

Defence Materiel Organisation

Agency Resources and Planned Performance

Section 1: DMO Overview and Resources

- 1.1 Strategic Direction Statement
- 1.2 DMO Resource Statement
- 1.3 DMO Measures and Other Adjustments
- 1.4 Breakdown of Additional Estimates by Appropriation Bill
- 1.5 People

Section 2: DMO Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: DMO Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 DMO Budgeted Financial Statements

DEFENCE MATERIEL ORGANISATION

Section 1: DMO Overview and Resources

1.1 STRATEGIC DIRECTION STATEMENT

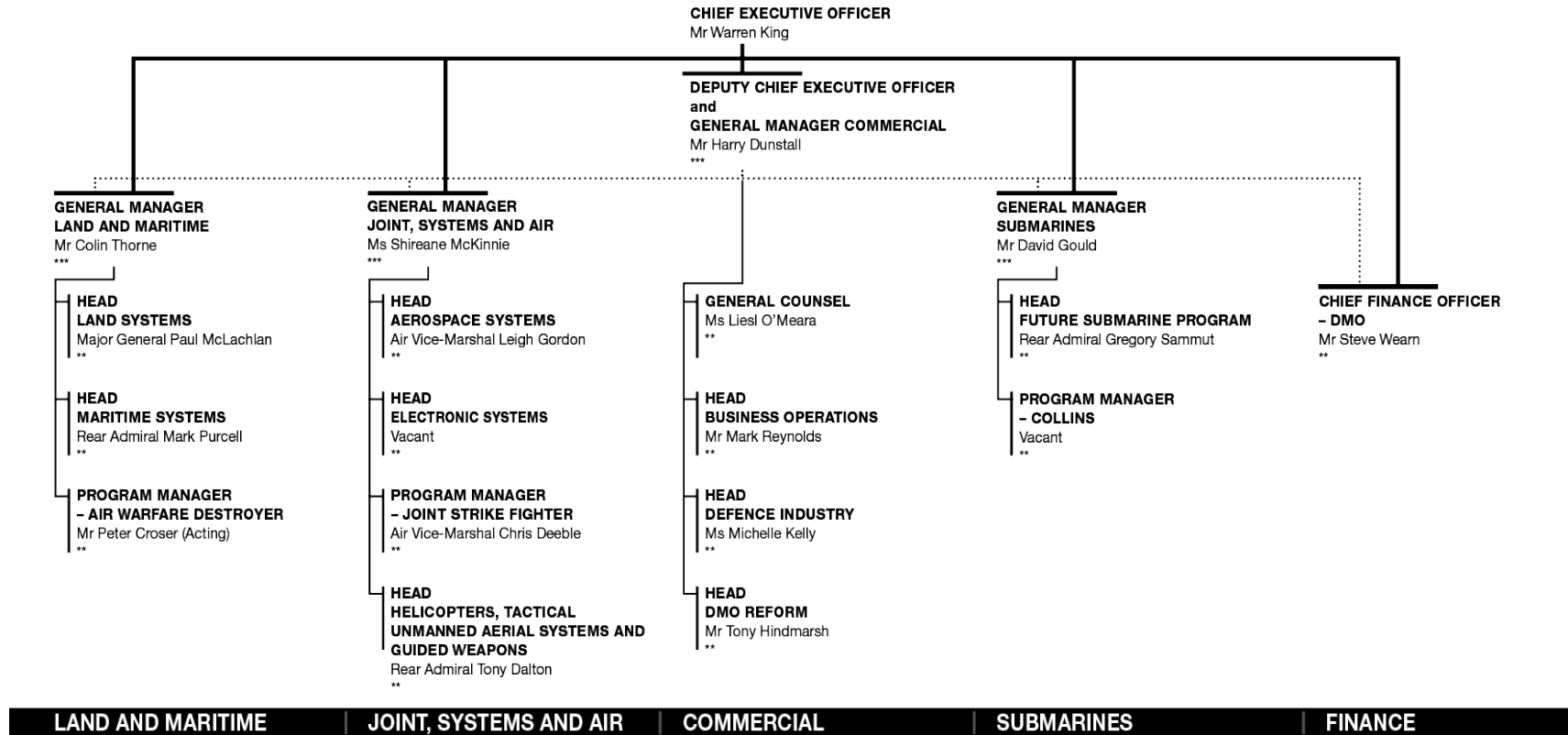
The DMO is continuing to implement key elements of the *DMO 2013-15 Strategic Framework* through pursuit of the following four change priorities:

- 1 Deliver acquisition and sustainment more efficiently.
- 2 Interact with reviews.
- 3 Streamline internal processes.
- 4 Reform the DMO.

These priorities are used to focus the DMO's improvement activities on the means to sustainably deliver the outcomes agreed with capability managers, without compromising safety and within available resourcing.

In August 2014, the Minister announced the Defence First Principles Review. The DMO is supporting and participating in this Review which will consider many of Defence's current and future challenges. The Review will also seek to find further improvements in the DMO's delivery of capability to the Australian Defence Force (ADF).

Figure 4: The DMO Organisational Structure as at 5 January 2015



Organisational Structure

The following changes have taken place since the *Portfolio Budget Statements 2014-15*:

- Helicopter Systems Division has been renamed Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons Division and remains reporting to General Manager Joint, Systems and Air.
- Guided Weapons Branch has been incorporated into Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons Division.
- Munitions Branch has been incorporated into Land Systems Division.

Senior Executive Changes

The following changes have taken place since the *Portfolio Budget Statements 2014-15*:

- In August 2014, Mr Mark Reynolds, Head Business Operations Division, returned from extended leave.
- In November 2014, Mr Michael Aylward vacated the position of Head Electronic Systems Division.

1.2 DMO RESOURCE STATEMENT

Resourcing For 2014-15

The following table shows the total resources from all sources to support the delivery of the DMO Outcome.

Table 82: DMO Resource Statement- for the 2014-15 Additional Estimates

	Estimate as at Budget 2014-15 \$'000	+ Proposed Additional Estimate = 2014-15 \$'000	Total Estimate at Additional Estimates 2014-15 \$'000	Total Available Appropriation 2013-14 \$'000
ORDINARY ANNUAL SERVICES				
Departmental appropriation				
Prior year departmental appropriation[1]	250,203	78,913	329,116	247,136
Departmental appropriation[2]	881,031	-1,439	879,592	907,791
Total Departmental appropriation	1,131,234	77,474	1,208,708	1,154,927
A Total Ordinary Annual Services	1,131,234	77,474	1,208,708	1,154,927
Total Available Annual Appropriations	1,131,234	77,474	1,208,708	1,154,927
Special Accounts				
Opening balance[3]	250,203	78,913	329,116	247,136
Appropriation receipts[4]	881,031	-1,439	879,592	907,791
Appropriation receipts - other agencies[5]	11,664,460	-198,586	11,465,874	9,988,618
Non-Appropriation receipts to Special Accounts	60,525	-58,460	2,065	96,413
B Total Special Accounts	12,856,219	-179,572	12,676,647	11,239,958
Total Resourcing (A + B)	13,987,453	-102,098	13,885,355	12,394,885
Less appropriations drawn from annual appropriations above and credited to special accounts	1,131,234	77,474	1,208,708	1,154,927
Total Net Resourcing for DMO	12,856,219	-179,572	12,676,647	11,239,958

Notes

1. Estimated adjusted balance carried forward from previous year.
2. Appropriation Bill (No. 1) 2014-15.
3. Estimated opening balance for special account.
4. Direct appropriation for Workforce and Operating Expenses.
5. Appropriation receipts from Defence credited to the DMO's special account.

Reader Note: All figures are GST exclusive

Table 83: Third Party Payments from and on Behalf of Other Agencies

	Estimate as at Budget 2014- 15 \$'000	Estimate as at Additional Estimates 2014- 15 \$'000
Receipts received from the Department of Defence for the provision of goods and services	11,664,460	11,465,874
Payments made to the Department of Defence for the provision of services ^[1]	273,102	273,748

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 DMO MEASURES AND OTHER ADJUSTMENTS

Table 84: DMO 2014-15 Measures and Other Adjustments

	Programme Impacted	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Outcome 1					
Other Adjustments					
Change in Estimates (Departmental)					
Adjustments to agreed level of activity	All	-1,439	-1,540	-1,649	-1,707
Total		-1,439	-1,540	-1,649	-1,707

1.4 BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

The following table details changes sought by the DMO during the 2014-15 Additional Estimates. The DMO will decrease the Departmental appropriation by \$1.439m due to transfers to Defence.

Table 85: Appropriation Bill (No.3) 2014-15

	2013-14 Available \$'000	2014-15 Budget \$'000	2014-15 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
Departmental Programmes					
Outcome 1					
Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	907,791	881,031	879,592	-	1,439
Total	907,791	881,031	879,592	-	1,439

1.5 PEOPLE

Workforce Summary

The DMO combined APS, ADF, and Contractor workforce forecast is 6,366. This is a decrease of 238 in comparison with the 2014-15 budget estimates of 6,604. It is important to note that the DMO manages its workforce under a total workforce model in which the DMO workforce comprises a combined ADF, APS, and Contractor total. Under DMO's approved total workforce model it is able to employ additional civilian staff to fill positions that cannot be filled by ADF members with appropriate skills and experience, which may lead to DMO exceeding its budgeted APS workforce even though its overall workforce (civilian + military + contractors) is within agreed parameters. Therefore, the overall total workforce should be viewed in its entirety.

Table 86: DMO Consolidated Workforce Statement

	2014-15 Budget estimate	2014-15 Revised estimate	Variation	2015-16 Forward estimate	2016-17 Forward estimate	2017-18 Forward estimate
ADF Permanent Force^[1]						
Navy	314	325	11	364	368	368
Army	364	365	1	492	497	494
Air Force	669	683	14	944	957	956
1 Sub Total Permanent Force	1,347	1,373	26	1,800	1,822	1,818
Civilian Employees						
APS ^[2]	4,777	4,539	-238	5,108	5,143	5,100
APS – ADF backfill	432	406	-26	–	–	–
2 Total APS	5,209	4,945	-264	5,108	5,143	5,100
3 Contractors^[3]	48	48	-	46	46	44
4 Total Civilian Employees (2 + 3)	5,257	4,993	-264	5,154	5,189	5,144
Total Workforce Strength (1 + 4)	6,604	6,366	-238	6,954	7,011	6,962

Notes

- 1 Numbers for ADF Permanent Force include Reservists on full-time service.
- 2 Pending the Government's direction resulting from the Defence First Principles Review and the 2015 Defence White Paper, the basis for workforce planning for the DMO continues to be the extant workforce budget published in the *Portfolio Budget Statements 2014-15* to deliver the Defence Capability Plan.
- 3 Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Table 87: Breakdown of Personnel Numbers by Service and Rank Including APS and Contractors.

	2014-15 Budget Estimate	2014-15 Revised Estimate
Navy^[1]		
One Star and above ^[2]	9	9
Senior Officers ^[3]	56	58
Officers	132	134
Other Ranks	117	124
Total Navy	314	325
Army^[1]		
One Star and above ^[2]	5	6
Senior Officers ^[3]	62	60
Officers	156	152
Other Ranks	141	147
Total Army	364	365
Air Force^[1]		
One Star and above ^[2]	8	8
Senior Officers ^[3]	90	91
Officers	329	340
Other Ranks	242	244
Total Air Force	669	683
APS^[1]		
Senior Executives ^[2]	35	35
Senior Officers ^[3]	1,660	1,458
Other APS Staff	3,082	3,046
Sub-total APS	4,777	4,539
APS – ADF Backfill	432	406
Total APS	5,209	4,945
Contractors^[1]		
Contractors^[4]	48	48
Total Workforce	6,604	6,366

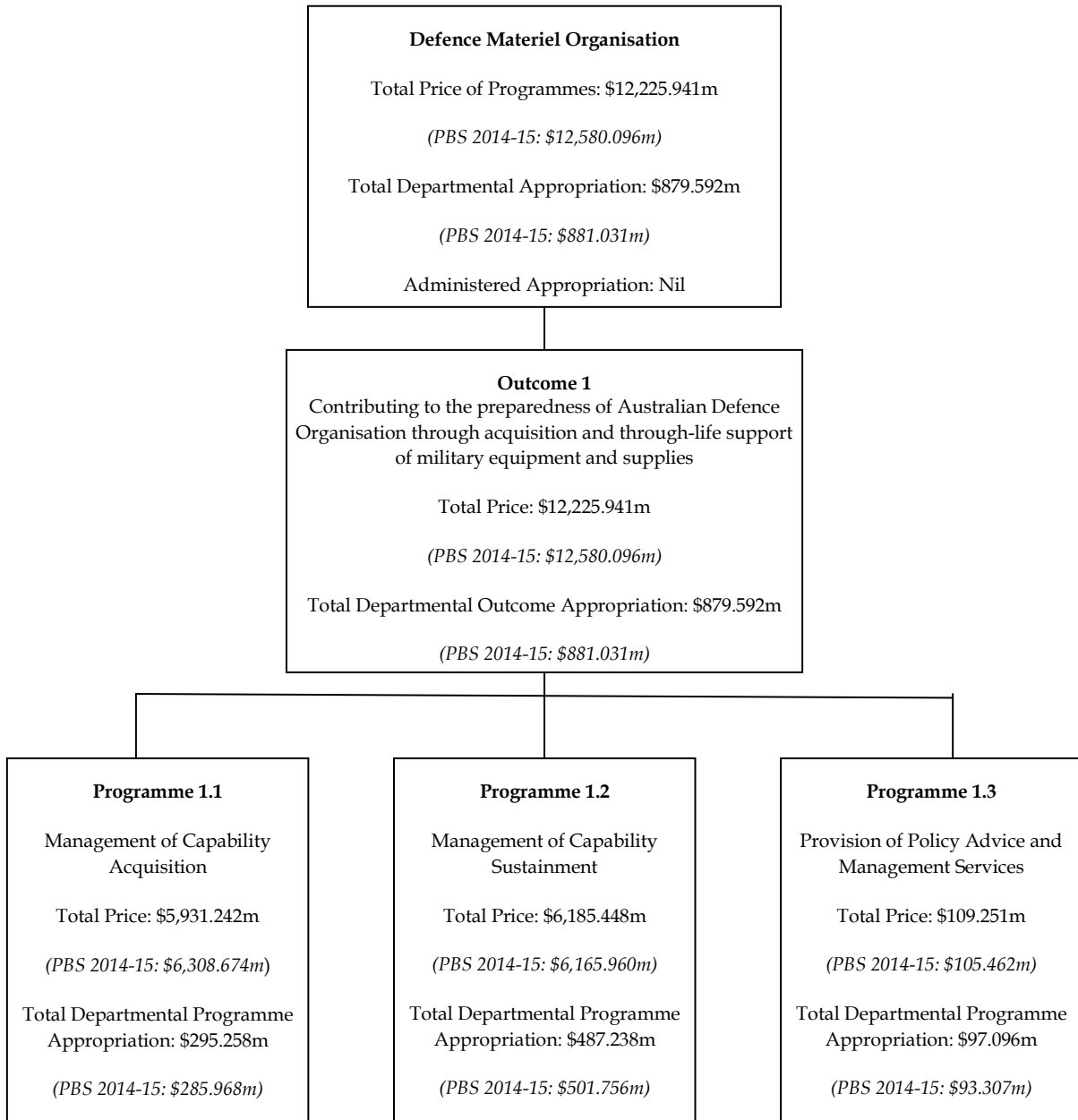
Notes

- 1 ADF, APS and Contractor numbers are forecasts of the average strength for 2014-15.
- 2 "One Star and above" officers are of Brigadier to General rank equivalent; "Senior Executives" are Senior Executive Band 1 to 3.
- 3 Senior Officers are of Lieutenant Colonel and Colonel rank equivalent, and APS Executive Level 1 and 2.
- 4 Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Section 2: DMO Outcomes and Planned Performance

Outcome 1 encapsulates the entire business of the DMO, the activities it undertakes as part of Defence in acquisition and sustainment of materiel and the advice it provides on contracting policy and industry policy.

Figure 5: Contributions to Outcomes and Programmes



The outcome is described in Section 2.1 together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of the DMO in achieving Government outcomes.

2.1 OUTCOMES 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

No changes have been made to this outcome strategy since the *Portfolio Budget Statements 2014-15*.

STRATEGY HIGHLIGHT: DMO Change Priorities 2014-15

No changes have been made to this outcome strategy since the *Portfolio Budget Statements 2014-15*.

Outcome Expenses and Resource Statement

The following table provides an overview of the total expenses for Outcome 1 by Programme.

Table 88: 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	2013-14 Actual Expenses \$'000	2014-15 Revised Estimated Expenses \$'000
Programme 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation ^[1]	218,645	295,258
Special Accounts	4,146,203	5,628,793
Expenses not requiring appropriation in the Budget year ^[2]	5,906	7,191
Total for Programme 1.1	4,370,754	5,931,242
Programme 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation ^[1]	525,056	487,238
Special Accounts	5,318,482	5,682,951
Expenses not requiring appropriation in the Budget year ^[2]	13,914	15,259
Total for Programme 1.2	5,857,452	6,185,448
Programme 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation ^[1]	93,581	97,096
Special Accounts	-	894
Expenses not requiring appropriation in the Budget year ^[2]	11,653	11,261
Total for Programme 1.3	105,234	109,251
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation ^[1]	837,282	879,592
Special Accounts	9,464,685	11,312,638
Expenses not requiring appropriation in the Budget year ^[2]	31,473	33,711
Total Expenses for Outcome 1	10,333,440	12,225,941
	2013-14	2014-15
Average Staffing Level (number)^[3]	5,216	4,945

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bill no 1)" and "Retained Revenue Receipts under s74 of the PGPA Act 2013".
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 the DMO, as military staff remain employees of the Department of Defence and are included in its staffing.

Contributions to Outcome 1

Programme 1.1: Management of Capability Acquisition

Programme 1.1 Objective

No changes have been made to the Programme Objective since the *Portfolio Budget Statements 2014-15*.

Programme 1.1 Expenses

The nature and costs of Programme 1.1 remains as described in the *Portfolio Budget Statements 2014-15*.

The planned resource use for Programme 1.1 is \$5,931.2m which represents approximately 49 per cent of the DMO's total expenses. The revised planned resource use for Programme 1.1 includes:

- The DMO major capital equipment programme of \$5,543.1m which comprises \$5,406.4m of the approved major capital investment programme and a further \$136.6m of work planned to be transferred to the DMO during the remainder of 2014-15 from Defence.
- The DMO minor capital investment programme of \$85.7m, including the approved minor programme of \$36.6m and \$49.1m of work planned to be transferred to the DMO during the remainder of 2014-15.
- Direct appropriation of \$295.3m relating to acquisition workforce and operating expenses.
- Resources received free of charge from Defence of \$7.2m.

The estimates for Programme 1.1 reduced by \$377.4m since the *Portfolio Budget Statements 2014-15* as a result of the following:

- The DMO major capital equipment programme decreased by \$336.4m as a result of:
 - a net reduction of \$196.0m by Defence of the estimated value of major projects to be approved and transferred to the DMO for delivery during the remainder of 2014-15
 - a reduction in payments required from Defence for approved major projects of \$144.4m for the higher outcome achieved in 2013-14
 - supplementation due to foreign exchange movements of \$4.0m.
- The DMO minor capital investment programme decreased by \$50.4m largely reflecting a reduction by Defence of the estimated value of projects to be approved and transferred to DMO for the remainder of 2014-15.
- The direct appropriation relating to Programme 1 increased by \$9.3m as a result of the net effect of a reallocation of Workforce and Operating Expenses between programmes to cater for variations in work effort and priorities and functional transfers to Defence.

Table 89: Programme 1.1 Management of Capability Acquisition

	2013-14 Actual \$'000	2014-15 Revised Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,146,203	5,628,793	6,375,236	5,674,013	6,879,641
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	218,645	295,258	306,924	338,206	360,092
Expenses not requiring appropriation in the Budget year ¹	5,906	7,191	7,371	7,555	7,744
Total Programme Expenses	4,370,754	5,931,242	6,689,531	6,019,774	7,247,477

Note

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

Programme 1.1 Deliverables

- Changes to the detailed descriptions of deliverables for the Top 30 Acquisition DMO projects is contained in Table 90 Top 30 Acquisition Projects by 2014-15 Forecast Expenditure (Gross Plan). A status update on other major projects that are no longer included in the Top 30, but were included in the previous five years, is provided at Table 92.

Programme 1.1 Key Performance Indicators

- No changes have been made to the Programme Key Performance Indicators since the *Portfolio Budget Statements 2014-15*.

Top 30 Acquisition Projects by 2014-15 Forecast Expenditure

Table 90: Top 30 Acquisition Projects by 2014-15 Forecast Expenditure (Gross Plan)

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
General Manager Joint, Systems and Air							
Aerospace Systems							
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	3,262	407	797	729	-69	<p>The first two aircraft currently in production remain on schedule for completion in the third quarter of 2015. The first five Growler Aircrew students are on track to graduate in February 2015 and commence operational tours with the United States Navy expeditionary Growler Squadrons. Key software development and test activity is underway with ALQ-99 Tactical Jamming System and training missile production continuing through the financial year.</p> <p>The variation is primarily driven by moderated forecast Foreign Military Sales case expenditure.</p>
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	3,548	123	324	451	127	<p>This project has authorised the United States Navy (USN) to sign contracts for: long-lead time components for the first four production aircraft; the Aircrew Training System; acquisition of components for use in aircraft production; and initial aircraft spares. The project also released a Procurement Request detailing requirements for its Mission Support System.</p> <p>The variation is primarily due to bringing forward spend against initial aircraft spares and long-lead aircraft components to align with the USN contract to better support the P-8A on delivery.</p> <p>A Special Flight Permit was awarded in October 2014 to enable the aircraft to be registered and flown.</p> <p>The first two aircraft have been accepted and are operating at L-3 in Waco, Texas, to support aircrew and maintainer training.</p> <p>Training of the first cadre of Air Force maintainers commenced in December 2014 and training of the first cadre of aircrew is scheduled to commence in January 2015.</p>
Battlefield Airlift - Caribou Replacement	AIR 8000 Phase 2	1,295	424	314	255	-58	<p>Aircraft deliveries to 35 Squadron at RAAF Base Richmond, New South Wales, are scheduled for May 2015 and the project remains on track to achieve Initial Operating Capability by December 2016. However, some early delays are being identified with the production schedule for later aircraft.</p> <p>The variation is a result of a Foreign Military Sales case Termination Liability payment brought forward into 2013-14 from 2014-15 at the request of the United States Government, as well as some delays in production and invoicing by suppliers.</p>

	Project Number/ Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Air to Air Refuelling Capability	AIR 5402	1,818	1,588	142	104	-38	<p>This project has successfully completed development, certification and qualification testing of the Aerial Refuelling Boom System.</p> <p>Refurbishment of the prototype aircraft was completed in December 2014 with the aircraft due to return to Australia in March 2015. The upgrade of the aerial refuelling pods and simulation training devices are well under way.</p> <p>The project will begin Introduction Into Service of the Aerial Refuelling Boom System and updated Mission System in early 2015.</p> <p>The key risk for the project is now the timely completion of the aircraft modification program.</p> <p>The variation is primarily due to prime contract milestone slipping from 2014-15 to 2015-16; cost savings associated to contract changes; spares no longer required; as well as the delay in the delivery of spares.</p>
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,876	3,514	64	51	-13	<p>This project has delivered the final remediation software for the radar, mission computing, and communication subsystems, in addition to selected changes to the electronic support measures subsystem identified as essential for Final Materiel Release. Residual logistics support elements have also been delivered.</p> <p>The project also planned to initiate remediation of the fire detection system to better support safe operations across the life of the platform. This has not progressed as scheduled due to delays in the maturity of the design solution and cost.</p> <p>The variation is due to reprogramming of improvements to the fire detection system.</p>
C-17 Globemaster III	AIR 8000 Phase 3	1,698	1,368	57	56	-1	<p>This project finalised the delivery and transition of the C-17 Cargo Compartment Trainer and progressed the remaining C-17 sustainment support requirements, including spares, role expansion equipment, ground support equipment and materiel handling equipment. Residual project tasks have transitioned to their respective in service management/sustainment agency for completion by the end of 2014-15, as planned.</p> <p>The variation is primarily driven by moderated forecast Foreign Military Sales case expenditure.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Lead-In Fighter Capability Assurance Program	AIR 5438 Phase 1A	263	67	49	48	-2	<p>Two Hawk 127 validation and verification aircraft have been modified with the subsequent ground testing supporting the submission for a Special Flight Permit.</p> <p>A contract for the procurement of Air Combat Manoeuvring Instrumentation (ACMI) pods has been placed with the vendor, with deliveries scheduled to commence in 2015-16.</p> <p>A tender for the construction of new simulator facilities at RAAF Bases Williamtown, New South Wales, and Pearce, Western Australia, has been released, significantly reducing the associated risk to the program.</p> <p>The variation is largely driven by cost savings through negotiated outcomes from the ACMI contract; offset by additional project management support activities.</p>
Electronic Systems							
Battlefield Command Systems	LAND 75 Phase 4	331	17	158	140	-19	<p>This project is well advanced in the manufacture of kits for the installation of systems into selected Protected Mobility Vehicles and G-Wagons.</p> <p>First to second pass risk reduction activities were contracted in December 2013 and are planned to complete on schedule in 2015. These activities will generate the information required for a future project approval consideration by Government.</p> <p>The variation is due to reductions in costs and revised schedules to complete the work. Variation is due to reprogramming of funds to align the Price and Payments Schedule in the final contract.</p>
Battlespace Communications System (LAND)	JP 2072 Phase 3	177	35	126	90	-36	<p>Work Package A will continue to digitise and enhance the Command, Control and Communications systems for land tactical forces. The project is receiving the final deliveries of Tactical Data and Voice radios in preparation for installations by project LAND 75, Battlefield Management System, in quarter two 2015.</p> <p>Following a review of industry comments on the draft functional performance specifications for new communications capabilities required under this project, a request for tender is planned for release in early 2015.</p> <p>The variation is due to a combination of savings achieved through economies of scale (bulk ordering of materiel) and the accelerated delivery of combat net radio equipment to 2013-14 from 2014-15 .</p>

Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation	
Battlespace Communications System (LAND)	JP 2072 Phase 2A	459	280	73	17	-57	<p>This project has now delivered the majority of the new digital radios to Army units for use in the dismantled role. Withdrawal of legacy analogue radio fleets is occurring in alignment with the issue of new equipment.</p> <p>The mature support contracts that will support the new radios through life-of-type acquired under JP2072 Phases 1, 2A and 3A as well as other major projects are undergoing solicitation activities through 2014-15. Interim support arrangements will continue while this is finalised.</p> <p>The key risks are: finalising design acceptance for the combinations of off-the-shelf equipment used by various end-users; establishment of performance based support contracts for the new fleets; and the smooth transition into sustainment in alignment with the withdrawal of legacy fleets.</p> <p>The variation is a combination of: savings achieved through economies of scale (bulk ordering of materiel); the accelerated delivery of combat net radio equipment to 2013-14 from 2014-15; reductions in required ancillaries; and delays to acquisition of spares and other follow-on procurements pending finalisation of mature support contract arrangements.</p>
Anzac Electronic Support System Improvements	SEA 1448 Phase 4A	270	31	58	37	-21	<p>This project will provide the Anzac Class Frigates with an improved tactical Electronic Support mission system for improved passive situational awareness and early threat warning. The project includes the provision of an Electronic Support mission system and emulators for training and a ground based support segment for Electronic Support mission system programming.</p> <p>The project has completed the required system reviews including Preliminary Design Review and Critical Design Review; and has commenced system level testing. During 2014-15 the project will deliver up to three systems and commence installation on the Anzac Class Frigates.</p> <p>The variation is due to the contractor, Exelis, delaying the order of some electronic components pending satisfactory testing of a related system which resulted in the re-scheduling of some major milestones. Invoicing and payment is expected to be finalised early next financial year pending final acceptance.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Battle Management System	LAND 75 Phase 3.4	316	203	38	15	-23	<p>Engineering design documentation for all vehicle installations except the M113 is nearing finalisation, and in 2014-15 the project is planning to deliver all supplies required for Final Materiel Release. The M113 design work has experienced commercial and technical difficulties with the integration of the Battle Management System into the platform which resulted in the final acceptance milestone being moved into 2015-16. These issues have been since rectified with design acceptance now planned for 2015-16.</p> <p>The variation is due to reprogramming of the Final Acceptance Milestone into 2015-16.</p>
Joint Command Support Environment	JP 2030 Phase 8	256	169	33	21	-12	<p>Evolution 2 Releases 1 to 4 have been completed. The final operational releases are planned for the first quarter of 2015. Operational test and evaluation will commence in the first half of 2015 leading to a planned Final Operating Capability in December 2015.</p> <p>The variation is due to reprogramming of contract milestones to 2015-16 in accordance with revised schedule.</p>
C-130J Large Aircraft Infrared Countermeasures (LAIRCM)	AIR 5416 Phase 4B2	206	20	31	12	-19	<p>Delivery of the C-130J Large Aircraft Infrared Countermeasures (LA RCM) capability is underway with both the United States Air Force (USAF) prime contracts underpinning the two acquisition Foreign Military Sales (FMS) cases now awarded. The project is on track to complete systems engineering design reviews in 2014-15, in preparation for the modification program commencing in late 2015.</p> <p>The aircraft modification schedule may be at risk due to recently advised quality issues with the aircraft modification kits supplied by Lockheed Martin. Some of the replacement parts have long lead times. Efforts are underway by the USAF and Lockheed Martin to resolve this matter. No schedule change has been formally advised by the USAF at this point in time and Initial Operating Capability is still planned for the second quarter of 2017.</p> <p>Higher fidelity in the FMS payment schedule following award of USAF contracts has led to a significant decrease in FMS payments in 2014-15.</p>
Replenish Nulka Warstock	SEA 1397 Phase 5A	85	38	27	21	-6	<p>During 2014, this project took final delivery of rounds ordered under Batch 3. Initial delivery of rounds ordered under Batch 4 are on schedule to be received by the project in late quarter one of 2015.</p> <p>The risk profile for this project is low, with a contract awarded in the third quarter of 2014 for the final production contract (Batch 5) under this project.</p> <p>The project was able to negotiate a greater than anticipated reduction in the per unit contract price.</p>

Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation	
High Frequency Modernisation	JP 2043 Phase 3A	580	448	25	17	-8	<p>Contract signature for procurement of the High Frequency Direction Finding and Signal Improvement, Nullarbor, capability was achieved on 20 June 2014.</p> <p>Work to address obsolescence issues resulting from delays to delivery of the final system continues in 2014-15, with a number of areas already mitigated and under contract.</p> <p>A number of payments planned for 2014-15 have been reprogrammed to 2015-16 following finalisation of agreed delivery schedules. Other variations were caused by the establishment of a Memorandum of Understanding with the Australian Communications and Media Authority to give effect to their requirements which were able to be incorporated in the Nullarbor contract and which produced an overall cost saving to the Government in the order of \$7m.</p>
Helicopters, Tactical Unmanned Weapon Systems and Guided Weapons							
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	3,221	921	505	512	7	<p>This project is on schedule. The training detachment at the United States Naval Air Station in Jacksonville, Florida has been completed, with the aircraft transported to Australia. The first training devices have been delivered and set to work at the Naval Air Station in Nowra, New South Wales. Training will commence in Australia as scheduled in early 2015.</p> <p>The variation is primarily due to an acceleration of Foreign Military Sales payments to align with MH-60R aircraft production schedule, offset by a transfer of funds out of the project for infrastructure works and cost savings identified in the construction and maintenance of training devices and transportation costs.</p>
Multi Role Helicopter	AIR 9000 Phase 2	3,747	2,430	286	267	-19	<p>Aircraft deliveries from both the production and retrofit lines are running ahead of the revised schedule. Chief of Army has now declared a MRH90 operational capability for the Army. An initial MRH90 operational capability for the Navy is now anticipated to be achieved in early 2015.</p> <p>The variation is due to foreign exchange reduction and reprogramming of prime contract milestone deliverables.</p>
Medium Lift Helicopter	AIR 9000 Phase 5C	617	247	166	133	-33	<p>The first Australian CH-47F has been assembled and rolled off the Boeing production line in December 2014. This aircraft remains on schedule for a March 2015 delivery. The project remains on schedule to deliver all seven CH-47F aircraft by August 2015.</p> <p>The variation is primarily driven by moderated forecast Foreign Military Sales case expenditure.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Bridging Air Combat Capability	AIR 5349 Phase 2	290	145	32	8	-24	<p>Initial delivery of the AIM-120 Advanced Medium Range Air to Air Missiles (AMRAAM) being acquired under this project have been delayed by 18 months due to production and weapon to aircraft integration issues.</p> <p>The variation is due to delay in payment for AIM-120 AMRAAM in line with their revised delivery schedule.</p>
Joint Strike Fighter							
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	13,692	451	238	278	40	<p>Australia's first two F-35A aircraft completed production and were accepted during November 2014. The project is on schedule to support the commencement pilot training in 2015.</p> <p>The project's facility program gained Government approval on 29 October 2014 and is on schedule to support the commencements of work in 2015.</p> <p>On 18 December 2014, the United States (US) Government announced that Australia would provide support to F-35 aircraft in the Asia Pacific region.</p> <p>Major risks include software, integration into the ADF environment and the establishment of a sustainment capability in Australia. The development of an integrated solution into the ADF environment is maturing with the finalisation of the aircraft support system design and development of the sustainment concepts.</p> <p>US contracting and invoicing is not yet mature and has led to variations in forecasts. The revised estimate is based on latest available data and reflects anticipated billing associated with contracted and planned activity.</p>

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
General Manager Land and Maritime							
Air Warfare Destroyer							
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,843	5,224	616	759	144	<p>The float-off of Ship 01, <i>Hobart</i>, and the keel-laying ceremony for Ship 03, <i>Sydney</i>, are scheduled to take place in mid 2015. Combat system equipment will continue to be installed into Ship 01 <i>Hobart</i>. Consolidation of Ship 02 <i>Brisbane</i>, will continue as will Ship 03 <i>Sydney</i> block production at BAE Systems, Williamstown, and Forcacs, Newcastle. The Winter Report was delivered to Government in early 2014 and implementation of the Interim Phase of the AWD Reform Strategy has commenced. The key objective of inserting experienced shipbuilding expertise into the management team of ASC Shipbuilder has been agreed and will start in January 2015. The program will be re-baselined, with a new schedule and associated cost profile. The final phase of the reform is expected to be implemented by mid-2015 in accordance with the new baseline.</p> <p>The key challenge for this project is to increase shipbuilder productivity and thereby control costs.</p> <p>This variation reflects the current challenges of the program resulting from increases associated with low shipbuilding productivity activities and consequential cost over-runs.</p>
Land Systems							
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3A/5A	1,016	609	171	127	-43	<p>This project continues to progress the Introduction Into Service of G-Wagons, with 3 Brigade completed on schedule in October 2014. As at 3 December 2014 the project has issued 1,352 vehicles and 1,005 trailers to units.</p> <p>Introduction Into Service will continue at around 60 vehicles and 30 trailers per month. Training for vehicle operators will be completed in 2014-15.</p> <p>The first of the specialist variants, the Surveillance and Reconnaissance vehicle, was issued to 51 Far North Queensland Regiment in July 2014.</p> <p>The key risks for this project are the finalisation of the Command Post Mobile (CPM) module requirements and meeting subsequent production targets for both the CPM module and Ambulance variants.</p> <p>The variation is a result of vehicles and support equipment deliveries and payments being brought forward to 2013-14 from 2014-15, a reduction to expected price escalation, a reduced estimate for the ambulance module redevelopment, together with rescheduled contractual milestones for the remaining batch deliveries of vehicles and modules.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Overlander - Medium Heavy Capability, Field Vehicles, Modules and Trailers	LAND 121 Phase 3B	3,404	41	119	107	-11	<p>The prime contractors are currently in the design phase and prototype testing has commenced. The Medium/Heavy Vehicle and Module Capability Prime Contractor has now finalised arrangements with its subcontractors. Introduction Into Service for the Medium/Heavy Capability is on schedule to begin in the second half of 2016.</p> <p>The revised estimate reflects the contracted delivery and payment schedule that was negotiated post second pass Government approval. The variation includes rescheduling of system engineering reviews, foreign exchange adjustments and re-programming of minor contract activities.</p>
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,250	917	68	67	-1	<p>Vehicle production is proceeding on schedule to deliver 66 Production Period 5 vehicles in 2014-15. As at 1 December 2014, 30 vehicles have been delivered this financial year. Installation of External Composite Armour mounting points has commenced and will proceed in accordance with the Army plan.</p> <p>The variation is due to foreign exchange adjustment.</p>
Maritime Systems							
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,087	2,638	143	86	-57	<p>LHD01 was delivered to the Navy in October 2014 and commissioned as HMAS <i>Canberra</i> in November 2014. The fitting-out of LHD02 <i>Adelaide</i> continues on schedule.</p> <p>The variation is primarily due to a combination of cost savings, risk reduction strategies and the movement of activities and milestones associated with LHD01 acceptance.</p>
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	678	476	77	72	-5	<p>This project continues with the Anti-Ship Missile Defence (ASMD) Follow-On Ship upgrade work. HMAS <i>Anzac</i> returned to service following completion of upgrade work. HMA Ships <i>Warramunga</i> and <i>Ballarat</i> are currently undergoing upgrade work.</p> <p>The variation is due to minor reduction of ASMD work due to the extent of concurrent maintenance for Anzac ships.</p>
Amphibious Watercraft Replacement	JP 2048 Phase 3	236	94	55	50	-5	<p>The first four landing craft were delivered to the Navy in October 2014 and are now embarked on HMAS <i>Canberra</i>. The second group of four craft are on schedule for delivery in early 2015.</p> <p>The variation is due to a reduction in escalation exposure, and reprogramming of logistics support activities.</p>
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	387	306	28	25	-3	<p>This project continues with the Anti-Ship Missile Defence (ASMD) Follow-On Ship upgrade work. HMAS <i>Anzac</i> returned to service following completion of upgrade work. HMA Ships <i>Warramunga</i> and <i>Ballarat</i> are currently undergoing upgrade work.</p> <p>The variation is due to minor reduction of ASMD work due to extent of concurrent maintenance for Anzac ships.</p>

Project Number/Phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
General Manager Submarines						
Future Submarine Program						
Future Submarine - Acquisition	SEA 1000 Phase 1A	296	58	98	74	-23
<p>This project will deliver Australia's future submarine capability.</p> <p>During 2014-15, the strategic direction of this project has continued to be reviewed by the Government. The project is focussed on options that will deliver a regionally superior conventional submarine capability, and is engaging with a number of countries, including Japan. The refinement of options is progressively clarifying budget requirements over the remainder of the current financial year and beyond. Key functions within the project team have also been revised, and longer-term roles for industry members of the team are being established.</p> <p>The mobilisation of appropriate national resources necessary to manage the Future Submarine Program with the international support remains a major focus for the project.</p> <p>As options for the Future Submarine continue to be refined, budget requirements for the remainder of 2014-15 have been further clarified.</p>						
Total -Top 30 Projects (Gross Plan)		58,206	23,289	4,919	4,630	-289

Table 91: Major Capital Investment Programme by 2014-15 Forecast Expenditure

		2014-15 Budget Estimate \$m	2014-15 Revised Estimate \$m	Variation \$m
A	Top 30 Projects Gross Plans	4,919	4,630	-289
B	Other Approved Project Gross Plans	621	855	234
C	Total Gross Plan Project Estimates (A+B)	5,540	5,485	-54
D	Management Margin: Slippage ^[1]	-432	-79	353
E	Payments Required from Defence for the Approved Programme (C+D)	5,109	5,406	298
F	Projects Planned for Government Consideration and Transfer to the DMO	771	137	-634
	Total Estimated Funds Available (E+F)	5,879	5,543	-336

Note

1. Management margin is an estimate of possible overall approved capital programme expenditure slippage that may occur as the 2014-15 financial year progresses.

Acquisition Projects previously included in the Top 30 Projects - Current Status

Table 92 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 2014-15.

Table 92: 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 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
General Manager Joint, Systems and Air							
Aerospace Systems							
Bridging Air Combat Capability	AIR 5349 Phase 1	2012-13	3,311	2,737	15	14	-1 Residual acquisition activities continue under Phase 1, including spares and support equipment procurement support to the maintenance network, through Chief Information Officer Group, and weapons integration activity.
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	105	13	11	-2 All ground systems have been upgraded and accepted and three aircraft have been modified. All remaining BAE Systems Australia deliverables remain on schedule for acceptance, and a further three aircraft will be modified allowing the achievement of Initial Operational Capability by mid 2015.
Additional C-17A Globemaster III	AIR 8000 Phase 4	2012-13	560	439	9	13	4 This project continues the procurement and delivery of spares and support equipment for Australia's fifth and sixth aircraft delivered under the project. The project is progressing transition of these activities to the relevant sustainment agencies.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011-12	1,881	1,646	8	10	2 The Electronic Warfare Self Protection Suite upgrade, Phase 2.3, of this project is complete with Final Operational Capability achieved in October 2014. The Hornet simulators improvement program is under contract and on schedule for installation and testing during 2015 and for completion in 2016, with Final Operational Capability scheduled for 2017.
Airborne Surveillance for Land Operations	JP 129 Phase 2	2012-13	96	72	7	5	-2 Final Materiel Release and Final Operational Capability were declared on 26 May 2014 and 31 August 2014 respectively. Additional equipment deliveries, including six attrition air vehicles, are scheduled to occur in early 2015.
AP-3C Capability Assurance Program	AIR 5276 CAP1	2009-10	88	71	1	0	-1 The project has upgraded the final two AP-3C aircraft with the Capability Assurance Program 1 system. This represents the final deliverable of the project supporting project closure in 2015.

Defence Portfolio Additional Estimates Statements 2014-15

Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
Electronic Systems							
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	259	222	18	5	-13 The tactical data and voice communications radios have been delivered to the units in accordance with the approved Basis of Issue. Documentation for achieving Final Operational Capability is currently in progress and is expected to be completed by mid 2015. Activities to support project closure have commenced, and are expected to be completed by mid 2015.
Ultra High Frequency (UHF) Satellite Communications System	JP 2008 Phase 5A	2012-13	419	337	11	5	-6 This project has delivered an upgraded Ultra High Frequency Satellite capability to the ADF. The associated network management system has experienced delays associated with deficiencies experienced during testing. System acceptance has slipped but remains within 2014-15.
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	104	80	8	7	-1 The Anzac Multi Link Upgrade First of Class ship was accepted by the Commonwealth in November 2014. The claim for Initial Materiel Certification and Initial Operational Release is being progressed through the Navy. The initial common support infrastructure has completed testing and is preparing to transition the first associated Materiel Release into Operational Service.
Next Generation Satellite Communications (SATCOM) System	JP 2008 Phase 4	2013-14	869	565	3	4	1 The six satellites that make up the Wideband Global Satellite Communications System constellation have all launched successfully and are fully operational. The project has achieved Final Materiel Release. Work continues to manage the upgrade of the United States supplied satellite control equipment. The project expects to complete transition to sustainment and project closure during 2015.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	107	91	–	1	1	The focus continues on project closure activities.
Military Satellite Capability (SATCOM) – Wideband Terrestrial Terminals	JP 2008 Phase 3H	2013-14	45	33	–	5	5	This project has been delayed whilst an issue with electrical safety of the Wideband Terrestrial Terminals non conformance was rectified by the contractor. All of the supplies have been remediated and achieved compliance in December 2014. Initial Operational Capability has been delayed and is now expected to be achieved in March 2015 with Final Operational Capability in the second quarter of 2015, once all terminals and a revised training package have been delivered to units.
Joint Strike Fighter								
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	–	–	–	Project has been completed.
Helicopters, Tactical Unmanned Weapon Systems and Guided Weapons								
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2012-13	2,033	1,864	4	–	-4	Administrative actions for project closure are progressing.
Standard Missile-2 Conversion and Upgrade	SEA 4000 Phase 3.2	2013-14	105	56	25	6	-19	Standard Missile 2 Block IIIB modification kits have been supplied and the upgrading of missiles in the United States has commenced. Upgrading of the Australian Intermediate Level Maintenance Facility was completed in November 2014. Testing of new configuration missiles in Australia will commence in March 2015.
Lightweight Torpedo Replacement	JP 2070 Phase 2	2013-14	342	300	12	13	1	This project is funding the initial in-service support of the MU90 lightweight torpedo. The project remains on track for closure in 2017.

Defence Portfolio Additional Estimates Statements 2014-15

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	303	275	2	1	-1	Progressing to project closure in 2015.
Evolved Sea Sparrow Missiles (ESSM)	SEA 1428 Phase 4	2009-10	88	84	-	-	-	Final delivery of missiles and missile canisters occurred in August 2014. Progressing to project closure in 2015.
Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	317	284	-	-	-	Progressing to project closure in 2015.
General Manager Land and Maritime								
Land Systems								
Mulwala Redevelopment Project	JP 2086 Phase 1	2013-14	370	342	22	19	-3	The project is working with the contractor to address the outstanding issues associated with the qualification of propellants and to resolve plant issues, necessary to achieve Final Acceptance (FA) of the propellant manufacturing facility. Upon achievement of FA, control of the plant will transfer to Thales to operate. This project continues to be managed as a Project of Concern.
Digital Terminal Control System	LAND 17 Phase 1B	2013-14	121	82	15	11	-4	The next version of control terminal software has been reviewed at a configuration control board and the final version remains on schedule for delivery in 2014-15. Upgrades of the previously delivered systems to the final configuration baseline have commenced.
Artillery Replacement 155MM Howitzer	LAND 17 Phase 1A	2013-14	337	158	12	8	-4	Government approval has been received to transfer the course correcting fuze element to LAND 17 Phase 1C1, Lightweight Howitzer. This project will be closed in 2015.
Additional Lightweight Towed Howitzers	LAND 17 Phase 1C1	2013-14	147	52	12	4	-8	The delivery of 19 Lightweight Towed Howitzers to Australia was completed ahead of schedule in April 2014 and the associated Materiel Release milestone has been achieved. The follow-on Capability Assurance Program has been approved by Government.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
Counter - Rocket, Artillery and Mortar (C-RAM)	LAND 19 Phase 7A	2012-13	260	176	3	6	3	The counter-rocket, artillery and mortar system continues to be sustained within the current project budget. Discussions with the preferred tenderer for the ongoing support contract have commenced.
Australian Protected Route Clearance Capability (APRCC)	JP 154 Phase 3A	2012-13	74	35	3	2	-1	The integration of the Communications and Battle Management System onto the major platforms has been completed. The Australian-based support are on schedule for establishment in 2014-15.
Upgrade of M-113 Armoured Vehicles	LAND 106	2012-13	885	791	-	-	-	All deliveries and certifications are complete. The project will close in early 2015.
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	39	-	-	-	A new tender for the Light Weight Automatic Grenade Launcher was released in July 2014 and closed for evaluation in October 2014. The project continues to be managed as a Project of Concern.
Maritime Systems								
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,453	1,366	18	8	-10	Completion of the Navy directed Panorama sonar processing solution will enable progression to full Operational Release. Panorama successfully exited critical design review in early December 2014 and is progressing on schedule for planned closure in 2015-16.
SM-1 Missile Replacement	SEA 1390 Phase 4B	2013-14	408	332	14	13	-1	United States Foreign Military Sales initial support for the Ship SM-2 Weapon System has been established, while the corresponding direct commercial arrangements have not advanced as expected. The establishment of the commercial arrangements is expected to be completed in 2014-15, with subsequent project closure.

Defence Portfolio Additional Estimates Statements 2014-15

Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Status Report
General Manager Submarines							
Collins							
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	427	302	8	5	-3 Heavyweight torpedo installations continue. The last submarine, HMAS <i>Collins</i> , is scheduled for completion in 2018. Torpedo trials will be conducted during early 2015 to validate software upgrades, including upgrades to the Defence Science and Technology Organisation Torpedo Analysis Facility, which continues to be used for simulation activities and to analyse practice torpedo firings.
Total -Top 30 Previously Report Projects (Gross Plan)			15,787	13,035	243	175	-68

Top 10 Minor Capital Investment Projects by 2014-15 Forecast Expenditure

Table 93: Top 10 Approved Minor Acquisition Projects by 2014-15 Forecast Expenditure^[1]

	Project Number/Phase	Approved Project Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation	
Navy								
	Typhoon Training System for the DDG and LHD at West Head Gunnery Range (WHGR)	NMP1928	3	0	2	-	-2	Procurement was aligned with the existing Air Warfare Destroyer Alliance contracts which provided overall financial savings, however it also required rescheduling to 2015-16. The variation is due to a procurement initiative under existing contracts and the subsequent milestone rescheduling to 2015-16.
	Digital Voice Recording System Equipment	NMP1822	16	10	2	2	-	Installation of all eight minor war vessels is complete and equipment design for the Anzac Class vessels has commenced on schedule.
	Naval Aviation Night Vision Capability - FFG	NMP1846	4	3	1	1	-	The Navy approved scope is for two ships to be completed in 2014-15. Ship installation is complete and flight trials programmed for mid 2015.
	Navy Minor Projects Business Process - Project Development Funding	NMB8000	2	0	1	-	-1	A reduction in the number of Navy minor projects in 2014-15 reduced the forecast expenditure amount. The variation is due to the reduced number of Navy projects.
Army								
	Enhanced Land Force Weapons Training Simulation System	AMP029.44	36	19	5	6	1	The detailed design review has been completed encompassing weapon simulator prototypes and design documentation. Production of the simulator systems for the 12.7mm Heavy Machine Gun and the Carl Gustav 84mm Medium Direct Fire Support Weapon has commenced. The variation is due to the planned delivery of the 84mm Simulator which has been brought forward to May 2015 from July 2015.
	Kiowa Pilot Seating	AMP015.58	7	3	2	2	-	Eight out of 24 Kiowa have been fitted with the new pilot seats and returned to service at the Army Aviation Training Centre, Oakey, Queensland. The modification of the remaining aircraft is scheduled for completion by end of 2015.

Defence Portfolio Additional Estimates Statements 2014-15

	Project Number/Phase	Approved Project Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m	Revised Estimate 2014-15 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Navy							
							Delivery of two Line Laying Modules and training was completed ahead of schedule. Transition of Contract to LAND 121 Phase 3A, Field Vehicles and Trailers - Overlander Program, was completed and ordering of additional modules is underway.
Line Laying Capability (LLC)	AMP031.09	3	2	1	1	-	Final Materiel Release was achieved in accordance with the Materiel Acquisition Agreement. Delivery of spares, support and test equipment is scheduled for late January 2015. Project closure is on track for 2014-15.
Air Force							
Deployable Tactical Air Control and Navigation	AFM01006	6	-	3	-	-3	This project has been working toward progressing the award of the contract for the acquisition and support of the Deployable Tactical Air Control and Navigation systems. This project is not in contract. The tendered price significantly exceeded budget and the project has been delayed and is awaiting Air Force guidance.
Multi-Band, Multi-Mode Radio Capability	AFM00975	5	2	3	3	-	This project was delayed negotiating the vendor agreement to an amended set of Terms and Conditions, specifically the work health and safety aspects and obtaining hazardous materials statements. The prototype has since been purchased, hazardous materials information supplied and the required testing verification and validation successfully undertaken.
Traffic Alert and Collision Avoidance System (TCAS)	AFM01001	25	21	2	1	-1	The project has upgraded the final five AP-3C aircraft with the Traffic Collision Avoidance System. This represents the final deliverable of the project supporting project closure in 2015. The variation is due to savings associated with design of the Traffic Collision Avoidance System and installation onto the AP-3C.
Total - Top 10 Minor Projects		107	58	22	15	-6	

Note

1. The Top 10 Minor Projects are based on a review of expenditure plans for 2014-15 and the following years conducted in December 2013.

Table 94: Minor Capital Investment Programme by 2014-15 Forecast Expenditure

		2014-15 Budget Estimate \$m	2014-15 Revised Estimate \$m	Variation \$m
A	Top 10 Projects Gross Plans	21	15	-6
B	Other Approved Project Gross Plans	2	20	18
C	Total Gross Plan Project Estimates (A+B)	23	35	12
D	Management Margin: Slippage ^[1]	-	2	2
E	Payments Required from Defence for Approved Programmes (C+D)	23	37	14
F	Projects Planned for Government Consideration and Transfer to the DMO	113	49	-64
	Total Estimated Funds Available (E+F)	136	86	-50

Note

1. The positive management margin is due to adjustments yet to be processed in Defence Corporate Budget Management System.

Programme 1.2: Management of Capability Sustainment

Programme 1.2 Objective

No changes have been made to the Programme Objective since the *Portfolio Budget Statements 2014-15*.

Programme 1.2 Expenses

The nature of the costs of Programme 1.2 remains as described in the *Portfolio Budget Statements 2014-15*.

The revised planned resource use for Programme 1.2 is \$6,185.4m which represents approximately 50 per cent of the DMO's total expenses. The revised planned resource use for Programme 1.2 includes:

- The cost of contracted sustainment services of \$5,283.4m.
- Support for current ADF operations of \$314.6m.
- Direct appropriation of \$487.2m relating to Sustainment workforce and operating expenses.
- Net Personnel and Operating Costs of \$85.0m in support of new capabilities expected to enter service.
- Resources received free of charge from Defence of \$15.3m.

The estimates for Programme 1.2 increased by \$19.5m since the *Portfolio Budget Statements 2014-15* as a result of the following:

- The cost of contracted sustainment services decreased by \$95.5m as a result of:
 - a decrease of \$96.6m relating to adjustments in planned sustainment activities as agreed by Defence Capability Managers
 - an increase due to supplementation for foreign exchange movements of \$1.1m.
- The support for current ADF operations increased by \$175.2m.
- The direct appropriation relating to Programme 1.2 decreased by \$14.5m due to a reallocation of Workforce and Operating Expenses between programmes to cater for variations in work effort and priorities.
- The Net Personnel and Operating Costs in support of new capabilities expected to enter service decreased by \$45.7m due to adjustments to the provision by Defence.

Table 95: Programme 1.2 Management of Capability Sustainment

	2013-14 Actual \$'000	2014-15 Revised Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	5,318,482	5,682,951	5,862,298	6,192,387	6,491,438
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	525,056	487,238	511,847	520,548	520,022
Expenses not requiring appropriation in the Budget year[1]	13,914	15,259	15,640	16,031	16,432
Total Programme Expenses	5,857,452	6,185,448	6,389,785	6,728,966	7,027,892

Note

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

Programme 1.2 Deliverables

- Information relating to Programme 1.2 Deliverables remains as reported in the *Portfolio Budget Statements 2014-15*. Changes to the detailed descriptions of deliverables for the Top 30 DMO Sustainment products are contained in Table 96.

Programme 1.2 Key Performance Indicators

- No changes have been made to the Programme Key Performance Indicators since the *Portfolio Budget Statements 2014-15*.

Top 30 Sustainment Products by 2014-15 Forecast Expenditure

Table 96: Top 30 Sustainment Products by End of Financial Year Outcome 2014-15

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
General Manager Joint, Systems and Air				
Aerospace Systems				
F/A-18A Hornet Weapons System	204	194	-10	<p>The Defence Materiel Organisation, the Air Force and Industry maintain a strong working relationship, successfully delivering high levels of serviceability ahead of schedule. The Radar support extension contract was completed late 2014, with the Hydraulics and Undercarriage Support contract to be established in early 2015.</p> <p>Remediation of ageing aircraft issues continues to be a priority.</p> <p>The variation is primarily attributed to planned wiring rectification no longer being required, and rephasing of the software upgrade program, in line with the contract signed post <i>Portfolio Budget Statements 2014-15</i>.</p>
Airborne Early Warning and Control	185	186	1	<p>The Follow-On Sustainment Support Services contract with Boeing Defence Australia is maintaining Wedgetail fleet serviceability and delivering effective support to deployed aircraft. The contract's fee-at-risk arrangement with annual extensions based on performance is supporting improved efficiency in Wedgetail sustainment.</p> <p>The variation is due to foreign exchange updates.</p>
F/A-18F Block II Super Hornet Weapons System	162	152	-10	<p>The deployment of the Air Force Super Hornets to Operation OKRA refocused sustainment to supporting aircrew training while maintaining commitment to Operations and preparedness directives.</p> <p>While deeper maintenance and capability upgrades commenced, recontracting of prime sustainment contract was delayed due to the need for additional tender activity in order to settle on the preferred tenderer. The need to support deployment to operation OKRA has also required the reallocation of resources.</p> <p>The variation is due to early completion of classified software requirement which was realised in 2013-14 and delays in awarding the prime sustainment contract.</p>

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
P-3C/AP-3C Orion Weapons System	125	111	-14	<p>AP-3C sustainment continues to enable achievement of an intense flying program. Disposal through harvesting of spares and subsequent destruction to scrap of three aircraft has occurred. Re-utilisation of spares has reduced the need for future spares procurement, eased critical item management and improved supportability of the remaining AP-3C fleet.</p> <p>The variation is due to reduced Sonobuoy purchases and savings from adjustments in several contracts, disposal activities, and minor sustainment activities.</p>
C-130J-30 Weapons System	98	100	2	<p>C-130J propulsion systems support successfully transitioned to a new performance based contract with Standard Aero Limited. Certification of the new carbon brake and wheel assemblies has now been achieved. A successful trial was conducted and Air Lift Systems Program Office and Airbus are working towards Service Release and fleet embodiment in late 2014-15. Efforts have been directed towards high priority new operator requirements introducing a satellite communications system and crashworthy loadmaster seating, as well as upgrading the global terrain data for the full flight mission simulator.</p> <p>The variation is the net result of funding transfer to address improvements to C-130J training system; Systems Program Office procurement of a satellite communications system; as well as the affect of foreign exchange variations and achievement of in-year contract savings.</p>
Lead-in Fighter Hawk 127 Weapons System	91	86	-5	<p>Ongoing support by BAE Systems Australia Limited to the Lead-in Fighter fleet through the In-Service Support contract remains good, with a strong working relationship between Tactical Fighter Systems Program Office, Headquarters 78 Wing and BAE Systems continuing.</p> <p>The fleet corrosion control and re-paint program continues as planned with planning underway to accommodate AIR 5438 Phase 1A, Lead-In-Fighter Capability Assurance Program.</p> <p>The variation is a result of negotiated savings for an engine repair.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
KC-30A Weapon System	63	66	3	KC-30A remains in transition from the project phase to sustainment, with reduced fleet availability due to acquisition generated modification programs. One aircraft has deployed on operations to the Middle East. Despite the reduced aircraft numbers, an increased rate of effort is anticipated, primarily associated with operations. The variation is due to the procurement of an undercarriage set to support the KC-30A heavy maintenance program.
C-17 Heavy Air Lift Weapons System	61	61	0	The weapon system is mature and performing to expectations. The Commonwealth has continued to develop reform plans for C-17 sustainment and training and these proposals are actively in discussion with the Air Force. An increased rate of effort is anticipated due to the engagement of the aircraft in support to operations.
Special Purpose Aircraft Weapon System	48	48	0	Special Purpose Aircraft fleet performance and serviceability have been maintained at a very high level. In accordance with Government direction, aircraft lease and maintenance support arrangements have been extended with extant contractors until mid 2017.
Electronic Systems				
Wide Area Surveillance Capability	98	101	3	Replacement of cooling systems using R22 refrigerant gas; Defence Fuel Installation Audit activities at remote radar sites; and continuation of the Jindalee Operational Radar Network (JORN) Priority Industry Capability Support Program, are being successfully progressed. The variation includes additional funding brought forward into 2014-15 from 2015-16 for the JORN Priority Industry Capability Support Program to maintain a constant industry workforce, plus inclusion of the JORN solar powered generation initiative.
Command and Intelligence Systems	52	66	14	The development of the next generation deployable systems for Land and Special Forces has continued on budget and on schedule. There has also been a significant expansion of support to ADF operational commitments. The variation is due to funding provided to extend the life of type of deployable networks Nexus and Wyvern as replacements are not currently available.
Tactical Electronic Warfare Fleet	52	52	0	The provision of support to tactical electronic warfare capabilities has met all performance indicators, and the capabilities have been used successfully in training and operations. The technical refresh of air and maritime platform mission systems and smaller land capabilities continues. Technical refresh activities will address obsolescence issues and changes in target technologies.

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Battlespace Communication Systems	46	20	-26	<p>The key focus remains on planning and executing the transition of the first phase of the JP 2072, Battlespace Communications Systems (LAND), generation of communications equipment from acquisition to sustainment. A major aspect of this transition remains the establishment of mature maintenance and support contracts with Harris Corporation and Raytheon Australia. Consultation with all stakeholders is occurring to enable the timely withdrawal of current fleets as the new radios are Introduced Into Service. The current fleet is being carefully managed for cost effective support during phase out and retirement from service.</p> <p>The variation is a result of delays to the establishment of mature support contract arrangements, slippage to upgrade of the Long Range Patrol Radio, and a reduced requirement to support Combat Net Radio legacy fleets as new digital radio fleets are being Introduced Into Service.</p>
Helicopters, Tactical Unmanned Weapon Systems and Guided Weapons				
Multi Role Helicopter - MRH90	157	153	-4	<p>Recent improvements in overall spares availability has been positive enabling a substantial increase in flying rate of effort. Aircraft availability is anticipated to further improve through a reduction in the aircraft maintenance burden and resolution of reliability issues during 2014-15.</p> <p>The reduction in forecast is mainly due to foreign exchange rate movement.</p>
Guided Weapons - Navy, Army, Air Force	146	101	-45	<p>Achieving the supply and support of guided weapons for the Navy, Army and Air Force operations and raise/train/sustain activities.</p> <p>The variation is due to later deliveries against Navy Missile Test Sets and Test Set Facilities plus changes in delivery schedules for Navy and Army Guided Weapons.</p>
Armed Reconnaissance Helicopter Weapons System	114	117	3	<p>The Tiger Through Life Support Contract Strategic Review has concluded with a Deed signed in December 2014 with Airbus Group Australia Pacific. Implementation of the new contractual provisions in early 2015 will improve support and ultimately reduce the cost of ownership.</p> <p>The variation in forecast is due to additional funding provided by the Army to procure additional Hellfire launchers to meet fleet requirements and other engineering requirements, offset by reductions for foreign exchange rate movement.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
S70A-9 Black Hawk Weapons System	71	57	-14	<p>The operational Black Hawk fleet now stands at 20, with 18 aircraft assigned to the 6th Aviation Regiment at Holsworthy Barracks, New South Wales, and two aircraft are operated in the crash response role at the Army Aviation Training Centre at Oakey, Queensland. The remaining 14 aircraft are in storage.</p> <p>The variation in forecast is mainly due to savings achieved from the relocation of aircrew training from Oakey to Holsworthy and a reduction in forecasts for Crash Data recorder repairs and purchases following reassessment of requirements.</p>
MH-60R Seahawk Romeo Helicopter	62	46	-16	<p>Five MH-60R 'Romeo' helicopters are currently operating from HMAS Albatross, New South Wales, with two further aircraft due to be delivered before the end of 2014-15.</p> <p>The Maritime Helicopter Support Company has commenced in-country support to the MH-60R capability.</p> <p>The variation results from improved Foreign Military Sales budget information from the United States Government for support of this new capability.</p>
S70B-2 Seahawk Weapons System	56	57	1	<p>The 'Classic' Seahawk continues to perform as expected across 2014-15. A planned increase to the rate of effort in 2014-15 has been achieved through careful management of spares and servicing. The transition out of service has commenced with four Seahawks being withdrawn from flying operations.</p> <p>The variation is due to foreign exchange rate movement.</p>
General Manager Land and Maritime				
Land Systems				
Munitions - Navy, Army, Air Force	362	313	-49	<p>The Strategic Munitions Interim Contract, replacing the Strategic Agreement for Munitions Supply (SAMS) and the Mulwala Agreement (MA), was signed with Australian Munitions on 25 November 2014.</p> <p>The variation reflects that a majority of the potential liabilities associated with transition out of the SAMS and MA were not realised and have been removed from the estimate.</p>

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Australian Defence Organisation Commercial Vehicles Fleet	71	69	-2	<p>The Commercial Vehicle fleet continues to focus on asset utilisation. A number of under utilised vehicles have been identified for possible reallocation or disposal. Delivery of nine touring coaches is on schedule for completion this financial year.</p> <p>The variation is primarily due to the improved asset utilisation and reduced fleet size.</p>
General Service B Vehicle Fleet	56	66	10	<p>The B Vehicles fleet continues to focus on the phase-out of the Land Rovers, from 3,600 vehicles down to approximately 2,275, and the remediation of vehicles returning from Operations. In consultation with the Army, the fleet continues to implement Plan BEERSHEBA vehicle requirements and support emerging operations.</p> <p>The variation is due to increased funding to support and maintain the required B Vehicles capability and to procure an additional ten Up-Armoured Vehicles.</p>
ADF Clothing	50	51	1	<p>During 2014-15, this product has met ADF's clothing and footwear requirements and:</p> <ul style="list-style-type: none"> delivered the new Australian multicam combat uniforms and combat boots to 1,500 soldiers; taken delivery of 28,000 uniforms and issued the Air Force's general purpose uniform ahead of schedule to selected Air Force elements; issued over 28,500 pairs of the new Army parade boots; taken delivery of 16,000 Army general purpose jackets; completed the design for the Air Force general purpose jacket with initial deliveries expected in late April 2015. <p>The variation is due to increased funding for Air Force ceremonial items, Navy skivvies and other minor procurements.</p>
Maritime Systems				
Fuels and Lubricants - Navy, Army, Air Force	576	524	-52	<p>Assistance with the development of fuel installation remediation is ongoing. Long term product contracts continue to develop and the transition of fuel card contractual arrangements is progressing.</p> <p>The variation is due to lower than forecasted consumption, reduced purchases and fuel price reductions.</p>

Defence Portfolio Additional Estimates Statements 2014-15

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Anzac Class Frigate	280	294	14	<p>Ongoing support has achieved the required materiel capability of the Anzac Class Frigates.</p> <p>Planning effort has the Anzac Class Block Upgrade Program on schedule to commence in 2016. Planning for incorporation of the Maritime Communications Modernisation Project, SEA 1442 Phase 4; proposed Anzac Air Search Radar Replacement, SEA 1448 Phase 4B; and the Platform Systems Remediation program is progressing.</p> <p>The variation is due to authorised increased work at West Head Gunnery Range, Victoria, and Anti-Ship Missile Defence upgrade work on HMAS <i>Parramatta</i>.</p>
Adelaide Class Frigate	125	134	9	<p>Materielly seaworthy ships have been maintained to meet the Navy's operational requirements.</p> <p>Work will be undertaken to extend HMAS <i>Sydney</i> as an alongside harbour training ship, pending delivery of the first Air Warfare Destroyer Ship 01 <i>Hobart</i>.</p> <p>The variation is due to increased requirement for maintenance work.</p>
Canberra Class Landing Helicopter Dock (LHD)	71	69	-2	<p>The first LHD and the first four landing craft were delivered to the Navy in October 2014. All necessary contracts have been established for the effective introduction and sustainment of the LHD and associated landing craft.</p> <p>The variation resulted from a refinement of sustainment costs following acceptance of HMAS <i>Canberra</i> in October 2014.</p>
Mine Hunter Coastal	65	67	2	<p>Scheduled ship maintenance was completed to meet operational requirements. Detailed design for incorporation of a Watermist ships fire fighting system, is progressing on schedule. The combat system upgrade is on schedule with first-of-class installation completed.</p> <p>The variation is due to approved adjustments in workforce augmentation and common procurement item costs associated with a major engine overhaul brought forward to 2014-15.</p>

	Budget Estimate 2014-15 \$m	Revised Budget Estimate 2014-15 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Auxiliary Oiler Replenishment	48	45	-3	The completion of two scheduled ship maintenance periods enabled HMAS <i>Success</i> to meet all Navy operational commitments. The significant maintenance effort invested in the ship since 2012, and the conduct of corrective maintenance requirements without detriment to the ship's program resulted in an exceptional level of operational availability. The variation is due to costs for two maintenance periods being lower than expected.
General Manager Submarines				
Collins				
Collins Class Submarines	560	560	0	The Defence Materiel Organisation, ASC Pty Ltd and the Navy are working closely to achieve the agreed Collins Class Submarine performance outcomes within the allocated budget. Unscheduled repairs to HMAS <i>Waller</i> during 2014-15 and extending into 2015-16 are, however, challenging the Collins sustainment program.
Total - Top 30 Products	4,153	3,966	-187	
Other Approved Sustainment Product Estimates	1,226	1,317	91	
Total Sustainment Product Funds Available	5,379	5,283	-96	
Support to Operations	139	315	176	
Total Sustainment and Operations Funding	5,518	5,598	80	

Programme 1.3 Provision of Policy Advice and Management Services

Programme 1.3 Objective

No changes have been made to the Programme Objective since the *Portfolio Budget Statements 2014-15*.

Programme 1.3 Expenses

The nature of the costs of Programme 1.3 remains as described in the *Portfolio Budget Statements 2014-15*.

The revised planned resource use for Programme 1.3 is \$109.3m which continues to represent approximately one per cent of the DMO's total expenses. The planned resource use for Programme 1.3 includes:

- Direct appropriation of \$70.0m for policy advice and management services.
- Direct appropriation of \$27.1m relating to industry programs.
- Resources received free of charge from Defence and the Australian National Audit Office of \$11.3m.
- Other revenue of \$0.9m.
- The estimates for Programme 1.3 increased by \$3.8m since the *Portfolio Budget Statements 2014-15* largely as a result of a reallocation of Workforce and Operating Expenses between programmes to cater for variations in work effort and priorities.

Table 97: Programme 1.3 Provision of Policy Advice and Management Services

	2013-14 Actual \$'000	2014-15 Revised Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	-	894	917	2,596	963
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	93,581	97,096	92,880	95,930	108,298
Expenses not requiring appropriation in the Budget year[1]	11,653	11,261	11,515	11,776	12,043
Total Programme Expenses	105,234	109,251	105,312	110,302	121,304

Note

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

Programme 1.3 Deliverables

- No changes have been made to the Programme Deliverables since the *Portfolio Budget Statements 2014-15*.

Programme 1.3 Key Performance Indicators

- No changes have been made to the Programme Key Performance Indicators since the *Portfolio Budget Statements 2014-15*.

Section 3: DMO 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 98 shows the expected additions (receipts) and reductions (payments) for each account used by the DMO. The corresponding table in the 2014-15 PB Statements is Table 92.

Table 98: Estimates of Special Account Flows and Balances

		Opening	Receipts	Payments	Adjustments	Closing
		2014-15	2014-15	2014-15	2014-15	2014-15
		2013-14	2013-14	2013-14	2013-14	2013-14
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Defence Materiel Special Account (A & D)	1	329,116	12,407,412	12,403,311	-	333,217
		247,136	10,992,822	10,910,842	-	329,116
Total Special Accounts 2014-15		329,116	12,407,412	12,403,311	-	333,217
<i>2013-14 actual</i>		<i>247,136</i>	<i>10,992,822</i>	<i>10,910,842</i>	<i>-</i>	<i>329,116</i>

Notes

(A) = Administered

(D) = Departmental

Receipts and payments for 2014-15 includes \$59.631m on behalf of foreign Governments.

3.1.2 Australian Government Indigenous Expenditure

The 2014-15 Australian Indigenous Statement is not applicable to the DMO as it has no specific indigenous expenditure. The DMO participates in the wider Departmental Indigenous Programmes.

3.1.3 Grants

Table 99 shows Approved Grants for 2014-15. Detailed information on Grant Programmes and recipients can be found at:

<www.defence.gov.au/dmo/DoingBusiness/Industry/SkillingDefenceIndustry/SkillingAustralianDefenceIndustry/Default>

<www.defence.gov.au/dmo/DoingBusiness/Industry/IndustrySupportPrograms/PriorityIndustryCapabilityInnovationProgram/>

<www.defence.gov.au/dmo/DoingBusiness/Industry/SkillingDefenceIndustry/IndustrySkillingProgramEnhancement/Default>

<www.defence.gov.au/dmo/DoingBusiness/Industry/IndustrySupportPrograms/NACC-ISP/default>

Table 99: Approved Grants for 2014-15

	2013-14 Actual Expenses \$'000	2014-15 Revised Estimated Expenses \$'000
Skilling Australia's Defence Industry (SADI)	7,348	5,300
Priority Industry Capability Innovation Program (PIC IP)	3,545	2,763
Industry Skilling Programme Enhancement (ISPE)	1,478	894
New Air Combat Capability Industry Support Program (NACC ISP)	629	1,513
Total	13,000	10,470

3.2 DMO BUDGETED FINANCIAL STATEMENTS

3.2.1 Budgeted Financial Statements Tables

Table 100: Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June

	2013-14 Actual Result \$'000	2014-15 Revised Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
EXPENSES					
Employee benefits	558,919	531,368	557,670	572,135	578,081
Supplier expenses	9,738,994	11,682,777	12,617,013	12,275,657	13,808,579
Grants	13,000	10,470	8,599	9,870	8,598
Depreciation and amortisation	989	1,326	1,346	1,380	1,415
Write-down and impairment of assets	3,461	-	-	-	-
Foreign Exchange Losses	18,057	-	-	-	-
Other Expenses	20	-	-	-	-
Total expenses	10,333,440	12,225,941	13,184,628	12,859,042	14,396,673
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	9,464,685	11,311,744	12,237,534	11,866,400	13,371,079
Interest	1,251	-	-	-	-
Other revenue	32,142	34,605	35,443	37,958	37,182
Total own-source revenue	9,498,078	11,346,349	12,272,977	11,904,358	13,408,261
Gains					
Other gains	4	-	-	-	-
Total gains	4	-	-	-	-
Total own-source income	9,498,082	11,346,349	12,272,977	11,904,358	13,408,261
Net cost of (contribution by) services	835,358	879,592	911,651	954,684	988,412
Revenue from Government	907,791	879,592	911,651	954,684	988,412
Surplus (Deficit) attributable to the Australian Government	72,433	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	38	-	-	-	-
Total other comprehensive income	38	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	72,471	-	-	-	-

Table 101: Budgeted Departmental Balance Sheet (as at 30 June)

	2013-14 Actual Result \$'000	2014-15 Revised Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	122,628	130,000	130,000	130,000	130,000
Trade and other receivables	733,299	465,834	422,935	366,515	362,009
Total financial assets	855,927	595,834	552,935	496,515	492,009
Non-financial assets					
Property, plant and equipment	5,061	5,061	5,061	5,061	5,061
Intangibles	13	-	-	-	-
Other non-financial assets	1,383,350	1,538,759	1,538,759	1,538,759	1,538,774
Total non-financial assets	1,388,424	1,543,820	1,543,820	1,543,820	1,543,835
Total assets	2,244,351	2,139,654	2,096,755	2,040,335	2,035,844
LIABILITIES					
Payables					
Suppliers	1,341,482	1,380,997	1,380,997	1,380,997	1,380,997
Grants	5,733	5,733	5,733	5,733	5,733
Other payables	238,554	92,722	43,507	15,924	4,699
Total payables	1,585,769	1,479,452	1,430,237	1,402,654	1,391,429
Provisions					
Employee provisions	180,415	182,035	188,351	194,873	201,607
Other provisions	3,024	3,024	3,024	3,024	3,024
Total provisions	183,439	185,059	191,375	197,897	204,631
Total liabilities	1,769,208	1,664,511	1,621,612	1,600,551	1,596,060
NET ASSETS	475,143	475,143	475,143	439,784	439,784
EQUITY					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves	290	290	290	290	290
Retained surplus (accumulated deficit)	319,485	319,485	319,485	284,126	284,126
Total parent entity interest	475,143	475,143	475,143	439,784	439,784
Total equity	475,143	475,143	475,143	439,784	439,784

Table 102: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2014-15)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2014				
Balance carried forward from previous period	319,485	290	155,368	475,143
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	319,485	290	155,368	475,143
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 (DCB)	-	-	-	-
Sub-total transaction with owners	-	-	-	-
Estimated closing balance as at 30 June 2015	319,485	290	155,368	475,143

Table 103: Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June)

	2013-14 Actual Result \$'000	2014-15 Revised Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	9,997,310	11,474,404	12,237,556	11,948,691	13,420,480
Appropriations	905,499	875,504	924,343	945,538	981,513
Net GST received	627,756	827,040	881,378	858,560	965,447
Other cash received	4,818	894	917	2,596	963
Total cash received	11,535,383	13,177,842	14,044,194	13,755,385	15,368,403
Cash used					
Employees	551,862	527,280	570,362	562,989	571,182
Suppliers	9,820,589	11,804,367	12,582,509	12,255,283	13,783,524
Grants	12,378	10,470	8,599	9,870	8,598
Net GST paid	630,009	827,040	881,378	858,560	965,447
Funds returned to Defence and OPA	491,662	-	-	-	-
Other cash used	1	-	-	67,303	38,237
Total cash used	11,506,501	13,169,157	14,042,848	13,754,005	15,366,988
Net cash from (used by) operating activities	28,882	8,685	1,346	1,380	1,415
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	528	-	-	-	-
Total cash Received	528	-	-	-	-
Cash used					
Purchase of property, plant and equipment	1,124	1,313	1,346	1,380	1,415
Total cash used	1,124	1,313	1,346	1,380	1,415
Net cash from (used by) investing activities	-596	-1,313	-1,346	-1,380	-1,415
Net increase (decrease) in cash held	28,286	7,372	-	-	-
Cash and cash equivalents at the beginning of the reporting period	94,342	122,628	130,000	130,000	130,000
Cash and cash equivalents at the end of the reporting period	122,628	130,000	130,000	130,000	130,000

Table 104: Departmental Capital Budget Statement

	2013-14 Actual Result \$'000	2014-15 Revised Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^[1]	1,124	1,313	1,346	1,380	1,415
Total	1,124	1,313	1,346	1,380	1,415
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	1,124	1,313	1,346	1,380	1,415
Total cash used to acquire assets	1,124	1,313	1,346	1,380	1,415

Note

1. Includes the following sources of funding:

- annual and prior year appropriations
- donations and contributions
- gifts
- internally developed assets
- s74 Retained Revenue Receipts
- proceeds from the sale of assets.

Table 105: Statement of Asset Movements (2014-15)

	Asset Category		
	Other Property, Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2014			
Gross book value	7,218	292	7,510
Accumulated depreciation/amortisation and impairment	-2,157	-279	-2,436
Opening net book balance	5,061	13	5,074
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - internal sources	1,313	-	1,313
Total Additions	1,313	-	1,313
Other Movements			
Depreciation and amortisation	-1,313	-13	-1,326
Total other movements	-1,313	-13	-1,326
As at 30 June 2015			
Gross book value	8,531	292	8,823
Accumulated depreciation/amortisation and impairment	-3,470	-292	-3,762
Closing net book value	5,061	-	5,061

3.2.2 Analysis of Budgeted Financial Statements

Revisions to the budgeted financial statements for the DMO since *Portfolio Budget Statements 2014-15* are presented in this section.

Income Statement

Analysis of the comprehensive income statement (Table 100) shows a difference of \$1,892.5m between the revised estimate of \$12,225.9m, and the 2013-14 actual expenses of \$10,333.4m. This difference is a result of increased capital investment and sustainment activity and supplementation of foreign exchange movements.

There has been a decrease in DMO's total estimated income for 2014-15 of \$354.1m since the *Portfolio Budget Statement 2014-15* largely as a result of the following:

- a reduction of \$246.4m by Defence of the estimated value of major and minor projects to be approved and transferred to the DMO for delivery during the remainder of 2014-15
- a reduction in payments required from Defence for approved major projects of \$144.4m reflecting the higher outcome achieved in 2013-14
- a net decrease in sustainment funding of \$96.6m reflecting changed customer demand and requirements
- a \$45.7m reduction to the provision for Net Personnel and Operating costs in support of new capabilities expected to enter service
- a reduction to estimates for directly appropriated workforce and operating expenses of \$1.4m due to minor functional transfers to Defence.

These decreases were offset by:

- additional funding of \$175.2m for support of current ADF operations
- additional funding of \$5.1m due to foreign exchange rate movements.

Balance Sheet

The balance sheet has been updated to reflect the 2013-14 audited financial statements and adjustments to the income statement as described above.

Statement of Cash Flows

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

3.2.3 Administered Budgeted Financial Statements Tables

Table 106: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the Period Ended 30 June)

	2013-14 Actual Result \$'000	2014-15 Revised Budget \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	67	-	-	-	-
Other	1,961	250	250	250	250
Total Non-taxation	2,028	250	250	250	250
Total own-sourced income administered on behalf of Government	2,028	250	250	250	250
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Foreign Exchange losses	38	-	-	-	-
Total expenses administered on behalf of Government	38	-	-	-	-

Table 107: Schedule of Budgeted Assets and Liabilities on Behalf of Government (as at 30 June)

	2013-14 Actual Result \$'000	2015-16 Revised Budget \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	1,502	1,502	1,502	1,502	1,502
Total Financial assets	1,502	1,502	1,502	1,502	1,502
Total Assets administered on behalf of Government	1,502	1,502	1,502	1,502	1,502
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other Payables	1,539	1,539	1,539	1,539	1,539
Total Financial assets	1,539	1,539	1,539	1,539	1,539
Total Assets administered on behalf of Government	1,539	1,539	1,539	1,539	1,539

Table 108: Schedule of Budgeted Administered Cash Flows (for the Period 30 June)

	2013-14 Actual Result \$'000	2014-15 Revised Budget \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	73	-	-	-	-
Levies	2,474	-	-	-	-
Other	1,539	250	250	250	250
Total Cash received	4,086	250	250	250	250
Net cash from or (used by) operating activities	4,086	250	250	250	250
Net increase (decrease) in cash held and cash equivalents held	4,086	250	250	250	250
Cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash from the Official Public Account for return of administrative receipts	191	-	-	-	-
Cash to the Official Public Account for:					
- Transfers to other entities (Finance - Whole of Government)	4,277	250	250	250	250
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.3 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 2014-15*.

