulted from an early contract signature, with a milestone payment profile different to that assumed prior to contract negotiations.
<b>Air Force</b>							
Traffic Alert and Collision Avoidance System (TCAS)	AFM0100 1	25	5	10	11	1	The prototype aircraft was modified in the final quarter of 2011. Acceptance Testing and Evaluation is forecast for the first quarter of 2012 with an anticipated In-Service Date of May 2012. Modification of the Flight Simulator to represent the new configuration is forecast to occur in the third quarter of 2012. The increase is to cover additional cost to integrate the TCAS system in the aircraft.
Tactical Communications Router	AFM0093 5	3	..	3	..	-3	Source evaluation and selection of a preferred supplier was completed in November 2011. The key risk related to the project is obtaining Third Party Re-transfer approvals from the US Department of State to allow timely provision of government furnished equipment interface control documents to the contractor. Delays have occurred in undertaking the solicitation process resulting in planned spend for 2011-12 being rescheduled to 2012-13.
462SQN Electronic Combat and Monitoring System	AFM0097 7	3	..	3	..	-2	A Restricted Tender will now be released in January 2012 with responses due in March 2012. Delivery of the capability is now planned for the first of quarter of 2014. Delays in defining requirements have caused a schedule slip.
<b>Total -Top 10 Minor Projects</b>		<b>175</b>	<b>27</b>	<b>44</b>	<b>35</b>	<b>-9</b>	

**Note**

1. The Top 10 Minor Projects are based on a review of expenditure plans for 2011-12 and the following years conducted in December 2011.

**Table 90: Minor Capital Investment Program by 2011-12 forecast expenditure**

	Budget estimate 2011-12 \$m	Revised estimate 2011-12 \$m	Variation \$m
Top 10 Projects Gross Plans	44	35	-9
Other Approved Project Gross Plans	36	47	11
<b>Total Gross Plan Project Estimates</b>	<b>81</b>	<b>82</b>	<b>1</b>
Management Margin: Slippage <sup>[1]</sup>	-7	-9	-3
<b>Payments Required from Defence for Approved Programs<sup>[2]</sup></b>	<b>74</b>	<b>73</b>	<b>-1</b>
Projects Planned for Consideration and Transfer to the DMO <sup>[2]</sup>	39	53	13
<b>Total Estimated Funds Available</b>	<b>113</b>	<b>125</b>	<b>12</b>

**Notes**

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2011-12 year progresses.
2. Refer to Table 11: Total Planned Payments to the DMO, on page 19.

**Program 1.2 Management of Capability Sustainment**

**Program 1.2 Objective**

There has been no change to the Program 1.2 Objective since the *Portfolio Budget Statements 2011-12*. Refer to Page 185 of the *Portfolio Budget Statements 2011-12* for current Program 1.2 Objectives information.

**Program 1.2 Expenses**

The nature of the costs of Program 1.2 remains as described in the *Portfolio Budget Statements 2011-12*. The revised planned resource use for Program 1.2 is \$5,414.0m in 2011-12 which now represents approximately 54 per cent of the DMO's total expenses. The revised planned resource use for Program 1.2 includes:

- direct appropriation of \$558.9m relating to Sustainment workforce and operating expenses
- the cost of contracted services to Defence of \$4,203.3m
- support for current operations of \$590.5m
- the DMO's element of Net Operating Costs of \$41.3m in support of new capabilities expected to enter service
- resources received free of charge from Defence of \$20.0m.

**Table 91: Program 1.2 Management of Capability Sustainment**

	2010-11 Actual \$'000	2011-12 Revised budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,213,204	4,835,094	4,615,935	4,922,962	5,252,189
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1 and No. 3)	521,230	558,915	561,090	575,164	601,662
Departmental item					
Expenses not requiring appropriation in the Budget year <sup>1</sup>	19,538	20,026	20,527	21,040	21,566
<b>Total program expenses</b>	<b>4,753,972</b>	<b>5,414,035</b>	<b>5,197,552</b>	<b>5,519,166</b>	<b>5,875,417</b>

**Note**

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

**Program 1.2 Deliverables**

The changes to the detailed descriptions of deliverables for the Top 20 DMO sustainment products are contained in Table 92.

**Program 1.2 Key Performance Indicators**

There have been no changes to the Program 1.2 Key Performance Indicators since the *Portfolio Budget Statements 2011-12*. Refer to Page 186 of the *Portfolio Budget Statements 2011-12* for current Program 1.2 Key Performance Indicators information.

## TOP 20 SUSTAINMENT PRODUCTS BY 2011-12 FORECAST EXPENDITURE

Table 92 lists the Top 20 sustainment products by forecast expenditure for 2011-12. The key objective of sustaining the ADF and its capabilities to meet operational requirements through support to platforms, equipment and services of the Top 20 products are included in the descriptions that follow the table.

**Table 92: Top 20 sustainment products by forecast expenditure in 2011-12**

	Budget estimate	Revised estimate	Variation	Product performance update and explanation of variation
	2011-12 \$m	2011-12 \$m		
<b>General Manager Systems</b>				
<b>Aerospace Systems</b>				
Airborne Early Warning & Control	171	153	-18	Sustainment of the AEW&C capability is progressing as planned. Owing to delays in the acquisition project, Initial Materiel Release is now expected during 2012. Delays in standing up contractor staff, delivery of the Electronic Surveillance Measures system, and reduced ability of new supply chains to deliver and repair spares has resulted in lower than planned expenditure.
F/A-18 Hornet Weapons System	187	151	-36	During 2011, aircraft serviceability rates have generally been slightly below in-year targets due to a fleet-wide inspection and subsequent rectification actions, following the failure of a non-critical nose landing gear component on an aircraft in February 2011. Plans to minimise the impact of this ageing aircraft issue were developed and successfully implemented by the DMO and Air Force such that aircraft serviceability levels were still sufficient to meet training and operational requirements. Notwithstanding this issue, serviceability levels during 2011 remained above historical levels. An Ageing Aircraft Systems Audit commenced in September 2011 with an interim report completed at the end of 2011 and the final report by mid-2012. This audit is aimed at identifying risks that will need management/treatment for the fleet to achieve the fleet planned withdrawal date of 2020. The variation is primarily due to delays in initiating the Hornet Structural Assurance Consolidation Program.
P-3C/AP-3C Orion Weapons System	111	136	25	During 2011, two aircraft have completed the safety-by-inspection program and a further aircraft is planned by June 2012. Additionally, the Capability Assurance Program Phase 1 and Radar Processor - Advanced major upgrades, along with the Traffic Collision Avoidance System minor project, will enter modification incorporation phase. To mitigate the pressures on operational aircraft availability for the upgrades, a substantial maintenance program re-engineering effort is planned for completion by the first quarter of 2012. This re-engineering will optimise aircraft deep maintenance while preserving safety and capability consistent with Strategic Reform Program objectives. The variation is primarily due to an increase in funding to alleviate pressures with sonobuoys, a number of essential avionics systems, facility requirements, hydraulics, and landing gear. There is also a small addition attributed to the increase in net personnel and operating costs associated with the delivery of the Capability Assurance Program (Project AIR 5276 CAP1).



	Budget estimate	Revised estimate	Variation	Product performance update and explanation of variation
	2011-12	2011-12		
	\$m	\$m		
F/A-18F Block II Super Hornet Weapons System	110	86	-24	The full fleet of 24 F/A-18F Block II Super Hornet aircraft has been progressively introduced into service over the period March 2010 to October 2011. Foreign Military Sales programs and commercial contracts have been established to provide the required logistics support. Aircrew and maintenance training is now being carried out in Australia with the commissioning of simulators and maintenance training aids. Spares and support equipment continue to be delivered in the lead-up to declaration of Final Materiel Release in December 2012. The focus for 2012 will be achieving fleet availability and serviceability targets, as flying rate of effort increases and the sustainment support system matures. As the Super Hornet is a new fleet, gauging the required support and commensurate funding has been problematic and, coupled with a favourable exchange rate, has resulted in a variation to the original forecast.
Lead-in Fighter Hawk 127 Weapons System	89	79	-10	The performance-based in-service support contract was extended for two years in July 2011. Primary focus for 2012 is to tender for the long-term in-service support, and to remediate an engine low pressure turbine blade defect, with minimal impact to capability. This low pressure turbine blade defect is affecting all Rolls-Royce Adour engines fitted to Hawk and Hawk-variant aircraft across the globe. The variation is primarily due to delays in the commencement of the fleet repaint program, the long lead time for the procurement of the Head-Down Flight Displays, and a favourable exchange rate.
C-130J-30 Weapons System	78	74	-4	The variation is primarily due to a favourable exchange rate.
C-17 Heavy Air Lift	57	38	-19	The fifth C-17 aircraft was received into the fleet in September 2011 and represents a significant enhancement to the ADF's heavy air lift capability. The variation is primarily due to re-apportionment of US Air Force contract costs at the end of the US financial year. Reduced costs arise from reduced hours flown in the Australian fleet as a proportion of the world-wide fleet (which has flown more hours than planned). Sustainment funding for the Large Aircraft Infra-red Countermeasures System was also transferred from the C-17 budget for cross-platform amalgamation.
C-130H Weapons System	57	57	-	No variation.
<b>Electronic Systems</b>				
Wide Area Surveillance Capability	88	87	-1	The first phase of the program to achieve cost savings was completed in May 2011, achieving 80 per cent of the Wide Area Surveillance Strategic Reform Program target. A change in planned support effort for the current year has resulted in a reduced budget requirement.

	Budget estimate	Revised estimate	Variation	Product performance update and explanation of variation
	2011-12	2011-12		
	\$m	\$m		
<b>Explosive Ordnance</b>				
Explosive Ordnance - Navy, Army, Air Force	308	291	-17	The Domestic Munitions Manufacturing Arrangements Project was launched and an Invitation to Register was released to the global munitions market. The Invitation to Register responses were submitted and evaluations have been completed, with shortlisted respondents notified in October 2011. An increase in Army requirements for munitions has been offset by funding transfers to Defence Support Group for Mulwala facilities work and deferral of planned work to remediate guided weapons maintenance facilities.
<b>Helicopter Systems</b>				
Multi Role Helicopter	104	89	-15	The variation is primarily due to a lower than planned number of aircraft in service and a lower than planned rate of effort due to technical and support issues.
S70A-9 Black Hawk Weapons System	96	95	-1	The variation is primarily due to the foreign favourable exchange rates.
Armed Reconnaissance Helicopter Weapons System	96	96	-	As at January 2012, all 22 aircraft have been accepted and flown in excess of 9,300 hours. Thirteen of the mature configuration aircraft have been fielded in Army's 1st Aviation Regiment, Darwin. The technical issues with the helmet mounted sight and displays have now been resolved and a night capability is now under development.
S70B-2 Seahawk Weapons System	63	64	1	The variation is due to Seahawk Capability Assurance Program activities being transferred from Program 1.1 to Sustainment.
<b>Land Systems</b>				
General Service B Vehicle Fleet	79	84	5	Additional funding was allocated by Army for the maintenance of the B Vehicle fleet to include additional maintenance liability arising from the commencement of the Enhanced Equipment Pools trial. This trial explores efficiencies through the pooling of vehicles and the associated maintenance management activities.
ADO Commercial Vehicle Fleet	62	54	-8	The procurement of 960 vehicles and trailers is planned for 2011-12. The number of vehicles planned for replacement in 2011-12 has been reduced by 186 after the implementation of several Strategic Reform Program initiatives. The variation is primarily attributed to the implementation of a number of Strategic Reform Program initiatives for the management and replacement of the commercial vehicle fleet. In particular the implementation of extended life of type of vehicles which reduced the number of vehicles being replaced in 2011-12.
<b>Maritime Systems</b>				
Fuels and Lubricants - Navy, Army, Air Force	478	419	-59	Navy and Air Force reallocated funding to higher priority activities. Fuel holdings at commencement of year were higher than average and fuel prices have decreased. Navy and Air Force have had no negative impact on capability.

	Budget estimate	Revised estimate		
	2011-12	2011-12	Variation	
	\$m	\$m	\$m	Product performance update and explanation of variation
Anzac Class Frigate	211	189	-22	The variation is due to delays in awarding a number of ANZAC Alliance Program contracts and reallocation of funds by Navy to higher priority sustainment activities.
Adelaide Class Frigate	106	127	21	The variation is due to the draw down of net personnel and operating costs associated with the upgrade program.
<b>General Manager Programs</b>				
Collins Class Submarines	443	479	36	Additional funding for maintenance, obsolescence remediation and purchase of critical spares.
<b>Total -Top 20 Products</b>				
	<b>2,994</b>	<b>2,848</b>	<b>-146</b>	
Other approved Sustainment Product estimates	1,293	1,355	62	
<b>Total Sustainment Product Funds Available</b>				
	<b>4,287</b>	<b>4,203</b>	<b>-84</b>	
Support to Operations	599	591	-8	
<b>Total Sustainment and Operations Funding</b>				
	<b>4,886</b>	<b>4,794</b>	<b>-92</b>	

### Program 1.3 Provision of Policy Advice and Management Services

#### Program 1.3 Objective

Information relating to the Program 1.3 Objectives remains as reported in the *Portfolio Budget Statements 2011-12*, except for the following.

The National Partnership on the School Pathways Program will now provide \$5.8m from 2011-12 over four years to South Australia and Western Australia.

#### Program 1.3 Expenses

The nature of the costs of Program 1.3 remains as described in the *Portfolio Budget Statements 2011-12*.

The revised planned resources use for Program 1.3 is \$130.3m in 2011-12 which now represents approximately one per cent of the DMO's total expenses. The planned resource use for Program 1.3 includes:

- direct appropriation of \$120.6m for policy advice and management services
- resources received free of charge from Defence and ANAO of \$8.7m
- other revenue of \$1.0m.

**Table 93: Program 1.3 Provision of Policy Advice and Management Services**

	2010-11 Actual \$'000	2011-12 Revised budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	-	1,015	1,021	1,025	1,031
Annual departmental expenses:					
Ordinary Annual Services (Appropriation Bill No.1 and No. 3)	76,962	120,600	121,971	120,381	111,338
Departmental item					
Expenses not requiring appropriation in the Budget year <sup>1</sup>	8,562	8,727	8,896	9,070	9,248
<b>Total program expenses</b>	<b>85,524</b>	<b>130,342</b>	<b>131,888</b>	<b>130,476</b>	<b>121,617</b>

**Note**

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

**Program 1.3 Deliverables**

There have been no changes to Program 1.3 deliverables since the *Portfolio Budget Statements 2011-12*. Refer to Page 197 of the *Portfolio Budget Statements 2011-12* for current Program 1.3 Deliverables information.

**Program 1.3 Key Performance Indicators**

Information relating to the Program 1.3 Key Performance Indicators remains as reported in the *Portfolio Budget Statements 2011-12*, except for the following.

For the purpose of maximising the use of cost-effective Australian industry in Defence procurement, the Australian Industry Capability program, that requires an 'Australian Industry Capability Plan' for all Defence contracts, is now valued at \$20m or greater or where there is an identified Priority Industry Capabilities.

The ongoing promotion of Australian-based companies through the expansion of the DMO's ePortal that allows industry to register their capabilities; more than 1600 local companies have taken up this opportunity to date.

## Section 3: DMO Explanatory Tables and Budgeted Financial Statements

### 3.1 DMO Explanatory Tables

#### 3.1.1 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes.

Table 94 shows the expected additions (receipts) and reductions (payments) for each account used by DMO. The corresponding table in the *Portfolio Budget Statements 2011-12* is Table 93.

**Table 94: Estimates of Special Account Flows and Balances**

	Outcome	Opening balance 2011-12 2010-11 \$'000	Receipts 2011-12 2010-11 \$'000	Payments 2011-12 2010-11 \$'000	Closing balance 2011-12 2010-11 \$'000
Defence Materiel Special Account (A & D)	1	550,451 501,559	11,569,838 10,912,670	11,704,803 10,863,778	415,486 550,451
Services for Other Entities and Trust Moneys - Defence Materiel Organisation (S)	1	-	-	-	-
<b>Total Special Accounts 2011-12 Budget estimate</b>		<b>550,451</b>	<b>11,569,838</b>	<b>11,704,803</b>	<b>415,486</b>
<i>Total Special Accounts 2010-11 actual</i>		<i>501,559</i>	<i>10,912,670</i>	<i>10,863,778</i>	<i>550,451</i>

#### Notes

- (A) = Administered
- (D) = Departmental
- (S) = Special Public

## 3.2 DMO Budgeted Financial Statements

### 3.2.1 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 95: Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June**

	Actual	Revised budget	Forward estimate	Forward estimate	Forward estimate
	2010-11	2011-12	2012-13	2013-14	2014-15
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES</b>					
Employee benefits	531,619	591,329	575,124	608,959	661,740
Supplier expenses	10,089,825	9,493,762	9,134,057	10,438,258	11,723,095
Grants	9,126	28,670	29,776	26,530	28,088
Depreciation and amortisation	1,706	2,465	2,527	2,590	2,654
Write-down and impairment of assets	1,020	-	-	-	-
Other	25	-	-	-	-
<b>Total expenses</b>	<b>10,633,321</b>	<b>10,116,226</b>	<b>9,741,484</b>	<b>11,076,337</b>	<b>12,415,577</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	9,736,088	9,147,621	8,754,175	10,048,510	11,334,534
Other	2,557	-	-	-	-
<b>Total own-source revenue</b>	<b>9,738,645</b>	<b>9,147,621</b>	<b>8,754,175</b>	<b>10,048,510</b>	<b>11,334,534</b>
<b>Gains</b>					
Foreign Exchange Gains	67,398	-	-	-	-
Other	36,473	37,335	38,220	39,127	40,056
<b>Total gains</b>	<b>103,871</b>	<b>37,335</b>	<b>38,220</b>	<b>39,127</b>	<b>40,056</b>
<b>Total own-source income</b>	<b>9,842,516</b>	<b>9,184,956</b>	<b>8,792,395</b>	<b>10,087,637</b>	<b>11,374,590</b>
<b>Net cost of (contribution by) services</b>	<b>790,805</b>	<b>931,270</b>	<b>949,089</b>	<b>988,700</b>	<b>1,040,987</b>
Revenue from Government	847,282	931,270	949,089	988,700	1,040,987
<b>Surplus (Deficit)</b>	<b>56,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 96: Budgeted departmental balance sheet (as at 30 June)**

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	43,027	43,027	43,027	43,027	43,027
Trade and other receivables	1,368,529	495,215	505,568	508,635	512,290
<b>Total financial assets</b>	<b>1,411,556</b>	<b>538,242</b>	<b>548,595</b>	<b>551,662</b>	<b>555,317</b>
<b>Non-financial assets</b>					
Property, plant and equipment	6,669	6,989	7,317	7,653	7,998
Intangibles	239	320	403	488	576
Other	985,147	1,385,147	1,385,147	1,385,147	1,385,147
<b>Total non-financial assets</b>	<b>992,055</b>	<b>1,392,456</b>	<b>1,392,867</b>	<b>1,393,288</b>	<b>1,393,721</b>
<b>Total assets</b>	<b>2,403,611</b>	<b>1,930,698</b>	<b>1,941,462</b>	<b>1,944,950</b>	<b>1,949,038</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	1,679,384	1,293,416	1,293,416	1,293,416	1,293,416
Grants	4,809	4,809	4,809	4,809	4,809
Other	149,366	54,475	55,256	57,700	60,168
<b>Total payables</b>	<b>1,833,559</b>	<b>1,352,700</b>	<b>1,353,481</b>	<b>1,355,925</b>	<b>1,358,393</b>
<b>Provisions</b>					
Employee provisions	176,341	184,287	194,270	195,314	196,934
Other	3,189	3,189	3,189	3,189	3,189
<b>Total provisions</b>	<b>179,530</b>	<b>187,476</b>	<b>197,459</b>	<b>198,503</b>	<b>200,123</b>
<b>Total liabilities</b>	<b>2,013,089</b>	<b>1,540,176</b>	<b>1,550,940</b>	<b>1,554,428</b>	<b>1,558,516</b>
<b>Net assets</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>
<b>EQUITY</b>					
<b>Parent entity interest</b>					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves					
Retained surplus (accumulated deficit)	235,154	235,154	235,154	235,154	235,154
<b>Total parent entity interest</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>
<b>Total Equity</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>	<b>390,522</b>



**Table 97: Departmental statement of changes in equity — summary of movement (Budget year 2011-12)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2011</b>					
Balance carried forward from previous period	235,154	-	-	155,368	390,522
Adjustment for changes in accounting policies	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>235,154</b>	<b>-</b>	<b>-</b>	<b>155,368</b>	<b>390,522</b>
Surplus (deficit) for the period	-	-	-	-	-
<b>Total comprehensive income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners</b>					
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Departmental Capital Budget (DCBs)	-	-	-	-	-
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Estimated closing balance as at 30 June 2012</b>	<b>235,154</b>	<b>-</b>	<b>-</b>	<b>155,368</b>	<b>390,522</b>

**Table 98: Budgeted departmental statement of cash flows (for the period ended 30 June)**

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	9,312,982	10,030,221	8,753,154	10,047,485	11,333,503
Appropriations	778,293	920,969	938,736	985,633	1,037,332
Net GST received	690,356	688,201	606,238	692,168	777,137
Other	32,736	56,012	57,668	59,145	60,662
<b>Total cash received</b>	<b>10,814,367</b>	<b>11,695,403</b>	<b>10,355,796</b>	<b>11,784,431</b>	<b>13,208,634</b>
<b>Cash used</b>					
Employees	521,142	580,627	564,360	605,471	657,652
Suppliers	9,700,945	10,395,039	9,152,484	10,457,251	11,742,670
Grants	8,865	28,670	29,776	26,530	28,088
Net GST paid	631,930	688,201	606,238	692,168	777,137
Other	59	-	-	-	-
<b>Total cash used</b>	<b>10,862,941</b>	<b>11,692,537</b>	<b>10,352,858</b>	<b>11,781,420</b>	<b>13,205,547</b>
<b>Net cash from (used by) operating activities</b>	<b>-48,574</b>	<b>2,866</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	839	2,866	2,938	3,011	3,087
<b>Total cash used</b>	<b>839</b>	<b>2,866</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>
<b>Net cash from (used by) investing activities</b>	<b>-839</b>	<b>-2,866</b>	<b>-2,938</b>	<b>-3,011</b>	<b>-3,087</b>
<b>Net increase (decrease) in cash held</b>	<b>-49,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	92,440	43,027	43,027	43,027	43,027
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>43,027</b>	<b>43,027</b>	<b>43,027</b>	<b>43,027</b>	<b>43,027</b>

Table 99: Departmental Capital Budget Statement

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally from					
departmental resources <sup>1</sup>	839	2,866	2,938	3,011	3,087
<b>TOTAL</b>	<b>839</b>	<b>2,866</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	839	2,866	2,938	3,011	3,087
<b>Total cash used to acquire assets</b>	<b>839</b>	<b>2,866</b>	<b>2,938</b>	<b>3,011</b>	<b>3,087</b>

**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 100: Statement of Asset Movements (2011-12)

	Asset Category		Total
	Other property, plant and equipment \$'000	Intangibles \$'000	
<b>As at 1 July 2011</b>			
Gross book value	10,677	11,943	22,620
Accumulated depreciation/amortisation and impairment	4,008	11,704	15,712
<b>Opening net book balance</b>	<b>6,669</b>	<b>239</b>	<b>6,908</b>
<b>CAPITAL ASSET ADDITIONS</b>			
<b>Estimated expenditure on new or replacement assets</b>			
By purchase - internal sources	2,312	554	2,866
<b>Total additions</b>	<b>2,312</b>	<b>554</b>	<b>2,866</b>
<b>Other movements</b>			
Depreciation/amortisation expense	1,992	473	2,465
<b>As at 30 June 2012</b>			
Gross book value	12,989	12,497	25,486
Accumulated depreciation/amortisation and impairment	6,000	12,177	18,177
<b>Closing net book balance</b>	<b>6,989</b>	<b>320</b>	<b>7,309</b>

### 3.2.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Revisions to the budgeted financial statements for the DMO since the *Portfolio Budget Statements 2011-12* are presented in this section.

#### Income Statement

As reported in the *Defence Annual Report 2010-11*, the DMO achieved accelerated expense outcomes for major projects in 2010-11 over and above final budget estimates. Analysis of the comprehensive income statement (Table 95) reflects this accelerated 2010-11 outcome, with expenses of \$10,633m, compared to the revised estimate for 2011-12 of \$10,116m.

Total cash flow as at the revised estimates of \$11,695m as reported in Table 98, remains consistent with the total cash reported in the *Portfolio Budget Statements 2011-12* of \$11,769m, reflecting a small reduction for the strengthening of the Australian dollar since the original budget estimates.

A decrease in the DMO's estimated income and expenditure for 2011-12 of \$1,010.8m since the original budget is largely as a result of the following:

- reduction in payments required from Defence for approved major projects of \$376.7m, in large part reflecting the accelerated outcome achieved in 2010-11
- a reduction by Defence of the estimated value of projects to be approved and transferred to DMO for delivery during the remainder of 2011-12 of \$311.6m
- a decrease in estimates due to the strengthening of the Australian dollar against foreign currencies since the publication of the *Portfolio Budget Statements 2011-12* of \$143.4m for both acquisition and sustainment activity
- a decrease in sustainment funding of \$53.5m reflecting customer demand and requirements
- a reduction by Defence to the provision for personnel and operating costs of \$81.4m anticipated to be transferred to DMO
- the removal of estimates relating to activities performed on behalf of the foreign governments of \$55.0m as a result of the change in accounting treatment.

#### Balance Sheet

The balance sheet has been updated to reflect the 2010-11 audited financial statements and adjustments to the income statement as described above.

Whereas the receivables and creditors are anticipated to reduce from the 30 June 2011 balances, the prepayments to suppliers are expected to increase.

#### Statement of Cash Flows

The estimated cash flow has been updated to reflect the changes in the income statement and balance sheet as noted above.

### 3.2.3 ADMINISTERED BUDGETED FINANCIAL STATEMENTS TABLES

**Table 101: Schedule of budgeted income and expenses administered on behalf of government  
(for the period ended 30 June)**

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation revenue</b>					
Interest	2,285	1,000	1,000	1,000	1,000
<b>Total non-taxation revenue</b>	<b>2,285</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Total revenues administered on behalf of Government</b>	<b>2,382</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Gains</b>					
Other	97	-	-	-	-
<b>Total gains administered on behalf of Government</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income administered on behalf of Government</b>	<b>2,382</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>

**Table 102: Schedule of budgeted assets and liabilities administered on behalf of government (as  
at 30 June)**

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Receivables	12,618	4,217	4,217	4,217	4,217
<b>Total financial assets</b>	<b>12,618</b>	<b>4,217</b>	<b>4,217</b>	<b>4,217</b>	<b>4,217</b>
<b>Total assets administered on behalf of Government</b>	<b>12,618</b>	<b>4,217</b>	<b>4,217</b>	<b>4,217</b>	<b>4,217</b>

**Table 103: Schedule of budgeted administered cash flows (for the period ended 30 June)**

	Actual 2010-11 \$'000	Revised budget 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	1,058	9,400	1,000	1,000	1,000
<b>Total cash received</b>	<b>1,058</b>	<b>9,400</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Net cash from (used by) operating activities</b>	<b>1,058</b>	<b>9,400</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Net increase (decrease) in cash held</b>	<b>1,058</b>	<b>9,400</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
Cash and cash equivalents at beginning of reporting period	-	-	-	-	-
Cash to Official Public Account for: - Transfers to other entities (Finance - Whole of Government)	1,058	9,400	1,000	1,000	1,000
<b>Cash and cash equivalents at end of reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **DMO NOTES TO THE FINANCIAL STATEMENTS**

The notes on the budgeted financial statements (income, balance sheet, cash flows and capital budget statement) remain as reported in the *Portfolio Budget Statements 2011-12*.





# **DEFENCE HOUSING AUSTRALIA**

## **RESOURCES AND PLANNED PERFORMANCE**

**Section 1: DHA Overview and Resources**

**Section 2: DHA Outcomes and Planned Performance**

**Section 3: DHA Explanatory Tables and Budgeted Financial Statements**

## Section 1: DHA Overview and Resources

DHA advises no significant changes to targets published in the *Portfolio Budget Statement 2011-12*. However, the DHA Board and Advisory Committee composition have changed and are detailed below.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Michael Del Gigante
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	Hon JAL (Sandy) Macdonald
Commercial Director	Hon Arch Bevis
Nominee Secretary of Finance and Deregulation	Mr Gary Potts
Nominee Secretary of Defence	Mr Peter Sharp
Nominee Chief of Defence Force	Air Vice Marshal Gary Beck AO (rtd)

DHA has an Advisory Committee which has the following members:

Chairman	Air Vice Marshal Gary Beck AO (rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Alan Du Toit DSC, AM, RAN
Appointee of Chief of Army	Major General Paul Symon AO
Appointee of Chief of Air Force	Air Vice Marshal Gavin (Leo) Davies CSC
Appointee of Defence Housing Australia	Mr Michael Del Gigante

## Section 2: DHA Outcomes and Planned Performance

DHA advises no significant changes to targets published in the *Portfolio Budget Statements 2011-12*.

## Section 3: DHA Explanatory Tables and Budgeted Financial Statements

DHA advises no significant changes to targets published in the *Portfolio Budget Statements 2011-12*.

# **APPENDICES**

**Glossary**

**Acronyms and Abbreviations**

## Glossary

Accumulated Depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Additional estimates	Where amounts appropriated at Budget time are required to change, Parliament may make adjustments to portfolios through the Additional Estimates Acts.
Administered appropriation	Revenue, expenses, assets and liabilities administered by and agency for the Commonwealth (such as taxes, benefits payments and public debt) that are not concerned with running the agency or its commercial activities.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Assets, liabilities, revenues and expenses that are controlled by Defence or a subsidiary. Includes officials allocated to the organisation.
Amortisation	A term used interchangeably with depreciation, except that it applies to a non-current physical asset under finance lease, or a non-current intangible asset, over its limited useful life.
Appropriation	An authorisation by Parliament to spend money from the Consolidated Revenue Fund (the principal working fund of the Commonwealth) for a particular purpose.
Annual appropriation	Two appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the additional estimates.
Assets	Future economic benefits controlled by Defence as a result of past transactions or other past events. Assets are initially recognised at the cost of acquisition. Non-financial assets are subject to ongoing revaluation assessment.
Assets under construction	Assets under construction by Defence for Defence, or for the use of another entity according to a construction contract where Defence controls the asset until completion, or assets under construction or otherwise being made ready by another entity for use by Defence.
Australian Accounting Standards	Specify techniques of accounting practice and the method of presenting financial information about a reporting entity.
Average Funded Strength	A budgetary measure used to count the average number of ADF members paid on a full-time equivalent basis during a financial year.
Capability	The combination of military equipment, personnel, logistics support, training, resources, etc. that provides Defence with the ability to achieve its operational aims.
Capability Manager	A Capability Manager is responsible for raising, training and sustaining in-service capabilities through the coordination of fundamental inputs to capability. Capability Managers include the Service Chiefs, the Chief of Joint Operations and the Chief Information Officer.
Capital budget	All proposed capital expenditure funded by appropriation for outcomes, by equity injections or loans and/or appropriations for administered capital, or by other sources.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.
Coalition	Countries including Australia who provide troops, logistical support or assistance in Military Operations, peacekeeping or reconstruction efforts.
Combined exercise	An exercise or activity involving one or more Services of the ADF with the forces of other countries.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund. The fund is not a bank account. The Official Public Account reflects most of the operations of the fund.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.

Defence Capability Plan	The Defence Capability Plan is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget.
Defence information environment	Encompasses all of Defence's computing and communication capabilities at all classification levels. It supports all Defence warfighting functions, including overseas deployed elements and connection to Coalition networks, as well as the day-to-day management functions.
Defence Management and Finance Plan	The Defence Management and Finance Plan provides Ministers and central agencies with a clear oversight of Defence planning and financing strategies. It describes the strategies agreed through the Defence White Paper and subsequent Strategic Review papers. As a compendium of information attached to Defence's annual Portfolio Budget Submission, it is intended to help Ministers make informed strategic and budgetary decisions on Defence, by bringing into one document the expected financial position of the portfolio taking into account existing commitments and proposed new investments. The Plan also provides the Government with the information necessary to ensure that its investment in Defence is both affordable and sustainable.
Defence Procurement Review	An independent review initiated by the Government in December 2002 to examine the procurement process for major acquisitions in Defence. The review was led by Mr Malcolm Kinnaird and is also known as the Kinnaird Review.
Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Employee	Any Australian Public Service officer of Defence or serving Defence Force member who receives a salary or wage, along with other benefits, for the provision of services whether on a full-time, part-time, permanent, casual or temporary basis
Employee expenses	Include, but are not limited to, benefits provided to employees in the form of salaries and wages, performance pay, senior officers' allowances, leave, and superannuation, but does not include amounts paid or owed to employees as reimbursement of out-of-pocket expenses.
Equity injection	An additional contribution, over and above the cost of outputs. Equity injections form part of the Commonwealth's investment in Defence.
Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.
<i>Financial Management and Accountability Act 1997</i>	The Act establishes the regulatory framework for financial management within Defence and other public sector agencies.
Force element	A component of a unit, a unit or an association of units having common prime objectives and activities.
Force element group	A grouping of force elements with an appropriate command and control structure for a specified role or roles (eg the Navy Submarine Group).
Forward estimates	The level of proposed expenditure for future years, based on relevant demographic, economic and other future forecasting assumptions). The Government requires forward estimates for the following three financial years to be published in each annual Federal Budget paper.
Garrison support services	Includes a range of base support services such as ground maintenance, hospitality, training area management, base security, transport, air support and fire fighting and rescue services.

Defence Portfolio Additional Estimates Statements 2010-11

Group	A high-level organisational grouping of functions and activities used by the Defence Executive as its primary management grouping (e.g. the Capability Development Group).
Hardened and Networked Army	The Army's key initiative to modernise and meet future operations demands and requirements of the Government. It will increase the size and firepower of the land force, improve the protection provided to troops, and allow them to communicate better on the future battlefield.
Infrastructure	Items owned, leased or otherwise under the control of Defence in support of activities on land and within buildings. Infrastructure includes items such as runways, roads, car parks, parade grounds, ovals, lighting, water, sewerage and other general service related items. It does not include land upon which, or within which, it is constructed or those fixed items integral to, and under, buildings.
Interoperability	The ability of systems, units or forces to provide the services to, and accept services from, other systems, units or forces and to use the services so exchanged to enable them to operate effectively together.
Inventory	Inventory is comprised of consumable stores and supplies, fuel and explosive ordnance used in the delivery of Defence services. These are items which are consumed in normal use, lose their identity during periods of use by incorporation into, or attachment upon, another assembly, as a result of wear and tear, cannot be reconditioned because their design does not make it possible or their specific values do not justify it.
Joint exercise	An exercise involving two or more Services of the ADF.
Liabilities	Sacrifices of future economic benefits that Defence is presently obliged to make to other entities as a result of past transactions or other past events.
Materiel Acquisition Agreements	Materiel Acquisition Agreements cover the Defence Materiel Organisation's acquisition services to Defence for both major and minor capital equipment.
Materiel Sustainment Agreements	Materiel Sustainment Agreements are between the Capability Managers and the Chief Executive Officer of the Defence Materiel Organisation. These agreements cover the sustainment of current capability, including services such as repairs, maintenance, fuel and explosive ordnance.
Military response options	A set of generic tasks that describe the range of military options the Government could consider as a basis for a response to a particular situation or contingency.
Net assets	See Equity
Network Centric Warfare	The aim of Network Centric Warfare is to improve the ability of the ADF to collaborate internally with supporting agencies and with coalition partners across organisation and geographic boundaries. Network Centric Warfare would allow Defence to harness recent development in computing and communications technologies to enhance decision making and warfighting capability.
Operating result	Equals revenue less expense.
Operational tempo	The rate at which the ADF is able to deliver its operations effects, for example, the rate at which forces are dispatched and the time in which they are turned around for their next task. At the local level, this might translate to the crew of an aircraft spending a very small amount of time on the ground before it is re-tasked for its next mission. At the organisational level, this translates to available fighting forces spending very little time at home before they are deployed again for their next operation.
Outcomes	The results that the Government seeks from Defence, and are achieved by the successful delivery of its outputs, to the standards set in the Portfolio Budget Statements. For more information, see Defence's Section 2 - Planned Outcome Performance.
Permanent forces	The permanent Navy, the regular Army and the permanent Air Force.
Platforms	Refers to air, land, surface or sub-surface assets that are discrete and taskable elements within the ADF.
Portfolio additional estimates statements	Similar to the portfolio budget statement and prepared at Additional Estimates time to support and update on the Government's original annual budget for Defence.

Portfolio budget statements	The document presented by the Minister for Defence to Parliament to inform Senators and Members of the basis for the Defence budget appropriations in support of the provisions in Appropriations Bills 1 and 2. The statements summarise the Defence budget and provides detail of outcome performance forecasts and resources in order to justify expenditure for Defence.
Prescribed agency	An agency established by regulation under the <i>Financial Management and Accountability Act 1997</i> . The Act provides financial management authority to, and requires accountability by the Chief Executive of an agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Professional Service Providers	Individuals with specialist skills contracted to fill a line position.
Purchaser-provider arrangements	Arrangements under which the outputs of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies and state/territory government or private sector bodies.
Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the three key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Readiness	The readiness of forces to be committed to operations within a specified time, dependent on the availability and proficiency of personnel, equipment, facilities and consumables.
Reserves	The Naval Reserve, the Army Reserve and the Air Force Reserve.
Revenues	Inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of Defence, other than those relating to contributions by the Commonwealth, that result in an increase in equity during the reporting period.
Risk management	At the highest level, involves the identification and mitigation of those risks that have the potential to adversely affect the achievement of agreed output performance at the agreed output price.
Special account	Balances existing within the Consolidated Revenue Fund, that are supported by standing appropriations ( <i>Financial Management and Accountability Act 1997</i> , ss.20 and 21). Special accounts allow money in the Consolidated Revenue Fund to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (s.20 of the <i>Financial Management and Accountability Act 1997</i> ) or through an Act of Parliament (referred to in s.21 of the <i>Financial Management and Accountability Act 1997</i> ).
Special Appropriations (including Standing Appropriations)	An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year. Standing appropriations are a sub-category consisting of ongoing special appropriations — the amount appropriated will depend on circumstances specified in the legislation.
Specialist military equipment	Items of a specific military nature and that are not available though the normal external market in their current form to other than government military purchasers. It includes the prime military equipment plus the direct support items associated with the equipment.
Standard Defence Supply System (SDSS)	A key information system for the financial management of inventory, general stores, repairable items and other assets associated with Defence's logistic capability.
SystemS Program Office	The office of the program manager. It serves as the single point of contact with industry, government agencies, and other activities participating in the acquisition process of a given system.
Theatre	The area in which military operations and activities take place.

Two-pass approval process	The process by which major capital investment proposals are developed for consideration and approval by the Government.
Weighted average cost	An inventory valuation method which considers the fluctuating prices and quantities of acquired goods in computing of the cost of inventory. The weighted average method takes the prices of units at the beginning inventory and the varying prices of purchases made and are weighted by the number of units to determine the weighted average cost per unit. It may be computed as the weighted average cost of all available goods present in a given period, or as a weighted moving average cost adjusted when new goods are delivered.
Write-downs	The reduction in the value of assets.



## Acronyms and Abbreviations

### A

AASB	Australian Accounting Standards Board
ADF	Australian Defence Force
AEW&C	Airborne Early Warning and Control
AGA	Australian Government Actuary
AMCIP	Approved Major Capital Investment Projects
ANAO	Australian National Audit Office
ANU	Australian National University
ANZAC	Australian and New Zealand Army Corps
APS	Australian Public Service
ARH	Armed Reconnaissance Helicopter
ASLAV	Australian Light Armoured vehicle
ATC	Air Traffic Control

### C

CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CDF	Chief of the Defence Force
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COMSUPER	Commonwealth Superannuation Administration
CSS	Commonwealth Superannuation Scheme

### D

DCP	Defence Capability Plan
DFAT	Department of Foreign Affairs and Trade

DFRDB	Defence Force Retirement and Death Benefits Scheme
DHAOS	Defence Home Ownership Assistance Scheme
DHA	Defence Housing Australia
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation

### E

ELF	Enhanced Land Force
-----	---------------------

### F

FBT	Fringe Benefits Tax
FFG	Guided Missile Frigate
FMOs	Finance Minister's Orders
FMR	Final Materiel Release
FMS	Foreign Military Sales
FOC	Final Operational Capability
FTE	Full-Time Equivalent

### G

GDP	Gross Domestic Product
GST	Goods and Services Tax

### H

HMAS	Her Majesty's Australian Ship
Hon	Honourable

### I

IOC	Initial Operational Capability
ILS	Integrated Logistics Support
IMR	Initial Materiel Release
IMS	Integrated Master Schedule

<b>J</b>		PSSap	Public Sector Superannuation Scheme Accumulation Plan
JP	Joint Project		
JSF	Joint Strike Fighter	<b>R</b>	
JSOW	Joint Stand-Off Weapon	RAAF	Royal Australian Air Force
<b>L</b>		RAN	Royal Australian Navy
LEAP	Living Environment and Accommodation Precinct	ROE	Rate of Effort
<b>M</b>		<b>S</b>	
MARC	Materiel Audit and Risk Committee	SAS	Special Air Service Regiment
MILIS	Military Integrated Logistics Information System	SES	Senior Executive Service
MP	Member of Parliament	SME	Specialist Military Equipment
MoU	Memorandum of Understanding	SPO	Systems Program Office
MRH	Multi Role Helicopter	SRP	Strategic Reform Program
MSBS	Military Superannuation and Benefits Scheme	<b>U</b>	
MYEFO	Mid-Year Economic and Fiscal Outlook	URD	Unit Ready Days
<b>N</b>		US	United States
NACC	New Air Combat Capability	<b>V</b>	
NORFORCE	North West Mobile Force	VCDF	Vice Chief of the Defence Force
<b>O</b>			
OPA	Official Public Account		
OTM	Other Trust Monies		
<b>P</b>			
PM&C	Prime Minister and Cabinet		
PSS	Public Sector Superannuation Scheme		