

Defence Materiel Organisation

Agency Resources and Planned Performance

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Defence Materiel Organisation

Section 1: Agency Overview and Resources

1.1 Strategic Direction Statement

In December 2012, the CEO DMO released details of a new strategic framework to enhance accountability, re-balance the structure and deliver further reform across the DMO.

The new strategic framework aims to enhance the DMO's ability to deliver outcomes efficiently and effectively and includes key themes to shape and inform behavior. These include personal accountability, managed urgency, and for the DMO to be cost aware in every element of DMO business. The new strategic framework also supports the whole of Defence *Pathway to Change* initiative to ensure the DMO is fair, inclusive and respectful for all, and to all.

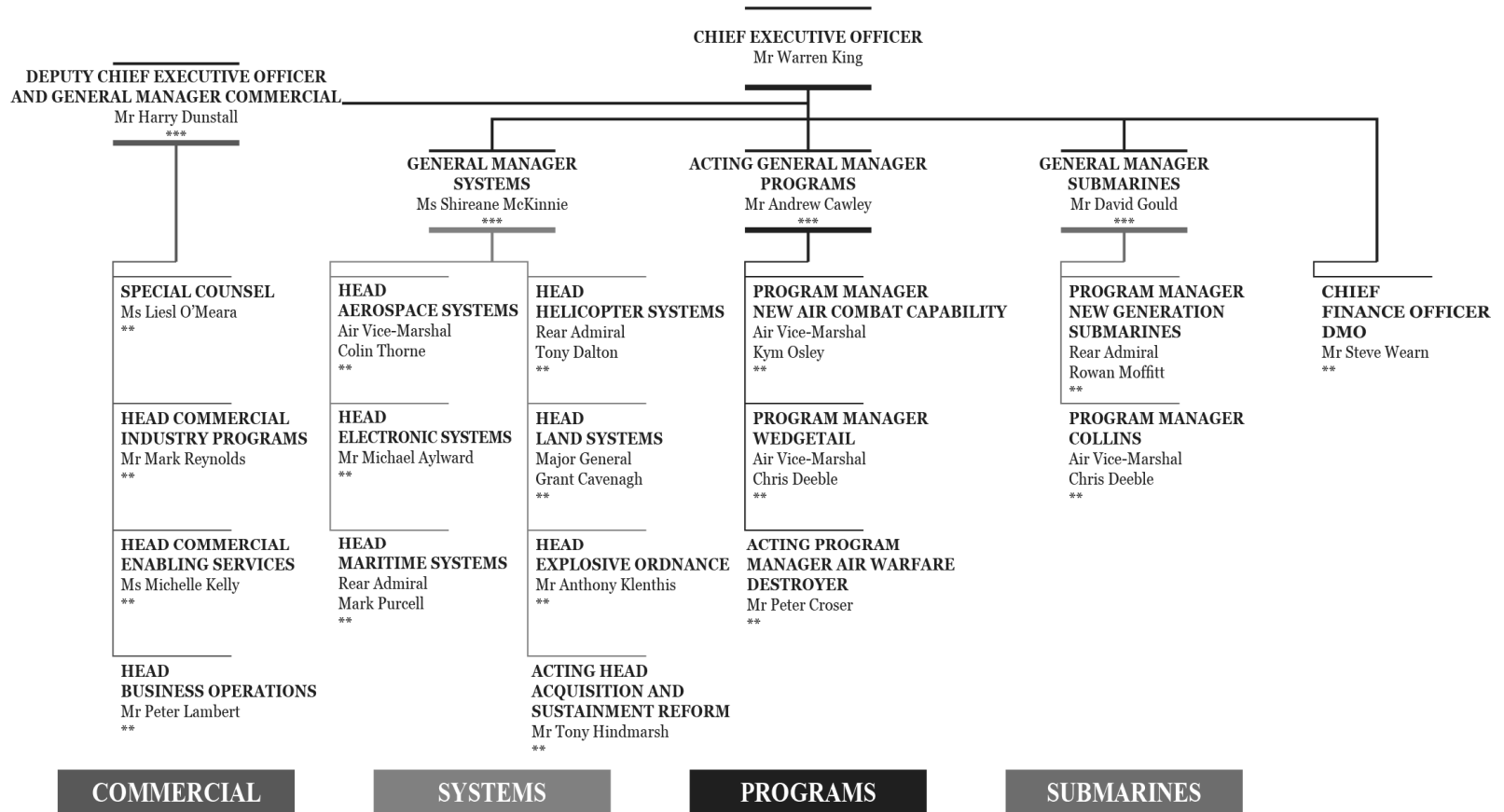
Organisational structure

One of the DMO's key objectives is to re-balance the workload across the organisation and provide better support to the people which the DMO is accountable to. To achieve this, the CEO has re-balanced the workload across the General Managers.

Effective 1 February 2013, the major changes to the DMO structure are:

- The role and responsibilities of the Deputy CEO (DCEO)/General Manager Commercial (GMCOM) will be expanded to manage reform, governance and the day to day operations of the organisation. The DCEO/GMCOM will be responsible for:
 - Special Counsel
 - Commercial and Industry Programs
 - Commercial Enabling Services
 - Business Operations Division
 - DMO Reform (the re-titled Acquisition and Sustainment Reform Division)
- General Manager Systems will be re-titled General Manager Joint, Systems and Air (GM JSA) and will be responsible for:
 - Aerospace Systems Division (including Wedgetail program)
 - Electronic Systems Division
 - New Air Combat Capability Program
 - Helicopter Systems Division
 - Standardisation Office
- General Manager Programs will be re-titled General Manager Land and Maritime (GM LM) and will be responsible for:
 - Land Systems Division
 - Maritime Systems Division (including the Amphibious Deployment and Sustainment Program)
 - Air Warfare Destroyer Program
 - Explosive Ordnance Division
- Head Acquisition and Sustainment Reform has been re-named DMO Reform and will report to the DCEO.

Figure 3: The DMO Organisational Structure as at 15 January 2013



Senior Executive Changes

The following changes have occurred to the DMO senior leadership group since 1 July 2012:

- With effect 23 July 2012, Mr David Gould commenced as General Manager Submarines.
- On 28 September 2012, RADM Tony Dalton was appointed to the position of Head Helicopter Systems Division.
- On 11 December 2012, RADM Mark Purcell was appointed to the position of Head Maritime Systems Division.

1.2 DMO Resource Statement

The Resource Statement details the resourcing for the DMO at Additional Estimates. Table 74 outlines the total resourcing available from all sources for the 2012-13 Budget year.

Table 74: DMO Resource Statement for the 2012-13 Additional Estimates

	Estimate as at Budget 2012-13 \$'000	+ Proposed Additional Estimates 2012-13 \$'000	=	Total Estimate at Additional Estimates 2012-13 \$'000	Total Appropriation Actual 2011-12 \$'000
ORDINARY ANNUAL SERVICES					
Departmental appropriation					
Prior year departmental appropriation ^[1]	415,486	-88,839		326,647	436,932
Departmental appropriation ^[2]	928,466	-17,362		911,104	931,270
Total Departmental appropriation	1,343,952	-106,201		1,237,751	1,368,202
Total Ordinary Annual Services A	1,343,952	-106,201		1,237,751	1,368,202
Total Available Annual Appropriations	1,343,952	-106,201		1,237,751	1,368,202
Special Accounts					
Opening Balance ^[3]	415,486	-88,839		326,647	436,932
Appropriation Receipts ^[4]	928,466	-17,362		911,104	931,270
Appropriation Receipts - other agencies ^[5]	8,132,945	110,518		8,243,463	10,221,149
Non-Appropriation Receipts to Special Accounts	57,668	40		57,708	114,716
Total Special Accounts B	9,534,565	4,357		9,538,922	11,704,067
Total Resourcing (A + B)	10,878,517	-101,844		10,776,673	13,072,269
Less appropriations drawn from annual appropriations above and credited to special accounts	1,343,952	-106,201		1,237,751	1,368,202
Total Net Resourcing for DMO	9,534,565	4,357		9,538,922	11,704,067

Notes

1. Estimated adjusted balance carried forward from previous year for annual appropriations.
2. Appropriation Bill (No. 1) 2012-13.
3. Estimated opening balance for special accounts (less Services for Other Entities and Trust Moneys Special accounts (SOETM)). For further information on special accounts see Table 90.
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 75: Third Party Payments From and On Behalf of Other Agencies

	Estimate as at Budget 2012-13 \$'000	Estimate at Additional Estimates 2012-13 \$'000
Receipts received from the Department of Defence for the provision of goods and services	8,132,945	8,243,463
Payments made to the Department of Defence for the provision of services ^[1]	440,227	366,788

Note

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

1.3 Agency Measures Table

There are no measures impacting the DMO during the 2012-13 Additional Estimates.

1.4 Additional Estimates and Variations

Table 76: Additional Estimates and Variations to Outcomes From Other Variations

	Program Impacted	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000
Outcome 1					
Decrease in Estimates (Departmental)					
Adjustments to agreed level of activity	All	17,362	51,731	58,213	60,569
Net impact on Estimates for Outcome 1 (Departmental)					
		-17,362	-51,731	-58,213	-60,569

1.5 Breakdown of Additional Estimates by Appropriation Bill

The following table details changes sought by DMO during the 2012-13 Additional Estimates. The DMO will seek a determination by the Minister of Finance and Deregulation, under Section 10 of the *Appropriation Act (No.1) 2012-13*, to decrease the Departmental appropriation by \$17.362m.

Table 77: Appropriation Bill (No 3) 2012-13

	2011-12 Actual \$'000	2012-13 Budget \$'000	2012-13 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
Departmental Programs					
Outcome 1					
Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	931,270	928,466	911,104	-	17,362
Total	931,270	928,466	911,104	-	17,362

1.6 People

Workforce Summary

The DMO combined APS, ADF and Contractor workforce forecast is 7,220. This is a decrease of 165 below the 2012-13 Budget Estimate of 7,385. The DMO manages its workforce under a combined ADF, APS and Contractor model. Through this arrangement, where the Services are unable to provide agreed military personnel to contribute to acquisition and sustainment activities, DMO can use funding from unfilled ADF positions (384) to fill and resource positions with APS staff. The decrease in the estimated APS workforce is generally due to voluntary redundancies and intergroup transfers under Shared Services programs. The forecast DMO workforce is shown in Table 78.

Table 78: DMO Consolidated Workforce Statement

		2012-13 Budget Estimate	2012-13 Revised Estimate	Variation	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Navy		368	303	-65	356	360	366
Army		485	377	-108	478	488	493
Air Force		940	702	-238	919	932	942
Sub Total Permanent Force^[1]	A	1,793	1,382	-411	1,753	1,780	1,801
DMO - APS		5,544	5,406	-138	5,368	5,590	5,608
APS - ADF Backfill		-	384	384	-	-	-
Total DMO APS	B	5,544	5,790	246	5,368	5,590	5,608
DMO - Contractor^[2]	C	48	48	-	48	48	46
Total Workforce Strength (A+B+C)		7,385	7,220	-165	7,169	7,418	7,455

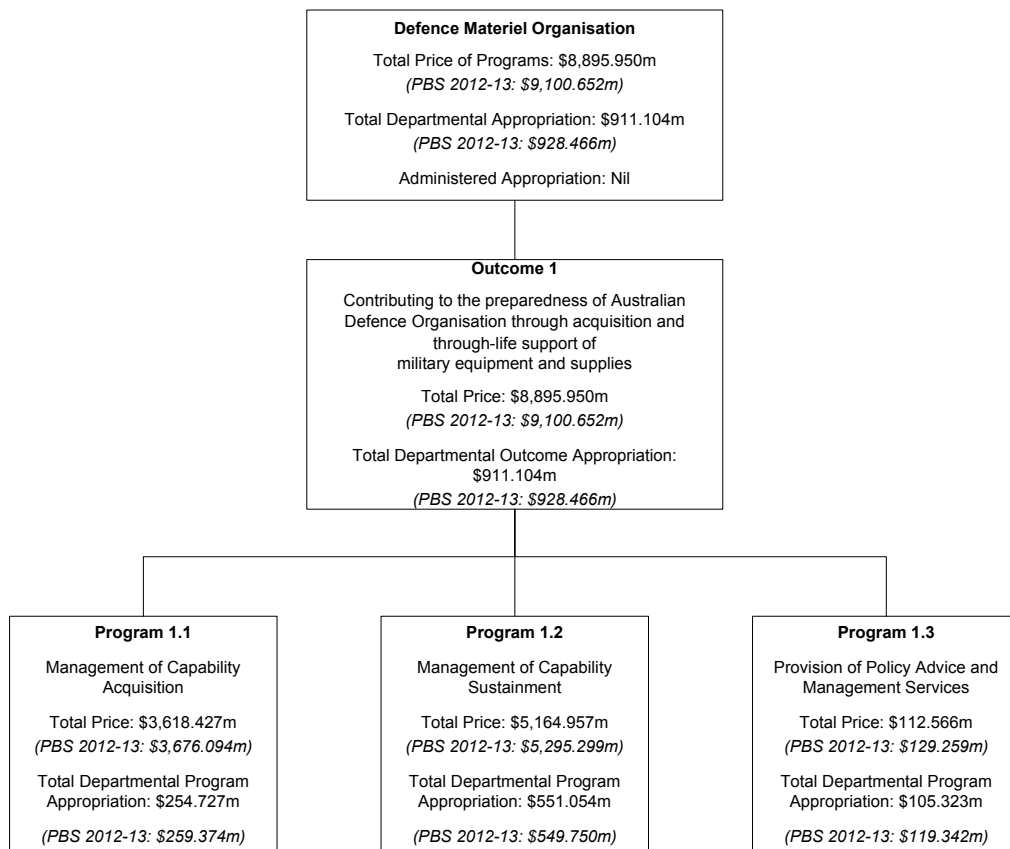
Notes

1. Numbers for ADF Permanent Force include the DMO ADF Permanent Force and Reservists on continuous full-time service.
2. Contractors (formerly known as Professional Service Providers) are individuals under contract performing agency roles. Contractors are not APS Employees.

Section 2: Outcomes and Planned Performance

No changes have been made to DMO’s Outcomes and Planned Performance since the *Portfolio Budget Statements 2012-13*.

Figure 4: Contributions to Outcomes and Programs



2.1 DMO Outcomes and Performance Information

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

Outcome 1 Strategy

No changes have been made to Outcome 1 Strategy since the *Portfolio Budget Statements 2012-13*.

Strategy Highlight: Implementing Recommendations from Strategic Reviews

The Maritime Capability Business Model, which incorporates the Defence level lifecycle management model, achieved agreement in March 2012. The DMO, together with Navy and Industry, are implementing this model over the next two years.

Outcome Expenses and Resource Statement

Table 79: 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	2011-12 Actual Expenses \$'000	2012-13 Revised Estimated Expenses \$'000
Program 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation ^[1]	214,978	254,727
Special Accounts	4,359,127	3,353,530
Expenses not requiring appropriation in the Budget year ^[2]	10,297	10,170
Total for Program 1.1	4,584,403	3,618,427
Program 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation ^[1]	567,566	551,054
Special Accounts	4,798,566	4,590,907
Expenses not requiring appropriation in the Budget year ^[2]	23,283	22,996
Total for Program 1.2	5,389,415	5,164,957
Program 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation ^[1]	103,897	105,323
Special Accounts	-	1,061
Expenses not requiring appropriation in the Budget year ^[2]	4,841	6,182
Total for Program 1.3	108,738	112,566
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation ^[1]	886,441	911,104
Special Accounts	9,157,693	7,945,498
Expenses not requiring appropriation in the Budget year ^[2]	38,421	39,348
Total Expenses for Outcome 1	10,082,556	8,895,950
	2011-12	2012-13
Average Staffing Level (number)^[3]	5,989	5,790

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1)" and "Revenue from independent sources (s31)".
2. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.
3. Average staffing levels do not include military staff posted to DMO, as military staff remain employees of the Department of Defence and are included in its staffing.

Contributions to Outcome 1

Program 1.1: Management of Capability Acquisition

Program 1.1 Objective

No changes have been made to Program 1.1 Objective since the *Portfolio Budget Statements 2012-13*.

Program 1.1 Expenses

The nature of the costs of Program 1.1 remains as described in the *Portfolio Budget Statements 2012-13*.

The revised planned resource use for Program 1.1 is \$3,618.4m in 2012-13 which continues to represent approximately 40 per cent of the DMO's total expenses. The revised planned resource use for Program 1.1 includes:

- the DMO major capital equipment program of \$3,255.2m which comprises of \$3,228.0m of the approved major capital investment program and a further \$27.2m of work planned to be transferred to the DMO during the remainder of 2012-13 from Defence
- the DMO minor capital investment program of \$98.3m, including the approved minor program of \$80.3m and \$18.0m of work planned to be transferred to the DMO during the remainder of 2012-13
- direct appropriation of \$254.7m relating to Acquisition workforce and operating expenses
- resources received free of charge from Defence of \$10.2m.

Table 80: Program 1.1 Management of Capability Acquisition

	2011-12 Actual \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Year 1 \$'000	2014-15 Forward Year 2 \$'000	2015-16 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,359,127	3,353,530	3,426,550	4,317,314	5,936,134
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	214,978	254,727	275,683	304,218	336,955
Expenses not requiring appropriation in the Budget year ¹⁾	10,297	10,170	10,424	10,685	10,952
Total Program Expenses	4,584,403	3,618,427	3,712,657	4,632,217	6,284,041

Notes

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

Program 1.1 Deliverables

Changes to the detailed descriptions of deliverables for the top 30 DMO projects is contained in Table 81 Top 30 Projects by 2012-13 Forecast Expenditure. A status update on other major projects included in the previous five years is provided at Table 83.

Information relating to the DMO's Program 1.1 Deliverables remains as reported in the *Portfolio Budget Statements 2012-13*, except for the following:

The DMO is currently managing 182 major capital acquisition projects. A major capital project is defined as a project with strategic importance and is funded through the Defence Capability Plan (DCP). Key deliverables are specified in a Joint Project Directive (JPD) issued by the Secretary and Chief of the Defence Force (for projects approved after March 2010). The DMO's element of the major capital project is described in more detail in a Materiel Acquisition Agreement (MAA) between the DMO, the Capability Development Group and the relevant Capability Manager.

Program 1.1 Key Performance Indicators

No changes have been made to Program 1.1 Key Performance Indicators since the *Portfolio Budget Statements 2012-13*.

Top 30 Projects by 2012-13 Forecast Expenditure

Table 81: Top 30 Projects by 2012-13 Forecast Expenditure

	Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation
General Manager Systems							
Aerospace Systems							
Air to Air Refuelling Capability	AIR 5402	1,802	1,466	174	119	-56	Testing of the military avionics modifications has been successfully completed. The variation is primarily due to delays to other program elements that are expected to extend completion of boom testing and re-delivery of the first (prototype) aircraft to later in 2013.
Additional C-17A Globemaster III	AIR 8000 Phase 4	553	419	51	4	-48	Australia's sixth C-17A has been delivered and is now in ADF operational service. Installation of enhanced US-common electronic warfare self-protection systems for the fifth and sixth C-17A is on schedule to achieve Final Operational Capability by mid 2013. The variation is primarily due to a large Foreign Military Sales (FMS) case payment that was previously brought forward into 2011-12 and retirement of cost risk associated with the two acquisition FMS cases.
Bridging Air Combat Capability	AIR 5349 Phase 1	3,281	2,697	49	29	-20	Final Operational Capability was achieved in December 2012. The variation is primarily due to cost reductions against the principal Foreign Military Sales case and delays in additional spares purchases.
C-17 Globemaster III	AIR 8000 Phase 3	1,847	1,336	40	10	-31	All four C-17A aircraft acquired under Phase 3 are in operational service and all remaining capability elements are anticipated to be met. The variation is primarily due to retirement of cost risk associated with the primary Foreign Military Sales acquisition case, and reprogramming of spare engines and major support equipment procurements into later financial years.
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	172	72	31	27	-4	A Project Arrangement was signed with the United States Navy in September 2012 to formalise Australia's participation in the development of the Increment 3 upgrade to the P-8A aircraft weapons and sensors. The variation is due to a lower than forecast contribution to the Increment 3 Project Arrangement and other minor budget variations.

Defence Portfolio Additional Estimates Statements 2012-13

	Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Airborne Surveillance for Land Operations	JP 129 Phase 2	93	47	27	17	-10	The initial delivery of additional equipment for the Australian configuration of the Shadow 200 System occurred in September 2012, with final deliveries scheduled for mid 2013. Forecast variation is associated with the delivery of the Attrition Air Vehicles being scheduled in 2013-14 rather than 2012-13 and savings against other budget elements.
Electronic Systems							
Battlespace Communications Systems (LAND)	JP 2072 Phase 2A	442	59	156	101	-55	Harris Corporation has successfully delivered the first batches of radios and ancillaries. The Harris' Communications Logistic Centre formally opened in August 2012 to support the equipment. Introduction Into Service of this new capability into Army has commenced. The variation is a result of milestone schedule adjustments.
Next Generation Satellite Communications System	JP 2008 Phase 4	864	468	116	90	-26	Production and testing of the Wideband Global Satellite (WGS) 6 satellite has been completed and WGS 6 was delivered into storage in August 2012 and is now awaiting delivery to the launch site. The Remote Monitoring and Control system at HMAS Harman and Geraldton has been installed allowing access to the WGS constellation. The variation relates to negotiated price reductions under the launch vehicle contract and savings achieved in the delivery of the WGS 6 satellite.
Joint Command Support Environment	JP 2030 Phase 8	256	123	47	25	-22	The contract for the development of Evolution 2 of the system was signed in early 2012. Evolution 2 Release 1 was successfully delivered in November 2012. The variation is due to an update to the expenditure plan based on the contracted payment schedule and removal of planned Evolution 3 capability development work following its removal from the Defence Capability Development Plan.
Ultra High Frequency Satellite Communications	JP 2008 Phase 5A	436	312	43	18	-25	The payload is fully operational and on station. The project entered into a contract with ViaSat in May 2012 to deliver the ground infrastructure to support payload operations (the Network Control System). The variation was primarily caused by the early acceptance of the Payload in 2011-12. Final acceptance was initially scheduled for 2012-13.

	Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Battle Management System	LAND 75 Phase 3.4	308	132	33	52	18	<p>Following Operational Test and Evaluation, Initial Operational Capability was declared by the Chief of Army in April 2012. The variation is primarily due to action being taken to recover schedule changes to contractual and payment arrangements and the realisation of risks that have required mitigation.</p> <p>Achievement of Final Operational Capability of two motorised infantry Battle Groups in 7 Brigade is planned for December 2013.</p>
Explosive Ordnance							
Bridging Air Combat Capability	AIR 5349 Phase 2	275	123	54	14	-41	Final Materiel Release was achieved in August 2012 for AIM 9X, Advanced Medium Range Air-to-Air Missile and Joint Stand-off Weapon. The variation is primarily due to Advanced Medium Range Air-to-Air Missile and Joint Stand-off Weapon C1 missile production schedule delays.
Lightweight Torpedo Replacement	JP 2070 Phase 2	335	250	33	26	-7	The scheduled Operational Test and Evaluation was completed successfully and Initial Operational Capability was declared by Chief of Navy on 30 November 2012. Work continues to establish in-service support arrangements, with budget variance relating to completion of ship modifications and delivery of spares.
Mulwala Redevelopment Project	JP 2086 Phase 1	370	314	28	17	-11	The project was added as a Project of Concern in December 2012. Budget variance is primarily due to delays in Mulwala infrastructure works.
Helicopter Systems							
Multi Role Helicopter	AIR 9000 Phase 2	3,635	2,048	260	156	-104	The eighteenth aircraft was accepted in December 2012. The variation results from reduced aircraft acceptances due to technical deficiencies and contractual non-compliances as well as delays in other areas of the project. Achievement of the Initial Operational Capability for Navy has also been affected but is still expected to be achieved within 2012-13.
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	2,958	254	145	207	63	The variation results from an acceleration to the aircraft delivery schedule which has brought forward payments for aircraft, spares, training devices and other support.
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2,032	1,813	72	51	-21	The final retrofit aircraft was accepted in December 2012. The variation primarily results from early closure of the Project Office and replanning of a number of planned procurements.

Defence Portfolio Additional Estimates Statements 2012-13

Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation	
Land Systems							
Field Vehicles and Trailers – Overlander Program	LAND 121 Phase 3	987	233	132	152	20	Light/lightweight capability: As at 19 December 2012, 338 G-Wagons and 207 trailers have been delivered to ADF units. The variation in Approved Project Expenditure of \$3,191m in the PBS to \$987m in the PAES is due to the incorporation of an additional 959 Mercedes-Benz G-Wagons and 826 trailers approved by Government in August 2011 to meet the DCP LAND 121 Phase 5A requirement and the removal of the Medium Heavy Capability. The Medium Heavy capability will now be managed separately under LAND 121 Phase 3B, while the approved Light/lightweight capability will be managed under Phase 3A. The variation in 2012-13 expenditure reflects additional contract deliverables received in 2012-13.
Bushmaster Protected Mobility Vehicle	LAND 116 Phase 3	1,033	771	58	57	-1	Project Expenditure relates to provision for 737 PMV approved under Phase 3 and 70 PMV approved under Phase 3.1. A further but separate phase, LAND 116 Phase 3.2 to acquire up to 214 PMV was approved in mid 2012. Variation in planned expenditure is primarily due to accelerated vehicle and spare parts deliveries brought forward to 2011-12, offset by slippages of support equipment and increased estimate for price escalation.
Counter Rocket, Artillery and Mortar (C-RAM)	LAND 19 Phase 7A	254	147	55	30	-26	This rapidly delivered capability has been operating effectively in Afghanistan since December 2010. Final Operational Capability (FOC) in Afghanistan was achieved in September 2012 and FOC in Australia is scheduled from January 2013. The variation is primarily due to additional expected savings against the C-RAM Foreign Military Sales case.
Digital Terminal Control System	LAND 17 Phase 1B	115	33	35	8	-27	This project will deliver 152 digital terminal control systems. A contract was signed in June 2012 for the delivery of 96 digital terminal control systems, comprising the residual requirement. The variation is primarily due to a revised payment schedule reflecting the finalisation of negotiations.
Artillery Replacement 155mm Howitzer	LAND 17 Phase 1A	324	122	29	15	-15	This project has delivered 35 M777A2 lightweight towed howitzers and a command and control battle management system and will complete these deliveries into Army units during 2012-13. The variation is primarily due to additional expected savings against the lightweight towed howitzer Foreign Military Sales case.

	Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Australian Protected Route Clearance Capability	JP 154 Phase 3A	74	13	29	18	-11	All 12 Husky vehicles, all 8 High Mobility Engineer Excavators and all 11 Special Mobility Radar II mine rollers have been delivered. Initial Materiel Release was achieved in November 2012. The variation is primarily due to revised Foreign Military Sales payment schedule, including incorporation of anticipated savings.
Upgrade of M-113 Armoured Vehicles	LAND 106	885	768	26	23	-3	The final of 431 M113 AS4 vehicle was accepted in September 2012. All technical risks for the project have been retired. The project is finalising delivery of documentation and spare parts, moving towards closure by mid 2013. The variation is primarily due to accelerated delivery of vehicles and support system elements into 2011-12.
Maritime Systems							
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	676	340	52	67	15	Development of the Stage 2 Phased Array Radar software continues. HMAS <i>Arunta</i> has commenced system installation work. The variation is due to the rescheduling of prefabrication work from 2011-12 until 2012-13 following Government approval to proceed with the upgrade of all eight ships.
General Manager Programs							
Air Warfare Destroyer							
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,868	3,840	622	621	-1	A re-baselining of the AWD schedule was announced in September 2012, with the three ships set to be delivered in March 2016, September 2017 and March 2019. Hull consolidation commenced for the first destroyer, Hobart, and will progress to completion by the end of 2013. Fit-out of Platform and Combat System elements in the hull continue with main machinery alignment expected to be completed in 2012-13. Brisbane block construction continues with the first blocks delivered from BAES; Sydney blocks continue production.

Defence Portfolio Additional Estimates Statements 2012-13

	Project number/ phase	Approved Project Expenditure	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Amphibious Deployment and Sustainment							
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/4B	3,073	2,185	158	210	53	The hull of the first arrived in Melbourne in October 2012. BAE Systems completed the lifting of the Superstructure blocks onto the hull in December 2012, with full consolidation to be complete by March 2013. Installation and integration of the communication and combat systems has now begun. The hull of the second ship was launched in Spain in July 2012. The revised estimate reflects current schedule and end of year milestone payments.
Amphibious Watercraft Replacement	JP 2048 Phase 3	226	17	59	33	-26	Cutting of steel for the first Landing Craft occurred, on schedule, in October 2012 with both Detailed Design Review and System Subsystem Detail Design Review exiting in December 2012 on schedule. The revised estimate now reflects the actual contracted schedule.
Collins and Wedgetail							
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,845	3,255	289	209	-80	The test and evaluation program was completed in May 2012. However, the technical documentation required to support design acceptance was only achieved in October 2012, together with agreement on a final commercial settlement, resulting in further slippage to project schedule of eight months against Budget Estimates. Final acceptance of the sixth aircraft was achieved in November 2012 and final acceptance of the associated ground support systems is planned for January 2013.
New Air Combat Capability							
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/2B	2,590	130	103	111	8	Contracting and production of the first two aircraft and support is now well underway to enable a 2014 aircraft delivery and commencement of United States based pilot training in 2015. The variation reflects a project assessment of forecast expenditure requirements in order to maintain schedule to deliver Australia's first two F-35 aircraft in 2014.
Total -Top 30 Projects (Gross Plan)		41,611	23,785	3,007	2,515	-491	

Table 82: Major Capital Investment Program by 2012-13 Forecast Expenditure

		2012-13 Budget Estimate \$m	2012-13 Revised Estimate \$m	Variation \$m
Top 30 Projects Gross Plans	A	3,007	2,515	-491
Other Approved Project Gross Plans	B	683	892	209
Total Gross Plan Project Estimates	C = A + B	3,690	3,407	-283
Management Margin: Slippage ^[1]	D	-616	-179	436
Payments Required from Defence for Approved Programs	E = C + D	3,074	3,228	154
Projects Planned for Government Consideration and Transfer to the DMO	F	248	27	-221
Total Estimated Funds Available	G = E + F	3,322	3,255	-67

Note

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2012-13 financial year progresses.

Acquisition Projects not included in the Top 30 Projects-Current Status

Table 83 provides an update on the status of major projects reported in previous financial years. These projects were not ranked in the top 30 projects by expenditure in 2012-13.

Table 83: 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 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report
General Manager Systems							
Aerospace Systems							
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	79	13	14	1 The project is being managed as a Project of Concern. Rework and retesting of software deficiencies identified during laboratory testing in March 2012 is forecast for completion in early 2013. Delivery of the first upgraded aircraft is expected by late 2013 and supporting ground systems and simulators by mid 2014.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011-12	1,879	1,612	25	26	.. Final Materiel Release was achieved in September 2012. Updates to the flight simulator for F/A-18 aircrew training will be undertaken to better align the simulator with the upgraded aircraft capability.
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	65	4	6	2 Fleet installation has commenced and is expected to be complete by mid 2015. Modification of the supporting ground systems and simulators was completed in July 2012.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report
Electronic Systems								
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	257	187	15	24	9	All major equipment has been delivered. The final ancillary procurement, arising from final design, testing and feedback from initial deployment, is underway.
High Frequency Modernisation	JP 2043 Phase 3A	2010-11	580	438	11	4	-7	The Mobiles Platform scope was removed following the 2012-13 Budget. The focus is now on completing the direction finding and signal enhancement (null steering) capability to the Fixed Network, as well as completing the Information Technology and 10kW Transmitter Refresh works.
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	2011-12	49	21	..	..	..	The project was cancelled following the 2012-13 Budget.
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	106	55	6	27	21	Following Operational Test and Evaluation, an Initial Operational Capability was declared by the Chief of Army in April 2012. The variance is primarily through reprogramming largely as a result of slippage arising from contractor production difficulties which moved expenditure from 2011-12.
Tactical information Exchange Domain	JP 2089 Phase 2A	2010-11	103	60	6	8	2	HMAS <i>Perth</i> equipment installation was completed by December 2012. Tasking of combat mission system software is underway. The variation is due to additional work required for the implementation of Electronic Warfare Coordination Messaging.

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Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report
New Air Defence Command and Control Systems for Control Units 2 & 3 AIR 5333	2011-12	274	246	2	..	-1	The project achieved Final Materiel Release in August 2012 and transitioned the capability to the in-service support organisation. Variation is due to the successful remediation of negating the need to purchase new equipment. Final Operational Capability was declared by the Chief of Air Force on 19 December 2012. Project Closure is expected to be achieved in December 2013.
MILSATCOM Terrestrial Infrastructure JP 2008 Phase 3E	2007-08	208	207	..	..	..	The Maritime Advanced Satellite Communications Terrestrial Infrastructure System interference remediation to manufacture and install Radio Frequency Barriers has been completed. Discussions are underway to finalise the financial arrangements for through-life support of the barriers.
Electronic Warfare Self Protection for Selected Aircraft AIR 5416 Phase 2	2009-10	292	276	-	-	-	All asset rollout action has been completed and Project closure is underway.
Improvements to the Logistics Information Systems JP 2077 Phase 2B	2009-10	153	152	-	-	-	Project is being closed.
Explosive Ordnance							
Lightweight Torpedo Replacement JP 2070 Phase 3	2011-12	300	258	16	13	-3	The procurement of MU90 Torpedo war stock inventory continues and is due to be completed this financial year; however, the contractor has advised that delivery of some batches of weapons may be delayed.
Explosive Ordnance Reserve Stocks JP 2085 Phase 1B	2008-09	235	205	10	1	-9	The final delivery of Excalibur projectiles was received in October 2012. Preparation for confirmatory firing of Excalibur at Woomera range in March 2013 is progressing. Work on upgrading Advanced Field Artillery Tactical Data System (AFATDS) is complete, and AFATDS integration with the Bushmaster Protected Mobility Vehicle is progressing.

Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report
Follow-On Stand Off Weapon AIR 5418 Phase 1	2011-12	317	277	4	7	3	Fuze issues are delaying finalisation of production and delivery of the final quantity of weapons. Final Materiel Release is planned to occur in 2013.
Evolved Sea Sparrow Missiles SEA 1428 Phase 4	2009-10	88	84	..	..	-	All orders for Evolved Sea Sparrow Missiles and canisters for the Anzac/FFG frigates have been placed. Deliveries have commenced and the project is expected to close in 2016.
Land Systems							
Australian Light Armoured Vehicle Additional LAND 112 Phase 3	2007-08	651	608	21	22	1	The project has delivered: 144 new Australian Light Armoured Vehicle Phase 3 vehicles; 59 behind armour Commander's Weapon Stations; 9 crew procedural trainers; and has standardised the Phase 2 fleet to an approximate Phase 3 build standard. Delivery of 18 Multi Spectral Surveillance Suites has commenced and the project is progressing towards Initial Materiel Release of six surveillance variants.
Tank Replacement Project LAND 907 Phase 1	2007-08	558	446	4	5	1	All key milestones have been achieved. Delivery of the two remaining elements of Tank Urban Survivability Kit - the Commander's Weapon Station and Remote Thermal Sight, together with Mine Ploughs and Deep Water Fording Kits, will occur between 2013 and 2014.
Direct Fire Support Weapons LAND 40 Phase 2	2010-11	145	37	2	2	..	The purchase of the M3 Carl Gustaf and its sight are complete and the system is being introduced into service. The project was added as a Project of Concern in December 2012 due to delays in the acquisition of the Automatic Grenade Launches component of the project.

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Project number/ phase		Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report
Maritime Systems								
Anzac Ship Project	SEA 1348 Phase 2	2007-08	5,381	5,371	5	9	3	Finalisation of the warranty and safety upgrade work is progressing, prior to Project Closure.
Armidale Class Patrol Boat	SEA 1444 Phase 1	2007-08	537	488	1	1	..	Final Operational Capability was declared by Chief of Navy in October 2012.
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,450	1,349	23	4	-19	The Adelaide class frigates have achieved Navy Operational Release except for the Underwater Warfare System component. A Navy-directed solution to satisfy this requirement is being progressed.
Standard Missile Replacement	SEA 1390 Phase 4B	2011-12	400	307	19	28	9	Test and evaluation of the Mid Course Guidance System software was completed in December 2012. Installation in the Adelaide class frigates continues for the remainder of 2012-13, pending ship availability.
Ships Self Defence Capability	SEA 1779 Phase 1	2007-08	44	44	-	-	-	This project closed in August 2012.

Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Status Report	
General Manager Programs								
Collins and Wedgetail								
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	425	293	13	7	-6	The project expects to reach Spiral 4 Operational Requirement (OR) in June 2013. Remaining project budget will be used for the final boat modifications, associated activities including test and evaluation, as well as project closure activities. Further software upgrades, post Spiral 4 OR will be paid through sustainment organisation. Replacement Heavyweight Torpedo System installations continue. However, as each installation is dependent on the Full Cycle Docking program, completion dates may vary according to changes in the submarine Integrated Master Schedule. The final installation will be in HMAS <i>Collins</i> during full cycle docking commencing in 2013. The project will be completed in 2016.
Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008-09	411	327	13	11	-2	System modifications continue as scheduled in the Integrated Master Schedule. Development of the Hedemora diesel engine land based test facility is in progress.
Collins Replacement Combat System	SEA 1439 Phase 4A	2007-08	450	429	5	5	..	Replacement Combat System installations continue. However, as each installation is dependent on the Full Cycle Docking program, completion dates may vary according to changes in the submarine Integrated Master Schedule. The final installation will be in HMAS <i>Collins</i> during her full cycle docking commencing in 2013. The project will be completed in 2016.
New Air Combat Capability								
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	-	-	Project has been completed.

Top 10 Minor Capital Investment Projects by 2012-13 Forecast Expenditure

Table 84 lists the top 10 approved Minor Capital Investment Projects by forecast expenditure for 2012-13.

Table 84: Top 10 Approved Minor Projects by 2012-13 Forecast Expenditure

	Project number/ phase	Approved Project Expenditure to 30 June 2012 \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation	
Army								
	Enhanced Static Line Parachute Capability	AMP058.08	28	..	15	14	..	The United States Government has completed the initial contract with Airborne Systems North America for delivery of the first tranche of 500 Static Line Parachute Systems. Contract signature for the remaining systems is anticipated in early 2013. All Dispatcher Parachutes have been delivered and Rigger training on both parachute systems has been completed. The variation is due to billing from United States being less than planned.
	Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	44	11	14	15	1	The project remains within budget and on schedule to deliver all elements of the required capability in accordance with the approved contract and Materiel Acquisition Agreement. Testing of the first article of equipment has been successfully completed. The variation is primarily due to prime contract progressing ahead of schedule.

	Project number/ phase	Approved Project Expenditure to 30 June 2012 \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Enhanced Land Force (ELF) Weapons Training Simulator System (WTSS)	AMP029.44	34	1	9	12	3	The project remains within budget to deliver all elements of the required capability. Installation of the new facilities at Edinburgh, Townsville and Singleton is complete and the sites have been accepted. The variation is due to schedule acceleration to include installation at Kapooka in February 2013, previously scheduled in 2013-14.
Chinook Passenger and Crew Seating	AMP015.36	8	..	4	2	-2	Design Acceptance of the modification remains scheduled to complete in 2012-13 but only two aircraft will now be modified in 2012-13 with trial results used to determine future requirements.
Army Field Catering Equipment	AMP500.09	4	-	3	1	-2	Deliveries for the Barbeques and Roasters contract will occur as forecast in 2012-13. Further detailed planning and industry feedback has resulted in a delay in contracting other elements with signature now anticipated to occur in March 2013 and deliveries in 2013-14.
Kiowa Pilot Seating	AMP015.58	7	1	2	1	-1	Pilot seating modification design is planned for completion in 2012-13. The variation is due to improved expenditure estimates based on final contract payment milestones.

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	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2012 \$m	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Air Force							
Traffic Alert and Collision Avoidance System (TCAS)	AFM01001	25	16	3	4	..	Modification of the first AP-3C aircraft was completed in June 2012. Installation of the capability onto the remaining AP-3C aircraft has commenced and is forecast for completion by mid 2015. Modification of the supporting ground simulator was completed in November 2012.
Broadband	AFM01004	6	3	3	3	..	Broadband modification to the first aircraft was successfully conducted. Functional Test, Performance and Handling Flights with broadband rodome were successfully conducted September 2012. Modifications have no effect on the performance and handling of the aircraft. Broadband capability testing confirmed the system is performing to specification. Second and final aircraft modifications to commence March 2013.
462SQN Electronic Combat and Monitoring System	AFM00977	3	..	2	..	-2	The project has now been cancelled.
RAAF Intelligence Deployable LAN (RIDL)	AFM01003	5	2	2	3	1	Initial Materiel Release was achieved in October 2012, which delivered 16 fixed desktops and 11 deployable Local Area Networks to Air Force Tactical Intelligence Flights. The variation is due to the project progressing slightly ahead of originally planned expenditure, which is expected to continue throughout the remainder of the year. There is a low risk relating to the delivery of Final Materiel Release by mid 2013.
Total - Top 10 Minor Projects		164	34	58	55	-3	

Table 85: Minor Capital Investment Program by 2012-13 Forecast Expenditure

	2012-13 Budget Estimate \$m	2012-13 Revised Estimate \$m	Variation \$m
Top 10 Projects Gross Plans	58	55	-3
Other Approved Project Gross Plans	26	29	3
Total Gross Plan Project Estimates	84	84	-
Management Margin: Slippage ^[1]	-12	-4	8
Payments Required from Defence for Approved Programs	72	80	8
Projects Planned for Government Consideration and Transfer to the DMO	14	18	4
Total Estimated Funds Available	85	98	13

Note

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2012-13 financial year progresses.

Program 1.2: Management of Capability Sustainment

Program 1.2 Objective

No changes have been made to Program 1.2 Objective since the *Portfolio Budget Statements 2012-13*.

Program 1.2 Expenses

The nature of the costs of Program 1.2 remains as described in the *Portfolio Budget Statements 2012-13*.

The revised planned resource use for Program 1.2 is \$5,164.9m in 2012-13 which continues to represent approximately 58 per cent of the DMO's total expenses. The revised planned resource use for Program 1.2 includes:

- the cost of contracted sustainment services of \$4,198.5m
- support for current ADF operations of \$391.1m
- direct appropriation of \$551.0m relating to Sustainment workforce and operating expenses
- Net Operating Costs of \$1.3m in support of new capabilities expected to enter service
- resources received free of charge from Defence of \$22.9m.

Table 86: Program 1.2 Management of Capability Sustainment

	2011-12 Actual \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Year 1 \$'000	2014-15 Forward Year 2 \$'000	2015-16 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,798,566	4,590,907	5,097,662	5,498,211	5,792,542
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	567,566	551,054	527,784	544,588	567,725
Expenses not requiring appropriation in the Budget year ⁽¹⁾	23,283	22,996	23,571	24,160	24,764
Total Program Expenses	5,389,415	5,164,957	5,649,017	6,066,959	6,385,031

Note

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

Program 1.2 Deliverables

Information relating to Program 1.2 Deliverables remains as reported in the *Portfolio Budget Statements 2012-13*, except for the following.

Key deliverables are specified under each Materiel Sustainment Agreement (MSA). There are now seven MSAs as one MSA has been transferred to Chief Information Officer Group (CIOG). These seven MSAs incorporate 118 product schedules.

Changes to the detailed descriptions of deliverables for the top 20 DMO Sustainment products are contained in Table 87.

Program 1.2 Key Performance Indicators

No changes have been made to Program 1.2 Key Performance Indicators since the *Portfolio Budget Statements 2012-13*.

Top 20 Sustainment Products by 2012-13 Forecast Expenditure

Table 87: Top 20 Sustainment Products by 2012-13 Forecast Expenditure

	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
General Manager Systems				
Aerospace Systems				
Airborne Early Warning & Control	161	138	-23	The sustainment system for the E-7A Wedgetail fleet, associated simulators and software laboratories has sufficiently matured to support Initial Operational Capability. The variation is primarily due to successful warranty claims for the repair of two engines and a number of other repairable items.
F/A-18A Hornet Weapons System	153	148	-5	Recommendations from Phase 1 of the Classic Hornet Ageing Aircraft Systems Audit were delivered in mid 2012 and are being actioned. Phase 2 of the Audit, which is a targeted inspection of aircraft and components, commenced in September 2012. Classic Hornet Deeper Maintenance contract negotiations are complete. The variation is primarily due to the reimbursement of an over-achievement in 2011-12.
F/A-18F Block II Super Hornet Weapons System	111	103	-8	Sustainment systems continue to mature as further spares are delivered and management systems are established in support of declaration of Full Operational Capability in December 2012. Refinement of performance measurements on all Foreign Military Sales programs and commercial support contracts has furnished effective data, which has also assisted in the maturity of the support system. The variation is primarily due to the reimbursement of an over-achievement in 2011-12.

	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
P-3C/AP-3C Orion Weapons System	105	118	13	The aircraft 16,000 hour safety-by-inspection program continues with most of the fleet completed. Fatigue cracking detected in the aft fuselage of some aircraft will require some components to be replaced. The variation is primarily due increases in the cost of fatigue inspections and repairs, additional aircraft paintings being planned and increases in the cost of hydraulic and engine maintenance.
C-130J-30 Weapons System	81	81	-	The planned servicing schedule review to optimise the maintenance required on the C-130J-30 is on schedule for implementation in 2013.
Lead-in Fighter Hawk 127 Weapons System	73	56	-17	A new total logistic support contract for the Lead-in Fighter capability will replace the current contract with BAE Systems Australia when it expires in June 2013. Activities for the remainder of 2012-13 will focus on implementation of the new contract. The variation is due to budget reductions as a result of shared efficiencies.
Electronic Systems				
Wide Area Surveillance Capability	83	80	-3	Wide Area Surveillance continues to consistently achieve a high level of availability. Variance is due to reduction in planned activities in 2012-13 with no impact to capability and expenditure planned for 2012-13 was incurred earlier in 2011-12.

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	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Explosive Ordnance				
Explosive Ordnance - Navy, Army, Air Force	323	296	-27	Explosive Ordnance Division continues to improve munitions inventory serviceability in support of ADF operations and training, including resolving issues with engineering capacity and certification. The focus remains on longer term procurement planning and more strategic contracting to build security and certainty into the munitions supply chain to achieve better value for money. The variation is primarily due to return of sustainment funding for reallocation by the Capability Managers to higher sustainment priorities and transfer of funds to Defence Support Group for Mulwala facilities remediation works.
Helicopter Systems				
Armed Reconnaissance Helicopter Weapons System	96	86	-10	The Tiger capability is recovering well from a temporary suspension of flying operations in late 2011-12 that delayed the achievement of a deployable squadron resulting in the variation. This key capability milestone is now planned for achievement by the end 2012-13.
Multi Role Helicopter	93	88	-5	Sixteen MRH90 have been accepted; five are based in Townsville, four in Oakey, four in Nowra, and three are at Australian Aerospace's Brisbane facility for retrofit. Rectification of the key technical deficiencies is progressing, although more slowly than anticipated which continues to delay delivery of the full aircraft capability. Variation is primarily due to these delays.
S70A-9 Black Hawk Weapons System	86	85	-1	The Black Hawk continues to perform as expected across 2012-13. Variation is due to more efficient replenishment arrangements and reduced costs following withdrawal from East Timor.
S70B-2 Seahawk Weapons System	62	63	1	The Seahawk continues to perform as expected across 2012-13. Variation is due to additional funding to cover for Seahawk capability assurance program.

	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Land Systems				
General Service B Vehicle Fleet	66	80	14	Priority is directed to operations and sustaining the fleet to meet ADF capability requirements. The variation is due to the Lead Capability Manager providing additional funding for the support of Enhanced Equipment Pools, procurement of Up Armoured Sports Utility Vehicles for the MEAO, and additional sustainment support for training exercises.
ADF Clothing	56	46	-10	<p>Standing offers with Australian manufacturers have been established for:</p> <ul style="list-style-type: none"> • Slouch hats • The new operational combat uniform printed in the Australian Multicam camouflage pattern. • The Standard Combat Uniform and Accessories. <p>Tender evaluation for combat and cold weather boots is ongoing, with signature scheduled for late 2013.</p> <p>Expenditure against budget has reduce this financial year due to reductions in operational demand and the consumption of existing stock as part of ongoing inventory rationalisation.</p>
Maritime Systems				
Fuels and Lubricants - Navy, Army, Air Force	412	390	-22	Optimal holdings continue to be reviewed. The fuel card process has progressed incrementally towards the introduction of the new single fuel card and management system, and the inventory and financial accounting system in active trial. Implementation of procedures to align responsibilities under the Australian Standards and <i>Work Health and Safety Act</i> continues. The variation is due to a reduced requirement for Air Force and Navy fuels.
Anzac Class Frigate	206	215	9	Materiel maintenance of eight ships and inventory management reform are ongoing and aligned with operational requirements. The Group Maintenance Contract has been implemented. The variation is due to funding of the preparations for installation of Project SEA 1448 Phases 2A and 2B.

Defence Portfolio Additional Estimates Statements 2012-13

	Budget Estimate 2012-13 \$m	Revised Estimate 2012-13 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Adelaide Class Frigate	139	125	-14	Materiel maintenance of four ships is ongoing and aligned with operational requirements. A Draft Request for Tender for the Group Maintenance Contract is with Industry for comment. The FFG System Program Office is the lead business unit for the rollout of the Rizzo Reform Lifecycle Reference Model. The variation is due to there now being a higher level of confidence in the work to be undertaken across the remainder of 2012-13, including work already under contract with industry.
Auxiliary Oiler Replenishment	91	73	-18	Ongoing materiel support continues with HMAS <i>Success</i> currently undertaking a major refit until May 2013. The variation is due to the rephasing of Maintenance Availabilities for HMAS <i>Success</i> through to planned withdrawal from service, and a corresponding rebalancing of the maintenance effort across 2012-13
Mine Hunter Coastal	61	60	-1	Materiel maintenance of four ships is ongoing and concurrent with design development for installation of upgrades to ship firefighting and combat systems.
General Manager Programs				
Collins Class Submarines	516	501	-15	Reform activities aimed at improving Collins Class availability and reliability are ongoing and will be adjusted to accommodate the recommendations of the Coles Phase 3 report. Variation is due to realignment of priorities across other Chief of Navy products and an injection of Net Personnel and Operating Costs related to SEA 1439 Phase 3 (Collins Class Submarine Reliability and Sustainability).
Total - Top 20 Products	2,974	2,832	-142	
Other Approved Sustainment Product Estimates	1,268	1,367	99	
Total Sustainment Product Funds Available	4,242	4,199	-43	
Support to Operations	359	391	32	
Total Sustainment and Operations Funding	4,601	4,590	-11	

Program 1.3 Provision of Policy Advice and Management Services

Program 1.3 Objective

No changes have been made to Program 1.3 Objective since the *Portfolio Budget Statements 2012-13*.

Program 1.3 Expenses

The nature of the costs of Program 1.3 remains as described in the *Portfolio Budget Statements 2012-13*.

The revised planned resources use for Program 1.3 is \$112.5m in 2012-13 which continues to represent approximately one per cent of the DMO's total expenses. The planned resource use for Program 1.3 includes:

- direct appropriation of \$105.3m for policy advice and management services
- resources received free of charge from Defence and ANAO of \$6.1m
- other revenue of \$1.1m

Table 88: Program 1.3 Provision of Policy Advice Management Services

	2011-12 Actual \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Year 1 \$'000	2014-15 Forward Year 2 \$'000	2015-16 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	-	1,061	2,449	894	917
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	103,897	105,323	105,792	105,149	86,295
Expenses not requiring appropriation in the Budget year ^[1]	4,841	6,182	6,302	6,425	6,551
Total Program Expenses	108,738	112,566	114,543	112,468	93,763

Note

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

Program 1.3 Deliverables

No changes have been made to Program 1.3 Deliverables since the *Portfolio Budget Statements 2012-13*.

Program 1.3 Key Performance Indicators

No changes have been made to Program 1.3 Key Performance Indicators since the *Portfolio Budget Statements 2012-13*.

Information relating to the Program 1.3 Provision of Policy Advice and Management Services remains as reported in the *Portfolio Budget Statements 2012-13*, except for the following.

More broadly, the DMO will continue to pursue its wider industry development initiatives, including the establishment of an Australian Military Sales Office to provide a one stop shop for the facilitating export opportunities for Australian industry.

Section 3: Explanatory Tables and Budgeted Financial Statements

3.1 Explanatory Tables

3.1.1 Special Accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 89 shows the expected additions (receipts) and reductions (payments) for each account used by the DMO. The corresponding table in the *Portfolio Budget Statements 2012-13* is Table 101.

Table 89: Estimates of Special Account Flows and Balances

	Outcome	Opening	Receipts	Payments	Adjustments	Closing
		2012-13	2012-13	2012-13	2012-13	Balance
		2011-12	2011-12	2011-12	2011-12	2011-12
		\$'000	\$'000	\$'000	\$'000	\$'000
Defence Materiel Special Account (A & D)	1	326,647	9,216,623	9,223,270	-	320,000
		436,932	11,267,137	11,304,928	-72,494	326,647
Services for Other Entities and Trust Moneys - Defence Materiel Organisation (S)	1	-	-	-	-	-
		-	-	-	-	-
Total Special Accounts 2012-13		326,647	9,216,623	9,223,270	-	320,000
<i>2011-12 actual</i>		<i>436,932</i>	<i>11,267,137</i>	<i>11,304,928</i>	<i>-72,494</i>	<i>326,647</i>

Notes

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

3.1.2 Australian Government Indigenous Expenditure

No changes have been made to this section since the *Portfolio Budget Statements 2012-13*, as the Australian Government Indigenous Expenditure Statement is not applicable to the DMO.

3.1.3 Grants

Table 90 shows Approved Grants for 2012-13. Detailed information on Grant programs and recipients provided by DMO can be found at:

<www.defence.gov.au/dmo/id/sadi/index.cfm>

<www.defence.gov.au/dmo/id/picip/>

<www.defence.gov.au/dmo/id/industry_skilling>

<www.defence.gov.au/dmo/jsf/NACC_ISP.cfm>

Table 90: Approved Grants for 2012-13

	2011-12 Actual Expenses \$'000	2012-13 Revised Estimated Expenses \$'000
Skilling Australia's Defence Industry (SADI)	8,879	12,090
Priority Industry Capability Innovation Program (PIC IP)	7,100	9,403
Industry Skilling Program Enhancement (ISPE)	2,916	3,186
New Air Combat Capability Industry Support Program (NACC ISP)	1,905	3,232
Total	20,800	27,911

3.2 DMO Budgeted Financial Statements

3.2.1 Budgeted Financial Statements Tables

Table 91: Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June

	2011-12 Actual Result \$'000	2012-13 Revised Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
EXPENSES					
Employee benefits	592,265	603,285	562,343	613,279	641,377
Supplier expenses	9,466,221	8,262,227	8,889,124	10,165,171	12,115,356
Grants	20,800	27,911	22,160	30,540	3,381
Depreciation and amortisation	1,680	2,527	2,590	2,654	2,721
Write-down of assets and impairment of assets	1,237	-	-	-	-
Other	353	-	-	-	-
Total expenses	10,082,556	8,895,950	9,476,217	10,811,644	12,762,835
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	9,156,761	7,945,498	8,526,661	9,816,419	11,729,593
Interest	1,444	-	-	-	-
Other revenue	37,966	37,948	38,897	39,870	40,867
Total own-source revenue	9,196,171	7,983,446	8,565,558	9,856,289	11,770,460
Gains					
Foreign exchange	932	-	-	-	-
Other gains	1,459	1,400	1,400	1,400	1,400
Total gains	2,391	1,400	1,400	1,400	1,400
Total own-source income	9,198,562	7,984,846	8,566,958	9,857,689	11,771,860
Net cost of (contribution by) services	883,994	911,104	909,259	953,955	990,975
Revenue from Government	931,270	911,104	909,259	953,955	990,975
Surplus (Deficit) attributable to the Australian Government	47,276	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	239	-	-	-	-
Total other comprehensive income	239	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	47,515	-	-	-	-

Table 92: Budgeted Departmental Balance Sheet (as at 30 June)

	2011-12 Actual Result \$'000	2012-13 Revised Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	24,722	50,000	50,000	50,000	50,000
Trade and other receivables	684,228	496,063	499,130	502,785	489,650
Total financial assets	708,950	546,063	549,130	552,785	539,650
Non-financial assets					
Property, plant and equipment	6,871	7,199	7,535	7,880	8,233
Intangibles	56	139	224	312	402
Other	1,366,024	1,366,024	1,366,024	1,366,024	1,366,024
Total non-financial assets	1,372,951	1,373,362	1,373,783	1,374,216	1,374,659
Total assets	2,081,901	1,919,425	1,922,913	1,927,001	1,914,309
LIABILITIES					
Payables					
Suppliers	1,429,807	1,273,567	1,273,567	1,273,567	1,273,567
Grants	5,161	5,161	5,161	5,161	5,161
Other	76,923	77,704	80,148	82,616	63,608
Total payables	1,511,891	1,356,432	1,358,876	1,361,344	1,342,336
Provisions					
Employee provisions	194,287	187,270	188,314	189,934	196,250
Other	5,698	5,698	5,698	5,698	5,698
Total provisions	199,985	192,968	194,012	195,632	201,948
Total liabilities	1,711,876	1,549,400	1,552,888	1,556,976	1,544,284
NET ASSETS	370,025	370,025	370,025	370,025	370,025
EQUITY					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves	239	239	239	239	239
Retained surplus (accumulated deficit)	214,418	214,418	214,418	214,418	214,418
Total parent entity interest	370,025	370,025	370,025	370,025	370,025
Total equity	370,025	370,025	370,025	370,025	370,025

Table 93: Departmental Statement of Changes in Equity - Summary of Movement (Budget year 2012-13)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	214,418	239	-	155,368	370,025
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	214,418	239	-	155,368	370,025
Surplus (Deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Departmental Capital Budget (DCBs)	-	-	-	-	-
Sub-total transaction with owners	-	-	-	-	-
Estimated closing balance as at 30 June 2013	214,418	239	-	155,368	370,025

Table 94: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2011-12 Actual Result \$'000	2012-13 Revised Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	10,517,058	8,243,463	8,524,212	9,815,525	11,728,676
Appropriations	870,000	943,029	906,192	950,300	1,004,110
Net GST received	676,359	558,795	589,524	674,361	801,361
Other	28,621	57,708	60,569	60,525	62,099
Total cash received	12,092,038	9,802,995	10,080,497	11,500,711	13,596,246
Cash used					
Employees	570,710	609,521	558,855	609,191	654,069
Suppliers	9,853,657	8,435,766	8,906,947	10,183,532	12,134,271
Grants	20,448	27,911	22,160	30,540	3,381
Net GST paid	691,896	558,795	589,524	674,361	801,361
Other	858,223	142,786	-	-	-
Total cash used	11,994,934	9,774,779	10,077,486	11,497,624	13,593,082
Net cash from (used by) operating activities	97,104	28,216	3,011	3,087	3,164
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	1,890	2,938	3,011	3,087	3,164
Total cash used	1,890	2,938	3,011	3,087	3,164
Net cash from (used by) investing activities	-1,890	-2,938	-3,011	-3,087	-3,164
Net increase (decrease) in cash held	95,214	25,278	-	-	-
Cash and cash equivalents at the beginning of the reporting period	-70,492	24,722	50,000	50,000	50,000
Cash and cash equivalents at the end of the reporting period	24,722	50,000	50,000	50,000	50,000

Table 95: Departmental Capital Budget Statement

	2011-12 Actual Result \$'000	2012-13 Revised Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^[1]	1,890	2,938	3,011	3,087	3,164
Total	1,890	2,938	3,011	3,087	3,164
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	1,890	2,938	3,011	3,087	3,164
Total cash used to acquire assets	1,890	2,938	3,011	3,087	3,164

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 96: Statement of Asset Movements (2012-13)

	Asset Category		
	Other Property, Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2012			
Gross book value	7,120	1,393	8,513
Accumulated depreciation/amortisation and impairment	-249	-1,337	-1,586
Opening net book balance	6,871	56	6,927
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - internal sources	2,370	568	2,938
Total Additions	2,370	568	2,938
Other Movements			
Depreciation and amortisation	-2,042	-485	-2,527
As at 30 June 2013			
Gross book value	9,490	1,961	11,451
Accumulated depreciation/amortisation and impairment	-2,291	-1,822	-4,113
Closing net book value	7,199	139	7,338

3.2.2 Analysis of budgeted financial statements

Revisions to the budgeted financial statements for the DMO since the *Portfolio Budget Statements 2012-13* are presented in this section.

Income Statement

Analysis of the comprehensive income statement (Table 91) show a difference of \$1,186.6m between the revised expense estimate for 2012-13 of \$8,895.9m, and the 2011-12 actual expenses of \$10,082.5m. This difference is largely as a result of the reprogramming of approved majors and reduction in unapproved majors that occurred during the *Portfolio Budget Statements 2012-13* update.

A decrease in the DMO's estimated income and expenditure for 2012-13 of \$204.7m since the original budget is largely as a result of the following:

- a reduction by Defence of the estimated value of projects to be approved and transferred to DMO for delivery during the remainder of 2012-13 of \$56.4m
- a decrease in sustainment funding of \$62.6m reflecting customer demand and requirements
- a reduction by Defence to the provision for personnel and operating costs of \$123.1m anticipated to be transferred to DMO during the remainder of 2012-13
- offset by increase in estimates due to foreign exchange rate movements of \$51.1m.

Balance Sheet

The balance sheet has been updated to reflect the 2011-12 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 2012 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 97: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2011-12 Actual Result \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Foreign exchange losses	705	-	-	-	-
Total Expenses administered on behalf of Government	705	-	-	-	-
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	542	6	6	6	6
Other	42	-	-	-	-
Total Non-taxation	584	6	6	6	6
Total Revenues administered on behalf of Government	584	6	6	6	6

Table 98: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2011-12 Actual Result \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	4,342	-	-	-	-
Total Financial assets	4,342	-	-	-	-
Total Assets administered on behalf of Government	4,342	-	-	-	-

Table 99: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2011-12 Actual Result \$'000	2012-13 Revised Budget \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	3,673	4,348	6	6	6
Total Cash received	3,673	4,348	6	6	6
Net cash from or (used by) operating activities	3,673	4,348	6	6	6
Net increase (decrease) in cash held and cash equivalents held	3,673	4,348	6	6	6
Cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash to the Official Public Account for:					
- Transfers to other entities (Finance - Whole of Government)	3,673	4,348	6	6	6
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.4 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 2012-13*.